



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

NAIC Company Code: 10122

Coconut Grove, FL 33133

as of

December 31, 2020

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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June 3, 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 624.47, 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, 2020, of the financial condition and corporate affairs of

HealthSun Health Plans, Inc.
3250 Mary Street
Suite 400
Coconut Grove, FL 33133

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, 2017 through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the OIR”) on October 5, 2021. The fieldwork concluded as of June 3, 2022. The Company’s last full scope exam by representatives of the OIR covered the period of January 1, 2013 through December 31, 2016.

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, and the states that participated in this exam are as follows: Georgia, Florida, Nevada, and New Mexico.

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, 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 noted during the examination that would warrant inclusion within the Report.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was organized in March 2004 and was licensed to operate as a for-profit Health Maintenance Organization (“HMO”) in the State of Florida on May 26, 2005, under Chapter 641, Part I of the Florida Statutes. The Company was acquired by Highland Acquisition Holdings, LLC, a wholly-owned indirect subsidiary of Anthem, Inc. (“Anthem”) on November 30, 2016.

In order to simplify the organizational structure, effective October 31, 2020, Highland Holdco, Inc. was merged with and into Amerigroup Corporation (“Amerigroup”), with Amerigroup surviving. Anthem Holding Company, LLC (“ANH Holdings”) contributed a portion of its interest in Highland Investor Holdings, LLC (“HIH”) to Amerigroup. In addition, ANH Holdings contributed common stock of Freedom Health, Inc. and Optimum Healthcare, Inc. to Amerigroup. HIH distributed the common stock of the Company to Amerigroup in the redemption of a portion of Amerigroup’s partnership interest, resulting in ATH Holdings and Amerigroup owning 98% and 2%, respectively of HIH.

As of December 30, 2020, the Company is a wholly-owned subsidiary of Amerigroup which is a wholly-owned subsidiary of ATH Holdings.

The Company contracts with Delivery Networks, LLC (“DN,” formerly Wellmax Health Delivery Network, LLC) and Pasteur Medical Management, LLC (“Pasteur”), an affiliate, in addition to other third-party Management Service Organizations, to provide services to their members. DN, through its subsidiaries, and Pasteur, operate several medical centers, primary care clinics, and pharmacies for the benefit of the Company’s members.

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder in 2020, 2019, and 2018 in the amounts of \$80 million, \$44 million, and \$18.6 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	1,500
Total common capital stock	\$15
Par value per share	\$0.01

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

Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Douglas Jay Johnson ^(a)	Miami, Florida	President, HealthSun Health Plans, Inc.
Jack L. Young	Virginia Beach, Virginia	Attorney and Managed Care Executive, Anthem, Inc.
Vincent Edward Scher	Fishers, Indiana	Staff Vice President, Investment Programs, Anthem, Inc.

(a) On March 4, 2022, was replaced by Suzanna Roberts.

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Douglas Jay Johnson ^(a)	Miami, Florida	President
Anthony Adam Duarte	Miami, Florida	Risk Manager
Vincent Edward Scher	Fishers, Indiana	Treasurer
Kathleen Susan Kiefer	Indianapolis, Indiana	Secretary

(a) On March 4, 2022, was replaced by Suzanna Roberts.

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, 2020, are shown below.

Audit Committee		
Name	City, State	Title, Company Name
Lewis Hay, III	Palm Beach Gardens, FL	Retired Chairman and CEO, NextEra Energy, Inc.
Elizabeth Edith Tallett ^(a)	Moultonborough, NH	Former Principal and Joint Owner, Hunter Partners LLC
Antonio Fabio Neri	The Woodlands, Texas	President and Chief Executive Officer, Hewlett Packard Enterprise Company
R. Kerry Clark	Cincinnati, Ohio	Former Chief Executive Officer, Cardinal Health, Inc.
Robert Lee Dixon, Jr.	Atlanta, GA	Former Senior Vice President, PepsiCo, Inc.

(a) Replaced by Susan Dodson DeVore, Former Chief Executive Officer of Premier Inc., in 2022.

Additionally, there is a Statutory Audit Council comprised of subject matter experts in accounting, treasury, legal, compliance, and internal audit. The purpose of the Statutory Audit Council is to assist the Anthem Audit Committee and the Board of Directors of regulated insurance subsidiaries in fulfilling their responsibilities under state insurance laws and the NAIC

Model Audit Rule. The Statutory Audit Council is led by Anthem's Chief Accounting Officer. The Chief Accounting Officer updates the Anthem Audit Committee regarding the activities of the Statutory Audit Council at least annually.

Holding Company System

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

Master Administrative Services Agreement

The Company is a party to a Master Administrative Services Agreement between Anthem and Anthem subsidiaries, effective August 23, 2018. Under the agreement, 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.

Network Risk Agreement

The Company entered into a ten-year term Network Risk Agreement with DN, a Florida limited liability company, on February 1, 2005, to engage DN to provide and arrange for the provision of services to the Company's members. The Company entered into the First Amended and Restated Transportation Agreement on June 1, 2012. The Agreement was amended on January 29, 2015, renewing the agreement for an additional ten years starting on February 1, 2015, and ending on January 31, 2025.

Advertising Agreement

The Company entered into an Advertising Agreement with DN on October 23, 2013, in which DN will provide advertising for the Company. DN is responsible for establishing, monitoring, and reporting the advertising fees, costs and expenses.

Transportation Agreement

The Company entered into a Transportation Agreement with DN on June 1, 2012. The agreement was amended on January 29, 2015, renewing the agreement for an additional ten years starting on February 1, 2015, and ending on January 31, 2025. The agreement was further amended on March 17, 2020, to update the Medicare regulatory exhibit.

OTC Fulfillment Agreement

The Company entered into an Over-the-Counter (“OTC”) Fulfillment Agreement with EasyScripts, LLC on January 1, 2013. EasyScripts, LLC provides Medicare-Prescription Drug Plans’ beneficiaries access to coverage of certain health care services including OTC medications. The agreement was amended on March 17, 2020, to update the Medicare regulatory exhibit.

Network Risk Agreement

The Company entered into a ten-year Network Risk Agreement with The Medical City, LLC (“TMC”), a Florida limited liability company, on October 1, 2011, to engage TMC to provide and arrange for the provision of services to the Company's members. TMC did not become an affiliate of the Company until November 29, 2016. The Agreement was assigned to Pasteur on June 30, 2017, when TMC was sold to an unaffiliated third-party.

Consolidated Tax Allocation Agreement

The Company is a party to a Consolidated Federal Income Tax Agreement among Anthem and substantially all of its subsidiary companies. 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 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 Company requested permission to join the agreement in a Form D submitted to the OIR on May 22, 2019. By letters dated June 25, 2019, the joinder was acknowledged. The agreement applies to the Company’s taxable year ending December 31, 2018, and subsequent years until terminated.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Virginia Beach, Virginia.

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. executed on March 14, 2019.

Pharmacy Benefit Manager Agreement

The Company utilized Express Scripts, a non-affiliated Pharmacy Benefit Manager, to manage pharmacy services and benefits on behalf of the Company's health plan members. IngenioRx, an affiliated entity, began managing the pharmacy services and benefits on behalf of the Company's Medicare health plan members effective January 1, 2020. The services provided by IngenioRx are covered under the Master Administrative Services Agreement between Anthem and its subsidiaries described above.

Independent Auditor Agreement

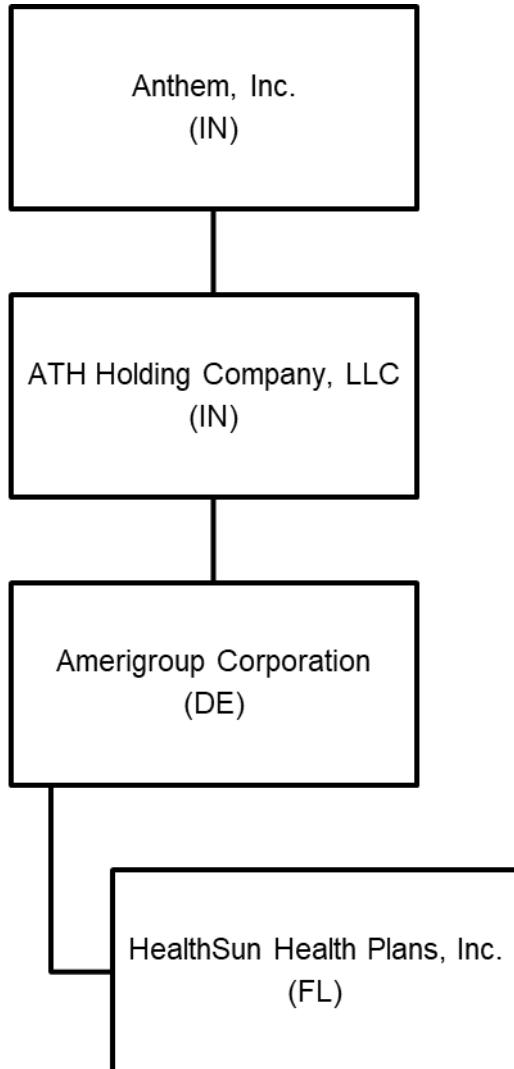
An independent CPA audited the Company's statutory basis financial statements annually for all years under examination in accordance with Section 641.26(1), Florida Statutes. The Company was audited by Ernest and Young, LLP for the years 2018 - 2020 and KPMG, LLP in 2016 and 2017. Supporting work papers were prepared by the CPA firm as required.

Corporate Records Review

The recorded minutes of the Shareholder and 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.

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.

HealthSun Health Plans, Inc.
Simplified Organizational Chart
December 31, 2020



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance in Florida on May 26, 2005, and is currently authorized to write Medicare policies as of December 31, 2020.

The Company has a contract with the Centers for Medicare & Medicaid Services ("CMS") to provide Medicare Advantage products to enrollees in Broward, Miami-Dade, and Palm Beach counties.

REINSURANCE

Reinsurance Assumed

The Company did not assume any business during the period of this examination.

Reinsurance Ceded

The Company did not cede any business 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, 2020. 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, 2020. Due to rounding, column amounts may not add to the totals reflected in this Report.

HealthSun Health Plans, Inc.
Assets
December 31, 2020

	Per Company
Bonds	\$246,217,864
Cash, cash equivalents and short-term investments	(2,807,260)
Subtotal cash and invested assets	\$243,410,604
Investment income due and accrued	1,718,571
Accrued retrospective premiums	16,718,773
Amounts receivable relating to uninsured plans	1,443,704
Current federal and foreign income tax recoverable and interest thereon	24,144,588
Electronic data processing equipment and software	477,335
Health care and other amounts receivable	23,986,293
Aggregate write-ins for other than invested assets	50,000,000
Totals	\$361,899,868

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

	Per Company
Claims unpaid	\$107,320,768
Unpaid claims adjustment expenses	1,405,934
Aggregate health policy reserves	140,759,397
Aggregate health claim reserves	4,577,048
General expenses due or accrued	3,821,567
Net deferred tax liability	256,058
Amounts due to parent, subsidiaries and affiliates	32,175,137
Liability for amounts held under uninsured plans	5,519,819
Aggregate write-ins for other liabilities	1,297,302
Total liabilities	\$297,133,030
Common capital stock	15
Gross paid-in and contributed surplus	124,625,099
Unassigned funds (surplus)	(59,858,276)
Total capital and surplus	\$64,766,838
Total liabilities, capital and surplus	\$361,899,868

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

	Per Company
Net premium income	\$1,187,375,211
Change in unearned premium reserves and reserve for rate credits	4,244,255
Total revenues	\$1,191,619,466
Hospital and Medical:	
Hospital/medical benefits	714,359,557
Other professional services	93,737,497
Outside referrals	81,770,791
Emergency room and out-of-area	8,503,357
Prescription drugs	133,282,036
Subtotal	\$1,031,653,238
Less:	
Total hospital and medical	\$1,031,653,238
Claims adjustment expenses	17,805,237
General administrative expenses	86,743,822
Total underwriting deductions	\$1,136,202,297
Net underwriting gain or (loss)	\$55,417,169
Net investment income earned	7,462,915
Net realized capital gains (losses) less capital gains tax	788,538
Net investment gains (losses)	\$8,251,453
Net income or (loss) after capital gains tax and before all other federal income taxes	\$63,668,622
Federal and foreign income taxes incurred	15,563,245
Net Income	\$48,105,377

HealthSun Health Plans, Inc.
Capital and Surplus
December 31, 2020

	Per Company
Capital and Surplus Account	
Capital and surplus prior reporting year	\$133,955,514
Net Income	\$48,105,377
Change in net unrealized capital gains (losses) less capital gains tax	(116,481)
Change in net deferred income tax	(3,489,966)
Change in nonadmitted assets	(19,906,001)
Surplus adjustments:	50,000,000
Paid in	
Dividends to stockholders	(80,000,000)
Aggregate write-ins for gains or (losses) in surplus	(63,781,605)
Net change in capital and surplus	\$(69,188,676)
Capital and surplus end of reporting year	\$64,766,838

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

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2016, per Examination			\$29,911,511
	Increase	Decrease	
Loss in surplus	\$192,912,490		\$192,912,490
Change in net unrealized capital gain (loss)	9,635	\$(126,116)	(116,481)
Change in net deferred income tax	2,665,316	(4,293,511)	(1,628,195)
Change in non-admitted assets	2,169,419	(21,096,069)	(18,926,650)
Change in paid in surplus	71,572,946		71,572,946
Dividends to stockholders		(142,600,000)	(142,600,000)
Aggregate write-ins		(66,358,783)	(66,358,783)
Net increase (or decrease)			\$34,855,327
Capital and Surplus at December 31, 2020 per Examination			\$64,766,838

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, 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, 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 \$64,766,838, exceeded the minimum of \$29,713,303 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS**CAPITAL INFUSION**

On May 5, 2021, the Company received a \$50 million capital contribution from Amerigroup.

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 repealed on December 20, 2019, with 2020 being the last fee year.

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 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 HealthSun Health Plans, Inc. as of December 31, 2020, 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 OIR 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 Specialist Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE of Noble Consulting Services, Inc., are recognized for participation in the examination.

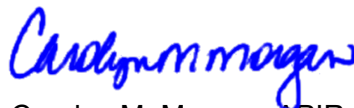
Respectfully submitted,



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