

STATE OF MINNESOTA

DEPARTMENT OF COMMERCE

ST. PAUL, MINNESOTA

CONSOLIDATED EXAMINATION REPORT

OF

HEALTHPARTNERS, INC.
AND
GROUP HEALTH PLAN, INC.

MINNEAPOLIS, MINNESOTA

NAIC # 95766 & 52628

AS OF

DECEMBER 31, 2018



Protecting, Maintaining and Improving the Health of All Minnesotans

The attached report of an examination made of the condition and affairs as of December 31, 2018, of:

**HealthPartners, Inc.
and
Group Health Plan, Inc.
NAIC # 95766 & 52628
8170 33rd Avenue South
Minneapolis, Minnesota 55440**

was recently completed by duly qualified examiners of the State of Minnesota.

Due consideration has been given to the comments of the examiners regarding the operations of HealthPartners, Inc. and Group Health Plan, Inc., and their financial condition, as reflected in this report. This report is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

Jan K. Malcolm
Commissioner

A handwritten signature in black ink that reads 'Marie Dotseth'.

By: Marie Dotseth, M.H.A.,
Assistant Commissioner

Dated: June 26, 2020

Pursuant to the authority vested in the Commissioner of Commerce of the State of Minnesota, Steve Kelley, being first duly sworn, upon his oath, deposes and says that a comprehensive examination was made of the affairs and financial condition of

**HealthPartners, Inc.
and
Group Health Plan, Inc.
NAIC # 95766 & 52628
8170 33rd Avenue South
Minneapolis, Minnesota 55440**

health maintenance organizations authorized under the laws of the State of Minnesota. That, to the best of his information, knowledge, and belief, the attached Report of Examination describes the affairs and financial condition of the above named companies as of December 31, 2018, as determined by a comprehensive examination made in accordance with Minnesota Statutes Section 62D.14. The examination was completed by duly qualified examiners of the State of Minnesota representing the Midwestern Zone (III) of the National Association of Insurance Commissioners.

Due consideration has been given to the comments of the examiners regarding the operations of the above named companies and their financial condition, as reflected in this Report of Examination.

This Report of Examination is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

Steve Kelley
Commissioner



By: Grace Arnold
Deputy Commissioner

Dated: 06/29/2020

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April 24, 2020

The Honorable Jan K. Malcolm
Commissioner of Health
Minnesota Department of Health
625 North Robert Street
St. Paul, Minnesota 55155-2538

The Honorable Steve Kelley
Commissioner of Commerce
Minnesota Department of Commerce
85 7th Place East, Suite 280
St. Paul, Minnesota 55101-2198

Dear Commissioners:

Pursuant to your instructions and the statutory requirements of the State of Minnesota, a comprehensive examination has been made of the affairs and financial condition of:

**HealthPartners, Inc.
and
Group Health Plan, Inc.
NAIC # 95766 & 52628
8170 33rd Avenue South
Minneapolis, Minnesota 55440**

(hereinafter referred to as the "Companies")

Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

We have performed our risk-focused statutory financial condition examination of the Companies pursuant to the Minnesota Department of Commerce Examination Order No. 19-003. The examination of the Companies was performed as a risk-focused examination of the HealthPartners Group (“Group”) of companies as of December 31, 2018. The examination was conducted on behalf of the State of Minnesota Department of Health (“Health”) by the State of Minnesota Department of Commerce (“Commerce”), observing the guidelines and procedures in the *NAIC Financial Condition Examiners Handbook* (“Handbook”). Pursuant to Minnesota Statutes §62D.24, Health and Commerce have entered into an Interagency Agreement whereby Commerce conducts a financial examination of Health Maintenance Organizations (“HMO”) on behalf of Health. Examination Order No. 19-003 directed that the examination includes a determination of the Companies’ financial condition and a general review of its corporate affairs and insurance operations to determine compliance with statutes. The Companies’ last examination was completed as of December 31, 2015. This full-scope examination covers the period of January 1, 2016, through December 31, 2018, including any material transactions and/or events occurring subsequent to the examination date. The examination was conducted in conjunction with affiliated entity HealthPartners Insurance Company (“HPIC”).

We conducted our examination in accordance with the Handbook along with specific procedures defined by Commerce. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify prospective risks of the Companies and evaluate system controls and procedures used to mitigate those risks. An 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 the Companies 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. If during the

course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Companies' financial statements presented within this Report of Examination.

This examination report includes significant findings of fact as mentioned in Minnesota Statutes §62D.14, 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.), were not included within the examination report but separately communicated to the Company.

The Companies were audited annually, for the years 2016 through 2018, by the accounting firm of KPMG LLP ("KPMG"). Among the procedures incorporated into this examination was a review of the annual audit work papers prepared by KPMG. Certain work papers developed by KPMG were relied upon by the examiners and were incorporated into the examiners' work papers.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

The following is a summary of material adverse findings, significant non-compliance findings or material changes in the financial statements noted as a result of this examination.

Real Estate – Properties Occupied by the Company:

Based upon a review of the Group Health Plan, Inc. ("GHI") Annual Statements, we found that GHI's real estate was not reported in accordance with the NAIC's Health Annual Statement Instructions for Schedule A.

Fee-for-Service Revenue:

Based upon a review of the GHI and HealthPartners, Inc. ("HealthPartners" or "HPI") Annual Statements, we found that GHI's and HPI's fee-for-service revenue was reported on a gross basis.

This method of reporting is not in accordance with the NAIC's Health Annual Statement Instructions.

Management Agreements and Service Contracts:

Based upon a review of the Annual Statements, we found that the amounts reported on Schedule Y – Part 2 for GHI, HPI and HPIC were incorrect. The balances between GHI and HPI were reported as \$189,019,637 but should have been reported as \$146,361,992.

Reinsurance Broker:

At December 31, 2018, the Group utilized a reinsurance intermediary-broker, Guy Carpenter & Company, LLC. Pursuant to Minnesota Statutes §60A.725(c), the Companies shall annually obtain a copy of the statements of the financial condition of each reinsurance broker with which it transacts business. The Examiner requested copies of the statements of the financial condition of Guy Carpenter & Company, LLC, and the Companies indicated it did not obtain these.

Antifraud Plan:

The Group was in violation of Minnesota Statutes §60A.954, Subdivision 1, which requires an insurer to institute, implement, and maintain an antifraud plan. Within thirty (30) days after instituting or modifying an antifraud plan, the insurer shall notify the Commissioner in writing. While the Company has instituted, implemented and maintained an antifraud plan, the Company was not able to substantiate that it had filed an antifraud plan with the Commissioner during the examination period.

STATUS OF SIGNIFICANT FINDINGS FROM PRIOR EXAMINATION

The following material adverse findings, significant non-compliance findings or material changes in the financial statements were noted as a result of the prior examination.

The Companies failed to comply with certain financial reporting guidelines, in accordance with the NAIC Annual and Quarterly Statement Instructions and pursuant to Minnesota Rule, Chapter

4685.1910 Uniform Reporting. The Companies did adhere to the recommendations made in the prior examination report with the exception of the finding related to Fee for Service revenue noted above, which is a repeat finding.

COMPANY HISTORY

GHI was established as a staff-model managed care system in 1957. In 1965, GHI formed a non-profit corporation under Minnesota Statutes, Chapter 317. GHI was granted a certificate of authority to operate as a HMO under the 1973 Health Maintenance Act.

HPI was established by GHI, its current subsidiary, in 1984 under the name GroupCare, Inc. The corporate name was changed to HPI in 1993 following the 1992 merger with MedCenters Health Plan, Inc. HPI is a non-profit corporation operating under Minnesota Statutes, Chapter 317. HPI was granted a license to operate as an HMO on April 1, 1984.

As of December 31, 2018, there were forty-two entities in the holding company including GHI and HPI. HPIC, GHI, HPI, and HealthPartners UnityPoint Health, Inc. (an Iowa insurance company) are the only insurance companies in the holding company. HPIC, GHI and HPI are all Minnesota domiciled companies and are all included in this examination of the Group.

CORPORATE RECORDS

The recorded minutes of the meetings held by the Shareholders, Board of Directors (“Board”) and committees were reviewed for the Companies for the period under examination. The minutes adequately documented approved company transactions, in accordance with the Board’s powers and authority, including the election or appointment of directors and officers, approval of the investment policy, investment transactions, and other corporate actions. The minutes also documented discussions of cash position, investments, reserves and other key components of financial statements. The primary location of the corporate records is the Companies’ offices at 8170 33rd Avenue South, Minneapolis, Minnesota.

MANAGEMENT AND CONTROL

The Companies' Amended and Restated Articles of Incorporation provide that management of the company shall be vested in a Board. Pursuant to GHI's Bylaws, the Board shall consist of five (5) voting directors, consisting of three (3) Member-Elected Directors, two (2) of whom must satisfy the criteria of being Associate Members, and the following two (2) ex-officio directors with vote: the Chair of the Corporate Member and a physician appointed by the President of the Corporation. The following individuals were serving as GHI Directors on December 31, 2018:

Board of Directors

| <u>Name</u> | <u>Business Affiliation</u> | <u>Director Since</u> |
|---------------------|---|-----------------------|
| Thomas Brinsko | Retired, President and CEO of the YMCA Of Greater Twin Cities | 2004 |
| Philip Donaldson | Executive Vice President and Chief Financial Officer, Andersen Corporation | 2017 |
| Susan L. Hoyt | Retired, Public Administration | 2012 |
| Ruth A. Mickelsen | Senior Lecturer, University of Minnesota School of Public Health | 2013 |
| Brian H. Rank, M.D. | Director of Medical Education HealthPartners | 1997 |

Pursuant to HPI's Bylaws, the Board shall be composed of fifteen (15) persons as follows: eight (8) Member-Elected Directors, three (3) Member-Elected Directors of GHI, and four (4) Provider Directors. The following individuals were serving as HPI Directors on December 31, 2018:

| <u>Name</u> | <u>Business Affiliation</u> | <u>Director Since</u> |
|---------------------|--|-----------------------|
| Thomas Brinsko | Retired, President and CEO of the YMCA Of Greater Twin Cities | 2004 |
| Philip Donaldson | Executive Vice President and Chief Financial Officer, Andersen Corporation | 2017 |
| Luz Maria Frias | President and Chief Executive Officer YWCA Minneapolis | 2009 |
| Morris Goodwin, Jr. | Senior Vice President and Chief Financial Officer American Public Media Group | 2017 |

| | | |
|-------------------------------|---|------|
| Deborah Hopp | Senior Vice President of MSP-C MSP Communications | 2017 |
| Susan L. Hoyt | Retired, Public Administration | 2012 |
| Amy L. Langer | Co-founder Salo, LLC | 2017 |
| Donald M. Lewis | Co-Founder, Shareholder and Trial Attorney Nilan Johnson Lewis | 2013 |
| James J. Malecha | Retired, President and Chief Executive Officer | 2008 |
| Jeff Mendeloff, M.D. | Department Chair of Vascular Surgery Methodist Hospital | 2013 |
| Ruth A. Mickelsen | Senior Lecturer, University of Minnesota School of Public Health | 2013 |
| Laura S. Oberst | Executive Vice President Wells Fargo Commercial Banking | 2008 |
| Brian H. Rank, M.D. | Director of Medical Education HealthPartners | 1997 |
| Christopher H. Tashijan, M.D. | Partner Vibrant Health Family Clinics | 1997 |
| Rae Ann Williams, M.D. | Regional Medical Director, Central HealthPartners | 2018 |

Pursuant to GHI's Bylaws, the officers of the corporation shall consist of a Chairperson, Vice Chairperson, Treasurer and Secretary of the Board. The Chairperson of the GHI Board will be the Chairperson of the HPI Board. The Board shall also elect a President, and the GHI President shall be the same person serving as President of the Corporate Member, HPI, and who shall serve as a non-voting member of the Board. The Board may also elect such Vice Presidents from among nominees for such offices as recommended to the Board by the President.

The following principal officers were appointed and were serving as officers of GHI and HPI as of December 31, 2018:

Officers

| <u>Name</u> | <u>Title</u> |
|----------------------|---|
| Ruth A. Mickelsen | Chair |
| James J. Malecha | Vice Chair |
| Andrea M. Walsh | President and Chief Executive Officer |
| Todd N. Hofheins | Chief Financial Officer |
| Barbara E. Tretheway | Assistant Secretary |
| James W. Eppel | Executive Vice President and Chief Administrative Officer |

The Companies' Bylaws allow for committees that the Board may establish. The Companies had the following committees as of December 31, 2018: Executive Committee; Governance Committee; Quality Committee; and Audit and Compliance Committee.

AFFILIATED COMPANIES

The following material agreement was in force between the Companies and their affiliates:

GHI provides management, administrative, and healthcare services to HealthPartners and HPIC through a Master Intercompany Agreement dated January 1, 2012. The agreement encompasses all related party transactions excluding taxes.

HealthPartners and GHI pay claims to Hudson, Lakeville Memorial Hospital Association, Inc., Park Nicollet, Regions Hospital ("Regions"), and Westfields subsidiaries of HealthPartners for providing hospital services to members of the Companies.

Health Care Facility Revenue Bonds – Series 2014B in the amount of \$37,365,000 were issued by the Housing and Redevelopment Authority of the City of St Paul on behalf of GHI and the obligated group, which included GHI, HealthPartners, HPAI, Regions, and HPIC. The obligated group's gross revenues are pledged toward the repayment of the bonds. Installments are payable

annually through 2022. The amount outstanding on these bonds at December 31, 2018 was \$15,505,000.

GHI entered into a lease with Park Nicollet during 2014 for a portion of the Plymouth Dental building. The lease continues through 2028, and the amount outstanding at December 31, 2018 was \$20,972,000.

HPIC provides all subsidiaries stop-loss coverage for certain employee health and dental claims.

HealthPartners, Inc. Senior Notes - Series 2013 in the amount of \$92,500,000 were issued by HealthPartners and the obligated group, which included HealthPartners, GHI, HPAI, Regions, and HPIC. The purpose is for funding the development of the Park Nicollet facility in Maple Grove, Minnesota, and such other capital plans of Park Nicollet as its management may determine appropriate. The Note is payable in annual principal payments and semiannual interest payments through May 15, 2030. The amount outstanding at December 31, 2018 was \$86,425,000.

HealthPartners, Inc. Senior Notes – Series 2018 in the amount of \$50,000,000 were issued by the Plan and the obligated Group. The obligated group of this issuance consists of the HealthPartners, GHI, HPAI, Regions, Park Nicollet and HPIC. The bonds are the sole obligation of HealthPartners and the obligated group. The obligated group’s gross revenue were pledged toward repayment of the bonds. Financial costs are amortized over the life of the bonds. The debt agreement provide for certain financial covenants and also limit the amount of additional debt that can be incurred. The amount outstanding at December 31, 2018 was \$50,000,000.

TERRITORY AND PLAN OF OPERATION

At December 31, 2018, the Companies were licensed to write health coverage only in the State of Minnesota. HPI, its subsidiaries and affiliates, comprise a health care delivery system that provides comprehensive group hospital, medical, dental, Medicaid and Medicare coverage and services to its members. These coverage and services are provided through a network of owned and contracted medical and dental centers, physician groups, hospitals, and related healthcare

providers located primarily in the Minneapolis – Saint Paul metropolitan area. Products are distributed through a network of independent agents.

GHI primarily provided Medicare cost coverage, as well as both group and individual commercial coverage. GHI also provided Federal Employees Health Benefit Plan coverage in the state of Minnesota. HPI primarily offered Medicaid and Medicare coverage, and large and small employer group commercial business in Minnesota.

REINSURANCE

The Companies entered into stop-loss reinsurance agreements with RGA Reinsurance Company, effective January 1, 2018, to limit insured and self-insured losses on individual claims with 100% coverage in excess of \$5,000,000. The Companies utilized the services of Guy Carpenter & Company, LLC as their reinsurance broker during 2018.

The Companies did not assume any risks from other carriers during the period under examination.

A review of the Companies' reinsurance treaties found that risk transfers unconditionally in all cases. The treaties contains no provision for any type of financial guarantees.

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:

GROUP HEALTH PLAN, INC.

Assets

December 31, 2018

| | | |
|--|----|--------------------|
| Bonds | \$ | 143,542,706 |
| Stocks: | | |
| Common stocks | | 130,399,859 |
| Real Estate: | | |
| Properties occupied by the company | | 145,566,594 |
| Cash, cash equivalents and short-term investments | | 43,578,364 |
| Other invested assets | | 2,327,028 |
| Subtotals, cash and invested assets | \$ | 465,414,551 |
| Investment income due and accrued | | 687,018 |
| Premiums and considerations: | | |
| Uncollected premiums and agents' balances in the course of collection | | 29,636,161 |
| Reinsurance: | | |
| Amounts recoverable from reinsurers | | 30,468,000 |
| Electronic data processing equipment and software | | 77,464,735 |
| Furniture and equipment, including health care delivery assets | | 18,875,327 |
| Receivables from parent, subsidiaries and affiliates | | 77,773,895 |
| Health care and other amounts receivable | | 113,867,173 |
| Aggregate write-ins for other than invested assets | | 23,594,535 |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | \$ | 837,781,395 |
| From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | 0 |
| Total | \$ | <u>837,781,395</u> |

GROUP HEALTH PLAN, INC.
 Liabilities, Capital and Surplus
 December 31, 2018

| | | |
|--|----|---------------------------|
| Claims unpaid | \$ | 39,397,121 |
| Unpaid claims adjustment expenses | | 886,234 |
| Aggregate health policy reserves | | 37,485,000 |
| Premiums received in advance | | 4,583,979 |
| General expenses due or accrued | | 224,054,660 |
| Borrowed money and interest thereon | | 36,424,807 |
| Amounts due to parent, subsidiaries and affiliates | | 170,156,115 |
| Aggregate write-ins for liabilities | | 218,861,327 |
| Total liabilities | \$ | <u>731,849,243</u> |
| | | |
| Aggregate write-ins for special surplus funds | \$ | (207,062,689) |
| Unassigned funds (surplus) | | 312,994,841 |
| Total surplus | \$ | <u>105,932,152</u> |
| | | |
| Total liabilities, capital and surplus | \$ | <u><u>837,781,395</u></u> |

GROUP HEALTH PLAN, INC.
Statement of Revenue and Expenses
December 31, 2018

| | |
|--|-------------------------|
| Member Months | 1,508,988 |
| Net premium income | \$ 768,551,603 |
| Fee-for-service | 728,717,896 |
| Aggregate write-ins for other health care related revenues | 57,598,434 |
| Total Revenues | <u>\$ 1,554,867,933</u> |
| Hospital and Medical: | |
| Hospital/medical benefits | \$ 1,178,879,590 |
| Other professional services | 127,567,046 |
| Prescription drugs | 205,541,960 |
| Subtotal | <u>\$ 1,511,988,596</u> |
| Less: | |
| Net reinsurance recoveries | 30,964,061 |
| Total hospital and medical | <u>\$ 1,481,024,535</u> |
| Claims adjustment expenses | 19,601,605 |
| General administrative expenses | 81,655,332 |
| Total Underwriting Deductions | <u>\$ 1,582,281,472</u> |
| Net underwriting gain or (loss) | \$ (27,413,539) |
| Net investment income earned | 5,561,687 |
| Net realized capital gains (losses) | 349,504 |
| Net investment gains (losses) | \$ 5,911,191 |
| Aggregate write-ins for other income or expenses | 0 |
| Net income or (loss) after capital gains tax and before all other federal income taxes | \$ (21,502,348) |
| Federal and foreign income taxes incurred | 0 |
| Net income (loss) | <u>\$ (21,502,348)</u> |

GROUP HEALTH PLAN, INC.
Reconciliation of Capital and Surplus Account
December 31, 2018

| | |
|--|------------------------|
| Capital and surplus prior reporting year | \$ 163,653,498 |
| Net income or (loss) | (21,502,348) |
| Change in net unrealized capital gains (losses) | (6,483,941) |
| Change in nonadmitted assets | 13,857,130 |
| Aggregate write-ins for gains or (losses) in surplus | (43,592,187) |
| Net change in capital and surplus for the year | <u>\$ (57,721,346)</u> |
| Capital and surplus end of reporting year | <u>\$ 105,932,152</u> |

GROUP HEALTH PLAN, INC.
 Comparative Analysis of Changes in Surplus
 December 31, 2018

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, 2018 per Company | \$105,932,152 | | |
| Assets: | | | |
| Total Assets | \$837,781,395 | \$837,781,395 | \$0 |
| Liabilities: | | | |
| Total Liabilities | \$731,849,243 | \$731,849,243 | <u>\$0</u> |
| Capital and Surplus at December 31, 2018, per Examination | | \$105,932,152 | <u><u>\$0</u></u> |

HEALTHPARTNERS, INC.

Assets

December 31, 2018

| | | |
|--|----|----------------------|
| Bonds | \$ | 258,696,737 |
| Stocks: | | |
| Common stocks | | 508,506,839 |
| Cash, cash equivalents and short-term investments | | 279,866,985 |
| Other invested assets | | 68,730,644 |
| Subtotals, cash and invested assets | \$ | 1,115,801,205 |
| Investment income due and accrued | | 1,321,442 |
| Premiums and considerations: | | |
| Uncollected premiums and agents' balances in the course of collection | | 76,913,081 |
| Receivables from parent, subsidiaries and affiliates | | 164,394,106 |
| Health care and other amounts receivable | | 260,343 |
| Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts | \$ | 1,358,690,177 |
| From Separate Accounts, Segregated Accounts and Protected Cell Accounts | | 0 |
| Total | \$ | <u>1,358,690,177</u> |

HEALTHPARTNERS, INC.
 Liabilities, Capital and Surplus
 December 31, 2018

| | | |
|---|----|-----------------------------|
| Claims unpaid | \$ | 138,330,995 |
| Unpaid claims adjustment expenses | | 3,140,671 |
| Aggregate health policy reserves | | 26,463,679 |
| Premiums received in advance | | 99,419,044 |
| General expenses due or accrued | | 5,796,621 |
| Borrowed money and interest thereon | | 123,904,849 |
| Aggregate write-ins for liabilities | | 16,872,292 |
| Total liabilities | \$ | <u>413,928,151</u> |
| | | |
| Aggregate write-ins for special surplus funds | \$ | 350,735,996 |
| Unassigned funds (surplus) | | 594,026,030 |
| Total surplus | \$ | <u>944,762,026</u> |
| | | |
| Total liabilities, capital and surplus | \$ | <u><u>1,358,690,177</u></u> |

HEALTHPARTNERS, INC.
Statement of Revenue and Expenses
December 31, 2018

| | |
|---|-----------------------------|
| Member Months | 3,769,672 |
| Net premium income | \$ 1,940,441,451 |
| Fee-for-service revenue | 4,700,960 |
| Aggregate write-ins for other health care related revenues | 5,171,728 |
| Total Revenues | <u>\$ 1,950,314,139</u> |
| | |
| Hospital and Medical: | |
| Hospital/medical benefits | \$ 1,433,393,901 |
| Other professional services | 78,478,648 |
| Prescription drugs | 245,643,829 |
| Subtotal | <u>\$ 1,757,516,378</u> |
| Less: | |
| Net reinsurance recoveries | <u>0</u> |
| Total hospital and medical | <u>\$ 1,757,516,378</u> |
| Claims adjustment expenses | 29,047,787 |
| General administrative expenses | 119,034,341 |
| Total Underwriting Deductions | <u>\$ 1,905,598,506</u> |
| Net underwriting gain or (loss) | \$ 44,715,633 |
| Net investment income earned | 11,830,745 |
| Net realized capital gains (losses) | 1,070,088 |
| Net investment gains (losses) | \$ 12,900,833 |
| Aggregate write-ins for other income or expenses | <u>0</u> |
| Net income or (loss) after capital gains tax and before all other federal income taxes | \$ 57,616,466 |
| Federal and foreign income taxes incurred | <u>0</u> |
| Net Income | <u><u>\$ 57,616,466</u></u> |

HEALTHPARTNERS, INC.
Reconciliation of Capital and Surplus Account
December 31, 2018

| | |
|--|-----------------------|
| Capital and surplus prior reporting year | \$ 940,074,810 |
| Net income or (loss) | 57,616,466 |
| Change in net unrealized capital gains (losses) | (11,532,061) |
| Change in nonadmitted assets | (1,067,025) |
| Aggregate write-ins for gains or (losses) in surplus | (40,330,164) |
| Net change in capital and surplus for the year | <u>\$ 4,687,216</u> |
| Capital and surplus end of reporting year | <u>\$ 944,762,026</u> |

HEALTHPARTNERS, INC.
 Comparative Analysis of Changes in Surplus
 December 31, 2018

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, 2018 per Company | \$944,762,026 | | |
| Assets: | | | |
| Total Assets | \$1,358,690,177 | \$1,358,690,177 | \$0 |
| Liabilities: | | | |
| Total Liabilities | \$413,928,151 | \$413,928,151 | \$0 |
| Capital and Surplus at December 31, 2018, per Examination | | \$944,762,026 | \$0 |

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, 2018, 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 Companies and is in concurrence with these opinions.

Capital and Surplus

The capital and surplus amounts of \$105,932,152 for GHI and \$944,762,026 HPI, reported by the Companies, have been accepted for the purposes of this examination.

SUMMARY OF FINDINGS, COMMENTS, AND RECOMMENDATIONS

In addition to the Comments on Financial Statements noted in the previous section of this report, the following items were noted during the examination:

Compliance with Previous Directives

The Companies failed to comply with certain financial reporting guidelines, in accordance with the NAIC Annual and Quarterly Statement Instructions and pursuant to Minnesota Rule, Chapter 4685.1910 Uniform Reporting. The Companies did adhere to the recommendations made in the prior examination report with the exception of the finding related to Fee for Service revenue noted above, which is a repeat finding.

Current Examination Comments and Recommendations

Other than the current examination finding identified on pages two and three of this report, and other matters communicated separately to the Company due to their subjective or proprietary nature, there are no other items of interest or corrective actions to be taken by the Company regarding findings in the examination as of December 31, 2018.

SUBSEQUENT EVENTS

All of the Companies in the Group amended and restated its Articles of Incorporation and Bylaws effective January 1, 2019.

Effective September 30, 2019, HPI did a net asset transfer to GHI for \$168,000,000. With both entities being Minnesota non-profit health maintenance organizations, the transfer was effectuated between HPI and GHI so that a strong financial position is maintained in both organizations.

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 impact 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.

On April 27, 2020, the Supreme Court issued its decision in *Maine Community Health Options v. United States*. The decision stems from three consolidated cases brought by four insurers over whether insurers are entitled to more than \$12 billion in unpaid risk corridors payments from 2014 to 2016. By a vote of eight to one, the Supreme Court ruled that the government was obligated to make full risk corridors payments. It is undetermined as to what impact this will have on the Company’s financial statements.

CONCLUSION

As a result of this examination, the financial condition of Group Health Plan, Inc. as of December 31, 2018 is summarized as follows:

| | |
|--|----------------------|
| Admitted assets | <u>\$837,781,395</u> |
| Liabilities | \$731,849,243 |
| Capital and surplus | <u>105,932,152</u> |
| Total liabilities, capital and surplus | <u>\$837,781,395</u> |

As a result of this examination, the financial condition of HealthPartners, Inc. as of December 31, 2018 is summarized as follows:

| | |
|--|------------------------|
| Admitted assets | <u>\$1,358,690,177</u> |
| Liabilities | \$ 413,928,151 |
| Capital and surplus | <u>944,762,026</u> |
| Total liabilities, capital and surplus | <u>\$1,358,690,177</u> |

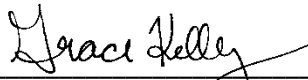
Per examination findings, the companies met the minimum surplus requirements pursuant to Minnesota Statutes, §62D.042 as of December 31, 2018.

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,



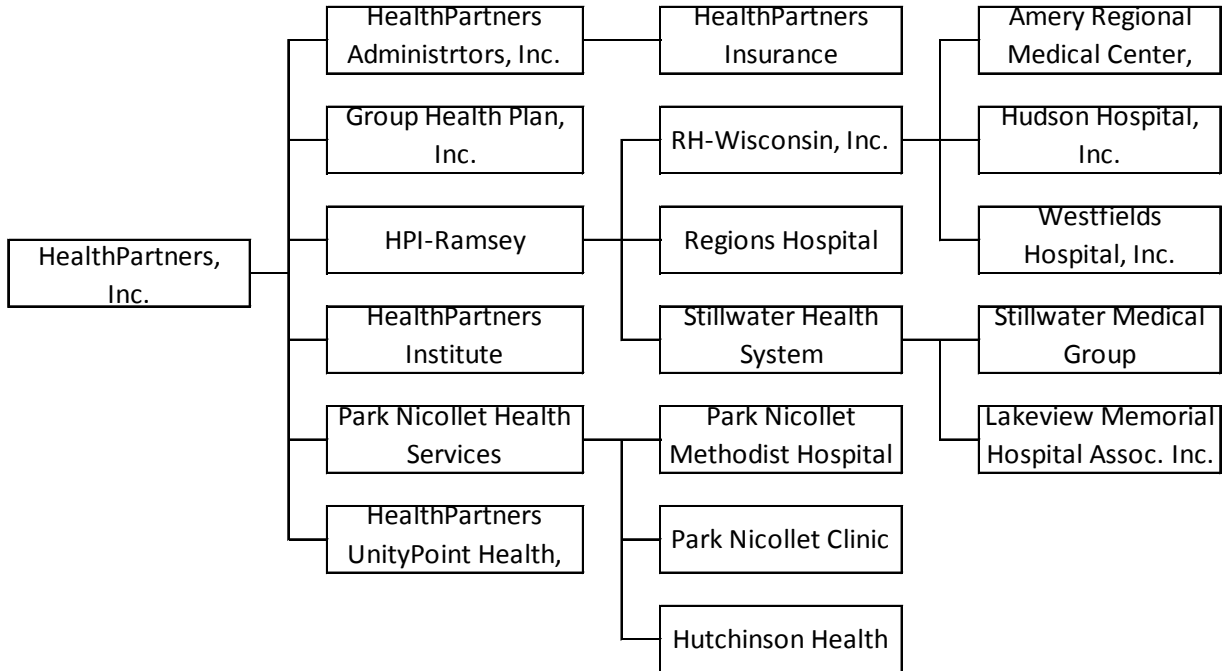
Scott R. Kalna, CFE, AMCM
Examiner-in-Charge
Examination Resources, LLC
Representing the State of Minnesota,
Department of Commerce



Grace Kelly, AFE RIR
Assistant Chief Examiner
Minnesota Department of Commerce

APPENDIX

ABBREVIATED ORGANIZATIONAL CHART as of DECEMBER 31, 2018



Notes:

1. HealthPartners UnityPoint Health, Inc. is 50% owned by HealthPartners and 50% owned by Iowa Health dba Unity Point Health ("UnityPoint"), and Iowa nonprofit corporation.