

EXAMINATION REPORT OF
IOWA TOTAL CARE, INC.
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2022

Des Moines, Iowa
June 7, 2024

HONORABLE DOUG OMMEN
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

IOWA TOTAL CARE, INC.

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2022

at its statutory office located at 1080 Jordan Creek Pkwy, West Des Moines, Iowa 50266.

INTRODUCTION

Iowa Total Care, Inc., hereinafter referred to as the “Company” was last examined as of December 31, 2017. The examination herein was part of a coordinated examination of the Centene Group of insurance companies. The state insurance departments of Alabama, Arkansas, Arizona, California, Connecticut, Florida, Hawaii, Illinois, Iowa, Kansas, Kentucky, Louisiana, Maine, Michigan, Mississippi, Missouri, Nebraska, New Hampshire, New Jersey, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Pennsylvania, Rhode Island, Tennessee, Texas, Vermont, Virginia, Washington, and Wisconsin participated in this coordinated examination, with Texas serving as the lead state.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the intervening period from January 1, 2018, to the close of business on December 31, 2022, including any material transactions and/or 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. The Handbook requires 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.

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

HISTORY

The Company was incorporated on February 13, 2014, as a health maintenance organization under the provisions of Iowa Code Chapters 490 and 514B and received its certificate of authority to do business on March 6, 2015. The Company’s certificate of authority is limited to the Iowa High Quality Healthcare Initiative.

CAPITAL STOCK AND DIVIDENDS

The Amended Articles of Incorporation provide that the number of shares authorized is one thousand (1,000) shares, all of which shall be common stock and shall have a \$1.00 par value. At December 31, 2022, the Company had 1,000 shares of common stock issued and outstanding with a total stated value of \$1,000 and \$149,999,000 of gross paid in and contributed surplus. The Company’s parent, Centene Corporation, owns 100 percent of the stock issued by the Company.

The Company received paid in capital contributions during the examination period as follows:

2020	\$83,000,000
2019	\$66,000,000

The Company paid dividends to stockholders during the examination period as follows:

2022	\$22,000,000
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INSURANCE 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, 2022, identifying the Company and its relation to the ultimate parent of the Holding Company System, is shown below.

	NAIC Company Code	Domiciliary State / Country
Centene Corporation		DE
Iowa Total Care, Inc	15713	IA
Centene Management Company LLC		WI
Envolve Holdings, LLC		DE
Envolve PeopleCare, Inc.		
Envolve Benefits Options, Inc		DE
Envolve Vision Benefits, Inc.		DE
Envolve Pharmacy Solutions, Inc.		DE
Specialty Therapeutic Care Holdings LLC		DE
AcariaHealth Inc.		DE

MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws state that the annual meeting of the shareholders shall be held on the third Tuesday in the month of May in each year, at 10 o'clock A.M. If the annual meeting date shall be a legal holiday, the meeting shall be held on the next succeeding business day at the same time and place. If the election of directors shall not be held on the day designated herein for such annual meeting, or at any adjournment thereof, the Board shall cause the election to be held at a special shareholder meeting as soon thereafter as conveniently may be.

Special shareholder meetings, for any purpose or purposes, unless otherwise prescribed by statute, may be called by the President or the Board, and shall be called by the President at the written request of the holders of not less than one-tenth of the outstanding shares entitled to vote at the meeting. Such request shall state the purpose or purposes of the meeting.

The Board may designate any place, either within or without the State of Iowa, for any annual meeting or for any special meeting called by the Board. A waiver of notice signed by all shareholders entitled to vote thereat may designate any place, either within or without the State of Iowa, as the place of the holding of such meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Iowa, but any meeting may be adjourned to reconvene at any place designated by vote of a majority of the shares represented thereat.

Any action required or permitted by law or the Articles of Incorporation or these Bylaws to be taken at a meeting of shareholders may be taken without a meeting if a consent in writing setting forth the action so taken shall be signed by the holders of outstanding shares having not less than 90% of the votes entitled to be cast at a shareholders meeting. Prompt notice of the taking of any such corporate action by consent shall be given to those shareholders of the Corporation who have not signed a written consent approving of the action so taken.

BOARD OF DIRECTORS

The business and affairs of the Corporation shall be managed by the Board. The number of directors to constitute the Board shall never be less than one. The shareholders or the Board of Directors may at any time, and from time to time, change the number of directors to constitute the Board of Directors by adopting a resolution fixing the new number of directors, provided that any notice of such change required by law is duly given.

The annual meeting of the Board shall be held immediately after the adjournment of the annual meeting of the shareholders and at the same place where said meeting of shareholders finally adjourned. The Board shall meet for the purpose of election of officers and the transaction of other business. Such meeting may be held at any other time or place specified in a notice given as hereinafter provided for special meetings of the Board or in a consent and waiver of notice signed by all directors.

Special meetings of the Board shall be held whenever called by the President or one-third of the directors in office. Notice of each such meeting shall be mailed to each director, at the director's address as it appears on the books of the Corporation, at least five days before the meeting, or shall be sent to the director at such place by telegraph, cable, radio or wireless, or delivered personally or by telephone not later than the second day before the meeting. Each notice shall state the time and place of the meeting. Unless otherwise indicated in the notice, any and all business may be transacted at a special meeting. At any meeting at which every director is present, even without any notice, any business may be transacted.

A quorum shall consist of a majority of the directors; but if at any meeting there be less than a quorum present, a majority of the directors present may adjourn the meeting without notice until a quorum shall be present. At all meetings of directors, a quorum being present, the act of the majority of the directors present shall be the act of the Board.

Any action required or permitted by law or the Articles of Incorporation or these Bylaws to be taken at any meeting of the Board 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 then in office.

Elected directors at December 31, 2022 were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Scott C.R. Erwin Ankeny, Iowa	Plan Chief Financial Officer, Iowa Total Care, Inc.	2023
Mitchell L. Wasden Waukee, Iowa	Plan President and Chief Executive Officer, Iowa Total Care, Inc.	2023
Jennifer A. Ready Marion, Iowa	Retired Medical Billing Specialist	2023

COMMITTEES

The Board of Directors, by vote of a majority of the number of directors, may establish one or more committees, each committee to consist of such number of directors elected by the Board, to serve at the will of the Board and to have the powers and duties delegated to it by the Board. Each such committee may set rules governing the conduct of its activities.

The Company’s Board of Directors does not currently have any committees. The Board of Directors has designated the Audit Committee of the parent, Centene Corporation, to serve as the independent audit committee.

OFFICERS

The Bylaws prescribe that the executive officers shall be chosen by the Board at its annual meeting. Each such officer shall hold office until the next succeeding annual board meeting and until a successor shall have been duly chosen and shall qualify or until death, resignation, or removal. The executive officers shall be a President, one or more Vice Presidents, a Secretary, and a Treasurer. None of the officers need be directors. One person may hold the offices and perform the duties of any two or more of said offices.

Elected Senior Officers serving as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Mitchell L. Wasden	President
Christopher A. Koster	Secretary
James E. Snyder III	Treasurer
Tricia L. Dinkelman	Vice President of Tax

Salary related expenses are allocated to the Company through the Management Agreement with Centene Management Company LLC. The allocated salary related expenses are shown in Exhibit A to be found immediately following the signature page of this report.

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. No conflicts of interest were disclosed during the examination period.

CORPORATE RECORDS

The Company amended its Articles of Incorporation on April 29, 2019, to change the principal place of business of the Corporation to West Des Moines, Iowa. and its Bylaws on May 21, 2019. There were no changes to the Bylaws during the period under examination.

The unanimous written consents of the shareholder 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.

The minutes of the Board meetings did not acknowledge the review and receipt of the Report of Examination as of December 31, 2017, by the Iowa Insurance Division as required by Iowa Code 507.10-4a.

INTERCOMPANY AGREEMENTS

The Company had the following affiliated agreements at December 31, 2022:

Tax Sharing Agreement

Effective July 1, 2019, the Company entered into a Tax Sharing Agreement with Centene Corporation and subsidiaries. The Company will allocate the consolidated tax under the “percentage method” or “immediate payment method.” The percentage method allocates the tax liability to each member based on the member’s contribution to consolidated income. Under the immediate payment method, the full actual tax liability of the group is allocated under Code section 1552(a)(1) and Treas. Reg. section 1.1552-1(a)(1)(ii). If a member’s separate return tax liability exceeds the amount so allocated, an additional amount is allocated equal to a fixed percentage of the excess.

Management Agreement

Effective July 1, 2019, the Company entered into a Management Agreement with Centene Management Company LLC (CMC). Under this agreement, CMC will provide administrative and financial services to manage the Company’s business operations. Subsequently to the examination date, the Management Agreement was amended and restated effective 01/01/2023. This amendment and restatement essentially replaced the agreement in its entirety.

Master Services Agreement

Effective July 1, 2019, the Company entered into a Master Services Agreement with Envolve PeopleCare Inc. (EPC). Under this agreement, EPC will provide managed care services including Disease Management, Nurse and Crisis Line services to Iowa Total Care, Inc. members. This agreement has been amended five times during the examination period to add additional services, adding language to perform services, replacing procedures, adjust compensation and update operational nurse advice line responsibilities and provide telemedicine options.

Participating Provider Agreement

Effective February 1, 2021, the Company entered into a Preferred Provider Agreement with AcariaHealth, Inc. Under the agreement, AcariaHealth will provide home infusion therapy services to ITC’s eligible enrollees.

Pharmacy Benefit Management Services Agreement

Effective July 1, 2019, the Company entered into a Pharmacy Benefit Management Services Agreement with Envolve Pharmacy Solutions, Inc. (EPS). Under this agreement, EPS provides services to manage the pharmacy benefits offered to ITC's members. This agreement has been amended three times during the examination period. Subsequently to the examination period, EPS changed its name to Centene Pharmacy Services, Inc. and the agreement with EPS was replaced with an administrative pharmacy services agreement with CPS effective January 1, 2023.

Vision Services Agreement

Effective July 1, 2019, the Company entered into a Vision Services Agreement with Envolve Vision, Inc. (EV). Under this agreement, EV provides services to arrange for covered vision benefits offered to ITC's members. This agreement has been amended three times during the examination period to update legal rulings and required prior approval statements, update monthly and quarterly reports and to change services provided to a 'no profit/no loss basis.'

Administrative Radiology Services Agreement

Effective April 1, 2022, the Company entered into an Administrative Radiology Services Agreement with National Imaging Associates, Inc. (NIA). Under this agreement, NIA provides covered radiology services offered to ITC's members. This agreement has been amended to add Iowa Total Care, Inc. as a party member to Primary Medical Provider and include the ASO rates for the Iowa market. Subsequent to the examination date, on January 20, 2023, Centene Corporation divested National Imaging Associates, Inc.

FIDELITY BONDS AND OTHER INSURANCE

The Company's ultimate parent, Centene Corporation, maintains fidelity bond coverage up to \$10,000,000, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC.

EMPLOYEES' WELFARE

The Company does not have any direct employees.

REINSURANCE

CEDED

In 2022, the Company had a HMO Specific Excess Loss Reinsurance Agreement with PartnerRe America Insurance Company, an authorized insurer. The agreement covered membership services for Medicaid Temporary Assistance for Needy Families (TANF), Expansion, SSI Dual and SSI Non-Dual Covered Persons. The Company's retention was \$5,000,000. The reinsurer's share of indemnification was equal to 80% of expenses in excess of \$5,000,000 per covered person per agreement term.

STATUTORY DEPOSIT

As of December 31, 2022, 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. The Company's certificate of authority is limited to the Iowa High Quality Healthcare Initiative.

The Company contracted with the Iowa Department of Human Services to provide healthcare benefits and services to eligible members starting on January 1, 2016. Under this contract, the Company provides managed care services to enrollees within Iowa Medicaid, Iowa Health and Wellness Plan, and Health and Well Kids in Iowa (hawk-I). This contract will expire in June 2025.

GROWTH OF COMPANY

The growth of the Company is reflected by the following data obtained from the Company’s filed annual statements and covers the examination period:

<u>Year</u>	<u>Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Premium Income</u>	<u>Members</u>
2018	\$ 1,000,000	\$ 0	\$ 1,000,000	\$ 0	\$ 0
2019	285,959,993	211,729,075	74,230,918	1,045,730,245	264,567
2020	388,930,775	200,660,997	188,269,778	2,227,561,267	299,167
2021	580,053,635	357,101,357	222,952,278	2,517,784,953	327,224
2022	529,683,114	272,279,975	257,403,139	2,642,794,909	365,479

ACCOUNTS AND RECORDS

The amounts contained in the Company’s Annual Statement for the years 2018 through 2022 were found to be in agreement with or reconciled to those recorded in the general ledger for assets, liabilities, income, and disbursement accounts.

During the course of the examination, no material aggregate surplus difference was identified from the amount reflected in the financial statements, as present in the annual statement as of December 31, 2022.

SUBSEQUENT EVENTS

The Company’s contract with the State of Iowa to provide Iowa Medicaid service is set to expire in June 2025.

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, 2022.

STATEMENT OF ASSETS, LIABILITIES AND SURPLUS

ASSETS

	<u>Admitted</u>	<u>Not Admitted</u>	<u>Net Admitted</u>
Bonds	\$256,838,891		\$256,838,891
Cash	144,759,457		144,759,457
Other invested assets	<u>4,288,586</u>		<u>4,288,586</u>
Subtotals, cash and invested assets	\$405,886,934		\$405,886,934
Investment income due and accrued	1,668,611		1,668,611
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	108,128,923		108,128,923
Net deferred tax asset	6,571,051	\$275,800	6,295,251
Receivables from parent, subsidiaries, and affiliates	265,491		265,491
Health care and other amounts receivable	33,646,365	26,208,461	7,437,904
Aggregate write-ins for other than invested assets	<u>1,800,000</u>	<u>1,800,000</u>	<u>0</u>
Total Assets	<u>\$557,967,375</u>	<u>\$28,284,261</u>	<u>\$529,683,114</u>

LIABILITIES AND SURPLUS

Claims unpaid	\$237,355,433
Accrued medical incentive pool and bonus amounts	5,928,404
Unpaid claims adjustment expense	2,471,000
Aggregate health policy reserves	17,580,658
General expenses due or accrued	755,460
Current federal and foreign income tax payable and interest thereon	4,145,404
Ceded reinsurance premiums payable	55,587
Amounts due to parent, subsidiaries, and affiliates	3,824,718
Aggregate write-ins for other liabilities	<u>163,311</u>
Total Liabilities	\$272,279,975
Common capital stock	1,000
Gross paid in and contributed surplus	149,999,000
Unassigned funds (surplus)	107,403,139
Total capital and surplus	<u>257,403,139</u>
Total liabilities, capital and surplus	<u>\$529,683,114</u>

STATEMENT OF REVENUE AND EXPENSES

Member months		4,169,433
Net premium income		<u>\$2,642,794,909</u>
Total revenues		\$2,642,794,909
Hospital/medical benefits	\$1,924,971,245	
Other professional services	40,376,496	
Emergency room and out-of-area	129,456,642	
Prescription drugs	358,927,375	
Incentive pool, withhold adjustments and bonus amounts	<u>10,051,649</u>	
Subtotal		2,463,783,407
Claims adjustment	26,355,353	
General administrative expenses	<u>114,197,953</u>	
Total underwriting deductions		2,604,336,713
Net underwriting gain or (loss)		<u>38,458,196</u>
Net investment income earned	7,382,658	
Net realized capital gains (losses)	<u>0</u>	
Net investment gains (losses)		7,382,658
Aggregate write-ins for other income or expenses		<u>(114,190)</u>
Net income or (loss) before all other federal income taxes		45,726,664
Federal and foreign income taxes incurred		<u>9,181,108</u>
Net income (loss)		<u><u>36,545,556</u></u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year		<u>\$ 222,952,274</u>
Net income or (loss)		36,545,556
Change in net unrealized gains (losses) less capital gains tax of \$3,597		13,532
Change in net deferred income tax		(5,912,296)
Change in non-admitted assets		25,804,073
Dividends to stockholders		<u>(22,000,000)</u>
Net change in capital and surplus		<u>34,450,865</u>
Capital and surplus end of reporting period		<u>\$ 257,403,139</u>

CASH FLOW

CASH FROM OPERATIONS

Premiums collected net of reinsurance	\$ 2,718,178,282	
Net investment income	7,355,886	
Miscellaneous income	<u>0</u>	
Total		\$2,725,534,168
Benefit and loss related payments	\$ 2,520,360,994	
Commissions, expenses paid and aggregate write-ins	140,511,591	
Federal income taxes paid (recovered)	<u>7,023,320</u>	
Total		<u>2,667,895,905</u>
Net cash from operations		<u>\$ 57,638,263</u>

CASH FROM INVESTMENTS

Proceeds from investments sold, matured, or repaid:		
Bonds	\$ 21,072,306	
Other invested assets	<u>59,634</u>	
Total investment proceeds		21,131,940
Cost of investments acquired (long-term only):		
Bonds	\$ 56,028,687	
Other invested assets	<u>768,750</u>	
Total investments acquired		<u>56,797,437</u>
Net cash from investments		<u>\$ (35,665,497)</u>

CASH FROM FINANCING AND MISCELLANEOUS SOURCES

Cash provided (applied):		
Dividend to stockholders	\$ 22,000,000	
Other cash provided (applied)	<u>17,700,131</u>	
Net cash from financing and miscellaneous sources		<u>\$ (4,299,869)</u>

RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments		17,672,897
Cash and short-term investments:		
Beginning of year		<u>127,086,510</u>
End of year		<u>\$ 144,759,407</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, the following participated in the examination, James Menck, CFE and Stefan Obereichholz-Bangert, AES, CISA, CISM, CDPSE, of Noble Consulting Services, Inc., representing the Iowa Insurance Division. Additionally, Sean Fulton, ASA, MAAA and Matthew Richard, ASA, MAAA of Texas Department of Insurance participated in the actuarial portion of the examination.

Respectfully submitted,

/s/ Brian Sewell

Brian Sewell, CFE
Examiner in Charge
Noble Consulting Services, Inc. on behalf of the
Iowa Insurance Division

/s/ Amanda Theisen

Amanda Theisen, CFE, PIR, MCM
Supervisor and Assistant Chief Examiner
Iowa Insurance Division