



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

ORDER

After full consideration and review of the report of the financial examination of HealthLink HMO, Inc. for the period ended December 31, 2013, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, 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 events; subsequent events; company history; corporate records; management and control; fidelity bonds and other insurance; pensions, stock ownership and insurance plans; territory and plan of operation; growth of company; loss experience; reinsurance; accounts and records; statutory deposits; financial statements; examination changes, comments on financial statements; and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the Financial Examination of HealthLink HMO, Inc. as of December 31, 2013, 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) 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 24th day of April, 2017.



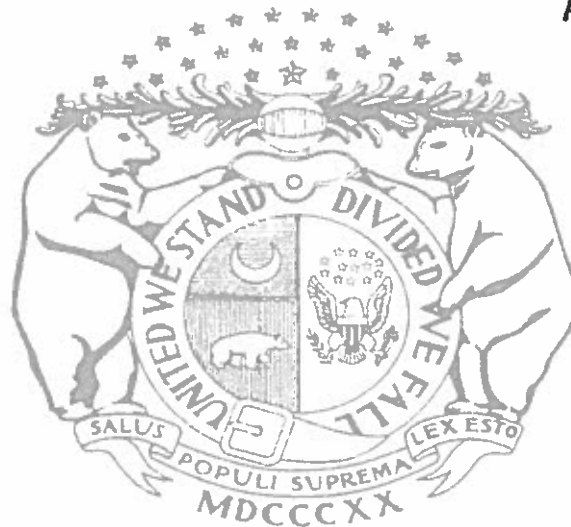
A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

Chlora Lindley-Myers, Director
Department of Insurance, Financial Institutions
and Professional Registration

REPORT OF
FINANCIAL EXAMINATION
HEALTHLINK HMO, INC.

As of:
DECEMBER 31, 2013

FILED
MAY 4 2017
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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March 14, 2017
Saint Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

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.

hereinafter also referred to as the Company. The Company's main office is located at 1831 Chestnut Street, Saint Louis, MO 63101; phone number (314) 923-4444. Examination fieldwork began on January 14, 2014 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of HealthLink HMO, Inc. We performed our examination as part of a coordinated examination of Anthem, Inc. led by examiners from the State of Indiana. The last examination of the Company was completed as of December 31, 2012. This examination covers the period of January 1, 2013 through December 31, 2013. This examination also includes material transactions or events occurring subsequent to December 31, 2013.

Procedures

This examination was conducted as a full scope comprehensive examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (Handbook). 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 systems 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. Key activities identified were: Investments; Expenses; Taxes; and, Related Parties

The examiners relied upon information and workpapers provided by the Company's independent auditor Deloitte & Touche LLP, for its audit covering the period from January 1, 2013 through December 31, 2013. Such reliance included taxes, internal control narratives and tests of internal controls.

SUMMARY OF SIGNIFICANT EVENTS

There were no significant events for the period January 1, 2013 through December 31, 2013. Subsequent to year-end 2013, the Company corrected an accounting error and paid two extraordinary dividends. Also subsequent to year-end 2013, the Company's ultimate controlling entity changed its name, was the subject of a cyber attack and initiated a merger. These events are detailed below.

SUBSEQUENT EVENTS

During 2014, the Company identified an error related to certain self-insured pharmacy expenses. The error resulted in general administrative expenses being overstated by \$2,963,120 on the 2013 Annual Statement. Current federal income taxes payable was understated by \$1,037,092 as a result of the same error. Correction of the error was reported as an aggregate write-in for gains or losses in surplus for the period ending December 31, 2014, in accordance with SSAP 3, Accounting Changes and Corrections of Errors.

On November 9, 2014, the Company declared an extraordinary dividend of \$12 million. The Department approved the dividend on December 11, 2014. The Company paid the dividend on December 19, 2014.

On December 1, 2014, WellPoint, Inc., the Company's ultimate controlling entity, changed its name to Anthem, Inc.

In February 2015, Anthem, Inc. (Anthem) was the subject of a sophisticated cyberattack. Personal information of Anthem subscribers and employees, including names, addresses, birthdates, social security numbers and income data, was accessed. Upon discovering the cyberattack, Anthem took action to remediate its security vulnerability, retaining a cyber-security firm to evaluate its systems and identify solutions. State and federal agencies, including state insurance regulators, state attorneys general, the Federal Bureau of Investigation and the Department of Health and Human Services Office of Civil Rights, undertook investigations of the security breach. Multiple civil actions were filed against Anthem relating to the security breach; some of these actions are still proceeding. Anthem incurred significant costs related to the security breach, approximately \$260.5 million, which were expensed in the period in which they were incurred.

On July 23, 2015, Anthem entered into a merger agreement with Cigna Corporation (Cigna) under which Anthem would acquire all outstanding shares of Cigna. The estimated value of the transaction was \$53 billion, based on the closing price of Anthem common stock on July 23,

2015. The merger agreement provided for a closing to occur by January 31, 2017, with an option to extend the closing to April 30, 2017, should additional time be required to secure regulatory approval. Under certain conditions, termination of the merger agreement requires Anthem to pay Cigna a termination fee of \$1.85 billion.

On May 19, 2016, the Company declared an extraordinary dividend of \$10 million. The Department approved the dividend on June 21, 2016. The Company paid the dividend on June 27, 2016.

On July 21, 2016, the U.S. Department of Justice, along with certain state attorneys general, filed a civil antitrust lawsuit seeking to block the proposed merger. A trial commenced on November 21, 2016.

On December 1, 2016, Anthem entered into a Regulatory Settlement Agreement (RSA) with the California Department of Insurance, the Indiana Department of Insurance, the Maine Bureau of Insurance, the Department, the New Hampshire Insurance Department, the North Dakota Department of Insurance and the South Carolina Department of Insurance (collectively, Lead Regulators). The RSA resulted from a targeted market conduct and financial examination, led by the Indiana Department of Insurance, that reviewed the cyber security breach uncovered by Anthem in February 2015. The examination found that Anthem's cybersecurity prior to the breach was reasonable; the examination further found Anthem's response to the breach to be adequate. Based on their findings, Lead Regulators determined that administrative fines or penalties were not warranted. As part of the RSA, Anthem agreed to implement additional corrective measures estimated to cost \$45 million. These costs will be expensed in the period in which they are incurred.

COMPANY HISTORY

General

HealthLink HMO, Inc. incorporated 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 16, 2002, the Department approved the acquisition of RightCHOICE Managed Care, Inc. (RightCHOICE) by WellPoint Health Networks, Inc. (WellPoint), a California-domiciled insurer. On March 8, 2004, the Department approved the acquisition of WellPoint by Anthem, Inc., an Indiana-domiciled insurer, effective November 30, 2004. Anthem, Inc. changed its name to WellPoint, Inc. On December 3, 2014, WellPoint, Inc. changed its name to Anthem, Inc.

Capital Stock and Paid-in Surplus

The Company is authorized to issue up to three hundred (300) shares of common stock with a par value of \$100.00 per share. At year-end 2013, 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

In 2013, the Company paid a \$10.5 million dividend to its sole shareholder, HealthLink, Inc.

Acquisitions, Mergers and Major Corporate Events

There were no acquisitions, mergers 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 changes to the Articles of Incorporation or the Bylaws during the current examination period.

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

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, 2013, were as follows:

<u>Name</u>	<u>Affiliation</u>
Wayne Scott DeVeydt Indianapolis, IN	Executive Vice President and CFO WellPoint, Inc.
Catherine Irene Keleghan St. Louis, MO	Vice President and Counsel WellPoint, Inc.
Steven John Martenet St. Louis, MO	President Healthy Alliance Life Insurance Company

Officers

The officers of the Company serving and reported on the Jurat page of the Annual Statement at December 31, 2013, were as follows:

<u>Name</u>	<u>Office</u>
Steven John Martenet	President
Kathleen Susan Kiefer	Secretary
Robert David Kretschmer	Treasurer
Karen Elizabeth Geiger	Assistant Secretary
Eric Kenneth Noble	Assistant Treasurer

Committees

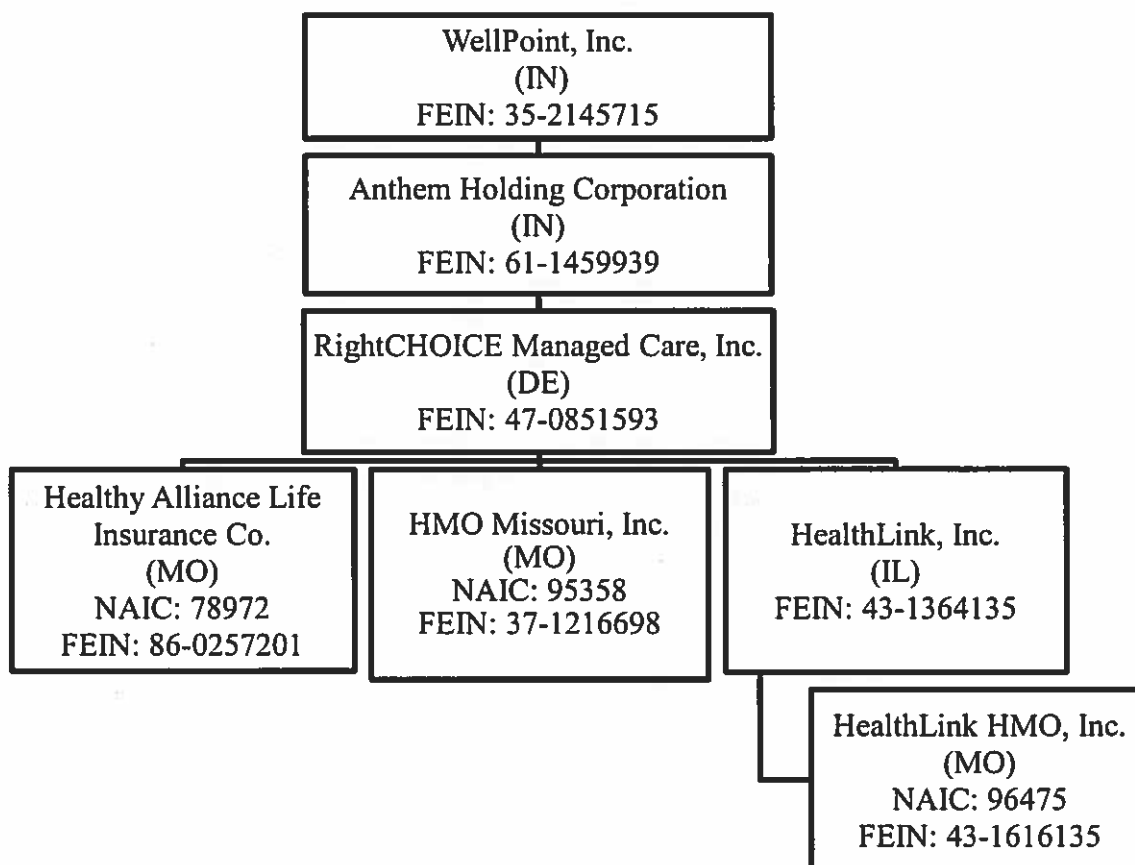
There are no committees of the Board. WellPoint, Inc.'s audit committee serves as the Company's audit committee for Model Audit Rule purposes.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). WellPoint, Inc. is 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 showing the insurance holding company system at December 31, 2013. All subsidiaries are wholly-owned unless otherwise noted.



Intercompany Agreements

Amended and Restated Master Administrative Service Agreement

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

Effective: January 1, 2003

Terms: RightCHOICE and its Missouri domestic insurance subsidiaries, including the Company, Healthy Alliance and HMO MO receive and provide administrative services to each other, as well as to WellPoint and its subsidiaries. Employees of RightCHOICE and BlueCross of California provide administrative services on behalf of the Company.

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

Fees incurred during 2013 were \$168.6 million.

Consolidated Federal Income Tax Agreement

Parties: WellPoint and its subsidiaries, including the Company, Healthy Alliance and HMO MO

Effective: December 31, 2005

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 use of its tax losses or tax credits, and for allocating and paying any refund arising from a carryback 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 separate returns had been filed.

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

Fees incurred during 2013 were \$73.2 million.

Cash Concentration Agreement

Parties: WellPoint and its subsidiaries, including the Company, Healthy Alliance and HMO MO

Effective: October 1, 2009

Terms: The Agreement establishes the designation of a Cash Manager; defined as "WellPoint or any Affiliate handling the receipt or disbursement of funds on behalf of one or more Affiliates." The

Cash Manager accepts the receipt of premiums, administrative expense reimbursements and other revenue and makes benefit, payroll, general administrative expense and other accounts payable payments on behalf of Affiliates. Intercompany payables and receivables are established to record the transactions.

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 of the transaction date. The offsetting of payables and receivables is allowed. If the parties are unable to settle within thirty (30) days, they may mutually agree to delay settlement until an agreed-upon date, but not later than ninety (90) days from the transaction date. Any receivables not settled within ninety (90) days of the due date are non-admitted, in accordance with SSAP No. 96.

There were no amounts incurred or earned for 2013.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured on a fidelity bond issued by National Union Fire Insurance Company of Pittsburgh, PA. The bond has a liability limit of \$10 million, an aggregate limit of \$20 million, and, a deductible of \$1.5 million. This coverage meets the minimum amount of fidelity coverage recommended by the NAIC.

The Company is also a named insured on other policies obtained by WellPoint covering various aspects of its operations. The Company's insurance coverage appears 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, paid 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. In 2013, the Company reported premium and enrollment data 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 services only (ASO) agreements with insurers known as payors. Payors solicit group and individual customers and

assume the underwriting risk for medical 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 present a better measure of income than earned premiums. The chart below indicates the Company's growth over the past five years.

	2009	2010	2011	2012	2013
Underwriting Gain (000s)	16,851	15,626	14,434	13,871	14,374
Change from Prior Year	-	-7.3%	-7.6%	-3.9%	3.6%
Capital and Surplus (000s)	22,968	20,791	17,994	16,768	15,777
Change from Prior Year	-	-9.5%	-13.5%	-6.8%	-5.9%

LOSS EXPERIENCE

The exhibit below represents the Company's underwriting results for the past five years. In accordance with NAIC Annual Statement Instructions, the net reimbursement for expenses related to administrative services for ASO plans is reported as an offset to general administrative expenses. The amounts below are reported in thousands (000s).

	2009	2010	2011	2012	2013
Total Premiums Earned	\$ 75	\$ -	\$ -	\$ -	\$ -
Non-Health Revenues	25	37	18	36	49
Total Hospital/Medical Expenses	-	-	-	-	-
Total Administrative Expenses	16,751	15,589	14,417	13,836	14,325
Rounding	-	-	(1)	(1)	-
Net Underwriting Gain	<u>\$ 16,851</u>	<u>\$ 15,626</u>	<u>\$ 14,434</u>	<u>\$ 13,871</u>	<u>\$ 14,374</u>

REINSURANCE

General

The Company cedes 100% of its direct written business to an affiliate. Premiums reported during the current examination period were as follows:

	2013
Direct Written Premiums	\$ 23,148
Reinsurance Ceded	(23,148)
Net Written Premiums	<u>\$ -</u>

ACCOUNTS AND RECORDS

Independent Accountants

The Company's 2013 financial statements were audited by the certified public accounting firm of Ernst & Young, LLP. The 2013 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

On May 31, 2013, the Company appointed a WellPoint employee, JoAnn Struckmeyer, FSA, MAAA, to review and certify the claims-related reserves and other actuarial items. Ms. Struckmeyer found the claims-related reserves and other actuarial items to be adequate.

Consulting Actuary

As part of the coordinated examination, Indiana retained Insurance and Actuarial Services (IAAS) to review year-end 2013 unpaid claims liabilities, actuarial reserves and related actuarial items. IAAS concluded that the unpaid claims liability established by the Company at year-end 2013 was within their range of reasonable estimates. IAAS further concluded that the methods and assumptions used in developing the reserves were appropriate for the type of risks written.

Information Systems

As part of the coordinated examination, Indiana retained Noble Consulting Services, Inc. (Noble) to review WellPoint's information technology control environment. Noble evaluated the information technology general controls (ITGCs) for financially significant systems supporting key functional activities as generally effective.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Department as of December 31, 2013, had sufficient value to meet the deposit requirement for the state of Missouri per 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	\$ 489,594	\$ 462,170

Deposits with Other States

The Company also has funds on deposit with the states of Arkansas and Illinois, in which it is licensed. The funds on deposit as of December 31, 2013, 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	\$ 492,356	\$ 454,373
Illinois	FNMA Bond	320,000	322,106	324,217
Totals		<u>\$ 760,000</u>	<u>\$ 814,462</u>	<u>\$ 778,590</u>

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of the Company as of December 31, 2013, and the results of operations for the year then ended. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the "Comments on 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 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 Annual Statement item.

ASSETS

	<u>Assets</u>	<u>Nonadmitted</u> <u>Assets</u>	<u>Net Admitted</u> <u>Assets</u>
Bonds	\$ 3,499,308	\$ -	\$ 3,499,308
Cash and short-term investments	13,192,576	-	13,192,576
Investment income due and accrued	7,133	-	7,133
Amounts receivable relating to uninsured plans	61,646	22,677	38,969
Net deferred tax asset	12,060	-	12,060
Receivables from parent, subsidiaries and affiliates	552,379	2,969	549,410
Provider admin fee receivable	7,177	7,177	-
Totals	<u>\$ 17,332,279</u>	<u>\$ 32,823</u>	<u>\$ 17,299,456</u>

LIABILITIES, CAPITAL AND SURPLUS

General expenses due or accrued	\$ 920,614
Current federal and foreign income tax payable	417,906
Amounts due to parent, subsidiaries and affiliates	90,920
Liability for amounts held under uninsured plans	15,971
Escheat	76,611
Miscellaneous liabilities	<u>10</u>
Total Liabilities	\$ 1,522,032
Common capital stock	1,000
Gross paid in and contributed surplus	2,499,000
Unassigned funds	<u>13,277,424</u>
Total Capital and Surplus	\$ 15,777,424
Total Liabilities, Capital and Surplus	<u>\$ 17,299,456</u>

STATEMENT OF OPERATIONS

Member months	132
Provider admin fees	\$ <u>49,073</u>
Total revenues	49,073
Hospital and medical benefits	58,877
Net reinsurance recoveries	(58,877)
Claims adjustment expenses	1,135,026
General administrative expenses	<u>(15,459,813)</u>
Total underwriting deductions	\$ (14,324,787)
Net underwriting gain	14,373,860
Net investment income earned	263,672
Net realized capital gains	<u>(6,234)</u>
Net investment gains	\$ 257,438
Net income (pre-tax)	14,631,298
Federal and foreign income taxes incurred	(5,112,964)
Net income	<u>\$ 9,518,334</u>

RECONCILIATION OF SURPLUS

	2013
Capital and surplus prior reporting year	<u>\$ 16,767,673</u>
Net income	9,518,334
Change in net deferred income tax	13,119
Change in nonadmitted assets	(21,702)
Dividends to stockholders	<u>(10,500,000)</u>
Net change in capital and surplus	\$ (990,249)
Capital and surplus end of reporting year	<u><u>\$ 15,777,424</u></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.

