

STATE OF MISSOURI



DEPARTMENT OF COMMERCE & INSURANCE

P.O. Box 690, Jefferson City, Mo. 65102-0690

ORDER

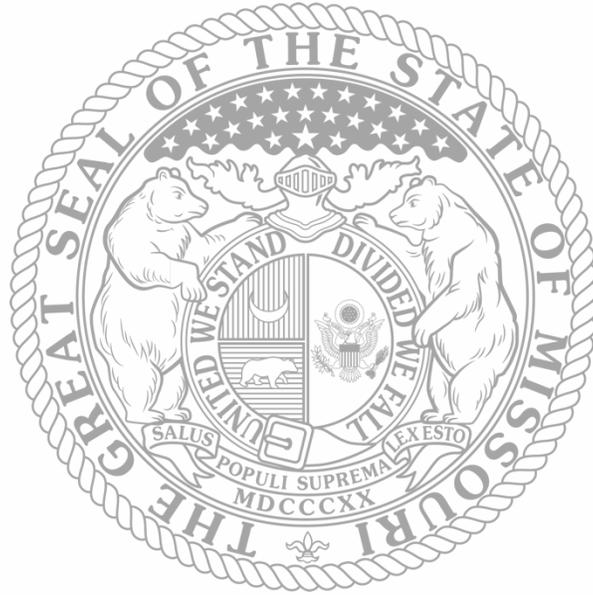
After full consideration and review of the report of the financial examination of Cox Health Systems HMO, Inc. for the period ended December 31, 2022, together with any written submissions or rebuttals and any relevant portions of the examiner's workpapers, I, Chlora Lindley-Myers, Director of the Missouri Department of Commerce and Insurance pursuant to section 374.205.3(3)(a), RSMo, adopt such examination report. After my consideration and review of such report, workpapers, and written submissions or rebuttals, I hereby incorporate by reference and deem the following parts of such report to be my findings and conclusions to accompany this order pursuant to section 374.205.3(4), RSMo: summary of significant finding, company history, management and control, territory and plan of operation, growth of company and loss experience, reinsurance, accounts and records, financial statements, comments on financial statement items, financial statement changes resulting from examination, and summary of recommendations.

Based on such findings and conclusions, I hereby ORDER that the report of the financial examination of Cox Health Systems HMO, Inc. as of December 31, 2022, be and is hereby ADOPTED as filed and for Cox Health Systems HMO, Inc. to take the following action or actions, which I consider necessary to cure any violation of law, regulation or prior order of the Director revealed by such report: (1) account for its financial condition and affairs in a manner consistent with the Director's findings and conclusions.

So ordered, signed and official seal affixed this 19th day of April, 2024.




Chlora Lindley-Myers, Director
Department of Commerce and Insurance



REPORT OF
FINANCIAL EXAMINATION OF

COX HEALTH SYSTEMS HMO, INC.

AS OF
DECEMBER 31, 2022

STATE OF MISSOURI
DEPARTMENT OF COMMERCE & INSURANCE

JEFFERSON CITY, MISSOURI

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PERIOD COVERED.....	1
PROCEDURES.....	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
MERGERS, ACQUISITIONS, AND MAJOR CORPORATE EVENTS	2
DIVIDENDS AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES.....	2
MANAGEMENT AND CONTROL	3
BOARD OF DIRECTORS	3
SENIOR OFFICERS	3
PRINCIPAL COMMITTEES	3
CORPORATE RECORDS.....	4
HOLDING COMPANY, SUBSIDIARIES, AND AFFILIATES.....	4
ORGANIZATIONAL CHART	4
INTERCOMPANY TRANSACTIONS	5
TERRITORY AND PLAN OF OPERATION	5
GROWTH OF COMPANY AND LOSS EXPERIENCE	5
REINSURANCE	5
GENERAL.....	5
ACCOUNTS AND RECORDS	5
INDEPENDENT AUDITOR	5
ACTUARIAL OPINION.....	6
CONSULTING ACTUARY.....	6

INFORMATION SYSTEMS	6
FINANCIAL STATEMENTS.....	6
ASSETS.....	7
LIABILITIES, CAPITAL AND SURPLUS	7
STATEMENT OF REVENUE AND EXPENSES.....	8
RECONCILIATION OF CAPITAL AND SURPLUS.....	8
COMMENTS ON FINANCIAL STATEMENT ITEMS	9
FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION	9
SUMMARY OF RECOMMENDATIONS.....	9
SUBSEQUENT EVENTS.....	9
ACKNOWLEDGMENT	10
VERIFICATION.....	10
SUPERVISION	11

Springfield, MO
March 15, 2024

Honorable Chlora Lindley-Myers, Director
Missouri Department of Commerce and Insurance
301 West High Street, Room 530
Jefferson City, Missouri 65101

Director Lindley-Myers:

In accordance with your financial examination warrant, a full-scope financial examination has been made of the records, affairs, and financial condition of

Cox Health Systems HMO, Inc. (NAIC #95530)

hereinafter referred to as such, as CHMO, or as the Company. Its administrative office is located at 3200 South National, Springfield, Missouri 65801, telephone number 417-269-2851. The fieldwork for this examination began on July 24, 2023, and concluded on the above date.

SCOPE OF EXAMINATION

Period Covered

The Missouri Department of Commerce and Insurance (Department) has performed a single-state financial examination of Cox Health Systems HMO, Inc. The last examination of the Company by the Department covered the period of January 1, 2016, through December 31, 2018. The current examination covers the period of January 1, 2019, through December 31, 2022, as well as a review of any material transactions and events occurring subsequent to the examination period through the date of this report. This examination was performed concurrently with the examination of the Company's wholly owned subsidiary, Cox Health Systems Insurance Company (CHSIC).

Procedures

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook (Handbook)*, except where practices, procedures, and applicable regulations of the Department or statutes of the state of Missouri prevailed. The *Handbook* requires that we plan and perform the 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. An examination also includes the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated, both on a current and prospective basis.

This examination also included a review of significant estimates made by management and evaluation of 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.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Those activities considered in the examination as key to CHMO included investments, capital and surplus, underwriting, claims and reserves, reinsurance, and related parties. The examination also included a review and evaluation of information technology general controls.

This examination report includes significant findings of fact, as mentioned in section 374.205, RSMo (Examination, director may conduct, when...) and general information about the Company 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 are separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

There were no material adverse findings, significant non-compliance issues, or material changes to the financial statements noted during the examination.

COMPANY HISTORY

General

Cox Health Systems HMO, Inc. was incorporated in the state of Missouri on April 2, 1996, as a network model health maintenance organization. The Company was issued a certificate of authority on October 24, 1996, under Chapter 354.400 to 354.636, RSMo (Health Maintenance Organizations). The Company began issuing health insurance contracts on January 1, 1997, and converted to a nonprofit corporation effective January 1, 2015.

Mergers, Acquisitions, and Major Corporate Events

There were no mergers, acquisitions, or major corporate events during the examination period.

Dividends and Capital Contributions

The Company did not pay any dividends during the examination period. In 2019, CHMO received a capital contribution in the amount of \$1,500,000 from its wholly owned subsidiary, Cox HealthPlans, LLC, which was, in turn, contributed to Cox Health Systems Insurance Company. In 2022 and 2023, CHMO received contributions from its direct parent, Lester E. Medical Centers, of \$1,218 and \$6,004,312, respectively, in accordance with the terms of the Contribution Agreement described under the Intercompany Transactions section of this report.

Surplus Notes

There were no surplus notes issued or outstanding during the examination period.

MANAGEMENT AND CONTROL

Board of Directors

The management of the Company is vested in a Board of Directors (Board) that are elected at the annual meeting of the stockholder. The Company's Bylaws specify that the Board of Directors shall consist of no less than nine and no more than twenty-one members. The Directors elected and serving as of December 31, 2022, were as follows:

<u>Name and Address</u>	<u>Principal Occupation and Business Affiliation</u>
Max D. Buetow Springfield, MO	President and CEO CoxHealth
Janice K. Harris Springfield, MO	Retired Teacher Springfield Public Schools
Timothy L. Jones Springfield, MO	Executive Vice President and Physician Lester E. Cox Medical Centers
Rita M. Needham Springfield, MO	Retired Chief Executive Officer Missouri Association of Manufacturers
Clifford M. Costley Monett, MO	Medical Director of Regional Services and Physician Lester E. Cox Medical Centers
Jerry G. Jared Rogersville, MO	Retired Chairman and Chief Executive Officer Jared Enterprises, Inc.
Norman J. Mechlin Springfield, MO	Physician Ferrell Duncan Clinic
J. Brent Singleton Springfield, MO	Senior Wealth Advisor and Director Mercer Advisors
Bill W. Jones Branson, MO	President, Chief Executive Officer, and Chairman Branson Bank

Senior Officers

The officers elected and serving, as of December 31, 2022, were as follows:

<u>Name</u>	<u>Office</u>
Matthew J. Aug	President
Lisa J. Odom*	Chief Financial Officer
Susan M. Sanchez	Chief Information Officer

*Effective June 13, 2023, Lisa Odom left the Company and was replaced by Jennifer A. Henderson.

Principal Committees

The Bylaws provide the Board the authority to establish committees on both a standing and ad hoc basis, as deemed necessary. The Board has not established any committees specific to CHMO. Rather, the Company participates in the following management committees maintained by its direct subsidiary, CHP:

- Quality Improvement Committee
- Compliance Committee

- Enterprise Risk Management Committee
- Utilization Management Committee
- Benefits Committee
- Regulatory Committee
- HIPAA Steering Committee

Corporate Records

The Company's Articles of Incorporation and Bylaws were reviewed. There were no revisions to either document during the examination period. The minutes of the Board were reviewed for the period under examination.

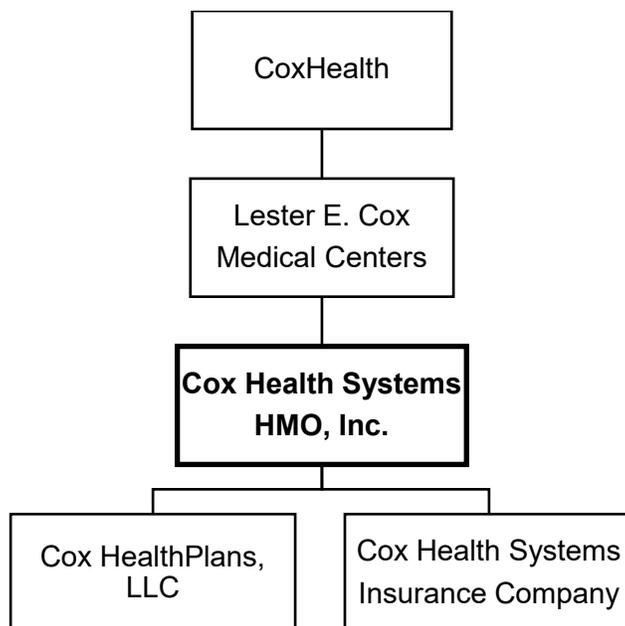
Holding Company, Subsidiaries, and Affiliates

CHMO is a member of an Insurance Holding Company System, as defined by section 382.010, RSMo (Definitions). CoxHealth, a nonprofit corporation, is the ultimate controlling entity of the group. The following is a description of the business operations of the directly affiliated entities:

- CoxHealth – A nonprofit corporation and ultimate controlling entity organized to promote and support the interests and purposes of the healthcare entities within the holding company system.
- Lester E. Cox Medical Centers – A nonprofit corporation owning and operating hospitals, and various healthcare related entities.
- Cox Health Systems Insurance Company – A nonprofit life, health and accident insurance company, currently writing group and individual health insurance.
- Cox HealthPlans, LLC – A management and consulting company licensed as a third-party administrator (TPA) that provides utilization review and other administrative services to CHMO and CHSIC.

Organizational Chart

The following organizational chart depicts the applicable portion of the holding company group as of December 31, 2022. All subsidiaries are wholly-owned unless otherwise noted. All entities are incorporated and domiciled in Missouri.



Intercompany Transactions

The following agreements represent significant contracts executed with affiliated entities that were in effect as of December 31, 2022. A brief description of these agreements are as follows:

Contribution Agreement: Effective January 1, 2000, CHMO and Lester E. Cox Medical Centers entered into a Contribution Agreement, under which Lester E. Cox Medical Centers agreed to make monthly capital contributions (as necessary) to CHMO in the event CHMO incurs a loss during the calendar month.

Wellness Services Agreement: Effective October 1, 2007, CHMO and Lester E. Cox Medical Centers entered into a Wellness Services Agreement, under which Lester E. Cox Medical Centers provides certain wellness services to members of CHMO who hold the wellness and health status improvement rider.

TERRITORY AND PLAN OF OPERATION

CHMO is organized as a network model health maintenance organization (HMO) to provide health coverage to employees and dependents of various organizations within its service area in southwestern Missouri. The Company is not licensed to write business in any state other than Missouri. In 2015, Company management made the strategic decision to cease writing business due to the decline in demand for HMO products. As such, CHMO did not have any active policies during the examination period. However, during 2022, Company management decided to re-enter the market with a Medicare Advantage (MA) product, effective January 1, 2023. During the 2022 open enrollment for the 2023 coverage period, CHMO added approximately 4,000 members. The MA business is produced through a Managing General Agent (MGA) and brokers, as well as an online enrollment option.

GROWTH OF COMPANY AND LOSS EXPERIENCE

As noted above, the Company had no active policies during the examination period and therefore did not report any written premium or claims during the examination period.

REINSURANCE**General**

As the Company had no active policies during the examination period, there were no direct, assumed, or ceded premiums reported during the examination period.

ACCOUNTS AND RECORDS**Independent Auditor**

The certified public accounting (CPA) firm, BKD, LLP (BKD), of Fort Wayne, Indiana, performed the statutory audits of the Company for years 2019 through 2021 of the examination period. In 2022, BKD merged with Dixon Hughes Goodman and began operating under the name FORVIS, LLP (FORVIS). FORVIS performed the 2022 statutory audit of the Company. Reliance was placed upon the CPA workpapers as deemed appropriate. Such reliance included, but was not limited to, identification of key processes and controls and substantive testing procedures.

Actuarial Opinion

The Company's actuarial opinion regarding reserves and other actuarial items was issued by Kimberly S. Shores, FSA, MAAA, for the year ended 2022. Ms. Shores is employed by Lewis & Ellis, Inc. in Overland Park, Kansas. For the years ended 2019 through 2021 during the examination period, the Department approved the Company's request for exemption from filing actuarial opinions and related documents as the Company did not write business and had not reported a claim payment since 2016.

Consulting Actuary

Pursuant to a contract with the Department, Donna Novak, ASA, FCA, MAAA of NovaRest Actuarial Consulting, reviewed the underlying actuarial assumptions and methodologies used by CHMO to determine the adequacy of reserves and other actuarial items. Ms. Novak determined that the Company made a reasonable provision for the reserves and other actuarial items that were reported in the statutory financial statements as of December 31, 2022.

Information Systems

Kim Dobbs, CFE, AES, CISA, Information Systems Financial Examiner-in-Charge with the Department, assisted by IT Examiner Specialist Alicia Galm, CFE, conducted a review of the Company's information systems.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of Cox Health Systems HMO, Inc. for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the financial statements and should be considered an integral part of the financial statements. The failure of any column of numbers to add to its respective total is due to rounding or truncation.

There may have been additional differences found in the course of this examination, which are not shown in the "Comments on Financial Statement Items." These differences were determined to be immaterial concerning their effect on the financial statements, and therefore were only communicated to the Company and noted in the workpapers for each individual key activity.

ASSETS

As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Common Stocks	\$ 26,035,459	\$ -	\$ 26,035,459
Cash, Cash Equivalents, and Short- Term Investments	1,919,555	-	1,919,555
Other Invested Assets	9,139,340	-	9,139,340
Health Care and Other Amounts Receivable	543,455	543,455	-
TOTAL ASSETS	\$ 37,637,809	\$ 543,455	\$ 37,094,354

LIABILITIES, CAPITAL AND SURPLUS

As of December 31, 2022

Aggregate Health Policy Reserves	\$ 4,000,000
Amounts Due to Parent, Subsidiaries, and Affiliates	1,000
TOTAL LIABILITIES	\$ 4,001,000
Gross Paid-In and Contributed Surplus	10,603,073
Aggregate Write-Ins for Other-Than-Special Surplus Funds	14,102,392
Unassigned Funds (Surplus)	8,387,892
TOTAL CAPITAL AND SURPLUS	\$ 33,093,357
TOTAL LIABILITIES AND SURPLUS	\$ 37,094,357

STATEMENT OF REVENUE AND EXPENSES

For the Year Ended December 31, 2022

Net Premium Income	\$ -
Total Revenue	\$ -
General Administrative Expenses	12,215
Total Underwriting Deductions	\$ 12,215
Net Underwriting Gain (Loss)	\$ (12,215)
Net Investment Income Earned	18,700
Net Investment Gain (Loss)	\$ 18,700
Net Income (Loss) After Capital Gains Tax and Before All Other Federal Income Taxes	\$ 6,485
Federal and Foreign Income Taxes Incurred	-
NET INCOME (LOSS)	\$ 6,485

RECONCILIATION OF CAPITAL AND SURPLUS

Changes from January 1, 2019, to December 31, 2022

(\$000's omitted)

	2019	2020	2021	2022
Capital and Surplus, Beginning of Year	\$ 22,031	\$ 25,528	\$ 32,530	\$ 33,960
Net Income (Loss)	1,536	18	2	6
Change in Valuation Basis of Aggregate Policy and Claim Reserves	-	-	-	(4,000)
Change in Net Unrealized Capital Gains (Losses) Less Capital Gains Tax	3,460	6,983	1,428	3,669
Change in Nonadmitted Assets	-	-	-	(543)
Aggregate Write-Ins for Gains (Losses) in Surplus	(1,500)	1	-	1
Net Change in Capital and Surplus	\$ 3,496	\$ 7,002	\$ 1,430	\$ (867)
Capital and Surplus, End of Year	\$ 25,528	\$ 32,530	\$ 33,960	\$ 33,093

COMMENTS ON FINANCIAL STATEMENT ITEMS

None.

FINANCIAL STATEMENT CHANGES RESULTING FROM EXAMINATION

None.

SUMMARY OF RECOMMENDATIONS

None.

SUBSEQUENT EVENTS

During 2023, CHMO received capital contributions totaling \$6,004,312 from its direct parent, Lester E. Cox Medical Centers. As of year-end 2023, \$1,218,361 of this amount was still outstanding. CHMO obtained approval from the Department to report this receivable as an admitted asset on its 2023 Annual Statement, in accordance with the Statements of Statutory Accounting Principles (SSAPs) No 72 – Surplus and Quasi-Reorganizations. This transaction was settled effective January 23, 2024.

As noted under the Territory and Plan of Operation section of this report, the Company started writing Medicare Advantage business, effective January 1, 2023.

Effective January 1, 2023, CHMO and CHP entered into a Management Agreement, under which CHP provides comprehensive administrative, financial, and managerial services for the Company, including premium processing, claims management and provider network administration.

No other significant subsequent events were noted from December 31, 2022, through the date of this report.

ACKNOWLEDGMENT

The assistance and cooperation extended by the officers and the employees of Cox Health Systems HMO, Inc. during the course of this examination is hereby acknowledged and appreciated. In addition to the undersigned, Emily Pennington, CFE, Lisa Li, CFE, CPA, ARe, Kim Dobbs, CFE, AES, CISA, and Alicia Galm, CFE, examiners for the Missouri Department of Commerce and Insurance, also participated in this examination.

VERIFICATION

State of Missouri)
) ss
County of Cole)

I, Ronald Musopole, CFE, CIA, CRMA, MBA, on my oath swear that to the best of my knowledge and belief the above examination report is true and accurate and is comprised of only facts appearing upon the books, records, or other documents of Cox Health Systems HMO, Inc., its agents or other persons examined, or as ascertained from the testimony of its officers or agents or other persons examined concerning its affairs, and such conclusions and recommendations as the examiners find reasonably warranted from the facts.

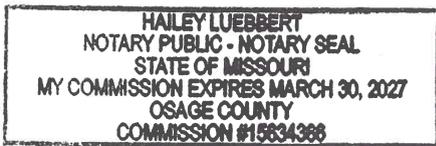


Ronald Musopole, CFE, CIA, CRMA, MBA
Examiner-In-Charge
Missouri Department of Commerce and
Insurance

Sworn to and subscribed before me this 29th day of March, 2024.

My commission expires: March 30, 2027 

Notary Public



SUPERVISION

The examination process has been monitored and supervised by the undersigned. The examination report and supporting workpapers have been reviewed and approved. Compliance with NAIC procedures and guidelines as contained in the *Financial Condition Examiners Handbook* has been confirmed, except where practices, procedures, and applicable regulations of the Missouri Department of Commerce and Insurance and statutes of the state of Missouri prevailed.



Sara McNeely, CFE
Assistant Chief Financial Examiner
Missouri Department of Commerce and
Insurance