



**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 Missouri Care, Inc. for the period ended December 31, 2015, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the 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, management and control, territory and plan of operation, reinsurance, financial statements, comments on financial statement items, examination changes, and general comments and/or recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Missouri Care, Inc. as of December 31, 2015 be and is hereby ADOPTED as filed and for Missouri Care, 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 18th day of May, 2017.



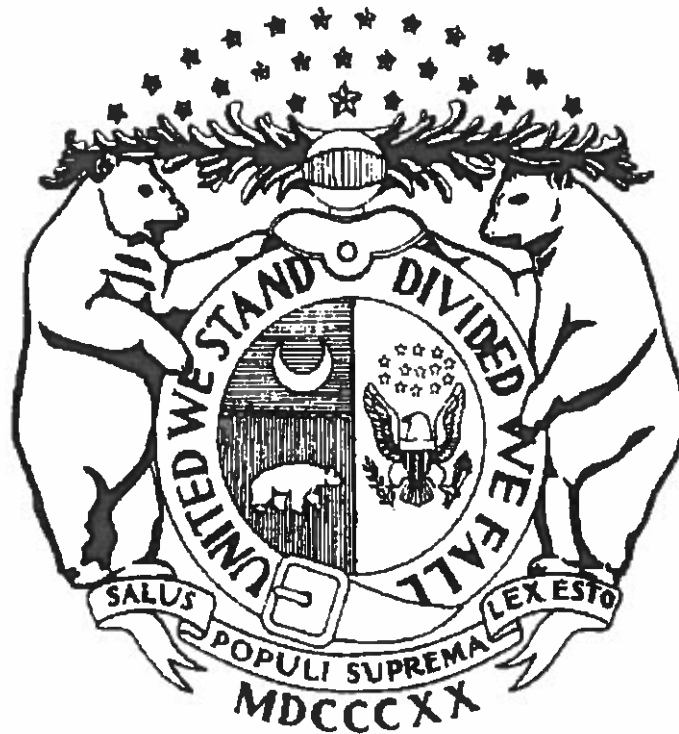
Chlora Lindley-Myers

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

**REPORT OF THE
FINANCIAL EXAMINATION OF
MISSOURI CARE, INC.**

**AS OF
DECEMBER 31, 2015**

FILED
MAY 30 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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Tampa, Florida
March 31, 2017

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

Acting Director Lindley-Myers:

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

Missouri Care, Inc.

hereinafter referred to as Missouri Care or the Company. Its administrative office is located at 8735 Henderson Road, Tampa, Florida, 33634, telephone number (813) 206-2725. The examination began on August 1, 2016, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a full scope single-state examination of Missouri Care. The last examination was completed as of December 31, 2011, and covered the period of January 1, 2009 through December 31, 2011. This examination covers the period of January 1, 2012 through December 31, 2015. This examination also included the material transactions or events occurring subsequent to December 31, 2015.

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 (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 Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

This examination report includes findings of facts and general information about the Company 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 Company.

Reliance Upon Others

This examination relied upon information provided by the Company's independent auditor, Deloitte & Touche, LLP, of Tampa, Florida, for its audit covering the period from January 1, 2015 through December 31, 2015. Areas in which testing and results from the CPA workpapers were relied upon in our examination included internal control testwork, bank confirmations, paid claims data, premiums receivable, fraud assessment, and subsequent events review.

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

In October 2016, Missouri Care, along with two other unaffiliated insurers, was awarded the Medicaid contract by Missouri HealthNet (MO HealthNet) with an effective date of May 1, 2017. This contract will expand the coverage area from the current 54-county area to statewide, which will include 114 counties and the City of St. Louis. The counties to be added in the 2017 contract expansion are currently receiving services through a state-run program.

COMPANY HISTORY

General

Missouri Care L.C. was organized as a not-for-profit, limited liability company on September 2, 1997. It was issued a Certificate of Authority to be licensed as a Health Maintenance Organization (HMO) on November 4, 1997 by the DIFP.

Effective February 1, 2007, certain assets and liabilities of Missouri Care L.C. were purchased by Schaller Anderson Acquisition Inc. on behalf of Schaller Anderson, Inc. (SAI), an Arizona corporation, including the right to use the name of Missouri Care. Subsequently thereafter, SAI was purchased by Aetna, Inc. (Aetna) effective July 31, 2007. On December 31, 2009, SAI was merged into Aetna Health Holdings, LLC, (AHH), with AHH as the surviving entity. The Company operated as a subsidiary of AHH with Aetna as the ultimate controlling parent.

On March 29, 2013, all of the outstanding common stock of Missouri Care was acquired by WellCare Management Group, Inc. (WMGI), a New York Corporation and wholly-owned subsidiary of WellCare Health Plans, Inc. (WellCare), a Delaware corporation. The Company operates as a subsidiary of WMGI with WellCare as the ultimate controlling parent.

Dividends and Capital Contributions

The Company paid an extraordinary stockholder dividend of \$10.5 million to its parent company, WellCare Management Group, Inc. on December 30, 2015. No other stockholder dividends were declared or paid during the period under examination.

On March 26, 2013, the DIFP approved the cancellation of a \$10 million subordinated surplus note held by Missouri Care's previous owners. The cancellation of this note was reported as contributed surplus. The Company received a capital contribution of \$14 million on April 1, 2013, from parent WMGI.

Mergers and Acquisitions

Other than the acquisition of Missouri Care by WellCare (see "General" section above), there were no mergers or acquisitions involving the Company during the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors that are elected by the Company's shareholder. The Company's Bylaws specify that the number of directors shall be not less than four. The Board of Directors appointed and serving, as of December 31, 2015, were as follows:

<u>Name</u>	<u>Address</u>	<u>Principal Occupation and Business Affiliation</u>
David T. Reynolds	Deerfield, IL	Region President WellCare Health Plans, Inc.
Maurice S. Hebert ¹	Lutz, FL	Chief Accounting Officer WellCare Health Plans, Inc.
Blair W. Todt ²	Odessa, FL	Senior Vice President, Chief Legal and Administrative Officer, and Secretary WellCare Health Plans, Inc.
Kenneth A. Burdick ¹	Tampa, FL	President & Chief Operating Officer WellCare Health Plans, Inc.

Committees

The Bylaws grant the Board of Directors authority to establish one or more Committees of the Board and appoint the members. Each committee shall have two or more members. Subsequent to WellCare's acquisition of Missouri Care on March 31, 2013, Missouri Care formed the Audit Committee on May 16, 2013. The Audit Committee consists of two members appointed by the Board of Directors. As of December 31, 2015, the members of the Audit Committee were Andrew L. Asher and Maurice S. Hebert.³

Officers

The officers elected and serving, as of December 31, 2015, were as follows:

<u>Name</u>	<u>Office</u>
Kenneth A. Burdick	President
Andrew L. Asher	Chief Financial Officer and Treasurer
Maurice S. Hebert	Chief Accounting Officer & Assistant Treasurer
Blair W. Todt	Senior Vice President & Secretary
David T. Reynolds	Region President

¹ Resigned from Board of Directors effective April 18, 2016, and were replaced by Michael T. Meyer and Andrew L. Asher.

² Resigned from Board of Directors effective June 17, 2016 and was replaced by Phillip P. Bisesi.

³ Michael T. Meyer replaced Maurice S. Hebert as Audit Committee member on April 18, 2016.

In April 2016, the officers of Missouri Care were restructured to delegate authority to individuals with more functional roles within the Company. Previously, the officers of Missouri Care had been executive officers of the Company's ultimate parent, WellCare. As a result of the restructuring, the officers elected and serving as of June 30, 2016 were as follows:

<u>Name</u>	<u>Office</u>
David T. Reynolds	President
Michael T. Meyer	Chief Financial Officer & Treasurer
Michael W. Haber	Secretary & Vice President
Phillip P. Bisesi	Assistant Secretary and Vice President

Corporate Records

A review was made of the Articles of Incorporation and Bylaws for the examination period. Subsequent to the acquisition of Missouri Care by WellCare in 2013, both the Articles of Incorporation and the Bylaws were amended and restated in their entirety on April 1, 2013, for the purpose of bringing the documents more in line with the other companies in the WellCare group.

The minutes of the Board of Directors' meetings, written consents in lieu of meetings, sole shareholder written consents, and committee meetings were reviewed for proper approval of corporate transactions. In general, the minutes and written consents appear to properly reflect and approve the Company's major transactions and events for the period under examination.

Holding Company, Subsidiaries and Affiliates

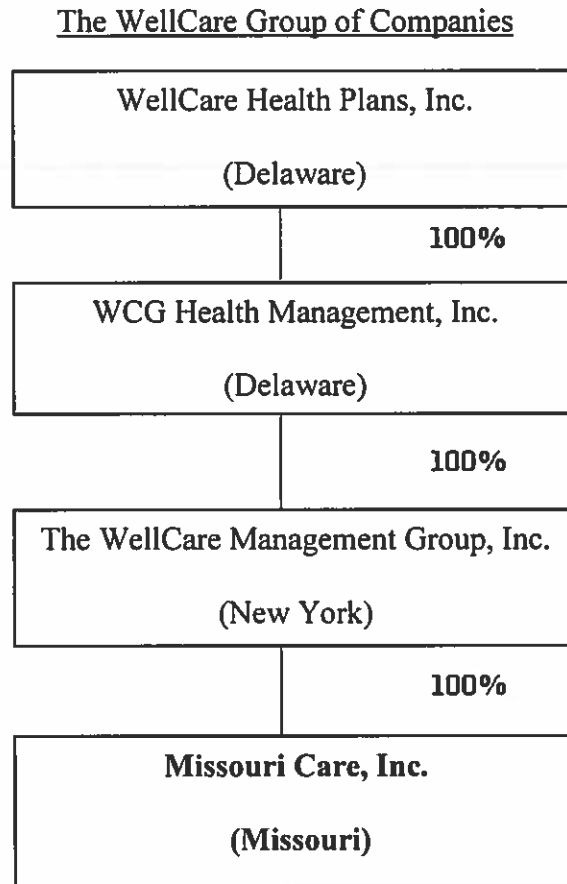
The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Missouri Care is a member of the WellCare group of companies (WellCare Group). An Insurance Holding Company System Registration Statement was filed by Missouri Care for each year of the examination period. Missouri Care is directly owned 100% by WellCare Management Group, Inc., which in turn is 100% owned by WCG Health Management, Inc., which is 100% owned by the ultimate parent, WellCare Health Plans, Inc.

WellCare is a publicly traded holding company, which reported total assets of \$5.2 billion and stockholder equity of \$1.7 billion as of December 31, 2015. WellCare reported net income of \$119 million in 2015, and positive net income for all of the last five years. Revenues have more than doubled since 2011, from \$6.2 billion in 2011 to \$13.9 billion in 2015.

Through its numerous insurance subsidiaries, WellCare focuses exclusively on government-sponsored managed care services, primarily through Medicaid, Medicare Advantage and Medicare Prescription Drug Plan to approximately 3.8 million members in all fifty states. The WellCare Group operates Medicaid health plans in nine states, including Missouri. In 2015, Medicaid business accounted for 63% of total membership and 65% of total premium revenue for the WellCare Group.

Organizational Chart

The following organizational chart depicts the stream-lined ownership and holding company structure of Missouri Care, as of December 31, 2015.



Intercompany Transactions

The Company’s intercompany agreements that were in effect, as of December 31, 2015, and subsequent periods are outlined below.

1. **Type:** Income Tax Allocation Agreement
- Parties:** WellCare Health Plans, Inc. and Subsidiaries
- Effective:** March 31, 2013
- Terms:** WellCare and subsidiaries, including Missouri Care, agree to file a consolidated federal income tax return. The Company’s income tax liability each year will be the amount of income taxes that Missouri Care would have paid on a stand-alone, separate return basis. Missouri Care agrees to pay amounts due to WellCare within 30 days after receiving notice. Refunds due to Missouri Care are due within 30 days after determination by WellCare that such amounts due exist.

- 2. Type:** Capital Maintenance Agreement
Parties: WellCare and Missouri Care
Effective: March 13, 2013
Terms: WellCare agrees to ensure that Missouri Care has capital and surplus in the amount equal to at least 200% of risk-based capital (RBC) and to monitor the RBC periodically to ensure the required amount is maintained. WellCare further agrees to make any capital contributions necessary for Missouri Care to maintain capital and surplus at the minimum 200% RBC level at all times.
- 3. Type:** Management Services Agreement
Parties: Comprehensive Health Management, Inc. (CHMI) and Missouri Care
Effective: January 1, 2014
Terms: CHMI agrees to provide, supervise and manage the day-to-day operations of Missouri Care by providing certain services. These services include, but are not limited to accounting and financial services, human resource, claims processing, risk management, actuarial services, legal services, governmental relations and regulatory affairs, health care quality improvement activities, advertising of products, product marketing, records management and retention, provider network management, and procurement and management of facilities. Missouri Care agrees to reimburse CHMI for all directly allocable costs incurred and to pay an amount equal to 8% of gross premium revenue for indirect costs. Amounts due under the agreement are payable within 30 days of the end of the month in which the fees are incurred. In the event that charges by CHMI would cause Missouri Care to fall below the DIFP statutory capital reserve requirements for any period, CHMI agrees not to impose the charges for that period.

TERRITORY AND PLAN OF OPERATION

Missouri Care is licensed only in the State of Missouri under Chapter 354 RSMo, as it relates to Health Maintenance Organizations. The Company's only product is Medicaid business contracted through the MO HealthNet Managed Care program, which is administered by the MO HealthNet division of the Missouri Department of Social Services. The Company is currently operating under a renewed contract with MO HealthNet that became effective on July 1, 2015 and ends on April 30, 2017. The contract allows for termination with a 30-day notice at the discretion of MO HealthNet.

The Company services a 54 county area in Missouri. Missouri Care is one of three health insurers contracted to provide managed care services for the MO HealthNet Managed Care program and derives all of its premium revenue from its participation in the contract. The underlying rates for the premium revenue are subject to negotiation with and approval by the State of Missouri with funding approved each legislative session. Future contract renewals are contingent upon the continuation of the MO HealthNet Managed Care program and the Company's ability and desire to retain its status as a carrier under the program.

REINSURANCE

General

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

	2015	2014	2013	2012
Direct Business	\$308,994,479	\$275,225,092	\$305,479,401	\$229,357,465
Reinsurance Assumed	0	0	0	0
Reinsurance Ceded:				
Affiliates	0	0	0	0
Non-affiliates	(98,137)	(0)	(249,488)	(962,481)
Net Premiums Written	<u>\$308,896,342</u>	<u>\$275,225,092</u>	<u>\$305,229,913</u>	<u>\$228,394,984</u>

Assumed

The Company does not assume any business.

Ceded

Missouri Care's reinsurance program is designed to protect against the risk from large dollar claims. The Company has an excess of loss reinsurance agreement, effective January 1, 2015 to December 31, 2015, with Westport Insurance Corporation (Westport). Under the terms of the agreement, Missouri Care has a retention of \$2 million per member. For losses incurred in excess of this retention, Westport agrees to indemnify the Company for 95% of inpatient hospital services, other than transplant services for newborn members, and 90% for all other losses incurred. The reinsurance limit is \$2 million per member for the contract period, and there is no per member lifetime limit under the contract.

The Company entered into a new excess of loss reinsurance agreement subsequent to the examination date. The new agreement is with PartnerRe America Insurance Company (PartnerRe), and covers losses incurred from January 1, 2016 to January 1, 2017. Per the terms of the agreement, Missouri Care has a \$2.5 million per member retention, and PartnerRe agrees to indemnify the Company for losses in excess of the retention at a rate of 90% for reinsurance claims received by March 1, 2018 and at a rate of 50% for reinsurance claims received after that date. The contract includes a \$2 million per member reinsurance limit and no aggregate limit for the contract period.

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.

FINANCIAL STATEMENTS

The following financial statements, present the financial condition of Missouri Care for the period ending December 31, 2015. 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 section. 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 key activity.

Assets as of December 31, 2015

	Assets	Non-Admitted Assets	Net Admitted Assets
Bonds	\$ 1,097,840	\$ 0	\$ 1,097,840
Cash and Short-Term Investments	29,316,272	0	29,316,272
Investment Income Due and Accrued	21,408	0	21,408
Uncollected Premiums & Agents' Balances	38,789,830	0	38,789,830
Current Federal Income Tax Recoverable	908,199	0	908,199
Net Deferred Tax Asset	1,612,486	0	1,612,486
Receivables from Affiliates	704,945	7,374	697,571
Health Care and Other Receivables	3,982,212	2,909,497	1,072,715
Aggregate Write-ins	612,831	6,920	605,911
TOTAL ASSETS	\$77,046,023	\$2,923,791	\$74,122,232

Liabilities, Capital and Surplus as of December 31, 2015

Claims Unpaid	\$37,919,511
Unpaid Claims Adjustment Expenses	355,439
General Expenses Due or Accrued	612,884
Amounts Due to Affiliates	141
Aggregate Write-ins	699,197
TOTAL LIABILITIES	\$39,587,172
Aggregate Write-ins for Special Surplus Funds	5,360,000
Common Capital Stock	1,000
Gross Paid in and Contributed Surplus	35,999,000
Unassigned Funds (Surplus)	(6,824,940)
Total Capital and Surplus	\$34,535,060
TOTAL LIABILITIES, CAPITAL AND SURPLUS	\$74,122,232

Statement of Revenue and Expenses For the Year Ended December 31, 2015

Member Months	1,312,727
Net Premium Income	<u>\$308,896,342</u>
Total Revenues	\$308,896,342
Hospital/Medical Benefits	\$231,081,564
Other Professional Services	7,551,128
Emergency Room and Out-of-Area	36,552,239
Prescription Drugs	4,565
Claims Adjustment Expenses	6,144,554
General Administrative Expenses	<u>25,995,528</u>
Total Underwriting Deductions	\$307,329,578
Net Underwriting Gain	\$ 1,566,764
Net Investment Gain	282,148
Federal Income Tax	<u>2,573,960</u>
Net Income (Loss)	\$ (725,048)
CAPITAL AND SURPLUS ACCOUNT:	
Capital and Surplus, December 31, 2014	\$ 47,070,509
Net Income (Loss)	(725,048)
Change in Net Deferred Income Tax	897,122
Change in Non-Admitted Assets	(2,207,523)
Surplus Paid In	<u>(10,500,000)</u>
Net Change in Capital and Surplus	(12,535,449)
Surplus as Regards Policyholders, December 31, 2015	\$ 34,535,060

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

EXAMINATION CHANGES

None.

GENERAL COMMENTS AND/OR RECOMMENDATIONS

None.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Missouri Care, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Marc Peterson, CFE, Emily Pennington, AFE, examiners for the Missouri Department of Insurance, Financial Institutions and Professional Registration, participated in this examination. Kimberly Dobbs, CFE, AES, Information System Examiner for the DIFP, performed a review of the information system environment. Kirk Braunius, ASA, MAAA, of Merlino & Associates, Inc., also participated as a consulting actuary.


VERIFICATION

State of Missouri)
)
County of)

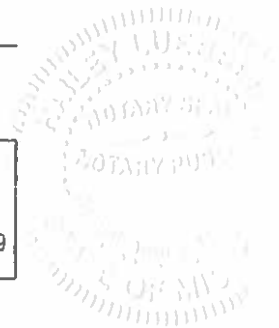
I, Shannon W. Schmoeger, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Missouri Hospital Plan its agents or other persons examined or as ascertained 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.


Shannon W. Schmoeger, CFE, ARE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 17th day of March, 2017

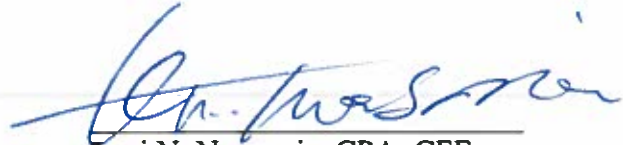
My commission expires: March 30, 2019

Notary Public

HAILEY LUEBBERT
Notary Public - Notary Seal
State of Missouri
Commissioned for Osage County
My Commission Expires: March 30, 2019
Commission Number: 15634366



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.



Levi N. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration