

Report on Examination
of
Simply Healthcare Plans, Inc.
Coral Gables, Florida
as of
December 31, 2014



**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 (F.S.), and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Simply Health Care Plans, Inc. as of December 31, 2014. Our report on the examination follows.

Florida Office of Insurance Regulation
March 10, 2016

Contents

Scope of Examination.....	1
Company History.....	2
Corporate Records.....	3
Management and Control.....	3
Fidelity Bonds and Other Insurance.....	5
Pension, Stock Ownership and Insurance Plans.....	5
Company Growth.....	7
Reinsurance.....	7
Surplus Notes.....	8
Statutory Deposits.....	8
Subsequent Events.....	13
Conclusion.....	14

SCOPE OF EXAMINATION

We have completed a financial condition examination Simply Health Care Plans, Inc. (the "Company"), a Florida health maintenance organization (HMO). Our examination covered the period of January 1, 2010 through December 31, 2014 and took place primarily in the Company's Coral Gables, Florida office. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office").

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. 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, which included assessing significant estimates made by management. 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, 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 separately communicated to other regulators and/or the company.

COMPANY HISTORY

The Company was incorporated in Florida on September 10, 2009 and was licensed by the Office as an HMO on January 7, 2010. Simply Healthcare Plans, Inc. is a wholly owned subsidiary of Simply Healthcare Holdings, Inc. (the "Parent" company).

Dividends and Capital Contributions

The Company did not distribute dividends during the period examined. The Company had a decrease in capital and surplus of \$ 70,125 in 2013 due to a loss on transfer of Medicaid members in an agreement with its affiliate, Better Health, LLC ("Better Health").

Mergers and Acquisitions

The Company acquired certain assets and assumed certain liabilities of Total Health Choice, Inc. ("Total") in April 2010 through an Asset Purchase Agreement. In this agreement the Company also assumed Total's State of Florida Medicaid and State Child Health Insurance Program contracts.

CORPORATE RECORDS

We reviewed the minutes from the Board of Directors meetings and there was no indication of the authorization or ratification of investments as required by Section 641.35(7), F.S.

MANAGEMENT AND CONTROL

The Company is a wholly-owned subsidiary of Simply Healthcare Holdings, Inc ("the Parent") and is affiliated with Better Health, LLC through common ownership.

Its senior officers and directors as of December 31, 2014 were:

Senior Officers

<u>Name</u>	<u>Title</u>
Lourdes T. Rivas	Chief Executive Officer
Marcio C. Carbrera	Chief Financial Officer
Barbara R. Crowley	Medical Director
Jorge L. Rico	Vice President, Secretary
Marcio C. Carbrera	Vice President, Treasurer

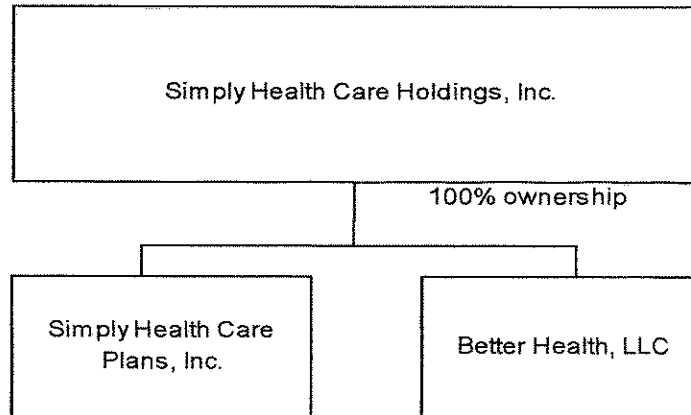
Board of Directors

<u>Name</u>	<u>Location</u>
Marcio C. Carbrera	Miami, Florida
Jorge L. Rico	Miami, Florida

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 31, 2015.

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

**Simply Healthcare Plans, Inc.
Abbreviated Organizational Chart
December 31, 2014**



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

Management Agreements

The Company had a management agreement with the Parent company in which the Parent provided management functions in the field of managed health care. The agreement was entered on October 29, 2009 and amended on September 11, 2014 to be effective January 7, 2010.

On April 30, 2010, the Company acquired the Medicaid non-reform beneficiaries of Total Health Choice. In addition, they received the contracts for Florida Healthy Kids and the Medicaid non-reform Prepaid Health Clinic. When the Florida Healthy Kids contract expired in September 2012, it was not renewed. Total Health Choice surrendered its Certificate of Authority in April 2013 and its deposits were released to the Company through Consent Order 131352-13.

On May 1, 2010 the Company entered into a management services agreement with Better Health, LLC, whereas the Company was delegated authority and responsibility to manage, conduct, supervise and administer the daily operations of Better Health, LLC.

In April 2013, the Company entered into an agreement with its affiliate, Better Health, providing for the medical service of Medicaid members in different regions in Florida.

On March 23, 2012 the Company entered a service agreement with Better Health, LLC in which a celebrity provided certain marketing and communications services regarding the Company's managed care services. The agreement established monthly recurring installments until expiration of the agreement in March 2017.

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. The policies provided for written notification to the Office of any reduction, cancellation, non-renewal or termination of required coverage. In addition, the Company was insured by a blanket fidelity bond issued by a licensed Florida carrier, as required by Section 641.22(7), F.S., in the amount of \$ 10,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offered a 401(k) plan to all employees who attained the age of 18 and completed 90 days of service. The Company contributions to this plan are discretionary and as of December 31, 2014, the Company had made no contributions.

TERRITORY AND PLAN OF OPERATION

Simply Health Care Plans, Inc. provided health care and related services to Medicaid, Medicare and HIV/AIDS members in Florida. The Company was authorized by the State of Florida to operate as a for-profit HMO in accordance with Part I of Chapter 641, F.S. The Company holds a Health Care Provider Certificate effective December 17, 2009 in accordance with Part III of Chapter 641, F.S. and Chapter 59A-12 F.A.C. In August 2011, the Company entered into a contract with Centers for Medicaid and Medicare ("CMS") as a Medicare Advantage Provider effective January 1, 2012. The Company, under its d/b/a Clear Health Alliance ("Clear"), entered into a contract in February 2012 with the State of Florida to provide Medicaid benefits to members with certain chronic conditions. In 2013 the Company was awarded by the State of Florida's Agency for Health Care Administration a five year contract for the Statewide Medicaid Managed Care (SMMC) Managed Medical Assistance (MMA) program in ten regions for Clear Health Alliance and one region for the Company. In 2013 the Company received approval to add the commercial line of business to its products and also received authority to operate as a Third Party Administrator. The Company's health care provider certificate issued by the Florida Agency for Health Care Administration expires December 16, 2015. As an Individual Practice Association ("IPA") Model HMO, the Company had 116,166 members at year-end 2014. It provided Medicaid and Medicare Services in Hernando, Hillsborough, Miami-Dade, Pasco, Pinellas and Polk counties. It also provided Medicaid only services in Osceola and Seminole counties and Medicare only services in Broward County. In May 2014 the Company expanded its service area to Dade and Monroe counties for the SMMC-MMA Program.

COMPANY GROWTH

The Company reported the following for years 2010 through 2014:

(Dollars are in millions.)

	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Member months	74,325	208,708	380,645	667,160	1,103,246
Year-end enrollment	8,473	22,829	37,306	66,244	116,166
Premiums	\$ 15.9	\$ 43.8	\$ 150.5	\$ 424.3	\$ 835.9
Revenues	\$ 15.9	\$ 43.8	\$ 150.5	\$ 424.3	\$ 835.9
Underwriting deductions	\$ 19.1	\$ 43.0	\$ 147.6	\$ 410.9	\$ 812.2
Net income	\$ (3.2)	\$ 0.5	\$ 2.1	\$ 8.1	\$ 11.9
Shareholder dividends	\$ -	\$ -	\$ -	\$ -	\$ -
Paid in surplus received	\$ 5.8	\$ -	\$ -	\$ (0.01)	\$ -
Admitted assets	\$ 16.3	\$ 15.8	\$ 43.5	\$ 77.6	\$ 199.9
Liabilities	\$ 8.7	\$ 11.9	\$ 32.5	\$ 64.3	\$ 172.5
Capital and surplus	\$ 7.6	\$ 3.9	\$ 11.0	\$ 13.3	\$ 27.4

REINSURANCE

The Company purchased stop loss liability insurance for provider claims which exceed certain deductible amounts. Under the stop loss liability policy, the Company was responsible for the first \$350,000 of claims for each Medicare member and each Medicaid standard plan member. For the Medicaid specialty plan Clear Health Alliance, the Company was responsible for the first \$250,000.

SURPLUS NOTES

As of December 31, 2014, the Company was obligated for surplus notes to Simply Healthcare Holdings, Inc. totaling \$ 20,559,808 bearing an 8% interest. The notes were filed with the Office and complied with the requirements of Rule 69O-191.088, F.A.C. In accordance with Section 641.19(19), F.S., and Statement of Statutory Accounting Principles No. 41, the debt was included in the Company's surplus. The surplus notes are as follows:

Note #	Issue Date	Amount
# 1	05/04/2010	\$ 7,559,808
# 2	09/02/2010	\$ 4,967,102
# 3	09/17/2010	\$ 2,032,898
# 4	12/20/2010	\$ 2,500,000
# 5	12/31/2012	\$ 2,500,000
# 6	12/31/2013	\$ 1,000,000

STATUTORY DEPOSITS

The Company maintained a deposit of \$300,000 with the Office as an insolvency protection deposit in accordance with Section 641.285, F.S. It also maintained a Rehabilitation Administrative Expenses Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

Simply Healthcare Plans, Inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2014

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ 15,436,624	\$ -	\$ 15,436,624
Cash, cash equivalents and short-term investments	150,737,406	-	150,737,406
	166,174,030	-	166,174,030
Investment income due and accrued	151,723	-	151,723
Uncollected premiums and agents' balances	6,723,193	-	6,723,193
Accrued retrospective premiums	18,254,005	-	18,254,005
Amounts recoverable from reinsurers	16,752	-	16,752
Net deferred tax asset	1,408,149	-	1,408,149
Electronic data processing equipment and software	652,038	-	652,038
Healthcare and other amounts receivable	6,457,772	-	6,457,772
Aggregate write-ins for other than invested assets	10,000	-	10,000
Total admitted assets	\$ 199,847,662	\$ -	\$ 199,847,662
Liabilities			
Claims unpaid	\$ 88,751,134	\$ -	\$ 88,751,134
Accrued medical incentive pool and bonus amounts	\$ 19,935,533	-	\$ 19,935,533
Unpaid claims adjustment expenses	902,056	-	902,056
Aggregate health policy reserves	3,720,208	-	3,720,208
Premiums received in advance	37,952,073	-	37,952,073
General expenses due or accrued	10,133,112	-	10,133,112
Current federal and foreign income tax payable	5,256,165	-	5,256,165
Payable to parent, subsidiaries, and affiliates	64,241	-	64,241
Aggregate write-ins for other liabilities	5,813,847	-	5,813,847
Total liabilities	172,528,369	-	172,528,369
Capital and Surplus			
Aggregate write-ins for special surplus	9,169,007	-	9,169,007
Common capital stock	57	-	57
Gross paid in and contributed surplus	5,714,050	-	5,714,050
Surplus Notes	20,559,808	-	20,559,808
Unassigned funds (deficit)	(8,123,629)	-	(8,123,629)
Total capital and surplus	27,319,293	-	27,319,293
Total liabilities, capital and surplus	\$ 199,847,662	\$ -	\$ 199,847,662

Simply Healthcare Plans, Inc.
Statement of Revenue and Expenses
(As reported by the Company)
Year Ended December 31, 2014

Net premium income	\$ 834,607,654
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Total Revenues	\$ 834,607,654
Hospital and medical benefits	269,669,370
Other professional services	195,683,752
Prescription drugs	231,191,519
Incentive pool, withhold adjustments, bonus amounts	43,440,525
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	739,985,166
Net reinsurance recoveries	661,022
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Total hospital and medical	739,324,144
Claims adjustment expenses	7,031,268
General administrative expenses	65,803,921
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Total underwriting deductions	812,159,333
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Net underwriting gain	22,448,321
Net investment gains	275,839
Net realized capital gains	11,165
Net loss from agents' or premium balances charged off	(99,140)
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Income before federal income tax	22,636,185
Federal income tax	10,779,455
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Net income	\$ 11,856,730

Simply Healthcare Plans, Inc.
Statement of Changes in Capital and Surplus
Five Years Ended December 31, 2014

Capital and surplus - December 31, 2009	\$ -
Net income (loss)	(3,166,399)
Change in net unrealized capital gains (losses)	(488,538)
Change in net deferred income tax	1,371,114
Change in nonadmitted assets	(10,040,247)
Change in surplus notes	14,559,808
Change in paid in surplus	5,784,232
Aggregate write-ins for gains and losses in surplus	(486,996)
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Capital and surplus - December 31, 2010	7,532,974
Net income (loss)	472,578
Change in net unrealized capital gains (losses)	(585,819)
Change in net deferred income tax	(270,755)
Change in nonadmitted assets	(3,226,003)
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Capital and surplus - December 31, 2011	3,922,975
Net income (loss)	2,051,006
Change in net unrealized capital gains (losses)	(590,118)
Change in net deferred income tax	(868,851)
Change in nonadmitted assets	1,446,325
Change in surplus notes	5,000,000
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Capital and surplus - December 31, 2012	10,961,337
Net income (loss)	8,135,542
Change in net unrealized capital gains (losses)	(394,040)
Change in net deferred income tax	(256,723)
Change in nonadmitted assets	(6,075,624)
Change in surplus notes	1,000,000
Change in paid in surplus	(70,125)
Aggregate write-ins for gains and losses in surplus	
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Capital and surplus - December 31, 2013	13,300,367
Net income (loss)	11,856,730
Change in net unrealized capital gains (losses)	(679,063)
Change in net deferred income tax	1,433,369
Change in nonadmitted assets	1,407,890
Change in asset valuation reserve	
Aggregate write-ins for gains and losses in surplus	
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	27,319,293
Examination adjustments	-
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Capital and surplus - December 31, 2014	<u>\$ 27,319,293</u>

Simply Healthcare Plans, Inc.
Comparative Analysis of Changes in Capital and Surplus
December 31, 2014

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, 2013 - as reported				\$ 27,319,293
	As	Per	Increase	
	Reported	Examination	(Decrease)	
			In Capital	
			& Surplus	
Total admitted assets	\$ 199,847,663	\$ 199,847,663	\$ -	-
Total liabilities	\$ 172,528,370	\$ 172,528,370	\$ -	-
Net change in capital and surplus				-
Capital and surplus, December 31, 2013 - per examination				\$ 27,319,293

SUBSEQUENT EVENTS

Simply Healthcare Holdings, the parent company for Simply Healthcare Plans, Inc., entered into a Plan of Merger ("Purchase Agreement") as a subsidiary of Anthem, Inc. on December 19, 2014. The acquisition received all regulatory approvals and was finalized on February 17, 2015.

Marcio C. Carbrera and Jorge L. Rico were replaced as board members upon the purchase by Anthem, Inc. on February 17, 2015 by Lourdes Rivas, Carter Beck, and Catherine Kelaghan.

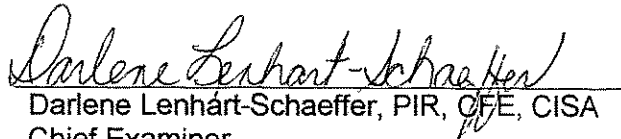
CONCLUSION

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

At December 31, 2014, the Company's capital and surplus was \$ 27,319,293 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: Cathy S. Jones, CPA, CFE, Financial Examiner/Analyst Supervisor; Margaret M. McCrary, CPA, CGMA, Financial Examiner/Analyst Supervisor; Lisa Parker, ASA, MAAA, Actuary; Luke Stavenau, Financial Specialist; and Lewis & Ellis, Inc.

Respectfully submitted,


Darlene Lenhart-Schaeffer, PIR, CFE, CISA
Chief Examiner
Florida Office of Insurance Regulation