



**EXAMINATION REPORT
OF
AETNA BETTER HEALTH OF FLORIDA INC.**

NAIC Company Code: 95114

**Plantation, Florida
as of
December 31, 2020**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 28, 2022

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

Aetna Better Health of Florida Inc.

261 North University Drive
Plantation, FL 33324

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2016, through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on September 10, 2021. The fieldwork concluded as of April 28, 2022. The Company’s last full scope exam by representatives of OIR covered the period of January 1, 2011, through December 31, 2015.

The examination was a multi-state/coordinated holding company group examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. The lead state for this exam was Connecticut, and states that participated in this exam are as follows: Arizona, Florida, Georgia, Illinois, Iowa, Kansas, Louisiana, Maine, Michigan, Minnesota, Missouri, Nebraska, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah, Vermont, Virginia, Washington, and West Virginia.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with the NAIC Statements of Statutory Accounting Principles (“SSAP”). 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.

This examination report includes information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida as HHPF, Inc. on December 16, 1999, and was authorized by the OIR to operate as a Health Maintenance Organization (“HMO”) on October 17, 2000. The Company changed its name to HIP Health Plan of Florida, Inc. on October 19, 2000, Vista Healthplan, Inc. on September 25, 2001, Coventry Health Care of Florida, Inc. on February 25, 2010, and Aetna Better Health of Florida, Inc. on October 31, 2019.

Effective November 28, 2018, the Company became part of the insurance holding company system currently controlled by CVS Health Corporation (“CVS Health”) as a result of the acquisition of Aetna Inc. by CVS Health.

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholders in 2017, 2018, and 2020 in the amounts of \$82,000,000, \$65,000,000, and \$18,500,000, respectively.

Capital Stock and Capital Contributions

As of December 31, 2020, the Company's capitalization was as follows:

Number of authorized common capital shares	50,000,000
Number of authorized shares of preferred stock	25,000,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1.00
Par value per share	\$0.001

The Company received a capital contribution in 2018 in the amount of \$75,000,000. The Company also recorded an \$18,000,000 capital contribution for 2018 with SSAP 72 approval from the OIR.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

According to the Company's Bylaws, the annual shareholder meeting shall be held for the purpose of the election of the Board of Directors. As of December 31, 2020, the Company's Board of Directors were:

Directors		
Name	City, State	Principal Occupation, Company Name
Jonathan Edward Copley ^(b)	Louisville, KY	Chief Executive Officer and President Aetna Better Health of Kentucky
Kelli Kathleen Smith ^(a)	Phoenix, AZ	Chief Financial Officer Aetna Better Health of Florida Inc.
Jennifer Anne Sweet	Plantation, FL	President and Chief Executive Officer Aetna Better Health of Florida Inc.

(a) Resigned on March 1, 2021, and was replaced by Bryan Nazworth, Chief Financial Officer

(b) Resigned on October 4, 2021, and was replaced by Sonya Nelson

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Jennifer Anne Sweet	Plantation, FL	President and Chief Executive Officer
Tracie Louise Smith	Cumberland, RI	Vice President and Treasurer
Kevin James Casey ^(e)	East Longmeadow, MA	Senior Investment Officer
Robert Joseph Parslow	Danbury, CT	Corporate Controller
Kelli Kathleen Smith ^(a)	Phoenix, AZ	Chief Financial Officer
Robert Mark Kessler	Phoenix, AZ	Vice President and Secretary
Edward Chung-I Lee	Riverside, CT	Vice President and Assistant Secretary
Peter Keller	Simsbury, CT	Assistant Controller
Bryan James Lane ^(f)	Bloomfield, CT	Assistant Controller
Timothy James Olson ^(d)	Aurora, IL	Assistant Controller
Nancy Daigle Perrone ^(g)	West Hartford, CT	Assistant Controller
Whitney Dorothy Lavoie	Wethersfield, CT	Assistant Controller
Scott Michael Blum ^(b)	Sarasota, FL	Assistant Vice President
Jennifer Lynn Pomponi	Madison, CT	Assistant Vice President
Marc Armand Parr	Simbsury, CT	Assistant Treasurer
Diane Elizabeth Steponaitis	Coventry, CT	Assistant Treasurer
Sheelagh Mary Beaulieu	Fairhaven, MA	Assistant Secretary
Wendy Ann Marie Cianci	Killingworth, CT	Assistant Secretary
Jeffrey Edward Clark	Hingham, MA	Assistant Secretary
Caitlin Michelle Gould	East Hampton, CT	Assistant Secretary
Theresa Marie Hurd	Meriden, CT	Assistant Secretary
Gwendolyn Ann Wahl ^(c)	Westport, CT	Assistant Secretary

(a) Resigned on March 1, 2021, and was replaced by Bryan Nazworth.

(b) Officer was not reappointed during the annual appointment of officers on May 1, 2021.

(c) Resigned on May 24, 2021, and was replaced by Leila Nowroozi.

(d) Resigned on August 31, 2021.

(e) Resigned on November 15, 2021, and was replaced by Derek Blunt.

(f) Resigned on November 15, 2021.

(g) Resigned on December 9, 2021.

The Company's Board maintained an audit committee. The first person listed for each committee is the chairman.

Audit Committee		
Name	City, State	Title, Company Name
John Paul. Maroney	Orange, CT	VP Enterprise Risk Management CVS Health Corporation
Robert Sean Healy	West Hartford, CT	VP, Insurance Capital Management, CVS Health Corporation

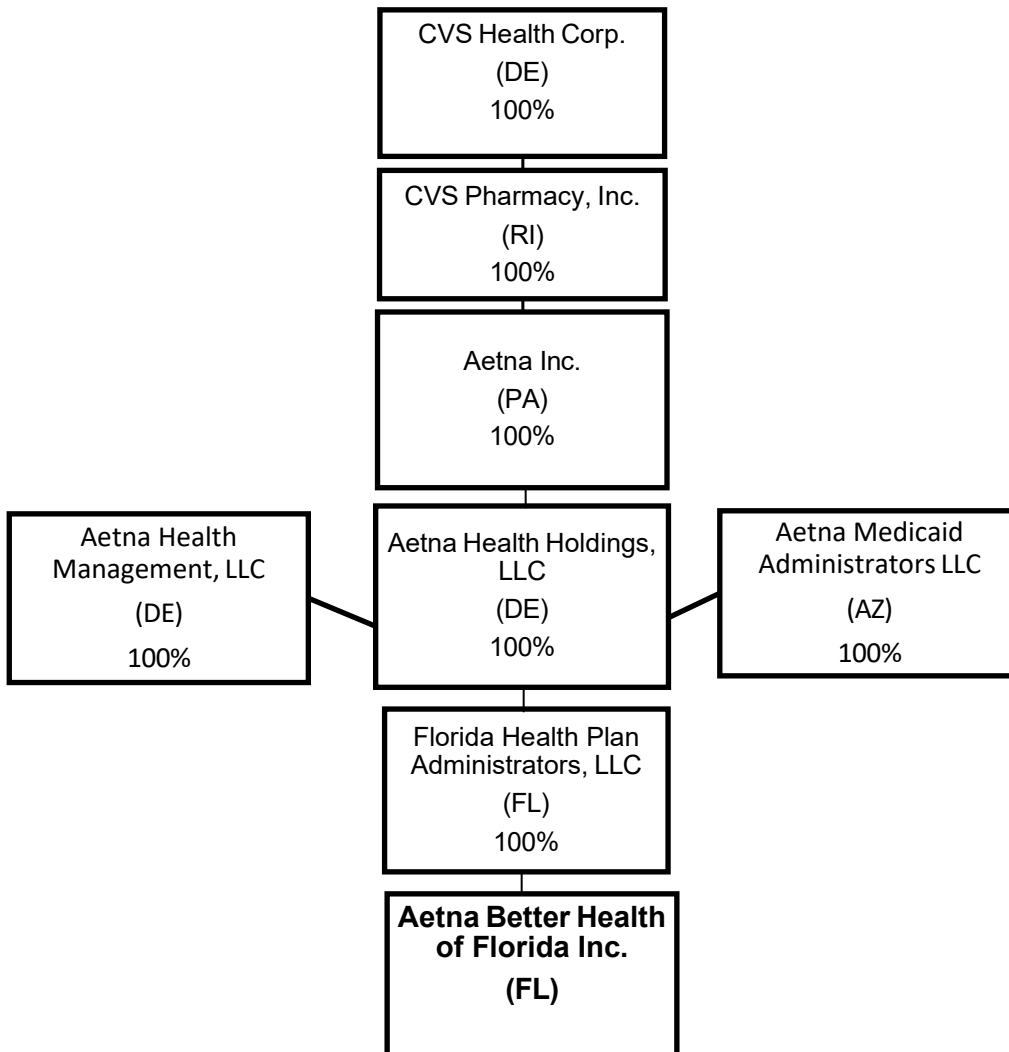
Holding Company System

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

Aetna Better Health of Florida Inc.

Simplified Organizational Chart

December 31, 2020



AFFILIATED AND OTHER AGREEMENTS

The following agreements were in effect between the Company and its affiliates:

Tax Sharing Agreement

Effective January 1, 2019, the Company was included in a Tax Sharing Agreement with its ultimate controlling parent, CVS Health and affiliates which was later amended. The agreement provided for the allocation of consolidated income tax liability based upon separate taxable income of included companies and that an included company with a net operating loss would be reimbursed for the tax benefit with the loss. The agreement provided for amounts due to or from CVS to be settled within 90 days of filing of the income tax return. The agreement may also be applied to a return of a state franchise or income tax or other tax based on income that is filed on behalf of more than one party to the agreement.

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with Aetna Health Management LLC ("AHM") on January 1, 2014, and later amended. AHM provides certain administrative services, including accounting and processing of premiums and claims. Under the terms of the agreement, the Company remits a percentage of its earned premium revenue, as applicable to AHM as a fee, subject to an annual true-up mechanism as defined in the agreement. The administrative rate for Commercial, Florida Healthy Kids, Medicaid, Medicare, and Self-Insured business is twelve percent (12%), eleven percent (11%), eleven percent (11%), eight percent (8%), and sixty-eight percent (68%), respectively. The agreement was amended on January 1, 2020, to allow other Aetna and CVS Health affiliates to provide services to the Company in accordance with the schedule in the amendment. Fees incurred for administrative services under this agreement during 2020 amounted to \$209,078.

The agreement also allows AHM to provide pharmaceutical rebate services to the Company which may include the negotiation, arrangement, and administration of the manufacturers' rebate arrangements. The Company remits ten percent (10%) of all earned pharmaceutical rebates to AHM as a fee. The fees related to pharmaceutical rebate services provided in 2020 were waived by AHM.

Administrative Services Agreement

The Company entered into an administrative services agreement with Aetna Medicaid Administrators LLC (“AMA”) on February 27, 2017, and later amended. AMA will develop, operate, and market the Company’s HMO Medicaid and Florida Healthy Kids program. The agreement was amended on January 1, 2020, to allow AMA to arrange for other Aetna and CVS Health affiliates to provide services to the Company. Under the terms of the agreement, the Company remits 10.75% of its revenue earned to AMA as a fee. Fees incurred for services under this agreement during 2020 amounted to \$77,179,482.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Plantation, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

Effective May 17, 2013, the Company was included in a custodial agreement with State Street Bank and Trust Company with Aetna Life Insurance Company and other affiliates.

Independent Auditor Agreement

An Independent CPA, Ernst & Young, LLP, audited the Company’s statutory basis financial statements annually for the years 2019 and 2020, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Section 641.26(5), Florida Statutes.

An Independent CPA, KPMG, LLP, audited the Company’s statutory basis financial statements annually for the years 2016, 2017, and 2018, in accordance with Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholder(s), Board, and the Audit Committee were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on October 17, 2000, as an HMO. The Company primarily writes Comprehensive and Medicaid policies in Florida.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company did not cede any reinsurance during the period of this examination.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus; statutory Statement of Revenue and Expenses; and the statutory Analysis of Changes in Surplus for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2020.

Due to rounding, column amounts may not add to the totals reflected in this Report. There were no examination adjustments to the amounts reported by the Company.

Aetna Better Health of Florida Inc.
Assets
December 31, 2020

	Per Company
Bonds	\$229,022,152
Cash, cash equivalents and short-term investments	71,249,944
Subtotal cash and invested assets	\$300,272,096
Investment income due and accrued	2,345,031
Premiums and considerations	
Uncollected premiums and agents' balances	29,648,499
Net deferred tax asset	4,154,580
Aggregate write-ins for other than invested assets	2,280,112
Totals	\$338,700,318

Aetna Better Health of Florida Inc.
Liabilities, Capital and Surplus
December 31, 2020

	Per Company
Claims unpaid	\$114,090,515
Accrued medical incentive pool and bonus amounts	4,390,070
Unpaid claims adjustment expenses	2,695,291
Aggregate health policy reserves	14,689,789
General expenses due or accrued	441,590
Current federal and foreign income tax payable	735,033
Remittances and items not allocated	1,147,962
Amounts due to parent, subsidiaries and affiliates	17,198,695
Aggregate write-ins for other liabilities	10,623,105
Total liabilities	\$166,012,050
Common capital stock	1
Gross paid-in and contributed surplus	339,873,962
Unassigned funds (surplus)	(167,185,695)
Total capital and surplus	\$172,688,268
Total liabilities, capital and surplus	\$338,700,318

Aetna Better Health of Florida Inc.
Statement of Revenue and Expenses
December 31, 2020

	Per Company
Net premium income	\$747,608,765
Change in unearned premium reserves and reserve for rate credits	(4,306,823)
Total revenues	\$743,301,942
Hospital and Medical:	
Hospital/medical benefits	378,592,534
Other professional services	67,564,754
Outside referrals	14,982,450
Emergency room and out-of-area	20,754,173
Prescription drugs	108,639,127
Incentive pool, withhold adjustments and bonus amounts	12,857,928
Subtotal	\$603,390,966
Less:	
Net reinsurance recoveries	
Total hospital and medical	\$603,390,966
Claims adjustment expenses	36,657,189
General administrative expenses	52,020,452
Increase in reserves for life and accident and health contracts	8,334,886
Total underwriting deductions	\$700,403,493
Net underwriting gain or (loss)	\$42,898,449
Net investment income earned	7,533,033
Net realized capital losses less capital gains tax	(174,339)
Net investment gains ((losses)	\$7,358,694
Aggregate write-ins for other income or expenses	(377,186)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$49,879,957
Federal and foreign income taxes incurred	12,915,397
Net Income	\$36,964,560

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	\$148,795,408
Net Income	\$36,964,560
Change in net deferred income taxes	1,519,265
Change in nonadmitted assets	3,909,035
Surplus adjustments:	
Paid in	(18,500,000)
Net change in capital and surplus	\$23,892,860
Capital and surplus, end of reporting year	\$172,688,268

**Aetna Better Health of Florida Inc.
Reconciliation of Capital and Surplus
December 31, 2020**

No adjustments were made to surplus as regards policyholders as a result of this examination.

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2015, per Examination			\$128,667,495
	Increase	Decrease	
Increase in surplus	\$76,439,024		\$76,439,024
Change in net unrealized capital gains	\$1		\$1
Change in net deferred income tax	\$896,301		\$896,301
Change in non-admitted assets	\$39,185,447		\$39,185,447
Paid in surplus adjustment	\$74,500,000		\$74,500,000
Dividends to stockholders		(\$147,000,000)	(\$147,000,000)
Net increase (or decrease)			\$44,020,773
Capital and Surplus at December 31, 2020, per Examination			\$172,688,268

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Paul Conlin, FSA, MAAA, Senior Actuarial Director, an employee of Aetna Resources LLC, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2020, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The OIR consulting actuary, Karen Elsom, Vice President, Lewis and Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company, and she was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$172,688,268, exceeded the minimum of \$16,601,205 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. OIR has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. OIR continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Aetna Better Health Plan of Florida, Inc. as of December 31, 2020, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of Lewis & Ellis, Inc. participated in the examination: Jessica Lynch, CFE, MCM, Examiner-in-Charge; David Palmer, CFE, MCM, Examination Supervisor; and Mel Heaps, CFE, Participating Examiner. Members of OIR who participated in the examination include Marshay Spencer, APIR, Examination Manager; and Glenn Coats, CFE (Fraud), APIR, Participating Examiner. Additionally, Karen Elsom, FSA, MAAA, of Lewis & Ellis, Inc. and Philip McMurray, IT Specialist of Risk & Regulatory LLC, are recognized for participation in the examination.

Respectfully submitted,



Jessica Lynch, CFE, MCM
Examiner in Charge
Lewis and Ellis, Inc.



Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner
Life & Health Financial Oversight
Florida Office of Insurance Regulation



Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation