



**EXAMINATION REPORT
OF
FLORIDA MHS, INC.**

NAIC Company Code: 14447

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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March 10, 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 MHS, Inc.
9102 Southpark Circle Loop, Suite 250
Orlando, FL 32819

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 October 22, 2021. The fieldwork concluded as of March 10, 2022. The Company’s last full scope exam by representatives of the OIR covered the period of January 1, 2015 through December 31, 2015.

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 (“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.

COMPANY HISTORY

General

The Company was incorporated in Florida on December 14, 2011 and was licensed by the OIR on August 24, 2012 to operate as a Health Maintenance Organization (HMO) in accordance with Part I of Chapter 641, Florida Statutes. The Company began providing healthcare services to Medicaid recipients in Florida on June 1, 2013. The Company, doing business as Magellan Complete Care of Florida, was a wholly owned subsidiary through December 30, 2020 of Magellan Healthcare. Magellan Healthcare is a wholly owned subsidiary of Magellan Health, Inc. ("Magellan"). On December 31, 2020, the Company was acquired by Molina Healthcare, Inc., ("MHI").

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder in 2018 in the amount of \$38,000,000.

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
Number of shares issued and outstanding	1,000
Total common capital stock	\$10
Par value per share	\$0.01

During 2018, the Company paid a return of capital of \$65,000,000 to Magellan. During 2019, the Company recognized a capital contribution of \$10,659,120 related to the forgiveness of administrative fees from Magellan.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

On December 31, 2020, the Company was acquired by MHI pursuant to a Stock and Asset Purchase Agreement dated April 30, 2020, between MHI and Magellan.

MANAGEMENT AND CONTROL

Corporate Governance

In accordance with the Company's Bylaws, an annual shareholder meeting for the election of Directors was held. With the acquisition of the Company, MHI named the Board of Directors serving as of December 31, 2020:

Directors		
Name	City, State	Principal Occupation, Company Name
Christina Catherine Cooper	Scottsdale, Arizona	President, MCC Magellan Health, Inc.
Irene Lord	Miramar, Florida	CEO & President Florida MHS, Inc.
Marc Steven Russo	Wilton, Connecticut	Executive Vice President, Medicaid, Molina Healthcare, Inc.

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

Senior Officers		
Name	City, State	Title
Irene Lord	Miramar, Florida	President
Thomas Lacy Tran	Tampa, Florida	Treasurer
Jeffrey Don Barlow	Sacramento, California	Secretary
John Paul Avery	Columbia, Maryland	Chief Financial Officer
Christina Catherine Cooper	Scottsdale, Arizona	Vice President

The Board of Directors of the Company has designated the Audit Committee of the Board of Directors of MHI as its audit committee.

Audit Committee		
Name	City, State	Title, Company Name
Barbara Brasier	Bonita Springs, Florida	Retired, Former Chief Financial Officer for Herc Rentals Inc.
Steven Orlando	Carmichael, California	Owner, Orlando Company
Richard Schapiro	Scarsdale, New York	CEO, SchapiroCo LLC
Richard Zoretic	Great Falls, Virginia	Retired, Former Senior Executive at Amerigroup and WellPoint

The Company has no committees of the Company's Board of Directors. The Company has designated MHI's committees to act and perform duties of the Board of Directors:

Corporate Governance and Nominating Committee		
Name	City, State	Title, Company Name
Dale Wolf	Ponte Vedra Beach, Florida	Chairman of the Board, Molina Healthcare, Inc.
Barbara Brasier	Bonita Springs, Florida	Retired, Former Chief Financial Officer for Herc Rentals Inc.
Ronna Romney	Northville, Michigan	Director, Park Ohio Holding Corporation

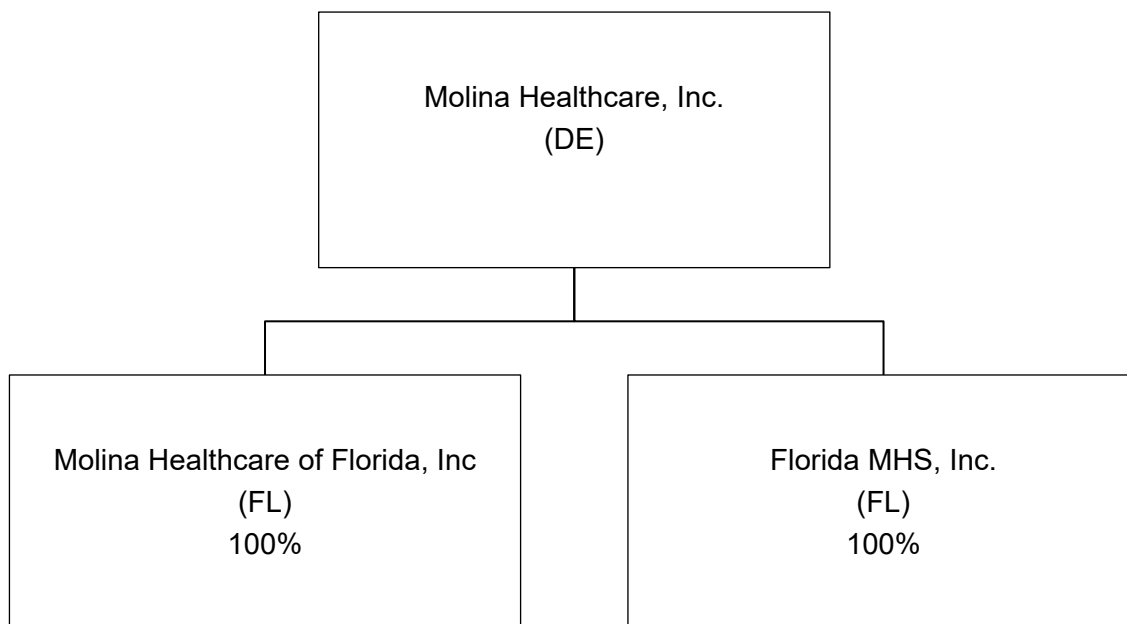
Compliance and Quality Committee		
Name	City, State	Title, Company Name
Daniel Cooperman	Hillsborough, California	Retired, Former General Counsel, Oracle Corporation and Apple, Inc.
Dr. Stephen Lockhart	Oakland, California	Retired, Former Senior Vice President & Chief Medical Officer, Sutter Health Network
Richard Zoretic	Great Falls, Virginia	Retired, Former Senior Executive at Amerigroup and WellPoint

Finance Committee		
Name	City, State	Title, Company Name
Dale Wolf	Ponte Vedra Beach, Florida	Chairman of the Board, Molina Healthcare, Inc.
Steven Orlando	Carmichael, California	Owner, Orlando Company
Richard Schapiro	Scarsdale, New York	CEO, SchapiroCo LLC

Holding Company System

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

**Florida MHS, Inc.
Simplified Organizational Chart
December 31, 2020**



AFFILIATED AND OTHER AGREEMENTS

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

Master Services Agreement

Magellan (formerly known as Magellan Health Services, Inc.) provided administrative services to the Company pursuant to an agreement effective April 1, 2012 and later amended. Compensation for the costs of dedicated staff and the office facility was reimbursed based on direct cost. Compensation for non-dedicated staff services was based on actual cost incurred to support the Company under the Standard Contract between the Company and the Agency for the Health Care Administration (AHCA). Additionally, in the event that during any calendar year the Company experiences an annual net underwriting loss, Magellan will forgive the compensation otherwise payable under this agreement to the extent of the loss and treat it as a capital contribution.

The Master Services Agreement with Magellan terminated December 31, 2020, the date of the closing of the acquisition. Following the closing of the acquisition, an Administrative Services Agreement with MHI was filed with the OIR.

Guaranty Agreement

Magellan Health Services, Inc. (Guarantor) entered into a Guaranty Agreement effective April 1, 2012 in connection with the Company's application for a Certificate of Authority to operate as an HMO. Guarantor unconditionally and irrevocably guaranteed to the OIR, and became surety to the OIR, for the obligations of the Company to maintain surplus as required by Section 641.225, Florida Statutes and to make payment of covered subscriber claims and to satisfy all other liabilities of the Company. In the event that any such obligation of the Company was not met,

Guarantor promptly shall pay to the Company or the OIR amounts sufficient for the Company to meet such obligations.

The Guaranty Agreement with Magellan Health Services, Inc. terminated December 31, 2020, the date of the closing of the acquisition. Following the closing of the acquisition, a Guaranty Agreement with MHI was filed with the OIR.

Tax Allocation Agreement

The results of the Company's operations were included in Magellan's consolidated federal income tax return pursuant to a tax allocation agreement effective January 1, 2013. Per the agreement, federal income taxes of the group were allocated to the Company on a separate return basis with credit given for realizable tax benefits of pre-tax losses.

The Tax Allocation with Magellan terminated December 31, 2020, the date of the closing of the acquisition. Following the closing of the acquisition, a Tax Sharing Agreement with MHI was filed with the OIR.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Columbia, Maryland.

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

Independent Auditor Agreement

Ernst & Young 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 Board of Directors (Board) 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 operated solely in the State of Florida and provided managed care services to Medicaid enrollees. On July 1, 2014, the Company began serving members under its Medicaid specialty plan that was focused on individuals living with Serious Mental Illness ("SMI"). The Company was awarded a contract extending through September 30, 2023 to serve Medicaid members with SMI in AHCA Regions 4 (Baker, Clay, Duval, Flagler, Nassau, St. Johns, and Volusia counties), 5 (Pasco and Pinellas counties), and 7 (Brevard, Orange, Osceola, and Seminole counties) alongside another vendor. The Company had 23,349 Medicaid members as of December 31, 2020.

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 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 MHS, INC.

Assets

December 31, 2020

	Per Company
Cash, cash equivalents and short-term investments	\$58,585,717
Subtotal cash and invested assets	\$58,585,717
Investment income due and accrued	195,642
Premiums and considerations	
Uncollected premiums and agents' balances	881,570
Health care and other amounts receivable	58,711
Totals	\$59,721,641

Liabilities, Capital and Surplus

December 31, 2020

	Per Company
Claims unpaid	\$13,233,341
Aggregate health claim reserves	71,541
General expenses due or accrued	3,551,150
Current federal and foreign income tax payable	606,928
Amounts withheld or retained for the account of others	2,394,565
Aggregate write-ins for other liabilities	690,314
Total liabilities	\$20,547,839
Common capital stock	10
Gross paid-in and contributed surplus	23,460,732
Unassigned funds (surplus)	15,713,059
Total capital and surplus	\$39,173,802
Total liabilities, capital and surplus	\$59,721,641

FLORIDA MHS, INC.
Statement of Revenue and Expenses
December 31, 2020

	Per Company
Net premium income	\$167,434,796
Aggregate write-ins for other health care related revenues	7,753,429
Total revenues	\$175,188,225
Hospital and Medical:	
Hospital/medical benefits	29,084,509
Other professional services	63,281,920
Prescription drugs	44,220,001
Subtotal	\$136,586,430
Less:	
Total hospital and medical	\$136,586,430
Claims adjustment expenses	9,663,994
General administrative expenses	23,371,891
Total underwriting deductions	\$169,622,315
Net underwriting gain or (loss)	\$5,565,910
Net investment income earned	\$547,025
Net realized capital gains (losses) less capital gains tax	15,356
Net investment gains ((losses)	\$562,382
Net income or (loss) after capital gains tax and before all other federal income taxes	\$6,128,291
Federal and foreign income taxes incurred	1,950,436
Net Income	\$4,177,856
Capital and Surplus Account	
Capital and surplus prior reporting year	\$28,270,532
Net Income	\$4,177,856
Change in nonadmitted assets	6,725,414
Net change in capital and surplus	\$10,903,270
Capital and surplus end of reporting year	\$39,173,802

FLORIDA MHS, INC.
Reconciliation of Capital and Surplus
December 31, 2020

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2015, per Examination			\$39,234,336
	Increase	Decrease	
Net income or net loss	\$94,996,592		
Change in net deferred income tax		\$2,879,756	
Change in nonadmitted assets	\$163,511		
Change in paid in surplus		\$54,340,880	
Dividend to stockholders		\$38,000,000	
Net increase (or decrease)			(\$60,533)
Surplus at December 31, 2020, per Examination			\$39,173,803

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

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Michael J. Cellini, Senior Manager and Consulting Actuary, Ernst & Young, LLP, 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's consulting actuary, Steve Mahan, Actuarial Senior Manager, Eide Bailly, LLP, reviewed the loss and loss adjustment expense work papers provided by the Company and he concurred with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$35,825,106, exceeded the minimum of \$3,348,696 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

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.

Effective September 1, 2021, the Medicaid contract between the Company and AHCA was assigned to Molina Healthcare of Florida, Inc ("MHF"). As of this date, the Company no longer had any members.

On October 14, 2021, the OIR approved MHF's Application for Merger with the Company. On October 25, 2021, MHF filed Articles of Merger with the Florida Secretary of State, whereby the Company was merged with and into MHF, effective October 31, 2021. MHF was the surviving corporation, and the Company ceased to exist, as a result of the merger.

CONCLUSION

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

The following individuals with the firm of Eide Bailly, LLP participated in the examination: Michael Nadeau, CFE, Examiner-in-Charge; Brian Sewell, CFE, Examiner; Jamesia Burford, CFE, Examiner; Steven Mahan, FSA, Actuarial Senior Manager; and McKay Heasley, FSA, MAAA, Actuary. Members of the OIR who participated in the examination include Margaret M. McCrary, CPA, CFE, MBA, Chief Financial Examiner and Examination Supervisor. Additionally, Joe Derick, CPA, CISA, CFE, AES, IT Examiner from the firm of Jennan Enterprises, LLC, is recognized for participation in the examination.

Respectfully submitted,

Michael Nadeau

Michael Nadeau, CFE
Examiner-in-Charge
Insurance Regulatory Services
Eide Bailly, LLP

Margaret M. McCrary

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

Carolyn M. Morgan

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