



**EXAMINATION REPORT
OF
AETNA HEALTH INC. (a Florida corporation)**

NAIC Company Code: 95088

**Tampa, 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 Health Inc. (a Florida corporation)
4630 Woodlands Corporate Boulevard
Tampa, FL 33614

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, 2013, 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

The following is an update on other significant regulatory information disclosed in the previous examination:

There was no discussion of the actuarial opinion with the Board of Directors ("Board") in 2014 as required per the NAIC Annual Statement Instructions. During the current examination, the review of the Company's Board Minutes substantiates discussion of the actuarial opinion with the Board.

COMPANY HISTORY

General

The Company was incorporated in Florida as Physicians Health Plan of Florida on June 4, 1984, and commenced business on July 1, 1985. The Company's name was changed to Partners Health Plan of Florida, Inc. on November 9, 1989, Aetna Health Plans of Florida, Inc. on March 5, 1991, Aetna U.S. Healthcare, Inc. on March 28, 1997, and Aetna Health, Inc. on February 13, 2002.

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 stockholder in 2017, 2019, and 2020 in the amounts of \$85,000,000, \$40,000,000, and \$7,500,000 respectively.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	20,000
Number of shares issued and outstanding	10,906
Total common capital stock	\$1,091
Par value per share	\$0.10

The Company received a capital contribution in 2016 in the amount of \$30,000,000.

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, an annual shareholder meeting for the election of the Board of Directors ("Board") shall be held each calendar year. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Richard Bryan Weiss	Sunrise, FL	President Aetna Health Inc. (FL)
Robert Jay Finkelman	Sunrise, FL	Actuary Aetna Health Inc. (FL)
Evelyn Wynn Jackson	Miramar, FL	Retired Aetna Health Inc. (FL)

Senior Officers		
Name	City, State	Title
Richard Bryan Weiss	Sunrise, FL	President
Christopher Arthur Ciano	Fort Lauderdale, FL	Senior Vice President, CEO of Medicare
William Stuart Wood ^(a)	Odessa, FL	Vice President and Senior Medical Director
Kevin John Grozio	Wilbraham, MA	Vice President, CFO of Medicare
Michael Peter Kavouras ^(b)	Orland Park, IL	Vice President, COO of Medicare
Gregory Stephen Martino	Hummelstown, PA	Vice President
Tracy Louise Smith	Cumberland, RI	Vice President and Treasurer
Edward Chung-I Lee	Riverside, CT	Vice President and Secretary
Kevin James Casey	East Longmeadow, MA	Senior Investment Officer
Robert Joseph Parslow	Danbury, CT	Principal Financial Officer and Controller
Steven Matthew Conte	Chalfont, PA	Assistant Controller
Peter Keller	Simsbury, CT	Assistant Controller
Bryan James Lane ^(d)	Bloomfield, CT	Assistant Controller
Whitney Dorothy Lavoie	Wethersfield, CT	Assistant Controller
Cara Sue Mullen	Lansdale, PA	Assistant Controller
Marc Armand Parr	Simsbury, CT	Assistant Secretary
Diane Elizabeth Steponaitis	Coventry, CT	Assistant Secretary
Lindsay Ann Chuey	Coventry, RI	Assistant Secretary
Robert Sean Healy	West Hartford, CT	Assistant Secretary
Sheelagh Mary Beaulieu	Fairhaven, MA	Assistant Secretary
Jeffrey Edward Clark	Hingham, MA	Assistant Secretary
William Ira Kramer ^(a)	Dresher, PA	Assistant Secretary
Theresa Marie Hurd	Meriden, CT	Assistant Secretary
Wendy Ann Marie Cianci	Killingworth, CT	Assistant Secretary
Staci Schatzman Solomon	Pinecrest, FL	Assistant Secretary
Gwendolyn Ann Wahl ^(c)	Westport, CT	Assistant Secretary
Caitlin Michelle Gould	East Hampton, CT	Assistant Secretary
Thomas Joseph Rowling ^(a)	Alexandria, BA	Assistant Secretary

(a) Officers were not reappointed during the annual appointment of officers on March 25, 2021.

- (b) Resigned on May 15, 2021, and was replaced by Terri Swanson on May 11, 2021.
- (c) Resigned on May 24, 2021, and was replaced by Leila Nowroozi.
- (d) Resigned on November 15, 2021.
- (e) Resigned on November 15, 2021, and replaced with Derek Blunt.

The Company's Board maintained an audit committee. The first person listed 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

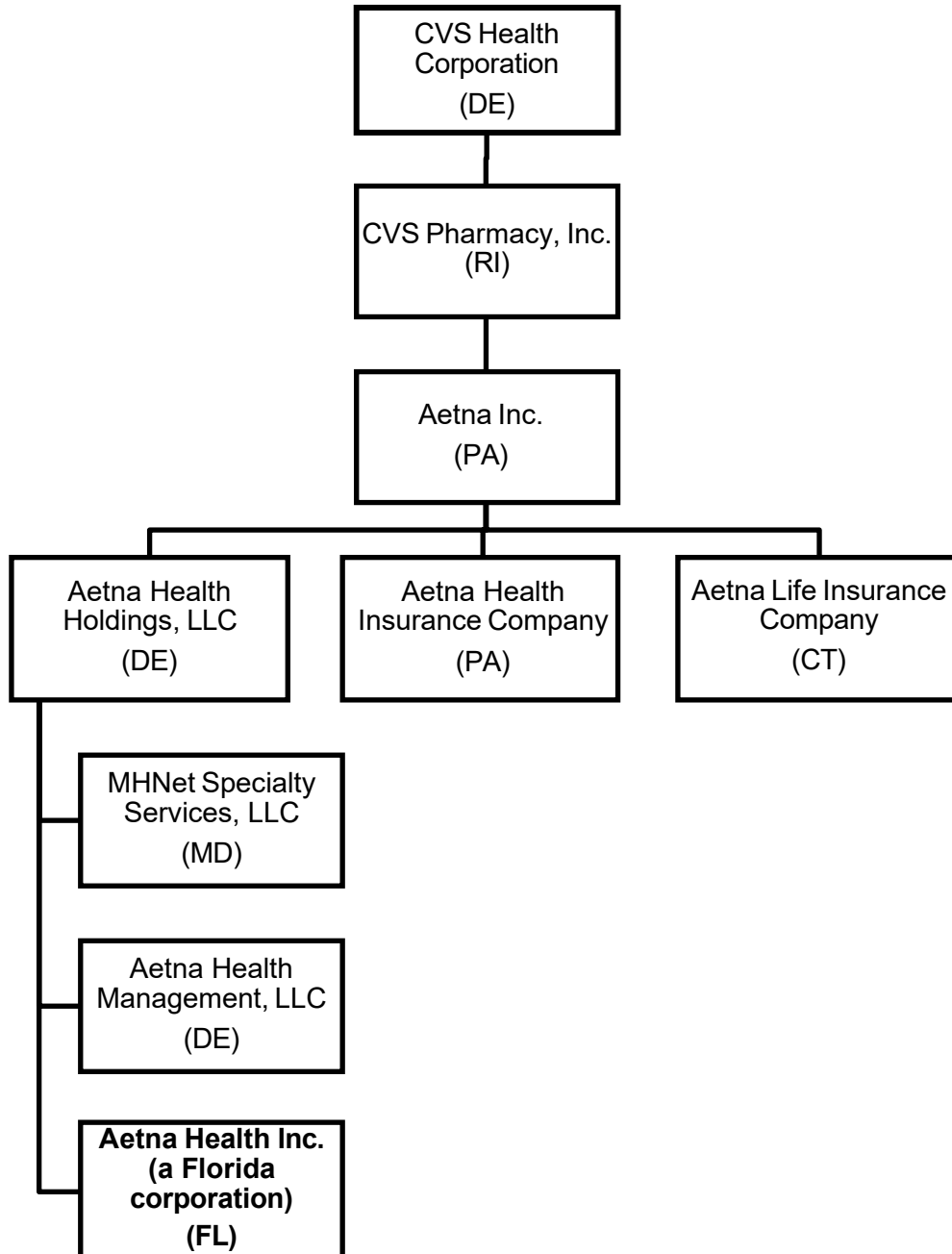
Holding Company System

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 Health Inc. (a Florida corporation)

Simplified Organizational Chart

December 31, 2020



AFFILIATED AND OTHER AGREEMENTS

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

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with Aetna Health Management, LLC ("AHM") on January 1, 2004, and later amended. AHM provides certain administrative services, including accounting and processing of premiums and claims. The agreement was amended to allow other Aetna and CVS Health affiliates to provide services to the Company in accordance with the schedule in the amendment. 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 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. The administrative rate for Commercial, Medicaid, Medicare, and Self-Insured business is thirteen percent (13%), thirteen percent (13%), seven and two-tenths of a percent (7.2%), and eighty-four and six-tenths of a percent (84.6%), respectively. Fees incurred for administrative services under this agreement during 2020 amounted to \$154,783,586.

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.

Global Capitation Network Participation Agreement

Effective June 23, 2018, the Company was included in a Global Capitation Network Participation Agreement with MHNet Specialty Services, LLC ("MHNet") which was later amended. MHNet provides certain management services to the Company with respect to the administration of certain mental health benefits offered with the Company's insurance products for a per member per month fee. This agreement was terminated effective December 1, 2020. No fees were incurred for this agreement in 2020.

Insolvency Agreement

The Company entered into an Insolvency Agreement with Aetna Health Insurance Company (“AHIC”) on January 1, 2008, and later amended. The agreement provided that, in the event the Company ceases operations or becomes insolvent, AHIC will continue to pay benefits for any members confined as inpatients on the date of insolvency until their discharge. It also provided that AHIC will continue benefits for any member until the end of the contract period for which premiums have been paid, but for not longer than thirty-one (31) days and will make available to members for a period of thirty-one (31) days replacement insurance policies.

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.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Tampa, FL.

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 workpapers were prepared by the CPA firm as required by Rule 69O-137.002, Florida Administrative Code.

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, 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 July 1, 1985, as a Health Maintenance Organization. The Company writes Comprehensive and Medicare Advantage policies in Florida.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting, and settlement information deadlines.

Reinsurance Assumed

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

Reinsurance Ceded

The Company participates in a quota share reinsurance arrangement with Fresenius Medical Care Reinsurance Company, an unauthorized reinsurer. The agreement provides for the Company to be reimbursed 100% for eligible services and expenses under the Medicare Advantage Plans. This program is designed to promote cost effective care to ESRD (End Stage Renal Disease) participants and help improve clinical outcomes. The Company pays a per member per month premium for this coverage. This contract is collateralized through the use of a funds withheld provision.

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 OIR 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 Health Inc. (a Florida corporation)

Assets

December 31, 2020

	Per Company
Bonds	\$415,952,370
Cash, cash equivalents and short-term investments	20,157,439
Subtotals, cash and invested assets	\$436,109,809
Investment income due and accrued	3,407,935
Premiums and considerations:	
Uncollected premiums and agents' balances	1,911,596
Accrued retrospective premiums and contracts subject to determination	28,915,417
Amounts receivable relating to uninsured plans	11,408,270
Net deferred tax asset	3,939,235
Aggregate write-ins for other than invested assets	3,088,629
Totals	\$488,780,891

Aetna Health, Inc. (a Florida corporation)
Liabilities, Capital and Surplus
December 31, 2020

	Per Company
Claims unpaid	\$145,337,387
Accrued medical incentive pool and bonus amounts	45,888,833
Unpaid claims adjustment expenses	1,841,042
Aggregate health policy reserves	47,586,639
Aggregate health claim reserves	429,231
Premiums received in advance	78,358
General expenses due or accrued	207,548
Current federal and foreign income tax payable and interest thereon	3,987,876
Amounts withheld or retained for the account of Others	302,157
Remittances and items not allocated	189,861
Amounts due to parent, subsidiaries and affiliates	9,613,315
Funds held under reinsurance treaties	1,337,812
Liability for amounts held under uninsured plans	45,285
Aggregate write-ins for other liabilities	2,792,498
Total liabilities	\$259,637,842
Common capital stock	1,091
Gross paid in and contributed surplus	170,537,300
Unassigned funds (surplus)	58,604,658
Total capital and surplus	\$229,143,049
Total liabilities, capital and surplus	\$488,780,891

Aetna Health Inc. (a Florida corporation)
Statement of Revenue and Expenses
December 31, 2020

	Per Company
Net premium income	\$1,385,031,562
Change in unearned premium reserves and reserve for rate credits	(13,764,844)
Total revenues	\$1,371,266,718
Hospital and Medical:	
Hospital/medical benefits	734,355,510
Other professional services	40,185,858
Outside referrals	18,247,938
Emergency room and out-of-area	60,711,907
Prescription drugs	181,159,730
Incentive pool, withhold adjustments and bonus amounts	99,185,641
Subtotal	\$1,133,846,584
Less:	
Net reinsurance recoveries	10,986,233
Total hospital and medical	\$1,122,860,351
Claims adjustment expenses	26,739,945
General administrative expenses	165,210,915
Total underwriting deductions	\$1,314,811,211
Net underwriting gain	\$56,455,507
Net investment income earned	10,668,861
Net realized capital gains (losses) less capital gains tax	(232,307)
Net investment gain	\$10,436,554
Net income after capital gains tax and before all other federal income taxes	\$66,892,061
Federal and foreign income taxes incurred	18,963,421
Net Income	\$47,928,640

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	\$186,460,465
Net Income	\$47,928,640
Change in net unrealized capital gains (losses) less capital gains tax	(468)
Change in net deferred income taxes	77,495
Change in nonadmitted assets	2,176,917
Dividends to stockholders	(7,500,000)
Capital Changes:	
Net change in capital and surplus	\$42,682,584
Capital and surplus, end of reporting year	\$229,143,049

Aetna Health Inc. (a Florida corporation)
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			\$179,990,370
	Increase	Decrease	
Increase in surplus	\$186,458,826		\$186,458,826
Change in net unrealized capital gain (loss)		(\$469)	(\$469)
Change in net deferred income tax		(\$3,948,124)	(\$3,948,124)
Change in non-admitted assets		(\$857,554)	(\$857,554)
Dividends to stockholders		(\$132,500,000)	(\$132,500,000)
Net increase (or decrease)			\$49,152,679
Capital and Surplus at December 31, 2020, per Examination			\$229,143,049

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Paul Conlin, F.S.A., M.A.A.A., Senior Actuarial Director, an employee of Aetna Resources LLC, and appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2020, made a good and sufficient provision for all unpaid claims and other actuarial liabilities of the Company under the terms of its contracts and agreements.

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 \$229,143,049, exceeded the minimum of \$83,629,694 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 Health Inc. (a Florida corporation) 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