

EXAMINATION REPORT OF
HEALTHPARTNERS UNITYPOINT HEALTH
WEST DES MOINES, IOWA
AS OF DECEMBER 31, 2021

West Des Moines, Iowa
May 30, 2023

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 the

HEALTHPARTNERS UNITYPOINT HEALTH

WEST DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its Home Office, 3737 Woodland Ave, Suite 310, West Des Moines, Iowa.

INTRODUCTION

HealthPartners Unity Point Health, hereinafter referred to as the “Company”, was last examined as of December 31, 2019. The examination reported herein was part of a coordinated examination of the HealthPartners Group. The state insurance departments of Minnesota and Iowa participated in this coordinated examination, with Minnesota as the lead state.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the period from January 1, 2020 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. 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.

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

HISTORY

The Company was incorporated on January 28, 2016 under the name of HealthPartners UnityPoint Health, Inc. as a Chapter 490 Corporation. The Company uses the Certificate of Authority issued to its predecessor of the same name that was incorporated under Chapter 504. The predecessor of the same name was dissolved immediately prior to the incorporation of the current entity. The Company commenced writing business in 2017.

CAPITAL STOCK

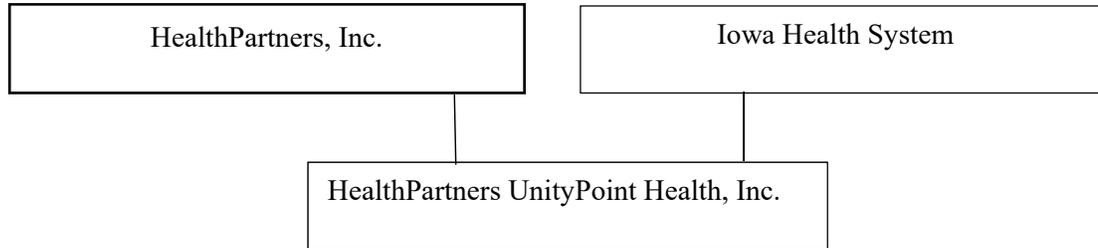
The Company has 250,000 Class A shares and 250,000 Class B shares authorized. At December 31, 2021 the Company had 5,000 Class A and 5,000 Class B shares, issued and outstanding, with a par value of \$100 per share.

No dividends were paid during the period under examination.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The Company is jointly and equally owned by two shareholders, HealthPartners, Inc. (HPI) and Iowa Health System d/b/a Unity Point Health (UPH).

A simplified organizational chart identifying the Holding Company System as of December 31, 2021 follows:



MANAGEMENT AND CONTROL

SHAREHOLDERS

The membership of the Company is limited to two members. Each member is entitled to elect and remove 50 percent of the directors. The Bylaws state that the Class A shareholder shall be UnityPoint Health and the Class B shareholder shall be HealthPartners, Inc.

The annual meeting of the shareholders is held at a time and place determined by the shareholders. Special meetings may be called by the President or the Board. Written or printed notice shall be provided at least ten days but not more than 60 days in advance of any meeting.

At any shareholder meeting the attendance of both shareholders shall constitute a quorum.

BOARD OF DIRECTORS

The Articles of Incorporation provide that the corporate powers of the Company are vested in a Board of Directors consisting of not less than five nor more than 21 Directors. The Bylaws state the number of directors shall be six. Directors are elected for a term of one year. A majority of then-serving directors that includes at least two directors appointed by each class of shareholder shall constitute a quorum.

The officers of the Board shall be a Chairman of the Board, a Vice Chairman, and a Secretary. The shareholders will alternate selecting the Chair and Vice-Chair such that no shareholder shall appoint the Chair and Vice-Chair in any given year.

The Board's annual meeting is held immediately following the annual meeting of the members. The Board of Directors shall meet upon call of the Chairman of the Board, the President, or upon request by one-third of the directors currently in office.

Elected and qualified members serving as directors as of December 31, 2021 were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>	<u>Term Expires</u>
Sharilyn A. Campbell* Minneapolis, Minnesota	Chief Financial Officer and Chief Accounting Officer Group Health Plan, Inc.	2022
Daniel L. Carpenter Urbandale, Iowa	Senior Vice President, Planning Unity Point Health	2022
Patrick T. Courneya Saint Paul, Minnesota	Chief Health Plan Medical Officer Group Health Plan, Inc.	2022
James W. Eppel Edina, Minnesota	Executive Vice President and Chief Administrative Officer Group Health Plan, Inc.	2022
Mallary A. McKinney West Des Moines, Iowa	Chief Marketing and Communications Officer UnityPoint Health	2022
Dr. Megan J. Romine Winterset, Iowa	Medical Director, Clinical Specialist Officer UnityPoint Health	2022

*Sharilyn Campbell left HealthPartners September 1, 2022.

All current directors are employees of HealthPartners or UnityPoint Health and do not receive compensation to serve as Directors of the Company. Directors are reimbursed for expenses incurred to attend meetings.

JOINT MANAGEMENT COMMITTEE

The Bylaws establish the Joint Management Committee as a standing committee of the Company. The Committee shall consist of two individuals appointed by each class of shareholder. The President of the Company will staff the committee as a non-voting participant.

OFFICERS

The Articles provide that the Board shall appoint a President, a Treasurer, and other such officers as deemed necessary.

Officers serving as of December 31, 2021 were:

<u>Name</u>	<u>Title</u>
Rebecca A. Woody	President
Sharilyn Campbell*	Treasurer
Dr. Marcel Devetten**	Secretary

*Sharilyn Campbell left the Company September 1, 2022. Curt Kohner was named Treasurer during the 4th quarter of 2022.

** Dr. Marcel Devetten left the Company March 1, 2022. Mallary McKinney was named Secretary during the 3rd quarter of 2022.

Exhibit A immediately following the signature page of this report contains the salaries of officers if allocated to the Company.

CONFLICT OF INTEREST

The Company has an established procedure for annual disclosure to its Board of Directors of any material interest or affiliation on the part of its officers, directors or key employees which is in, or likely to, conflict with the official duties of such person. A formal report is provided to the Board detailing any disclosed conflicts.

CORPORATE RECORDS

The Articles of Incorporation and Bylaws were not amended during the examination period under review.

The recorded minutes of the meetings of the Membership, Directors, and other Committees of the Board were read and noted. They appeared to be complete and were found to be properly attested.

The minutes of the Board of Directors meeting held June 16, 2021, acknowledged the review and receipt of the Iowa Insurance Division Financial Examination Report for the period ending December 31, 2019.

INTERCOMPANY AGREEMENTS

Administration Agreement

The Company has a Commercial Services Agreement with HealthPartners Administrators, Inc. (HPAI), a wholly owned subsidiary of HealthPartners, Inc., through which HPAI will provide administrative services to the Company for its commercial products.

The Company has a Medicare Services Agreement with HPAI, through which HPAI will provide administrative services for its Medicare Advantage products.

FIDELITY BONDS AND OTHER INSURANCE

The Company is protected by a blanket bond which covers the fidelity of each officer and employee up to \$1,000,000 for any one occurrence. The bond is written by an authorized insurer. Coverage meets the NAIC's suggested minimum amount of fidelity insurance.

Other insurable interests appeared to be adequately protected by insurance policies currently in force; and those policies were written by companies authorized to transact business in the state of Iowa.

EMPLOYEE WELFARE

The Company has no employees. Services are provided by employees of affiliated companies as part of a Administration Agreement with applicable costs allocated to the Company.

REINSURANCE

Ceded Reinsurance

The Company maintains an excess of loss reinsurance treaty that covers Commercial Fully Insured Medical Policies and Medicare Advantage Policies. The Reinsurer shall be liable for the Ultimate Net Loss over and above the Company's retention of \$750,000 as respects any one Covered Person. The Reinsurer shall be liable for any applicable Claims Adjustment Expenses on a pro-rata basis. Percentage applied to the eligible Claims Adjustment Expense will be calculated as the ratio of payable reinsurance claim in relation to the total eligible loss.

TERRITORY AND PLAN OF OPERATION

The Company is a licensed insurer in the States of Illinois and Iowa offering employer-based health products to Iowa employers (fully-insured and self-insured large groups) and Medicare Advantage plans.

The Company leverages UnityPoint Health's provider networks, and offers its products through direct producers and brokers.

GROWTH OF COMPANY

The following historical data, as taken from filed copies of the annual statements, reflects the financial position of the Company:

<u>Year</u>	<u>Admitted Assets</u>	<u>Surplus</u>	<u>Net Premiums Earned</u>	<u>Net Losses Incurred</u>	<u>Investment Income Earned</u>
2020	\$26,286,705	\$ 7,477,540	\$72,848,248	\$66,040,068	\$ 10,882
2021	32,589,611	10,911,472	80,664,049	82,094,172	(85,795)

ACCOUNTS AND RECORDS

The Company's general ledgers are maintained on an accrual basis. Trial balances were prepared for the examination years under review. Amounts from the general ledger accounts were reconciled and found to be in agreement with balances reported on the filed annual statements for assets, liabilities, income or disbursements.

The Company's financial statement dated June 30, 2021 reported capital and surplus below the minimum requirement of \$5 million as set forth in Iowa Code 508.5. The Company's shareholders provided capital contributions totaling \$14 million in the third quarter resulting in capital and surplus above minimum requirements. No other statutory compliance issues were noted other than those disclosed above nor material aggregate surplus differences were identified from the amount reflected in the financial statements, as presented in the annual statement at December 31, 2021.

SUBSEQUENT EVENTS

Small Group

The Company entered into the self-insured small group market in 2022. The Commercial Services Agreement was amended to include Administrative Services for HPUPH's self-insured small group medical product business.

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.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Ledger</u>	<u>Not Admitted</u>	<u>Admitted</u>
Cash and short-term investments	\$ 8,226,084	\$ -	\$ 8,226,084
Investment income due and accrued	107		107
Uncollected premiums in course of collection	474,907		474,907
Amounts recoverable from reinsurers	1,016,568		1,016,568
Amounts receivable relating to uninsured plans	2,844,523		2,844,523
Receivables from parent, subsidiaries and affiliates	1,895,433		1,895,433
Aggregate write-ins for other than invested assets	<u>72,126</u>	<u>72,126</u>	
 Total assets	 <u>\$ 32,661,737</u>	 <u>\$ 72,126</u>	 <u>\$ 32,589,611</u>

LIABILITIES, SURPLUS AND OTHER FUNDS

Claims unpaid	\$ 7,708,800
Accrued medical incentive pool and bonus amounts	7,116
Unpaid claims adjustment expenses	175,200
Premiums received in advance	1,442,072
General expenses due or accrued	10,697,616
Liability for amounts held under uninsured plans	<u>1,647,335</u>
 Total liabilities	 <u>\$ 21,678,139</u>
 Common capital stock	 \$ 1,000,000
Gross paid in and contributed surplus	44,000,000
Aggregate write-ins for other than special surplus funds	(72,126)
Unassigned funds (surplus)	<u>(34,016,402)</u>
 Total capital and surplus	 <u>\$ 10,911,472</u>
 Total liabilities, capital and surplus	 <u>\$ 32,589,611</u>

STATEMENT OF REVENUE AND EXPENSES

Revenues

Net premium income		<u>\$ 80,664,049</u>
Total Revenues		\$ 80,664,049

Hospital and Medical

Hospital/medical benefits	\$ 71,415,254	
Prescription drugs	10,418,533	
Incentive pool, withhold adjustments and bonus amounts	1,276,953	
Less		
Net reinsurance recoveries	1,016,568	
Total hospital and medical	82,094,172	
Claims adjustment expenses	4,121,117	
General administrative expenses	<u>4,856,907</u>	
Total underwriting deductions		<u>91,072,196</u>
Net underwriting gain or (loss)		\$(10,408,147)
Net investment income earned	\$ (85,795)	
Net investment gains (losses)		<u>(85,795)</u>
Net income or (loss) before federal income tax		<u>\$ (10,493,942)</u>
Net Income/loss		\$ (10,493,942)

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year		<u>\$ 7,477,540</u>
<u>Gains and (losses) in surplus</u>		
Net income		(10,493,942)
Change in nonadmitted assets		(72,126)
Surplus adjustments – paid in		<u>14,000,000</u>
Net change in capital and surplus		<u>\$ 3,433,932</u>
Capital and surplus end of reporting year		<u>\$ 10,911,472</u>

STATEMENT OF CASH FLOWS

Cash from Operations

Premiums collected net of reinsurance	\$ 80,537,889	
Net investment income	<u>(85,562)</u>	
Total		\$ 80,452,327
Benefit and loss related payments	\$ 83,235,892	
Commissions, expenses paid, and aggregate write-ins	<u>7,284,889</u>	
Total		<u>90,520,781</u>
Net cash from operations		<u>\$ (10,068,454)</u>

Cash from Financing and Miscellaneous Sources

Capital and paid in surplus, less treasury stock	\$ 14,000,000	
Other cash provided (applied)	<u>(6,115,742)</u>	
Net cash from financing & misc. sources		<u>\$ 7,884,258</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	\$ (2,184,196)
Cash, cash equivalents and short term investments:	
Beginning of year	<u>10,410,280</u>
End of year	<u>\$ 8,226,084</u>

CONCLUSION

Acknowledgment is hereby made of the cooperation and assistance extended by the officers and employees of the Company during this examination.

In addition to the undersigned, Mick Jepsen Insurance Company Examiner Senior, participated in the examination and preparation of this report:

Respectfully submitted,

/s/ Amanda Theisen
AMANDA THEISEN, CFE
Examiner-in-Charge
Insurance Division
State of Iowa