

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 Cox Health Systems HMO, Inc. for the period ended December 31, 2018, 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 findings, subsequent events, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, financial statements, financial statement changes resulting from examination, comments on financial statement items, and general summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Cox Health Systems HMO, Inc. as of December 31, 2018 be and is hereby ADOPTED as filed and for Cox Health Systems 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 18th day of February, 2020.



Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF THE
FINANCIAL EXAMINATION OF

COX HEALTH SYSTEMS HMO, INC.

AS OF
DECEMBER 31, 2018

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

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Springfield, MO
December 19, 2019

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

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

Cox Health Systems HMO, Inc.

hereinafter referred to as such, as CHMO, or as the Company. Its administrative office is located at 3200 South National, Springfield, Missouri 65807, telephone number 417-269-2900. The fieldwork for this examination began on April 10, 2019, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a full-scope financial examination of Cox Health Systems HMO, Inc. The last examination of the Company by the Department covered the period of January 1, 2012 through December 31, 2015. The current examination covers the period of January 1, 2016 through December 31, 2018, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report. This examination was performed concurrently with the examination of the Company's subsidiary, Cox Health Systems Insurance Company (CHSIC).

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 CHMO included investments, related parties, claims and reserves, underwriting and pricing, and capital and surplus. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact 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 separately communicated to other regulators and/or the Company.

Reliance upon Others

The examiners relied upon information and workpapers provided by the Company's independent auditor, BKD, LLP of Fort Wayne, Indiana, for its audit covering the period of January 1, 2018 through December 31, 2018. Such reliance included, but was not limited to, narrative descriptions of processes and controls, investment confirmations, and substantive testing.

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

There were no significant subsequent events noted from December 31, 2018 through the date of the examination report.

COMPANY HISTORY

General

Cox Health Systems HMO, Inc. was incorporated in the State of Missouri on April 2, 1996 as a network model health maintenance organization. The Company was issued a certificate of authority under Chapter 354, RSMo. (Health Service Corporation, Health Maintenance Organizations (HMOs), Prepaid Dental Plans, etc.) on April 24, 1996, and began issuing contracts of health insurance on January 1, 1997. On January 1, 2015, the Company converted to a nonprofit corporation.

Dividends and Capital Contributions

The Company did not declare or pay any dividends during the examination period.

CHMO receives capital contributions from its parent, Lester E. Cox Medical Centers, under a Contribution Agreement that is described in greater detail in the "Intercompany Transactions" section of this report. During the examination period, Lester E. Cox Medical Centers made the following capital contributions to CHMO under the Contribution Agreement:

Year	Amount
2016	\$ 29,249
2017	7,013
2018	3,109
Total	\$ 39,371

Surplus Notes

The Company did not issue any surplus notes during the examination period.

Mergers and Acquisitions

There were no mergers or acquisitions during the examination period.

Major Corporate Events

There were no major corporate events during the examination period.

MANAGEMENT AND CONTROL**Board of Directors**

The management of the Company is vested in a Board of Directors that are appointed by the parent. The Company's Bylaws specify that the Board of Directors shall consist of no less than nine and no more than twenty-one members. The Board of Directors elected and serving as of December 31, 2018, were as follows:

<u>Name</u>	<u>Principal Occupation and Business Affiliation</u>
Steven D. Edwards	Chief Executive Officer, CoxHealth
Clifford M. Costley	Physician, CoxHealth
James H. Ceasar	Physician, President, Ferrell-Duncan Clinic, Cox Medical Group
Kenneth E. Meyer	President and Owner, Meyer Communications
Rita M. Needham	Chief Executive Officer (Retired) Missouri Association of Manufacturers
Jerry G. Jared	Chairman, Jared Enterprises, Real Estate Investment and Development
Christopher W. Nattinger	President, Skyline Investment Company
John B. Singleton	Financial Planner, Heim, Young and Associates

Effective March 27, 2019, Robert F. McDowell, President and Owner of McDowell Consulting, joined the Board of Directors, bringing the total number of directors to nine.

Officers

The officers elected and serving, as of December 31, 2018, were as follows:

<u>Name</u>	<u>Office</u>
Matthew J. Aug	President
Lisa J. Odom	Chief Financial Officer
Loree B. Lines	Secretary
Susan M. Butts	Chief Information Officer

Principal Committees

The Company does not have any formal board committees in place. In order to comply with the requirements of section 375.1030, RSMo. (Annual audit required, report filed, when—extensions granted, when—audit committee required, when) the entire Board of Directors is deemed to constitute the Audit Committee.

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. The Articles of Incorporation and Bylaws were not amended during the examination period.

The minutes of the meetings of the shareholder and Board of Directors were reviewed for the period under examination. The minutes of the Management Committee of an affiliate, Cox HealthPlans, LLC (Cox HeathPlans), which covered events relating to the Company, were also reviewed. The minutes provided sufficient documentation that major corporate transactions were evaluated and approved by the Board of Directors.

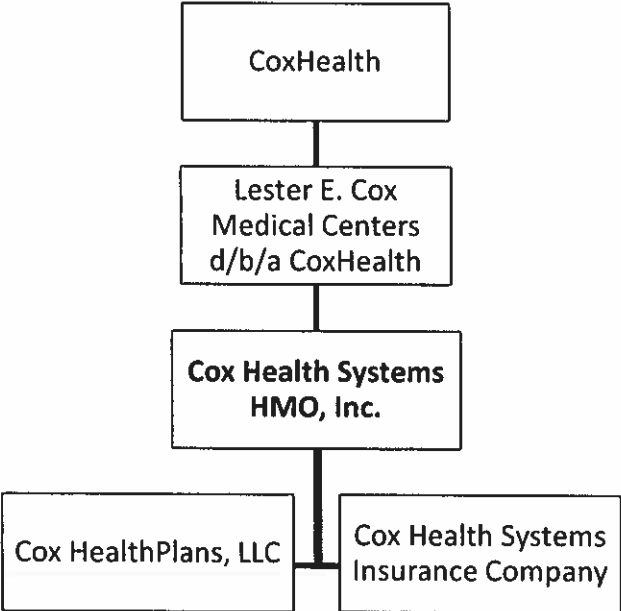
Holding Company, Subsidiaries, and Affiliates

CHMO is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo. (Definitions). CoxHealth, a nonprofit corporation, is the ultimate controlling entity of the group. The following is a description of the business operations of the directly affiliated entities:

- CoxHealth – The ultimate controlling entity is a nonprofit corporation organized to promote and support the interests and purposes of the healthcare entities within the holding company system.
- Lester E. Cox Medical Centers - A nonprofit corporation owning and operating hospitals, and various healthcare related entities.
- Cox HealthPlans, LLC (Cox HealthPlans)– A management and consulting company, currently providing services for all daily operations of CHMO and CHSIC.
- CHSIC – A nonprofit life, health and accident insurance company, currently writing only group and individual health insurance.

Organizational Chart

The following abridged organizational chart depicts the holding company system as of December 31, 2018. All subsidiaries are wholly-owned unless otherwise noted. Only entities that are directly related to the Company are listed. All entities are incorporated and domiciled in Missouri.



Intercompany Transactions

The Company's significant intercompany agreements that were in effect as of December 31, 2018, are outlined below.

1. **Type:** Management Agreement
Parties: CHMO and Cox HealthPlans
Effective: January 1, 2000.
Terms: Cox HealthPlans provides comprehensive administrative, financial, and managerial services for the Company, including premium processing, claims management and provider network administration. The Company pays Cox HealthPlans a fee per month agreed upon by the parties.

2. **Type:** Contribution Agreement
Parties: CHMO and Lester E. Cox Medical Centers
Effective: January 1, 2000
Terms: Lester E. Cox Medical Centers agrees to make contributions to CHMO equal to the annual net losses of CHMO.

TERRITORY AND PLAN OF OPERATION

CHMO is licensed in the State of Missouri under Chapter 354, RSMo. (Health Service Corporations, Health Maintenance Organizations (HMOs), Prepaid Dental Plans, etc.) as a health maintenance organization. The Company is not licensed in any other states. The Company's service area is concentrated in southwestern Missouri.

A strategic decision was made in 2012 to move all membership out of CHMO. This decision was made due to continued decline in the demand for HMO products. By December 31, 2016 the Company had no remaining members, was in run-off, and continued so through the examination period ending December 31, 2018.

GROWTH OF COMPANY AND LOSS EXPERIENCE

As noted under "Territory and Plan of Operation," the Company made a strategic decision in 2012 to discontinue offering HMO products. During the examination period, the Company had no remaining members, and a small amount of run-off activity.

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

(\$000s omitted)

Year	Total Assets	Net Premiums Earned	Underwriting Gain (Loss)	Net Income	Capital and Surplus	Ratio of Net Premiums to Surplus
2016	\$ 27,120	\$ 0	\$ 126	\$ 3,129	\$ 27,110	0.0%
2017	21,207	0	(6)	13,998	21,206	0.0%
2018	22,032	0	(12)	5,498	22,031	0.0%

The table below summarizes the Company's total revenues, incurred hospital and medical expenses, and medical loss ratios for the period under examination:

(\$000s omitted)

Year	Total Revenues	Total Hospital and Medical Benefits	Medical Loss Ratio
2016	\$ 9	\$ (177)	(1,979.9%)
2017	0	(6)	0.0%
2018	0	0	0.0%

REINSURANCE

As noted under "Territory and Plan of Operation," due to the decision to discontinue HMO products, there were no direct, assumed, or ceded premiums reported during the examination period.

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 Cox Health Systems HMO, Inc. for the period ending December 31, 2018. 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 activity.

ASSETS
As of December 31, 2018

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 0	\$ 0	\$ 0
Stocks:			
Common Stocks	18,719,628	0	18,719,628
Cash, Cash Equivalents, and Short-Term Investments	2,397,608	0	2,397,608
Other Invested Assets	915,211	0	915,211
TOTAL ASSETS	\$ 22,032,447	\$ 0	\$ 22,032,447

LIABILITIES, SURPLUS, AND OTHER FUNDS

As of December 31, 2018

Claims Unpaid	\$ 0
Amounts Due to Parent, Subsidiaries, and Affiliates	1,000
TOTAL LIABILITIES	\$ 1,000
Gross Paid-In and Contributed Surplus	10,603,073
Aggregate Write-Ins for Other-Than-Special Surplus Funds	14,100,532
Unassigned Funds (Surplus)	(2,672,158)
TOTAL CAPITAL AND SURPLUS	\$ 22,031,447
TOTAL LIABILITIES AND SURPLUS	\$ 22,032,447

STATEMENT OF OPERATIONS
For the Year Ended December 31, 2018

Net Premium Income	\$	0
Total Revenue	\$	0
General Administrative Expenses		12,207
Total Underwriting Deductions	\$	12,207
Net Underwriting Gain (Loss)	\$	(12,207)
Net Investment Income Earned		5,510,091
Net Investment Gain (Loss)	\$	5,510,091
NET INCOME (LOSS)	\$	5,497,884

RECONCILIATION OF CAPITAL AND SURPLUS
Changes from December 31, 2015 to December 31, 2018

	2016	2017	2018
Capital and Surplus, Beginning of Year	\$ 28,618,884	\$ 27,109,885	\$ 21,206,478
Net Income (Loss)	3,128,830	13,998,114	5,497,884
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	(1,665,298)	(5,908,534)	823,975
Capital Changes:			
Paid In	(2,000)		
Surplus Adjustments:			
Paid In	2,000		
Aggregate Write-Ins for Gains (Losses) in Surplus	(2,972,529)	(13,992,987)	(5,496,891)
Net Change in Capital and Surplus	(1,508,997)	(5,903,407)	824,968
Capital and Surplus, End of Year	\$ 27,109,887	\$ 21,206,478	\$ 22,031,446

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 Cox Health Systems HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Mark Nance, CPA, CFE, Kimberly Dobbs, CFE, AES, Lisa Li, CPA, CFE, and Emily Pennington, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination. The actuarial firm of Taylor-Walker Consulting, LLC also participated as a consulting actuary.

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 Cox Health Systems HMO, 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 Commerce and
Insurance

Sworn to and subscribed before me this 9th day of January, 2020.

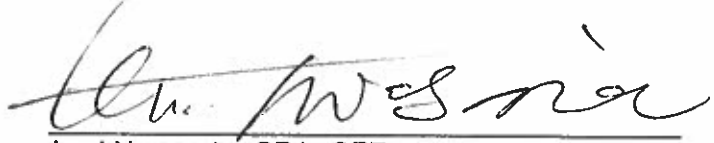
My commission expires: July 22, 2023 M. Ridenhour
Notary Public



M. RIDENHOUR
My Commission Expires
July 22, 2023
Platte County
Commission #19603483

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.

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

Levi Nwasoria, CPA, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance