



**EXAMINATION REPORT
OF
Freedom Health, Inc.**

NAIC Company Code: 10119

**Tampa, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 24, 2021

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, Rule 69O-138.005, Florida Administrative Code, 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, 2019, of the financial condition and corporate affairs of

Freedom Health, Inc.
5600 Mariner Street, Suite 227
Tampa, Florida 33609

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

SCOPE OF EXAMINATION

This examination covered the period of December 31, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on May 6, 2020. The fieldwork concluded as of May 24, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2012 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 Indiana Department of Insurance and states that participated in this exam are as follows: Arkansas, Florida, Kansas, and New York.

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 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

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

Company Records

The Company entered into a contract for supply vendor services that did not contain a provision that the contract may be canceled upon issuance of an order by the Office pursuant to Section 641.234 (3), Florida Statutes as of December 31, 2015.

During the prior examination, the Company amended the agreement in order to comply with Section 641.234 (3), Florida Statutes.

Management and Control

During the previous examination, the Company did not maintain formal evidence of the Board's or appointed committee's authorization or ratification of investments purchased in accordance with Section 641.35 (7), Florida Statutes. The report on our prior examination of the Company contained a similar finding.

During a review of the Company's Board of Directors' meeting minutes, it was noted that the Board is maintaining formal evidence of the Board's authorization or ratification of investments purchased in accordance with Section 641.35 (7), Florida Statutes.

COMPANY HISTORY

General

The Company is a Florida domiciled stock insurance company licensed in the state of Florida as a health maintenance organization ("HMO"). The Company was incorporated as a for-profit HMO in 2004 and commenced operations on September 1, 2005.

On February 15, 2018, America's 1st Choice Holding of Florida, LLC ("America's 1st") sold 100% of the Company stock to ATH Holding Company, LLC, which is a wholly-owned subsidiary of Anthem, Inc. ("Anthem"). The sale was approved by the Office.

Dividends

In accordance with Section 628.371, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in 2019 in the amount of \$6,600,000.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	25,000,000
Number of shares issued and outstanding	14,347,826
Total common capital stock	\$1,435
Par value per share	\$0.0001

Surplus Notes

On February 15, 2018, the Company repaid surplus notes issued by America's 1st, the Company's former parent, on April 1, 2008. The surplus noted was in the amount of \$6,100,000 at 5% interest. The repayment was approved by the Office.

Acquisitions, Mergers, Disposals, Dissolutions

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

MANAGEMENT AND CONTROL

Corporate Governance

Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Tomas Ignacio Orozco ^(a)	Miami, Florida	President and Chairman, Freedom Health, Inc.

Jigar Jayantital Desai ^(b)	Seffner, Florida	Chief Executive Officer and Chief Financial Officer, Freedom Health, Inc.
Jay Harry Wagner	Carmel, Indiana	Vice President and Assistant General Counsel, Anthem, Inc.
Jack Louis Young	Virginia Beach, Virginia	Vice President and Counsel, Anthem, Inc.
Michelle Giovanni Turano	Lutz, Florida	Vice President, Medicare Compliance, Anthem, Inc.

(a) Removed on January 12, 2021 and was replaced by Douglas Johnson.

(b) Resigned on June 5, 2020 and was replaced as Chief Executive Officer by Tomas Orozco.

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

Senior Officers		
Name	City, State	Title
Tomas Ignacio Orozco ^(a)	Miami, Florida	President and Chairman
Jigar Jayantital Desai ^(b)	Seffner, Florida	Chief Executive Officer and Chief Financial Officer
Vincent Edward Scher	Indianapolis, Indiana	Treasurer
Kathleen Susan Kiefer	Indianapolis, Indiana	Secretary

(a) Removed on January 12, 2021 and was replaced by Douglas Johnson.

(b) Resigned on June 5, 2020 and was replaced as Chief Executive Officer by Tomas Orozco.

Anthem, the ultimate parent company, maintains an Audit Committee which is used to oversee the subsidiary insurance companies, as well as the ultimate parent. Audit Committee directors serving as of December 31, 2019, are shown below.

Audit Committee		
Name	City, State	Title, Company Name
Ronald Kerry Clark	Cincinnati, Ohio	Former Chief Executive Officer, Cardinal Health, Inc.
Bahija Jallal ^(a)	Potomac, Maryland	Chief Executive Officer, Immunocore Limited

Antonio Fabio Neri ^(a)	The Woodlands, Texas	President and Chief Executive Officer, Hewlett Packard Enterprise Company
Ramiro Gomez Peru ^(a)	Chandler, Arizona	Former Executive Vice President and Chief Financial Officer, Swift Corporation
Ryan Michael Schneider ^(a)	Madison, New Jersey	President and Chief Executive Officer, Realogy

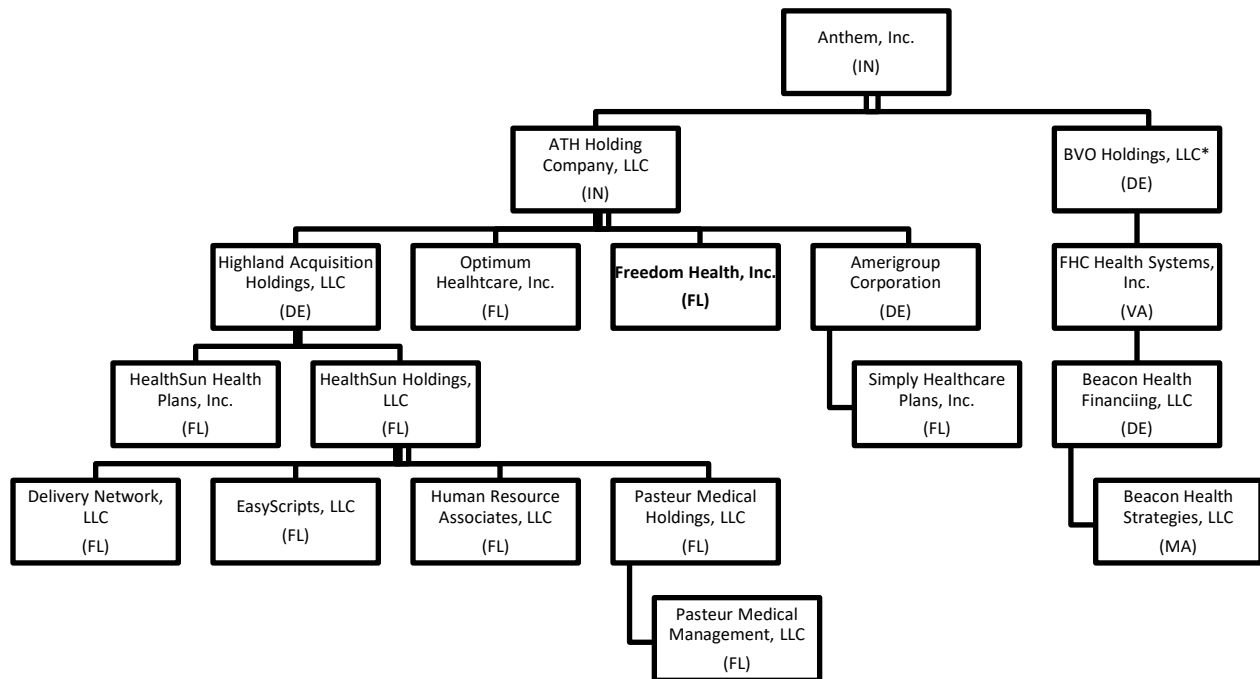
(a) Removed on January 1, 2021 and replaced by:

- Lewis Hay
- Robert Lee Dixon
- Antonio Fabio Nery
- Elizabeth Edith Tallett

Holding Company System

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

Freedom Health, Inc.
Simplified Organizational Chart
December 31, 2019



*Anthem, Inc. acquired BVO Holdings, LLC on February 28, 2020. BVO Holdings, LLC was not an affiliated company prior to the acquisition.

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

Consolidated Federal Income Tax Allocation Agreement

The Company is a party to a Consolidated Federal Income Tax Agreement between Anthem, Inc. and substantially all of its subsidiary companies in which it directly or indirectly has an 80% or greater ownership interest. The purpose of the Agreement is to establish a method for allocating the consolidated tax liability of the group among its members, for reimbursing Anthem, Inc. for payment of such tax liability, for compensating any party for use of its tax losses or tax credits,

and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits for subsequent taxable years. The Agreement applies to the Company's taxable year ending December 31, 2018 and subsequent years until terminated.

Master Administrative Services Agreement

The Company is a party to a Master Administrative Services Agreement ("MASA") between Anthem, Inc. and Anthem subsidiaries, effective August 23, 2018. Under such contract, Anthem subsidiaries may provide certain administrative, consulting and other support services to one another from time-to-time. These services are intended to enhance the organizational and administrative capacity and augment the abilities of one another.

ACCOUNTS AND RECORDS

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

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

Custodial Agreement

The Company maintained a custodial agreement with JP Morgan Chase Bank, N.A. on March 14, 2019.

Pharmacy Benefit Manager Agreement

The Company utilized Spectral Solutions, a non-affiliated Pharmacy Benefit Manager (PBM), to manage pharmacy services and benefits on behalf of the Company's health plan members.

Medical Transportation Agreement

The Company utilized TMS Management Group of Florida, a non-affiliated entity, to provide non-emergency medical transportation services to health plan members.

Independent Auditor Agreement

An independent CPA audited the Company's statutory basis financial statements annually for all years under examination in accordance with Section 641.26(5), Florida Statutes. The Company was audited by Ernst & Young, LLP for the years 2018 and 2019, and Gregory, Sharer & Stuart in 2016 and 2017. Supporting work papers were prepared by the CPA firm as required.

Corporate Records Review

The recorded minutes of the Shareholder(s) and 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, 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 transact insurance in Florida on February 14, 2005, and is currently authorized to write Medicare and Medicaid policies as of December 31, 2019.

The Company has a contract with Centers for Medicare & Medicaid Services ("CMS") to provide health care services through a network of healthcare providers to Medicare enrollees in various counties throughout the state. As of December 31, 2019, the Company was licensed to write Medicare business in the following Florida counties: Brevard, Broward, Charlotte, Citrus, Collier, Dade, Hernando, Hillsborough, Indian Rivers, Lake, Lee, Manatee, Marion, Martin, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Saint, Sarasota, Seminole, Sumter, and Volusia.

The Company also provided Medicaid services through Specialty Medicaid programs to members in various counties in Florida during the examination period. The programs were administered by the Agency for Health Care Administration and ended on January 31, 2019. Revenue under the Medicaid contracts accounted for less than 1% of total premium revenue in 2019.

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 has an excess loss reinsurance agreement with Atlantic Specialty Insurance Company. The reinsurance agreement provided for reimbursement to the Company of 90% of the cost of specified health care services, and 50% of the cost of certain unapproved transplants, in excess of \$500,000 and a maximum benefit of \$2,000,000 per member per agreement period.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus; and statutory Statement of Revenue and Expenses for the year ended December 31, 2019. 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, 2019. (Note: Due to rounding, column amounts may not add to the totals reflected in the Report.)

Freedom Health, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$247,921,498		\$247,921,498
Cash, cash equivalents and short-term investments	(7,905,831)		(7,905,831)
Receivables for securities	59,260		59,260
Securities lending reinvested collateral assets	7,717,009		7,717,009
Subtotal cash and invested assets	\$247,791,936		\$247,791,936
Investment income due and accrued	1,539,490		1,539,490
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	1,561,440		1,561,440
Accrued retrospective premiums and contracts subject to redetermination	858,264		858,264
Reinsurance:			
Amounts receivable relating to uninsured plans	3,852,896		3,852,896
Net deferred tax asset	5,303,848		5,303,848
Health care and other amounts receivable	8,914,308		8,914,308
Aggregate write-ins for other than invested assets	222,834		222,834
Total Assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	270,045,016		270,045,016
Totals	\$270,045,016		\$270,045,016

Freedom Health, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$91,968,476		\$91,968,476
Accrued medical incentive pool and bonus amounts	45,011,380		45,011,380
Unpaid claims adjustment expenses	1,974,748		1,974,748
Aggregate health policy reserves	1,447,943		1,447,943
Premiums received in advance	1,147,528		1,147,528
General expenses due or accrued	800,111		800,111
Current federal and foreign income tax payable and interest thereon	1,453,846		1,453,846
Amounts due to parent, subsidiaries and affiliates	10,804,064		10,804,064
Payable for securities lending	7,717,009		7,717,009
Liability for amounts held under uninsured plans	5,364,251		5,364,251
Aggregate write-ins for other liabilities	675,802		675,802
Total liabilities	\$168,365,158		\$168,365,158
Aggregate write-ins for special surplus funds	14,672,215		14,672,215
Common capital stock	1,435		1,435
Gross paid-in and contributed surplus	20,313,105		20,313,105
Unassigned funds (surplus)	66,693,103		66,693,103
Total capital and surplus	\$101,679,858		\$101,679,858
Total liabilities, capital and surplus	\$270,045,016		\$270,045,016

Freedom Health, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$1,149,007,872		\$1,149,007,872
Change in unearned premium reserves and reserve for rate credits	561,844		561,844
Total revenues	\$1,149,569,716		\$1,149,569,716
Hospital and Medical:			
Hospital/medical benefits	741,466,103		741,466,103
Other professional services	8,802,064		8,802,064
Emergency room and out-of-area	10,979,770		10,979,770
Prescription drugs	101,710,456		101,710,456
Incentive pool, withhold adjustments and bonus amounts	116,670,744		116,670,744
Subtotal	\$979,629,137		\$979,629,137
Less:			
Net reinsurance recoveries	353,961		353,961
Total hospital and medical	\$979,275,176		\$979,275,176
Claims adjustment expenses	46,446,942		46,446,942
General administrative expenses	58,705,412		58,705,412
Total underwriting deductions	\$1,084,427,530		\$1,084,427,530
Net underwriting gain or (loss)	\$65,142,186		\$65,142,186
Net investment income earned	8,018,414		8,018,414
Net realized capital gains (losses) less capital gains tax	991,789		991,789
Net investment gains ((losses)	\$9,010,203		\$9,010,203
Aggregate write-ins for other income or expenses	(28,118)		(28,118)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$74,124,271		\$74,124,271
Federal and foreign income taxes incurred	12,583,545		12,583,545
Net Income	\$61,540,726		\$61,540,726

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$49,516,052		\$49,516,052
Net income or (loss)	\$61,540,726		\$61,540,726
Change in net unrealized capital gains (losses) less capital gains tax	1,260		1,260
Change in net deferred income taxes	(1,972,735)		(1,972,735)
Change in nonadmitted assets	(805,445)		(805,445)
Dividends to stockholders	(6,600,000)		(6,600,000)
Net change in capital and surplus	\$52,163,806		\$52,163,806
Capital and surplus end of reporting year	\$101,679,858		\$101,679,858

Freedom Health, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2015, per Examination			\$33,666,349
	Increase	Decrease	
Net income or (loss)	\$86,903,817		\$86,903,817
Change in net unrealized capital gain (loss)	467,404		467,404
Change in net deferred income tax	4,778,591	\$(2,213,195)	2,655,396
Change in non-admitted assets		(18,424,136)	(18,424,136)
Change in surplus notes		(6,100,000)	(6,100,000)
Change in paid in surplus	9,111,028		9,111,028
Dividends to stockholders		(6,600,000)	(6,600,000)
Net increase (or decrease)			\$68,013,509
Capital and Surplus at December 31, 2019 per Examination			\$101,679,858

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

Renee H. Smith, ASA, MAAA, Director and Actuary II, Anthem, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Kirk Braunius, ASA, MAAA, Merlinos and Associates, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$101,679,858, exceeded the minimum of \$22,980,157 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

Affordable Care Act (ACA)

The Company is subject to an annual fee under section 9010 of the ACA. A health insurance company's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. The annual fee under section 9010 of the ACA was suspended for 2019 and resumed for 2020.

COVID-19

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

Ownership Change

On October 30, 2020, the Company's former parent, ATH Holding Company, LLC, contributed the common stock of the Company to AMERIGROUP. The Company is a wholly-owned subsidiary of AMERIGROUP Corporation ("AMERIGROUP"), which is an indirect wholly-owned subsidiary of Anthem, Inc., a publicly traded company.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Freedom Health, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned Examiner-in-Charge, Shelby Lambert, CFE Participating Examiner, of Noble Consulting Services, Inc., also participated in the examination. Members of the Office who participated in the examination include Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor, Examination Manager. Additionally, actuarial specialist Kirk Braunius, ASA, MAAA, of Merlinos and Associates, and IT Specialists Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE and Sharon Riley, CISA, CGEIT, AIRC, FLMI, CDPSE of Noble Consulting Services, Inc., are recognized for participation in the examination.

Respectfully submitted,



Lori Brock, CFE, ALMI
Director
Noble Consulting Services, 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