

STATE OF MISSOURI



DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

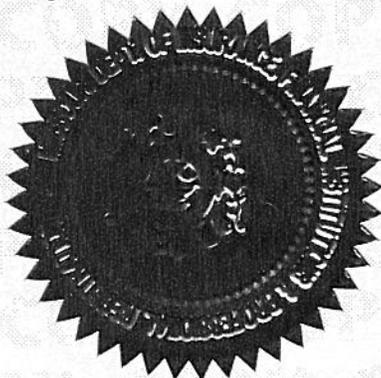
RE: Examination Report of HealthLink HMO, Inc. for the period ended December 31, 2012

ORDER

After full consideration and review of the report of the financial examination of HealthLink 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 HealthLink HMO, Inc. as of December 31, 2012, be and is hereby ADOPTED as filed and for HealthLink 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 16th day of December, 2013.



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

FINANCIAL EXAMINATION

HealthLink HMO, Inc.

AS OF:
DECEMBER 31, 2012

FILED

DEC 26 2013

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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September 23, 2013
Saint Louis, Missouri

Honorable John M. Huff, Director
Missouri Department of Insurance, Financial Institutions
and Professional Registration
301 West High Street, Room 530
Jefferson City, MO 65101

Director Huff:

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

HealthLink HMO, Inc.

also referred to as the "Company." The examination was conducted at the Company's main office at 1831 Chestnut Street, Saint Louis, MO 63103, telephone number (314) 923-4444. This examination began on March 4, 2013, and concluded on the above date.

Period Covered

We performed a multi-state examination of HealthLink HMO, Inc. The prior exam was completed as of December 31, 2007. This examination covers the period of January 1, 2008 through December 31, 2012. This examination also includes material transactions occurring subsequent to December 31, 2012.

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook) except where practices, procedures and applicable regulations of the Department of Insurance, Financial Institutions and Professional Registration (Department) or 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, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and Annual Statement Instructions, when applicable to domestic state regulations.

All accounts and activities of the company were considered in accordance with the risk-focused examination process.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings resulting from the examination.

SUBSEQUENT EVENTS

There were no events occurring subsequent to year-end, through the end of field work, which had a material effect upon the year-end financial statements.

COMPANY HISTORY

General

HealthLink HMO, Inc. incorporated in Missouri on July 29, 1992, and received a Certificate of Authority to operate as a health maintenance organization (HMO) on January 14, 1993. Prior to May 31, 1996, the Company was co-owned by TriLink Healthcare, Inc. (a wholly-owned subsidiary of Blue Cross Blue Shield of Kansas City) and HealthLink, Inc. (a wholly-owned subsidiary of RightCHOICE Managed Care, Inc.) On May 31, 1996, HealthLink, Inc. purchased TriLink Healthcare Inc.'s share of the Company.

On January 12, 2002, the Department approved the purchase of RightCHOICE Managed Care, Inc. (RightCHOICE) by WellPoint Health Networks, Inc., a California domiciled insurer. On November 30, 2004, Anthem, Inc., an Indiana-domiciled insurer, purchased WellPoint Health Networks, Inc. and subsequently changed its name to WellPoint, Inc. (WellPoint).

Capital Stock and Paid-In Surplus

The Company is authorized to issue up to three hundred (300) shares of \$100.00 par value common stock. At year-end 2012, ten (10) shares were issued and outstanding for a total of \$1,000 in common capital stock. All shares are owned by HealthLink, Inc.

Dividends

The Company has declared and paid dividends to its shareholder as shown below.

<u>Year</u>	<u>Amount</u>
2008	\$ 12,000,000
2009	13,000,000
2010	13,000,000
2011	12,000,000
2012	12,000,000
Total	<u>\$ 62,000,000</u>

Acquisitions, Mergers and Major Corporate Events

There were no mergers, acquisitions or other major corporate events during the current examination period.

Surplus Debentures

The Company has not issued any surplus debentures.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. There were no amendments to the Articles of Incorporation or the Bylaws during the examination period.

The minutes of the meetings of the shareholder and of the board of directors were reviewed for the period under examination. The minutes appeared to properly document and approve corporate events and transactions.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a board of three (3) directors. Directors serving at December 31, 2012 were as follows:

<u>Name</u>	<u>Affiliation</u>
Wayne S. DeVeydt Indianapolis, IN	Executive Vice President and CFO WellPoint, Inc.
Dennis W. Casey Fishers, IN	President WellPoint, Inc.
Catherine I. Kelaghan Carmel, IN	Vice President and Counsel WellPoint, Inc.

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2012 were as follows:

<u>Name</u>	<u>Office</u>
Dennis W. Casey	President
Kathleen S. Kiefer	Secretary
Robert D. Kretschmer	Treasurer
Karen E. Geiger	Assistant Secretary

Committees

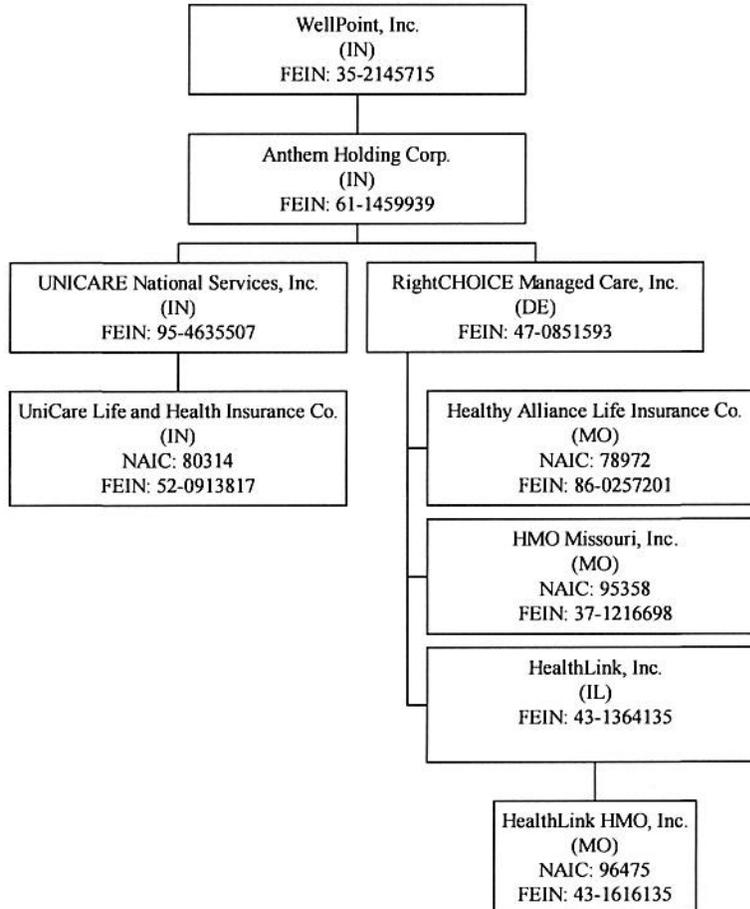
There are no committees of the Board. The audit committee of WellPoint, Inc. serves as the Company's audit committee.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions), with WellPoint, Inc. designated as the ultimate controlling entity in the insurance holding company system. WellPoint, Inc. is a publicly held corporation headquartered in Indianapolis, Indiana. The common stock of WellPoint, Inc. is traded on the New York stock exchange under the symbol WLP. No one party owns 10% or more of the voting securities of WellPoint, Inc.

Organizational Chart

The following is an abridged organizational chart which depicts the holding company system at December 31, 2012. All subsidiaries are wholly-owned unless otherwise noted. Only entities that are directly related to the Company are listed.



Intercompany Transactions

Amended and Restated Master Administrative Service Agreement

Parties: WellPoint, Inc. and its subsidiaries including the Company, Healthy Alliance Life Insurance Company and HMO Missouri, Inc.

Effective: January 1, 2003; approved May 28, 2003. Amended effective January 1, 2006; non-disapproved April 5, 2006

Terms: RightCHOICE and its Missouri domestic insurance subsidiaries will receive and provide administrative services to each other as well as to WellPoint and its subsidiaries. Employees of RightCHOICE and BlueCross of California will provide administrative services on behalf of the Company. The 2006 amendment did not change the terms of the agreement but was mainly an assignment from RightCHOICE to WellPoint.

Rate(s): The agreement specifies that services are to be billed at direct and allocated cost incurred.

Consolidated Federal Income Tax Agreement

Parties: WellPoint, Inc. and its subsidiaries including the Company, Healthy Alliance Life Insurance Company and HMO Missouri, Inc.

Effective: December 31, 2005; non-disapproved March 30, 2006. Amended effective December 31, 2005; non-disapproved September 19, 2006

Terms: This agreement establishes a method for allocating the consolidated tax liability of the affiliated group among its members, for reimbursing the parent for payment, for compensating any party for the use of its tax losses or tax credits, and for allocating and paying any refund arising from a carry back of losses or tax credits. Payments are made no earlier than ten (10) days before, and no later than thirty (30) days after, the dates on which such payments would be due to the federal government if a separate return had been filed.

Rate(s): There are no rates associated with this agreement.

Cash Concentration Agreement

Parties: WellPoint, Inc. and its subsidiaries including the Company, Healthy Alliance Life Insurance Company and HMO Missouri, Inc.

Effective: October 1, 2009; non-disapproved August 17, 2009

Terms: The agreement establishes the designation of a "Cash Manager." A Cash Manager is defined as "WellPoint or any Affiliate handling the receipt and/or disbursement of funds on behalf of one or more Affiliates." The Cash Manager receives premiums, administrative expense reimbursements and other revenues and makes benefit, payroll, and general administrative expense payments on behalf of the Affiliates. Cash Managers and Affiliates establish intercompany payables and receivables as required to reflect receipts and disbursements.

Rate(s): The Cash Manager is reimbursed for the direct and indirect costs and expenses, including overhead expenses, associated with the Agreement. All settlements are made within thirty (30) days from the date entered, with the offsetting of payables and receivables allowed. If the parties are unable to settle within thirty (30) days, the parties may mutually agree to delay settlement until a date agreed upon by the parties, but not later than ninety (90) days after the payable and receivable are established. Any receivables not settled within ninety (90) days of the due date are non-admitted in accordance with SSAP No. 96.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a financial institution bond with coverage up to \$10 million per occurrence and \$20 million in aggregate. This bond has a \$1.5 million deductible. This coverage meets the NAIC suggested minimum amount.

The Company is also a named insured on policies issued to WellPoint for the following types of coverage: directors and officers liability; managed care professional liability (errors and omissions); commercial property; general liability; auto liability; fiduciary liability; umbrella liability; and workers compensation. The Company's coverages appear to be adequate.

PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS

The Company has no employees. Services are provided by affiliates under an administrative services agreement. WellPoint employees are provided benefits including group health, vision and dental coverage, group life insurance, short- and long-term disability, a 401(k) plan, vacation and sick leave, an employee assistance plan, and tuition reimbursement. Employee benefits costs are included in intercompany charges from affiliates.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri as a health maintenance organization (HMO) under Chapter 354 RSMo (Health Services Corporations, Health Maintenance Organizations, Prepaid Dental Plans). The Company is also licensed in Arkansas and Illinois. Premium data is reported for Missouri only. The Company's primary service areas include the St. Louis metropolitan region and the Columbia-Jefferson City region in mid-Missouri.

The majority of the Company's business is through administrative service only (ASO) arrangements with insurance companies known as payors and network rental. Payors solicit group and individual customers. Payors assume all underwriting risk for medically necessary services not covered under capitated rates. The Company is at risk for capitated primary care services. The Company is also exposed to credit risk for amounts owed by payors and ASO clients.

GROWTH OF COMPANY

The Company's surplus has decreased since the prior examination. Because the Company is an ASO provider, underwriting gains provide a better measure of income than earned premiums. The chart below indicates the Company's underwriting gains and surplus for the past five years:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Underwriting Gain (000s)	17,437	16,851	15,626	14,434	13,871
Change from prior year	N/A	-3.4%	-7.3%	-7.6%	-3.9%
Capital and Surplus (000s)	24,360	22,968	20,791	17,994	16,768
Change from prior year	N/A	-5.7%	-9.5%	-13.5%	-6.8%

LOSS EXPERIENCE

The following exhibit represents the Company's underwriting results over the examination period. In accordance with NAIC Annual Statement Instructions, the net reimbursement for administrative expenses related to ASO plans is reported as an offset to general administrative expenses. All amounts are reported in thousands (000s):

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Total Premiums Earned	\$ 106	\$ 75	\$ -	\$ -	\$ -
Non-Health Revenues	38	25	37	18	36
Total Hospital/Medical Expenses	(5)	-	-	-	-
Total Administrative Expenses	17,293	16,751	15,589	14,417	13,836
Rounding	5	-	-	(1)	(1)
Net Underwriting Gain	<u>\$ 17,437</u>	<u>\$ 16,851</u>	<u>\$ 15,626</u>	<u>\$ 14,434</u>	<u>\$ 13,871</u>

REINSURANCE

General

The Company cedes 100% of direct business written to an affiliate, UniCare Life and Health Insurance Company. Premiums reported during the examination period were as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Direct Written Premiums	\$ 185,682	\$ 145,294	\$ 59,916	\$ 23,816	\$ 34,631
Reinsurance Ceded	<u>79,665</u>	<u>70,224</u>	<u>59,916</u>	<u>23,816</u>	<u>34,631</u>
Net Written Premiums	<u>\$ 106,017</u>	<u>\$ 75,070</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Ceded

Insurance Company Payor Agreement

Under the agreement, UniCare Life and Health Insurance Company (UniCare), an affiliate, agrees to pay for covered services incurred by the Company's members on or after October 1, 2007. The agreement covers capitated health care services and other health care services provided by the Company's providers or out-of-network providers. The Company processes all claims and submits a monthly invoice to UniCare. As consideration, the Company cedes all premiums to UniCare.

ACCOUNTS AND RECORDS

Independent Accountants

For each year during the period under examination, the Company's financial statements were audited by the certified public accounting firm of Ernst & Young LLP. The 2012 audit work papers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

For each year during the period under examination, claims-related reserves and other actuarial items were reviewed and certified by Cheryl Allari, FSA, MAAA, WellPoint Actuarial Director. Ms. Allari determined the 2012 claims-related reserves and other actuarial items to be adequate.

Information Systems

In conjunction with this examination, Andrew Balas, CFE, AES, CPA, Information Systems Financial Examiner with the Department, conducted a review of the Company's information systems. No material exceptions were noted.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2012, as reflected below, were sufficient to meet the capital deposit requirements for the state of Missouri in accordance with Section 354.410 RSMo (Certificate issued, when- annual deposit requirements):

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
MO State Highway Bond	\$ 430,000	\$ 506,437	\$ 471,288

Deposits with Other States

The Company also has funds on deposit with other states in which it is licensed. Those funds on deposit as of December 31, 2012, were as follows:

<u>State</u>	<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
Arkansas	NV Highway Bond	\$ 440,000	\$ 507,984	\$ 456,949
Illinois	FNMA Bond	320,000	328,202	321,201
Totals		\$ 760,000	\$ 836,186	\$ 778,150

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2012, and the results of operations for the fiscal period then ended. Any examination adjustments to the amounts reported in the financial statements or comments regarding such are made in the “Comments on the Financial Statements” which follow the financial statements.

There may have been additional differences found in the course of this examination which are not shown in the “Comments on the Financial Statements.” These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual financial statement item.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 14,506,078	\$ -	\$ 14,506,078
Cash and short-term investments	3,468,247	-	3,468,247
Investment income due and accrued	18,078	-	18,078
Receivables from parent, subsidiaries and affiliates	321,270	-	321,270
Provider administration fee receivable	<u>11,121</u>	<u>11,121</u>	<u>-</u>
Total Assets	<u>\$ 18,324,794</u>	<u>\$ 11,121</u>	<u>\$ 18,313,673</u>

LIABILITIES, CAPITAL AND SURPLUS

Premiums received in advance	\$ 177
General expenses due or accrued	943,012
Current federal and foreign income tax payable	474,579
Net deferred tax liability	1,059
Amounts due to parent, subsidiaries and affiliates	76,388
Liability for amounts held under uninsured plans	11,171
Escheat	<u>39,614</u>
Total Liabilities	1,546,000
Common capital stock	1,000
Gross paid in and contributed surplus	2,499,000
Unassigned funds	<u>14,267,673</u>
Total Capital and Surplus	16,767,673
Total Liabilities, Capital and Surplus	<u>\$ 18,313,673</u>

STATEMENT OF OPERATIONS

Member months	147
Provider administration fees	\$ 35,654
Total revenues	35,654
Hospital/medical benefits	10,423
Prescription drugs	596
Net reinsurance recoveries	<u>(11,019)</u>
Total hospital and medical	-
Claims adjustment expenses	962,967
General administrative expenses	<u>(14,798,790)</u>
Total underwriting deductions	(13,835,823)
Net underwriting gain	13,871,477
Net investment income earned	800,716
Net realized capital gains	<u>143,139</u>
Net investment gains	943,855
Net income (pre-tax)	14,815,332
Federal and foreign income taxes incurred	5,117,223
Net income	<u>\$ 9,698,109</u>

RECONCILIATION OF SURPLUS

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Capital and surplus, prior reporting year	\$ 24,963,584	\$ 24,359,804	\$ 22,967,530	\$ 20,791,191	\$ 17,994,451
Net income	11,981,844	11,451,080	10,689,657	9,918,091	9,698,109
Change in net deferred income tax	253,114	(72,660)	(59,990)	311,391	(465,993)
Change in nonadmitted assets	(838,738)	229,306	193,994	(1,026,222)	1,316,842
Cumulative effect of changes in accounting principles	-	-	-	-	224,264
Dividends to stockholders	<u>(12,000,000)</u>	<u>(13,000,000)</u>	<u>(13,000,000)</u>	<u>(12,000,000)</u>	<u>(12,000,000)</u>
Net change in capital and surplus	<u>(603,780)</u>	<u>(1,392,274)</u>	<u>(2,176,339)</u>	<u>(2,796,740)</u>	<u>(1,226,778)</u>
Capital and surplus, current year	<u>\$ 24,359,804</u>	<u>\$ 22,967,530</u>	<u>\$ 20,791,191</u>	<u>\$ 17,994,451</u>	<u>\$ 16,767,673</u>

EXAMINATION CHANGES

There were no changes to the financial statements resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements resulting from the examination.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

ACKNOWLEDGMENT

The assistance and cooperation extended by HealthLink HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Rick Stamper, CFE; Jennifer Danz, CFE, CPA; Michael Behrens; and Andrew T. Balas, CFE, AES, CPA, examiners for the Department, and Karen E. Elsom, FSA, MAAA of Lewis & Ellis, Inc., participated in this examination.

VERIFICATION

State of Missouri)
) ss
City of St. Louis)

I 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 the Company, 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.



Robert Jordan, CFE
Examiner-in-Charge
Department of Insurance, Financial
Institutions and Professional Registration



Thomas J. Cunningham, CPA, CFE
Examiner-in-Charge
Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 26th day of September, 2013
My commission expires:

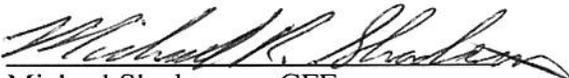
May 4, 2016



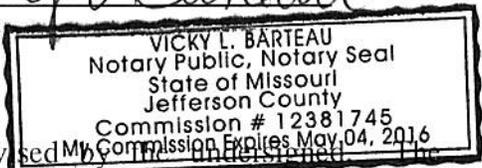
Notary Public

SUPERVISION

The examination process has been monitored and supervised. The examination report and supporting workpapers have been reviewed and approved. Compliance with the National Association of Insurance Commissioners procedures and guidelines as contained in the Financial Condition Examiners Handbook has been confirmed.



Michael Shadowens, CFE
Audit Manager
Department of Insurance, Financial Institutions
and Professional Registration





December 4, 2013

Mr. Frederick G. Heese, CPA, CFA, MBA
Chief Financial Examiner and Division Director
Department of Insurance
Harry Truman State Office Building
301 West High Street, Room 530
Jefferson City, Missouri 65102-0690

Re: Healthy Alliance Life Insurance Company
Financial Examination Report Dated November 19, 2013

Dear Mr. Heese:

We have reviewed the financial examination report for Healthy Alliance Life Insurance Company for the year ended December 31, 2012 and accept the report as is, noting there are no general comments or recommendations on page 16 of the report. We wish to have our response included in the report as a public document.

Please contact me at 262-523-2439 or at brenda.buss@bcbswi.com if you have any questions.

Sincerely,

Brenda J. Buss
Director II, Regulatory Reporting
Anthem Blue Cross and Blue Shield
Phone: 262-523-2439
Fax: 262-523-4945

CC: Steve Martnet Jennifer Forsythe Beth Cox
Doug Bahr Jim Kallas Anne Honisch