

EXAMINATION REPORT OF
AMERIGROUP IOWA, INC.
DES MOINES, IOWA
AS OF DECEMBER 31, 2022

Des Moines, Iowa
May 30, 2024

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

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

AMERIGROUP IOWA, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2022

with the Home Office located at 4800 Westown Parkway, Bldg 3, Suite 200, West Des Moines, Iowa.

INTRODUCTION

Amerigroup Iowa, Inc., hereinafter referred to as “AGP-IA” or the “Company,” was last examined as of December 31, 2017. The examination was conducted in coordination with the jurisdictions of Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Indiana, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, West Virginia, and Wisconsin with Indiana 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 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

The Company was incorporated on April 28, 2015, as a health maintenance organization under the provisions of Iowa Code Chapters 490 and 514B. The Company was initially authorized with a license limited to the Iowa High Quality Healthcare Initiative. As of January 24, 2017, the Company's certificate of authority was expanded to include Medicare Advantage.

CAPITAL STOCK AND DIVIDENDS

Per the Articles of Incorporation, the Company is authorized to issue 1,000 shares of common stock, at \$0.01 par value per share. As of December 31, 2022, all 1,000 shares of common capital stock were issued and outstanding to the immediate parent, Amerigroup Corporation.

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

2019	\$55,000,000
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The payment of dividends by the Company to its stockholders is regulated under Iowa law. Under Iowa law, the Company may pay dividends only from the earned surplus arising from its business and must receive prior approval of the Commissioner of Insurance of the State of Iowa to pay any dividend that would exceed certain statutory limitations.

Dividends paid to stockholders during the examination period were as follows:

2021	\$150,000,000
2022	\$120,000,000

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Iowa Code Chapter 521A. The Company is a wholly-owned subsidiary of Amerigroup Corporation, which is a wholly-owned subsidiary of Elevance Health, Inc. (Elevance), a publicly traded company and the largest health benefits company in terms of membership in the United States as of December 31, 2022. An abbreviated organizational chart showing the relationships between the Company, its parent, and affiliated companies is shown below:

	NAIC Company <u>Code</u>	Domiciliary State / <u>Country</u>
Elevance Health, Inc. (IN)		IN
ATH Holding Company, LLC		IN
AMERIGROUP Corporation		DE
AMERIGROUP Community Care of New Mexico, Inc.	12354	NM
AMERIGROUP Insurance Company, Inc.	14078	TX
AMERIGROUP Iowa, Inc.	15807	IA
AMERIGROUP Maryland, Inc.	95832	MD
AMERIGROUP New Jersey, Inc.	95373	NJ
AMERIGROUP Ohio, Inc.	10767	OH
AMERIGROUP Oklahoma, Inc.	15994	OK
AMERIGROUP Pennsylvania, Inc.	16339	PA
AMERIGROUP Tennessee, Inc.	12941	TN
AMERIGROUP Texas, Inc.	95314	TX
AMERIGROUP Washington, Inc.	14073	WA
AMGP Georgia Managed Care Company, Inc.	12229	GA
Community Care Health Plan of Nevada, Inc.	12586	NV
Freedom Health, Inc.	10119	FL
HealthPlus HP, LLC	16574	NY
HealthSun Health Plans, Inc.	10122	FL
Optimum Healthcare, Inc.	12259	FL
Simply Healthcare Plans, Inc.	13726	FL

MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws state that the annual meetings of the shareholders shall be held on June 15 of each year, if not a legal holiday, and, if a legal holiday, then on the next secular day following or at such other date and time as shall be designated from time to time by the Board of Directors (Board) or Chief Executive Officer.

Special meetings of the shareholders, for any purpose may be called by the Board or the President and shall be called by AGP-IA's President or Secretary at the request in writing of a majority of the Board, or at the request in writing of shareholders owning not less than one-fifth in amount of the entire capital stock of AGP-IA issued and outstanding and entitled to vote. Business transacted at any special meeting shall be limited to matters related to the purpose stated in the notice of the meeting.

BOARD OF DIRECTORS

The Bylaws state that the Board shall consist of at least three (3) and not more than twelve (12) directors, with the actual number of directors being fixed from time to time by resolution of the Board or shareholders. Directors shall be elected at the annual meeting or any special meeting of the shareholders.

Regular meetings of the Board may be held without notice at such time and at such place as shall be determined by the Board. A regular meeting of the Board may be held without notice immediately after and at the same place as the annual meeting of shareholders. Special meetings of the Board may be called by the President, Secretary, or on the written request of two (2) or more directors, or by one (1) director in the event that there is only one (1) director in office. Two (2) days notice to each director if notified personally or by commercial delivery service, or three (3) days' notice by written notice deposited in the mail, shall be given to each director with respect to special meetings.

A majority of the directors, but in no event less than one-third of the entire Board, shall constitute a quorum for the transaction of business.

Duly elected and qualified directors serving at December 31, 2022 were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Jennifer A. Dewane Indianapolis, IN	Vice President and Counsel, Medicare and Medicaid Elevance Health, Inc.	2023
Jeffrey D. Jones Virginia Beach, VA	President Amerigroup Iowa, Inc.	2023
Brittany L. Drake Carroll, IA	Retired Certified Nurse Assistant	2023

COMMITTEES

The Company does not have any standing committees but rather, the Company is overseen by Elevance's committees. These committees include Audit, Compensation and Talent, Governance, and Finance.

- The purpose of the Audit Committee of Elevance is to assist the Elevance Board of Directors (Elevance Board) in overseeing the systems of internal controls over financial reporting, Elevance's accounting and financial reporting practices, compliance with legal and regulatory requirements, and similar oversight responsibilities.
- The purpose of the Compensation Committee is to assist the Elevance Board in their responsibilities relating to compensation and benefits provided by the Company to its executive officers and other employees.
- The Governance Committee has the responsibility of assisting the Elevance Board in recommending individuals to the Elevance Board for nomination, developing and recommending corporate governance guidelines, and determining the compensation of non-employee members.
- The Finance Committee is to assist the Board in fulfilling its responsibilities related to the capital structure, financial policies, financing strategies and financial condition of the Company. The Committee is not responsible for oversight of the Company's financial reporting which shall be the responsibility of the Audit Committee.

OFFICERS

The officers of the Company shall be a Chairperson, a President, a Secretary, and a Treasurer and such other officers as the Board shall determine including, but not limited to, one (1) or more Vice President(s). The Board of Directors shall choose the officers of the Corporation. Officers shall hold office until their successors are chosen and qualify, unless a different term is specified in the vote choosing or appointing such officer, or until such officer's earlier death, resignation or removal.

Elected officers serving at December 31, 2022 are as follows:

<u>Name</u>	<u>Title</u>
Jeffrey D. Jones*	Chairperson, President, and Chief Executive Officer
Jennifer A. Dewane	Vice President and Counsel, Medicare and Medicaid
Kathleen S. Kiefer	Secretary
Vincent E. Scher	Treasurer
Eric K. Noble	Assistant Treasurer

* Teresa Hursey replaced Jeffrey Jones as President and Chief Executive Officer on June 15, 2023.

The Company's officers are also employees of Elevance Health, Inc. with salary related expenses allocated through the Management and Administrative Services Agreement. The allocated salary related expenses are shown in Exhibit A to be found immediately following the signature page of this report.

CONFLICT OF INTEREST

Elevance has an established procedure for the disclosure of any material interest or affiliation on the part of directors, officers, and key employees, which is in, or likely to, conflict with the official duties of such person. While conflicts were disclosed, none were deemed to materially impact the interests of the Company.

CORPORATE RECORDS

The Bylaws were amended September 11, 2018, to require that at least 30 percent of the Directors, rather than just one Director as was previously required, shall be enrollees of the Corporation.

The recorded minutes of the meetings of the Shareholders and the Board were reviewed for the examination period.

The minutes of the Board meetings held November 7, 2019, acknowledged the review and receipt of the Report of Examination as of December 31, 2017, by the Iowa Insurance Division.

INTERCOMPANY AGREEMENTS

Master Administrative Services Agreement

Effective July 1, 2018, the Company amended and restated the Master Administrative Services Agreement (MASA) with Elevance Health, Inc. and its subsidiaries. Under the MASA, the Company Providing Services include claims processing, enrollment and billing, benefit administration, employee assistance program, call center services,

managed healthcare services, medical claims review, plan performance reporting, information technology services, third party administrator services and provider network access, management and contracting.

Consolidated Tax Allocation Agreement

Effective August 4, 2015, the Company entered into a Consolidated Federal income Tax Agreement with Elevance Health, Inc. whereby, the allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis and is recorded as part of the federal income tax receivable or payable. Federal income tax balances are settled based on the Internal Revenue Service due dates.

Beacon Management Services Agreement

Effective January 1, 2021, the Company amended and restated the Master Services Agreement with Beacon Health Strategies, LLC and Beacon Health Options, Inc. together referred as "service providers". Under the amended and restated agreement, the service providers will provide administrative, management, utilization review and related services in connection with mental health and substance abuse services.

FIDELITY BOND AND OTHER INSURANCE

As of December 31, 2022, the Company was covered under Elevance's Financial Institution Bond, which includes fidelity coverage of \$10,000,000 per occurrence, \$20,000,000 annual aggregate which meets the NAIC recommended minimum amount. In addition to the coverage provided under the fidelity bond, the Company, through its parent, carries several insurance policies to cover the hazards to which it is exposed including automobile liability, commercial property, cyber liability, directors and officer's liability, errors and omissions, fiduciary liability, general liability, umbrella liability, and workers' compensation coverage.

EMPLOYEE WELFARE

The Company participates in a deferred compensation plan sponsored by Elevance, which covers certain employees once the participant reaches the maximum contribution amount for the Elevance Health 401(k) Plan. The deferred amounts are payable according to the terms and subject to the conditions of said deferred compensation plan. Elevance allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. The Company has no legal obligation for benefits under this plan. During 2022, the Company was allocated costs of \$25,866 related to this deferred compensation plan.

The Company participates in the Elevance Health 401(k) Plan, sponsored by ATH Holding Company, LLC (ATH Holding) and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding, subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan. During 2022, the Company was allocated costs of \$2,665,193 related to this defined contribution plan.

The Company participates in a stock incentive compensation plan, sponsored by Elevance, providing incentive awards to non-employee directors and employees, consisting of Elevance stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, and performance units. Elevance Health allocates a share of the total share-based compensation expense of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan. During 2022, the Company was allocated costs of \$1,612,635 related to this stock incentive compensation plan.

STATUTORY DEPOSIT

The Company held no restricted assets at December 31, 2022.

TERRITORY AND PLAN OF OPERATION

The Company began enrolling members in April 2016 pursuant to their participation in the Iowa High Quality Health Initiative. Through the Iowa High Quality Health Initiative contract, the Company is licensed to operate in all jurisdictions within the state of Iowa. The contract with the state of Iowa originally covers the period from April 1, 2016, to June 30, 2019. The Company has been granted two 2-year extensions that end June 30, 2023.

The Company also manages healthcare services for members as a Medicare Advantage Plan under a contract with Centers for Medicare and Medicaid Services ("CMS").

GROWTH OF COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Member Months</u>
2018	\$317,907,158	\$169,352,834	\$1,445,400,390	2,306,226
2019	655,669,190	308,897,710	2,380,138,249	3,632,065
2020	876,535,768	494,588,845	3,314,084,433	4,869,966
2021	969,746,559	501,131,346	3,407,447,299	5,290,776
2022	1,037,304,286	514,754,365	3,575,476,553	5,513,847

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 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's High Quality Health Initiative has been extended, covering the same populations and services as originally covered within the state of Iowa. The contract period covering July 1, 2023 to June 30, 2027. The Agency has the option to extend this contract up to two (2) additional two-year (2) extensions.

The Company changed its name to Wellpoint Iowa, Inc. effective July 28, 2023.

Teresa Hursey was named President on June 15, 2023.

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 AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Non-Admitted</u>	<u>Admitted</u>
Bonds	\$822,312,922		\$822,312,922
Cash and cash equivalents	55,393,603		55,393,603
Securities lending reinvested collateral assets	28,080,883		28,080,883
Subtotals, cash and invested assets	905,787,408		905,787,408
Investment income due and accrued	6,202,267		6,202,267
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	114,929,275		114,929,275
Accrued retrospective premiums and contracts subject to redetermination	1,821,831		1,821,831
Amounts receivable relating to uninsured plans	618,975		618,975
Net deferred tax asset	5,950,288	157,097	5,793,191
Furniture and equipment, including health care delivery assets	698,836	698,836	0
Health care and other amounts receivable	16,957,178	14,805,839	2,151,339
Aggregate write-ins for other than invested assets	<u>18,840</u>	<u>18,840</u>	<u>0</u>
Total Assets	<u>\$1,052,984,898</u>	<u>\$15,680,612</u>	<u>\$1,037,304,286</u>

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid		\$ 351,049,763
Accrued medical incentive pool and bonus amounts		36,028,921
Unpaid claims adjustment expense		9,004,981
Aggregate health policy reserves		21,739,618
Premiums received in advance		1,923,281
General expenses due or accrued		7,759,298
Current federal and foreign income tax payable and interest thereon		6,934,865
Amounts withheld or retained for the account of others		90
Remittances and items not allocated		123,602
Amounts due to parent, subsidiaries and affiliates		38,451,265
Payables for securities		28,080,883
Liability for amounts held under uninsured plans		16,828,296
Aggregate write-ins for other liabilities		<u>4,625,058</u>
Total Liabilities		\$ 522,549,921
Common capital stock		10
Gross paid in and contributed surplus		450,999,990
Unassigned funds (surplus)		63,754,365
Total capital and surplus		<u>514,754,365</u>
Total liabilities, capital and surplus		<u>\$1,037,304,286</u>

STATEMENT OF REVENUE AND EXPENSES

Member Months	5,513,847
Net premium income	\$3,579,829,648
Change in unearned premium reserves	<u>(4,353,095)</u>
Total revenues	\$3,575,476,553
<u>Hospital and Medical:</u>	
Hospital/medical benefits	\$2,076,447,048
Other professional services	361,592,489
Emergency room and out-of-area	212,184,469
Prescription drugs	514,681,757
Incentive pool	<u>19,055,951</u>
Subtotal	<u>\$3,183,961,714</u>
<u>Less:</u>	
Claims adjustment expenses	\$ 124,404,629
General administrative expenses	<u>92,272,966</u>
Total underwriting deductions	<u>\$3,400,639,309</u>
Net underwriting gain or (loss)	<u>\$ 174,837,244</u>
Net investment income earned	\$ 25,615,820
Net realized capital gains (losses)	<u>(22,985,300)</u>
Net investment gains (losses)	\$ 2,630,520
Miscellaneous income	<u>652,059</u>
Net income after capital gains tax and before all federal income taxes	\$ 178,119,823
Federal and foreign income taxes incurred	<u>41,441,035</u>
Net income (loss)	<u>\$ 136,678,788</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and Surplus prior reporting year	<u>\$ 501,131,346</u>
Gains and (losses) to capital and surplus	
Net Income	\$ 136,678,788
Change in net unrealized capital gains (losses)	(105,229)
Change in net deferred income tax	429,320
Change in nonadmitted assets	(3,379,860)
Dividends to stockholders	<u>(120,000,000)</u>
Net change in capital and surplus	<u>\$ 13,623,019</u>
Capital and Surplus end of reporting period	<u>\$ 514,754,365</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$3,568,953,331	
Net investment income	<u>24,560,048</u>	
Total		\$3,593,513,379

Benefit and loss related payments	3,140,288,926	
Commissions, expenses paid and aggregate write-ins	211,718,887	
Federal income taxes paid (recovered)	<u>35,531,039</u>	
Total		<u>3,387,538,852</u>

Net cash from operations \$ 205,974,527

Cash from Investments

Proceeds from investments sold, matured or repaid:		
Bonds	\$ 727,469,785	
Stocks	753,677	
Net gains or (losses) on cash, cash equivalents and short-term investments	(821)	
Miscellaneous proceeds	<u>30,802,965</u>	
Total investment proceeds		\$ 759,025,606
Cost of investments acquired (long-term only):		
Bonds	<u>807,965,892</u>	
Total investments acquired		<u>807,965,892</u>

Net cash from investments \$ (48,940,286)

Cash from Financing and Miscellaneous Sources

Cash provided (applied):		
Dividend to stockholders	\$ 120,000,000	
Other cash provided (applied)	<u>6,090,598</u>	

Net cash from financing and miscellaneous sources \$ (113,909,402)

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

Net change in cash, cash equivalents and short-term investments		\$ 43,124,839
Cash and short-term investments:		
Beginning of year		<u>12,268,764</u>
End of year		<u>\$ 55,393,603</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, Michael Nadeau and Lisa Warrum, of Noble Consulting Services, Inc. representing the Iowa Insurance Division, participated in the examination and the preparation of this report. Additionally, Kirk Braunius, ASA, MAAA, of Merlinos & Associates, Inc. participated in the actuarial portion of the examination.

Respectfully submitted,

/s/ Brian Sewell

Brian H. Sewell, CFE
Examiner in Charge
Noble Consulting Services, Inc.
Representing the Iowa Insurance Division

/s/ Amanda Theisen

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