

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

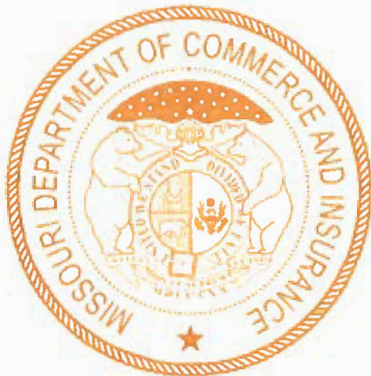
P.O. Box 690, Jefferson City, Mo. 65102-0690


ORDER

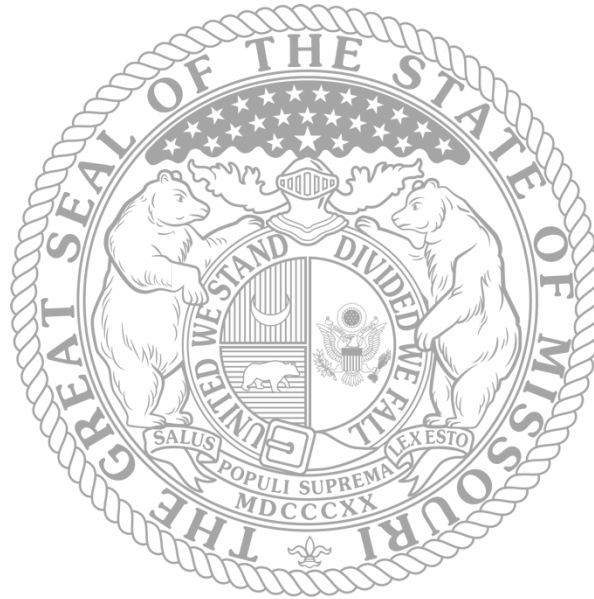
After full consideration and review of the report of the financial examination of Aetna Better Health of Missouri LLC for the period ended December 31, 2020, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of 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 Aetna Better Health of Missouri LLC as of December 31, 2020 be and is hereby ADOPTED as filed and for Aetna Better Health of Missouri LLC 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, 2022.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

AETNA BETTER HEALTH OF MISSOURI LLC

AS OF
DECEMBER 31, 2020

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Jefferson City, MO
April 28, 2022

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

Aetna Better Health of Missouri LLC (NAIC #95318)

Hereinafter referred to as such, as ABH-MO, or as the Company. Its administrative office is located at 1285 Fern Ridge Parkway, Suite 200, Saint Louis, MO 63141; telephone number (314) 241-5300. The fieldwork for this examination began on April 1, 2021, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a multi-state financial examination of the Company. The last examination of the Company by the Department covered the period of January 1, 2011, through December 31, 2015. The current examination covers the period of January 1, 2016, through December 31, 2020, 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 ABH-MO included Investments; Related Parties; and Capital and Surplus. The examination also included a review and evaluation of information technology general controls.

This examination was conducted as part of a coordinated examination of the Aetna Inc. group, which consists of sixty insurance companies domiciled in twenty-seven states. The Connecticut Insurance Department (CID) is the lead state regulator for the group. Along with Missouri, twenty-six other states participated in the coordinated examination. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, Coventry Health Care of Missouri Inc. and Coventry Health and Life Insurance Company.

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

None.

COMPANY HISTORY

General

On January 31, 1995, HealthCare USA Midwest, Inc. and SLR Managed Care Corporation organized the Company under Missouri's Limited Liability Company Act. On January 1, 1996, HealthCare USA Midwest, Inc. purchased SLR Managed Care Corporation's share of the Company for approximately \$1.5 million.

On February 3, 2005, the Department approved the merger of the Company's parent, HealthCare USA Midwest, Inc. into Coventry Health Care, Inc.

On May 7, 2013, Coventry Health Care, Inc., the Company's then-parent, completed a merger with Aetna Inc. On January 1, 2014, Coventry Health Care, Inc., which had survived the merger as a wholly-owned subsidiary of Aetna Inc., merged into Aetna Health Holdings, LLC.

On June 12, 2015, the Company changed its name to Aetna Better Health of Missouri LLC.

Mergers, Acquisitions, and Major Corporate Events

In October 2016, the state of Missouri notified the Company that its Medicaid contract with the state would not be renewed in April 2017. In February 2017, Aetna, Inc. and Humana, Inc. mutually terminated their merger agreement, which had been proposed in July 2015. In November 2018, CVS Health Corporation completed its acquisition of Aetna Inc. and its subsidiaries, including the Company.

Dividends and Capital Contributions

The Company paid dividends to its immediate parent, Aetna Health Holdings, LLC, as indicated below. Ordinary dividends comprised \$2,296,754 of the total below. Extraordinary dividends comprised \$137,583,698 of the total. All extraordinary dividends were approved by the Department. There were no capital contributions during the exam period. In 2019, the Department approved a distribution in the amount \$15,623,837. In 2020, the Department approved a distribution in the amount \$19,495,711.

Year	Amount
2017	\$ 55,000,000
2018	80,000,000
2019	4,376,163
2020	504,289
Total	\$ 139,880,452

Surplus Notes

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

MANAGEMENT AND CONTROL

Board of Managers

The management of the Company is vested in a Board of Managers appointed by the shareholder. The Company’s Operating Agreement specifies that there shall be not less than three or more than fifteen managers. The Board of Managers appointed and serving as of December 31, 2020, were as follows:

Name and Address

David Livingston
Overland Park, KS

Kelli Smith
Phoenix, AZ

Tracy Smith
Cumberland, RI

Principal Occupation and Business Affiliation

President, ABH-MO
Vice-President, Aetna Medicaid, CVS Health

Chief Financial Officer, ABH-MO
Executive Director, Aetna Medicaid Finance, CVS Health

Vice-President and Treasurer, ABH-MO
Vice-President, Finance, CVS Health

Senior Officers

The officers elected and serving, as of December 31, 2020, were as follows:

<u>Name</u>	<u>Office</u>
David Livingston	President
Robert Kessler	Vice-President and Secretary
Tracy Smith	Vice-President and Treasurer
Edward Lee	Vice-President and Assistant Secretary
Kelli Smith	Chief Financial Officer
Robert Parslow	Corporate Controller
Peter Keller	Assistant Corporate Controller
Bryan Lane	Assistant Corporate Controller
Whitney Lavoie	Assistant Corporate Controller
Scott Miller	Assistant Corporate Controller
Kevin Casey	Senior Investment Officer

Principal Committees

The Company does not have any committees. The audit committee of Aetna Health Holdings, LLC, ABH-MO's immediate parent, serves as the Company's audit committee.

Corporate Records

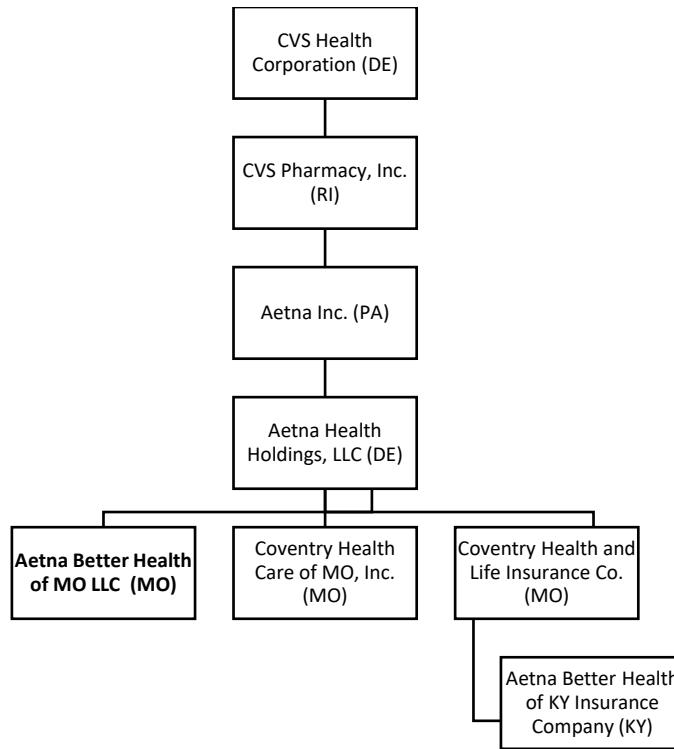
The Company's Articles of Organization and Operating Agreement were reviewed. There were no changes to either document during the current examination period. The minutes of the Shareholder's meetings and the Board of Managers' meetings were reviewed for the period under examination.

Holding Company, Subsidiaries, and Affiliates

ABH-MO is a member of an Insurance Holding Company System, as defined by Section 382.010 RSMo (Definitions). Aetna Health Holdings, LLC (DE) is the Company's immediate parent. CVS Health Corporation (DE) is the ultimate controlling entity in the group. CVS Health Corporation is a publicly-traded company listed on the New York Stock Exchange as CVS.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2020. All subsidiaries shown are wholly-owned unless otherwise noted.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect during the examination period. A brief description of these agreements are as follows:

Tax Sharing Agreement: Under an agreement that became effective January 1, 2019, CVS Health Corporation (CVS) and its subsidiaries, including ABH MO, file a consolidated federal income tax return. The Company’s tax liability is determined as if the Company filed a stand-alone return. Federal income tax receivables or payables are due from or to CVS.

TERRITORY AND PLAN OF OPERATION

The Company was licensed in Missouri and Kansas at year-end 2020 but wrote no business in either state during 2020.

GROWTH OF COMPANY AND LOSS EXPERIENCE

The Company’s Medicaid contract with the state of Missouri ended in April 2017. Medicaid was the Company’s sole line of business.

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

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2016	\$ 280,281	\$ 780,730	\$ 39,646	\$ 32,716	\$ 164,351	4.8
2017	129,203	258,885	8,845	7,920	117,564	2.2
2018	40,896	953	3,019	967	40,492	0.0
2019	23,041	0	(542)	(1,246)	22,336	0.0
2020	3,645	0	43	412	3,521	0.0

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
2016	\$ 780,730	\$ 662,225	84.8%
2017	258,885	224,811	86.8%
2018	953	(2,515)	(263.9%)
2019	0	607	N/A
2020	0	0	N/A

REINSURANCE

General

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

(\$000s omitted)

Premium Type	2016	2017	2018	2019	2020
Direct Premiums Written	\$ 783,123	\$ 258,885	\$ 953	\$ 0	\$ 0
Reinsurance Ceded:			0	0	0
Non-Affiliates	2,393	0	0	0	0
Net Premiums Written	\$ 780,730	\$ 258,885	\$ 953	\$ 0	\$ 0

Assumed Reinsurance

The Company did not assume any premiums during the period under examination.

Ceded Reinsurance

Effective January 1, 2016, the Company entered into a reinsurance agreement with PartnerRe America Insurance Company (PartnerRe) to reduce the Company's risk of catastrophic loss for Medicaid members. Under this agreement, PartnerRe was liable for 90% of covered expenses in excess of the specific deductible of \$500,000 per covered member for complete claims received by April 1, 2018. For complete claims received after April 1, 2018, PartnerRe is liable for 50% of the covered expenses in excess of the specific deductible. The Company paid reinsurance premiums of \$2,393,111 in 2016 related to this agreement.

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 contract.

ACCOUNTS AND RECORDS

Independent Auditor

The certified public accounting (CPA) firm, Ernst & Young LLP (E&Y), in Boston, Massachusetts, performed the statutory audit of the Company for the years 2019 through 2020. For the period of 2016 through 2018, Klynveld Peat Marwick Goerdeler LLP (KPMG) of Hartford, CT performed the statutory audit. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, walk-throughs, control testing and substantive testing.

Actuarial Opinion

For the years 2016 and 2017, reserves and related actuarial items were reviewed and certified by William Jones, FSA, MAAA of Hartford, CT. For 2018, reserves and related actuarial items were reviewed and certified by Jeffrey Drzazgowski, FSA, MAAA of Hartford, CT. The Company was exempted from acquiring an actuarial opinion for 2019 and 2020.

Consulting Actuary

The Department did not engage a consulting actuary because ABH-MO was not required to have an actuarial opinion for 2020.

Information Systems

In conjunction with this examination, CID contracted Risk & Regulatory Consulting (RRC), to conduct a review of the Company's information systems.

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 the Company for the period ending December 31, 2020. 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, 2020

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 2,137,282	\$ 0	\$ 2,137,282
Cash, Cash Equivalents, and Short- Term Investments	1,059,727	0	1,059,727
Investment Income Due and accrued	20,606	0	20,606
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	132,410	0	132,410
Intangible Assets	5,612,020	5,612,020	
State Income Taxes Recoverable	294,517	0	294,517
TOTAL ASSETS	\$ 9,256,562	\$ 5,612,020	\$ 3,644,542

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2020

Amounts Due to Parent, Subsidiaries, and Affiliates	\$ 4,205
Abandoned Property Liability	118,972
TOTAL LIABILITIES	\$ 123,177
Gross Paid-In and Contributed Surplus	2,650,556
Unassigned Funds (Surplus)	870,809
TOTAL CAPITAL AND SURPLUS	\$ 3,521,365
TOTAL LIABILITIES AND SURPLUS	\$ 3,644,542

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2020

Net Premium Income	\$ 0
Total Revenue	\$ 0
General Administrative Expenses	(42,867)
Total Underwriting Deductions	\$ (42,867)
Net Underwriting Gain (Loss)	\$ 42,867
Net Investment Income Earned	277,906
Net Realized Capital Gains	467,561
Net Investment Gain (Loss)	\$ 745,467
Net Gain (Loss) from Agents' or Premium Balances Charged Off	0
Amortization of Intangibles	(823,602)
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ (35,268)
Federal and Foreign Income Taxes Incurred	(447,676)
NET INCOME (LOSS)	\$ 412,408

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from January 1, 2016 to December 31, 2020

(\$000's omitted)

	2016	2017	2018	2019	2020
Capital and Surplus, Beginning of Year	\$ 135,380	\$ 164,351	\$ 117,564	\$ 40,492	\$ 22,336
Net Income (Loss)	32,716	7,920	967	(1,246)	412
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	880	(219)	0	0	0
Change in Net Deferred Income Tax	(823)	(6,535)	(2,980)	(479)	(51)
Change in Nonadmitted Assets	5,315	7,047	4,942	3,568	823
Surplus Adjustments:					
Paid In	0	0	0	(15,624)	(19,496)
Transferred to Capital	0	0	0	0	0
Transferred from Capital	0	0	0	0	0
Dividends to Stockholders	0	(55,000)	(80,000)	(4,376)	(504)
Aggregate Write-Ins for Gains (Losses) in Surplus	(9,117)	0	0	0	0
Net Change in Capital and Surplus	28,971	(46,787)	(77,072)	(18,156)	(18,815)
Capital and Surplus, End of Year	\$ 164,351	\$ 117,564	\$ 40,492	\$ 22,336	\$ 3,521

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.


ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Aetna Better Health of Missouri LLC during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Ken Tang, CFE; Doug Daniels, CFE; and, Justin Lamb, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of St. Louis)

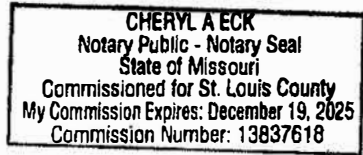
I, Thomas J. Cunningham, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of the Company, its agents or other persons examined, or as ascertained from the 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.



Thomas J. Cunningham, CFE CPA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

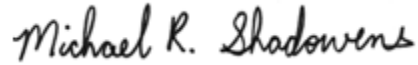
Sworn to and subscribed before me this 2nd day of May, 2022.

My commission expires: 12-19-2025 Cheryl A. Eck
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