

Report on the Examination

As of December 31, 2022

of

WellCare Health Plans of Vermont, Inc.

by the





State of Vermont
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

For consumer assistance:
[Banking] 888-568-4547
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[Securities] 877-550-3907
www.dfr.vermont.gov

Benjamin M. Craig
President
WellCare Health Plans of Vermont, Inc.

ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of WellCare Health Plans of Vermont, Inc. for the year ending December 31, 2022, is adopted.

WellCare Health Plans of Vermont, Inc. may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.

DocuSigned by:

A handwritten signature in blue ink that reads "Kevin Gaffney".

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Kevin J. Gaffney, Commissioner

6/20/2024

Date



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June 7, 2024

Kevin J. Gaffney, Commissioner
Department of Financial Regulation
89 Main Street
Montpelier, VT 05620-3101

Dear Commissioner Gaffney:

Pursuant to the January 20, 2023, examination order, the Insurance Division's financial examination team has conducted an examination of:

WellCare Health Plans of Vermont, Inc.

with their offices located at
7700 Forsyth Boulevard
St. Louis, MO 63105

The examination was performed pursuant to 8 V.S.A. § 3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



SCOPE OF EXAMINATION

As of December 31, 2022, the financial examination of WellCare Health Plans of Vermont, Inc. (“WellCare” or “Company”) was performed in coordination with the Texas Department of Insurance, with its concurrent financial examination of the Centene Corporation (“Group”). As of December 31, 2022, the Group consisted of eighty-five insurance entities that participated in this examination. This is the first financial condition examination conducted by the Vermont Department of Financial Regulation of WellCare for the period January 25, 2019, through December 31, 2022.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (“NAIC”). The examination covered the period from January 25, 2019, through December 31, 2022. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of WellCare and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of WellCare were considered in accordance with the risk-focused examination process. This may include 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. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following WellCare’s financial statements.

This examination report includes significant findings of fact as mentioned in 8 V.S.A. § 3574, 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 WellCare.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings in the current exam report. There were no adjustments made to the annual statement based on this examination.

HISTORY

The Company is a wholly-owned subsidiary of Centene Corporation (“Centene”), a publicly traded managed care services company. WellCare was incorporated on October 18, 2018, and authorized by the Department on January 24, 2019, as a health maintenance organization (“HMO”). The Company offers Medicare (“MA”) health plans and prescription drug benefits through the Medicare Part D Program (“PDP”) under a contract with the Center for Medicare and Medicaid Services (“CMS”). The Company began enrolling Medicare Advantage members during the 2020 Annual Enrollment Period (“AEP”) with a January 1, 2021, effective date. The Company did not commence writing business until 2021. The Company’s current Medicare contract expires on December 31, 2023, and is renewable for successive one-year terms.

MANAGEMENT AND CONTROL

Corporate Records

WellCare’s home and administrative office is located in St. Louis, Missouri and the Company maintains its corporate records at this location. The examiners reviewed the minutes of the Board of Directors and key committees thereof and determined that the minutes adequately approve and support WellCare’s transactions and events and that the meetings and minutes are in compliance with WellCare’s articles and By-Laws.

Shareholders

In accordance with the Company's By-Laws, all meetings of the Shareholders are held either within or outside the State of Vermont. The meeting of the Shareholders are held annually for the purpose of the election of Directors of the Company and to transact such other business as properly brought before the meeting. Holders of the majority of the stock issued and outstanding and entitled to vote at a meeting shall constitute a quorum.

Board of Directors

The business affairs of the Company are managed under the direction of the Board of Directors. The Board of Directors consists of at least three individuals, one of which is the President. Each Director holds office until the next annual meeting of the Shareholders after his or her initial election and thereafter until his or her successor has been duly elected. A majority of Directors constitute a quorum.

The following were elected to the Board of Directors of WellCare in accordance with the By-Laws and serving as of December 31, 2022:

<u>Name</u>	<u>Residence</u>
Benjamin M. Craig Centene Corporation	Connecticut
Judi E. Neveux Centene Corporation	Maine
Richard S.P. Parnell Centene Corporation	Massachusetts

Officers

The Officers of WellCare consists of one or more of a President, a Secretary, a Treasurer and such other Officers as the Board of Directors may determine in accordance with the By-Laws.

The Officers of WellCare as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Benjamin M. Craig	President
Janet R. Alonzo	Secretary and Vice President
James E. Snyder, III	Treasurer and Vice President
Richard S.P. Parnell	Assistant Secretary
Tricia L. Dinkelman	Vice President of Tax

Affiliated Companies

WellCare has a service agreement with Centene Management Company, LLC (“CMC”), a wholly-owned subsidiary of Centene Corporation. This service agreement provides certain management, administrative services (excluding certain sales and marketing functions along with other professional consulting expenses) and claims processing utilization review and payroll services. CMC is also responsible for maintaining the claims related to data processing equipment and software.

Effective, January 23, 2020, WellCare entered into a tax sharing agreement with Centene Corporation, under which WellCare’s income is included in the consolidated federal income tax return. Tax amounts allocated to WellCare are based upon separate return calculations. This agreement replace a prior tax sharing agreement between WellCare and its former ultimate parent, WellCare Health Plans, Inc. which was previously effective from January 1, 2019.

Effective, July 1, 2021, WellCare entered into an Administrative Services Agreement with Envolve PeopleCare, Inc., under which Envolve PeopleCare provided nurse advice line triage services. This agreement was terminated effective January 1, 2022.

Effective, January 1, 2019, WellCare entered into a Management Services Agreement with Comprehensive Health Management, Inc., this agreement was replaced by the agreement with CMC noted above and remained in effect through the exam period for run-out purposes only.

Effective November 7, 2020, WellCare entered into an agreement with National Imaging Associates, Inc. (“NIA”), a subsidiary of Magellen Healthcare, to provide radiology management services. NIA became an affiliate on January 2, 2022 when Centene Corporation acquired Magellen Healthcare. NIA subsequently ceased to be an affiliate in January 2023.

During the examination WellCare received a total of \$23, 921,827 of capital contributions from its Parent, which includes its initial capitalization in 2018 of \$4,999,000.

Organizational Chart

The corporate structure as of December 31, 2022 is as follows:



TERRITORY AND PLAN OF OPERATIONS

The Company is licensed in the state of Vermont and writes Medicare Advantage products in the state of Vermont only.

REINSURANCE

The Company maintains reinsurance to limit its exposure to losses. The Company obtained coverage for members equal to 80% of expenses in excess of \$5,000,000, per covered person per agreement term, up to \$5,000,000 per covered person per agreement term. Reimbursement for services is subject to coinsurance provisions.

FINANCIAL STATEMENTS

The following statements (in thousands) are based on the statutory financial statements filed by WellCare with the Vermont Department of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2022.

Statement of Admitted Assets, Liabilities and Capital and Surplus

Cash, cash equivalents and short-term investments	\$	8,130
Bonds		327
Accrued retrospective premiums		536
Receivable for amounts paid for uninsured plans		1,361
Federal income tax recoverable		749
Amounts due from affiliates		11,276
Healthcare and other amounts receivable		2,352
Other assets		137
		<hr/>
Total admitted assets	\$	<u>24,868</u>
 <u>Liabilities:</u>		
Unpaid claims	\$	6,054
Unpaid claims adjustment expenses		65
Liability for amounts held under uninsured plans		1,892
Aggregate health policy reserves		9,830
Other liabilities		116
		<hr/>
Total liabilities		<u>17,957</u>
 <u>Capital and surplus:</u>		
Common stock, \$1 par value, 1,000 shares authorized, issued and outstanding		1
Gross paid-in and contributed surplus		23,922
Unassigned deficit		(17,012)
		<hr/>
Total capital and surplus		<u>6,911</u>
		<hr/>
Total liabilities and capital and surplus	\$	<u>24,868</u>

Statement of Revenue and Expenses and Changes in Capital and Surplus

Revenue:

Premiums	\$	35,053
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Expenses:

Medical expenses		39,137
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Claims adjustment expenses		514
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General administrative expenses		2,915
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Increase in premium deficiency reserve		8,018
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Total expenses		50,584
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Net underwriting income		(15,531)
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Investment income:

Net investment income		178
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Loss before federal income taxes		(15,353)
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Federal income tax benefit		(1,534)
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Net income	\$	(13,819)
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Capital and surplus, January 1, 2021	\$	5,610
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Net income		(13,819)
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Change in non-admitted assets		120
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Capital contributions from Parent		15,000
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Capital and surplus, December 31, 2022	\$	6,911
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COMMENTS AND RECOMMENDATIONS

There are no significant findings or financial adjustments as a result of this examination. A Group Comment Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel during the examination.

CONCLUSION

In addition to the undersigned, Miranda Cloutier, Examiner in Charge, and regulators and their appointees from the Texas Department of Insurance and the other thirty-one states also participated in the coordinated examination. We wish to express our appreciation to the Officers and Directors for the courteous cooperation extended during the examination.

Respectfully submitted,




Karen Ducharme, CPA, CFE
Director of Company Licensing and Examinations
Division of Insurance
Vermont Department of Financial Regulation

STATE OF VERMONT
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 14th day of June, 2024



Notary Public