

Report on Examination
of
HealthSpring of Florida, Inc.
Doral, Florida
as of
December 31, 2018



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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COMMISSIONER

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COMMISSION**

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NICOLE "NIKKI" FRIED
COMMISSIONER OF AGRICULTURE

David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

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 HealthSpring of Florida, Inc. as of December 31, 2018. Our report on the examination follows.

Florida Office of Insurance Regulation
May 1, 2020

Contents

Scope of Examination	1
Summary of Significant Findings	2
Company History.....	2
Corporate Records.....	2
Dividends and Capital Contributions.....	3
Management and Control	3
Affiliated and Other Agreements.....	5
Territory and Plan of Operation.....	10
Company Growth	10
Reinsurance	11
Accounts and Records.....	11
Surplus Notes.....	11
Statutory Deposits.....	11
Financial Statements.....	11
Comments on Financial Statements	16
Summary of Recommendations.....	16
Subsequent Events	16
Conclusion	17

SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2018 of HealthSpring of Florida, Inc. (Company), a Florida health maintenance organization (HMO). The examination covered the period of January 1, 2015 through December 31, 2018 and took place primarily in the Company's Doral, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2014.

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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively. 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included 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.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes (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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings of a significant nature to report for the period of this examination.

COMPANY HISTORY

The Company was incorporated in Florida on June 12, 2001 and licensed by the Office as an HMO on October 17, 2002. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, F.S. On October 1, 2007, the Company was acquired by NewQuest, LLC, which was ultimately owned by HealthSpring, Inc. and subsequently changed its name to HealthSpring of Florida, Inc. from Leon Medical Centers Health Plans, Inc. On January 31, 2012, HealthSpring, Inc. and its subsidiaries, including HealthSpring of Florida, Inc. were acquired by Connecticut General Corporation, whose ultimate parent company is Cigna Corporation.

Mergers and Acquisitions

There is nothing to report concerning mergers and acquisitions for the period of this examination.

CORPORATE RECORDS

The minutes of the company's shareholder and Board of Directors (the Board) meetings were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., which includes the authorization of investments as required by Section 641.35(7), F.S.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company did not distribute dividends in 2015, 2016, and 2017. The Company paid ordinary dividends in the amount of \$26,900,000 and, \$9,500,000 in extraordinary dividends to NewQuest, LLC (the Parent) as of December 31, 2018. The Company did not receive capital contributions during the period examined.

MANAGEMENT AND CONTROL

The Company was wholly owned by NewQuest LLC, a single member limited liability company domiciled in the state of Texas. NewQuest LLC, was a wholly owned subsidiary of Health Spring, Inc., a Delaware corporation. Health Spring, Inc., was an indirect wholly owned subsidiary of Cigna.

The Company's senior officers and directors were:

Senior Officers	
Name	Title
Brian C. Evanko	Co-CEO
Ryan B. McGroarty	Chief Financial Officer
Brent J. Sanders	Vice President
Sheffield H. Young	Vice President
Scott R. Lambert	Vice President, Treasurer
Maureen H. Ryan	Vice President, Assistant Treasurer
Anna Krishtul	Corporate Secretary
Rhiannon A. Bernier	Assistant Secretary
Thomas A. Young	Compliance Officer
Alina C. Vega, M.D.	Corporate Medical Director
Gregory N. Malone	Appointed Actuary
Jumana N. Siddiqui	Appointed Actuary

Board of Directors

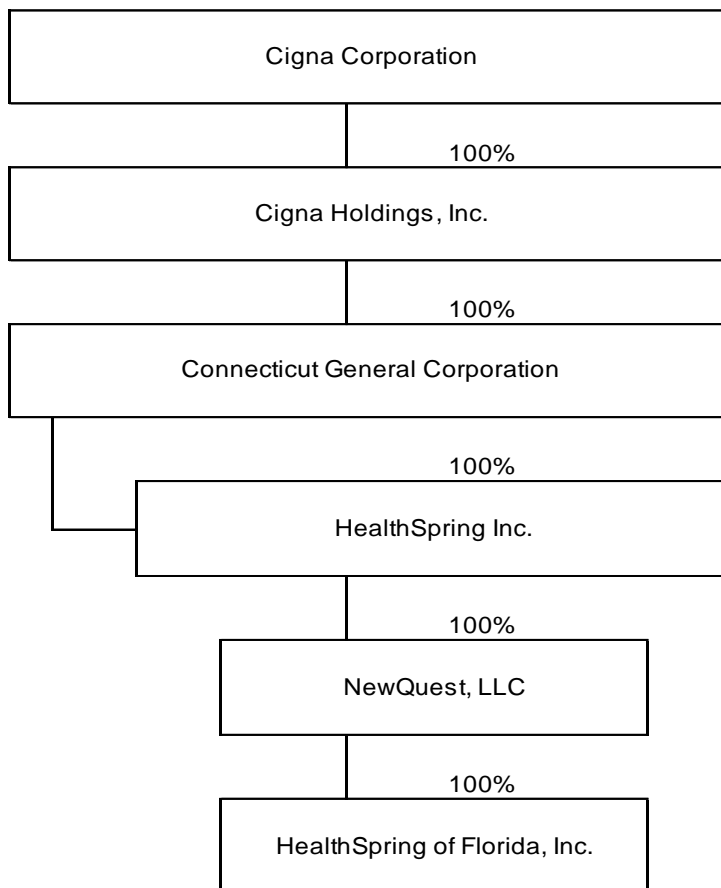
Name	Location
Mercedes M. Kirkpatrick	Miami, Florida
Alina C. Vega, M.D.	Miami, Florida

Investment Committee	Audit Committee
Tracy Labonte	David Bourdon
Susan Metrow	Mary Agoglia Hoeltzel
David Russell	Ryan Loyd
Frank Sataline	Mark Parsons
Christopher Snow	Jeffrey T. Rigg
	Neil B. Tanner
	Jonathan Winderman
	James Yablecki

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 April 1, 2019.

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

**HealthSpring of Florida, Inc.
Abbreviated Organizational Chart
December 31, 2018**



AFFILIATED AND OTHER AGREEMENTS

The following agreements were in effect between the Company and its affiliates:

Amended and Restated Consolidated Federal Income Tax Agreement

Amended on January 1, 1997, and effective January 31, 2012, the Company entered into an Amended and Restated Consolidated Federal Income Tax Agreement, which stated that Cigna's indirectly wholly owned domestic subsidiary insurance companies had entered into a

Consolidated Federal Income Tax Agreement (Tax Agreement), which became effective as of April 1, 1982. The Tax Agreement sets forth the method of allocation of federal income taxes for Cigna and its wholly owned domestic subsidiaries, including insurance subsidiaries. It provided for immediate reimbursement to companies with net operating losses to the extent that their losses were used to reduce consolidated taxable income; while those companies with current taxable income as calculated under federal separate return provisions, were liable for payment determined as if they had each filed a separate return. However, current credit was given for any foreign tax credit, operating loss or investment tax credit carryovers actually used in the current consolidated return. The Company participated as a party to the agreement.

Fee Sharing Agreement

Effective August 4, 2014, the Company was subject to the Health Insurance Providers Fee, the Fee, which was imposed on each covered entity engaged in the business of providing health insurance for any United States health risk. Such entities, along with Cigna, were collectively treated as a single covered entity as that term is defined in Section 9010(c) and Treas. Reg. §57.2(b). By entering into this Agreement, each Party had consented to select Cigna as its designated entity for the payment of this Fee. The Agreement allowed Cigna to pay each year to the Treasury the Fee owed collectively by all covered entities in the group, and to perform all necessary and appropriate actions that may be required to fulfill Cigna's responsibilities as the designated entity. This Agreement further allowed Cigna to delegate to a wholly owned subsidiary the authority to perform these actions on Cigna's behalf. For financial management and reporting purposes, Cigna and the Parties allocated the Fee for each Fee Year among the Parties in proportion to estimates of each Party's Premiums for that Fee Year.

Management Agreement, as amended

Effective October 1, 2007, and amended on January 1, 2010, the Company contracted for managerial, administrative, and financial support services through an administrative service contract based on a percentage of premium revenue with NewQuest Management of Florida, LLC.

Intercompany Services Agreement

Effective January 1, 2014, the Company was party to the Intercompany Services Agreement by and among Connecticut General Life Insurance Company (CGLIC), Cigna Health Corporation on behalf of its health plan subsidiaries, and Cigna Health Management, Inc. for the provision of administrative services from Cigna Health Management, Inc. including the Health Information Line service for which the Company paid a capitated fee of \$.06 per member per month for claims related to such service.

Intercompany Disease Management and Other Services Agreement

Effective January 1, 2011, the Company was party to an agreement with Cigna Behavioral Health, Inc. (CBH) which provides the Your Health First (YHF) telephonic disease management service to plan's Medicare Advantage eligible members as a pilot program on behalf of its health plan subsidiaries, (Plan). Plan pays CBH a fixed per member per month (PMPM) fee for these services. Beginning in March of 2017, plan paid CBH \$2.25 PMPM for the YHF service for its Medicare Advantage members. As of July 2018, plan will pay CBH \$2.70 PMPM for the YHF service.

Agreement for Provision of Mental Health and/or Substance Abuse Services

Effective January 1, 1990, the Company was party to an agreement with Cigna Behavioral Health, Inc. (CBH) which provided an after-hours behavioral health line service to plan's Medicare Advantage members. Plan paid CBH a fixed per member per month (PMPM) fee for these

services. In calendar year 2017, plan paid CBH \$0.06 PMPM for the after-hours behavioral health line service for its Medicare Advantage members. The rate was expected to remain the same for the calendar year 2019.

Investment Advisory Agreement

Effective January 1, 2012, the Company contracted with Cigna Investments, Inc. (CII) for investment advisory services. The Company and CII were indirect subsidiaries of Cigna Holdings, Inc., which was a direct wholly owned subsidiary of Cigna.

Amended and Restated Investment Pooling Agreement

The Company was added to the Investment Pooling Agreement on May 1, 2012. The Company, along with Cigna Corporation and certain of its affiliates, were parties to an investment pool agreement which provided for participation in a pool of short-term investments to facilitate effective cash management. There were no fees separately assessed related to this agreement.

Network Access Agreement

Effective June 12, 2001, the Company was party to the Network Access Agreement, as amended, entered into among health plan subsidiaries of Cigna Corporation and Connecticut General Life Insurance Company (CGLIC). The purpose of the agreement was to allow parties to access provider networks of CGLIC and other health plan affiliates that were also a party to the agreement. The Company's participation in the agreement was approved by the Department. As the Company was not currently utilizing the Network Access Agreement, there were no fees assessed related to this agreement.

Pharmacy Rebate Affiliate Agreement

Effective August 20, 2013, the Company entered into the Pharmacy Rebate Affiliate Agreement amongst affiliates for the allocation of rebate payments received pursuant to agreements with drug manufacturers in connection with its Medicare Part D business.

Participating Mail Order Pharmacy Agreement

Effective January 1, 2005, the Company entered into a mail order pharmacy agreement with Tel-Drug of Pennsylvania, L.L.C. and Tel-Drug, Inc. Both Tel-Drug of Pennsylvania, L.L.C. and Tel-Drug, Inc. were licensed mail order pharmacies that dispensed prescription drugs by mail to members of the plan. Plan paid the related companies for covered prescription drugs dispensed to members of the organization's Medicare Part D program. All participating entities were indirect subsidiaries of Cigna Corporation.

Line of Credit Agreement

Effective January 31, 2012, the Company entered into a Line of Credit Agreement with Cigna Corporation, under which the Company agreed to loan up to \$30,000,000. This agreement required payment to the Company on demand for the aggregate of unpaid principal and interest on any loans to Cigna Corporation. This agreement allowed termination by either party with thirty days prior written notice. The Company did not loan any funds to Cigna Corporation during the examination period.

Effective January 31, 2012, the Company entered into a Line of Credit Agreement with Cigna Holdings, Inc. under which Cigna Holdings, Inc. agreed to loan up to \$30,000,000. This agreement required payment by the Company for the aggregate of unpaid principal and interest

on any loans to Cigna Holdings, Inc. on demand. This agreement allowed termination by either party with thirty days prior written notice. The Company did not borrow any funds from Cigna Holdings, Inc. during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company operated as an HMO in four Florida counties. The Company wrote Medicare only, administered by the Centers for Medicare and Medicaid Services (CMS) and provided healthcare services on a prepaid basis for Medicare services for approved members. The Company held a current health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Part III of Chapter 641, F.S. The Company provided health care services to 46,923 Medicare members as of December 31, 2018.

COMPANY GROWTH

The Company reported the following for years 2015 through 2018:

(Dollars are in millions.)

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Member months	609,307	599,862	548,243	565,308
Year-end enrollment	51,393	47,687	46,920	46,923
Premiums	\$ 879.3	\$ 860.6	\$ 776.0	\$ 826.4
Revenues	\$ 886.0	\$ 866.7	\$ 776.0	\$ 826.4
Underwriting deductions	\$ 867.3	\$ 821.7	\$ 767.5	\$ 796.1
Net income	\$ 9.2	\$ 26.9	\$ 6.6	\$ 26.2
Shareholder dividends	\$ -	\$ -	\$ -	\$ 36.4
Paid in surplus received	\$ -	\$ -	\$ -	\$ -
Admitted assets	\$ 144.1	\$ 157.0	\$ 169.2	\$ 153.3
Liabilities	\$ 81.8	\$ 67.5	\$ 73.3	\$ 67.9
Capital and surplus	\$ 62.3	\$ 89.5	\$ 95.9	\$ 85.5

REINSURANCE

The company had no reinsurance or stop-loss arrangements during the examination period.

ACCOUNTS AND RECORDS

There were no significant examination findings related to the Company's accounts and records during this examination period.

SURPLUS NOTES

The Company had no surplus notes during this examination period.

STATUTORY DEPOSITS

The Company maintained on deposit with the Office an insolvency protection deposit of \$300,000 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:

HealthSpring of Florida, inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2018

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 117,551,486	\$ -	\$ 117,551,486
Cash, cash equivalents and short-term investments	(2,520,992)	-	(2,520,992)
	115,030,494	-	115,030,494
Investment income due and accrued	1,071,671	-	1,071,671
Uncollected premiums and agents' balances	8,385	-	8,385
Accrued retrospective premiums and contracts subject to	10,968,795	-	10,968,795
Current federal and foreign income tax recoverable and i	2,037,646	-	2,037,646
Net deferred tax asset	774,446	-	774,446
Health care and other amounts receivable	23,456,071	-	23,456,071
Total admitted assets	\$ 153,347,508	\$ -	\$ 153,347,508
Liabilities			
Claims unpaid	\$ 51,648,357	\$ -	\$ 51,648,357
Accrued medical incentive pool and bonus amounts	1,474,033	-	1,474,033
Unpaid claims adjustment expenses	778,595	-	778,595
Aggregate health policy reserves	96,503	-	96,503
General expenses due and accrued	2,190,863	-	2,190,863
Borrowed money and interest thereon	3,000,765	-	3,000,765
Amounts due to parent, subsidiaries and affiliates	235,384	-	235,384
Liability for amounts held under uninsured plans	7,508,841	-	7,508,841
Aggregate write-ins for other liabilities	937,113	-	937,113
Total liabilities	\$ 67,870,454	-	\$ 67,870,454
Capital and Surplus			
Common capital stock	3	-	3
Gross paid in and contributed surplus	9,008,319	-	9,008,319
Unassigned funds (surplus)	76,468,732	-	76,468,732
Total capital and surplus	85,477,054	-	85,477,054
Total liabilities, capital and surplus	\$ 153,347,508	\$ -	\$ 153,347,508

HealthSpring of Florida, Inc.
Statement of Revenue and Expenses
Year Ended December 31, 2018

Net premium income	\$	826,393,755
Aggregate write-ins for other health care related revenues		(525)
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Total revenues		826,393,230
<hr/>		
Hospital and medical benefits		516,765,612
Other professional services		450,209
Outside referrals		16,589,912
Emergency room and out-of-area		104,649,374
Prescription drugs		64,541,324
Incentive pool, withhold adjustments and bonus amounts		(13,771,106)
<hr/>		
Total hospital and medical		689,225,325
<hr/>		
Claims adjustment expenses		13,849,662
General administrative expenses		93,019,823
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Total underwriting deductions		796,094,810
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Net underwriting gain		30,298,420
Net investment income earned		4,634,900
Net realized capital gains (losses) less capital gains tax		(76,581)
Net investment gains (losses)		4,558,319
Net gain or (loss) from agents' or premium balances charged off		(17,877)
<hr/>		
Income before federal income tax		34,838,862
Federal income tax		8,645,627
<hr/>		
Net income	\$	26,193,235
<hr/>		

HealthSpring of Florida, Inc.
Statement of Changes in Capital and Surplus
Four Years Ended December 31, 2018

Capital and surplus - December 31, 2014	\$ 54,669,825
Net income	9,239,800
Change in net deferred income tax	782,725
Change in nonadmitted assets	(2,413,789)
Dividends to stockholder	-
<hr/>	
Capital and surplus - December 31, 2015	62,278,562
Net income	26,910,959
Change in net deferred income tax	(249,944)
Change in nonadmitted assets	522,827
Dividends to stockholder	-
<hr/>	
Capital and surplus - December 31, 2016	89,462,404
Net income	6,590,030
Change in net deferred income tax	808,051
Change in nonadmitted assets	(937,789)
Dividends to stockholder	-
<hr/>	
Capital and surplus - December 31, 2017	95,922,696
Net income	26,193,235
Change in net unrealized capital gains (losses)	(82,698)
Change in net deferred income tax	(1,216,751)
Change in nonadmitted assets	1,060,572
Dividends to stockholder	(36,400,000)
<hr/>	
	85,477,054
Examination adjustments	-
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Capital and surplus - December 31, 2018	<u>\$ 85,477,054</u>

HealthSpring of Florida, Inc.
Comparative Analysis of Changes in Capital and Surplus
December 31, 2018

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

Capital and surplus, December 31, 2018 - per annual statement				\$ 85,477,054
	<u>Per</u>	<u>Per</u>	<u>Increase</u>	
	<u>Company</u>	<u>Examination</u>	<u>(Decrease)</u>	
			<u>In Capital</u>	
			<u>& Surplus</u>	
Total assets	\$ 153,347,508	\$ 153,347,508	\$ -	
Total liabilities	\$ 67,870,454	\$ 67,870,454	\$ -	-
Capital and surplus, December 31, 2018 - per examination				<u>\$ 85,477,054</u>

COMMENTS ON FINANCIAL STATEMENTS

There were no examination adjustments to the Financial Statements during this examination period.

SUMMARY OF RECOMMENDATIONS

There were no recommendations for findings of a significant nature during this examination period.

SUBSEQUENT EVENTS

Effective January 1, 2019, the Company was party to a Rebate Services Agreement with Express Scripts, Inc. (ESI), under which ESI provides pharmacy benefit management services as the pharmacy benefit manager. ESI is an indirect subsidiary of Cigna.

In March 2020, the World Health Organization recognized the coronavirus (COVID-19) outbreak as a pandemic. While the complete effects of COVID-19 on the economy and financial markets are still unknown, the Office recognizes that it could have a significant impact on all domestic insurers, including the Company. The Office will continue to closely monitor this situation and share information with the Company as appropriate regarding these developments.

CONCLUSION

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

At December 31, 2018, the Company's capital and surplus was \$85,477,054 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: Ryan Havick CFE, MCM; Michael Nadeau, CPA, CISA, CFE, AES; Steven Mahan, FSA and Charlie Kreske, CFE, MCM, associated with the firm of Eide Bailly, LLP; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor and Emmaculate Muambo, APIR, Financial Control Specialist.

Respectfully submitted,



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