



**EXAMINATION REPORT
OF
Optimum Healthcare, Inc.**

NAIC Company Code: 12259

**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 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

Optimum HealthCare, Inc.
5600 Mariner Street, Suite 227
Tampa, FL 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, 2016 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 the Indiana Department of Insurance and the participating states were 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 to write business in the state of Florida as a health maintenance organization (“HMO”). The Company was incorporated on July 1, 2004 and commenced operations on February 21, 2005. It was authorized by the State of Florida to operate as an HMO in accordance with Part 1 of Chapter 641, Florida Statutes.

On February 15, 2018, America’s 1st Choice Holding of Florida, LLC (“America’s 1st”) sold 100% of the Company’s 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 \$12,800,000.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	188,350
Total common capital stock	\$147,125
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 had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

Optimum Health, Inc. is managed by its Board of Directors. There will be at least one director on the Board. From time to time, the exact number of directors may be determined by a resolution of the shareholders at any time. The following is a listing of persons serving as directors and their principal occupations as of December 31, 2019:

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 Board Chair, Optimum Healthcare, Inc.
Jigar Jayantital Desai ^(b)	Seffner, Florida	Chief Executive Officer and Chief Financial Officer, Optimum Healthcare, Inc.
Michelle Giovanni Turano	Lutz, Florida	Vice President, Medicare Compliance, Anthem, 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.

(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 of the Board
Jigar Jayantital Desai ^(b)	Seffner, Florida	Chief Executive Officer and Chief Financial Officer
Vincent Edward Scher	Indianapolis, Indiana	Treasurer

Kathleen Susan Kiefer	Indianapolis, Indiana	Vice President and Secretary
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(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, Inc., 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

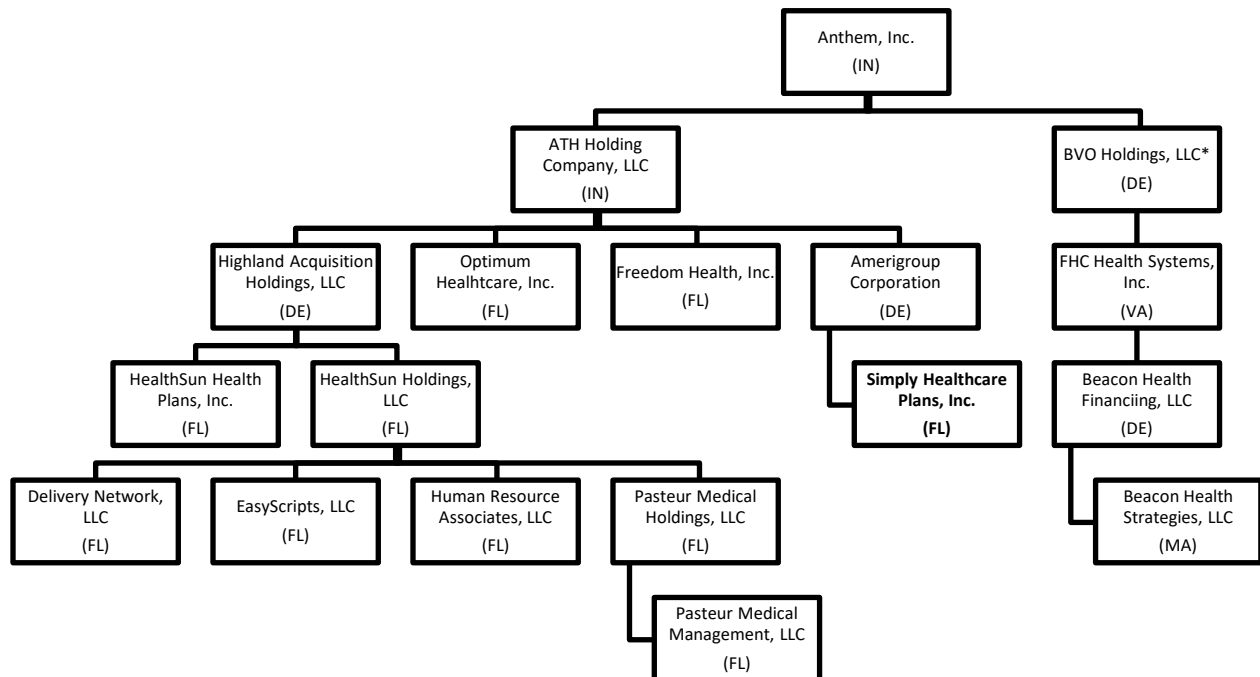
(a) Removed on January 1, 2021, and replaced by

- 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 below. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

Optimum Healthcare, 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. executed 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.

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), 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 21, 2005 and is currently authorized to write Medicare 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, Hernando, Hillsborough, Indian River, Lake, Lee, Manatee, Marion, Martin, Miami-Dade, Orange, Osceola, Palm Beach, Pasco, Pinellas, Polk, Saint Lucie, Sarasota, Seminole, Sumter, and Volusia.

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.)

Optimum Healthcare, Inc.**Assets****December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$173,715,141		\$173,715,141
Cash, cash equivalents and short-term investments	(1,611,991)		(1,611,991)
Receivables for securities	36,649		36,649
Securities lending reinvested collateral assets	9,500,436		9,500,436
Subtotal cash and invested assets	\$181,640,235		\$181,640,235
Investment income due and accrued	1,090,145		1,090,145
Uncollected premiums and agents' balances	917,832		917,832
Accrued retrospective premiums	221,002		221,002
Amounts receivable relating to uninsured plans	1,447,518		1,447,518
Net deferred tax asset	4,175,705		4,175,705
Health care and other amounts receivable	4,814,925		4,814,925
Aggregate write-ins for other than invested assets	374,753		374,753
Total assets excluding separate accounts	194,682,117		194,682,117
Totals	\$194,682,117		\$194,682,117

Optimum Healthcare, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$51,942,084		\$51,942,084
Accrued medical incentive pool and bonus amounts	38,184,897		38,184,897
Unpaid claims adjustment expenses	1,134,333		1,134,333
Aggregate health policy reserves	824,188		824,188
Premiums received in advance	703,116		703,116
General expenses due or accrued	166,693		166,693
Current federal and foreign income tax payable	803,918		803,918
Amounts due to parent, subsidiaries and affiliates	5,771,470		5,771,470
Payable for securities lending	9,500,436		9,500,436
Liability for amounts held under uninsured plans	3,324,171		3,324,171
Aggregate write-ins for other liabilities	316,278		316,278
Total liabilities	\$112,671,585		\$112,671,585
Aggregate write-ins for special surplus funds	23,981,246		23,981,246
Common capital stock	147,125		147,125
Gross paid-in and contributed surplus	6,644,403		6,644,403
Unassigned funds (surplus)	51,237,758		51,237,758
Total capital and surplus	\$82,010,532		\$82,010,532
Total liabilities, capital and surplus	\$194,682,117		\$194,682,117

Optimum Healthcare, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Member Months	668,087		668,087
Net premium income	\$737,240,984		\$737,240,984
Change in unearned premium reserves and reserve for rate credits	5,838		5,838
Total revenues	\$737,246,822		\$737,246,822
Hospital and Medical:			
Hospital/medical benefits	451,145,673		451,145,673
Other professional services	7,210,839		7,210,839
Emergency room and out-of-area	6,567,858		6,567,858
Prescription drugs	58,965,704		58,965,704
Incentive pool, withhold adjustments and bonus amounts	96,521,953		96,521,953
Subtotal	\$620,412,027		\$620,412,027
Total hospital and medical	\$620,412,027		\$620,412,027
Claims adjustment expenses	29,079,521		29,079,521
General administrative expenses	37,668,019		37,668,019
Total underwriting deductions	\$687,159,567		\$687,159,567
Net underwriting gain or (loss)	\$50,087,255		\$50,087,255
Net investment income earned	5,951,726		5,951,726
Net realized capital gains (losses) less capital gains tax	594,619		594,619
Net investment gains ((losses)	\$6,546,345		\$6,546,345
Aggregate write-ins for other income or expenses	(24,700)		(24,700)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$56,608,900		\$56,608,900
Federal and foreign income taxes incurred	10,991,741		10,991,741
Net Income	\$45,617,159		\$45,617,159

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$49,944,454		\$49,944,454
Net Income	\$45,617,159		\$45,617,159
Change in net deferred income taxes	(209,994)		(209,994)
Change in nonadmitted assets	(541,086)		(541,086)
Dividends to stockholders	(12,800,000)		(12,800,000)
Net change in capital and surplus	\$32,066,078		\$32,066,078
Capital and Surplus end of reporting year	\$82,010,532		\$82,010,532

Optimum Healthcare, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2014, per Examination			\$25,916,257
	Increase	Decrease	
Net income or (loss)	\$77,126,526		\$77,126,526
Change in net deferred income tax	2,779,613	\$(209,994)	2,569,619
Change in non-admitted assets	94,967	(11,242,367)	(11,147,400)
Change in surplus notes		(700,000)	(700,000)
Change in paid in surplus	1,045,528		1,045,528
Dividends to stockholders		(12,800,000)	(12,800,000)
Aggregate write-ins (rounding adjustment)	5	(3)	2
Net increase (or decrease)			\$56,094,275
Capital and Surplus at December 31, 2019 per Examination			\$82,010,532

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., 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 \$82,010,532, exceeded the minimum of \$14,744,819 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 Optimum Health, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Lori Brock, CFE, ALMI, Examiner-in-Charge, and 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