

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

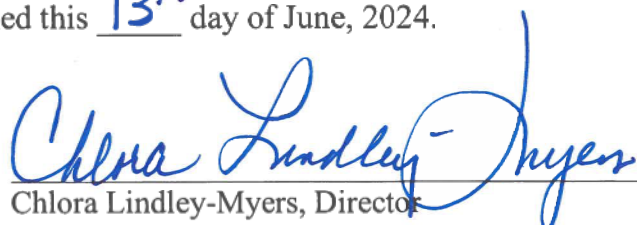
### ORDER

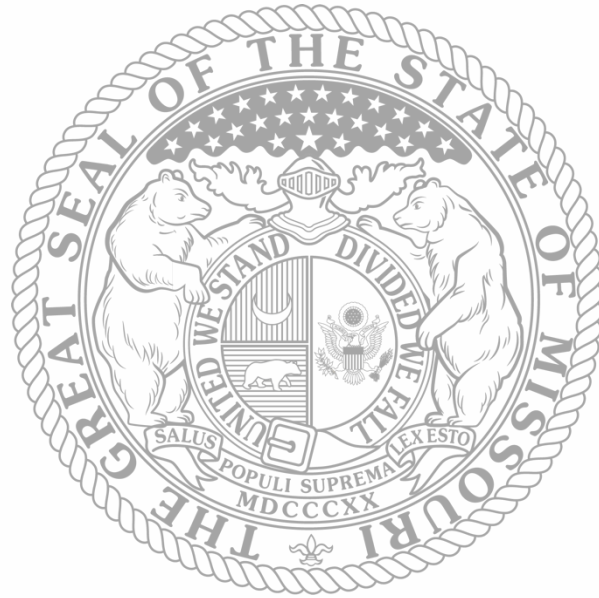
After full consideration and review of the report of the financial examination of Blue Cross and Blue Shield of Kansas City for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director 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 Blue Cross and Blue Shield of Kansas City as of December 31, 2022, be and is hereby ADOPTED as filed and for Blue Cross and Blue Shield of Kansas City 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 13<sup>th</sup> day of June, 2024.



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **BLUE CROSS AND BLUE SHIELD OF KANSAS CITY**

AS OF  
DECEMBER 31, 2022

**STATE OF MISSOURI  
DEPARTMENT OF COMMERCE & INSURANCE**

JEFFERSON CITY, MISSOURI

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Kansas City, MO  
May 28, 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

**Blue Cross Blue Shield of Kansas City (NAIC #47171)**

hereinafter referred to as such, as BCBSKC, or as the Company. Its administrative office is located at 2301 Main Street, Kansas City, Missouri 64108, telephone number 816-395-2222. The fieldwork for this examination began on August 1, 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 BCBSKC. The last examination of the Company by the Department covered the period of January 1, 2013, 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 BCBSKC included Investments, Reserving/Claims Handling, Premiums/Underwriting, Related Party, Reinsurance, and Capital/Surplus. The examination also included a review and evaluation of information technology general controls.

The examination was conducted concurrently with the examinations of the Company's Missouri domiciled affiliates, Good Health HMO, Inc. d/b/a Blue Care, Inc. (Good Health), Blue Advantage Plus of Kansas City, Inc. (BA+), and Missouri Valley Life and Health Insurance Company (Missouri Valley).

This examination report includes significant findings of fact, as mentioned in section 374.205, of the Revised Statutes of Missouri (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, significant non-compliance issues, or material changes to the financial statements noted during the examination.

### **COMPANY HISTORY**

#### **General**

BCBSKC was incorporated under the laws of the state of Missouri on May 17, 1982, through the merger of Blue Cross of Kansas City with Blue Shield of Kansas City and commenced business on that same date as a consolidated, not-for-profit health services corporation (HSC). The Company was licensed in the state of Kansas on the same date. BCBSKC is an independent licensee of the Blue Cross Blue Shield Association (BCBSA), an association of independent health benefit plans.

On February 10, 1995, the Department granted BCBSKC a Certificate of Authority to operate as a Health Maintenance Organization (HMO). BCBSKC currently operates as both an HSC and an HMO under Chapter 354, RSMo (Health Services Corporations – Health Maintenance Organizations – Prepaid Dental Plans).

#### **Mergers, Acquisitions, and Major Corporate Events**

There were no mergers, acquisitions, or other major corporate events during the examination period.

#### **Dividends and Capital Contributions**

Due to the Company's not-for-profit status, no dividends have been declared or paid since incorporation, and no capital contributions have been received.

The Company contributed \$183.8 million to subsidiary Missouri Valley during the examination period and \$160 million in 2023, subsequent to the examination period.

The Company contributed \$86.7 million to subsidiary Spira Care, LLC (Spira Care) during the examination period and \$21 million in 2023, subsequent to the examination period.

**Surplus Notes**

Subsidiary BA+ issued surplus notes to the Company totaling \$66.7 million during the examination period. The notes carry ten-year maturities with annual interest rates ranging from 1.5% to 3.0%. BA+ had a total of \$113.9 million in surplus notes issued and outstanding to BCBSKC as of December 31, 2022.

**MANAGEMENT AND CONTROL****Board of Directors**

The management of the Company is vested in a Board of Directors that is elected by the Board of Directors. The Company's Bylaws specify that there shall be no less than nine and no more than fifteen Board members. The Directors elected and serving as of December 31, 2022, were as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Occupation and Business Affiliation</u></b>
Erin E. Stucky Kansas City, Missouri	President and Chief Executive Officer BCBSKC
Cheryl D. Alston Dallas, Texas	Executive Director and Chief Investment Officer City of Dallas Employees' Retirement Fund
Nancy M. Creasy Lee's Summit, Missouri	Retired Executive Vice President BCBSKC
Russell W. Kohl, M.D. Stilwell, Kansas	Chief Operating Officer TMF Health Quality Institute
Gordon E. Lansford, III Kansas City, Missouri	President and Chief Executive Officer JE Dunn Construction Company
Kent S. Marquardt Walla Walla, Washington	Owner and Chief Executive Officer Maverick Advisors, LLC
Alise G. Martiny Independence, Missouri	Business Manager Greater Kansas City Building Trades Council
John A. Spertus, M.D. Kansas City, Missouri	Clinical Director of Outcomes Research Saint Luke's Hospital
Anne D. St. Peter Kansas City, Missouri	Chief Executive Officer Global Prairie
Thomas T. Tsang, M.D. Brooklyn, New York	Chief Executive Officer Valera Health
Michael G. Valentine Overland Park, Kansas	Chief Executive Officer Netsmart Technologies, Inc.

**Senior Officers**

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

<b><u>Name</u></b>	<b><u>Office</u></b>
Cheryl D. Alston	Chair, BCBSKC Board of Directors
Erin E. Stucky	President and Chief Executive Officer
Mark A. Newcomer	Vice President, General Counsel, and Secretary
Henri R. Cournand	Senior Vice President, Chief Financial Officer, and Treasurer
Jennifer L. Housley	Senior Vice President and Chief Revenue Officer
Kim G. White	Senior Vice President and Chief Administrative Officer
Gregory T. Sweat, M.D.	Senior Vice President and Chief Health Officer
Scott E. McAdams	Senior Vice President and Chief Compliance Officer
Mark L. Garrett	Senior Vice President and Chief Human Resources Officer
Todd G. Dunivant	Senior Vice President and Chief Operating Officer

**Principal Committees**

The Bylaws provide for the Board of Directors to appoint five standing committees. As of December 31, 2022, the members of each committee were as follows:

**Executive Committee**

Cheryl D. Alston, Chair  
Nancy M. Creasy  
Gordon E. Lansford, III  
Kent S. Marquardt  
Anne D. St. Peter  
Erin E. Stucky

**Audit Committee**

Kent S. Marquardt, Chair  
Nancy M. Creasy  
Russell W. Kohl, M.D.  
Gordon E. Lansford, III  
Alise G. Martiny  
Cheryl D. Alston, Ex Officio

**Governance Committee**

Gordon E. Lansford, III, Chair  
Alise G. Martiny  
John A. Spertus, M.D.  
Anne D. St. Peter  
Cheryl D. Alston, Ex Officio

**Compensation Committee**

Anne D. St. Peter, Chair  
John A. Spertus, M.D.  
Thomas T. Tsang, M.D.  
Michael G. Valentine  
Cheryl D. Alston, Ex Officio

**Investment and Finance Committee**

Nancy M. Creasy, Chair  
Russell W. Kohl, M.D.  
Kent S. Marquardt  
Thomas T. Tsang, M.D.  
Michael G. Valentine  
Cheryl D. Alston, Ex Officio

**Corporate Records**

The Company's Articles of Incorporation and Bylaws were reviewed. No revisions were made to the Articles of Incorporation during the examination period. The Bylaws were amended May 31, 2018, to authorize the Audit Committee to assist with board oversight of the Company's enterprise risk management process; amended December 10, 2020, to clarify wording and update committee changes; and amended September 7, 2023, to eliminate redundant text, update committee names, add oversight responsibility for Cobalt Holdings, LLC, and to change the Board of Directors composition from no less than ten and no more than seventeen members to no less



than nine and no more than fifteen members. The minutes of the Board of Directors and Committee meetings were reviewed for the period under examination.

**Holding Company, Subsidiaries, and Affiliates**

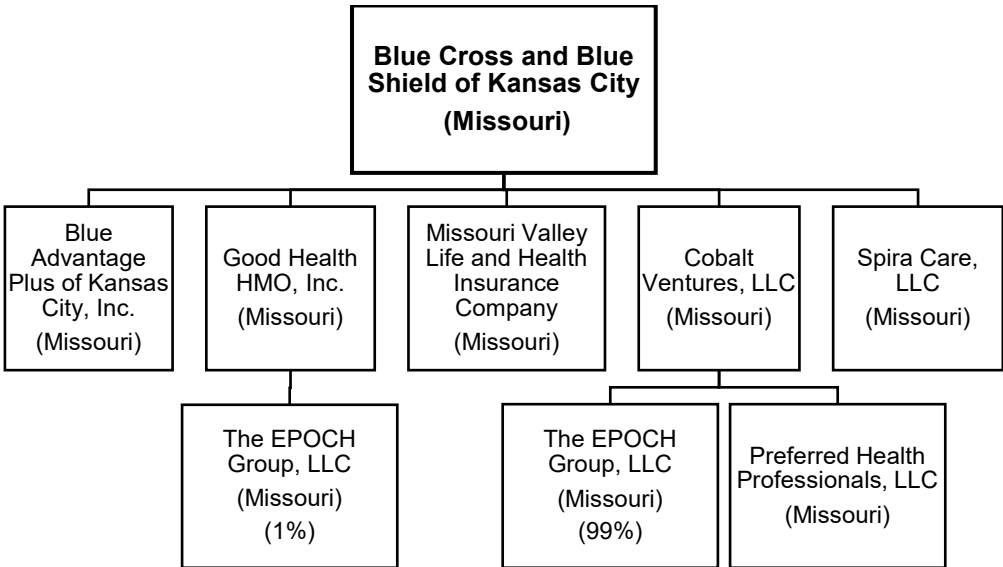
BCBSKC is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by BCBSKC on behalf of itself and its subsidiaries (collectively, the Group) for each year of the examination period. The Company is a not-for-profit organization and therefore, there are no stockholders or other ownership. BCBSKC is ultimately controlled by its Board of Directors.

BCBSKC is the ultimate controlling entity of the Group, consisting of four traditional insurers, one captive insurer, and several wholly owned and partially owned subsidiaries that provide additional non-insurance related and supporting services, including customer service, claims processing, and provider network rental. Significant subsidiaries are described as follows:

- Good Health, BA+, and Missouri Valley are Missouri domiciled insurers.
- Spira Care is in the business of providing services to health care providers and owning and operating health care clinics.
- Cobalt Ventures, LLC (Cobalt Ventures) is a holding company and directly holds BCBSKC’s interest in many of its non-insurance subsidiaries. Significant entities held include The EPOCH Group, LLC and Preferred Health Professionals, LLC.
- The EPOCH Group, LLC (EPOCH), d/b/a Cobalt MedPlans, serves as an outsourcing partner for insurance claims processing, staff augmentation, backlog reduction, systems conversions, and facility consolidation.
- Preferred Health Professionals, LLC (PHP) provides network rental and medical management services for groups and third-party administrators.

**Organizational Chart**

The following abbreviated organizational chart is limited to include only BCBSKC and its significant subsidiaries as of December 31, 2022. All subsidiaries shown are wholly owned, except for EPOCH, which is 99% owned by Cobalt Ventures and 1% owned by Good Health.



### **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:

**Medicare Advantage and Part D Services Agreements:** BCBSKC is party to two similar Medicare Advantage and Part D Services Agreements, one with BA+ (effective January 1, 2015) and one with Missouri Valley (effective January 1, 2017). Under the terms of these agreements, BCBSKC agrees to provide certain administrative services to BA+ and Missouri Valley to maintain and service each company's Medicare Advantage and/or Part D program. Such services include, but are not limited to, sales and marketing, compliance and audit functions, reporting, IT support, financial services, and legal/corporate services.

**Spira Care Network Provider Agreement:** Effective January 1, 2021, this agreement is between BCBSKC, on behalf of itself and its subsidiaries, and Spira Care, whereby Spira Care agrees to provide covered healthcare services within specific networks to covered members of the Group.

**Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return:** According to this agreement, with an effective date of December 31, 2014, BCBSKC agrees to file a consolidated federal tax return for the Group and various other non-insurance affiliates.

**Management Services Agreement:** Effective June 20, 2011, BCBSKC and EPOCH are parties to a Management Services Agreement, under which BCBSKC provides certain management services to EPOCH. Services include tax return preparation, executive services, legal services, and insurance coverage.

**Administrative Services Agreements:** BCBSKC is party to several individual Administrative Services Agreements with various subsidiaries, including BA+ (effective August 1, 2006), Missouri Valley (effective August 1, 2006), and Good Health (effective April 1, 2009). Under the terms of these agreements, BCBSKC agrees to provide various administrative services to the other party of the respective agreement. Administrative services include the following: accounting, budgeting, personnel/payroll, office space, claims processing, underwriting, investments, marketing, data processing, and various other services necessary to conduct business.

### **TERRITORY AND PLAN OF OPERATION**

BCBSKC is licensed as a Health Services Corporation and as a Health Maintenance Organization in Missouri and Kansas. The Company's service territory is concentrated in the Kansas City, Missouri metropolitan area and northwest Missouri, which includes thirty counties in Missouri and two counties in Kansas.

The Company's core business is providing medical and dental insurance to employer groups, individuals, and senior markets. BCBSKC also provides administrative services for self-insured large groups. Most of the medical business is derived from its Preferred Provider Organization (PPO) products marketed under the "Preferred Care Blue" name. The Company also provides health insurance through its participation in the Federal Employee Program that is managed by the BCBSA and participates in the BCBSA Blue Card Program to provide members with healthcare services while traveling outside their Blue Cross member service area.

The Company markets its products through a network of independent agents and brokers and through an in-house sales force. Marketing methods include the use of television, radio, newspaper, magazine advertisements, billboards, direct mail, and telemarketing.

Although the Company no longer writes HMO business, it still retains its HMO license. Employer groups often offer their employees the choice of enrolling in the PPO product with BCBSKC or the HMO product of Good Health. Effective January 1, 2016, the Company entered the Medicare Advantage market and began offering Medicare Advantage HMO products through BA+. Effective January 1, 2018, the Company began offering Medicare Advantage PPO products through Missouri Valley.

In 2017, the Company announced that it would no longer offer or renew Individual Affordable Care Act (ACA) plans in the Company's 32 county service area in Kansas and Missouri, effective January 1, 2018. The Company returned to the Individual ACA market in 2021.

### GROWTH OF COMPANY AND LOSS EXPERIENCE

Net premiums earned were consistent throughout the examination period. Underwriting losses in 2021 and 2022 were due in part to unrealized capital losses and several large non-recurring company initiatives, which increased professional services and other administrative expenses.

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

*(\$000s omitted)*

Year	Total Net Assets	Net Premium Income	Underwriting Gain (Loss)	Net Income (Loss)	Capital and Surplus	Ratio of Net Premiums to Surplus
2018	\$ 1,246,047	\$ 1,573,077	\$ 34,294	\$ 66,611	\$ 758,144	207.5%
2019	1,353,002	1,608,093	30,206	49,360	861,160	186.7%
2020	1,495,192	1,660,682	29,274	78,259	779,685	213.0%
2021	1,434,665	1,621,167	(87,415)	(3,507)	675,054	240.2%
2022	1,367,458	1,610,043	(75,535)	(94,883)	667,171	241.3%

The Company's losses and related medical loss ratio varied slightly throughout the examination but generally remained stable.

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	\$ 1,589,983	\$ 1,288,169	81.0%
2019	1,615,770	1,332,366	82.5%
2020	1,650,630	1,271,084	77.0%
2021	1,635,188	1,383,102	84.6%
2022	1,612,548	1,316,216	81.6%

## 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)*

<b>Premium Type</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Direct Premiums Written	\$ 1,575,355	\$ 1,610,360	\$ 1,662,226	\$ 1,622,604	\$ 1,611,448
Reinsurance Ceded:					
Non-Affiliates	2,279	2,267	1,544	1,437	1,405
<b>Net Premiums Written</b>	<b>\$ 1,573,077</b>	<b>\$ 1,608,093</b>	<b>\$ 1,660,682</b>	<b>\$ 1,621,167</b>	<b>\$ 1,610,043</b>

### Assumed Reinsurance

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

### Ceded Reinsurance

The majority of the Company's business is reinsured on an excess of loss basis with high retentions. All reinsurers are authorized carriers in Missouri.

BCBSKC, together with BA+, Good Health, and Missouri Valley, is reinsured by a Pool Excess of Loss Agreement with BCS Insurance Company (BCS). BCS is domiciled in Ohio and is licensed as a property and casualty company with an accident and health line in Missouri. Under the terms of the agreement, BCS agrees to cover 100% of losses above the Company's retention.

The Company has a Coinsurance Agreement, effective December 15, 1998, with Genworth Life Insurance Company (Genworth) for a long-term care product. BCBSKC cedes 100% of the risks for the long-term care policies to Genworth.

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, in Kansas City, Missouri, performed the statutory audits of the Company for the years 2018 through 2022. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, identification of key processes and controls and substantive testing procedures.

### Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Rowen B. Bell, FSA, MAAA, for 2019 through 2022. Mr. Bell is employed by Ernst & Young LLP in Chicago, Illinois. The actuarial opinion for 2018 was issued by Darrell D. Knapp, FSA, MAAA, who was employed by Ernst & Young LLP, in Kansas City, Missouri.

### Consulting Actuary

Pursuant to a contract with the Department, Jason Dunavin, FSA, MAAA, of Lewis & Ellis, LLC, reviewed the underlying actuarial assumptions and methodologies used by BCBSKC to determine the adequacy of reserves and other actuarial items.

**Information Systems**

Kim Dobbs, CFE, AES, CISA, Information Systems Examiner-in-Charge with the Department conducted a review of the Company's information systems and applications, including a review of information technology general controls (ITGCs).

**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 Blue Cross and Blue Shield of Kansas City 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

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 432,484,964	\$ -	\$ 432,484,964
Stocks:			
Preferred Stocks	305,365	-	305,365
Common Stocks	393,357,255	-	393,357,255
Real Estate:			
Properties Occupied by the Company	19,797,911	-	19,797,911
Cash, Cash Equivalents, and Short- Term Investments	9,470,596	-	9,470,596
Other Invested Assets	244,163,003	-	244,163,003
Receivables for Securities	24,140	-	24,140
Investment Income Due and Accrued Premiums and Considerations:	2,240,822	-	2,240,822
Uncollected Premiums and Agents' Balances in the Course of Collection	44,455,675	-	44,455,675
Accrued Retrospective Premiums	5,209,087	-	5,209,087
Reinsurance:			
Amounts Recoverable from Reinsurers	495,585	-	495,585
Amounts Receivable Relating to Uninsured Plans	107,371,101	1,836,838	105,534,263
Net Deferred Tax Asset	26,006,052	-	26,006,052
Electronic Data Processing Equipment and Software	45,780,041	44,221,096	1,558,945
Furniture and Equipment, Including Health Care Delivery Assets	1,945,123	1,945,123	-
Receivables from Parent, Subsidiaries, and Affiliates	25,077,899	-	25,077,899
Health Care and Other Amounts Receivable	57,471,659	3,618,479	53,853,180
Aggregate Write-Ins for Other-Than- Invested Assets	28,474,744	25,051,734	3,423,010
<b>TOTAL ASSETS</b>	<b>\$ 1,444,131,022</b>	<b>\$ 76,673,270</b>	<b>\$ 1,367,457,752</b>

**LIABILITIES, CAPITAL AND SURPLUS**

As of December 31, 2022

Claims Unpaid	\$ 154,181,256
Accrued Medical Incentive Pool and Bonus Amounts	450,702
Unpaid Claims Adjustment Expenses	8,236,918
Aggregate Health Policy Reserves	65,235,573
Aggregate Health Claim Reserves	701,175
Premiums Received in Advance	23,296,253
General Expenses Due or Accrued	115,025,572
Current Federal and Foreign Income Tax Payable and Interest Thereon	24,621,231
Amounts Withheld or Retained for the Account of Others	7,567,059
Remittances and Items Not Allocated	5,435,287
Borrowed Money and Interest Thereon	63,370,160
Amounts Due to Parent, Subsidiaries, and Affiliates	9,182,437
Payable for Securities	728,610
Liability for Amounts Held Under Uninsured Plans	24,234,476
Aggregate Write-Ins for Other Liabilities	198,019,906
<b>TOTAL LIABILITIES</b>	<b>\$ 700,286,615</b>
Aggregate Write-Ins for Other-Than-Special Surplus Funds	1,000,000
Unassigned Funds (Surplus)	666,171,137
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 667,171,137</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 1,367,457,752</b>

**STATEMENT OF REVENUE AND EXPENSES**

For the Year Ended December 31, 2022

Net Premium Income	\$ 1,610,043,024
Change in Unearned Premium Reserves and Reserve for Rate Credits	<u>2,504,777</u>
<b>Total Revenue</b>	<b>\$ 1,612,547,801</b>
Hospital/Medical Benefits	1,130,107,414
Emergency Room and Out-of-Area	39,559,255
Prescription Drugs	148,390,086
Incentive Pool, Withhold Adjustments, and Bonus Amounts	(342,638)
Net Reinsurance Recoveries	1,858,047
Claims Adjustment Expenses	83,696,935
General Administrative Expenses	288,169,135
Increase in Reserves for Life and Accident and Health Contracts	<u>360,220</u>
<b>Total Underwriting Deductions</b>	<b>\$ 1,688,082,360</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ (75,534,559)</b>
Net Investment Income Earned	19,785,329
Net Realized Capital Gains (Losses)	<u>(3,017,612)</u>
<b>Net Investment Gain (Loss)</b>	<b>\$ 16,767,717</b>
Aggregate Write-Ins for Other Income or Expenses	<u>5,061,857</u>
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ (53,704,985)</b>
Federal and Foreign Income Taxes Incurred	41,177,811
<b>NET INCOME (LOSS)</b>	<b><u><u>\$ (94,882,796)</u></u></b>



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

*(\$000's omitted)*

	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
Capital and Surplus, Beginning of Year	\$ 706,605	\$ 758,144	\$ 861,160	\$ 779,685	\$ 675,054
Net Income (Loss)	66,611	49,360	78,259	(3,507)	(94,883)
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	(52,235)	31,494	(8,390)	(80,878)	(72,993)
Change in Net Deferred Income Tax	1,283	3,402	(15,522)	9,700	5,795
Change in Nonadmitted Assets	(6,373)	8,398	(15,223)	(46,171)	22,100
Cumulative Effect of Changes in Accounting Principles	-	-	-	-	1,045
Aggregate Write-Ins for Gains (Losses) in Surplus	42,254	10,361	(120,598)	16,224	131,053
Net Change in Capital and Surplus	\$ 51,540	\$ 103,016	\$ (81,475)	\$ (104,632)	\$ (7,882)
<b>Capital and Surplus, End of Year</b>	<b>\$ 758,144</b>	<b>\$ 861,160</b>	<b>\$ 779,685</b>	<b>\$ 675,054</b>	<b>\$ 667,171</b>

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

None.

**FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION**

None.

**SUMMARY OF RECOMMENDATIONS**

None.

**SUBSEQUENT EVENTS**

There were no significant subsequent events noted from December 31, 2022, through the date of this report.

**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Blue Cross and Blue Shield of Kansas City during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kim Dobbs, CFE, AES, CISA, Adrienne Lewis, AFE, Jessica Jones, and Kelly Pfeifferkorn, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

**VERIFICATION**

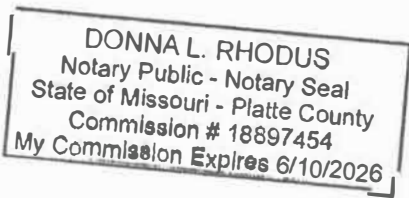
State of Missouri                     )  
  )    ss  
County of Platte                    )

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 Cross and Blue Shield of Kansas City, 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.

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Laura Church, CPA, CFE  
Examiner-In-Charge  
Missouri Department of Commerce and  
Insurance

Sworn to and subscribed before me this 28<sup>th</sup> day of May, 2024.

My commission expires: 6-10-2026 Donna L. Rhodus  
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.



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Sara McNeely, CFE  
Assistant Chief Financial Examiner  
Missouri Department of Commerce and  
Insurance