



**EXAMINATION REPORT
OF
HEALTH OPTIONS, INC.**

NAIC Company Code: 95089

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 28, 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

Health Options, 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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on October 5, 2020. The fieldwork concluded as of May 28, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a single state 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. Florida is the lead state and all seven (7) companies are domiciled in Florida.

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

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on February 29, 1984 and commenced business on October 1, 1984.

Effective January 1, 2014, the Company reorganized under a policyholder owned, non-for-profit mutual insurance holding company system. The new mutual insurance holding company, GuideWell Mutual Holding Corporation (GuideWell Mutual), replaced Blue Cross and Blue Shield of Florida, Inc. (Blue Cross) as the controlling organization and is owned by the policyholders. The Company is a wholly owned subsidiary of Diversified Health Services, Inc. (DHS). Prior to the January 1, 2014 reorganization, DHS was a wholly owned subsidiary of Blue Cross. Effective January 1, 2014, DHS was transferred from Blue Cross to GuideWell Group, Inc. (GuideWell Group), a non-insurance stock company wholly owned by GuideWell Mutual.

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder(s) in the amount of \$275,000,000 during 2019.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	500,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$100,000
Par value per share	\$1.00

The Company received capital contributions of \$70,000,000 million in 2015.

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 Directors shall be held each calendar year. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Charles Divita, III, ⁽¹⁾	Jacksonville, Florida	Executive Vice President of Commercial Markets – Blue Cross and Blue Shield of Florida
Elana Gail Schrader, M.D.	Jacksonville, Florida	Senior Vice President of Health Care Services & President of GuideWell Health
Carl James Bailey	Jacksonville, Florida	Vice President, Chief of Financial Officer, & Chief Actuary of Commercial Markets – Blue Cross and Blue Shield of Florida
Phillip Joseph Lee	Jacksonville, Florida	Vice President, Strategic Provider Partnerships – Blue Cross and Blue Shield of Florida, Inc.

⁽¹⁾ Chairman

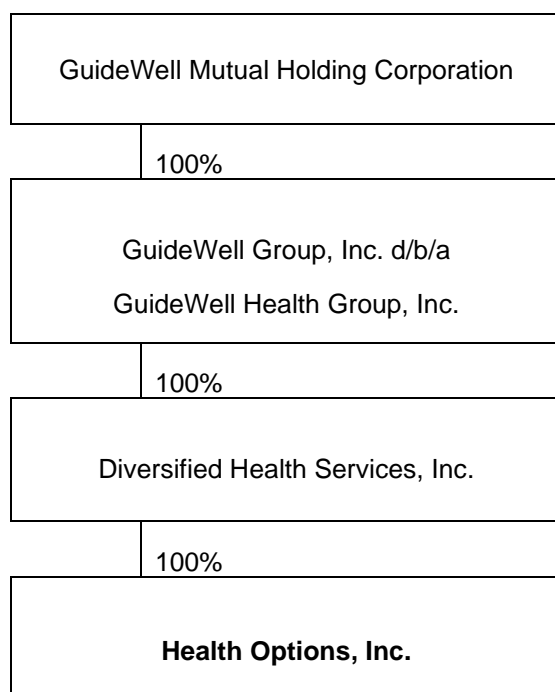
The Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Charles Divita, III	Jacksonville, Florida	Chief Executive Officer
Jon Richard Urbanek	Jacksonville, Florida	President
Thurman Rae Justice	Jacksonville, Florida	Chief Financial Officer
William Andrew Coats	Jacksonville, Florida	Treasurer
Seth Matthew Phelps	Jacksonville, Florida	Secretary
Kimberly Williams Read	Jacksonville, Florida	Assistant Treasurer
Andrew Edson France	Jacksonville, Florida	Chief Actuary

Holding Company System

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.

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



AFFILIATED AND OTHER AGREEMENTS

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

Administrative Service Agreement

Effective October 24, 2018, the Company entered into an Administrative Services Agreement with Blue Cross Blue Shield of Florida, Inc. (BCBSF) whereby BCBSF employees provide certain services, including but not limited to administrative, managerial, professional and technical services. Amounts, which include direct and indirect charges for these services and facilities, are billed monthly to the Company and are settled monthly.

Provider and Administrative Agreement

Effective January 1, 2019, the Company and Florida Health Care Plan, Inc. (FHCP) entered into a mutual Provider and Administrative Agreement whereby the Company delegated to FHCP the rendering of certain medical and administrative services to members of designated HOI HMO Plans.

Physician Group Medical Services Agreement

Effective May 1, 2008, the Company and FHCP entered into a Physician Group Medical Services Agreement whereby FHCP agreed to be a participating provider in HOI's HMO provider network. The Company paid a capitated fee of \$1,117,993 under the terms of this agreement.

Tax Allocation Agreement

Effective January 1, 2019, the Company was included in the consolidated federal income tax return of its ultimate parent company, GuideWell Mutual. The Agreement provided for the allocation of consolidated income tax liability based upon separate taxable incomes of included companies and provided for annual settlement of amounts due under the agreement. It also provided that an included company with a net operating loss would be reimbursed for the tax benefit associated with the loss in the year used in the group's consolidated return.

Guarantee Agreement

Effective March 16, 1989, BCBSFL guaranteed that it would provide sufficient funds to assure payment of all liabilities including covered subscriber claims of the Company. In addition, it guaranteed the continuation of benefits to enrollees for the duration of any contract period for which payment has been made and to enrollees confined in an inpatient facility on the date of any insolvency of the Company until its discharge, and payment to unaffiliated providers for services to covered enrollees.

ACCOUNTS AND RECORDS

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

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

Custodial Agreement

The Company maintained a custodial agreement with The Bank of New York Mellon executed on May 1, 1990 and amended effective July 31, 2009.

Independent Auditor Agreement

An independent CPA, PricewaterhouseCoopers, LLP, audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018, and 2019, 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 and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented the approval of Company transactions and events, in compliance with the Handbook. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, including 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 September 25, 1984, and is currently authorized as a Health Maintenance Organization as of December 31, 2019.

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 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.)

Health Options, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$1,106,117,996		\$1,106,117,996
Stocks			
Common stocks	535,226,590		535,226,590
Cash, cash equivalents and short-term investments	237,558,065		237,558,065
Receivables for securities	1,248,060		1,248,060
Securities lending reinvested collateral assets	75,001,689		75,001,689
Subtotals, cash and invested assets	\$1,955,152,400		\$1,955,152,400
Investment income due and accrued	8,321,919		8,321,919
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	60,714,650		60,714,650
Deferred premiums, agents' balances	3,004,400		3,004,400
Accrued retrospective premiums	185,061		185,061
Amounts receivable relating to uninsured plans	69,111,105		69,111,105
Current federal and foreign income tax Recoverable and interest thereon	7,847,727		7,847,727
Net deferred tax asset	25,486,929		25,486,929
Health care and other amounts receivable	97,431,302		97,431,302
Totals	\$2,227,255,493		\$2,227,255,493

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

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$399,284,088		\$399,284,088
Accrued medical incentive pool and bonus amounts	69,135,901		69,135,901
Unpaid claims adjustment expenses	8,570,557		8,570,557
Aggregate health policy reserves	90,427,076		90,427,076
Premiums received in advance	63,926,721		63,926,721
General expenses due or accrued	17,374,670		17,374,670
Current federal and foreign income tax payable and interest thereon	4,437,926		4,437,926
Remittances and items not allocated	3,379		3,379
Amounts due to parent, subsidiaries and affiliates	39,885,747		39,885,747
Payable for securities	10,873,553		10,873,553
Payable for securities lending	75,001,689		75,001,689
Liability for amounts held under uninsured plans	40,827,820		40,827,820
Aggregate write-ins for other liabilities	98,891,492		98,891,492
Total liabilities	\$918,640,619		\$918,640,619
Aggregate write-ins for special surplus funds	99,999,485		99,999,485
Common capital stock	100,000		100,000
Gross paid in and contributed surplus	237,284,475		237,284,475
Unassigned funds (surplus)	971,230,914		971,230,914
Total capital and surplus	\$1,308,614,874		\$1,308,614,874
Total liabilities, capital and surplus	\$2,227,255,493		\$2,227,255,493

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

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$5,715,620,289		\$5,715,620,289
Change in unearned premium reserves and reserve for rate credits	(1,714,945)		(1,714,945)
Total revenues	\$5,713,905,344		\$5,713,905,344
Hospital and Medical:			
Hospital/medical benefits	3,082,569,943		3,082,569,943
Outside referrals	36,446,198		36,446,198
Emergency room and out-of-area	349,353,145		349,353,145
Prescription drugs	634,276,248		634,276,248
Aggregate write-ins for other hospital and medical	58,848,679		58,848,679
Incentive pool withhold adjustments and bonus amounts	103,426,346		103,426,346
Subtotal	\$4,264,920,559		\$4,264,920,559
Less:			
Net reinsurance recoveries	113,914		113,914
Total hospital and medical	\$4,264,806,645		\$4,264,806,645
Claims adjustment expenses	181,361,810		181,361,810
General administrative expenses	630,332,599		630,332,599
Total underwriting deductions	\$5,076,501,054		\$5,076,501,054
Net underwriting gain or (loss)	\$637,404,290		\$637,404,290
Net investment income earned	56,136,429		56,136,429
Net realized capital gains or (losses) less capital gains tax	4,371,260		4,371,260
Net investment gains or (losses)	\$60,507,689		\$60,507,689
Aggregate write-ins for other income or expenses	(5,799,449)		(5,799,449)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$692,112,530		\$692,112,530
Federal and foreign income taxes incurred	151,542,395		151,542,395
Net income (loss)	\$540,570,135		\$540,570,135

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting period	\$992,924,206		\$992,924,206
Net Income	540,570,135		540,570,135
Change in net unrealized capital gains and (losses) less capital gains tax	45,849,304		45,849,304
Change in net deferred income tax	4,538,659		4,538,659
Change in nonadmitted assets	(267,430)		(267,430)
Dividends to stockholders	(275,000,000)		(275,000,000)
Net change in capital and surplus	\$315,690,668		\$315,690,668
Capital and surplus end of reporting year	\$1,308,614,874		\$1,308,614,874

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

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2014, per Examination			\$240,953,148
	Increase	Decrease	
Net Income (loss)	\$1,253,117,075		\$1,253,117,075
Change in net unrealized capital gain (loss)	\$29,989,966		\$29,989,966
Change in net deferred income tax	\$15,563,998		\$15,563,998
Change in non-admitted assets		(\$26,009,313)	(\$26,009,313)
Change in paid in surplus	\$70,000,000		\$70,000,000
Dividends to Stockholders		(\$275,000,000)	(\$275,000,000)
Net increase/(Decrease)			\$1,067,661,726
Capital and Surplus at December 31, 2019, per Examination			\$1,308,614,874

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

Andrew France, F.S.A., Vice President and Chief Actuary of GuideWell Care Solutions, Inc. acting on behalf of Health Options, 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, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc., 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 \$1,308,614,874 exceeded the minimum of \$114,312,406 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

Dividends

Effective October 2020 the Company declared and paid cash dividends of \$540,000,000 to its parent company, DHS.

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.

CONCLUSION

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

In addition to the undersigned, Omar Akel, CFE, Mario Ascic, CFE, Amy Carter, CFE, CPA, Ryne Davison, CFE, Novalene Forbes, CFE, Charles Kreske, CFE, MCM, David Palmer, CFE, MCM, Jessica Lynch, CFE, Derek Petersen, CFE, MCM, and Adrienne Sulaiman, CFE, CPA, Participating Examiners of Lewis & Ellis, Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager and Glenn Coats, CFE (Fraud), APIR, Participating Examiner. Additionally, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc. and Lindsey Pitman, CISA, CFE, CPA, AES, MCM, IT Specialist of Lewis & Ellis, Inc. are recognized for participation in the examination.

Respectfully submitted,



Katerina Bolbas, CFE, CIA, MCM
Examiner-in-Charge
Lewis & 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