



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 HealthLink HMO, 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, company history, corporate records, management and control, territory and plan of operation, reinsurance, accounts and records, financial statements, examination changes, comments on financial statements, subsequent events, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of HealthLink HMO, Inc. as of December 31, 2017 be and is hereby ADOPTED as filed and for HealthLink HMO, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 17th day of July, 2019.

A handwritten signature in blue ink that reads "Chlora Lindley-Myers".

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



FILED
JUL 29 2019
DIRECTOR OF INSURANCE,
FINANCIAL INSTITUTIONS &
PROFESSIONAL REGISTRATION

REPORT OF
FINANCIAL EXAMINATION
HEALTHLINK HMO, INC.

AS OF DECEMBER 31, 2017



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

JEFFERSON CITY, MISSOURI

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May 9, 2019
St. Louis, MO

Honorable Chlora Lindley-Myers, Director
Missouri Department of Insurance, Financial
Institutions and Professional Registration
301 West High Street, Room 510
Jefferson City, MO 65101

Director Lindley-Myers:

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

HEALTHLINK HMO, INC.

hereinafter also referred to as “HealthLink” or the “Company.” The Company’s main office is located at 1831 Chestnut Street, St. Louis, MO 63103; phone number (314) 923-4444. Examination fieldwork began on March 5, 2018, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

We have performed a multi-state examination of HealthLink. The last examination of HealthLink was completed as of December 31, 2013. This examination covers the period from January 1, 2014 through December 31, 2017. This examination also includes material transactions or events occurring subsequent to December 31, 2017.

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 of Insurance, Financial Institutions and Professional Registration (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 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 process. This includes 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. Key activities identified were Investments and Uninsured Plans.

This examination was conducted as part of a coordinated examination of the Anthem, Inc. Group, which consists of 57 insurance companies domiciled in numerous states. The Indiana Department of Insurance is the lead state regulator for the group. The examination was also conducted concurrently with the examinations of the Company's Missouri domiciled affiliated, Healthy Alliance Life Insurance Company and HMO Missouri, Inc.

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 insurer 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 were separately communicated to other regulators or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no significant findings resulting from the examination.

COMPANY HISTORY

General

The Company incorporated on July 29, 1992, and received a certificate of authority on January 14, 1993. Prior to May 31, 1996, the Company was co-owned by HealthLink, Inc., a wholly-owned subsidiary of RightCHOICE Managed Care, Inc. (RightCHOICE), and TriLink Healthcare, Inc., a wholly-owned subsidiary of Blue Cross Blue Shield of Kansas City. On May 31, 1996, HealthLink, Inc. purchased TriLink Healthcare, Inc.'s share of the Company, obtaining full ownership.

On January 16, 2002, the Department approved the acquisition of RightCHOICE by WellPoint Health Networks, Inc. (WellPoint). On March 8, 2004, the Department approved the acquisition of WellPoint by Anthem, Inc. (Anthem), effective November 30, 2004.

Dividends

The following dividends were paid during the current examination period. All of the dividends were deemed extraordinary and were approved by the Department.

<u>Year</u>	<u>Amount</u>
2014	\$ 12,000,000
2015	-
2016	10,000,000
2017	<u>10,000,000</u>
Total	<u>\$ 32,000,000</u>

Acquisitions, Mergers and Major Corporate Events

In February 2015, Anthem announced that it had been targeted in a sophisticated cyber-attack. Attackers gained unauthorized access to certain of Anthem's information technology systems, obtaining personal information related to subscribers and employees. In December 2016, the NAIC concluded a multi-state targeted market conduct and financial examination regarding the cyber-attack. No fines or penalties were imposed as a result of the examination. Following the filing of actions in various federal and state courts, in June 2015 the Judicial Panel on Multidistrict Litigation entered an order transferring the consolidated matter to the U.S. District Court for the Northern District of California. In August 2017, the U.S. District Court for the Northern District of California issued an order of preliminary approval for a settlement agreed to by Anthem and the plaintiffs. The settlement included a total payment of \$115 million and certain non-monetary relief.

In July 2015, Anthem and Cigna Corporation (Cigna) announced that they had entered into a merger agreement under which Anthem would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia (District Court) seeking to block the merger. In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court blocking the merger. In May 2017, after the Delaware Court of Chancery denied Anthem's motion to enjoin Cigna from terminating the merger agreement, Anthem delivered notice to Cigna terminating the merger agreement.

CORPORATE RECORDS

The Articles of Incorporation and the Bylaws were reviewed. There were no changes to the Articles of Incorporation or the Bylaws during the current examination period.

The minutes of the meetings of the shareholder and the Board of Directors were reviewed. The minutes appeared to properly support the approval of major corporate transactions and events for the period under examination.

MANAGEMENT AND CONTROL

Board of Directors

Management of the Company is vested in a Board of Directors consisting of three members. Directors elected and serving at year-end 2017 were as follows:

<u>Name and Address</u>	<u>Affiliation</u>
Ronald Penczek Indianapolis, IN	Senior Vice President and Chief Accounting Officer Anthem, Inc.
Amadou Yattassaye St. Louis, MO	President HealthLink HMO, Inc.
Catherine Kelaghan Indianapolis, IN	Vice President and Counsel Anthem, Inc.

Officers

Officers of the Company elected and serving at year-end 2017 were as follows:

<u>Name</u>	<u>Office</u>
Amadou Yattassaye	President
Kathleen Kiefer	Secretary
Robert Kretschmer	Treasurer
Eric Noble	Assistant Treasurer

Committees

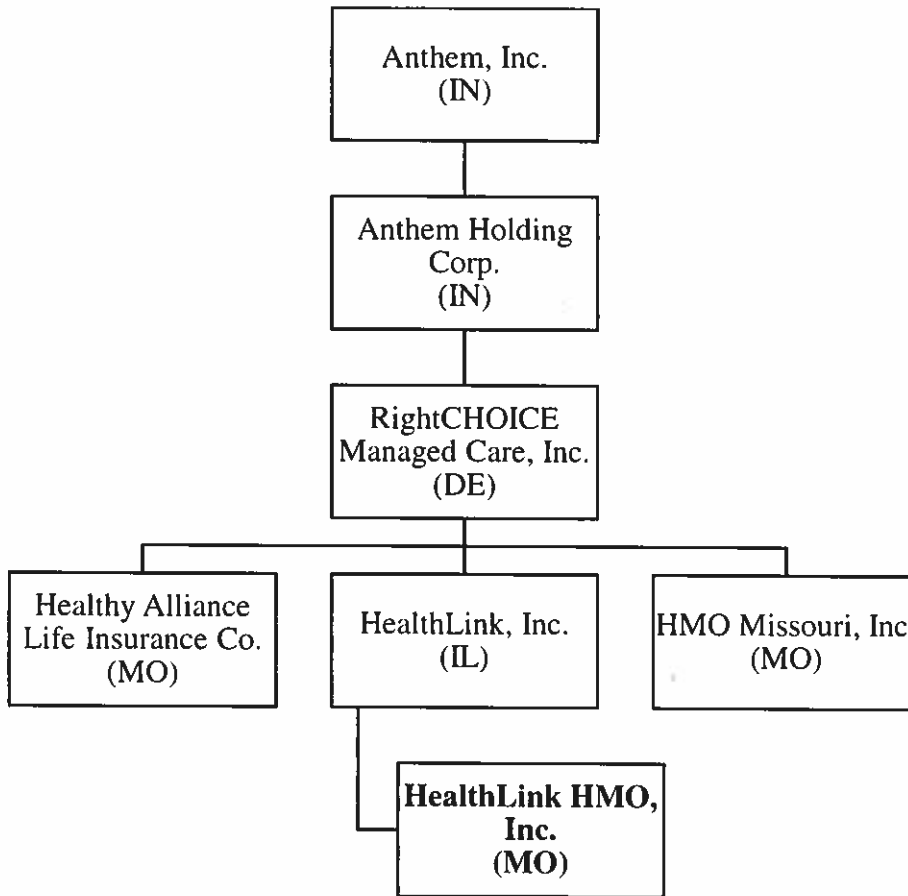
There are no committees of the Company's Board of Directors. However, the parent, Anthem, Inc., has committees that review and approve transactions that are applicable to all insurers in the Anthem Inc. Group, including the Company. The following committees of the Anthem, Inc. Board of Directors were active, as of December 31, 2017: Audit Committee, Compensation Committee, and Governance Committee.

Holding Company, Subsidiaries and Affiliates

The Company is a member of an insurance holding company system as defined by Section 382.010 RSMo (Definitions). The ultimate controlling entity in the insurance holding company system is Anthem, Inc., a publicly-held corporation headquartered in Indianapolis, Indiana. Anthem, Inc.'s common stock trades on the New York Stock Exchange. Per Anthem, Inc.'s 2018 proxy statement, no individual owned ten percent (10%) or more of its common stock.

Organizational Chart

The following is an abridged organizational chart depicting the insurance holding company system at year-end 2017. All subsidiaries are wholly-owned unless otherwise noted.



Affiliated Transactions

As of December 31, 2017, the Company was party to the following intercompany agreements.

Amended and Restated Master Administrative Service Agreement

Parties: Anthem and its subsidiaries including RightCHOICE, Healthy Alliance Life Insurance Co. (HALIC), HMO Missouri, Inc. (HMO MO) and the Company

Effective: January 1, 2003

Terms: RightCHOICE and its subsidiaries, including HALIC, HMO MO and the Company, receive and provide administrative services to each other, as well as to Anthem and its subsidiaries. Employees of Anthem and its subsidiaries provide administrative services on behalf of the Company. Service fees are based on direct cost, if determinable. If direct cost is not determinable, an appropriate allocation methodology is used.

Consolidated Federal Income Tax Agreement

Parties: Anthem and its subsidiaries including HALIC, HMO MO and the Company

Effective: December 31, 2005

Terms: The agreement establishes a method for allocating the consolidated tax liability of the affiliated group among its members, for reimbursing the parent for payment, for compensating any party for use of its tax losses or tax credits, and for providing for the allocation and payment of any refund arising from a carryback of losses or tax credit for subsequent years. Payments occur no earlier than ten days before, and no later than thirty (30) days after, the date on which such payments would be due to the federal government if a separate return had been filed. The Company incurred \$2.7 million in federal income tax expense in 2017.

Cash Concentration Agreement

Parties: Anthem and its subsidiaries including HALIC, HMO MO and the Company

Effective: Effective October 1, 2009

Terms: The agreement establishes the designation of a “Cash Manager.” Cash Managers handle the receipt or disbursement of funds on behalf of one or more affiliates. Cash Managers accept the receipt of premiums, administrative expense reimbursements and other revenue and make benefit, payroll, general administrative expense and other payments for the affiliates. Cash Managers are reimbursed for the direct and indirect costs, including overhead, associated with the Agreement.

TERRITORY AND PLAN OF OPERATIONS

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

During the current exam period, the Company serviced both administrative services only (ASO) plans and administrative services contracts (ASC) plans with self-funded groups known as payors. At year-end 2017, the Company reported only ASC plans in effect. Under both ASO plans and ASC plans the payors retain underwriting risk. The Company administers benefits and receives reimbursements from the payors. Under ASO plans, claims are paid from a bank account owned and funded by the payor or claims are paid from a bank account owned by the Company but only after the Company has received sufficient funds to fully cover the claims. Under ASC plans, the Company pays claims from its bank account and is subsequently reimbursed by the payor. ASC plans expose the Company to credit risk.

REINSURANCE

General

Prior to 2014, the Company ceded 100% of its direct written premium to an affiliate. During the current exam period the Company did not write any direct premiums and subsequently did not reinsure any business.

ACCOUNTS AND RECORDS

Independent Accountant

For the period under examination, the Company's financial statements were audited by the certified public accounting firm Ernst & Young LLP. The 2017 audit workpapers were reviewed and used in the course of the examination as deemed appropriate.

Actuarial Opinion

On May 31 2016, an Anthem employee, Keith McDaniel, FSA, MAAA, was appointed to review and certify the claims-related reserves and other actuarial items. Mr. McDaniel found the claims-related reserves and other actuarial items to be adequately stated.

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, 2017. 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 Annual Statement.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statements." These differences were determined to be immaterial in relation to the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual Annual Statement item.

ASSETS
As of December 31, 2017

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 14,563,830	\$ -	\$ 14,563,830
Cash and cash equivalents	(5,725,750)	-	(5,725,750)
Investment income due and accrued	20,465	-	20,465
Amounts receivable relating to uninsured plans	10,985,555	1,147	10,984,408
Aggregate write-ins for other-than-invested assets	7,413	7,413	-
Total Assets	\$ 19,851,513	\$ 8,560	\$ 19,842,953

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2017

General expenses due or accrued	\$ 466,830
Current federal income tax payable	192,636
Net deferred tax liability	229
Amounts due to parent, subsidiaries and affiliates	3,214,685
Liability for amounts held under uninsured plans	3,503,735
Escheat liabilities	740,923
Total Liabilities	\$ 8,119,038
Common capital stock	1,000
Gross paid in and contributed surplus	2,499,000
Unassigned funds (surplus)	9,223,915
Total Capital and Surplus	\$ 11,723,915
Total Liabilities, Capital and Surplus	\$ 19,842,953

STATEMENT OF REVENUES AND EXPENSES

For the year ending December 31, 2017

Provider admin fees	\$ 43,082
Total revenues	<u>\$ 43,082</u>
Claims adjustment expenses	1,176,069
General administrative expenses (less)	<u>(9,382,653)</u>
Total underwriting deductions	\$ (8,206,584)
Net underwriting gain	\$ 8,249,666
Net investment income earned	<u>236,210</u>
Net investment gains	\$ 236,210
Regulatory fines/penalties	(4,000)
Net income (pre-tax)	8,481,876
Federal and foreign income taxes incurred	<u>2,965,153</u>
Net income	<u><u>\$ 5,516,723</u></u>

RECONCILIATION OF SURPLUS

As of December 31, 2017

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital and surplus, prior year	\$ 16,200,058	\$ 21,297,042	\$ 13,507,734	\$ 15,777,424
Net income	5,516,723	4,901,650	7,811,973	7,785,962
Change in net unrealized capital gains	(6,177)	-	-	-
Change in net deferred income tax	(8,406)	(3,817)	(15,643)	13,936
Change in nonadmitted assets	21,718	5,183	(7,022)	4,384
Dividends to stockholders	(10,000,000)	(10,000,000)	-	(12,000,000)
Prior period adjustment	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,926,028</u>
Net change in capital and surplus	(4,476,142)	(5,096,984)	7,789,308	(2,269,690)
Capital and surplus, current year	<u><u>\$ 11,723,916</u></u>	<u><u>\$ 16,200,058</u></u>	<u><u>\$ 21,297,042</u></u>	<u><u>\$ 13,507,734</u></u>

EXAMINATION CHANGES

There were no examination changes resulting from the examination.

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on financial statements resulting from the examination.

SUBSEQUENT EVENTS

There were no events occurring subsequent to December 31, 2017, requiring recognition or disclosure.

SUMMARY OF RECOMMENDATIONS

There were no recommendations resulting from the examination.

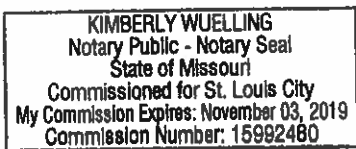
ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and staff of HealthLink HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Andy Balas, CFE, AES, CPA; Doug Daniels, CFE, CPA; Ken Tang, CFE; and, Amy Snyder, CFE, CPA, MA, CGMA; examiners for the Department, participated in this examination.

VERIFICATION

State of Missouri)
)
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

Thomas J. Cunningham, CFE, CPA
Examiner-In-Charge
Missouri Department of Insurance, Financial
Institutions and Professional Registration

Sworn to and subscribed before me this 24th day of June

My commission expires:

11-03-2019

Kimberly Wuelling

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.



Michael Shadowens, CFE
Assistant Chief Financial Examiner, St. Louis
Missouri Department of Insurance, Financial
Institutions and Professional Registration