

EXAMINATION REPORT OF
AETNA BETTER HEALTH OF IOWA INC.
URBANDALE, IOWA
AS OF DECEMBER 31, 2015

Urbandale, Iowa
March 2 2017

HONORABLE DOUG OMMEN
Interim Commissioner of Insurance
State of Iowa
Des Moines, Iowa 50319

Commissioner Ommen:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

AETNA BETTER HEALTH OF IOWA INC.

OF UBANDALE, IOWA

AS OF DECEMBER 31, 2015

at its branch office located at 4320 NW 114th Street, Urbandale, Iowa.

INTRODUCTION

Aetna Better Health of Iowa Inc., hereinafter referred to as the "Company", was first examined, as of December 31, 2015.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the period from April 24, 2015 to the close of business on December 31, 2015, including any material transactions and/or events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with procedures recommended by the Financial Condition (E) Committee of the N.A.I.C., and other generally accepted insurance examination standards. A general review and survey was made of the Company's operations and business transactions conducted during the stated period. Accounting methods, internal control procedures, records and other supporting evidences were examined or tested by appropriate methods to the extent deemed necessary. The Company's assets were verified and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2015.

HISTORY

The Company was incorporated Aril 24, 2015 under the name Aetna Better Health of Iowa Inc., under the laws of Iowa. The intent of the company is for future Medicaid business. The Company currently has no active business on any system.

CAPITAL STOCK AND DIVIDENDS

The Amended Articles of Incorporation provide that the number of shares authorized is ten thousand (10,000) shares, all of which shall be common stock and shall have a \$0.01 par value. At December 31, 2015, the Company had 1,000 shares of common stock issued and outstanding with a total stated value of \$10 and \$999,990 of gross paid in and contributed surplus. The Company's parent, Aetna Health Holdings, LLC owns 100% of the stock issued by the Company.

During the exam period, the Company did not pay any dividends to its shareholder in 2015.

HOLDING COMPANY SYSTEM

The Company is a member of an insurance holding company system as defined by Chapter 521A, Code of Iowa. A simplified organizational chart as of December 31, 2015, reflecting the ultimate parent and holding company system, is shown below. Schedule Y of the Company's 2015 annual statement provided a list of all related companies of the holding company group.



MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws of the Company state that the annual meeting of the shareholders shall be held as determined by the Board of Directors. At each such meeting the shareholders shall elect a Board of Directors and transact such other business as may properly be brought before the meeting.

Special meetings of the shareholders may be called by the Board, the Chairman, and the President or by the holders of not less than one-fifth of all the outstanding shares of the corporation. Business transacted at all special meetings shall be confined to the topics stated in the notice of the meeting, unless such notice shall have been waived.

The Board of Directors may designate any place, either within or without the State of Iowa, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of the meeting shall be the registered office of the corporation.

Written notice stating the place, day and hour of the meeting, and in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be delivered not less than ten nor more than sixty days before the date of the meeting, or in the case of a merger, consolidation, share exchange, dissolution or sale, lease or exchange of assets, not less than twenty nor more than sixty days before the meeting, either personally or by mail, by or at the direction of the president, or the secretary, or the officer or persons calling the meeting, to each shareholder of record entitled to vote at such meeting.

BOARD OF DIRECTORS

The Bylaws state that except where the law, the Articles or the Bylaws and Regulations otherwise provide, the business and the affairs of the Company shall be managed under the direction of its Board of Directors. The Board of Directors may who may exercise all such powers of the Corporation and do all such lawful acts and things as are not directed or required to be exercised or done by the shareholders pursuant to the terms of the Code, the Articles of Incorporation, or these Bylaws.

The number of directors which shall consist of not less than three and not more than fifteen directors, and the number of directorships at any time within such minimum and maximum range shall be the number fixed by vote of the shareholders or directors or, in the absence thereof, shall be the number of directors elected at the preceding Annual Meeting of Shareholders.

Upon initial incorporation, all directors shall be selected by the organizer of the Corporation. Thirty percent (30%) of the directors shall be enrollee representatives who are adult enrollees of the Company's products and who are not providers or are not associated with a provider. If there are no enrollee representatives on the initial Board of Directors, they shall be elected at the first annual meeting or election.

Unless waived by the Commissioner of the Iowa Insurance Division pursuant to Iowa Administrative Rule 191-40.4(514B), before the first annual meeting of the shareholders, adult enrollees shall be permitted to nominate enrollee representative candidates for the Board of Directors in accordance with applicable law. The Corporation shall provide at least 60 days advance notice to adult enrollees of the election procedures and the right to nominate enrollee representatives. Such notice shall be deemed given if provided in a regular newsletter to enrollees informing the adult enrollees of the opportunity to and the procedures for nomination of enrollee representatives.

If a vacancy in the Board of Directors is created by an increase in the number of directorships, it may be filled for the unexpired term by action of the Shareholders or by the concurring vote of Directors holding a majority of the directorships, which number of directorships shall be the number prior to the vote on the increase. All other vacancies in the Board shall be filled in the manner provided by law.

Any director may be removed, with or without cause, at any duly constituted meeting of shareholders called expressly for that purpose, by the affirmative vote of the holders of a majority of the shares then entitled to vote in the election of directors. Any director may resign at any time by giving written notice to the president or secretary. Such resignation shall take effect at the time specified in the notice, and unless otherwise specified in such notice, the acceptance of such resignation shall not be necessary to make it effective.

Regular meetings of the Board shall be held upon such notice, or without notice, and at such time and at such place as shall from time to time be determined by the Board. Notice of such regular meetings need not be given, but the Secretary shall notify each Director by mail of the action of the Board designating or changing the place, period, day, or hour of such regular meetings.

Special meetings of the Board shall be held at the call of the Chairman, the President or not less than one-third of the directors then in office on no less than two days' notice to each director, either personally, by mail or by any electronic transmission.

A quorum shall consist of the presence of a majority of the number of the directors fixed in the manner prescribed by these Bylaws shall be necessary and sufficient to constitute a quorum for the transaction of business. If a quorum shall not be present at any meeting, the directors present may adjourn the meeting from time to time without notice other than announcement at the meeting, until a quorum shall be present.

Any action required or permitted to be taken by the Board of Directors at a meeting or by resolution, may be taken without a meeting if a consent in writing, setting forth the action so taken, shall be signed by all of the directors entitled to vote with respect to the subject matter thereof.

Elected directors at December 31, 2015 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>
Pamela Sue Sedmak Phoenix, Arizona	President and Chief Executive Officer Aetna Better Health of Iowa Inc.
Janet Ruth Grant Ballwin, Missouri	Vice President Medicaid Region Aetna Inc.
Debra Jean Bacon St. Louis, Missouri	Vice President and Assistant Treasurer Aetna Better Health of Iowa Inc.

COMMITTEES

The Board of Directors, by resolution adopted by a majority of the full Board, may designate from among its members one or more committees, each of which shall be comprised of one or more Board members. The Board may also designate one or more of its members as alternate members of any committee who may replace absent or disqualified members at any meeting of that committee, subject to any limitation imposed by the Board of Directors. To the extent provided in such resolution, any such committee shall have and may exercise all of the authority of the Board of Directors, except that no such committee shall have the authority to amend the Articles of Incorporation; to propose a reduction of the Corporation's stated capital; to approve a plan of merger or share exchange of the Corporation; to recommend to the shareholders the sale, lease, or exchange of all or substantially all of the Corporation's property and assets other than in the usual and regular course of its business; to recommend to the shareholders a voluntary dissolution of the Corporation or a revocation thereof; to amend, alter, or repeal the Corporation's Bylaws or to adopt new Bylaws for the Corporation; to fill vacancies in the Board of Directors; to fill vacancies in or designate alternate members of any committee; to fill any directorship that is vacant by reason of an increase in the number

of directors; to elect or remove officers of the Corporation or any member or alternate member of any committee; to fix the compensation of any member or alternate member of any committee; or to alter or repeal any resolution of the Board of Directors that provides by its terms that it shall not be so amendable or repealable. No committee shall have any power or authority to authorize a distribution or issuance of shares of the Corporation except according to formula or method, or within limits, prescribed by the Board of Directors. The designation of any such committee and the delegation of authority thereto shall not operate to relieve the Board of Directors or any of its members of any responsibility imposed by law.

The Company does not have any committees. All committees are at the parent, Aetna Health Holdings, LLC.

OFFICERS

The Bylaws prescribe that the officers of the Corporation shall be elected by the directors and shall include a President and a Secretary. The Board of Directors may also elect or appoint one or more other officers, assistant officers, or agents as it deems necessary. Any two or more offices may be held by the same person.

The Board of Directors shall elect the officers at its first meeting after each annual meeting of shareholders. None of the elected officers need be members of the Board. Each officer of the Corporation shall hold office until such officer's successor is elected and qualified or until such officer's death, resignation, or removal from office. Any officer or agent elected or appointed by the Board of Directors may be removed at any time by the affirmative vote of a majority of the whole Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the person so removed, provided that election or appointment of an officer shall not of itself create contract rights. If the office of any officer becomes vacant for any reason, the vacancy may be filled by the Board of Directors.

Elected Senior Officers serving as of December 31, 2015 were as follows:

<u>Name</u>	<u>Title</u>
Pamela S. Sedmak	Chief Executive Officer and President
Elaine R. Cofrancesco	Vice President and Treasurer
Robert M. Kessler	Vice President and Secretary
Dawn M. Schoen	Assistant Controller
Kevin J. Casey	Senior Investment Officer
Steven M. Conte	Principal Financial Officer and Controller
Debra J. Bacon	Vice President and Assistant Treasurer
Edward C. Lee	Vice President and Assistant Secretary
Jerry J. Bellizzi	Vice President

The Company does not pay directly the salary of officers as they are not employees of the Company.

CONFLICT OF INTEREST STATEMENTS

The Company has a Conflict of Interest policy that requires the officer or director to complete a conflict of interest statement annually.

CORPORATE RECORDS

The unanimous written consent of the shareholder and Board of Directors meetings were reviewed for the period under examination. The unanimous written consents of the Board adequately documented its meetings and approval of Company transactions and events.

Effective April 24, 2015, the Company ratified the amended the Articles of Incorporation and Bylaws. The Articles of Incorporation and Bylaws have been filed with the Iowa Insurance Division as required by Iowa Code Section 514B.3A.

AFFILIATED AGREEMENTS

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

The Company participates in a tax sharing agreement with Aetna and Aetna's other subsidiaries. All federal income tax receivables/payables are due from/due to Aetna.

FIDELITY BONDS AND OTHER INSURANCE

The Company's ultimate parent, Aetna Inc., maintains fidelity bond coverage up to \$20,000,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC.

EMPLOYEES' WELFARE

The Company did not have a retirement plan, deferred compensation plan, or other postretirement benefit plan at December 31, 2015.

REINSURANCE

Assumed

The Company does not assume any reinsurance.

Ceded

The Company does not cede any reinsurance.

STATUTORY DEPOSIT

As of December 31, 2015, the Company is not required to hold any special deposits by the State of Iowa.

TERRITORY AND PLAN OF OPERATION

The Company is licensed in Iowa. The Company is authorized to transact health maintenance organization insurance.

ACCOUNTS AND RECORDS

The Company's accounting records were maintained on a computerized system. The Company's balance sheet accounts were verified with the line items of the annual statement submitted to the Division of Insurance.

Eide Bailly LLP relied on the performed evaluation of the information technology and computer systems of the Company during the Aetna Group examination. Results of the evaluation were noted in the workpapers of the examination.

During the course of the examination, no material statutory compliance issues were noted nor aggregate surplus differences identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2015.

F I N A N C I A L S T A T E M E N T S
A N D C O M M E N T S T H E R E O N

NOTE: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2015 and the assets and liabilities as of this date. Schedules may not add or tie precisely due to rounding.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	Not <u>Admitted</u>	<u>Admitted</u>
Cash & Short term investments	\$ 1,000,000	_____	\$ 1,000,000
Total assets	\$ 1,000,000	\$ -	\$ 1,000,000

Liabilities, Capital and Surplus

Claims unpaid	\$ -
Total Liabilities	\$ -
Common capital stock	10
Gross paid in and contributed surplus	999,990
Unassigned funds (surplus)	0
Total capital and surplus	\$ 1,000,000
Total liabilities, capital and surplus	\$ 1,000,000

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$	-	
Net investment income		-	
Miscellaneous income		-	
Total		-	<u>\$</u>
Benefit and loss related payments		-	
Commissions, expenses paid and aggregate write-ins		-	
Federal income taxes paid (recovered)		-	
Total		-	
Net cash from operations			<u>\$</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:			
Bonds		-	
Miscellaneous proceeds	\$	-	
Total investment proceeds		-	<u>\$</u>
Cost of investments acquired (long-term only):			
Bonds		-	
Miscellaneous applications	\$	-	
Total investments acquired		-	
Net cash from investments			<u>\$</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):			
Capital and paid in surplus, less treasury stock	\$	1,000,000	
Other cash provided (applied)		-	
Net cash from financing and miscellaneous sources		-	<u>\$ 1,000,000</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$ 1,000,000
Cash and short-term investments:	
Beginning of year	
End of year	<u>\$ 1,000,000</u>

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Aetna Better Health of Iowa Inc. as of December 31, 2015, consistent with the insurance laws of the State of Iowa.

In addition to the undersigned, the following participated in the examination:

Ryan Havick, CFE, Eide Bailly LLP.

Respectfully submitted,

/s/ Emilie Brady
Emilie Brady, CFE
Examiner in Charge
Eide Bailly LLP on behalf of the
Iowa Insurance Division

/s/ Daniel Mathis
Daniel Mathis, CFE
Assistant Chief Examiner
Iowa Insurance Division
State of Iowa