

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

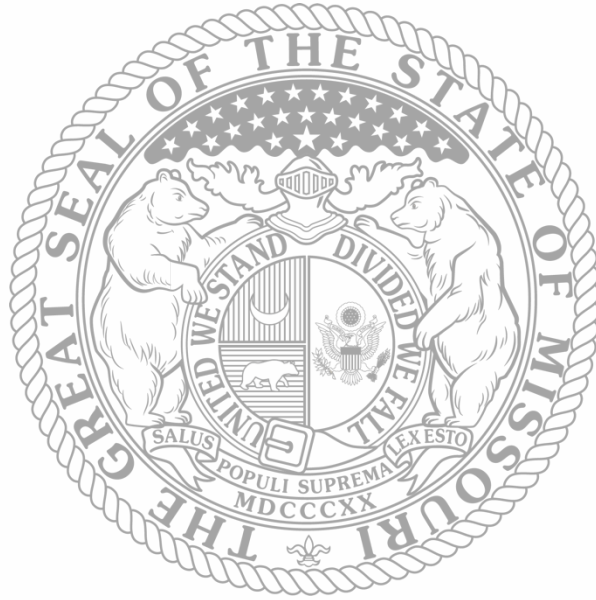
After full consideration and review of the report of the financial examination of HMO Missouri, Inc. for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance 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 finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of HMO Missouri, Inc. as of December 31, 2022, be and is hereby ADOPTED as filed and for HMO Missouri, 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 06th day of June, 2024.



Chlora Lindley-Myers
Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

HMO MISSOURI, INC.

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	3
MANAGEMENT AND CONTROL	3
BOARD OF DIRECTORS	3
SENIOR OFFICERS	3
PRINCIPAL COMMITTEES	3
CORPORATE RECORDS.....	3
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	3
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	4
TERRITORY AND PLAN OF OPERATION	5
GROWTH OF COMPANY AND LOSS EXPERIENCE	5
REINSURANCE	6
GENERAL.....	6
ACCOUNTS AND RECORDS	6
INDEPENDENT AUDITOR	6
ACTUARIAL OPINION.....	6
CONSULTING ACTUARY.....	6

INFORMATION SYSTEMS	6
FINANCIAL STATEMENTS.....	7
ASSETS.....	8
LIABILITIES, CAPITAL AND SURPLUS	9
STATEMENT OF REVENUE AND EXPENSES.....	10
RECONCILIATION OF CAPITAL AND SURPLUS.....	11
COMMENTS ON FINANCIAL STATEMENT ITEMS	12
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	12
SUMMARY OF RECOMMENDATIONS.....	12
SUBSEQUENT EVENTS.....	12
ACKNOWLEDGMENT	13
VERIFICATION.....	13
SUPERVISION	14

St. Louis, MO
May 22, 2024

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

Director Lindley-Myers:

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

HMO Missouri, Inc. (NAIC #95358)

hereinafter referred to as such, as HMO-MO, or as the Company. Its administrative office is located at 1831 Chestnut Street, St. Louis, MO 63103, telephone number (314) 923-4444. The fieldwork for this examination began on April 11, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of HMO Missouri, Inc. The last examination of the Company by the Department covered the period of January 1, 2014 through December 31, 2017. The current examination covers the period of January 1, 2018 through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of 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 Department or 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 the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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 the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to HMO-MO included Premiums and Underwriting, Investments, Claims and Reserves, Capital and Surplus, Related Party, and Reinsurance. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of Elevance Health, Inc. companies, which consisted of forty-four insurance companies domiciled in numerous states. The Indiana Insurance Department is the lead state regulator for the group. Along with Missouri, twenty-three other states participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company’s Missouri domiciled affiliates, Healthy Alliance Life Insurance Company (HALIC), HealthLink HMO, Inc. (HL-HMO) and Missouri Care, Inc. (MOCARE).

This examination report includes significant findings of fact, as mentioned in Section 374.205 RSMo (Examination, director may conduct, when...) 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings noted during the examination.

COMPANY HISTORY

General

The Company was incorporated on May 28, 1987, as a wholly-owned subsidiary of Blue Cross and Blue Shield of Missouri (BCBSMO) and began operating in January 1988.

BCBSMO reorganized in 1998. The reorganization included the formation of RightCHOICE Managed Care, Inc. (RightCHOICE), HMO-MO’s immediate parent. BCBSMO was dissolved and its health maintenance organization business was assumed by HMO-MO.

On January 16, 2002, the Department approved the acquisition of RightCHOICE by WellPoint Health Networks, Inc. (WellPoint). On March 8, 2004, the Department approved the acquisition of WellPoint by Anthem, Inc. (Anthem), effective November 30, 2004.

Mergers, Acquisitions, and Major Corporate Events

On June 27, 2022, Anthem changed its name to Elevance Health, Inc.

Dividends and Capital Contributions

HMO-MO paid the following distributions to its sole shareholder, RightCHOICE Managed Care, Inc.:

Year	Amount
2018	\$ 0
2019	18,000,000
2020	1,900,000
2021	10,000,000
2022	900,000
Total	\$ 30,800,000

For 2019, \$17,097,566 of the \$18,000,000 in distributions was an extraordinary dividend. The remaining balance of \$902,434 was an ordinary dividend. For 2021, the entire dividend was extraordinary. For 2020 and 2022, the entire dividend was ordinary.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL**Board of Directors**

The management of the Company is vested in a Board of Directors that are elected by the sole shareholder. The Company's Articles of Incorporation specify that there shall be three directors. The Board of Directors elected and serving as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Laurie Benintendi Cincinnati, Ohio	Vice President and Counsel Elevance Health, Inc.
Ronald Penczek Zionsville, Indiana	Senior Vice President, Chief Accounting Officer & Controller Elevance Health, Inc.
Stephanie Vojcic St. Louis, Missouri	Missouri President Elevance Health, Inc.

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Stephanie Vojcic	President
Kathleen Kiefer	Secretary
Vincent Scher	Treasurer

Principal Committees

There are no committees of the Company's Board of Directors. However, the parent, Elevance Health, Inc., has committees that review and approve transactions that are applicable to all insurers in the Elevance Health, Inc. group, including HMO-MO. The following committees of the Elevance Health, Inc. Board of Directors were active, as of December 31, 2022: Audit Committee, Compensation Committee, Governance Committee, and Finance Committee.

Corporate Records

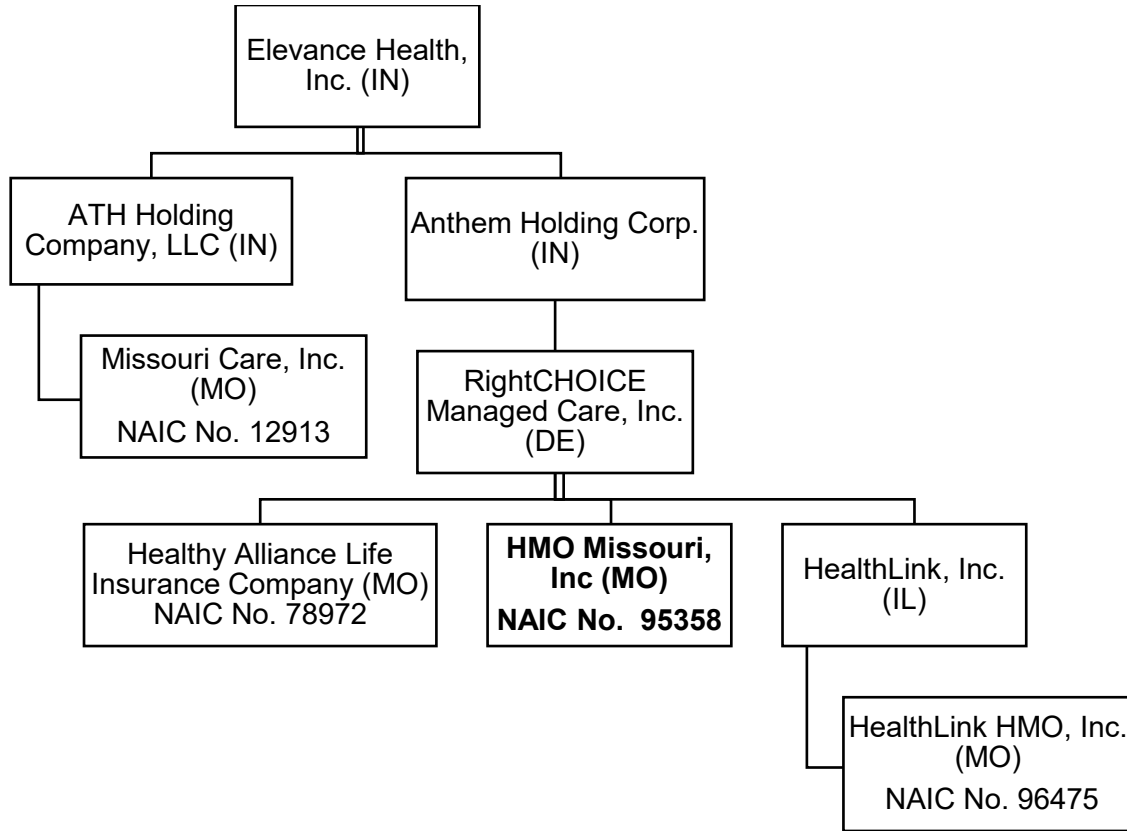
The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board and shareholder were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

HMO-MO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). The ultimate controlling entity in the insurance holding company is Elevance Health, Inc., a publicly held corporation headquartered in Indianapolis, Indiana. Elevance Health, Inc.'s common stock trades on the New York Stock Exchange.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2022.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2022. A brief description of these agreements are as follows:

Master Administrative Service Agreement (Elevance Health, Inc.): This is an agreement between Elevance Health, Inc. and its subsidiaries, that includes the Company, which originally became effective on January 1, 2003. The subsidiaries receive and provide specified administrative services to each other and Elevance Health, Inc. in accordance with the agreement terms. The most recent amendment to the agreement became effective on January 1, 2014.

Master Service Agreement (Beacon Health): This is an agreement between Beacon Health Strategies, LLC (BHS), Beacon Health Options, Inc. (BMO), and the Company, among other insurance companies, that became effective on February 28, 2020. The Company was added effective January 1, 2021. In accordance with this agreement, BHS and BMO provide certain administrative, management, utilization review, and/or other behavioral health related services to the Company in exchange for compensation of the costs and expenses incurred.

Cash Concentration Agreement: This is an agreement between Elevance Health, Inc. and the Company that became effective on October 1, 2009. This agreement establishes a Cash Manager that manages the receipt and disbursement of cash on behalf of the Company in exchange for the reimbursement of any costs and expenses.

Consolidated Federal Income Tax Agreement: This is an agreement between Elevance Health, Inc. and its subsidiaries, that include the Company, which became effective on December 31, 2005. The agreement establishes a method for allocating the consolidated tax liability of the affiliated group among its members.

Guarantee and Conversion Agreement: This is an agreement between Elevance Health, Inc. and the Company, which became effective on November 30, 2004. The agreement establishes that Elevance Health, Inc. will guarantee the obligations of the Company in the event that the Company ceases operations. Elevance Health, Inc. agrees to provide coverage to the Company's policyholders without consideration of their health status.

Stop-Loss Agreement: This is an agreement between HALIC and the Company that became effective on April 11, 2002. This agreement provides that HALIC will provide stop-loss coverage to certain administrative services only (ASO) clients of HMO-MO, an affiliate. The coverage is required by the ASO agreements between HMO_MO and the plan sponsors.

Out of Network Agreement: This is an agreement between HALIC and the Company that became effective on January 15, 1997. The Company agrees to provide out of network coverage to HMO Missouri, Inc. enrollees in exchange for a per member per month amount that is determined quarterly by the parties based on established standards and guidelines.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri as a health maintenance organization (HMO) under Section 354 RSMo (Health Services Corporations, Health Maintenance Organizations, Prepaid Dental Plans). As of 2022, Missouri is the only state in which the Company is licensed.

Products underwritten by HMO-MO are marketed as BlueCHOICE HMO and BlueCHOICE POS Plus. The Company markets to groups and individuals, including seniors.

As a Blue Cross Blue Shield licensee, the Company participates in the Federal Employees' Program (FEP) and the BlueCard program. FEP is a nationwide contract with the Federal Office of Personnel Management to provide health benefits to federal employees and their dependents. The BlueCard program allows members travelling or residing in another Blue Cross Blue Shield Plan's service area to access needed health care services through local Blue Cross Blue Shield Plan providers.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The table below summarizes the Company's growth for the period under examination:

(\$000s omitted)

Year	Total Assets	Net Premium Income	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2018	\$ 88,189	\$ 204,515	\$ 6,785	\$ 5,799	\$ 35,620	5.74
2019	84,730	108,714	5,488	6,759	24,634	4.41
2020	62,259	100,121	6,107	5,356	28,131	3.56
2021	66,705	90,517	3,181	3,477	20,689	4.38
2022	58,303	69,623	7,725	8,009	27,622	2.52

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2018	\$ 207,121	\$ 170,019	0.82
2019	106,288	93,882	0.88
2020	95,409	80,610	0.84
2021	84,909	75,832	0.89
2022	82,266	69,292	0.84

REINSURANCE

General

The Company did not assume or cede any reinsurance during the examination period.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Ernst & Young LLP, in Indianapolis, Indiana, performed the statutory audit of the Company for the years 2018 through 2022. Reliance was placed upon the CPA workpapers as deemed appropriate.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Amber Lorange, ASA, MAAA, for 2021 and 2022. Amber Lorange is employed by Elevance Health, Inc. in Arnold, Missouri.

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Keith McDaniel, ASA, MAAA, for 2018 through 2020. Keith McDaniel was employed by Anthem, Inc. in St. Louis, Missouri.

Consulting Actuary

As part of the coordinated examination, the state of Indiana contracted Noble Consulting Services, Inc. (Noble) to review the underlying actuarial assumptions and methodologies used by the Elevance Health, Inc. companies under examination to determine the adequacy of reserves and other actuarial items. Noble determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements, as of December 31, 2022.

Information Systems

As part of the coordinated examination, the state of Indiana contracted Noble to review the Company's information systems. Missouri DCI IT Examiner-In-Charge, Kim Dobbs, MBA, CFE, AES, CISA, reviewed the work of Noble.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of HMO Missouri, Inc. for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. 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 key activity.

ASSETS

As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 41,274,383	\$	\$ 41,274,383
Cash, Cash Equivalents, and Short-Term Investments	2,205,310		2,205,310
Derivatives	12,188		12,188
Securities Lending Reinvested Collateral Assets	5,738,668		5,738,668
Investment Income Due and Accrued	326,042		326,042
Premiums and Considerations:			
Uncollected Premiums and Agents' Balances in the Course of Collection	645,228	11,917	633,311
Deferred Premiums, Agents' Balances and Installments Booked but Deferred and Not Yet Due	3,227,093		3,227,093
Amounts Receivable Relating to Uninsured Plans	369,942	273,338	96,604
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	23,953		23,953
Net Deferred Tax Asset	752,760		752,760
Health Care and Other Amounts Receivable	3,545,075	2,771,988	773,087
Aggregate Write-Ins for Other-Than-Invested Assets	3,240,465	378	3,240,087
TOTAL ASSETS	\$ 61,361,107	\$ 3,057,621	\$ 58,303,486

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2022

Claims Unpaid	\$	6,730,843
Accrued Medical Incentive Pool and Bonus Amounts		155,798
Unpaid Claims Adjustment Expenses		202,178
Aggregate Health Policy Reserves		5,078,730
Premiums Received in Advance		911,629
General Expenses Due or Accrued		716,107
Amounts Withheld or Retained for the Account of Others		113,478
Remittances and Items Not Allocated		137,411
Amounts Due to Parent, Subsidiaries, and Affiliates		10,499,976
Payable for Securities		5,738,668
Liability for Amounts Held Under Uninsured Plans		56,464
Aggregate Write-Ins for Other Liabilities		340,544
TOTAL LIABILITIES	\$	30,681,826
Common Capital Stock		300,000
Unassigned Funds (Surplus)		27,321,660
TOTAL CAPITAL AND SURPLUS	\$	27,621,660
TOTAL LIABILITIES AND SURPLUS	\$	58,303,486

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2022

Net Premium Income	\$ 69,623,233
Change in Unearned Premium Reserves and Reserve for Rate Credits	12,643,161
Total Revenue	\$ 82,266,394
Hospital/Medical Benefits	\$ 34,508,287
Other Professional Services	4,160,867
Outside Referrals	671,142
Emergency Room and Out-of-Area	6,644,164
Prescription Drugs	22,950,454
Incentive Pool, Withhold Adjustments, and Bonus Amounts	356,919
Claims Adjustment Expenses	1,351,349
General Administrative Expenses	3,897,946
Total Underwriting Deductions	\$ 74,541,128
Net Underwriting Gain (Loss)	\$ 7,725,266
Net Investment Income Earned	\$ 1,137,638
Net Realized Capital Gains	787,367
Net Investment Gain (Loss)	\$ 1,925,005
Net Gain (Loss) from Agents' or Premium Balances Charged Off	(3,820)
Aggregate Write-Ins for Other Income or Expenses	803
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 9,647,254
Federal and Foreign Income Taxes Incurred	1,638,600
NET INCOME (LOSS)	\$ 8,008,654

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2018 to December 31, 2022

(\$000's omitted)

	2018	2019	2020	2021	2022
Capital and Surplus, Beginning of Year	\$ 29,714	\$ 35,620	\$ 24,634	\$ 28,131	\$ 20,689
Net Income (Loss)	5,799	6,759	5,356	3,477	8,009
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	2	2	3	(50)	25
Change in Net Deferred Income Tax	(36)	(221)	63	223	(48)
Change in Nonadmitted Assets	141	474	(26)	(1,092)	(153)
Dividends to Stockholders	0	(18,000)	(1,900)	(10,000)	(900)
Net Change in Capital and Surplus	5,906	(10,986)	3,497	(7,442)	6,933
Capital and Surplus, End of Year	\$ 35,620	\$ 24,634	\$ 28,131	\$ 20,689	\$ 27,622

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The Company exited its Federal Employees' Program HMO business in 2023.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of HMO Missouri, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Thomas Cunningham, CPA, CFE, Examiner-in-Charge, and Conner Nilges, CFE, Examiner for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

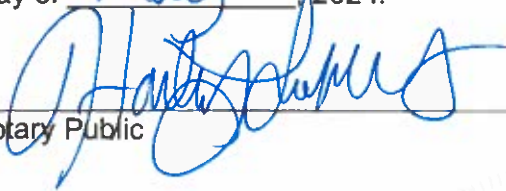
State of Missouri)
) ss
County of Cole)

I, Joshua R. Nash, 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 HMO Missouri, 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.

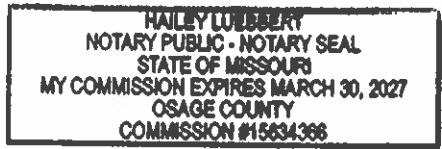


Joshua R. Nash
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 22nd day of May, 2024.

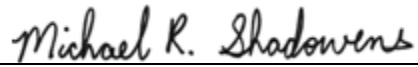
My commission expires: March 30, 2027


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, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Michael Shadowens, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance