



**EXAMINATION REPORT  
OF  
CarePlus Health Plans, Inc.**

**NAIC Company Code: 95092**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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April 4, 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 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

**CarePlus Health Plans, Inc.**  
11430 NW 20<sup>th</sup> Street, Suite 300  
Miami, FL 33172

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 April 28, 2021. The fieldwork concluded as of April 4, 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 Wisconsin, and states that participated in this exam are as follows: Arkansas, Florida, Georgia, Illinois, Louisiana, Michigan, Ohio, Pennsylvania, Tennessee, Texas, Utah, and Washington.

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 Sections 624.319 and 641.27(1), 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 on August 12, 1985, and commenced business on November 25, 1985. OIR authorized the Company to operate as a Health Maintenance Organization ("HMO") in accordance with Part I of Chapter 641, Florida Statutes.

### Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2020, 2019, 2018, 2017, and 2016 in the amounts of \$65.0 million, \$85.0 million, \$95.9 million, \$96.8 million, and \$142.5 million, respectively.

### Capital Stock and Capital Contributions

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

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	90,189
Total common capital stock	\$902
Par value per share	\$0.01

The Company received paid-in surplus contributions in the amounts of \$802,314 in 2016, \$974,084 in 2017, and \$498,488 in 2019. The Company returned capital of \$87,870 in 2018.

## 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

The annual shareholder meeting for the election of Board of Directors (“the Board”) was held in accordance with the Company’s Bylaws. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Bruce Dale Broussard	Louisville, Kentucky	President and Chief Executive Officer CarePlus Health Plans, Inc.
Brian Andrew Kane (a)	Louisville, Kentucky	Chief Financial Officer CarePlus Health Plans, Inc.
Timothy Alan Wheatley	Louisville, Kentucky	Segment President, Retail CarePlus Health Plans, Inc.

(a) Effective June 1, 2021, Brian Andrew Kane resigned as a director. Effective June 1, 2021, Joseph Matthew Ruschell was elected as a director to fill the vacancy.

In accordance with the Company’s Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Bruce Dale Broussard	Louisville, Kentucky	President and Chief Executive Officer
Brian Andrew Kane (a)	Louisville, Kentucky	Chief Financial Officer

Joseph Matthew Ruschell	Louisville, Kentucky	Associate Vice President, Assistant General Counsel and Corporate Secretary
Vanessa Marie Olson	Louisville, Kentucky	Senior Vice President, Chief Actuary
Alan James Bailey	Louisville, Kentucky	Vice President and Treasurer
Andrew Joseph Besendorf III (e)	Louisville, Kentucky	Appointed Actuary
Courtney Danielle Durall	Louisville, Kentucky	Assistant Corporate Secretary and Legal Advisor
Douglas Allen Edwards	Louisville, Kentucky	Senior Vice President, Workplace Experience
Deborah Maureen Galloway	Louisville, Kentucky	Regional President
Christopher Howal Hunter (c)	Louisville, Kentucky	Segment President, Group and Military Business
Steven Edward McCulley	Louisville, Kentucky	Senior Vice President, Medicare
Sean Joseph O'Reilly	Louisville, Kentucky	Enterprise Compliance and Chief Compliance Officer
Bruno Roger Piquin	Louisville, Kentucky	Regional President
William Mark Preston	Louisville, Kentucky	Vice President, Investments
Richard Donald Remmers	Louisville, Kentucky	Senior Vice President, Employer Group Sales
George Renaudin II (b)	Louisville, Kentucky	Senior Vice President, Medicare East and Provider
Donald Hank Robinson	Louisville, Kentucky	Senior Vice President, Tax
Susan Draney Schick (c)	Louisville, Kentucky	Senior Vice President, Employer Group
Gilbert Alan Stewart	Louisville, Kentucky	Senior Vice President, Senior Vice President, Medicare Divisional Leader
Timothy Alan Wheatley	Louisville, Kentucky	Segment President, Retail
Ralph Martin Wilson	Louisville, Kentucky	Vice President
Cynthia Hillebrand Zipperle	Louisville, Kentucky	Senior Vice President, Chief Accounting Officer and Controller

- (a) Effective June 1, 2021, Brian Andrew Kane resigned as Chief Financial Officer. Effective June 1, 2021, Susan Marie Diamond was elected as Interim Chief Financial Officer. Effective June 28, 2021, Susan Marie Diamond was elected as Chief Financial Officer.
- (b) Effective August 5, 2021, the title of George Renaudin II changed from Senior Vice President - Medicare East and Provider to Senior Vice President – Medicare Markets, Economics and Provider Experience.
- (c) Effective August 31, 2021, Christopher Howal Hunter resigned as Segment President, Group and Military Business. Effective September 1, 2021, Susan Draney Schick was

elected to assume the duties and responsibilities of Segment President, Group and Military Business.

- (d) Effective September 15, 2021, Michael Poul Tilton was elected as Vice President, Employer Group Regional President.
- (e) Effective December 15, 2021, Andrew Joseph Besendorf, III resigned as the Appointed Actuary. Effective December 15, 2021, Vanessa Marie Olson was appointed to serve as Appointed Actuary.

The Board of the Company's ultimate parent, Humana Inc., has appointed its Audit and Investment committees (collectively, the "Committees") to serve as the designated Audit Committee and Investment Committee of the Company. Individuals appointed and serving on the Committees as of December 31, 2020 are indicated below.

<b>Audit Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Frank A. D'Amelio, Chair	Louisville, Kentucky	Former Executive Officer, Pfizer Inc.
Raquel C. Bono, M.D.	Louisville, Kentucky	Principal at RCB Consulting and Chief Health Officer at Viking
John W. Garratt	Louisville, Kentucky	Executive Vice President and Chief Financial Officer of Dollar General Corporation
William J. McDonald	Louisville, Kentucky	Managing Partner of Wild Irishman Advisory, LLC

<b>Investment Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
John W. Garratt, Chair	Louisville, Kentucky	Executive Vice President and Chief Financial Officer of Dollar General Corporation
William J. McDonald	Louisville, Kentucky	Managing Partner of Wild Irishman Advisory, LLC
James J. O'Brien	Louisville, Kentucky	Retired Chairman of the Board and Chief Executive Officer of Ashland Inc.
Marissa T. Peterson	Louisville, Kentucky	President and CEO Mission Peak Executive Consulting

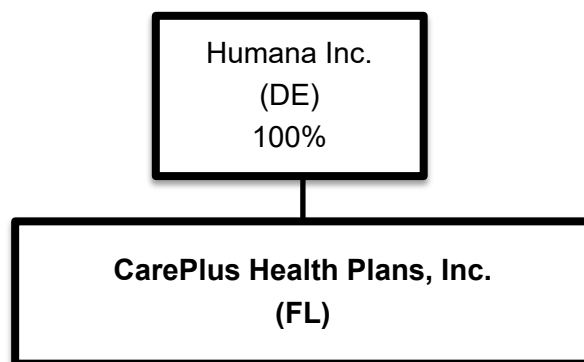


## Holding Company System

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.

### CarePlus Health Plans, Inc. Simplified Organizational Chart

December 31, 2020



## AFFILIATED AGREEMENTS

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

### Tax Allocation Agreement

The Company, along with Humana Inc., filed a consolidated federal income tax return pursuant to a Tax Allocation Agreement effective January 1, 2016. Consolidated tax liability was allocated among members of the consolidated group on a pro rata basis according to the separate return tax liabilities of included members. The agreement required that intercompany balances be settled within 30 days after the calculation of income tax attributable to the Company. In the event of a refund, the agreement required settlement within 30 days after receipt of the refund. The Company's balance under the Tax Allocation Agreement was \$48,495,692.

### **Service Agreement**

The Company entered into a Service Agreement with Humana Management Services of Puerto Rico, Inc. and Humana Inc. on April 1, 2017, to provide customer communications, front end operations, service management, case management, and other support including senior leadership, education and development, financial management, systems administration, and other administrative functions. The agreement renews automatically unless otherwise terminated within the guidelines of the agreement. Fees incurred under this agreement during 2020 amounted to \$4,351,661.

### **Corporate Service Agreement**

The Company entered into a Corporate Service Agreement with Humana Inc. on April 22, 2006, to provide executive management, human resources management, legal services, taxes services, marketing and advertising services, employee benefit plan services and certain other services. The agreement renews automatically unless otherwise terminated within the guidelines of the agreement. Fees incurred under this agreement during 2020 amounted to \$12,455,661.

### **Payor Agreement**

The Company entered into a Payor Agreement with Health Value Management, Inc. on July 31, 2007, under which the Company utilizes the health care provider networks developed by Health Value Management, Inc. Fees incurred under this agreement during 2020 amounted to \$0.

### **Indemnity Agreement**

Pursuant to a March 10, 2005, agreement, the Company is indemnified by Humana Inc. in the event of the Company's insolvency or inability to provide health care services for which it is contractually obligated. Fees incurred under this agreement during 2020 amounted to \$171,228.

## **ACCOUNTS AND RECORDS**

The Company maintained its principal operational offices in Miami, Florida; however, the Company maintained its primary books and records in Louisville, Kentucky.

### **Independent Auditor Agreement**

An independent CPA, PricewaterhouseCoopers LLP, audited the Company's statutory basis financial statements annually for the years 2016, 2017, 2018, 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.

### **Corporate Records Review**

The recorded minutes of the Shareholder, the Board, and the following committees: Audit and Investment, were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

## **TERRITORY AND PLAN OF OPERATIONS**

The Company was authorized to provide managed care services only in State of Florida. The Company is an HMO authorized by the Florida Agency for Health Care Administration to sell health plan products.

The Company was authorized to provide managed care services in Florida on January 13, 2005, and is currently authorized to offer coordinated health and pharmacy insurance coverage, and related medical services through Medicare Parts A, B, and D. The Company provides services under a contract with the Centers for Medicare & Medicaid Services. The Company service area includes Brevard, Broward, Clay, Miami-Dade, Duval, Hillsborough, Indian River, Lake, Marion, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Seminole, Sumter, and Volusia counties. In 2020, the Company wrote \$2.7 billion in Medicare premiums 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, which includes an analysis of changes in the Capital and Surplus Account 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.

**CarePlus Health Plans, Inc.**  
**Assets**  
**December 31, 2020**

	Per Company
Bonds	\$511,674,145
Cash and cash equivalents	129,531,399
Receivable for securities	5,000
Subtotal, cash and invested assets	\$641,210,544
Investment income due and accrued	2,908,241
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	11,760,681
Accrued retrospective premiums and contracts subject to redetermination	32,791,459
Amounts receivable relating to uninsured plans	3,787,201
Net deferred tax asset	6,504,513
Electronic data processing equipment and software	219,779
Health care and other amounts receivable	28,437,947
Totals	\$727,620,365

**CarePlus Health Plans, Inc.**  
**Liabilities, Capital and Surplus**  
**December 31, 2020**

	Per Company
Claims unpaid	\$355,727,209
Accrued medical incentive pool and bonus amounts	10,196,302
Unpaid claims adjustment expenses	1,695,183
Aggregate health policy reserves	42,193,936
General expenses due or accrued	19,035,973
Current federal and foreign income tax payable and interest thereon	6,792,478
Amounts withheld or retained for the account of others	551,745
Remittances and items not allocated	1,307,781
Amounts due to parent, subsidiaries and affiliates	38,175,956
Payable for securities	3,457,828
Liability for amounts held under uninsured plans	11,914,774
Aggregate write-ins for other liabilities	7,047,002
Total liabilities	\$498,096,167
Common capital stock	902
Gross paid-in and contributed surplus	57,347,204
Unassigned funds (surplus)	172,176,092
Total capital and surplus	\$229,524,198
Total liabilities, capital and surplus	\$727,620,365

**CarePlus Health Plans, Inc.**  
**Statement of Revenue and Expenses**  
**December 31, 2020**

	Per Company
Net premium income	\$2,677,528,362
Hospital and Medical:	
Hospital/medical benefits	1,989,485,196
Other professional services	11,370,067
Emergency room and out-of-area	40,484,527
Prescription drugs	172,757,916
Incentive pool, withhold adjustments and bonus amounts	11,470,987
Subtotal	\$2,225,568,693
Less:	
Claims adjustment expenses	55,421,500
General administrative expenses	233,809,701
Total underwriting deductions	\$2,514,799,894
Net underwriting gain or (loss)	\$162,728,467
Net investment income earned	10,356,483
Net realized capital gains (losses) less capital gains tax	1,883,356
Net investment gains ((losses)	\$12,239,838
Aggregate write-ins for other income or expenses	330
Net income or (loss) after capital gains tax and before all other federal income taxes	\$174,968,636
Federal and foreign income taxes incurred	45,080,463
Net Income	\$129,888,173

	Per Company
<b>Capital and Surplus Account</b>	
Capital and surplus prior reporting year	\$167,791,024
Net Income	\$129,888,173
Change in net deferred income taxes	461,745
Change in nonadmitted assets	(3,616,745)
Dividends to stockholders	(65,000,000)
Net change in capital and surplus	\$61,733,173
Capital and surplus end of reporting period	\$229,524,198

**CarePlus Health Plans, Inc.**  
**Reconciliation of Capital and Surplus**  
**December 31, 2020**

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

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at December 31, 2015, per Examination			\$199,654,769
	Increase	Decrease	
Net income	\$525,344,618		
Change in net deferred income tax		\$3,745,813	
Change in non-admitted assets		\$8,756,392	
Dividends to stockholders		\$485,160,000	
Change in paid in surplus	\$2,187,016		
Net increase (or decrease)			\$29,869,429
Capital and Surplus at December 31, 2020, per Examination			\$229,524,198



## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

Andrew J. Besendorf III, FSA, MAAA, Associate Vice President and Appointed Actuary, 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.

OIR consulting actuary, Margaret Hermann, FSA, MAAA, INS Consultants, 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 \$229,524,198 exceeded the minimum of \$53,550,567 required by Section 641.225, Florida Statutes.

## **SUBSEQUENT EVENTS**

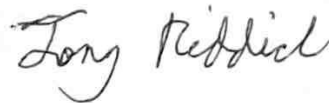
The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. OIR has been in communication with the Company regarding the impact of COVID-19 on its business 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 CarePlus Health Plans, Inc. as of December 31, 2020, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of The INS Companies participated in the examination: Tony Riddick, CFE, Examiner-in-Charge; Kelly Willison, CFE, Examination Manager. Members of OIR who participated in the examination include Shantia Simmons, APIR, Examination Supervisor. Additionally, Peggy Hermann, FSA, MAAA of The INS Companies and Dave Gordon, CISA, IT Specialist of The INS Companies, are recognized for participation in the examination.

Respectfully submitted,



Tony Riddick, CFE  
Examiner-in-Charge  
The INS Companies



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