



**EXAMINATION REPORT
OF
Florida Blue Medicare, Inc.**

NAIC Company Code: 16490

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 26, 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:

Florida Blue Medicare, Inc.
4800 Deerwood Campus Parkway
Jacksonville, FL 32246

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, 2020 through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on September 20, 2021. The fieldwork concluded as of May 26, 2022. The Company’s last full scope examination by representatives of the OIR covered the period of January 1, 2019, through December 31, 2019.

The examination was a single state 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.

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 (“SSAPs”). 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 to be included within this examination report.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in the State of Florida on June 22, 2018. It was first licensed as a Health Maintenance Organization (“HMO”) by the OIR on January 25, 2019, and commenced business on January 1, 2020.

Dividends

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

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	500,000
Total common capital stock	\$ 0
Par value per share	\$ 0

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

The Company received approval from the OIR the Centers for Medicare and Medicaid Services (“CMS”) in May 2019 to novate the Medicare Advantage HMO and Medicare Part D Contract (H1035) of its affiliate Health Options, Inc. (“HOI”). Accordingly, all Medicare Advantage HMO and Part D members of HOI became members of the Company effective January 1, 2020.

MANAGEMENT AND CONTROL

Corporate Governance

The Board of Directors (“Board”) were elected by written consent of the Sole Shareholder in accordance with the Bylaws. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Sarah Iselin ^(a)	Jacksonville, Florida	Executive Vice President Government Program, GuideWell and Florida Blue
Gary Dean Anderson	Port Orange, Florida	Sr. VP and Chief Information Officer, GuideWell and Florida Blue.
Elana Gail Schrader, M.D.	Jacksonville, Florida	Senior Vice President, Health Care Services and President, GuideWell Health

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

Senior Officers		
Name	City, State	Title
Katherine Fox Feeny	Jacksonville, Florida	President
Sean Arthur Lueck ^(b)	Jacksonville, Florida	Treasurer
Arezou Clegg Jolly	Jacksonville, Florida	Secretary
Elana Gail Schrader, M.D.	Jacksonville, Florida	Chief Medical Director
Thurman Rae Justice	Neptune Beach, Florida	Chief Financial Officer
Sarah Iselin ^(a)	Jacksonville, Florida	Chief Executive Officer
Andrew Edson France	Jacksonville, Florida	Chief Actuary

^(a) Replaced by Camille Irene Harrison, Executive Vice President, Medicare and Chief Innovation and Experience Officer, GuideWell and Florida Blue effective June 7, 2021.

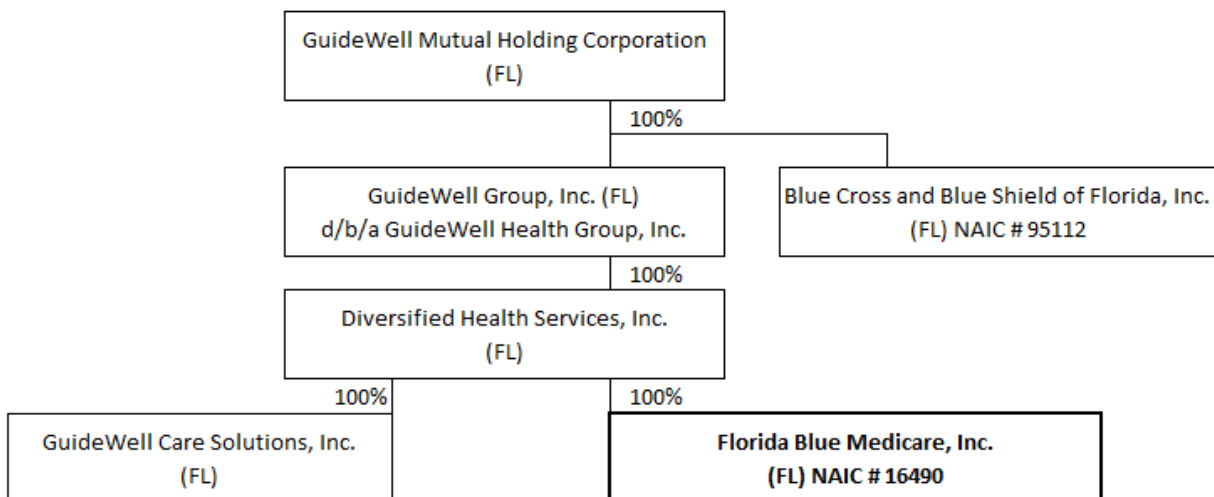
^(b) Replaced by Kareen Dorsett effective January 20, 2022.

The Board has not appointed Committees.

Holding Company System

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

Simplified Organizational Chart



The holding company group is comprised of 76 additional companies and includes a total of 7 insurers.

AFFILIATED AND OTHER AGREEMENTS

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

Administrative Services Agreement

Under an Administrative Services Agreement effective December 31, 2007, and amended October 24, 2018, to include the Company, the Company receives services from certain listed affiliates related to tax, accounting and auditing, underwriting, claims, investment, and other functional support services. The agreement requires monthly reporting and settlement of intercompany balances within ninety (90) days. The Company reported \$91,234,210 of administrative charges from certain services, including the executive management team, network, actuarial, analytics, care management, and pharmacy services provided by its affiliate GuideWell Care Solutions, Inc. in 2020. The Company reported \$81,789,471 in administrative charges from its affiliate Blue Cross Blue Shield of Florida, Inc., to provide certain services, including premium billing and processing, claims processing, finance, legal, IT, marketing, facilities, and HR services in 2020. The Company reported \$189,703 of administrative charges from its affiliate, GuideWell Group, Inc., for the use of its property in 2020. During 2020, GuideWell Innovation, LLC, an affiliate, reported \$28,432 in administrative expenses for primary care, wellness, and chronic care services for the Company's members.

Tax Allocation Agreement

Effective January 1, 2019, the Company is a party to a Tax Allocation Agreement with its ultimate parent company, GuideWell Mutual Holding Corporation ("GMHC"). Pursuant to this agreement, the Company is included in the consolidated tax filing and pays taxes on a separate return basis. Intercompany tax balances are settled within ninety (90) days of estimated tax remittances by GMHC.

Network Access Agreement

Effective January 1, 2020, the Company was a party to a Network Access Agreement with HOI under which HOI granted the Company access to its network of participating Medicare Advantage providers in the State of Florida.

Custodial Agreement

The Company maintained a custodial agreement with the Bank of New York Mellon Corporation executed September 26, 2019.

Independent Auditor Agreement

An independent certified public accounting firm, PricewaterhouseCoopers, LLC ("PwC") conducted an audit of the Company's statutory basis financial statements for 2019 and 2020, in accordance with Section 641.26(5), Florida Statutes. Supporting workpapers were prepared by PwC as required by Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholder and Board were reviewed for the period under examination. The minutes documented the Board 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 provide managed care services only in the State of Florida.

REINSURANCE

Reinsurance Assumed

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

Reinsurance Ceded

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

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus and 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 the 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 the Report. There were no examination adjustments to the amounts reported by the Company.

Florida Blue Medicare, Inc.
Assets
December 31, 2020

	Per Company
Bonds	\$99,806,476
Cash, cash equivalents and short-term investments	102,691,809
Receivables for securities	585,845
Subtotal cash and invested assets	\$203,084,130
Investment income due and accrued	526,572
Premiums and considerations	
Uncollected premiums and agents' balances	36,402,721
Current federal and foreign income taxes recoverable	1,862,646
Health care and other amounts receivable	25,288,573
Totals	\$267,164,642

Florida Blue Medicare, Inc.
Liabilities, Capital and Surplus
December 31, 2020

	Per Company
Claims unpaid	\$66,602,018
Accrued medical incentive pool and bonus amounts	13,947,726
Unpaid claims adjustment expenses	1,430,463
Aggregate health policy reserves including the liability for medical loss ratio rebate per the Public Health Service Act	27,150,000
Premiums received in advance	80,464
General expenses due or accrued	342,289
Amounts due to parent, subsidiaries and affiliates	17,980,871
Payable for securities	628,670
Liability for amounts held under uninsured plans	7,908,445
Aggregate write-ins for other liabilities	28,634,301
Total liabilities	\$164,705,247
Gross paid-in and contributed surplus	200,310,000
Unassigned funds (surplus)	(97,850,605)
Total capital and surplus	\$102,459,395
Total liabilities, capital and surplus	\$267,164,642

Florida Blue Medicare, Inc.
Statement of Revenue and Expenses
December 31, 2020

	Per Company
Net premium income	\$943,989,140
Change in unearned premium reserves and reserve for rate credits	(1,150,000)
Total revenues	\$942,839,140
Hospital and Medical:	
Hospital/medical benefits	\$669,190,638
Outside referrals	3,189,878
Emergency room and out-of-area	16,415,186
Prescription drugs	62,079,851
Aggregate write-ins for other hospital and medical	43,015,783
Incentive pool, withhold adjustments and bonus amounts	23,334,588
Total hospital and medical	\$817,225,924
Claims adjustment expenses	73,968,056
General administrative expenses	99,471,009
Increase in reserves for life and accident and health contracts	26,000,000
Total underwriting deductions	\$1,016,664,989
Net underwriting gain or (loss)	\$(73,825,849)
Net investment income earned	\$1,406,001
Net realized capital gains (losses) less capital gains tax	(15,271)
Net investment gains ((losses)	\$1,390,730
Aggregate write-ins for other income or expenses	\$(20,852,341)

Net income or (loss) after capital gains tax and before all other federal income taxes	\$(93,287,460)
Federal and foreign income taxes incurred	(6,026,649)
Net Income (Loss)	\$(87,260,811)
Capital and Surplus Account	Per Company
Capital and surplus prior reporting period	\$201,633,597
Net Income (loss)	\$(87,260,811)
Change in nonadmitted assets	(11,913,391)
Net change in capital and surplus	\$(99,174,202)
Capital and surplus end of reporting year	\$102,459,395

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Andrew Edson France, F.S.A., Vice President and Chief Actuary, GuideWell Care Solutions, Inc. 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, Jacquelyn C. McCaslin, FSA MAAA of Insurance Strategies Consulting LLC reviewed the loss and loss adjustment expense work papers provided by the Company.

Capital and Surplus

Capital and surplus exceeded the minimum required surplus of \$18,856,783, 2% of the annualized premium, as required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

CAPITAL CONTRIBUTIONS

The Company received capital contributions totaling \$120,000,000 and \$80,000,000 in February 2021 and December 2021, respectively.

COVID-19

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

The following individuals with the firm of Assurity Resources, Inc. participated in the examination: Sarah L. Bridendall, CFE, CISA, CIE, ALMI, AMCM, ACS, CICSAR, AIRC, CCP, MHP, HCAFA, FAHM, ARA, Examiner-in-Charge, and Robert Panah, CFE, CISA, MCM, FLMI, Exam Manager. Members of the OIR who participated in the examination include Marshay Spencer, APIR, Exam Supervisor. Additionally, Jacquelyn C. McCaslin, FSA, MAAA, and Sarah L. M. Christiansen, PhD, FSA, MAAA, of Insurance Strategies Consulting, LLC are recognized for participation in the examination.

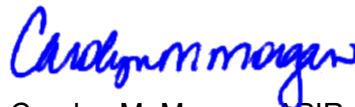
Respectfully submitted,



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