



**DEPARTMENT OF INSURANCE, FINANCIAL
INSTITUTIONS AND PROFESSIONAL REGISTRATION**

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

ORDER

After full consideration and review of the report of the financial examination of Blue Advantage Plus of Kansas City, Inc. for the period ended December 31, 2017, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Insurance, Financial Institutions and Professional Registration pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant findings, subsequent events, company history, corporate records, territory and plan of operation, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Blue Advantage Plus of Kansas City, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for Blue Advantage Plus of Kansas City, 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 28th day of June, 2019.



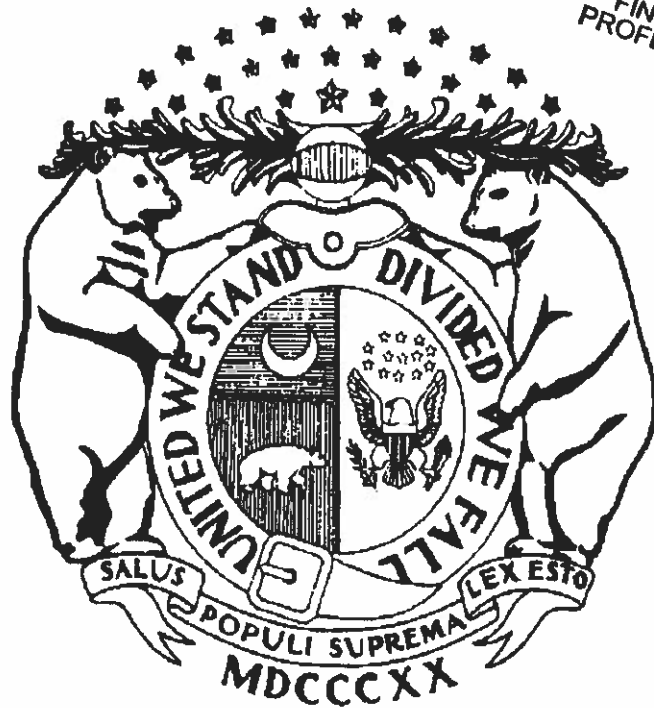
A handwritten signature in blue ink, reading "Chlora Lindley-Myers", written over a horizontal line.

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

REPORT OF THE
FINANCIAL EXAMINATION OF
Blue Advantage Plus of Kansas City, Inc.

AS OF
DECEMBER 31, 2017

FILED
JUL 8 2019
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION



STATE OF MISSOURI
DEPARTMENT OF INSURANCE, FINANCIAL INSTITUTIONS AND
PROFESSIONAL REGISTRATION
JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
RELIANCE UPON OTHERS.....	2
SUMMARY OF SIGNIFICANT FINDINGS	2
SUBSEQUENT EVENTS	2
CORPORATE HISTORY	3
GENERAL.....	3
CAPITAL CONTRIBUTIONS.....	3
DIVIDENDS.....	3
MERGERS AND ACQUISITIONS.....	3
SURPLUS NOTES.....	3
CORPORATE RECORDS	4
BOARD OF DIRECTORS.....	4
COMMITTEES.....	5
OFFICERS.....	5
HOLDING COMPANY, AFFILIATES, AND SUBSIDIARIES.....	5
ORGANIZATIONAL CHART.....	7
INTERCOMPANY TRANSACTIONS.....	8
TERRITORY AND PLAN OF OPERATION	9
REINSURANCE	10
GENERAL.....	10
ASSUMED.....	10

CEDED	10
FINANCIAL STATEMENTS	11
ASSETS	12
LIABILITIES, SURPLUS AND OTHER FUNDS	12
STATEMENT OF INCOME	13
RECONCILIATION OF CAPITAL AND SURPLUS	13
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION.....	14
COMMENTS ON FINANCIAL STATEMENT ITEMS.....	14
SUMMARY OF RECOMMENDATIONS.....	14
ACKNOWLEDGMENT.....	15
VERIFICATION.....	15
SUPERVISION.....	16

Kansas City, MO
May 16, 2019

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 530
Jefferson City, Missouri 65102

Director Lindley-Myers:

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

Blue Advantage Plus of Kansas City, Inc.

hereinafter referred to as BA+ or as the Company. Its main administrative office is located at 2301 Main Street, Kansas City, Missouri 64108. The fieldwork for this examination began on June 25, 2018 and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Insurance, Financial Institutions and Professional Registration (DIFP) has performed a full scope financial examination of Blue Advantage Plus of Kansas City, Inc. The last examination covered the period January 1, 2008 through December 31, 2012 and was also completed by examiners from the DIFP. This examination covers the period of January 1, 2013 through December 31, 2017.

This examination was performed concurrently with the examination of the Company's parent, Blue Cross and Blue Shield of Kansas City (BCBSKC) and its other affiliates: Good Health HMO, Inc. (Good Health) and Missouri Valley Life and Health Insurance Company (Missouri Valley).

The examination also includes the material transactions and/or events occurring subsequent to December 31, 2017, which are noted in 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 DIFP and statutes of the State of Missouri prevailed. The Handbook requires the planning and performance of the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks.

An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination approach. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements. The following key activities were identified during the examination: Investments, Related Party, Reserves/Claims Handling, Premiums/Underwriting, and Medicare Advantage.

The examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not communicated within the examination report but separately communicated to other regulators and/or the Company.

Reliance Upon Others

The examination relied upon information provided by the Company and its management. Where the examiners have deemed appropriate, this information has been tested or verified with external sources. The examiners also relied upon information supplied by the Company's independent auditor, Ernst & Young, LLP of Kansas City, Missouri for its audit covering the period from January 1, 2017 through December 31, 2017 and BCBSKC's Internal Audit Department. Information relied upon included, but was not limited to: fraud risk analysis, process narratives, control and substantive testing procedures for investments, premiums, claims, and taxes.

SUMMARY OF SIGNIFICANT FINDINGS

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

SUBSEQUENT EVENTS

The Company reported a decline in its Risk-Based Capital (RBC) ratio from 448.6% at year-end 2017 to 224.3% at year-end 2018. This level of RBC ratio decline constituted a company action level event. Accordingly, the DIFP requested an RBC Plan, in accordance with applicable Missouri Laws. The Company filed an RBC Plan with the DIFP with financial projections, dated March 21, 2019. The RBC Plan identified three events that occurred in the fourth quarter of 2018 that contributed to the decline in its RBC ratio as follows: (1) fourth-quarter operating results were slightly more unfavorable than anticipated; (2) a claim in recovery, due from a hospital overpayment, of \$1.1 million was non-admitted (subsequently recovered in January 2019); and (3) a pharmacy rebate receivable of \$1.2 million was non-admitted.

On March 28, 2019, the DIFP approved a request by the Company's parent, BCBSKC, for the issuance of a surplus note by BA+ to BCBSKC in the amount of \$21.1 million. The proceeds of the note will be used to address the company action level event and to offset an increase of a

premium deficiency reserve liability, which BA+ anticipates will be recorded in the first quarter of 2019.

CORPORATE HISTORY

General

Blue Advantage Plus of Kansas City, Inc. was incorporated under the general business laws of the State of Missouri on April 18, 2005. The Company received a certificate of authority to operate as a Health Maintenance Organization pursuant to Chapter 354 RSMo (Health Services Corporations-Health Maintenance Organizations) on June 17, 2005. On June 30, 2005, the Company registered its name of Blue Advantage Plus.

On January 20, 2015, BA+ adopted amendments to the Company's Articles of Incorporation and Bylaws providing for the conversion of BA+ to a nonprofit mutual benefit corporation in accordance with Chapter 355 RSMo (Nonprofit Corporate Law). The Secretary of State issued a Certificate of Acceptance of the changes on February 11, 2015. BCBSKC became the sole member of the new mutual benefit corporation upon completion of the conversion.

Capital Contributions

No capital contributions were made to BA+ during the examination period.

Dividends

No dividends were declared or paid during the examination period.

Mergers and Acquisitions

There were no mergers or acquisitions significant to BA+ during the period under examination.

Surplus Notes

Contemporaneously with its conversion to a mutual benefit corporation, BA+ issued a surplus note for \$22,200,000 to BCBSKC on February 11, 2015. The surplus note represented the redemption of BCBSKC's stock in BA+ of 10,000 shares at \$1 per share and \$22,190,000 in capital contributions made to BA+ by BCBSKC since its inception. BA+ will make annual interest payments based on an interest rate of 3% on the surplus note with full payment due in February 2025.

On January 30, 2017, BA+ issued an \$11,000,000 surplus note to BCBSKC. BA+ will make annual payments of interest based on an interest rate of 3% with payment in full due in February 2027.

On December 18, 2017, BA+ issued a \$14,000,000 surplus note to BCBSKC. BA+ will make annual payments of interest based on an interest rate of 3% with payment in full due in December 2027.

On December 21, 2018, BA+ issued a \$4,000,000 surplus note to BCBSKC. BA+ will make annual payments of interest based on a 3% interest rate with payment in full due in December 2028.

As noted in the Subsequent Event section of this report, on March 1, 2019, BA+ issued a \$21,100,000 surplus note to BCBSKC. BA+ is to make annual payments of interest based on a 3% interest rate with payment in full due in March 2029.

CORPORATE RECORDS

The Company's Articles of Incorporation and Bylaws were reviewed for the period under examination. Both the Bylaws and Articles were amended on January 20, 2015, to provide for the conversion of BA+ to a nonprofit mutual benefit corporation.

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

Board of Directors

The management of the Company is vested in a Board of Directors. The Company's Bylaws specify that the number of directors shall be no less than three, which may be increased or decreased by future action of the Board. The Directors elected and serving, as of December 31, 2017, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliations</u>
Danette K. Wilson	Board Chair, BA+, President and Chief Executive Officer, BCBSKC
Richard J. Kastner	Secretary, BA+, General Counsel, Chief Administrative Officer and Corporate Secretary, BCBSKC
Thomas E. Nightingale	Treasurer and Actuary, BA+, Senior Vice President, Chief Financial Officer, and Treasurer, BCBSKC
Erin E. Stucky	Executive Vice President, Market Innovation and Business Development, BCBSKC
Nancy M. Creasy	Executive Vice President, Technology and Service Delivery, BCBSKC
Greg T. Sweat, MD	Chief Medical Officer, BA+, Vice President and Chief Medical Officer, BCBSKC
Karen S. Johnson	Vice President, Healthcare Insights and Partnerships, BCBSKC
Ronald R. Rowe	Senior Vice President, Sales and Marketing, BCBSKC
Kim G. White	Vice President and Chief of Staff, BCBSKC

Subsequent to the examination date, Danette K. Wilson, Richard J. Kastner, Nancy M. Creasy, Karen S. Johnson and Ronald R. Rowe all resigned as Directors of the Company. Jenny L. Housley, Raelene Knolla, DO, Mark A. Newcomer and Randy Oursler were each subsequently appointed as Directors.

Committees

The Company does not have any committees and utilizes the committees of its parent BCBSKC to manage the operations of the business.

Officers

The Board of Directors annually elects various Company officers, as required by the Bylaws. The President and Chief Executive Officer supervise the day to day operations of the Company as directed by the Board of Directors. The senior officers elected and serving as of December 31, 2017 were as follows:

Nancy M. Creasy	President and Chief Executive Officer
Richard J. Kastner	Secretary
Thomas E. Nightingale	Actuary and Treasurer
Greg T. Sweat	Chief Medical Officer
Danette K. Wilson	Board Chair

Subsequent to the examination date, Nancy M. Creasy and Richard J. Kastner both resigned as officers of the Company. Gregory T. Sweat, MD was appointed President and Chief Executive Officer. Mark A. Newcomer was appointed Secretary. Raelene Knolla, DO was appointed Medical Director. Randy Oursler was appointed Actuary. Erin E. Stucky was appointed Board Chair.

Holding Company, Affiliates, and Subsidiaries

BA+ is 100% owned by BCBSKC, which is a not-for-profit, health care insurer that is domiciled in the State of Missouri. BCBSKC has no stockholders or other ownership. BA+ is ultimately controlled by the Board of Directors of BCBSKC. BCBSKC has several subsidiaries that all have businesses involved in or related to the health care industry. These subsidiaries are described as follows:

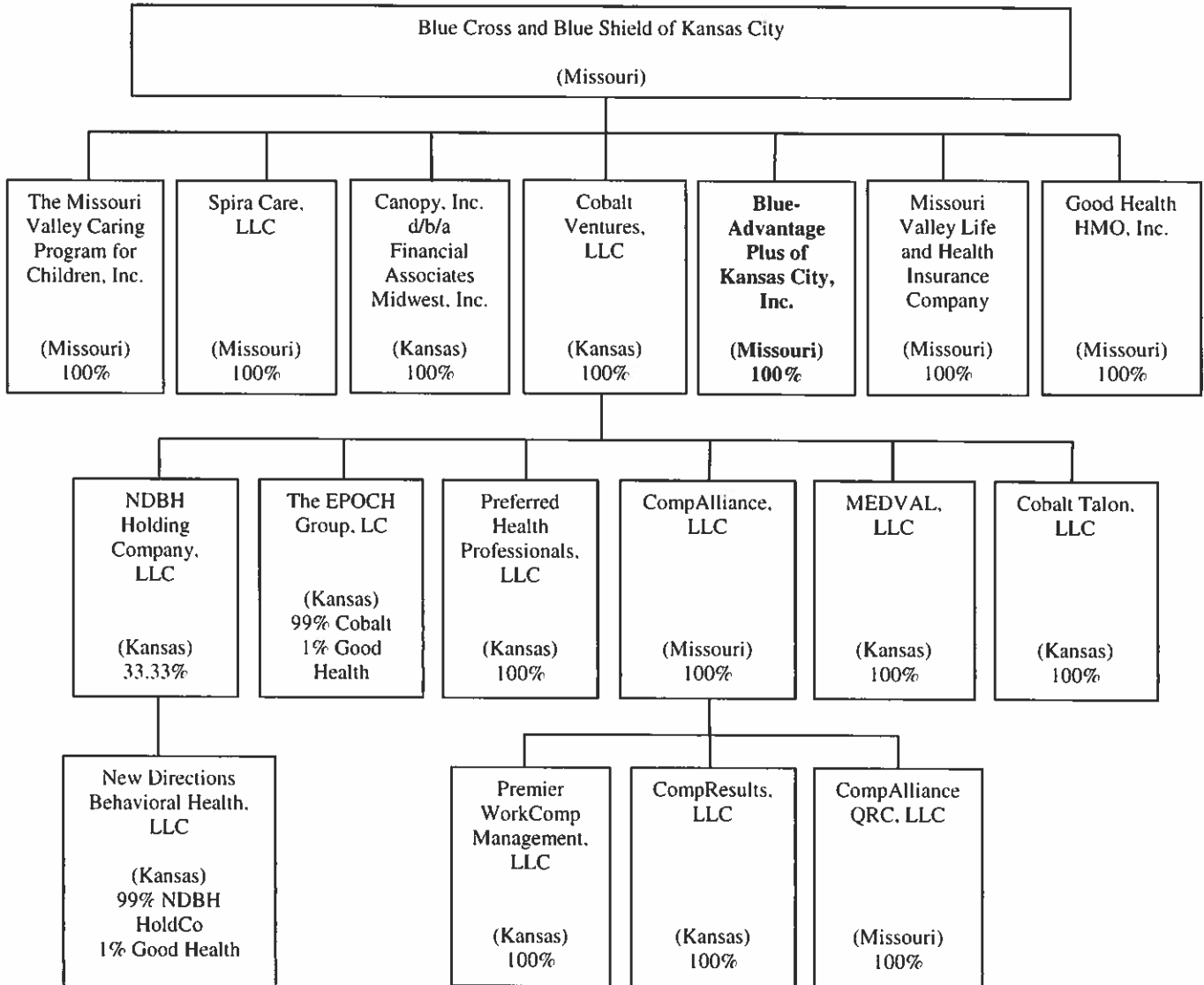
- Good Health HMO, Inc. d/b/a Blue Care, Inc., Blue Advantage Plus of Kansas City, Inc., and Missouri Valley Life and Health Insurance Company are Missouri domiciled insurers.
- Canopy, Inc. (Canopy) f/k/a Financial Associates Midwest, Inc. is a brokerage company specializing in group and individual health products, life, dental, disability, and retirement annuities.
- Missouri Valley Caring Program for Children, Inc. is a charitable organization providing durable medical equipment to children for items not covered by insurance.
- Spira Care, LLC (Spira Care) is in the business of providing services to health care providers, and owning and operating health care clinics.
- Cobalt Ventures, LLC (Cobalt) is a holding company and directly holds BCBSKC's interest in its non-insurance subsidiaries. The entities held are NDBH Holding Company

LLC; The EPOCH Group, LC; Preferred Health Professionals LLC; CompAlliance, LLC; MEDVAL, LLC and Cobalt Talon LLC.

- The EPOCH Group, LC (EPOCH) d/b/a Cobalt MedPlans serves as an outsourcing partner for insurance claims processing, staff augmentation, backlog reduction, systems conversions, and facility consolidation. Cobalt owns a 99% interest in EPOCH and Good Health owns the remaining 1% interest.
- Preferred Health Professionals, LLC (PHP) provides network rental and medical management services for groups and third-party administrators.
- MEDVAL, LLC provides consultation services in the settlement of insurance claims. Its primary business involves preparing Medicare set-aside arrangements and integrating these arrangements into workers' compensation and personal injury settlements. It also provides structured settlement services and administration.
- Cobalt Talon, LLC (Cobalt Talon) currently exists as a shell company since the sale of its assets to Health Lumen in 2016. Prior to the asset sale, Cobalt Talon provided healthcare data analytic services.
- NDBH Holding Company, LLC (NDBH HoldCo) is a holding company that owns New Directions Behavioral Health, LLC. BCBSKC owns a 33.33% interest in NDBH HoldCo.
- New Directions Behavioral Health, LLC (NDBH) manages behavioral health benefits and operates an employee assistance program. NDBH HoldCo owns a 99% interest and Good Health owns a 1% interest in NDBH.
- CompAlliance, LLC is a managed care service organization for workers' compensation claims, providing bill review, Preferred Provider Organization (PPO) and case management services. CompAlliance, LLC owns Premier Workers Comp Networks, LLC, CompAlliance QRC, LLC, and CompResults, LLC.
- Premier Workers Comp Networks, LLC is a PPO network used exclusively for the treatment of work-related injuries and illnesses.
- CompResults, LLC is a PPO network used exclusively to bring workers' compensation cost containment solutions to employers and payers.
- CompAlliance QRC, LLC provides qualified workers compensation consultation services.

Organizational Chart

The following organizational chart depicts BA+'s ownership and holding company system, as of December 31, 2017:



Intercompany Transactions

The Company's intercompany agreements in effect, as of December 31, 2017, are outlined below.

1. **Type:** Third Amended and Restated Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return
Affiliates: Missouri Valley, Good Health, BCBSKC, and Canopy
Effective: December 31, 2014, amended January 22, 2016 to update the parties to the agreement and revise provisions for adding and terminating parties to the agreement.
Terms: BCBSKC will file a consolidated federal tax return for itself and its subsidiaries. The tax liability for each subsidiary shall be based upon each subsidiary's taxable income or loss as reflected in the consolidated financial statements. Each subsidiary will pay its federal income taxes to BCBSKC. BCBSKC will collect and remit any tax refunds to the subsidiaries.

2. **Type:** Administrative Services Agreement
Affiliate: BCBSKC
Effective: August 1, 2006
Terms: BCBSKC agrees to provide the following administrative services: accounting, budgeting, personnel, payroll, office space, utilities, maintenance, claims processing, purchasing, legal, actuarial, underwriting, cash management, investment, marketing, data processing, and other services. BA+ will pay BCBSKC the actual expenses incurred for the services provided.

3. **Type:** Ancillary Provider Agreement
Affiliates: NDBH, Good Health, BCBSKC and Missouri Valley
Effective: January 1, 2006, amended June 1, 2006, October 1, 2007, June 1, 2008, January 1, 2011, January 1, 2014, September 1, 2015, and April 7, 2016 to adjust rates and include additional services to be provided by NDBH.
Terms: NDBH agrees to manage and/or arrange for the provision of behavioral health and substance abuse services for BCBSKC's members and the members of BCBSKC's subsidiaries. NDBH will provide for the credentialing reviews of the providers. BCBSKC will pay NDBH a capitation payment each month that is determined by the per member per month rates specified in the agreement. The rates vary between products sold by BCBSKC and its subsidiaries.

4. **Type:** Agreement for the Management of Intercompany Payables and Receivables
Affiliates: Missouri Valley, Good Health, Spira Care, Canopy and BCBSKC
Effective: August 1, 2006, restated effective March 1, 2009 to remove the specific exclusion for the Missouri Valley direct enrollment PPO, change the duration and renewal terms, and include a specific exclusion for Medicaid payments, and amended November 1, 2017 to add Spira Care and Canopy to the agreement.
Terms: BCBSKC shall pay the payables and collect the receivables for its subsidiaries. Separate accounting records will be maintained for the transactions for each subsidiary. Transfers of funds to or from the subsidiaries will be made to minimize uninvested cash balances and to minimize the receivable or payable

balance with each subsidiary. BCBSKC shall settle all intercompany payable and receivables within ninety days following receipt by BCBSKC.

BCBSKC shall pool and retain the consolidated funds resulting from these transactions and invest the pooled funds. BCBSKC shall pay interest or receive interest each month from the subsidiaries based on the intercompany balance of each subsidiary.

5. **Type:** Guarantor Agreement
Affiliate: BCBSKC
Effective: July 1, 2005
Terms: In the event of the insolvency of BA+, BCBSKC agrees to provide BA+ whatever guarantee or coverage that is necessary to meet all applicable requirements of its business as a state-qualified HMO. This coverage will provide for the continuation of covered benefits to BA+'s members and pay provider expenses, as defined in the agreement.

6. **Type:** Medicare Advantage and Part D Services Agreement
Affiliate: BCBSKC
Effective: January 1, 2015
Terms: BCBSKC provides BA+ with certain administrative services in establishing and maintaining a Medicare Advantage and/or Part D program including sales and marketing, provider network, compliance and audit functions, reporting, IT support, dedicated Medicare Advantage personnel quality committees, financial services, legal and additional general corporate services as reasonable requested and necessary to stay compliant with the Center for Medicaid and Medicare Services (CMS). BA+ shall reimburse BCBSKC the actual costs in providing the services as allocated by BCBSKC's cost allocation system. The cost allocation system allocates all administrative costs to lines of business based on statistics such as actual employee time reports, processed claims counts and membership counts.

TERRITORY AND PLAN OF OPERATION

BA+ was organized on June 30, 2005 in accordance with Missouri law at Chapter 354 (Health Service Corporations-Health Maintenance Organizations) as it relates to health maintenance organizations. The Company's service territory consists of 7 counties in Missouri and 2 counties in Kansas. As of December 31, 2017, the Company reported 8,891 members.

Prior to July 1, 2012, the Company underwrote Medicaid and Children's Healthcare Initiative Program (CHIP) policies through a contract with the Missouri Department of Social Services. Subsequent to July 1, 2012, the Company was in run-off status, until late 2014 when they applied to CMS to offer Medicare Advantage for the 2016 contract year. Effective January 1, 2016, the Company offered Medicare Advantage insurance to Medicare individuals through direct pay or group administered coverage.

Third-party agents are utilized to obtain business. The Company also has a staff of sales and marketing employees that sell and promote its products. Marketing methods include the use of television, radio, newspaper, and magazine advertisements, billboards, direct mail, and telemarketing.

REINSURANCE

General

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Direct Business	\$79,862,914	\$29,346,083	\$ 0	\$ 0	\$ (2,010)
Reinsurance Ceded:					
Affiliates	0	0	0	0	0
Non-affiliates	<u>(31,372)</u>	<u>(11,577)</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Premiums Written	<u>\$79,831,542</u>	<u>\$29,334,506</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (2,010)</u>

Assumed

The Company does not assume any business.

Ceded

BCBSKC together with BA+, Good Health, and Missouri Valley are reinsured by an excess of loss agreement with BCS Insurance Company (BCS). BCS is domiciled in the State of Ohio and is licensed as a property and casualty company with an accident and health line in the State of Missouri. The Company's specific retention is \$2,500,000 per covered loss under the agreement. The covered block is fully insured medical.

The Company is contingently liable for all reinsurance losses ceded to others. This contingent liability would become an actual liability in the event that an assuming reinsurer fails to perform its obligations under the reinsurance agreement.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the DIFP and present the financial condition of the Company for the period ending December 31, 2017. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

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 activity.

	<u>Assets</u>		
	<u>Assets</u>	<u>Non- admitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 24,716,007	\$ -	\$ 24,716,007
Cash, cash equivalent and short-term investments	14,670,622	203,996	14,466,626
Investment income due and accrued	144,947	-	144,947
Amounts receivable relating to uninsured plans	809,140	-	809,140
Health care and other amounts receivable	1,374,858	245,129	1,129,729
Aggregate write-ins for other-than-invested assets	20,591	9,419	11,172
TOTAL ASSETS	<u>\$ 41,736,165</u>	<u>\$ 458,544</u>	<u>\$ 41,277,621</u>

Liabilities, Surplus and Other Funds

Claims unpaid	\$ 8,870,976
Accrued medical incentive pool and bonus amounts	498,910
Aggregate health policy reserves	12,380,413
Premiums received in advance	63,700
General expenses due or accrued	14,860
Current tax payable	945,796
Amounts due to parent, subsidiaries and affiliates	422,997
Liability for amounts held under uninsured plans	702,024
Aggregate write-ins for other liabilities	12,279
TOTAL LIABILITIES	<u>\$ 23,911,955</u>
Surplus notes	47,200,000
Unassigned funds	(29,834,333)
TOTAL SURPLUS	<u>\$ 17,365,667</u>
TOTAL LIABILITES AND SURPLUS	<u>\$ 41,277,622</u>

Statement of Income

Net premium income	\$ 79,831,542
Total revenues	\$ 79,831,542
Hospital/medical benefits	68,306,363
Prescription drugs	6,801,796
Incentive pool, withhold adjustments and bonus amounts	503,827
Claims adjustment expenses	5,574,232
General administrative expenses	13,212,051
Increase in reserves for life and A&H contracts	11,500,000
Total underwriting deductions	\$ 105,898,269
Net underwriting gain (loss)	\$ (26,066,727)
Net investment income earned	399,169
Net realized capital gains	6,357
Aggregate write-ins for other income	302
Net income (loss) before taxes	\$ (25,660,899)
Federal and foreign income taxes incurred	(8,997,230)
NET INCOME (LOSS)	\$ (16,663,669)

Reconciliation of Capital and Surplus
Changes from January 1, 2013 to December 31, 2017
(\$000 Omitted)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Capital and Surplus, Beginning of Year	\$24,531	\$25,029	\$24,003	\$15,284	\$9,268
Net income (loss)	246	(1,021)	(8,659)	(5,862)	(16,664)
Change in net unrealized capital gains (losses)	67	(4)	6	1	-
Change in net deferred income tax	(60)	(3)	(1)	-	-
Change in non-admitted assets	245	2	(65)	(155)	(238)
Change in surplus notes	-	-	22,200	-	25,000
Capital changes, paid in	-	-	(10)	-	-
Surplus adjustments, paid in	-	-	(22,190)	-	-
Change in capital and surplus for the year	<u>\$ 498</u>	<u>(\$1,026)</u>	<u>(\$8,719)</u>	<u>(\$6,016)</u>	<u>\$8,098</u>
Capital and Surplus, End of Year	<u>\$25,029</u>	<u>\$24,003</u>	<u>\$15,284</u>	<u>\$9,268</u>	<u>\$17,366</u>

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None

COMMENTS ON FINANCIAL STATEMENT ITEMS

None

SUMMARY OF RECOMMENDATIONS

None

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of BA+ during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Mark Nance, CPA, CFE, Emily Pennington, CFE, Lisa Li, CPA, CFE, Kimberly Dobbs, AES, CISA, CFE, Bradley Brunton, AFE, and Danielle Smith, AFE, examiners for the DIFP participated in this examination. The firm of Lewis & Ellis, Inc. participated as consulting actuaries. The firm, Risk & Regulatory Consulting, LLC, also participated as an information technology systems consultant.

VERIFICATION


State of Missouri)
County of Jackson)

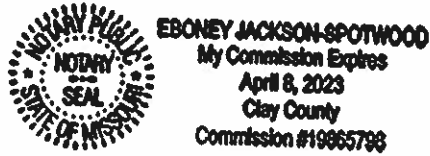
I, Laura Church, CPA, CFE, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records or other documents of Blue Advantage Plus of Kansas City, Inc., its agents or other persons examined 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.



Laura Church, CPA, CFE
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

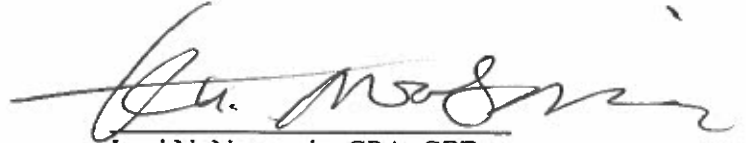
Sworn to and subscribed before me this 16th day of May, 2019.

My commission expires: April 8, 2023 
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 DIFP and statutes of the State of Missouri prevailed.

A handwritten signature in black ink, appearing to read 'Levi N. Nwasoria', written over a horizontal line.

Levi N. Nwasoria, CPA, CFE

Audit Manager

Missouri Department of Insurance, Financial
Institutions and Professional Registration