STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

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

RE: Examination Report of Missouri Educators Unified Health Plan, Inc. for the period ended June 30, 2015

ORDER

After full consideration and review of the report of the financial examination of Missouri Educators Unified Health Plan, Inc. for the period ended June 30, 2015, 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, association history, management and control, territory and plan of operations, reinsurance, financial statements, financial statement changes resulting from examination, comments on the financial statement items, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER, that the report of the Financial Examination of Missouri Educators Unified Health Plan, Inc. as of June 30, 2015 be and is hereby ADOPTED as filed and for Missouri Educators Unified Health Plan, 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 mentioned in the Comments on the Financial Statement and/or Summary of Recommendations section of such report; and (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 13th day of October, 2016.

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

REPORT OF THE

FINANCIAL EXAMINATION OF

Missouri Educators Unified Health Plan, Inc.

AS OF

June 30, 2015

FILED
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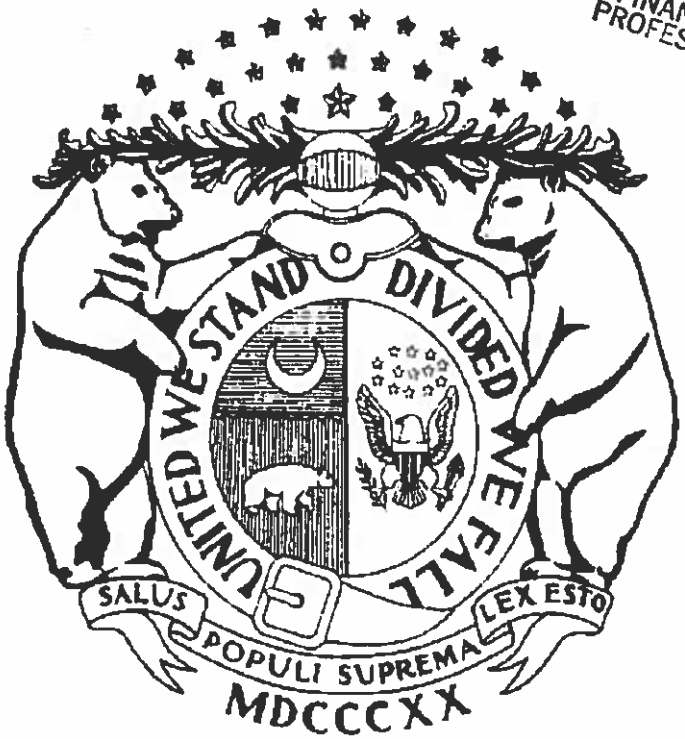
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI

DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND PROFESSIONAL REGISTRATION

JEFFERSON CITY, MISSOURI

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Kansas City, MO
July 6, 2016

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 financial examination has been made of the records, affairs and financial condition of

Missouri Educators Unified Health Plan, Inc.

hereinafter referred to as such, as MEUHP, or as the Association. Its administrative office is located at 3550 Amazonas Drive, Jefferson City, MO 65109, telephone number 573-881-3825. The fieldwork for this examination began in November 2015 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) performed a single-state examination of MEUHP. This is the first examination of the Association and covers the period of April 13, 2009 through June 30, 2015. This examination also includes the material transactions and/or events occurring subsequent to the examination date which are noted in this report.

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 DIFP and statutes of the State of Missouri prevailed. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Association and evaluate system controls and procedures used to mitigate those risks.

An examination also includes identifying and evaluating significant risks that could cause the Association's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Association were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Association's financial statements.

This examination report includes significant findings of fact and general information about the Association and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Association.

Reliance Upon Others

The examination relied heavily upon information provided by the Association, its management, and third-party administrators (TPAs). 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 Association's independent actuary, John Michael Crooks, of Overland Park, KS for the actuarial memorandum.

SUMMARY OF SIGNIFICANT FINDINGS

The Association's financial statements are presented on a modified cash basis, only reporting accruals for reserves and liabilities related to Affordable Care Act (ACA) fees, due to their size and impact on operations. Based upon a review of financial data subsequent to June 30, 2015 and ACA fee filings, the examination team determined the liabilities and associated expense related to the ACA fees to be understated. Upon examiner recalculation of ACA fees, an examination adjustment was made to increase the ACA Fee liability and expense by $376,000, which resulted in a net decrease in net assets of $376,000.

SUBSEQUENT EVENTS

The examiner reviewed the Board of Director meeting minutes subsequent to the exam date and noted that on January 27, 2016, the Board approved an increase to the Association's stop-loss reinsurance attachment point to $500,000 (from $250,000), upon recommendation by the Association's consulting actuary.

ASSOCIATION HISTORY

General

MEUHP was created in 2009 under Chapter 537 RSMo. (Risk Management for Public Entities). The Association was created as a non-profit entity and has no capital stock. On April 13, 2009, the Association was issued a Certificate of Authority to operate as an assessable political subdivision plan pursuant to Sections 537.620 to 537.650, RSMo. (Political Subdivision Assessable). Prior to January 1, 2014, the Association offered member school districts the opportunity to purchase health, dental, and vision insurance coverage through an agreement with Anthem Blue Cross and Blue Shield (Anthem). Effective January 1, 2014, the Board of Directors approved transition from a fully-insured program to a self-funded plan, while still offering similar insurance coverage options through Anthem. Fiscal year July 1, 2014 through June 30, 2015 was the first full plan year renewal for the self-insured plan.

Each district pays membership dues of $250 annually. Effective July 1, 2016, the annual member assessment is being eliminated. New school districts will be assessed an initial membership fee of $250 once they are accepted into the program, but existing members will no longer pay this assessment. Additionally, in 2014, member school districts paid approximately $475,000 (in aggregate) in one-time contributions as part of the transition to the self-insured plan.

Acquisitions, Mergers, and Major Corporate Events

The Association did not participate in any mergers or acquisitions during the period under examination. As discussed in the General section above, the Association transitioned from a fully-insured plan to a self-insured plan on January 1, 2014. There were no other significant corporate events during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws require eight directors to be elected to the Board of Directors. In April 2015, the Board voted to eliminate term limits, as approved by a vote of member districts. The Directors elected and serving as of June 30, 2015 were as follows:

Director	Member Affiliation	Location
Ken Cook	Superintendent, Malden R-I	Malden, MO
Dianna Hoenes	Superintendent, Marion County R-II	Philadelphia, MO
Stan Stratton	Superintendent, Dunklin R-V	Herculaneum, MO
Kevin Goddard	Superintendent, Sarcoxie R-II	Sarcoxie, MO
John Brinkley	Superintendent, East Lynne 40	East Lynne, MO
John James	Superintendent, Mid-Buchanan County R-V	Faucett, MO
Eric Allen	Superintendent, Alton R-IV	Alton, MO
Mark Ficken	Superintendent, Boonville R-I	Boonville, MO

Officers

The Bylaws state that the Board of Directors shall elect from its membership a President, one or more Vice-Presidents, a Secretary and a Treasurer. Election shall take place at the annual meeting of the Board of Directors.

The Bylaws also include a provision to elect an administrator to perform all of the duties of management and supervision as are usually vested in the office of Chief Administrative Officer of a corporation. This administrator reports to the Board of Directors and is responsible for day-to-day affairs of the corporation. The current administrator, assigned the title of Executive Director, Tom Quinn has been employed with MEUHP since June 2014. There have been no other administrators or officers appointed by the Board of directors.

The officers elected and serving as of June 30, 2015 were as follows:

Officer – Board	Position with MEUHP Board
Ken Cook	President
Dianna Hoenes	Vice-President
Stan Stratton	Secretary
Kevin Goddard	Treasurer

Officer – Staff	Position with MEUHP
Tom Quinn	Executive Director

Committees

The Bylaws allow for the establishment of committees, however, as of the examination date, no committees have been established.

Corporate Records

A review was made of the Articles of Incorporation and Bylaws, which were amended on December 18, 2013 and on April 25, 2015. In 2013, both the Articles and the Bylaws were amended to reflect the transition from a fully-insured plan to a self-funded plan. Amendments were also made to both the Articles and the Bylaws to provide for voting and non-voting classes and to remove the $1,000 limitation on assessments. In 2015, the Bylaws were amended to eliminate term limits for directors.

The minutes of the Board of Directors' meetings and member meetings were reviewed for proper approval of transactions. In addition to the annual member meetings, the Board of Directors also holds several regular meetings throughout the year, as needed. In general, the minutes appear to properly reflect and document approval of major transactions and events for the period under examination.

Holding Company, Subsidiaries and Affiliates

The Association is member-owned and organized under the provisions of Section 537.620 - 537.650 RSMo (Political subdivisions). As currently structured, MEUHP does not appear to be subject to Chapter 382 RSMo (Insurance Holding Companies).

Transactions with Affiliates

MEUHP has no related parties.

TERRITORY AND PLAN OF OPERATIONS

MEUHP is licensed by the DIFP under the provisions of Sections 537.620 through 537.650 RSMo (Political subdivisions may jointly create entity to provide insurance-entity created not deemed an insurance company or insurer). MEUHP has divided member school districts into eight regions within the State of Missouri, which aids in rate determination. Membership has increased from 74 participating school districts since MEUHP began operations to 119 school districts and approximately 11,000 members as of July 1, 2015.

The Association has appointed Forrest T. Jones (FTJ) and Anthem as TPAs. FTJ is responsible for enrollment, premium billing and collection, as well as record-keeping for MEUHP. Anthem is the claims administrator for the program, responsible for all aspects of claims handling. Additionally, Anthem has some underwriting function.

REINSURANCE

General

MEUHP's reinsurance program is limited and straightforward. Although the Association has been in existence since 2009, it did not start collecting premiums until January 1, 2014 when it transitioned from a fully insured plan to a self-insured plan. Net premiums for 2014 and 2015 are shown in the table below.

	Year-ended 06/30/2014	Year-ended 06/30/2015
Direct Written Premium	$ 26,540,643	$ 52,207,103
Ceded Premiums	(3,647,430)	(2,119,004)
Net Premiums	**$ 22,893,213**	**$ 50,088,099**

Assumed

MEUHP does not assume any business.

Ceded

MEUHP has one agreement, a stop-loss agreement with Anthem. Under this arrangement, MEUHP retains $250,000 per member, with Anthem Blue Cross Blue Shield (Anthem) assuming the remaining balance. The Association pays stop loss premiums to Anthem based on Per Employee, Per Month rates negotiated on an annual basis.

MEUHP is contingently liable for all 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

FINANCIAL STATEMENTS

The following financial statements are based on the Annual Financial Report filed by the Association with the DIFP and present the financial condition of the Association for the period ending June 30, 2015. The accompanying comments on the financial statements reflect any examination adjustments to the amounts reported in the Annual Financial Report and should be considered an integral part of 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 Statement Items". These differences were determined to be immaterial concerning their effect on the financial statements and therefore were only communicated to the Association and noted in the workpapers for each individual activity.

Assets

	Assets	Non-Admitted Assets	Net Admitted Assets
Cash in Banks	$ 10,046,560	$ 0	$ 10,046,560
Amounts Receivable From TPA	1,000,000	$ 0	1,000,000
TOTAL ASSETS	**$ 11,046,560**	**$ 0**	**$ 11,046,560**

Liabilities and Net Assets

Claims Reserves	$ 4,275,000
ACA Liabilities (Note 1)	387,488
TOTAL LIABILITIES	**$ 4,662,488**
NET ASSETS	$ 6,384,072
TOTAL LIABILITIES AND NET ASSETS	**$11,046,560**

Summary of Operations

Operating Revenues:	
Earned Premiums for Medical Benefits Plan	$ 52,207,103
Estimated Refund Due to Prior Year Overcharges by Anthem	1,000,000
Total Operating Revenues	**$ 53,207,103**
Operating Expenses:	
Benefit Costs	
Medical Claims Paid	$ 39,540,981
Wellness Incentive Program	71,394
Stop Loss Premiums	2,119,004
Actuarial Expense	58,181
Administrators' Fees	4,789,011
Change in Claims Reserves	(225,000)
Total Benefits Costs	**$ 46,353,571**
Administrative Costs	
Legal and Accounting	$ 19,260
ACA Fees (Note 1)	606,858
Total Administrative Costs	**$ 626,118**
Member Activities Costs	
Meetings: Chapters, Statewide	$ 5,645
Member Mailings	2,098
Office Rent	6,500
Salaries and Expenses	54,566
Misc. Operating Expenses	7,798
Total Member Activity Costs	**$ 76,607**
Total Operating Expenses	**$ 47,056,296**
Income from operations	**$ 6,150,807**
Non-Operating Revenues	
Member Assessments	$ 32,380
Interest Income	48,189
Total Non-Operating Revenues	**$ 80,569**
Net Assets	**$ 6,231,376**

Net Asset Account

Net Assets, June 30, 2014	$ 152,695
Change in Net Assets	6,231,376
Net Assets, June 30, 2015	**$ 6,384,071**

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

Financial statement changes as a result of the examination are shown in the following table:

Analysis of Changes to Net Assets:			
Net Assets at June 30, 2015, per Annual Financial Statement			$ 6,760,072
	Increase	**Decrease**	
ACA Fee Payable and Related Expense	$376,000		
Net (Decrease)			(376,000)
Net Assets at June 30, 2015 after adjustment			$ 6,384,072

COMMENTS ON FINANCIAL STATEMENT ITEMS

Note #1 ACA Fee Payable and ACA Expense $ 387,488

The amount reported by the Association for this account was increased by $376,000 to reflect an unreported liability for Affordable Care Act (ACA) fees that were due and payable as of the examination date. The fee has two components: 1) Transitional Reinsurance Fee and 2) Patient Centered Outcomes Research Institute tax. The examination recalculated the liability for fiscal year-end 2014 and 2015. Upon recalculation and allocation of the Transitional Reinsurance Fee for fiscal year 2015, as well as a review of the 2015 payments made related to the 2014 liability, it was determined that the ACA Fee Payable and related ACA expense was understated by approximately $376,000. The related examination change resulted in a decrease in net assets as of June 30, 2015 of the same amount.

SUMMARY OF RECOMMENDATIONS

The Association should perform the necessary year-end closing procedures to ensure that all liabilities are appropriately accounted for and reported.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Educators Unified Health Plan, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, AES, CFE, Information System Financial Examiner for the MO DIFP, participated in this examination.

VERIFICATION

State of Missouri)
County of Jackson)

I, Sara McNeely, 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 Missouri Educators Unified Health Plan, 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.

Sara McNeely, CFE
Examiner-In-Charge
MO DIFP

Sworn to and subscribed before me this 5th day of July, 2016.

My commission expires: 04-14-2020

Notary Public

NOTARY PUBLIC NOTARY SEAL STATE OF MISSOURI

BEVERLY M. WEBB
My Commission Expires
April 14, 2020
Clay County
Commission #12484070

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 MO DIFP and statutes of the State of Missouri prevailed.

Levi Nwasoria, CFE, CPA
Audit Manager
MO DIFP