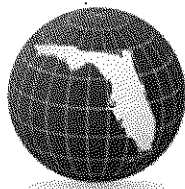


**Report on Examination**  
**of**  
**CarePlus Health Plans, Inc.**  
**Miami, Florida**  
**as of**  
**December 31, 2015**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida

Dear Sir:

In accordance with Section 641.27, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of CarePlus Health Plans, Inc. as of December 31, 2015. Our report on the examination follows.

Florida Office of Insurance Regulation  
March 23, 2017

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## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2015 of CarePlus Health Plans, Inc. (the "Company"), a Florida health maintenance organization (HMO). The examination covered the period of January 1, 2011 through December 31, 2015 and took place primarily in the Company's Louisville, Kentucky office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2010.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify current and prospective risks of the Company. It required that we do so by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statute (F.S.) and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g. subjective conclusions, proprietary information, etc.), are not included within the examination report but were separately communicated to other regulators and/or the Company.

## COMPANY HISTORY

The Company was incorporated in Florida on August 2, 1985 and licensed by the Office as an HMO on November 25, 1985. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, F.S.

## CORPORATE RECORDS

We reviewed the minutes of the Company's shareholder and board of directors. Audit and Investment Committees were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions, including the authorization of investments as required by Section 641.35(7), F.S.

### Dividends and Capital Contributions

The Company distributed shareholder dividends in the amounts of \$50 million, \$65 million, \$137 million, \$55 million, and \$56.8 million in years 2011 through 2015, respectively. The Company received paid-in surplus contributions in the amounts of \$438,835, \$339,136, \$25.5 million, \$465,263, and \$640,259 in the years 2011 through 2015, respectively.

## MANAGEMENT AND CONTROL

The Company was wholly owned by Humana Inc., a Louisville, Kentucky health insurance company. The common stock of Humana, Inc. is traded on the New York Stock Exchange. The Company was affiliated through common ownership and control with numerous other entities including Humana Medical Plan, Inc. (HMP), a Florida HMO, and Humana Health Insurance Company of Florida, Inc. (HHICF), a Florida health insurer.

Its senior officers and directors as of December 31, 2015:

Bruce Dale Broussard	President & CEO
Brian Andrew Kane	Sr. VP & CFO
Joan Olliges Lenahan	VP & Corporate Secretary
Kenny Waitem Kan	VP & Chief Actuary
Alan James Bailey	VP & Treasurer
Elizabeth Diane Bierbower	President - Group Segment
Jonathan Albert Canine	VP & Appointed Actuary
John Gregory Catron	VP & Chief Compliance Officer
Louis Manuel Fernandez	VP & Chief Medical Officer
Deborah Maureen Galloway	Regional President - Sr. Products
Brian Phillip LeClaire	VP & Chief Info Officer
Heidi Suzanne Margulis	Sr. Vice President
Steven Edward McCulley	SVP of Medicare
Kevin Ross Meriwether	VP & Division Leader
William Mark Preston	VP of Investment Management
Bruno Roger Piquin	PResident, CarePlus and Puerto Rico
Richard Donald Remmers	VP of Group Segment
George Renaudin	Segment VP of Medicare
Donald Hank Robinson	Vice President of Tax
Fernando Jose Valverde	Regional PResident of Senior Products
Joseph Christopher Ventura	Assistant Corporate Secretary
Timothy Alan Wheatley	President of Retail Segment
Ralph Martin Wilson	Vice President
Cynthia Hillebrand Zipperle	VP & Chief Accounting Officer

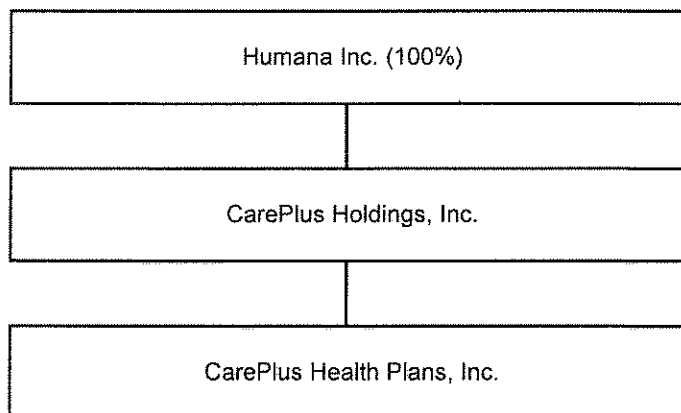
**Board of Directors**

<b>Name</b>	<b>Location</b>
Bruce Dale Broussard	Louisville, Kentucky
Brian Andrew Kane	Louisville, Kentucky
James Elmer Murray	Louisville, Kentucky

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on March 30, 2016.

An abbreviated organizational chart reflecting a holding company system is shown below.

**CarePlus Health Plans, Inc.  
Abbreviated Organizational Chart  
December 31, 2015**



The following agreement(s) were in effect between the Company and its affiliates.

Corporate Service Agreement

Effective April 22, 2006, the Company entered into a Corporate Service Agreement with Humana Inc. Pursuant to the Agreement Humana Inc. will furnish its health care management/service expertise to the Company. The agreement was later amended to reflect changes required by the Centers for Medicare & Medicaid Services (CMS).

Indemnity Agreement

Pursuant to a March 10, 2005 agreement, the Company was indemnified by Humana, Inc. in the event of the Company's insolvency or inability to provide health care services for which it is contractually obligated.



### Payor Agreement

A Payor Agreement between Health Value Management, Inc. ("HVM") and the Company, was submitted to the FL DOI on July 31, 2007 and not disapproved within thirty days. Under this agreement, the Company utilizes the health care provider networks developed by HVM, and the Company reimburses HVM at a rate per the Company subscriber per month. The reimbursement only applies to those the Company subscribers who are accessing the HVM provider networks.

### Tax Allocation Agreement

The results of the Company's operations were included in the consolidated federal income tax returns of Humana Inc. pursuant to a tax allocation agreement effective March 10, 2005. Consolidated tax liability was allocated among members of the consolidated group on a pro rata basis according to the separate return tax liabilities of included members. The agreement required that intercompany balances be settled within 30 days after the calculation of income tax attributable to the Company. In the event of a refund, the agreement required settlement within 30 days after receipt of the refund.

## **FIDELITY BONDS AND OTHER INSURANCE**

The Company maintained general and professional liability insurance at acceptable levels and required its providers to certify and maintain appropriate levels of medical malpractice insurance or its equivalent in accordance with Rule 69O-191.069, F.A.C. In addition, the Company was insured by a blanket fidelity bond issued by Humana, Inc., as required by Section 641.22(7), F.S., in the amount of \$25 million.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company offered to eligible employees participation in the Humana Inc. defined contribution and 401 (k) retirement plans. The Company, through its affiliates, also provided to eligible employees fringe benefits including medical, dental and vision insurance; short-term and long-term disability insurance; and life insurance.

## **TERRITORY AND PLAN OF OPERATION**

The Company is a wholly owned subsidiary of CPHP Holdings, Inc. which is wholly owned by Humana Inc. ("Humana"). The Company is a health maintenance organization ("HMO") domiciled in the state of Florida and duly authorized by the Agency for Health Care Administration ("AHCA") to sell health plan products. A consent order no. 79564-04-CO dated January 13, 2005 approved the acquisition by Humana, Inc. of CPHP Holdings, which wholly owns the Company.

The Company offers coordinated health and pharmacy insurance coverage and related medical services through Medicare Parts A, B, and D. The Company's services have been provided under a contract with the Centers for Medicare and Medicaid Services ("CMS").

The Company operates in Broward, Dade, Hillsborough, Palm Beach and Pinellas counties.

## COMPANY GROWTH

The Company reported the following for years 2011 through 2015:

*(Dollars are in millions.)*

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Member months	813,172	776,467	811,874	1,056,046	1,311,719
Year-end enrollment	65,388	65,574	69,858	97,709	115,666
Premiums	\$ 1,185.1	\$ 1,186.4	\$ 1,204.3	\$ 1,379.2	\$ 1,754.0
Revenues	\$ 1,185.1	\$ 1,186.4	\$ 1,204.3	\$ 1,379.2	\$ 1,754.0
Underwriting deductions	\$ 1,119.6	\$ 1,078.5	\$ 1,137.8	\$ 1,322.3	\$ 1,611.1
Net income	\$ 65.5	\$ 107.9	\$ 66.5	\$ 56.9	\$ 142.9
Shareholder dividends	\$ 50.0	\$ 65.0	\$ 137.0	\$ 55.0	\$ 56.8
Paid in surplus received	\$ 0.4	\$ 0.3	\$ 25.5	\$ 0.4	\$ 0.6
Admitted assets	\$ 351.1	\$ 370.7	\$ 315.9	\$ 336.1	\$ 450.5
Liabilities	\$ 240.5	\$ 217.2	\$ 206.4	\$ 224.7	\$ 250.8
Capital and surplus	\$ 110.6	\$ 153.5	\$ 109.5	\$ 111.4	\$ 199.7

## **REINSURANCE**

The Company did not have any reinsurance agreements in force as of the examination date.

## **STATUTORY DEPOSITS**

The Company maintained on deposit with the Office an insolvency protection deposit of \$600,000 in accordance with Section 641.285, F.S., and a Rehabilitation Administrative Expense Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

## **FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

**CarePlus Health Plans, Inc.**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2015**

	Per Company	Examination Adjustments	Per Examination
<b>Admitted Assets</b>			
Bonds	\$330,348,646	\$ -	\$330,348,646
Cash, cash equivalents and short-term investments	55,610,354	-	55,610,354
	385,959,000	-	385,959,000
Investment income due and accrued	2,751,048	-	2,751,048
Uncollected premiums and agents' balances	10,809,828	-	10,809,828
Accrued retrospective premiums	15,434,353	-	15,434,353
Amounts receivable relating to uninsured plans	12,540,715	-	12,540,715
Net deferred tax asset	9,698,977	-	9,698,977
Electronic data processing equipment and software	254,596	-	254,596
Health care and other amounts receivable	13,018,721	-	13,018,721
Aggregate write-ins for other than invested assets	-	-	-
<b>Total admitted assets</b>	<b>\$450,467,238</b>	<b>\$ -</b>	<b>\$450,467,238</b>

<b>Liabilities</b>			
Claims unpaid	\$ 180,700,109	\$ -	\$ 180,700,109
Accrued medical incentive pool and bonus amounts	64,570	-	64,570
Unpaid claims adjustment expenses	1,153,258	-	1,153,258
Aggregate health policy reserves	5,704,319	-	5,704,319
General expenses due or accrued	8,879,215	-	8,879,215
Current federal and foreign income tax payable	24,966,360	-	24,966,360
Amounts withheld or retained for the account of others	45,551	-	45,551
Remittances and items not allocated	135,391	-	135,391
Amounts due to parent, subsidiaries, and affiliates	16,396,082	-	16,396,082
Liability for amounts held under uninsured plans	12,767,614	-	12,767,614
<b>Total liabilities</b>	<b>250,812,469</b>	<b>-</b>	<b>250,812,469</b>

<b>Capital and Surplus</b>			
Aggregate write-ins for special surplus funds	31,352,056	-	31,352,056
Common capital stock	902	-	-
Gross paid in and contributed surplus	55,160,188	-	55,160,188
Unassigned funds (deficit)	113,141,623	-	113,141,623
<b>Total capital and surplus</b>	<b>199,654,769</b>	<b>-</b>	<b>199,653,867</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 450,467,238</b>	<b>\$ -</b>	<b>\$ 450,466,336</b>

**CarePlus Health Plans, Inc.**  
**Statement of Revenue and Expenses**  
**(As reported by the Company)**  
**Year Ended December 31, 2015**

Net premium income	\$1,754,018,668
Hospital and medical benefits	1,111,391,261
Other professional services	56,109,354
Outside referrals	-
Emergency room and out-of-area	55,313,780
Prescription drugs	120,761,068
Incentive pool, withhold adjustments and bonus	325,732
	<hr/> 1,343,901,195
Net reinsurance recoveries	0
Total hospital and medical	1,343,901,195
Claims adjustment expenses	26,501,627
General administrative expenses	165,878,759
Increase in reserves	0
Total underwriting deductions	<hr/> 1,536,281,581
Net underwriting gain	217,737,087
Net investment gains	14,427,642
Aggregate write-ins for other income	(5,550)
Income before federal income tax	<hr/> 232,159,179
Federal income tax	89,232,693
Net income	<hr/> <hr/> \$ 142,926,486

**CarePlus Health Plans, Inc.**  
**Statement of Changes in Capital and Surplus**  
**Five Years Ended December 31, 2015**

Capital and surplus - December 31, 2010	\$ 91,287,600
Net income	65,524,594
Change in net deferred income tax	1,229,897
Change in nonadmitted assets	2,178,591
Paid in surplus adjustments	438,835
Dividends to stockholder	(50,000,000)
Aggregate write-ins for gains or (losses)	(28,947)
<hr/>	
Capital and surplus - December 31, 2011	110,630,570
Net income	107,989,268
Change in net deferred income tax	(1,354,799)
Change in nonadmitted assets	(946,746)
Cumulative effect of changes in accounting principles	1,887,504
Paid in surplus adjustments	339,136
Dividends to stockholder	(65,000,000)
Aggregate write-ins for gains or (losses)	-
<hr/>	
Capital and surplus - December 31, 2012	153,544,933
Net income	66,481,762
Change in net deferred income tax	(618,267)
Change in nonadmitted assets	1,546,379
Paid in surplus adjustments	25,534,758
Dividends to stockholder	(137,000,000)
Aggregate write-ins for gains or (losses)	-
<hr/>	
Capital and surplus - December 31, 2013	109,489,565
Net income	56,871,535
Change in net deferred income tax	2,308,784
Change in nonadmitted assets	(2,738,147)
Paid in surplus adjustments	465,263
Dividends to stockholder	(55,000,000)
Aggregate write-ins for gains or (losses)	-
<hr/>	
Capital and surplus - December 31, 2014	111,397,000
Net income	142,926,486
Change in net deferred income tax	(1,361,326)
Change in nonadmitted assets	2,852,350
Paid in surplus adjustments	640,259
Dividends to stockholder	(56,800,000)
Aggregate write-ins for gains or (losses)	-
<hr/>	
	199,654,769
Examination adjustments	-
<hr/>	
Capital and surplus - December 31, 2015	<u>\$199,654,769</u>

**CarePlus Health Plans, Inc.**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2015**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

<b>Capital and surplus, December 31, 2015 - per annual statement</b>			<b>\$ 199,654,769</b>
	<u>Per Company</u>	<u>Per Examination</u>	<b>Increase (Decrease) In Capital &amp; Surplus</b>
Total assets	\$450,467,238	\$450,467,238	\$ -
Total liabilities	\$ 250,812,469	\$ 250,812,469	\$ -
<b>Capital and surplus, December 31, 2015 - per examination</b>			<u><u>\$ 199,654,769</u></u>



## COMMENTS ON FINANCIAL STATEMENTS

### Aggregate Health Policy Reserves and Claims Unpaid

The Florida Office of Insurance Regulation actuary reviewed the actuarial health reserves and claims liabilities for the Company as of December 31, 2015. The actuary determined that the health reserves and claim liabilities as stated by the Company are reasonable and acceptable.

## **SUBSEQUENT EVENTS**

On July 2, 2015, Humana, Inc. entered into a Merger Agreement and Plan of Merger, with Aetna, Inc. (Aetna) which sets forth the terms and conditions under which Humana, Inc. will merge with, and become a wholly owned subsidiary of Aetna. On October 19, 2015, Humana's stockholders approved the adoption of the Merger Agreement at a special stockholder meeting. Also on October 19, 2015, the holders of Aetna outstanding shares approved the issuance of Aetna common stock in the Merger at a special meeting of Aetna shareholders.

Aetna, Inc. and Humana, Inc. have ended their merger agreement in an announcement on February 14, 2017. The announcement comes after a federal judge ruled to block the planned transaction in January, saying the deal would "substantially lessen" competition in the individual Medicare Advantage market in every county cited in the Justice Department's lawsuit to stop the merger. The Companies said soon after the ruling that they would consider all available options for the deal. Humana, Inc. will receive a breakup fee of \$1 billion, or approximately \$630 million, net of tax, from Aetna, Inc. Additionally, Aetna terminated its previously announced agreement to sell certain Medicare Advantage assets to Molina Healthcare Inc. and will pay the applicable fees associated with that termination.

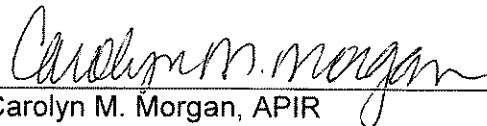
## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of CarePlus Health Plans, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2015, the Company's capital and surplus was \$199,654,769 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

In addition to the undersigned, the following individuals participated in the examination: David Palmer, CFE, Examiner-in-Charge; Ryne Davison, CFE; JJ Pan, CFE; and Emily Cheng, CFE, Participating Examiners; Scott Langstein, CISA, IT Examiner, of Lewis & Ellis, Inc. We also recognize Luke Stavenau, Financial Examiner/Analyst Supervisor; and Lisa Parker, Actuary, participating in the examination.

Respectfully submitted,



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Carolyn M. Morgan, APIR  
Director, Life and Health Financial Oversight  
Florida Office of Insurance Regulation