



**EXAMINATION REPORT
OF
Florida Blue Medicare, Inc.**

NAIC Company Code: 16490

**Jacksonville, Florida
as of
December 31, 2021**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

LETTER OF TRANSMITTAL	-
SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
CURRENT EXAMINATION FINDINGS.....	2
PREVIOUS EXAMINATION FINDINGS	2
COMPANY HISTORY	2
GENERAL.....	2
DIVIDENDS.....	2
CAPITAL STOCK AND CAPITAL CONTRIBUTIONS	2
SURPLUS NOTES	2
ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS	3
MANAGEMENT AND CONTROL	3
CORPORATE GOVERNANCE	3
HOLDING COMPANY SYSTEM	5
AFFILIATED AGREEMENTS	5
TAX ALLOCATION AGREEMENT.....	5
ADMINISTRATIVE SERVICES AGREEMENT	6
NETWORK ACCESS AGREEMENT.....	6
PROVIDER AND ADMINISTRATIVE SERVICES AGREEMENT	6
ACCOUNTS AND RECORDS	7
CUSTODIAL AGREEMENT.....	7
INDEPENDENT AUDITOR AGREEMENT.....	7
CORPORATE RECORDS REVIEW.....	7
TERRITORY AND PLAN OF OPERATIONS	8
REINSURANCE	8
REINSURANCE ASSUMED	8
REINSURANCE CEDED	8
FINANCIAL STATEMENTS	8
FLORIDA BLUE MEDICARE, INC.....	9
ASSETS	9
LIABILITIES, CAPITAL AND SURPLUS	10
STATEMENT OF REVENUE AND EXPENSES.....	11
RECONCILIATION OF CAPITAL AND SURPLUS	12
COMMENTS ON FINANCIAL STATEMENT ITEMS	13
LIABILITIES.....	13
CAPITAL AND SURPLUS	13
SUBSEQUENT EVENTS	13
CONCLUSION	13

May 17, 2023

Michael Yaworsky
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("NAIC"), we have conducted an examination as of December 31, 2021, of the financial condition and corporate affairs of

Florida Blue Medicare, Inc.
4800 Deerwood Campus Parkway
Jacksonville, FL 32246

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2021, through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on January 27, 2023. The fieldwork concluded as of May 17, 2023. The Company’s last full scope exam by representatives of OIR covered the period of January 1, 2020, through December 31, 2020.

The examination was a single state examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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 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 Company 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 the NAIC Statements of Statutory Accounting Principles (“SSAP”). 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 information obtained from the examination of the records, accounts, files, and documents of or relative to the Company and other information as permitted by Section 624.319, Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings of fact as a result of this examination.

Previous Examination Findings

There were no significant findings of fact for the prior examination as of December 31, 2020.

COMPANY HISTORY

General

The Company was incorporated in Florida on June 22, 2018, and commenced business on January 1, 2020. It was licensed by OIR as a Health Maintenance Organization (“HMO”) on January 25, 2019, in accordance with Part 1 of Chapter 641, Florida Statutes.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

As of December 31, 2021, the Company’s capitalization was as follows:

Number of authorized common capital shares	1,000,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$ 0
Par value per share	\$ 0

The Company received capital contributions from its parent company, Diversified Health Services, Inc. (“DHSI”) of \$120,000,000 in February 2021 and \$80,000,000 in December 2021.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of Directors was held in accordance with the Company's Bylaws. The Board of Directors ("Board") were elected by written consent of the Sole Shareholder in accordance with the Bylaws.

Directors serving as of December 31, 2021, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Camille Irene Harrison, Chair	Saint Johns, Florida	Executive Vice President, Medicare and Chief Innovation and Experience Officer and Chief Executive Officer, Blue Cross and Blue Shield of Florida, Inc.
Gary Dean Anderson	Port Orange, Florida	Senior Vice President and Chief Information Officer, Blue Cross and Blue Shield of Florida, Inc.
Elana Gail Schrader, M.D.	Fleming Island, Florida	Senior Vice President, Health Care Services and President, Blue Cross and Blue Shield of Florida, Inc.

In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Katherine Fox Feeny ^(a)	Jacksonville, Florida	President
Camille Irene Harrison	Saint Johns, Florida	Chief Executive Officer
Thurman Rae Justice	Neptune Beach, Florida	Chief Financial Officer
Andrew Edson France	Jacksonville, Florida	Chief Actuary
Sean Arthur Lueck ^(b)	Jacksonville, Florida	Treasurer
Arezou Clegg Jolly	Jacksonville, Florida	Secretary
Elizabeth Cathleen Malko, M.D.	Jacksonville Beach, Florida	Chief Medical Officer

^(a) Resigned November 8, 2022. Interim consultant President Scott Ptacek.

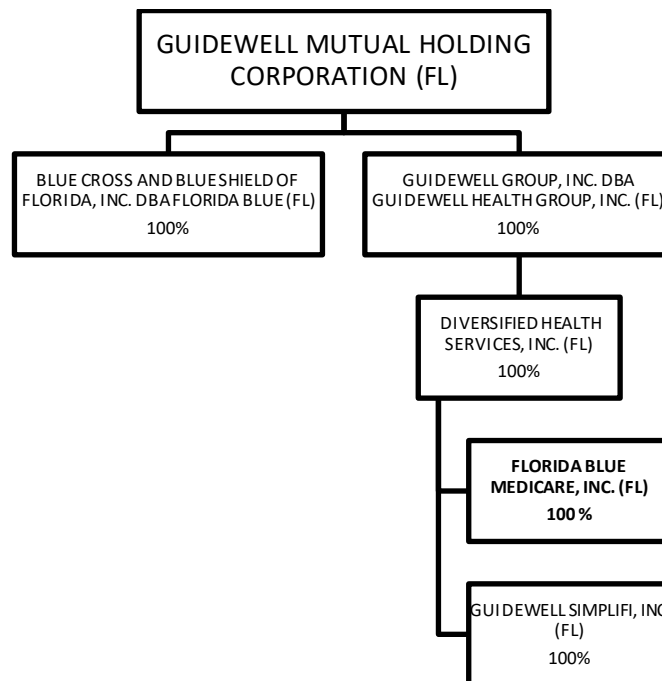
^(b) Replaced by Kareen Dorsett effective January 20, 2022.

The Board has not appointed Committees. The full Board acts as the Audit Committee for the Company. Additionally, the GuideWell Mutual Holding Corporation ("GMHC") Audit and Compliance Committee provides oversight of the Company.

Holding Company System

A simplified organizational chart as of December 31, 2021, reflecting the holding company system, is shown below. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.

GuideWell Mutual Holding Corporation Simplified Organizational Chart December 31, 2021



AFFILIATED AGREEMENTS

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

Tax Allocation Agreement

Effective January 1, 2019, the Company is a party to a Tax Allocation Agreement with its ultimate parent company, GMHC. Pursuant to this agreement, the Company is included in the consolidated tax filing and pays taxes on a separate return basis. Intercompany tax balances are settled within ninety (90) days of estimated tax remittances by GMHC.

Administrative Services Agreement

Under an Administrative Services Agreement effective December 31, 2007, and amended October 24, 2018, to include the Company, the Company receives services from certain listed affiliates related to tax, accounting and auditing, underwriting, claims, investment, and other functional support services. The agreement requires monthly reporting and settlement of intercompany balances within ninety (90) days. The Company reported \$99,950,549 of administrative charges from certain services, including the executive management team, network, actuarial, analytics, care management, and pharmacy services provided by its affiliate GuideWell Care Solutions, Inc. in 2021. The Company reported \$72,184,784 in administrative charges from its affiliate Blue Cross and Blue Shield of Florida, Inc., to provide certain services, including premium billing and processing, claims processing, finance, legal, IT, marketing, facilities, and Human Resources services in 2021. The Company reported \$125,708 of administrative charges from its affiliate, GuideWell Group, Inc., for the use of its property in 2021. The Company reported \$30,028 in administrative charges for primary care, wellness, and chronic care services for the Company's members provided by its affiliate, GuideWell Health, Inc. in 2021. The Company reported \$78,199 in administrative charges from its affiliate GuideWell Innovation, LLC, for certain branding and enterprise development services provided in 2021.

Network Access Agreement

Effective January 1, 2020, the Company was a party to a Network Access Agreement with Health Options, Inc. ("HOI") under which HOI granted the Company access to its network of participating Medicare Advantage providers in the State of Florida. No fees were incurred under this agreement during 2021.

Provider and Administrative Services Agreement

Effective January 1, 2020, the Company was assigned the Provider and Administrative Services Agreement which delegates certain Medicare Advantage medical and administrative services under a specific Centers for Medicare & Medicaid Services ("CMS") contract which the Company assumed from HOI. The original agreement, effective January 1, 2019, was between HOI and Florida Health Care Plan, Inc. ("FHCP") and expires December 31, 2029. The agreement will automatically renew for successive five-year periods unless terminated in accordance with the

terms of the agreement. Pursuant to the terms of the agreement, FHCP retained the risk for Members in the Medicare Advantage and Medicare Advantage Prescription Drug Plan offered by HOI in exchange for monthly capitation compensation. FHCP delivers, provides, or arranges for the delivery and provision of medical and administrative services by contracting and maintaining a network of hospitals, physicians, and ancillary providers. FHCP manages and coordinates member services, including emergency and urgently needed services, through FHCP participating providers. Claims adjudication payment and processing, enrollment and billing is provided by FHCP. Capitation paid for services provided by FHCP during 2021 was \$231,505,856.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Jacksonville, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with the Bank of New York Mellon Corporation executed September 26, 2019. The agreement complied with Rule 69O-191.090, Florida Administrative Code.

Independent Auditor Agreement

An independent CPA, PricewaterhouseCoopers, LLC (“PwC”) audited the Company’s statutory basis financial statements annually for the year 2021 in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholders and the Board were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of

Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to provide managed care services only in the State of Florida.

The Company was authorized to provide managed care services in Florida on January 25, 2019, and is currently authorized for Health Maintenance Organization (HMO) lines of business as of December 31, 2021. The Company exclusively writes Title XVIII Medicare policies in Florida. The Company reported \$1,042,416,601 in net premium income during the year ended December 31, 2021.

REINSURANCE

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

The Company did not cede any reinsurance during the period of this examination.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus, and statutory Statement of Revenue and Expenses, which includes an analysis of changes in the Capital and Surplus Account for the year ended December 31, 2021. The financial statements are based on the statutory financial statements filed by the Company with the OIR, and present the financial condition of the Company for the period ending December 31, 2021. Due to rounding, column amounts may not add to the totals reflected in this Report. There were no examination adjustments to the amounts reported by the Company.

Florida Blue Medicare, Inc.
Assets
December 31, 2021

	Per Company
Bonds	220,919,752
Cash, cash equivalents and short-term investments	132,524,570
Other invested assets	51,653
Receivables for securities	357,351
Subtotal cash and invested assets	353,853,326
Investment income due and accrued	1,538,886
Premiums and considerations	
Uncollected premiums and agents' balances	45,688,835
Current federal and foreign income taxes recoverable	2,292,953
Health care and other amounts receivable	34,824,626
Totals	438,198,626

Florida Blue Medicare, Inc.
Liabilities, Capital and Surplus
December 31, 2021

	Per Company
Claims unpaid	85,642,972
Accrued medical incentive pool and bonus amounts	21,370,123
Unpaid claims adjustment expenses	1,916,195
Aggregate health policy reserves	80,602,665
Premiums received in advance	119,924
General expenses due or accrued	349,927
Net deferred tax liability	7,977
Amounts due to parent, subsidiaries, and affiliates	26,023,756
Payable for securities	1,146,309
Liability for amounts held under uninsured plans	18,602,056
Aggregate write-ins for other liabilities	29,131,124
Total liabilities	264,913,028
Gross paid-in and contributed surplus	400,310,000
Unassigned funds (surplus)	(227,024,402)
Total capital and surplus	173,285,598
Total liabilities, capital and surplus	438,198,626

Florida Blue Medicare, Inc.
Statement of Revenue and Expenses
December 31, 2021

	Per Company
Net premium income	1,042,416,601
Change in unearned premium reserves and reserve for rate credits	(1,652,665)
Total revenues	1,040,763,936
Hospital and Medical:	
Hospital/medical benefits	794,127,735
Outside referrals	2,416,524
Emergency room and out-of-area	21,527,148
Prescription drugs	71,920,124
Aggregate write-ins for other hospital and medical	57,508,530
Incentive pool, withhold adjustments and bonus amounts	29,094,269
Total hospital and medical	976,594,330
Claims adjustment expenses	86,918,665
General administrative expenses	82,259,299
Increase in reserves for life and accident and health contracts	51,800,000
Total underwriting deductions	1,197,572,294
Net underwriting gain or (loss)	(156,808,358)
Net investment income earned	2,792,665
Net realized capital gains (losses) less capital gains tax	(238,857)
Net investment gains (losses)	2,553,808
Aggregate write-ins for other income or expenses	383,790
Net income or (loss) after capital gains tax and before all other federal income taxes	(153,870,760)
Federal and foreign income taxes incurred	(19,686,627)
Net Income	(134,184,133)

Statement of Revenue and Expenses continued:

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	102,459,395
Net Income	(134,184,133)
Change in net deferred income tax	(7,977)
Change in nonadmitted assets	5,018,313
Surplus adjustments:	
Paid in	200,000,000
Net change in capital and surplus	70,826,203
Capital and surplus, end of reporting year	173,285,598

**Florida Blue Medicare, Inc.
Reconciliation of Capital and Surplus
December 31, 2021**

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2020, per Examination			102,459,395
	Increase	Decrease	
Loss in surplus		134,184,133	(134,184,133)
Change in net deferred income tax		7,977	(7,977)
Change in nonadmitted assets	5,018,313		5,018,313
Capital Changes:			
Paid in	200,000,000		200,000,000
Net change in capital and surplus			70,826,203
Capital and Surplus at December 31, 2021, per Examination			173,285,598

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Andrew Edson France, F.S.A., Vice President and Chief Actuary, Blue Cross and Blue Shield of Florida, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2021, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The OIR consulting actuary, Steven H. Mahan, FSA, Consulting Actuary to Noble Consulting Services, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$173,285,598 exceeded the minimum of \$26,491,303 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

There were no additional subsequent events to report.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Blue Medicare, Inc. as of December 31, 2021, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of Noble Consulting Services, Inc. participated in the examination: Robin Roberts, CFE, Examiner-in-Charge; James Menck, CFE, Examination Manager; Jamesia Burford, CFE; Emma Muambo, CFE (Fraud) and David Habony, CFE, Financial Examiners. Margaret (Peggy) McCrary, CFE, CPA, MBA of OIR participated in the examination as Examination Oversight Supervisor. Additionally, Steven Mahan, FSA, Consulting Actuary to Noble Consulting Services, Inc.; Michael Nadeau, CISA, CFE, AES and Sharon Riley, CISA, CGEIT, CDPSE, AIRC, FLMI, IT Specialists of Noble Consulting Services, Inc., are recognized for participation in the examination.

Respectfully submitted,

Robin Roberts

Robin Roberts, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.

Carolyn M. Morgan

Carolyn M. Morgan, APIR
Director
Life & Health Financial Oversight
Florida Office of Insurance Regulation
Date Signed: 6/15/23