

EXAMINATION REPORT OF
MOLINA HEALTHCARE OF IOWA, INC.
DES MOINES, IOWA
AS OF DECEMBER 31, 2021

Des Moines, Iowa
April 12, 2023

HONORABLE DOUG OMMEN
Insurance Commissioner
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

MOLINA HEALTHCARE OF IOWA, INC.

DES MOINES, IOWA

AS OF DECEMBER 31, 2021

at its statutory home office located at 699 Walnut Street, Suite 400, Des Moines, Iowa.

INTRODUCTION

This is the first examination of Molina Healthcare of Iowa, Inc., hereinafter referred to as the “Company”.

SCOPE OF EXAMINATION

This is the regular comprehensive financial examination of the Company covering the period from December 28, 2021 to the close of business on December 31, 2021, including any material transactions and/or events occurring and noted subsequent to the examination period. The examination was performed as part of a coordinated examination with Ohio as the Lead State and Iowa as a participating state.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). The Handbook requires that we 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 under the laws of the State of Iowa on June 9, 2021. The Company was issued a certificate of authority on December 28, 2021. The Company is a wholly-owned subsidiary of Molina Healthcare, Inc., a multi-state managed care organization that arranges for the delivery of healthcare services to persons eligible for Medicaid, Medicare, the state insurance marketplaces, and other government-sponsored health care programs for low-income families and individuals. The Company had not written premium as of the examination date; however, in August of 2022, the Company was awarded a contract to provide managed care services in the State of Iowa beginning July 1, 2023.

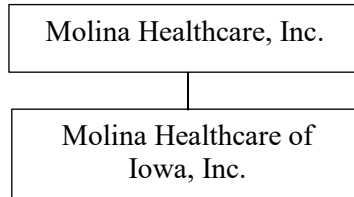
CAPITAL STOCK AND DIVIDENDS

The Articles of Incorporation provide that the number of shares authorized is ten thousand (10,000) shares, all of which are without par value and are of the same class and are Common shares and each share shall be identical in all respects, one with the other, and shall have unlimited voting rights. As of December 31, 2021, the Company had 100 shares issued and outstanding, all owned by Molina Healthcare, Inc.

The Company did not pay any dividends to shareholders during the examination period.

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, 2021, reflecting the ultimate parent and holding company system, is shown below.



MANAGEMENT AND CONTROL

SHAREHOLDERS

The Bylaws of the Company state that the annual meeting of the shareholders shall be held, each year, at the time and on the day and location following:

Time of Annual Meeting: 2 PM

Date of Annual Meeting: May 15

Location of Annual Meeting: 200 Oceangate, Suite 100, Long Beach, California 90802

If this day shall be a legal holiday, then the meeting shall be held on the next succeeding business day, at the same hour. At the annual meeting, the shareholders shall elect a Board of Directors, consider reports on the affairs of the corporation and transact such other business as may be properly brought before the meeting. The initial annual meeting of the shareholders shall be held within fifteen (15) months of the date of the filing of the Articles of Incorporation with the Secretary of State. A record of any vote or other action taken at the meeting shall be kept.

Special meetings of the shareholders may be called at any time by the Board of Directors, the President, and at the signed and dated request of one or more shareholders holding not less than one-tenth (1/10) of the votes entitled to be cast on any issue proposed to be considered at the special meeting. Special meetings of the shareholders may be held in or out of the state of incorporation at a place fixed by the Board or otherwise at the principal executive office of the corporation.

BOARD OF DIRECTORS

The Bylaws state that the business and the affairs of the Company shall be managed under the direction of its Board of Directors. The Board may delegate the management of the day-to-day operation of the business of the corporation to a management company or other person, provided that the business and affairs of the corporation shall be managed, and all corporate powers shall be exercised under the ultimate direction of the Board of Directors.

The affairs of the corporation shall be managed by a number of directors not less than three (3) and no more than twenty-one (21), and the exact number of directors shall be three (3) until changed, within the limits specified above, by a resolution amending such exact number, duly adopted by the Board of Directors. Each director shall be a natural person of full age and otherwise need not be a resident of the state of incorporation. Notwithstanding this, in accordance with Iowa domestic insurance laws, the majority of the directors shall be bona fide residents in the State of Iowa unless specifically waived by written permission of the Iowa Commissioner of Insurance. A Director need not be a shareholder, unless so required by law or the Articles of Incorporation. No reduction of the authorized number of Directors shall have the effect of removing any Director before that Director's term of office expires. In accordance with Iowa HMO Law, not less than thirty percent (30%) of the directors shall be enrollees who are not providers and are not associated with a provider. If there are no enrollee representatives on the initial governing board, they shall be elected at the first annual meeting or election.

Meetings of the Board of Directors may be called by the Chairman of the Board, or the President, or any Vice President, or the Secretary, or any two (2) Directors and shall be held at the principal executive office of the corporation, unless some other place is designated in the notice of the meeting. Members of the Board may participate in a meeting through use of a conference telephone or similar communications equipment so long as all members participating in such a meeting can simultaneously hear one another. Accurate minutes of any meeting of the Board or any committee thereof, shall be maintained by the Secretary or other officer designated for that purpose.

Regular meetings of the Board of Directors shall be held at the principal executive offices, or such other place as may be designated by the Board of Directors.

Special meetings of the Board of Directors may be called at any time by any of the aforesaid officers (i.e., by the Chairman of the Board or the President or any Vice President or the Secretary or any two (2) Directors), unless law or the Articles of Incorporation provide for a longer or shorter period at least forty-eight (48) hours before the time called by the meeting.

A majority of the total number of directors of the corporation has a fixed Board size or a majority of the number prescribed or if no number is prescribed the number in the office if the corporation has a variable-range size Board shall be necessary to constitute a quorum for the transaction of business.

Any action required or permitted to be taken by the Board of Directors may be taken without a meeting and with the same force and effect as if taken by a unanimous vote of Directors, if authorized by a writing setting forth the action taken and signed individually or collectively by all members of the Board. Such consent shall be filed with the regular minutes of the Board or filed with corporate records.

Elected directors on December 31, 2021 were as follows:

<u>Name and Address</u>	<u>Principal Occupation</u>	<u>Term Expires</u>
Jennifer H. Vermeer Des Moines, IA	Plan President Molina Healthcare of Iowa, Inc.	Perpetual
David T. Reynolds Long Beach, CA	MHI Executive Vice President, Regional Health Plans Molina Healthcare, Inc.	Perpetual
Ronald D. Kurtz Long Beach, CA	MHI Executive Vice President, Chief of Staff Molina Healthcare, Inc.	Perpetual

COMMITTEES

Unless the Articles of Incorporation or Iowa Code provide otherwise, one or more Committees of the Board may be appointed by resolution passed by a majority of the authorized number of Directors of the Board. Committees shall be comprised of one (1) or more members of the Board and shall have such powers of the board as may be expressly delegated to it by resolution of the Board of Directors, as permitted by law. The Board by resolution adopted a majority of the entire Board or the number of Directors required by the Articles of Incorporation or these Bylaws to take action if greater than a majority may fill any vacancy in a Committee, appoint alternate members, abolish any committee and remove any Director from membership on a Committee.

The Company does not have any committees. All committees are at the parent, Molina Healthcare, Inc.

OFFICERS

The Bylaws prescribe that the officers of the Corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of these Bylaws. Any number of offices may be held by the same person except the offices of President and Secretary unless the corporation has only one shareholder. Only an individual who is eighteen (18) years of age or older may be appointed as an officer. Any natural person may be appointed as an officer. In accordance with Iowa HMO law, the president shall be a bona fide resident of Iowa unless specifically waived by written order of the Iowa Commissioner of

Insurance. Unless the Articles provide otherwise, none of the officers (other than Chairman of the Board) need be a Director. No person should acknowledge or verify any instrument in more than one capacity.

The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article IV, relating to appointment of subordinate officers or Section 5 of this Article IV relating to vacancies, shall be chosen annually by the Board of Directors. Each officer shall hold office until he or she resigns, is removed or otherwise disqualified to serve, or a successor is elected and qualified.

Elected Officers serving as of December 31, 2021 were as follows:

<u>Name</u>	<u>Title</u>
Jennifer H. Vermeer	President
Jeffrey D. Barlow	Chief Legal Officer and Corporate Secretary
Mark L. Keim	Chief Financial Officer and Treasurer

CONFLICT OF INTEREST STATEMENTS

The Company has a Conflict of Interest policy that requires certain colleagues to sign an annual conflict of interest certification. Examiners reviewed the conflict of interest certifications completed for the Company during the examination period and noted no exceptions.

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.

AFFILIATED AGREEMENTS

The Company had no affiliated agreements as of December 31, 2021. A federal tax sharing agreement and a services agreement were each entered into in January of 2022.

EMPLOYEES' WELFARE

The Company does not have direct employees as of the examination date.

FIDELITY BONDS AND OTHER INSURANCE

The Company's ultimate parent, Molina Healthcare, Inc., maintains fidelity bond coverage up to \$10,000,000. The Company is insured under this bond as a subsidiary of Molina Healthcare, Inc., which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC.

REINSURANCE

The Company had no reinsurance as of December 31, 2021.

STATUTORY DEPOSIT

As of December 31, 2021, 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 and is authorized to transact business as a Managed Care Organization (MCO). The Company did not write business during the period under examination.

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.

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 on December 31, 2021.

SUBSEQUENT EVENTS

Effective January 1, 2022, the Company entered into a Federal Tax Sharing Agreement with Molina Healthcare, Inc. Under the agreement, Molina Healthcare, Inc. and the Company agree to file consolidated federal tax returns and to allocate the resulting federal tax to each individual entity according to the terms as set forth therein.

Effective January 1, 2022, the Company entered into a Services Agreement with Molina Healthcare, Inc. Under the agreement, the Company delegated certain services to Molina Healthcare, Inc. and further desires to obtain certain consulting, administrative and other support services which are intended to enhance the Company's organizational and administrative capacity.

In August of 2022, the Company was awarded a contract to provide managed care services in the State of Iowa beginning July 1, 2023. The purpose of the Contract is to deliver high quality healthcare services for the Iowa Medicaid, Iowa Health and Wellness Plan, and Healthy and Well Kids in Iowa (Hawki) programs.

Effective April 1, 2023, the principal office was moved to 500 SW 7th Street, Suite 304, Des Moines, Iowa 50309 by Board consent.

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>Admitted</u>	<u>Admitted</u> <u>Total</u>	Not
Cash, cash equivalents and short-term investments	\$ <u>1,000,000</u>	\$ _____ -	\$ <u>1,000,000</u>
Total assets	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>	\$ <u>1,000,000</u>

LIABILITIES, CAPITAL AND SURPLUS

Total liabilities		\$ _____ -
Gross paid in and contributed surplus		\$ <u>1,000,000</u>
Total capital and surplus		\$ <u>1,000,000</u>
Total liabilities, surplus and other funds		\$ <u>1,000,000</u>

STATEMENT OF REVENUE AND EXPENSES

Member Months	<u>0</u>
Net premium income	
Change in unearned premium reserves	\$ <u>-</u>
Total revenues	\$ <u>-</u>
<u>Hospital and Medical:</u>	
Hospital/medical benefits	\$ -
Other professional services	
Outside referrals	
Emergency room and out-of-area	
Prescription drugs	<u>-</u>
Subtotal	\$ <u>-</u>
<u>Less:</u>	
Non-health claims (net)	\$ -
Claims adjustment expenses	
General administrative expenses	
Increase in reserves for life and accident and health contracts	<u>-</u>
Total underwriting deductions	\$ <u>-</u>
Net underwriting gain or (loss)	\$ <u>-</u>
Net investment income earned	\$ -
Net realized capital gains or (losses)	\$ <u>-</u>
Net investment gains or (losses)	\$ <u>-</u>
Net income after capital gains tax and before all federal income taxes	\$ -
Federal and foreign income taxes incurred	<u>-</u>
Net income	<u>\$ <u>-</u></u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting year	\$ _____ -
<u>Gains and (losses) in surplus</u>	
Net income	\$ -
Surplus adjustments: paid in	<u>1,000,000</u>
Net change in capital and surplus	<u>1,000,000</u>
Capital and surplus end of reporting period	<u>\$ 1,000,000</u>

STATEMENT OF CASH FLOWS

Cash from Operations

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

Cash from Investments

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

Cash from Financing and Miscellaneous Sources

Capital and paid in surplus, less treasury stock	<u>\$ 1,000,000</u>	
Net cash from financing and miscellaneous sources		<u>\$ 1,000,000</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments		\$ 1,000,000
Cash, cash equivalents and short-term investments:		
Beginning of year		<u>0</u>
End of year		<u>\$ 1,000,000</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, the following participated in the examination: Barry Lupus, CFE, CPA, CFE (Fraud), Risk and Regulatory Consulting, LLC.

Respectfully submitted,

/s/ Eric Free
Eric Free, CFE, ALMI
Examiner in Charge
Risk and Regulatory Consulting, LLC
on behalf of the Iowa Insurance Division

/s/ Amanda Theisen
Amanda Theisen, CFE
Assistant Chief Examiner
Iowa Insurance Division
State of Iowa