

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 Care, Inc for the period ended December 31, 2011

ORDER

After full consideration and review of the report of the financial examination of Missouri Care, Inc for the period ended December 31, 2011, 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 Missouri Care, Inc as of December 31, 2011, 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) 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 14th day of June, 2013.



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

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

AS OF
DECEMBER 31, 2011

FILED
JUN 24 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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Columbia, Missouri
May 3, 2013

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

Director Huff:

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 such, Missouri Care, or as the Company. Its administrative office is located at 2404 Forum Boulevard, Columbia, Missouri, 65203, telephone number (573) 441-2100. This examination began on August 6, 2012 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a full scope single-state examination of Missouri Care, Inc. Missouri Care was last examined by the Missouri Department of Insurance, Financial Institution and Professional Registration (DIFP) as of December 31, 2008. The current full scope examination covers the period January 1, 2009 through December 31, 2011.

The examination was conducted in coordination with the State of Pennsylvania as the lead in its examination of the following companies: Aetna Health Incorporated; Aetna Health Insurance Company; and Aetna Better Health Incorporated. The examination is also coordinated with the states of Texas and New Jersey in the examination of the following companies: Aetna Health Incorporated (TX); Aetna Dental Incorporated (TX); Aetna Health Incorporated (NJ) and Aetna Dental Incorporated (NJ).

This examination also included the material transactions or events occurring subsequent to the December 31, 2011 as noted in this report.

Procedures

This examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook, except where practices, procedures and applicable regulations of the Missouri 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 and identify prospective risks of the Company by obtaining information about corporate governance, identifying and assessing inherent risks, and evaluating the Company's 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 Statements of Statutory Accounting Principles (SSAP) 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. The key activities identified in the examination of Missouri Care were as follows:

- Investments*
- Claims Handling*
- Claims Reserving*
- Premiums*
- Provider Relations

* Other than specific State of Missouri procedures completed by the DIFP examiners, review and testing procedures performed for each of these key activities were completed by the State of Pennsylvania examiners as part of the coordinated examination.

Due to the coordinated nature of the examination, the examiners relied on information obtained from the following entities in completing the examination:

- The examiners relied upon information supplied by the Company's independent auditor, KPMG, LLP, of Hartford, Connecticut, for its audit covering the period from January 1, 2011 through December 31, 2011. Areas in which the testing and results from the CPA workpapers were relied upon in our examination included descriptions of processes and controls, cash confirmations, attorney letters and taxes.
- As noted above, reliance was also placed on the work performed by the other states in the examination, with Pennsylvania as the lead state.

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

In February 2012, Missouri Care was awarded a Medicaid contract in all three of the Missouri HealthNet (MO HealthNet) managed care regions of the State, comprising the Central, Eastern

and Western regions. Prior to the award, MO HealthNet had allowed multiple providers to operate in the three regions. At the time of the award, Missouri Care was operating in all three regions but with more concentration in the Central region. After the new contract, which became effective on July 1, 2012, the Company became one of only three providers contracted by MO HealthNet to provide health care under the State of Missouri Medicaid program. As a result of this contract, Missouri Care has experienced rapid growth in the Eastern and Western managed care regions, nearly doubling its overall membership in 2012.

On September 11, 2012, Missouri Care's ultimate parent, Aetna, Inc. (Aetna), filed a Form A with the DIFP, proposing to acquire Coventry Health Care of Missouri, Inc; (Coventry) a health maintenance organization, also domiciled in the State of Missouri.

Pursuant to the acquisition transaction between Aetna and Coventry as noted above, Aetna determined that Missouri Care should be sold to a non-related party. Pursuant to a stock purchase agreement between the parties dated January 18, 2013 and an approval order of a Form A by the Director of DIFP dated March 28, 2013, control of Missouri Care was acquired as of March 31, 2013 by WellCare Health Plans, Inc., a Tampa, Florida based insurer.

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 continues to operate as a subsidiary of AHH with Aetna as the ultimate controlling parent.

Capital Contribution

During the period under examination, the following capital contributions were made to the Company by its parent, at the time of the contribution:

- \$2,000,000 on December 21, 2009 by SAI
- \$5,000,000 on February 25, 2010 by AHH
- \$5,000,000 on February 27, 2011 by AHH

Dividends

No dividends were declared or paid during the period under examination.

Mergers and Acquisitions

The immediate sole shareholder of Missouri Care, Inc, as of the examination date is Aetna Health Holdings, LLC. Prior to the December 31, 2009 merger into AHH, SAI was the direct parent of Missouri Care. SAI and its affiliates (including Missouri Care) were acquired on July 31, 2007, by AHH, a subsidiary of Aetna, Inc. On December 31, 2009, SAI merged with AHH, leaving AHH as the surviving entity and the single shareholder and immediate parent of Missouri Care, with Aetna as the ultimate controlling entity.

CORPORATE RECORDS

The Company’s Articles of Incorporation and Bylaws were reviewed for any changes during the period under examination. There were no changes to the Articles of Incorporation during the examination period. Amendments to the Bylaws were ratified on September 22, 2009, retroactive to 2008, providing for the number of Board of Directors to be fixed by a resolution of the Board of Directors or shareholder, allowing one individual to hold multiple officer positions except for the offices of President and Secretary and updating the corporate seal section of the Bylaws to reflect the current name as Missouri Care, Inc.

The minutes of the Board of Directors’ meetings, written consents in lieu of meetings, and the sole shareholder written consents 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.

MANAGEMENT AND CONTROL

Board of Directors

The management of Missouri Care is vested in a Board of Directors, elected by the shareholder. The Company’s Bylaws specify that the number of directors serving shall be fixed by a resolution of the Board of Directors or shareholder. Four (4) directors were required, per a Shareholder resolution, issued by written consent, on June 1, 2009. The Board members elected and serving as of December 31, 2011 were as follows:

<u>Name and Address</u>	<u>Business Affiliation</u>
Thomas L. Kelly ¹ Rancho Palos Verdes, California	Chairman, President & CEO, Missouri Care, Inc. President and CEO, Schaller Anderson LLC

¹ Retired effective December 20, 2012 and was replaced by Pamela Sedmak as Chairman, President and CEO, effective as of the same date.

Frederick R. Hatfield²
Chandler, Arizona

Director, Missouri Care, Inc.
Chief Operations Officer, Schaller Anderson LLC

Janet M. Stallmeyer
Kansas City, Missouri

Director, Missouri Care, Inc.
Senior Vice President, Schaller Anderson LLC

Coleen Kivlahan, MD³
Phoenix, Arizona

Director, Missouri Care, Inc.
Sr. VP of Medical Affairs & Chief Medical Director,
Schaller Anderson LLC

Committees

The Bylaws grant the Board of Directors authority to establish Committees of the Board of Directors. The Company did not have any established committees during the examination period. However, as a result of the adoption of the Model Audit Rule (“MAR”) in 2010, audit committees were formed to cover legal entities subject to MAR. Although the Company is not currently subject to the MAR requirements, its immediate parent, Aetna Health Holdings, LLC (“AHH”), formed a common audit committee that serves as the Company’s audit committee. The following are the members of the AHH Audit Committee:

Michael W. Fedyna (Chairperson)
Jerry Bellizzi
Alfred P. Quirk, Jr.

Officers

The officers elected and serving as of December 31, 2011 were as follows:

Name

Thomas L. Kelly
Brian K. Fischer
Edward C. Lee
Jerry J. Bellizzi
Elaine R. Confrancesco
Jennifer A. Palma
Brian Winters
Robert Kessler
Stephen A. Stites
Thome W. Clark
Nancy A. Frazer
Melissa B. Pavlovich

Office

Chairman, President and CEO
Treasurer and Chief Financial Officer
Vice President & Assistant Secretary
Vice President & Assistant Secretary
Vice President & Assistant Treasurer
Vice President & Controller
Assistant Controller
Secretary
Assistant Secretary
Assistant Secretary
Assistant Secretary
Assistant Secretary

² Retired from the Board effective December 31, 2012 and was not replaced.

³ Resigned from the Board, effective December 31, 2011 and was replaced by Paul D. Fawson effective February 15, 2012.

Melinda Westbrook	Assistant Secretary
Nancy S. Haase	Assistant Treasurer
Eric S. Trafton	Assistant Treasurer
Michael M. Sinisgalli	Assistant Treasurer
Kevin J. Casey	Senior Investment Officer

Holding Company, Subsidiaries and Affiliates

The Company is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Aetna, Inc. on behalf of Missouri Care for each year of the examination period. As of December 31, 2011, Missouri Care was directly owned 100% by Aetna Health Holding, LLC, which in turn, is a 100% owned subsidiary of Aetna, Inc.

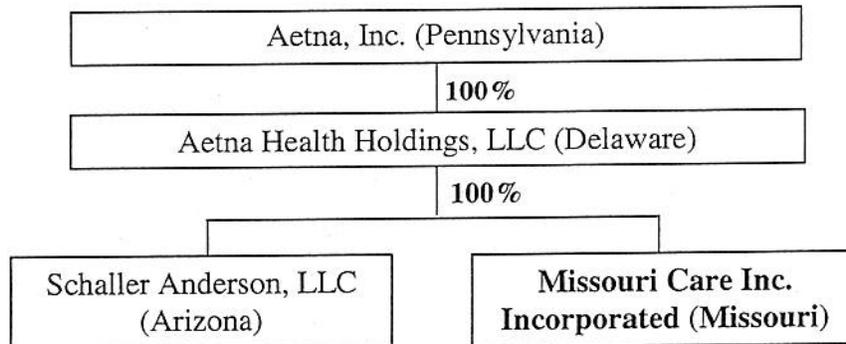
Aetna Health Holdings, LLC, a Delaware corporation is an intermediate holding company within the Aetna holding company structure. It has a Board of Directors and its Audit Committee serves on behalf of many entities within Aetna’s Medicaid Business Unit (MBU), including Missouri Care.

The ultimate parent of the Company, Aetna, is a publicly traded health care benefits company that serves approximately 36.4 million people as of December 31, 2011. Aetna’s operations are conducted in three business segments: Health Care (accounting for 92.5% of revenue), Group Insurance (6% of revenue) and Large Case Pensions, which accounts for the remainder. Revenue is derived primarily from insurance premiums, administrative service fees, and investment income. Total Revenue in 2011 was \$33.8 billion and Net Income reported was \$1.99 billion. Per the 2011 consolidated financial statements, Aetna reported assets of \$38.6 billion and total Liabilities of \$28.5 billion.

Missouri Care operates as part of Aetna’s MBU, which accounts for only 5% of total revenues for the Health Care segment. Missouri Care’s 53,046 insured members as of December 31, 2011, comprised approximately 4% of the total members in the Medicaid Business Unit.

Organizational Chart

The following organizational chart depicts the stream-lined ownership and holding company structure of Missouri Care following its acquisition and merger into Aetna Health Holdings, LLC, as of December 31, 2011.



Intercompany Transactions

Missouri Care has the following agreements with its affiliated companies:

- 1. Type:** Subordinated Surplus Note

Entity: Aetna Health Holdings, LLC (assumed after merger with SAI)

Effective: January 5, 2007

Terms: Missouri Care issued a \$10,000,000 surplus note to its former direct parent, SAI, on January 5, 2007. Interest is accrued at an annual rate of 4.58% of the unpaid principal balance of the note. The terms of the note do not specify the date in which the principal balance shall be repaid by Missouri Care. No payments of surplus note interest or principal were made by the Company during 2009, 2010 or 2011. The outstanding surplus note balance including accrued interest was \$12,251,101 as of December 31, 2011. The surplus note became payable to Aetna Health Holdings, LLC, effective December 31, 2009, following the merger of SAI into Aetna Health Holdings, LLC on that date.

- 2. Type:** Plan Management Services Agreement

Entity: Schaller Anderson, LLC (f/k/a Schaller Anderson of Arizona, LLC)

Effective: January 1, 2009 (Carries forward agreement with Schaller Anderson of Missouri LLC; effective date Feb 1, 2007)

Terms: Schaller Anderson, LLC (Schaller Anderson) agrees to provide all services necessary to manage the day-to-day business operations of Missouri Care. Schaller Anderson will provide the following services: claims processing, provider contracting, member enrollment, encounter data maintenance, accounting, budgeting, accounts payable, financial reporting, information systems, advertising, marketing, member services, provider relations, quality management, credentialing, medical management, and other services. Missouri Care will pay Schaller Anderson a monthly management fee equal to 12% of Missouri Care's total revenue.

- 3. Type:** Tax Sharing Agreement

Entity: Aetna, Inc. and its subsidiaries

Effective: July 31, 2007

Terms: Aetna and its 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 as a stand-alone entity filing an unconsolidated tax return. The settlements between the subsidiaries and Aetna for quarterly installments and the final tax return are due within 90 days of the date of each tax filing.

Intercompany Payments

Fees and other payments or receipts to related parties, pursuant to the above agreements, are listed in the following table:

Related Party	Agreement/Transaction Type	Net Paid / (Received)		
		2009	2010	2011
AHH	Capital Contribution	(\$2,000,000)	(\$5,000,000)	(\$5,000,000)
Schaller Anderson	Plan Management Services	14,529,579	14,782,166	16,688,499
Aetna, Inc.	Tax Sharing	(314,429)	(65,544)	(2,439,589)
TOTAL		\$12,215,150	\$9,716,622	\$9,248,910

FIDELITY BOND AND OTHER INSURANCE

The Company is the primary insured on a financial institution bond policy that covers losses resulting from dishonest or fraudulent acts of employees. The policy has a liability limit of \$800,000 with a \$0 deductible, which meets the minimum coverage that is recommended by the NAIC.

The Company also is a named insured on insurance policies of the parent, Aetna, Inc., that provide coverage for the following risks: commercial general liability, including an umbrella policy, workers’ compensation, business automobile, and Errors and Omissions (E&O) professional liability.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

Missouri Care does not have any employees as its business operations are managed by employees of the Company's parent, Aetna, Inc., through a Plan Management Services Agreement with Schaller Anderson LLC, an affiliate of Missouri Care, and a wholly-owned subsidiary of Aetna, Inc. The terms of the Plan Management Services Agreement is described in the Intercompany Transaction section of this report. Missouri Care indirectly pays for the salaries and benefits of Aetna employees through the monthly management fees it pays pursuant to the agreement.

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, 2012 and ends on June 30, 2013. The contract allows for two one-year renewals and termination with a 30-day notice at the discretion of MO HealthNet.

The Company services a 97 county area in Missouri. Following a change by MO HealthNet for the contract period beginning on July 1 2012, only three health insurers were approved to provide managed care services for the MO HealthNet Managed Care program. Missouri Care was one of the companies selected; accordingly, the Company can now write MO HealthNet Managed Care in any of the three regions of the state, comprising the Eastern, Western and Central regions. The Company is expecting a 50,000 member increase due to this change, which will roughly double its year-end 2011 enrollment of 52,158.

The Company derives the majority of its premium revenue from its contract and participation in the State of Missouri MO HealthNet program. 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.

Missouri Care started an Administrative Services Only (ASO) function in Northwest Missouri at the beginning of 2009. The ASO contract was not renewed and the ASO ceased business as of June 30, 2010.

The Company is accredited by the National Committee for Quality Assurance (NCQA) for exhibiting service and clinical quality that meets or exceeds the NCQA’s requirements for consumer protection and quality improvement.

GROWTH OF COMPANY

Missouri Care’s total admitted assets and capital and surplus increased in each of the years under examination due primarily to capital contributions from its parent company. The relatively large increase in premiums for the examination period was due to the expansion of the Company’s territory into the Eastern and Western Regions of the MO Healthnet program, beginning on October 1, 2009. Large percentage changes in net underwriting gains and losses each year are due to fluctuations in hospital/medical benefits paid for the corresponding year. Net income annual fluctuations are due in large part to income tax expense (benefit), resulting from the Company’s holding company tax sharing agreement, as well as fluctuations in capital and investment gains and losses.

The table below depicts the financial growth of the Company during the period under examination:

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Admitted Assets	\$26,965,931	\$32,536,214	\$38,877,215
Total Capital and Surplus	11,087,832	15,775,200	20,374,764
Gross Written Premiums	124,043,374	124,244,528	138,432,568
Net Written Premiums	123,876,752	124,069,033	138,011,908
Net Underwriting Gain	(308,754)	517,492	(3,442,327)
Net Income (Loss)	(4,149,984)	(2,934,889)	(3,598,146)

LOSS EXPERIENCE

Missouri Care's loss ratios have been slowly rising, as shown below. The loss ratios are higher than average for the health insurance industry. However, high loss ratios are typical for Medicaid only insurers, such as Missouri Care due to the nature and structure of state funded Medicaid program. Generally, premium rates are determined by the state, as well as underwriting. New members to Medicaid tend to have a backlog of healthcare demands which may result in high initial utilization. Despite these inherent barriers, there are several areas that are available to manage Missouri Care's loss expenses such as medical case management, utilization management, provider contracting and wellness programs.

The table below depicts the loss experience of the Company during the period under examination:

<u>Year</u>	<u>Net Premiums Written</u>	<u>Total Medical and Hospital Expenses</u>	<u>Loss Ratio</u>
2009	123,876,752	106,538,518	86.0%
2010	124,069,033	108,752,825	87.7%
2011	138,011,908	124,783,843	90.4%

REINSURANCE

General

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

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Direct Business	\$124,043,374	\$124,244,528	\$138,432,568
Reinsurance Assumed	-0-	-0-	-0-
Reinsurance Ceded:			
Affiliates	-0-	-0-	-0-
Non-affiliates	(166,622)	(175,495)	(420,660)
Net Premiums Written	<u>\$123,876,752</u>	<u>\$124,069,033</u>	<u>\$138,011,908</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 March 1, 2011 to

February 28, 2012, with RGA Reinsurance Company (RGA). This agreement covers 80% of eligible medical expenses in excess of the Company's retention of \$275,000 per member, up to a maximum reinsurance limit of \$5,000,000 per member, per agreement period. Eligible medical expenses covered by the reinsurance agreement include costs for inpatient hospital services and pre and post transplant services, with the actual transplant excluded. A maximum daily limit of \$5,000 per member is applicable for hospitals in Missouri with no daily limits for hospitals outside of Missouri.

The Company entered into two new excess of loss reinsurance agreements subsequent to the examination date. The first agreement is also with RGA and covers the period from March 1, 2012 to June 30, 2012. This agreement has essentially the same terms as those in the agreement described above. This agreement was entered into for a four month period to allow the Company to align its reinsurance agreement period with the Medicaid contract with the State of Missouri, which operates on a fiscal year basis of July 1 through June 30. The second agreement, effective July 1, 2012 to June 30, 2013, is with Zurich American Insurance Company (Zurich). The reinsurance agreement with Zurich covers 80% of eligible medical expenses in excess of the Company's retention of \$300,000 per member, up to a maximum reinsurance limit of \$5,000,000 per member, per agreement period. Eligible medical expenses covered by the agreement include costs for inpatient hospital services, mainly acute care services. The reimbursement of the reinsurer is reduced to 50% for claims received by the reinsurer after April 1, 2014. A maximum daily limit of \$5,000 per member is applicable for hospitals in Missouri with no daily limits for hospitals outside of Missouri.

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.

ACCOUNTS AND RECORDS

Independent Auditor

The CPA firm, KPMG, LLP, of Hartford, Connecticut issued audited statutory financial statements of the Company for all years in the examination period.

Appointed Actuary

The actuarial opinion regarding the Company's reserves for losses and loss adjustment expenses was issued by Peter K. Reilly, MAAA, FSA, of Aetna Insurance, Blue Bell, Pennsylvania for all years in the examination period.

Information Systems

The Company utilizes a version of Oracle General Ledger software incorporated with modifications developed by the parent company, Aetna. Annual Statement reports are prepared using Booke Seminars. The Windows-based application, QNXT is utilized by the processing

center in Phoenix, Arizona for Medicaid Administration. QNXT software is a product of TriZetto, of Denver, Colorado, a company specializing in healthcare information technology.

STATUTORY DEPOSITS

Deposits with the State of Missouri

The funds on deposit with the Missouri DIFP as of December 31, 2011, as reflected below, were sufficient to meet the capital deposit requirements for the State of Missouri in accordance with Section 354.410 RSMo (Trust Deposits and Capital Requirements) and Section 354.551 RSMo (Point of Service Riders). The funds on deposit were as follows:

<u>Type of Security</u>	<u>Par Value</u>	<u>Fair Value</u>	<u>Statement Value</u>
US Treasury Note	\$1,200,000	\$1,294,219	\$1,130,553

Deposits with Other States

The Company has no funds on deposit with another state

FINANCIAL STATEMENTS

The following financial statements, with supporting exhibits, present the financial condition of Missouri Care, Inc. for the period ending December 31, 2011. Any examination adjustments to the amounts reported in the financial statements and/or comments regarding such are made in the “Comments on Financial Statement Items.” The failure of any column of numbers to add to its respective total is due to rounding or truncation.

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

Assets

	<u>Assets</u>	Non- Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$15,287,959		\$15,287,959
Cash, Cash Equivalents and Short-term Investments	7,659,264		7,659,264
Investment Income Due and Accrued	84,822		84,822
Premiums and Considerations: Uncollected Premiums and Agents' Balances	15,663,196		15,663,196
Net Deferred Tax Asset	108,030	\$21,370	86,660
Health Care Receivable and other Amounts Receivable	206,563	136,234	70,329
Aggregate Write-ins for othan Invested Assets:			
State Income Tax Receivable	<u>24,985</u>	<u>0</u>	<u>24,985</u>
TOTAL ASSETS	<u>\$39,034,819</u>	<u>\$157,604</u>	<u>\$38,877,215</u>

Liabilities, Surplus and Other Funds

Claims Unpaid	\$17,830,579
Unpaid Claims Adjustment Expense	327,652
General Expenses Due or Accrued	5,693
Federal Income Tax Payable	171,258
Amounts Due to Parent, Subsidiaries and Affiliates	<u>167,269</u>
TOTAL LIABILITIES	\$18,502,451
Common Capital Stock	1,000
Gross Paid-In and Contributed Surplus	22,499,000
Surplus Notes	12,251,101
Unassigned Funds (Surplus)	<u>(14,376,337)</u>
Capital and Surplus	<u>\$20,374,764</u>
TOTAL LIABILITIES AND SURPLUS	<u>\$38,877,215</u>

Summary of Operations

Member Months	<u>612,509</u>
Net Premium Income	<u>\$138,011,908</u>
TOTAL	<u>\$138,011,908</u>
Hospital/Medical Benefits	105,167,761
Other Professional Services	2,130,252
Emergency Room and Out-of-Area	18,409,221
Prescription Drugs	29,454
Net Reinsurance Recoveries	(952,845)
Claims Adjustment Expenses, including Cost Containment Expenses	12,110,641
General Administrative Expenses	<u>4,559,751</u>
Total Underwriting Deductions	<u>\$141,454,235</u>
Net Underwriting Gain or (Loss)	<u>(\$3,442,327)</u>
Net Investment Income	405,963
Net Realized Capital Gains or (Losses)	228,265
Aggregate Write-in for Other Income and Expenses:	
Amortization of Goodwill	(3,184,983)
Federal Income Tax	<u>(2,394,936)</u>
NET INCOME OR (LOSS)	<u>(\$3,598,146)</u>

Capital and Surplus Account

Surplus as Regards Policyholders, December 31, 2010	\$15,775,200
Net Income or (Loss)	(3,598,146)
Change in Nonadmitted Assets	3,112,130
Change in Net Deferred Income Tax	85,580
Change in Surplus Notes	458,000
Surplus Note Interest Accrual	(458,000)
Surplus Adjustment:	
Paid-in	5,000,000
Net Change in Surplus as Regards Policyholders for the Year	<u>\$4,599,564</u>
Surplus as Regards Policyholders, December 31, 2011	<u>\$20,374,764</u>

Examination Changes

None

Comments on Financial Statement Items

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, Laura L. Church, CPA, Examiner for the Missouri DIFP also participated in this examination. Leon Langlitz, F.S.A, of Lewis & Ellis, Actuaries and Consultants, also participated as a consulting actuary

VERIFICATION

State of Missouri)
)
County of)

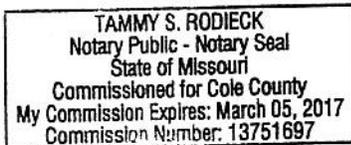
I, Levi N. Nwasoria, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Missouri Care, Inc. its agents or other persons examined or as ascertained from the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



Levi N. Nwasoria, CPA, CFE
Examiner-In-Charge
Missouri DIFP

Sworn to and subscribed before me this 1st day of May, 2013.

My commission expires: March 5, 2017 Tammy S Rodieck
Notary Public



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.



Mark A. Nance, CPA, CFE
Audit Manager
Missouri DIFP