

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

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

ORDER

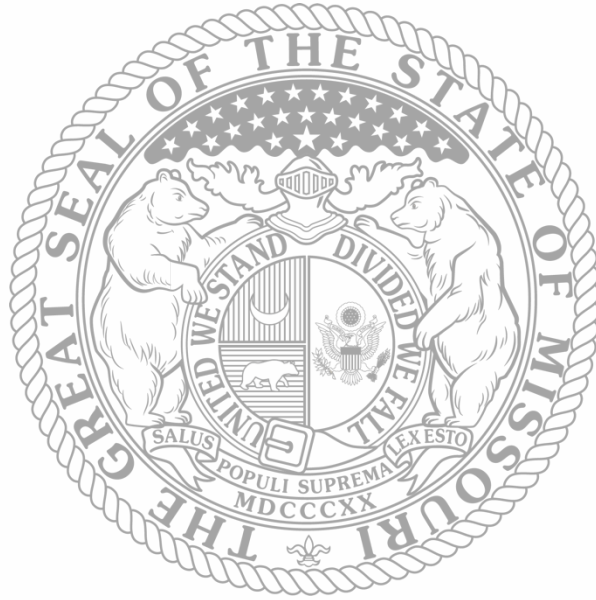
After full consideration and review of the report of the financial examination of HealthLink HMO, Inc. for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department 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 HealthLink HMO, Inc. as of December 31, 2022, be and is hereby ADOPTED as filed and for HealthLink HMO, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 06th day of June, 2024.



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



REPORT OF
FINANCIAL EXAMINATION OF

HEALTHLINK HMO, INC.

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Saint 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

HealthLink HMO, Inc. (NAIC #96475)

hereinafter referred to as such, as HealthLink, 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 multiple-state financial examination of HealthLink HMO, 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 HealthLink 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., 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), HMO Missouri, Inc. (HMO MO), 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.

COMPANY HISTORY

General

The Company was incorporated on July 29, 1992. On January 14, 1993, the Department issued a certificate of authority for the Company to operate as a health maintenance organization (HMO).

On January 16, 2002, the Department approved the acquisition of Healthlink’s parent, RightCHOICE Managed Care, Inc. (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 28, 2022, Anthem changed its name to Elevance Health, Inc.

The Company surrendered its Certificate of Authority to operate as an HMO in Missouri in 2023. The Company will continue to operate, providing administrative services to other affiliated health plans.

Dividends and Capital Contributions

Healthlink paid the following distributions to its sole shareholder, Healthlink, Inc.:

Year	Amount
2018	\$ 0
2019	0
2020	7,000,000
2021	7,000,000
2022	0
Total	\$ 14,000,000

For 2020, \$6,828,736 of the \$7,000,000 in distributions was an extraordinary dividend. The remaining balance of \$171,264 was an ordinary dividend.

For 2021, \$6,858,533 of the \$7,000,000 in distributions was an extraordinary dividend. The remaining balance of \$141,467 was an ordinary dividend.

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 Anthem Blue Cross and Blue Shield

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 the Company. 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 meetings of the shareholder and the Board of Directors were reviewed for the period under examination.

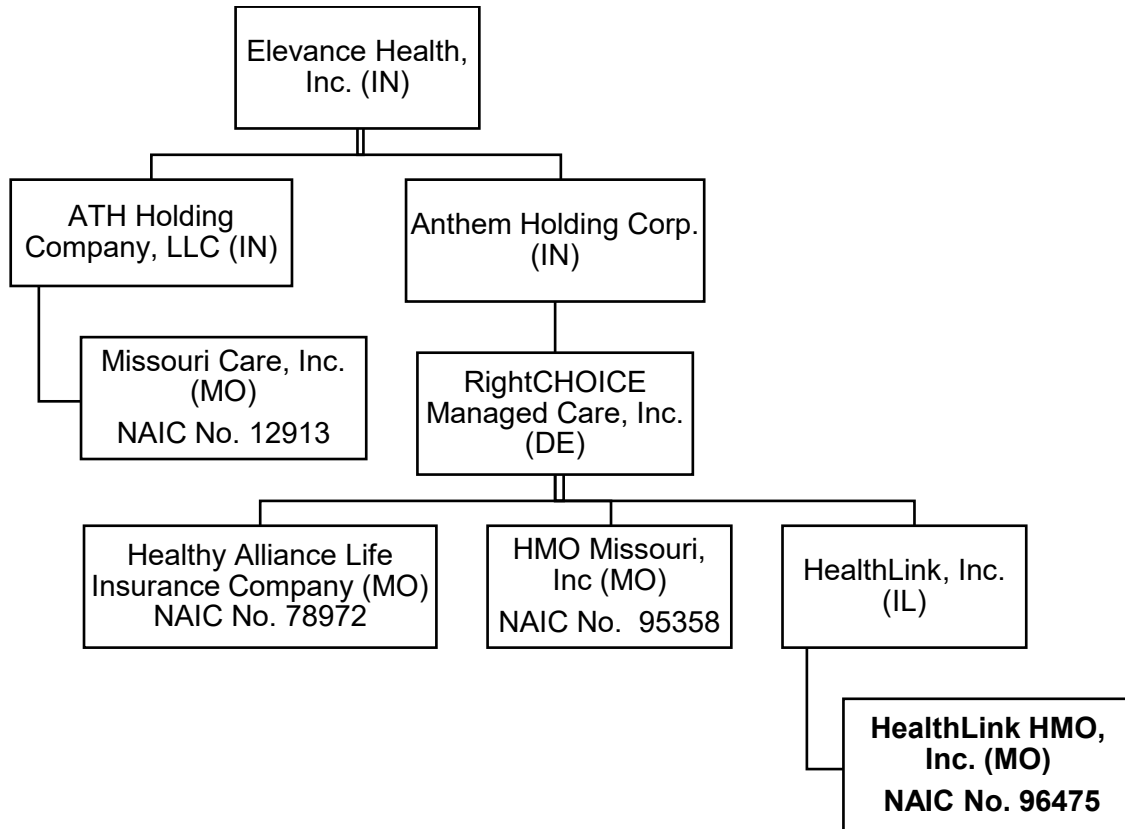
Holding Company, Subsidiaries, and Affiliates

Healthlink 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.

During the current exam period, the Company serviced both administrative services only (ASO) plans and administrative services contract (ASC) plans with self-funded groups known as payors. Under both ASO plans and ASC plans the payors retain underwriting risk. The Company administers benefits and receives reimbursements from the payors. Under ASO plans, claims are paid from a bank account owned by the Company but only after the Company has received sufficient funds to fully cover the claims. Under ASC plans, the Company pays claims from its bank account and is subsequently reimbursed by the payor. ASC plans expose the Company to credit risk.

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. A FMV Services Attachment to this agreement was subsequently approved and became effective on July 1, 2018.

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. 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.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Missouri as a health maintenance organization (HMO) under Chapter 354 RSMo (Health Services Corporations, Health Maintenance Organizations, Prepaid Dental Plans). The Company is also licensed in Illinois. The Company primarily serves the St. Louis Metropolitan Region and the Columbia-Jefferson City Region in mid-Missouri.

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	\$ 17,216	\$ 0	\$ 6,432	\$ 5,167	\$ 15,098	N/A
2019	22,863	0	5,046	4,125	21,038	N/A
2020	22,741	0	4,051	3,290	17,345	N/A
2021	21,319	0	4,717	3,968	14,298	N/A
2022	30,251	0	5,278	2,873	18,621	N/A

The Company’s revenue is generated primarily from the rental of its HMO provider network through an unaffiliated uninsured accident and health contract, as well as renting its provider network to affiliates.

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	\$ 41	\$ 0	N/A
2019	46	0	N/A
2020	41	0	N/A
2021	48	0	N/A
2022	38	0	N/A

REINSURANCE

General

As previously noted in this report, the Company's revenue is primarily generated through rental of its provider networks. The Company did not report any direct written, assumed, or ceded premium 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 Lorance, ASA, MAAA, for the years 2021 and 2022 of the examination period. Amber Lorance 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, FSA, MAAA, for the years 2018, 2019, and 2020 of the examination period. Keith McDaniel, FSA, MAAA, 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 HealthLink HMO, 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	\$ 10,895,220	\$	\$ 10,895,220
Cash, Cash Equivalents, and Short- Term Investments	14,227,167		14,227,167
Securities Lending Reinvested Collateral Assets	1,727,720		1,727,720
Investment Income Due and Accrued Amounts Receivable Relating to Uninsured Plans	10,656		10,656
	1,834,151		1,834,151
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	96,930		96,930
Net Deferred Tax Asset	1,459,340		1,459,340
Aggregate Write-Ins for Other-Than- Invested Assets	2,322	2,322	0
TOTAL ASSETS	\$ 30,253,506	\$ 2,322	\$ 30,251,184

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2022

General Expenses Due or Accrued	\$ 537,641
Remittances and Items Not Allocated	779
Amounts Due to Parent, Subsidiaries, and Affiliates	1,475,689
Payable for Securities Lending	1,727,720
Liability for Amounts Held Under Uninsured Plans	7,117,500
Aggregate Write-Ins for Other Liabilities	771,324
TOTAL LIABILITIES	\$ 11,630,653
Common Capital Stock	1,000
Gross Paid-In and Contributed Surplus	2,499,000
Unassigned Funds (Surplus)	16,120,531
TOTAL CAPITAL AND SURPLUS	\$ 18,620,531
TOTAL LIABILITIES AND SURPLUS	\$ 30,251,184

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2022

Net Premium Income	\$	0
Aggregate Write-Ins for Other Health Care Related Revenues		38,370
Total Revenue	\$	38,370
General Administrative Expenses		(5,239,828)
Total Underwriting Deductions	\$	(5,239,828)
Net Underwriting Gain (Loss)	\$	5,278,198
Net Investment Income Earned		178,910
Net Investment Gain (Loss)	\$	178,910
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$	5,457,108
Federal and Foreign Income Taxes Incurred		2,584,369
NET INCOME (LOSS)	\$	2,872,739

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2018 to December 31, 2022

(\$000's omitted)

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and Surplus, Beginning of Year	\$ 11,724	\$ 15,098	\$ 21,038	\$ 17,345	\$ 14,298
Net Income (Loss)	5,167	4,125	3,290	3,968	2,873
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	6				
Change in Net Deferred Income Tax	488	(473)	24	(15)	1,438
Change in Nonadmitted Assets	(2,287)	2,288	(7)		12
Dividends to Stockholders			(7,000)	(7,000)	
Net Change in Capital and Surplus	3,374	5,940	(3,693)	(3,047)	4,322
Capital and Surplus, End of Year	\$ 15,098	\$ 21,038	\$ 17,345	\$ 14,298	\$ 18,621

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The Company surrendered its Certificate of Authority to operate as an HMO in Missouri in 2023. The Company will continue to operate, providing administrative services to other affiliated health plans.

The Company filed an amendment to its Articles of Incorporation in 2023 to change its name to HealthLink Administrators, Inc.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of HealthLink HMO, 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 Nash, CPA, 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 HealthLink HMO, 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.

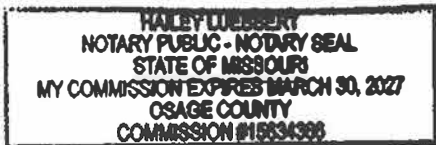


Joshua Nash, CPA, CFE
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

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

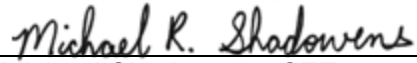
My commission expires: March 30, 2027


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