

EXAMINATION REPORT OF
WELLMARK VALUE HEALTH PLAN, INC.
DES MOINES, IOWA
AS OF DECEMBER 31, 2021

Des Moines, Iowa
January 12, 2022

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

Commissioner,

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

WELLMARK VALUE HEALTH PLAN, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2021

with its headquarters at 1331 Grand Avenue, Des Moines, Iowa.

INTRODUCTION

Wellmark Value Health Plan, Inc., hereinafter referred to as the “Company” or “WVHP”, was last examined as of December 31, 2016 by the Iowa Insurance Division (“Division”). The examination reported herein was conducted by the Division as a coordinated examination of an insurance holding company group. The coordinated examination includes the Company’s ultimate parent, Wellmark, Inc., and its subsidiaries, Wellmark Health Plan of Iowa, Inc., and Wellmark Synergy Health, Inc.

The Company’s affiliate, Wellmark of South Dakota, Inc. was examined by the South Dakota Insurance Office as part of the coordinated examination.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2017 to the close of business on December 31, 2021, including any material transactions and events occurring and noted subsequent to the examination period.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Division plan and perform the examination to evaluate the financial condition, 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.

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 Statutory Accounting Principles.

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.

The examination report includes significant findings of fact and general information about the insurer and its financial condition.

HISTORY

Wellmark Value Health Plan, Inc., was incorporated on January 7, 2016, under the name MHWM, Inc. On March 18, 2016, the Articles of Incorporation were amended to change the corporate name to Wellmark Value Health Plan, Inc. The Company is the result of a joint venture between Wellmark, Inc., a mutual insurance company domiciled in the State of Iowa (“Wellmark”), and Mercy Health Network, Inc. (“MHN”). On March 25, 2016, Wellmark and MHN each purchased 5,000 shares of common stock of the Company at \$100 per share for \$500,000 each. On July 22, 2016, Wellmark and MHN each purchased 20,000 additional shares of common stock of the Company at \$100 per share for \$2,000,000 each as part of a previous capital commitment.

The Company received its Certificate of Authority as a health maintenance organization (“HMO”) from the State of Iowa Insurance Division on April 13, 2016 under Chapter 514B of the Code of Iowa and commenced business on January 1, 2017.

CAPITAL STOCK AND DIVIDENDS

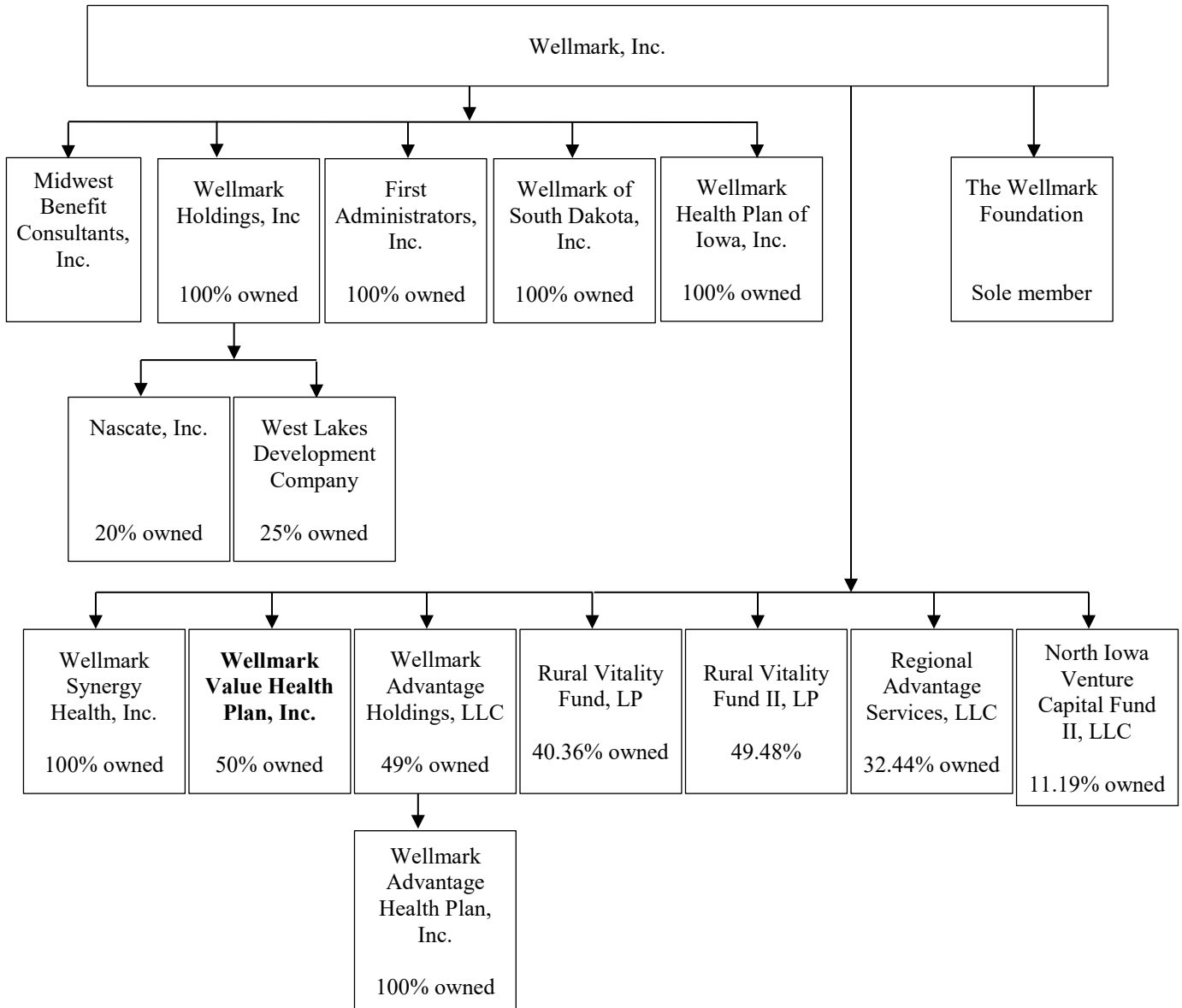
The Company has authorized 1,000,000 shares of common stock. As of December 31, 2021, 50,000 shares of common stock were outstanding at a purchase price of \$100 per share for a value of \$5,000,000 in the annual statement.

The Company issued a cash dividend of a \$3,000,000 to Wellmark, Inc. and \$3,000,000 to Mercy Health Network, Inc in both 2021 and 2020. No dividends were paid in 2019, 2018, and 2017.

MUTUAL INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Mutual Insurance Holding Company System as defined by Chapter 521A, Code of Iowa. The Company is the ultimate controlling person for the group. An Insurance Holding Company System Registration Statement was filed annually with the Iowa Insurance Division for each year of the examination period.

An abbreviated organizational chart identifying the Companies within the Holding Company System follows:



MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws specify that the annual meeting of the shareholders for the election of directors and for the transaction of such other business as may properly come before the meeting, shall be held at such place, time and date as the Board of Directors ("Board") shall fix, which date shall be within the earlier of the first six (6) months after the end of the Company's fiscal year or fifteen (15) months after the shareholder's last annual meeting.

Special meetings of the shareholders, for any purpose or purposes, may be called by the President or the Board of Directors, and shall be called by the Board of Directors upon the written demand, signed, dated and delivered to the Secretary, of the holders of at least ten percent (10%) of all the votes entitled to be cast on any issue proposed to be considered at the meeting.

Such written demand shall state the purpose or purposes for which such meeting is to be called. The time, date, and place of any special meeting shall be determined by the Board of Directors, or by the President and communicated not fewer than ten (10) days nor more than sixty (60) days before the date of the meeting, to each shareholder entitled to vote at such meeting.

A majority of the votes entitled to be cast on the matter by a voting group constitutes a quorum of that voting group for action on that matter, unless the representation of a different number is required by law, and in that case, the representation of the number so required shall constitute a quorum.

Every shareholder entitled to vote may vote in person or by proxy. The shareholders having right to vote shares at any meeting shall be only those of record on the stock books of the Company.

BOARD OF DIRECTORS

According to the Bylaws, no director is required to be an officer or employee or a shareholder of the Company or a resident of the State of Iowa. The business and affairs of the Company shall be managed under the direction of the Board of Directors including, without limitation delegation of the shareholder's respective roles and responsibilities for day-to-day operations.

The number of directors shall be no fewer than three (3) and no more than twelve (12), with the number determined by resolution of the Board of Directors. The Board of Directors shall consist of director nominees of Wellmark, Inc., director nominees of Mercy Health Network, Inc. and enrollee directors. Each director shall hold office until the next succeeding annual meeting and until his or her successor shall have been elected and qualifies, or until his or her death, resignation or removal. Thirty percent (30%) of the directors shall be enrollee representatives who are adult enrollees of the Company's products and who are not health care providers or are not associated with a health care provider (enrollee directors).

A quorum of the Board of Directors consists of a majority of the number of directors prescribed, provided, however that a quorum shall require the presence of at least one director nominated by Wellmark, one director nominated from MHN, and one enrollee director.

No action of the Board of Directors shall be effective (including any amendment to the Bylaws) with regard to any of the following matters relating to the Company if any director nominated by Wellmark votes in the negative: (i) The adoption of any amendment to the Articles of Incorporation or bylaws of the Company; (ii) Legal or trade name of the Company; (iii) Geographic operating area of the Company; (iv) The type of business activity in which the Company engages; (v) Creating or becoming liable for by way of guarantee, any indebtedness, other than indebtedness arising in the ordinary course of business; (vi) The sale of any assets, except for sales in the ordinary course of business or

sales of equipment no longer used or being replaced; (vii) The making of any loans or advances except in the ordinary course of business; (viii) Any arrangement or agreement with any party directly or indirectly affiliated with any of the shareholders or persons or entities with authority to select or appoint directors of the Company, other than Wellmark; (ix) Conducting any business other than under the Blue Cross and Blue Shield marks and names; (x) Taking any action that Wellmark or the Blue Cross and Blue Shield Association reasonably believes will adversely affect the Blue Cross and Blue Shield marks and names; and (xi) Any action that would cause the Company to be in violation of standards adopted by the Blue Cross and Blue Shield Association from time to time applicable to licensure by the Association.

Immediately after the final adjournment of each annual meeting of the shareholders for the election of directors, the Board of Directors shall meet, at the same place where said meeting of shareholders finally adjourned, for the purpose of organization, the election of officers and the transaction of other business.

The members of the Board of Directors, duly elected and qualified, as of December 31, 2021, were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Laura J. Jackson Des Moines, Iowa	WVHP President Wellmark, Inc. – Chief Health Officer	2022
David S. Brown Des Moines, Iowa	WVHP Treasurer Wellmark, Inc. – Executive Vice, President, Chief Financial Officer and Treasurer	2022
Michael D. Fay Des Moines, Iowa	Wellmark, Inc. – Vice President, Health Networks & Innovation	2022
Dave M. Mohr Clive, IA	MercyOne, Vice President, Payer Strategy	2022
Michael A. Wegner Des Moines, Iowa	Mercy Medical Center Interim President	2022
Derek J. Novak Clive, Iowa	MercyOne President, Population Health Services	2022

According to the Bylaws, the Company is required to have 30% of their Directors be enrollee directors unless the requirement is waived by the Insurance Commissioner. The Commissioner waived this requirement for three years from the Company’s commencement of services. After 2021, small group and midsize enrollment has dropped to zero, thus there were no enrollee directors as of December 31, 2021.

The Board of Directors shall be entitled to be reimbursed for any expenses paid by them on account of attendance at any regular or special meeting of the Board of Directors and the Board may fix the compensation of directors from time to time by resolution of the Board.

COMMITTEES

The Bylaws provide that the Board of Directors, by resolution, may establish one or more committees, including an executive committee, and appoint members of the Board of Directors to serve on them. Each committee may have one (1) or more members, who serve at the will of the Board of Directors. Each committee

shall have the power and duties delegated to it by the Board of Directors.

There shall be a strategic management committee composed of MHN and Wellmark representatives. The committee members will collaborate in management and decisions will be made with the agreement of at least one representative of both Wellmark and MHN. The strategic management committee is subject to the oversight of the Board of Directors and will report its actions to the Board of Directors.

In 2021, the Board approved dissolving the Compliance Committee and referring all compliance matters to the Board's oversight.

OFFICERS

The Bylaws provide that the executive officers of the Company shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer, and such other officers as may from time to time be elected by the Board of Directors. One person may hold the offices and perform the duties of any two or more of said offices. The officers of the Company shall be elected annually by the Board of Directors at the annual meeting. Each such officer shall hold office until the next succeeding annual meeting of the Board of Directors and until his or her successor shall have been duly chosen and shall qualify or until his or her death or until he or she shall resign or shall have been removed.

Subject to the control of the Board of Directors, the President shall have general charge of and direct the operations of the Company and shall be the chief executive officer of the Company. The President shall, when present, preside at all meetings of the shareholders. The President shall, when present, preside at all meetings of the Board of Directors. The President shall keep the Board of Directors fully informed and shall freely consult with them concerning the business of the Company in his or her charge.

The following is a list of elected officers and their respective titles as of December 31, 2021:

<u>Name</u>	<u>Title</u>
Laura J. Jackson	President
David S. Brown	Treasurer
Scott A. Sundstrom	Secretary
Peter R. Kitundu	Chief Compliance Officer

CONFLICT OF INTEREST

The Company's procedure for ensuring the disclosure of any possible conflicts of interest on the part of directors, officers and key personnel is performed by its ultimate parent and consists of a form regarding the absence of any conflicts of interest. The form is to be signed annually and submitted to the Board of the ultimate parent for review. An examination review of the signed statements maintained by the ultimate parent indicated there were no conflicts of interest during the period covered by this examination.

CORPORATE RECORDS

The minutes of the meetings of the shareholders, Board of Directors and Board committees were read and noted. They were complete and were properly attested.

The Articles of Incorporation and the Bylaws were not amended during the examination period, other than the name change of the Company as noted above.

FIDELITY BONDS AND OTHER INSURANCE

The Company is covered under the various policies of its ultimate parent. The other interests of the Company appear to be adequately protected through coverages afforded by policies in force with admitted insurers.

RELATED PARTY AGREEMENTS

Parental Guarantee

As required by licensure agreements with the Blue Cross and Blue Shield Association, Wellmark, Inc. has executed parental guarantees pursuant to which it guarantees to the full extent of its assets, all contractual and financial obligations of Wellmark Value Health Plan, Inc.

Wellmark, Inc. and Wellmark Value Health Plan, Inc. entered into a parental guarantee on April 4, 2016, pursuant to which Wellmark, Inc. agreed to guarantee Wellmark Value Health Plan, Inc.'s compliance with Iowa capital and surplus minimum requirements for an HMO.

Investment and Management Services Agreement

Wellmark, Inc. provides investment and management services to Wellmark Value Health Plan, Inc. per the Agreement effective April 6, 2016, with the latest amendment effective January 1, 2020. Wellmark Value Health Plan, Inc. pays for all costs and expenses incurred by Wellmark, Inc. attributable or related to the performance of services in the Agreement. Wellmark, Inc. is paid for the services using a per enrollee per month fee. Wellmark, Inc. provides the following services to Wellmark Value Health Plan, Inc. in accordance with the terms in the agreement: network management and contracting; product management; operations services; financial, investment, and asset management; care management; data management; distribution and marketing; digital web tools; pharmacy benefits management; and support services.

REINSURANCE

The Company did not have any reinsurance agreements during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company received its Certificate of Authority as an HMO from the State of Iowa Insurance Division on April 13, 2016 under Chapter 514B of the Code of Iowa and commenced business on January 1, 2017, providing health insurance on the Individual Market Affordable Care Act Exchange, in addition to writing small-group health insurance. The Company is the result of a joint venture between Wellmark, Inc. and Mercy Health Network, Inc. and offered individual and small group policies in a limited number of counties in the State of Iowa. MHN and its affiliates are the network providers for WVHP.

Effective January 1, 2022, the Company no longer offers contracts for covered health care services. The Company does provide administrative services to one self-insured employer group health care plan.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data taken from the filed annual statements for the years indicated.

(thousands omitted)

<u>Year</u>	<u>Assets</u>	<u>A&H Reserves</u>	<u>Surplus</u>	<u>A&H Premiums</u>	<u>A&H Claims</u>	<u>Investment Income</u>	<u>Realized Capital Gains</u>	<u>Net Income</u>
2021	\$ 6,758	\$ 184	\$ 6,143	\$ (3,825)	\$ 607	\$ 15	\$ 0	\$ 106
2020	18,809	5,022	11,656	10,751	9,156	119	0	4,822
2019	27,101	11,435	13,237	36,392	14,748	349	0	6,662
2018	8,623	1,014	6,656	1,218	697	177	0	178
2017	10,534	2,187	6,468	11,197	7,707	55	0	1,700

ACCOUNTS AND RECORDS

Trial balances of the Company's general ledgers were taken for each year under examination and were found to be in agreement with the office copies of the filed annual statements for those years. Cash receipts and disbursements were tested to the extent deemed necessary.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2021.

SUBSEQUENT EVENTS

Wellmark Value Health Plan, Inc.

Effective January 1, 2021, the Company no longer offers contracts for covered health care services. It currently provides administrative services to one self-insured employer group health plan.

FINANCIAL STATEMENTS
AND COMMENTS THEREON

Note: The following financial statements are based on the statutory financial statements filed by the Company with the Iowa Insurance Division and present the financial condition of the Company for the period ending December 31, 2021.

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Cash, cash equivalents, and short-term investments	\$ 4,933,998	\$ 0	\$ 4,933,998
Amounts receivable relating to uninsured plans	1,867,846	95,508	1,772,338
Current federal and foreign income tax recoverable	19,800		19,800
Net deferred tax asset	22,000		22,000
Health care and other amounts receivable	<u>18,470</u>	<u>8,470</u>	<u>10,000</u>
 Total Assets	 <u>\$ 6,862,114</u>	 <u>\$ 103,978</u>	 <u>\$ 6,758,136</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Claims unpaid	\$ 371,219
Aggregate health policy reserves	184,000
General expenses due or accrued	1,338
Amounts due to parent, subsidiaries, and affiliates	<u>58,107</u>
 Total Liabilities	 <u>\$ 614,664</u>
 Common capital stock	 \$ 5,000,000
Unassigned funds (surplus)	<u>1,143,472</u>
 Total Surplus and Other Funds	 <u>6,143,472</u>
 Total Liabilities, Surplus and Other Funds	 <u>\$ 6,758,136</u>

STATEMENT OF REVENUE AND EXPENSES

Member months	2,250
Net premium income	\$ (3,824,741)
Change in unearned premium reserves and reserve for rate credits	4,018,027
Total revenues	<u>\$ 193,286</u>
<u>Hospital and Medical:</u>	
Hospital/medical benefits	\$ 297,006
Other professional services	29,890
Outside referrals	56,728
Prescription drugs	223,197
Subtotal	<u>\$ 606,821</u>
<u>Less:</u>	
Total hospital and medical	\$ 606,821
Claims adjustment expenses	(82,741)
General administrative expenses	(444,638)
Total underwriting deductions	<u>79,442</u>
Net underwriting gain or (loss)	\$ 113,844
Net investment income earned	15,102
Net investment gains	<u>15,102</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ 128,946
Federal and foreign income taxes incurred	<u>23,000</u>
Net income	<u>\$ 105,946</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	<u>\$ 11,656,098</u>
Net Income	\$ 105,946
Change in net deferred income tax	\$ (110,000)
Change in non-admitted assets	491,428
Dividends to stockholders	<u>(6,000,000)</u>
Net change in capital and surplus for the year	<u>\$ (5,512,626)</u>
Capital and Surplus, December 31, 2021	<u>\$ 6,143,472</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$ (4,407,288)	
Net investment income	15,102	
Total		<u>\$ (4,392,186)</u>
Benefit and loss related payments	\$ 940,360	
Commissions, expenses paid and aggregate write-ins for deductions	(685,124)	
Federal and foreign income taxes paid (recovered)	25,000	
Total		<u>280,236</u>
Net cash from operations		<u>\$ (4,672,422)</u>

Cash from Investments

Net cash from investments		<u>\$ 0</u>
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Cash from Financing and Miscellaneous Sources

Dividends to stockholders	\$ 6,000,000	
Other cash provided (applied)	(334,918)	
Net cash from financing and miscellaneous sources		<u>\$ (6334,918)</u>

Reconciliation of Cash, Cash Equivalents, and Short-Term Investments

Net change in cash, cash equivalents and short-term investments		\$ (11,007,340)
Cash, cash equivalents and short-term investments:		
Beginning of year		15,941,338
End of year		<u>\$ 4,933,998</u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, examiners from the Iowa Insurance Division, INS Regulatory Insurance Services, Inc., information systems specialists, and Insurance Strategies Consulting, LLC, actuarial specialists, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Cecilee Diamond-Houdek
Cecilee Diamond-Houdek, CFE, CPA, MCM
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
on behalf of the Iowa Insurance Division
State of Iowa

/s/ Amanda Theisen
Amanda Theisen, CFE, PIR, MCM
Assistant Chief – Examinations
Iowa Insurance Division
State of Iowa