

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 will be documented separately following the company's financial statements. Financial statements, as reported and filed by the companies with Commerce, are reflected in the following: (Note: Failure of the columns to add to the totals reflected in this Report of Examination is due to rounding.)

MEDICA HEALTH PLANS

Assets

December 31, 2020

Bonds	\$	291,885,339
Stocks:		
Common stocks		150,194,484
Real Estate:		
Properties occupied by the company		76,182,101
Cash, cash equivalents and short-term investments		51,900,874
Other invested assets		33,424,832
Receivables for securities		2,145,601
Subtotals, cash and invested assets	\$	605,733,231
Investment income due and accrued		1,488,625
Premiums and considerations:		
Uncollected premiums and agents' balances in the course of collection		29,311,576
Accrued retrospective premiums and contracts subject to redetermination		29,527,325
Reinsurance:		
Amounts recoverable from reinsurers		1,151,595
Amounts receivable relating to uninsured plans		9,024,562
Electronic data processing equipment and software		4,304,570
Receivables from parent, subsidiaries and affiliates		12,370,972
Health care and other amounts receivable		10,016,934
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	\$	702,929,390
From Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
Total	\$	<u>702,929,390</u>

MEDICA HEALTH PLANS
Liabilities, Capital and Surplus
December 31, 2020

Claims unpaid	\$ 130,438,833
Accrued medical incentive pool and bonus amounts	16,567,681
Unpaid claims adjustment expenses	519,862
Aggregate health policy reserves	34,500,000
Premiums received in advance	1,855,191
General expenses due or accrued	73,072,134
Current federal and foreign income tax payable and interest thereon	5,980
Remittances and items not allocated	3,109,924
Amounts due to parent, subsidiaries and affiliates	8,238,534
Payable for securities	7,708,249
Liability for amounts held under uninsured plans	1,944,398
Aggregate write-ins for liabilities	146,915
Total Liabilities	<u>\$ 278,107,701</u>
Unassigned funds (surplus)	<u>\$ 424,821,689</u>
Total capital and surplus	<u>\$ 424,821,689</u>
Total liabilities, capital and surplus	<u><u>\$ 702,929,390</u></u>

MEDICA HEALTH PLANS
Statement of Revenue and Expenses
December 31, 2020

Member Months	855,628
Net premium income	\$ 1,152,768,988
Change in unearned premium reserves and reserve for rate credits	(11,550,000)
Aggregate write-ins for other health care related revenues	399,206
Total Revenues	<u>\$ 1,141,618,194</u>
 Hospital and Medical:	
Hospital/medical benefits	\$ 869,055,146
Other professional services	3,624,281
Emergency room and out-of-area	40,590,859
Prescription drugs	79,868,305
Incentive pool, withhold adjustments and bonus amounts	15,470,653
Subtotal	<u>\$ 1,008,609,244</u>
Less:	
Net reinsurance recoveries	1,151,595
Total hospital and medical	1,007,457,649
Claims adjustment expenses including cost containment expenses	7,238,849
General administrative expenses	68,279,641
Total Underwriting Deductions	<u>\$ 1,082,976,139</u>
Net underwriting gain or (loss)	\$ 58,642,055
Net investment income earned	12,038,961
Net realized capital gains (losses)	6,835,556
Net investment gains (losses)	<u>\$ 18,874,517</u>
Net income or (loss) after capital gains tax and before all other federal income taxes	\$ 77,516,572
Federal and foreign income taxes incurred	(23,842)
Net Income	<u><u>\$ 77,540,414</u></u>

MEDICA HEALTH PLANS
Reconciliation of Capital and Surplus Account
December 31, 2020

Capital and surplus prior reporting year	\$ 346,613,155
Net income or (loss)	77,540,414
Change in net unrealized capital gains	19,210,092
Change in net deferred income tax	(18,541,972)
Net change in capital and surplus for the year	<u>\$ 78,208,534</u>
Capital and surplus end of reporting year	<u><u>\$ 424,821,689</u></u>

MEDICA HEALTH PLANS
 Comparative Analysis of Changes in Surplus
 December 31, 2020

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

	Per Annual Statement	Per Examination	Change in Surplus
Capital and Surplus at December 31, 2020 per Company	\$424,861,689		
Assets:			
Total Assets	\$702,929,390	\$702,929,390	\$0
Liabilities:			
Total Liabilities	\$278,107,701	\$278,107,701	<u>\$0</u>
Capital and Surplus at December 31, 2020, per Examination		\$424,821,689	<u>\$0</u>

COMMENTS ON FINANCIAL STATEMENT ITEMS

Assets

There were no adjustments to assets during this examination.

Liabilities, Capital, and Surplus

Loss Reserves

An actuary, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet, as of December 31, 2020, included provisions for all actuarial reserves and related statement items which should be established, and meet the requirements of the insurance law and regulation of the State of Minnesota and are at least as great as the minimum aggregate amounts required by the State.

Taylor-Walker Consulting, LLC was contracted by Examination Resources to independently test reserves and review work papers provided by the company and concurs with the opinion.

Capital and Surplus

The capital and surplus amount of \$424,821,689 reported by the Company has been accepted for the purposes of this examination.

SUBSEQUENT EVENTS

MHC entered into a joint venture with SSM Health Care Corporation (“SSM”) on December 1, 2021, creating MS Community JV, LLC; which includes the legal entities Dean Health Insurance, Inc., Dean Health Plan, Inc., SSM Health Insurance Company, and Dean Health Services Company, LLC; and MS Community NFP JV, LLC; which includes the legal entity SSM Health Plan; (collectively “MSJV”). Fifty-five percent of the outstanding shares of MSJV are owned by MHC and 45 percent are owned by SSM.

OTHER SIGNIFICANT EVENTS

On March 11, 2020, The World Health Organization declared the spreading coronavirus (“COVID-19”) outbreak a pandemic. On March 13, 2020, United States (“U.S.”) President Donald J. Trump declared the coronavirus pandemic a national emergency in the U.S. The epidemiological threat posed by COVID-19 is having disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. Commerce is expecting the COVID-19 outbreak to affect a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. Commerce and all insurance regulators with the assistance of NAIC are monitoring the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers. Commerce has been in communication with the Group regarding the impact of COVID-19 on business operations and the financial position of the Company and no immediate action was deemed necessary at the time of this report.

CONCLUSION

As a result of this examination, the financial condition of Medica Health Plans as of December 31, 2020 is summarized as follows:

Admitted assets	<u>\$702,929,390</u>
Liabilities	\$278,107,701
Capital and surplus	<u>424,821,689</u>
Total liabilities, capital and surplus	<u>\$702,929,390</u>

Per examination findings, the company met the minimum surplus requirements pursuant to Minnesota Statutes, §62D.042 as of December 31, 2020.

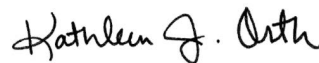
In addition to the undersigned, other representatives of Examination Resources, LLC, and Taylor-Walker Consulting LLC, all appointed to represent the State of Minnesota, participated in this examination.

Respectfully submitted,



Scott R. Kalna, CFE, AMCM
Examiner-in-Charge
Examination Resources, LLC

Representing the State of Minnesota,
Department of Commerce



Kathleen Orth
Director of Insurance Solvency/Chief Examiner
Minnesota Department of Commerce

APPENDIX

ORGANIZATIONAL CHART as of DECEMBER 31, 2020

