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DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

P.O. Box 690, Jefferson City, Mo. 65102-0690

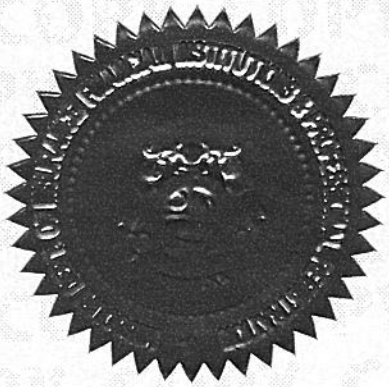
RE: Examination Report of Good Health HMO, Inc. for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of Good Health HMO, Inc. for the period ended December 31, 2012, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, John M. Huff, Director, Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo., adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, management and control, fidelity bond and other insurance, pension, stock ownership and insurance plans, territory and plan of operations, growth of the company and loss experience, reinsurance, accounts and records, statutory deposits, financial statements, financial statement changes resulting from examination, and comments on financial statement items.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Good Health HMO, Inc. as of December 31, 2012, be and is hereby ADOPTED as filed and for Good Health HMO, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) implement, and verify compliance with each item, if any, mentioned in the Comments on Financial Statement Items and/or Summary of Recommendations section of such report; (2) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 23rd day of December, 2013.



John M. Huff, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF THE

FINANCIAL EXAMINATION OF

Good Health HMO, Inc. d/b/a Blue Care, Inc.

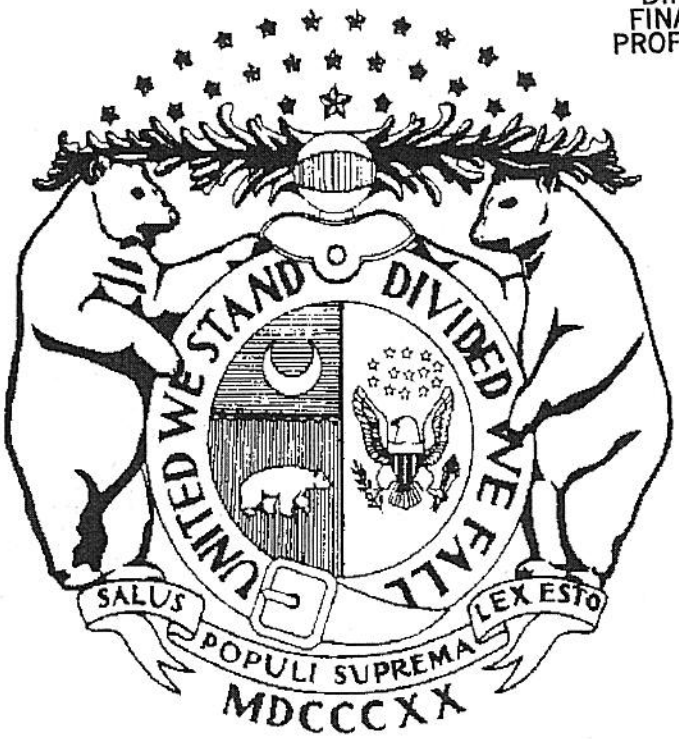
AS OF

DECEMBER 31, 2012

FILED

JAN 0 2 2014

DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Kansas City, MO
November 3, 2013

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Huff:

In accordance with your financial examination warrant, a full scope financial association examination has been made of the records, affairs and financial condition of

Good Health HMO, Inc. d/b/a Blue Care, Inc.

hereinafter referred to as Good Health or as the Company. Its main administrative office is located at 2301 Main Street, Kansas City, MO 64108. The fieldwork for this examination began on December 3, 2012, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Good Health HMO, Inc. d/b/a Blue Care, Inc. The last examination of the Company was also performed by the DIFP as of December 31, 2007. This current examination covers the period of January 1, 2008 through December 31, 2012.

This examination was performed concurrently with the examination of the Company's parent, Blue Cross and Blue Shield of Kansas City (BCBSKC) and its other affiliates: Blue Advantage Plus of Kansas City, Inc. (BA+) and Missouri Valley Life and Health Insurance Company (Missouri Valley).

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2012.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook), except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, inherent risks within the Company, system controls, and procedures used to mitigate those risks. This examination also included assessing

the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and annual statement instructions.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. The key activities identified in the examination of Good Health were as follows:

- Investments
- Premiums
- Provider Relations
- Claims Handling
- Reserving
- Taxes
- Related Parties
- Underwriting
- Expenses

Reliance Upon Others

The examination relied upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, Ernst & Young, LLP of Kansas City, Missouri for its audit covering the period from January 1, 2011 through December 31, 2011 and Blue Cross and Blue Shield of Kansas City's, Internal Audit Department. Information relied upon included fraud risk analysis; process narratives; control testing for investments, premiums, claims, and taxes.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

SUBSEQUENT EVENTS

There were no significant subsequent events noted from December 31, 2012 through the date of this report.

CORPORATE HISTORY

General

Good Health does business as Blue Care, Inc. The Company was incorporated on October 21, 1988, under the general business laws of Missouri. On February 16, 1990, the Missouri Department of Insurance granted the Company a certificate of authority to operate as a Health Maintenance Organization (HMO) under the provisions of the Missouri Revised Statutes Chapter 354 (Health Services Corporations--Health Maintenance Organizations). The Company operates as an Individual Practice Association model HMO, providing comprehensive health care services to its members on a prepaid basis.

Good Health is wholly owned by Blue Cross and Blue Shield of Kansas City, which is dually licensed as a Health Maintenance Organization and a Health Services Corporation in the State of Missouri. Additionally, Good Health owns a 1% interest in New Directions Behavioral Health, LLC and The EPOCH Group, LC.

Capital Contributions

The Company received no capital contributions during the period under examination.

Dividends

No dividends were declared or paid during the examination period.

Mergers and Acquisition

There were no mergers significant to Good Health during the period under examination

CORPORATE RECORDS

The Company's Articles of Consolidation and Incorporation and its Bylaws were reviewed for the period under examination. Neither the Articles of Consolidation and Incorporation nor the Bylaws were amended during the examination period.

The minutes, for both the Board of Directors and shareholders, were reviewed for proper approval of corporate transactions. In general, the minutes appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Board of Directors

The management of the Company is vested in a Board of Directors. The Company's Articles of Consolidation and Incorporation and its Bylaws specify that the number of directors shall be fixed at five, which may be increased or decreased by future action of the Board; however, the number shall not be less than three. As of December 31, 2012 there were five directors serving on the Board. The Directors elected and serving as of December 31, 2012, were as follows:

Name	Residential Address	Principal Occupation and Business Affiliations
Danette K. Wilson	Kansas City, MO	President and CEO, Good Health and Group Executive of External Operations & Chief Marketing Officer, BCBSKC
Richard J. Kastner	Leawood, KS	Secretary, Group Executive and General Counsel, BCBSKC
Bryan R. Camerlinck	Overland Park, KS	Treasurer and Group Executive, Financial & Internal Operations and Chief Financial Officer, BCBSKC
Brian M. Burns	Mission Hills, KS	President, BA+ and Chief Health Services Executive, BCBSKC
Kevin P. Sparks	Olathe, KS	President, Missouri Valley and Chief Strategy Officer and Group Executive, BCBSKC

Committees

The Company does not have any committees and utilizes the committees of its parent, BCBSKC, to manage the operations of the business.

Officers

The Board of Directors annually elects various Company officers, as required by the Bylaws. The President and Chief Executive Officer will supervise the day to day operations of the Company as directed by the Board of Directors. The senior officers elected and serving as of December 31, 2012, were as follows:

Danette K. Wilson	President and CEO
Richard J. Kastner	Secretary
Thomas E. Nightingale	Actuary
Bryan R. Camerlinck	Treasurer

Holding Company, Subsidiaries, and Affiliates

The Company is a member of an Insurance Holding Company System as defined by Section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Good Health's parent, BCBSKC, on behalf of itself, Good Health, and its other subsidiaries for each year of the examination period.

Good Health is 100% owned by BCBSKC, which is a not-for-profit, health care insurer that is domiciled in the State of Missouri. BCBSKC has no stockholders or other ownership. Good Health is ultimately controlled by the Board of Directors of BCBSKC.

BCBSKC has several subsidiaries that all have businesses involved in or related to the health care industry. These subsidiaries are described as follows:

- Good Health HMO, Inc. d/b/a Blue Care, Inc., Blue Advantage Plus of Kansas City, Inc. and Missouri Valley Life and Health Insurance Company are Missouri domiciled insurers. BCBSKC owns 100% interest in these Missouri domiciled subsidiaries.

- Financial Associates Midwest, Inc. (FAM) is a brokerage company specializing in group and individual health products, life, dental, disability, and retirement annuities. BCBSKC owns 100% interest in FAM.

- Capri Holding Company, LLC (Capri) is a holding company for Topaz Shared Services, LLC. BCBSKC owns 100% interest in Capri.

- Topaz Shared Services, LLC (Topaz) is a joint effort between the Company and Blue Cross and Blue Shield of North Carolina to collaborate in providing information technology services and resources for claims processing, enrollment, and billing for individual and small group markets. BCBSKC owns 50% interest in Topaz.

- Cobalt Ventures, LLC (Cobalt) is a holding company and directly holds BCBSKC interest in its non-insurance subsidiaries. The entities held are NDBH Holding Company LLC, The EPOCH Group, LC, Preferred Health Professionals LLC, CompAlliance, LLC, and Cobalt Talon LLC. BCBSKC owns 100% interest in Cobalt Ventures, LLC.

- The EPOCH Group, LC (EPOCH) provides administrative services for third-party employers that have self-funded health insurance programs. Cobalt Ventures owns 99% interest in EPOCH and Good Health owns the remaining 1% interest.

- Preferred Health Professionals, LLC (PHP) provides network rental and medical management services for groups and third-party administrators. BCBSKC owns 100% interest in PHP.

- The Astra Group, Inc. (Astra) is a human resources outsourcing provider that offers services such as employee administration, compliance and risk management, audits and reporting, recruiting and hiring, custom policies and best practices, performance management, training and development, benefit packages, and payroll and tax administration. BCBSKC owns 55% interest in Astra.

- Cobalt Talon, LLC (Cobalt Talon) is involved in professional, technical, and scientific services. It provides analytic services to the health care industry by offering business intelligence through customized software service solutions. BCBSKC owns 50% interest in Cobalt Talon.

- NDBH Holding Company, LLC (NDBH HoldCo) is a holding company that owns NDBH. BCBSKC owns 65% interest in NDBH HoldCo.

- New Directions Behavioral Health, LLC (NDBH) manages behavioral health benefits and operates an employee assistance program. BCBSKC owns 99% interest in NDBH.

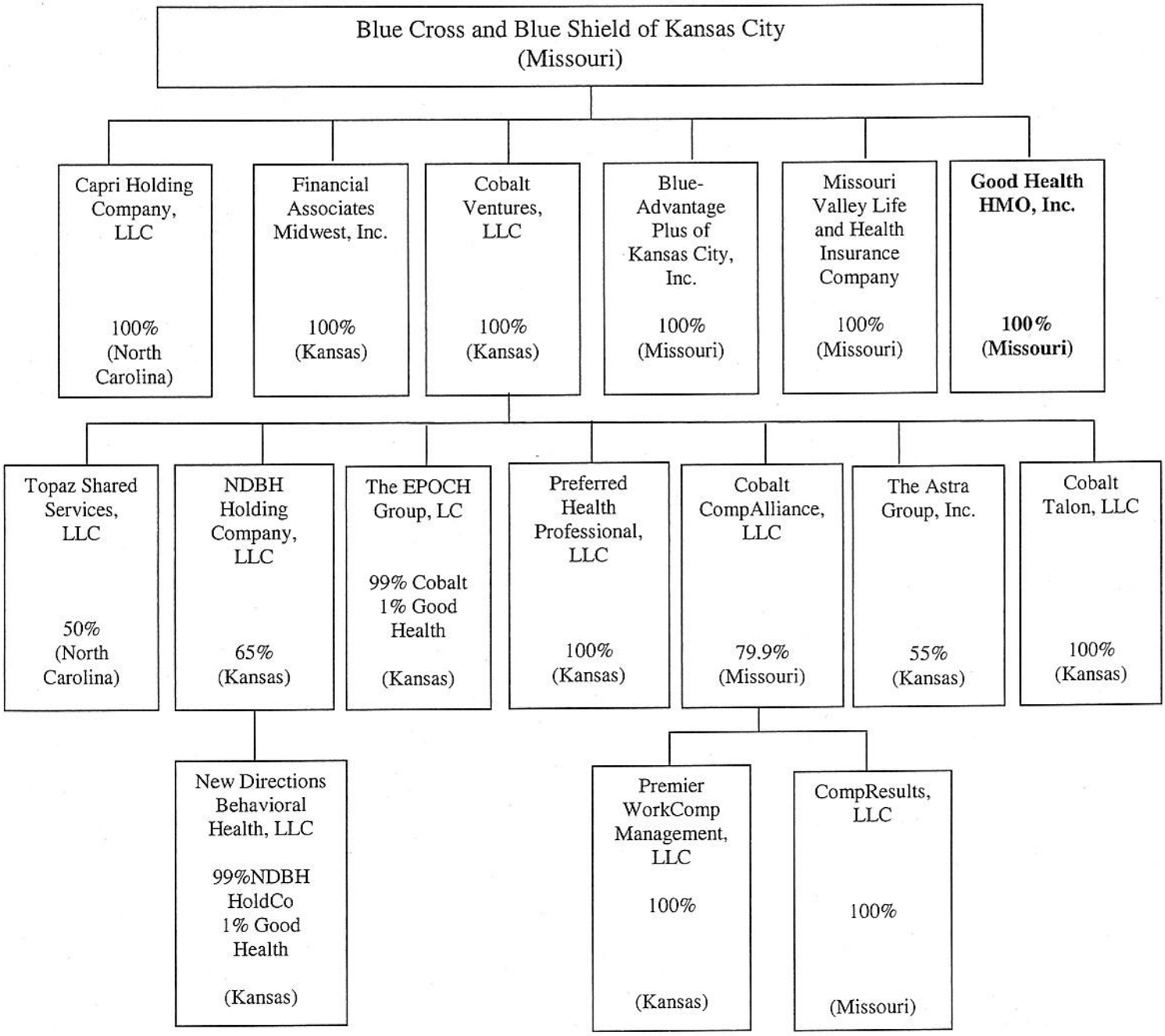
- Cobalt CompAlliance, LLC (CompAlliance) is a holding company for Premier WorkComp Management, LLC and CompResults, LLC. BCBSKC owns 79.9% interest in CompAlliance.

- Premier WorkComp Management, LLC (PWC) is a PPO network used exclusively for the treatment of work-related injuries and illnesses. BCBSKC owns 100% interest in PWC.

- CompResults, LLC (CompResults) is a PPO network used exclusively to bring workers' compensation cost containment solutions to employers and payers. BCBSKC owns 100% interest in CompResults.

Organizational Chart

The following organizational chart depicts BCBSKC's ownership and holding company system, as of December 31, 2012:



Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2012, are outlined below:

1. **Type:** Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return
   Affiliates: BCBSKC, Missouri Valley, BA+, Capri, and FAM
   Effective: March 19, 2012
   Terms: BCBSKC will file a consolidated federal tax return for itself and its subsidiaries. The tax liability for each subsidiary shall be based upon each subsidiary's taxable income or loss as reflected in the consolidated financial statements. Each subsidiary will pay its federal income taxes to BCBSKC. BCBSKC will collect and remit any tax refunds to the subsidiaries.

   This agreement replaced an agreement effective January 3, 2008. The only difference between the two is the addition of Capri and FAM.

2. **Type:** Administrative Services Agreement
   Affiliate: BCBSKC
   Effective: August 1, 2009
   Terms: BCBSKC agrees to provide the following administrative services: accounting, budgeting, payroll, personnel, office space, utilities, maintenance, claims processing, purchasing, legal, actuarial, underwriting, cash management, investment, marketing, data processing, and other services. Good Health will pay BCBSKC the actual expenses incurred for the services provided.

   This agreement replaced an agreement effective August 1, 2006. This agreement added the service of tracking and allocating premium revenue between accounts that purchase both BCBSKC and Good Health benefit plans and have retrospective or contingent premium arrangements.

3. **Type:** Ancillary Provider Agreement
   Affiliates: BCBSKC, NDBH, BA+, and Missouri Valley
   Effective: January 1, 2006, amended June 1, 2006, amended effective October 1, 2007 and amended June 1, 2008
   Terms: NDBH agrees to manage and/or arrange for the provision of behavioral health and substance abuse services for BCBSKC's members and the members of BCBSKC's subsidiaries. NDBH will provide for the credentialing reviews of the providers. BCBSKC will pay NDBH a capitation payment each month that is determined by the per member per month rates specified in the agreement. The rates vary between products sold by BCBSKC and its subsidiaries.

   The June 1, 2008 amendment requires NDBH to provide employee assistance program services to small group accounts, as identified by BCBSKC on a monthly basis, under similar terms and conditions as the large group accounts included in the Agreement.

The October 1, 2007 amendment changed fees related to employee assistance program services. Additionally, the amendment includes a provision to renegotiate rates to ensure that the affiliated insurers have the most favorable HMO or PPO rates of those charged to other customers of NDBH for the same or similar services.

The June 1, 2006 amendment removed claims processing services, revised the rates, and added a risk sharing arrangement for certain HMO products.

4. **Type:** Agreement for the Management of Intercompany Payables and Receivables
   Affiliates: BCBSKC, Missouri Valley, and BA+
   Effective: August 1, 2006, restated effective March 1, 2009
   Terms: BCBSKC shall pay the payables and collect the receivables for its subsidiaries. Separate accounting records will be maintained for the transactions for each subsidiary. Transfers of funds to or from the subsidiaries will be made to minimize uninvested cash balances and to minimize the receivable or payable balance with each subsidiary. BCBSKC shall settle all intercompany payables and receivables within ninety days following receipt by BCBSKC.

   BCBSKC shall pool and retain the consolidated funds resulting from these transactions and invest the pooled funds. BCBSKC shall pay interest or receive interest each month from the subsidiaries based on the intercompany balance of each subsidiary. The interest rate shall be the applicable federal rate determined by the most recently published Internal Revenue Service Revenue Ruling. The agreement was restated to remove the specific exclusion for the Missouri Valley direct enrollment PPO, to change the duration of the agreement to extend to December 31, 2009 with automatic renewals for subsequent one year terms, and include a specific exclusion for Missouri Medicaid payments that are directly deposited into a BA+ bank account.

5. **Type:** Health Management Agreement
   Affiliates: BCBSKC and NDBH
   Effective: April 1, 2007 and Amendment #1 Effective February 1, 2010 and Amendment #2 effective January 1, 2011
   Terms: NDBH agrees to provide health coaching services to BCBSKC and Good Health members. The Insurers shall pay a fee of $1.00 per employee per month for members of groups and non-members or non-covered employees participating in A Healthier You program. Customization or development of program models, reports, or systems will be billed to the Insurers on a cost plus basis.

   Amendment #1 redefined the services provided by NDBH to include only one model of telephonic coaching for the services.

   Amendment #2 changed the fee to be paid by the Insurers.

6. **Type:** Professional Services Agreement
   Affiliates: BCBSKC, Missouri Valley, BA+ and Cobalt Talon
   Effective: June 1, 2012
   Terms: Under the terms of the Agreement, Cobalt Talon will provide contract labor services as set forth for each service specified in a SOW.

7. **Type:** Guarantor Agreement
   Affiliate: BCBSKC
   Effective: January 1, 1993
   Terms: In the event of the insolvency of Good Health, BCBSKC agrees to provide Good Health whatever guarantee or coverage that is necessary to meet all applicable requirements of its business as a state-qualified HMO. This coverage will provide for the continuation of covered benefits to Good Health's members and pay provider expenses, as defined in the agreement.

8. **Type:** Service Agreement
   Affiliates: NDBH, BCBSKC, Good Health, BA+ and Missouri Valley
   Effective: March 1, 2010
   Terms: Under the terms of the Agreement, BCBSKC shall be responsible for receiving, processing, and adjudicating claims for NDBH for HMO members in accordance with Exhibit Two of NDBH's Ancillary Provider Agreement per agreement #3 above.

Intercompany Receipts and Payments

The following table summarizes the (receipts) and payments made during the examination period, between Good Health and its subsidiaries pursuant to the agreements summarized above.

	2012	2011	2010	2009	2008
Agreement for Sharing of Income Taxes Paid (Received) to/from BCBSKC	($2,718,820)	($575,794)	$5,858,694	$8,475,730	$3,995,900
Administrative Services Agreement Paid to BCBSKC	44,119,642	43,363,454	39,273,615	37,326,181	36,484,731
Ancillary Provider Network Agreement Paid to BCBSKC for Services provided by NDBH	7,105,057	7,373,573	6,101,502	6,233,745	5,856,261
Management of Intercompany Payables/Receivables Paid (Received) to/from BCBSKC	6,849	(5,210)	(6,129)	(4,749)	(60,620)
Health Management Agreement Paid to BCBSKC for Services provided by NDBH	475,984	488,250	0	6,642	95,614
Professional Services Agreement Paid to BCBSKC for Services provided by Cobalt Talon	125,087	0	0	0	0
Net amount paid or (received)	**$49,113,799**	**$50,644,273**	**$51,227,682**	**$52,037,549**	**$46,371,886**

FIDELITY BOND AND OTHER INSURANCE COVERAGES

Good Health is a named insured, along with Blue Cross and Blue Shield of Kansas City and other identified subsidiaries, on a financial institution bond with a liability limit of $10,000,000 and a single loss deductible of $150,000. This coverage complies with the suggested minimum amount of fidelity bond, according to NAIC guidelines.

The Company is also a named insured on the following insurance policies: Commercial Property, Commercial General Liability, Business Auto, Commercial Umbrella Liability, Excess Liability, Financial Institution Electronic and Computer Crime, Fiduciary Liability, Worker's Compensation, Directors' and Officers' and Errors and Omissions.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Good Health does not have any direct employees. All of the operational and administrative functions of Good Health are performed by the employees of the ultimate parent, BCBSKC. The Company is allocated a percentage of the benefit costs for BCBSKC employees, pursuant to an Administrative Service Agreement.

INSURANCE PRODUCTS AND RELATED PRACTICES

Territory and Plan of Operation

Good Health is licensed as a Health Maintenance Organization by the DIFP under Chapter 354 RSMo (Health Service Corporations – Health Maintenance Organizations – Prepaid Dental Plans). The Company is also a licensed insurer in the State of Kansas. The Company's service territory is concentrated in the Kansas City, Missouri metropolitan area and Northwest Missouri, which includes 9 counties in Missouri and 2 counties in Kansas. As of December 31, 2012, total membership was approximately 106,000.

The Company's HMO product is sold on an individual and group basis and is marketed under the "Blue Care" name. The Company also has "Cost Plus" business, which provides administrative services for self-insured groups. Some of these groups are partially insured by the Company through stop-loss coverages.

Third-party agents and brokers are utilized to obtain group business. The parent, BCBSKC, also has a staff of sales employees that sell Good Health's individual and group business. BCBSKC has its own marketing employees to promote the Blue Care product. Marketing methods include the use of television, radio, newspaper, and magazine advertisements, billboards, direct mail, and telemarketing.

GROWTH OF THE COMPANY AND LOSS EXPERIENCE

Growth of the Company

The Company reported positive operating results, with underwriting gains and net income resulting in annual increases to total admitted assets and capital and surplus in four of the five

years under examination. Total revenues peaked in 2009 and have subsequently decreased as groups are converted from fully insured plans to administrative services only plans. The decrease in premiums experienced by the Company resulted in underwriting losses in 2011 and 2012. The Company's capital and surplus increased $18,514,379 or 33.1% since December 31, 2008.

The table below summarizes the Company's growth in total admitted assets, total liabilities, total capital and surplus, total revenues, net underwriting gain, and net income for the period under examination:

	2012	2011	2010	2009	2008
Total Admitted Assets	$118,819,495	$119,727,923	$113,821,909	$113,767,081	$101,245,818
Total Liabilities	44,359,456	40,083,719	42,960,207	42,766,892	45,300,158
Total Capital and Surplus	74,460,039	79,644,204	70,861,702	71,000,189	55,945,660
Total Revenues	389,409,983	401,899,707	422,329,035	434,106,799	394,058,925
Net Underwriting Gain	(11,604,473)	(4,431,497)	5,818,433	19,370,734	9,341,205
Net Income	(5,136,925)	635,574	7,495,622	15,556,502	8,347,464

Loss Experience

The Company's medical loss ratio gradually increased during the examination period. The decline in membership experienced by the Company during the examination period was not accompanied by a proportionate decrease in healthcare costs resulting in steady increases to the medical loss ratio. The Company's loss results are consistent with the industry, which as a whole experienced significant growth in healthcare costs during the examination period.

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2012	$389,409,983	$354,121,762	90.9%
2011	401,899,707	359,900,781	89.5%
2010	422,329,035	372,909,082	88.3%
2009	434,106,799	370,643,706	85.4%
2008	394,058,925	342,551,197	86.9%

REINSURANCE

General

The Company's premium activity on a direct written, assumed and ceded basis, for the period under examination, is detailed below:

	2012	2011	2010	2009	2008
Direct Business	$390,913,537	$401,682,180	$423,089,267	$433,735,180	$397,669,709
Reinsurance Ceded:					
Affiliates	0	0	0	0	0
Non-affiliates	(418,942)	(527,357)	(666,659)	(909,431)	(761,673)
Net Premiums Written	**$390,494,595**	**$401,154,823**	**$422,422,608**	**$432,825,749**	**$396,908,036**

Assumed

The Company does not assume any business.

Ceded

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

BCBSKC together with BA+ and Good Health are reinsured by an excess of loss agreement with BCS Insurance Company (BCS). BCS is domiciled in the State of Ohio and is licensed as a property and casualty company with an accident and health line in the State of Missouri.

Services reinsured are those provided to Individual Child Only Commercial PPO, Other than Individual Child Only Commercial PPO (including Individual Group PPO, Stop Loss, Major Medical, and traditional coverages, including TPA processed business, identified as Preferred Care and Preferred Care Blue), Commercial HMO, Commercial Point-of-Service, and Medicaid members.

The Company's specific retention is $500,000 per covered individual per contract period for Individual Child Only Commercial PPO members, $1 million for Other than Individual Child Commercial PPO and Commercial HMO/POS members, and $875,000 for Medicaid members. The Agreement includes corridor retention of $880,000 for Commercial HMO/POS members and $1 million for other than individual child only PPO members and an excess retention of 0%. The reinsurer will reimburse for claims up to a maximum of $1.5 million per covered individual for each aggregate period for individual child only Commercial PPO, a maximum of $1 million for other than individual child only Commercial PPO and Commercial HMO/POS members, and a maximum of $1,125,000 for Medicaid members.

ACCOUNTS AND RECORDS

Policy management, claims management, and producer management utilize Facets from TriZetto, a Sybase application. Financial reporting and reinsurance management utilize the PeopleSoft software application, a Microsoft SQL-based application. Investment and fund management are handled through SunGard iWorks, which is a web-based Microsoft SQL application that is updated by SunGard.

The Company's financial statements for all years in the examination period were audited by the Certified Public Accounting firm of Ernst & Young, LLP of Kansas City, Missouri. The actuarial opinion regarding the Company's loss reserves, actuarial liabilities, and related items for all years in the examination period was issued by Darrell D. Knapp, FSA, MAAA, of Ernst & Young, LLP, of Kansas City, Missouri.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the DIFP as of December 31, 2012, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with RSMo Section 354.410 (Certificate issued, when--annual deposits, requirements, capital account, amount, contents). The Company's required deposit was $300,000. The funds on deposit were as follows:

Description	Par Value	Fair Value	Book/Adjusted Carrying Value
U.S. Treasury Notes	$ 302,000	$ 302,274	$ 303,080

Deposits with Other States

The Company does not have any funds on deposit with other states.

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Good Health for the period ending December 31, 2012. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on Financial Statement Items". The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items". These differences were determined to be immaterial concerning their effect on the financial statements, and therefore; were only communicated to the Company and noted in the workpapers for each individual activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	$ 87,103,005	$ -	$ 87,103,005
Preferred Stocks	118,306	-	118,306
Cash, Cash Equivalents and Short-term Investments	2,367,169	-	2,367,169
Other Invested Assets	146,339	146,339	-
Investment Income Due and Accrued	488,065	-	488,065
Uncollected Premiums and Agents' Balances in Course of Collection	14,405,548	34,136	14,371,412
Amounts Receivable Relating to Uninsured Plans	12,767,994	1,000	12,766,991
Receivable from Parent, Subsidiaries and Affiliates	423,544	-	423,544
Health Care and Other Amounts Receivable	1,241,482	60,482	1,181,000
TOTAL ASSETS	**$ 119,061,452**	**$ 241,957**	**$ 118,819,495**

Liabilities, Surplus and Other Funds

Claims Unpaid	$ 27,996,841
Unpaid Claims Adjustment Expenses	957,060
Aggregate Health Policy Reserves	2,373,745
Premiums Received in Advance	1,341,402
General Expenses Due or Accrued	2,547,507
Current Federal and Foreign Income Tax Payable and Interest Thereon	1,845,859
Amounts Due to Parent, Subsidiaries and Affiliates	7,113,332
Payable for Securities	2,148
Uncashed Checks Pending Escheatment to State	181,562
TOTAL LIABILITIES	$ 44,359,456
Common Capital Stock	1,000,000
Gross Paid In and Contributed Surplus	3,035,931
Unassigned Funds (Surplus)	70,424,108
TOTAL SURPLUS	$ 74,460,039
TOTAL LIABILITIES AND SURPLUS	**$118,819,495**

Statement of Income

Net Premium Income	$ 390,494,595
Change in Unearned Premium Reserves and Reserve for Rate Credits	(1,084,612)
Total Revenues	$389,409,983
Hospital/Medical Benefits	274,267,318
Emergency Room and Out-of-Area	14,804,394
Prescription Drugs	65,050,050
Claims Adjustment Expenses	14,325,918
General Administrative Expenses	32,566,776
Total Underwriting Deductions	$401,014,456
Net Underwriting Gain	$ (11,604,473)
Net Investment Income Earned	2,058,458
Net Realized Capital Gains or (Losses) less tax	1,072,454
Net Investment Gains or Losses	$ 3,130,912
Intercompany Interest	(7,198)
Aggregate Write-Ins for Other Income or Expenses	(7,198)
Net Income or (Loss) Before Taxes	$ (8,480,759)
Federal and Foreign Income Taxes Incurred	(3,343,834)
NET INCOME	**$ (5,136,925)**

Capital and Surplus Account

Capital and Surplus, December 31, 2011	$ 79,644,204
Net Income	(5,136,925)
Change in Net Unrealized Capital Gains and (Losses)	78,584
Change in Net Deferred Income Tax	(695,770)
Change in Non-Admitted Assets	569,946
Net Change in Capital and Surplus	$ (5,184,165)
Capital and Surplus at December 31, 2012	**$ 74,460,039**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Good Health HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Leslie Nehring, CPA, CFE; Scott Rennick, CFE; Steve Koonse, CFE; Sara McNeely; Emily Turek; and Laura Church examiners for the DIFP, participated in this examination. Kimberly Dobbs, CFE, Information System Examiner for the DIFP performed a review of the information system environment. The actuarial firm of Lewis & Ellis, of Overland Park, KS also participated as consulting actuaries.

VERIFICATION

State of Missouri)
County of Jackson)

I, Levi N. Nwasoria, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Good Health HMO, Inc., its agents or other persons examined or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial Institutions and Professional Registration

Sworn to and subscribed before me this 5th day of ~~October~~ November, 2013.

My commission expires: Nov. 18, 2014 Karen S. Rohrer
Notary Public

KAREN S. ROHRER
Notary Public - Notary Seal
STATE OF MISSOURI
County of Boone
My Commission Expires 11/18/2014
Commission # 10452155

SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed, except where practices, procedures and applicable regulations of the DIFP and statutes of the State of Missouri prevailed.

Mark A. Nance, CFE, CPA
Audit Manager
Missouri Department of Insurance, Financial
Institutions and Professional Registration