

# STATE OF MISSOURI



## DEPARTMENT OF COMMERCE & INSURANCE

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

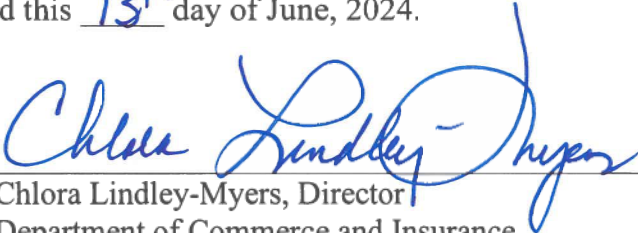
### ORDER

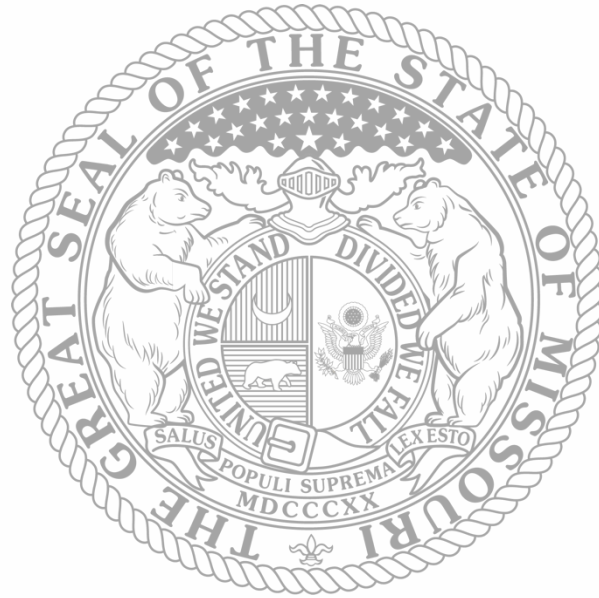
After full consideration and review of the report of the financial examination of Good Health HMO, Inc. D/B/A Blue Care, Inc. for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director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



  
Chlora Lindley-Myers, Director  
Department of Commerce and Insurance



REPORT OF  
FINANCIAL EXAMINATION OF

# **GOOD HEALTH HMO, INC. D/B/A BLUE CARE, INC.**

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

**Good Health HMO, Inc. d/b/a Blue Care, Inc. (NAIC #95315)**

hereinafter referred to as such, as Good Health HMO, Inc., as Good Health, 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 Good Health HMO, Inc. 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 Good Health 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 examination of the Company's Missouri domiciled affiliates, Blue Cross and Blue Shield of Kansas City (BCBSKC), 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**

Good Health does business as Blue Care HMO. The Company was incorporated on October 21, 1988, under the general business laws of Missouri. On February 16, 1990, the Missouri Department of Insurance granted the Company a certificate of authority to operate as a Health Maintenance Organization (HMO) under the provisions of Chapter 354, RSMo (Health Services Corporations-Health Maintenance Organizations). Good Health is also licensed to operate in Kansas.

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

There were no mergers, acquisitions, or major corporate events significant to Good Health during the examination period.

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

There were no dividends or capital contributions during the examination period.

#### **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 is elected by the shareholders. The Company's Articles of Incorporation specify the number of Directors shall be four and thereafter may be fixed by, or in the manner provided in the Bylaws. The Bylaws specify the number may be increased or decreased by action of the shareholders or Board of Directors, but the number of Directors shall not be less than three. 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
Mark A. Newcomer Kansas City, Missouri	Vice President and General Counsel BCBSKC
Henri R. Cournand Kansas City, Missouri	Senior Vice President and Chief Financial Officer BCBSKC
Randy C. Oursler Kansas City, Missouri	Vice President and Chief Actuary BCBSKC

### **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>
Erin E. Stucky	Board Chair, President, and Chief Executive Officer
Mark A. Newcomer	Secretary
Randy C. Oursler	Chief Actuary

### **Principal Committees**

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

### **Corporate Records**

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

### **Holding Company, Subsidiaries, and Affiliates**

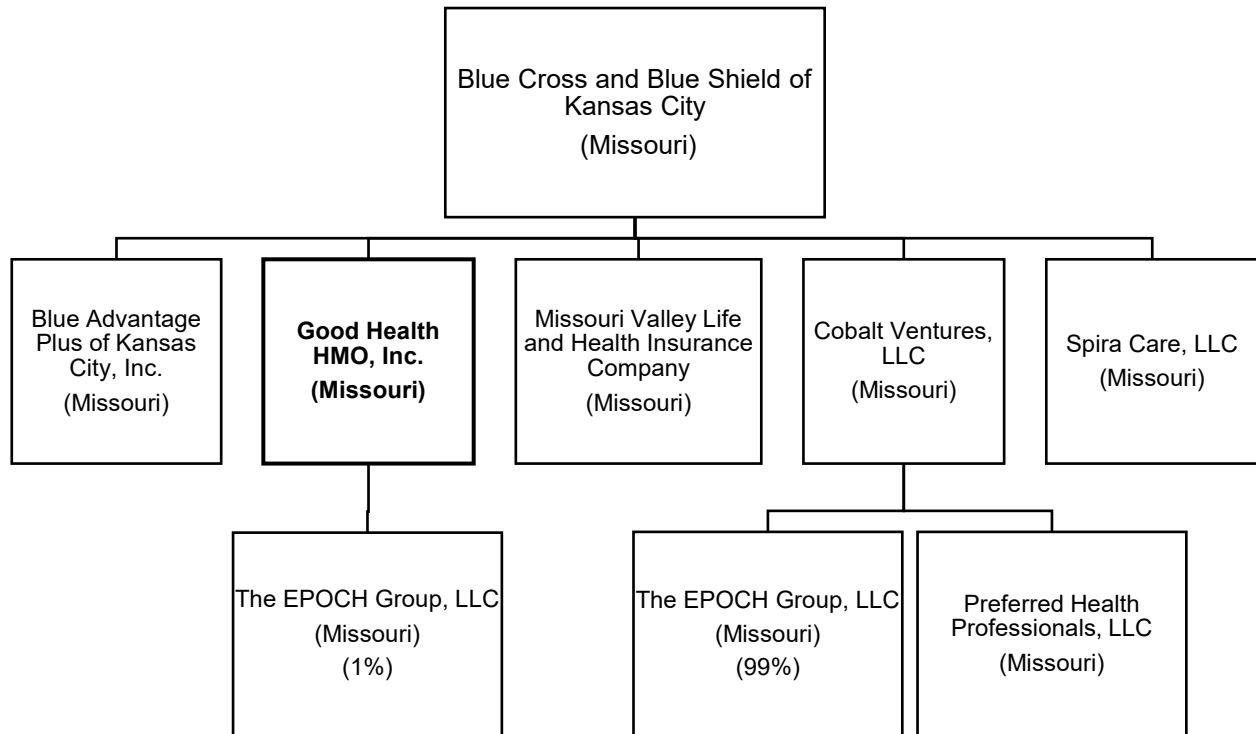
Good Health is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). An Insurance Holding Company System Registration Statement was filed by Good Health's parent, BCBSKC, on behalf of itself, Good Health, and its other subsidiaries (collectively, the Group) for each year of the examination period. BCBSKC, the ultimate controlling entity of the Group, is a Missouri domiciled not-for-profit health care insurer and therefore, there are no stockholders or other ownership. BCBSKC is ultimately controlled by its Board of Directors.

The Group consists of four traditional insurers, including Good Health, one captive insurer, and several other affiliates that provide additional non-insurance-related and supporting services, including customer service, claims processing, and provider network rental. Significant affiliates of Good Health are described as follows:

- BCBSKC, BA+, and Missouri Valley are Missouri domiciled insurers.
- 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 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 on BCBSKC and its significant subsidiaries as of December 31, 2022. 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 as of December 31, 2022. A brief description of these agreements are as follows:

**Administrative Services Agreement:** Effective April 1, 2009, BCBSKC agrees to provide management and various administrative services to Good Health, including accounting, budgeting, personnel/payroll, office space, claims processing, underwriting, investments, marketing, data processing, and various other services necessary to conduct business.

**Agreement for the Sharing of Federal Income Taxes and Filing of a Consolidated Tax Return:** Effective December 31, 2014, BCBSKC will file a consolidated federal tax return for itself and its subsidiaries, including Missouri Valley, Good Health, and BA+.

**TERRITORY AND PLAN OF OPERATION**

Good Health's service territory is concentrated in the Kansas City, Missouri metropolitan area and northwest Missouri, which includes 30 counties in Missouri and 2 counties in Kansas.

The Company's HMO product is marketed under the Blue Care name and operates as an independent practice association, providing comprehensive health care services to its members on a prepaid basis. The Blue Care product is marketed to both small and large employer groups. Employer groups often offer their employees the choice of enrolling in the HMO product of Good Health or the Preferred Provider Organization products of its parent, BCBSKC.

The Company markets its products through a network of independent agents and brokers and through an in-house sales force.

**GROWTH OF COMPANY AND LOSS EXPERIENCE**

The Company's premiums steadily decreased throughout the examination period in response to the general market decline in HMO enrollment.

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

*(\$000s omitted)*

<b>Year</b>	<b>Total Net Assets</b>	<b>Net Premium Income</b>	<b>Underwriting Gain (Loss)</b>	<b>Net Income (Loss)</b>	<b>Capital and Surplus</b>	<b>Ratio of Net Premiums to Surplus</b>
2018	\$ 75,052	\$ 163,850	\$ 2,362	\$ 1,733	\$ 58,736	279.0%
2019	78,143	150,435	3,240	3,923	61,477	244.7%
2020	79,383	140,191	4,025	5,120	67,670	207.2%
2021	81,390	132,307	(405)	1,210	67,767	195.2%
2022	74,060	120,664	1,468	398	62,046	194.5%

Total hospital and medical benefits as a percentage of revenue trended slightly upward during the examination period due to escalating health care costs.

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	\$ 163,464	\$ 137,393	84.1%
2019	148,523	125,557	84.5%
2020	142,598	113,431	79.5%
2021	132,339	117,183	88.5%
2022	120,742	104,227	86.3%

## 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	2018	2019	2020	2021	2022
Direct Premiums Written	\$ 164,007	\$ 150,567	\$ 140,256	\$ 132,349	\$ 120,719
Reinsurance Ceded:					
Non-Affiliates	157	132	65	41	54
<b>Net Premiums Written</b>	<b>\$ 163,850</b>	<b>\$ 150,435</b>	<b>\$ 140,191</b>	<b>\$ 132,307</b>	<b>\$ 120,664</b>

### Assumed Reinsurance

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

### Ceded Reinsurance

The Group, including Good Health, 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.

Good Health and BA+ are reinsured by a Continuation of Coverage Due to Insolvency Agreement with 4 Ever Life Insurance Company under which the reinsurer agrees to assume all of the Company's obligations and liabilities for in-force HMO policies in the event of the Company's insolvency.

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 audit 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 Randall C. Oursler, ASA, MAAA, for the years 2019 through 2022. Mr. Oursler is employed as Vice President and Chief Actuary by Blue Cross and Blue Shield of Kansas City in Kansas City, Missouri. 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 Good Health to determine the adequacy of reserves and other actuarial items.

**Information Systems**

Kimberly Dobbs, CFE, AES, CISA, Information Systems Financial 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 Good Health HMO, Inc. d/b/a Blue Care, 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

	<b>Assets</b>	<b>Nonadmitted Assets</b>	<b>Net Admitted Assets</b>
Bonds	\$ 33,807,958	\$ -	\$ 33,807,958
Cash, Cash Equivalents, and Short- Term Investments	29,066,291	-	29,066,291
Receivables for Securities	82	-	82
Investment Income Due and Accrued Premiums and Considerations:	244,738	-	244,738
Uncollected Premiums and Agents' Balances in the Course of Collection	2,221,473	-	2,221,473
Amounts Receivable Relating to Uninsured Plans	4,347,345	89,094	4,258,251
Current Federal and Foreign Income Tax Recoverable and Interest Thereon	664,788	-	664,788
Receivables from Parent, Subsidiaries, and Affiliates	9,182,437	6,740,723	2,441,714
Health Care and Other Amounts Receivable	1,705,682	350,884	1,354,798
Aggregate Write-Ins for Other-Than- Invested Assets	314	-	314
<b>TOTAL ASSETS</b>	<b>\$ 81,241,107</b>	<b>\$ 7,180,701</b>	<b>\$ 74,060,406</b>

**LIABILITIES, CAPITAL AND SURPLUS**

As of December 31, 2022

Claims Unpaid	\$ 9,307,056
Accrued Medical Incentive Pool and Bonus Amounts	48,788
Unpaid Claims Adjustment Expenses	595,746
Aggregate Health Policy Reserves	1,421,467
Aggregate Health Claim Reserves	166,546
Premiums Received in Advance	260,465
General Expenses Due or Accrued	111,570
Liability for Amounts Held Under Uninsured Plans	5,594
Aggregate Write-Ins for Other Liabilities	97,645
<b>TOTAL LIABILITIES</b>	<b>\$ 12,014,877</b>
Common Capital Stock	1,000,000
Gross Paid-In and Contributed Surplus	3,035,931
Unassigned Funds (Surplus)	58,009,598
<b>TOTAL CAPITAL AND SURPLUS</b>	<b>\$ 62,045,529</b>
<b>TOTAL LIABILITIES AND SURPLUS</b>	<b>\$ 74,060,406</b>

**STATEMENT OF REVENUE AND EXPENSES**

For the Year Ended December 31, 2022

Net Premium Income	\$ 120,664,149
Change in Unearned Premium Reserves and Reserve for Rate Credits	77,840
<b>Total Revenue</b>	<b>\$ 120,741,989</b>
Hospital/Medical Benefits	77,887,686
Emergency Room and Out-of-Area	6,900,447
Prescription Drugs	17,989,149
Incentive Pool, Withhold Adjustments, and Bonus Amounts	28,442
Claims Adjustment Expenses	3,386,535
General Administrative Expenses	11,659,859
Increase in Reserves for Life and Accident and Health Contracts	1,421,467
<b>Total Underwriting Deductions</b>	<b>\$ 119,273,585</b>
<b>Net Underwriting Gain (Loss)</b>	<b>\$ 1,468,404</b>
Net Investment Income Earned	1,127,302
Net Realized Capital Gains (Losses)	(2,322,339)
<b>Net Investment Gain (Loss)</b>	<b>\$ (1,195,037)</b>
Aggregate Write-Ins for Other Income or Expenses	96,383
<b>Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes</b>	<b>\$ 369,750</b>
Federal and Foreign Income Taxes Incurred	(27,942)
<b>NET INCOME (LOSS)</b>	<b>\$ 397,692</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	\$ 56,421	\$ 58,736	\$ 61,477	\$ 67,670	\$ 67,767
Net Income (Loss)	1,733	3,923	5,120	1,210	398
Change in Net Unrealized Capital Gains (Losses)					
Less Capital Gains Tax	73	(61)	(453)	(14)	(124)
Change in Net Deferred Income Tax	-	-	(120)	(4)	27
Change in Nonadmitted Assets	510	(1,121)	1,646	(1,096)	(6,021)
Net Change in Capital and Surplus	\$ 2,315	\$ 2,741	\$ 6,193	\$ 97	\$ (5,721)
<b>Capital and Surplus, End of Year</b>	<b>\$ 58,736</b>	<b>\$ 61,477</b>	<b>\$ 67,670</b>	<b>\$ 67,767</b>	<b>\$ 62,046</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 the report.



**ACKNOWLEDGMENT**

The assistance and cooperation extended by the officers and the employees of Good Health HMO, Inc. d/b/a Blue Care, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Kimberly Dobbs, CFE, AES, CISA, Adrienne Lewis, AFE, Jessica Jones, and Kelly Pfefferkorn, 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 Good Health HMO, Inc. d/b/a Blue Care, 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.



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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

DONNA L. RHODUS  
Notary Public - Notary Seal  
State of Missouri - Platte County  
Commission # 18897454  
My Commission Expires 6/10/2026



**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