



**EXAMINATION REPORT  
OF  
Molina Healthcare of Florida, Inc.**

**NAIC Company Code: 13128**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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February 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 (“the NAIC”), we have conducted an examination as of December 31, 2021, of the financial condition and corporate affairs of

**MOLINA HEALTHCARE OF FLORIDA, INC.**

8300 N.W. 33<sup>rd</sup> Street, Suite 400  
Doral, FL 33122

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, 2019, through December 31, 2021, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on January 10, 2023. The fieldwork concluded as of March 24, 2023. The Company’s last full scope exam by representatives of the OIR covered the period of January 1, 2016, through December 31, 2018.

The examination was a single-state coordinated 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. The lead state for this exam was Ohio, and the states that participated in this exam are as follows: Arizona, Florida, Georgia, Iowa, Illinois, Kentucky, Michigan, Mississippi, New Mexico, New York, Oklahoma, Texas, Utah, Virginia, Washington, and Wisconsin.

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 Sections 624.319 and 641.27(1), 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 are 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, 2018.

## COMPANY HISTORY

### General

The Company was incorporated in Florida on May 9, 2007, and commenced business on March 4, 2008. It was licensed by OIR as a Health Maintenance Organization on March 4, 2008, in accordance with Part 1 of Chapter 641, Florida Statutes.

### Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder in 2021, 2020, and 2019 in the amounts of \$77,000,000, \$65,000,000, and \$285,000,000, respectively.

### Capital Stock and Capital Contributions

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

Number of authorized common capital shares	5,000 no par value 1,000 par value \$.01
Number of authorized preferred stock	0
Number of shares issued and outstanding	100
Total common capital stock	\$100
Par value per share	\$.01

### Surplus Notes

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

## Acquisitions, Mergers, Disposals, Dissolutions

On September 1, 2021, the Company acquired Florida MHS, Inc.'s ("FL MHS") Medicaid contract with the Florida Agency for Health Care Administration ("AHCA"), which was merged into the Company's Medicaid contract. As a result, the Company began serving FL MHS's Medicaid members. On October 14, 2021, the OIR approved the merger of FL MHS and the Company, effective as of October 31, 2021.

## MANAGEMENT AND CONTROL

### Corporate Governance

The annual shareholder meeting for the election of the Board of Directors ("the Board") was held in accordance with the Company's Bylaws. Directors serving as of December 31, 2021, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Michael J. Jones, Chair	Riverview, FL	Plan President Molina Healthcare of Florida, Inc.
Ronald D. Kurtz	Pasadena, CA	Executive VP, Chief of Staff Molina Healthcare, Inc.
Daniel J. Gudz	Waynesville, OH	VP, Financial Planning & Analysis Molina Healthcare, Inc.
Michelle A. Bentzien Purrington	Shaker Heights, OH	SVP, Long Term Services & Support Molina Healthcare, Inc.

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

Senior Officers		
Name	City, State	Title
Michael J. Jones	Riverview, FL	President
Monica M. Navarro <sup>(a)</sup>	Weston, FL	Chief Financial Officer
Jeffery D. Barlow	Sacramento, CA	Secretary

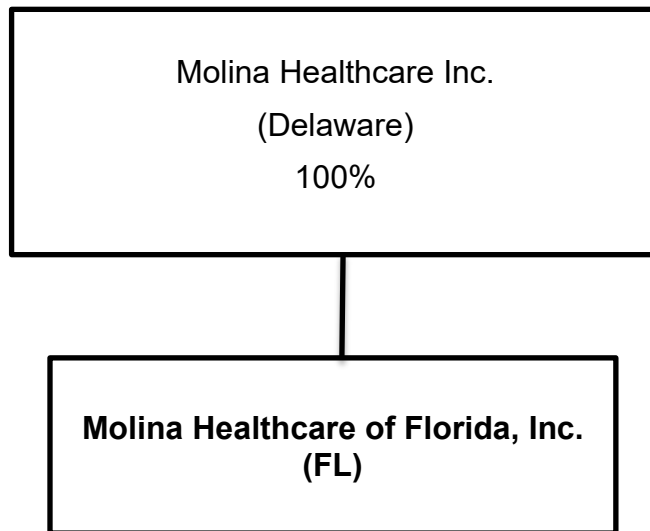
<sup>(a)</sup>Effective May 9, 2022, Patrick Brosnan replaced Monica Navarro as Chief Financial Officer.

Molina Healthcare, Inc.'s ("MHI"), the Company's parent, audit committee, and other committees act on behalf of the Company.

### **Holding Company System**

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

**Molina Healthcare of Florida, Inc.  
Simplified Organizational Chart  
December 31, 2021**



## **AFFILIATED AND OTHER AGREEMENTS**

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

### **Services Agreement**

The Company is a party to a Third Amended and Restated Services Agreement with MHI, effective January 27, 2017. MHI was engaged to provide the following services: Accounting, Finance, Actuarial, Underwriting, Analytical support and Report Generation, Appeals and Grievances, Claims Processing and Administration, Contract Development and Negotiations, Call Center, Enrollee Materials, Enrollment, Facilities Management, Human Resources, Information Technology, Insurance, Legal, Pharmacy, Premium Collection, Provider Credentialing, Quality Improvement, Unitization Review, Consulting and Advisory, and Incidental. Fees incurred under this agreement, during 2021, amounted to \$72,584,088.

### **Federal Tax Sharing Agreement**

The Company is a party to an Amended and Restated Federal Tax Sharing Agreement with MHI, effective January 27, 2017. The results of the Company's operations were included in the consolidated federal income tax returns of MHI pursuant to a 2015 tax allocation agreement. The income tax of the consolidated group was allocated to the Company as if the Company had filed tax returns on a separate return basis.

### **Providers Fee Payment Consent and Agreement**

The Company is a party to an Amended and Restated Health Insurance Providers Fee Payment Consent and Agreement with MHI, effective January 27, 2017. Pursuant to 26 C.P.R. 57.2(c), the Company appointed MHI to be the designated entity to act on behalf of the control group regarding the Health Insurance Providers Fee.

### **Premium Administration Agreement**

The Company is a party to a Premium Administration Agreement with MHI effective August 17, 2018. This agreement is to memorialize the parties understanding, and warranties related to any premiums held by MHI. This is in connection with the performance of the Premium Collections

Services provided to the Company, noted as part of the Services Agreement between the parties, effective January 27, 2017.

## **ACCOUNTS AND RECORDS**

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

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

### **Custodial Agreement**

The Company maintained a custodial agreement with US Bank National Association executed on May 19, 2014. The agreement complied with Rule 69O-191.090, Florida Administrative Code.

### **Investment Management Agreement**

The Company is a party to an investment management agreement between MHI and New England Asset Management, Inc. ("NEAM") dated as of March 1, 2019, and amended effective January 1, 2021, to include additional affiliates of the parent. NEAM provides both managed and unmanaged portfolios and investment accounting services subject to a fee schedule included in the agreement.

### **Corporate Records Review**

The recorded minutes of the Shareholder and 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 is currently authorized to provide comprehensive health care services to Medicaid enrollees under contracts with the AHCA, and Medicare enrollees under its contract with the

Centers for Medicare & Medicaid Services (“CMS”) in exchange for monthly interim payments. The Company also services individuals through the state’s Marketplace.

## **REINSURANCE**

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting, and settlement information deadlines.

### **Reinsurance Assumed**

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

### **Reinsurance Ceded**

The Company ceded risk on a quota share and excess of loss basis to Oceangate Reinsurance, Inc. (“Oceangate”), an affiliate, which provides unlimited coverage of 90% of individual claims above deductibles of \$1,000,000 for Medicaid and Marketplace business, and \$500,000 for Medicare business. The coverage was for calendar years 2020, and 2021. Effective January 1, 2022, the Company’s reinsurance contract with Oceangate was amended to cover only Medicaid business.

## **FINANCIAL STATEMENTS**

The following includes the Company’s statutory Statement of Assets, Liabilities, Capital and Surplus; 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 the Report.

There were no examination adjustments to the amounts reported by the Company.

**Molina Healthcare of Florida, Inc.**  
**Assets**  
**December 31, 2021**

	Per Company
Bonds	142,139,794
Cash, cash equivalents and short-term investments	175,304,103
Subtotal cash and invested assets	317,443,897
Investment income due and accrued	512,111
Premiums and considerations:	
Uncollected premiums and agents balances	26,992,835
Accrued retrospective premiums and contracts	1,485,839
Reinsurance:	
Amounts recoverable from reinsurers	696,389
Amounts receivable relating to uninsured plans	776,702
Net deferred tax asset	11,808,267
Health care and other amounts receivable	10,061,513
Aggregate write-ins for other than invested assets	336,642
Totals	370,114,195

**Molina Healthcare of Florida, Inc.**  
**Liabilities, Capital and Surplus**  
**December 31, 2021**

	Per Company
Claims unpaid	121,852,524
Accrued medical incentive pool and bonus amounts	2,239,888
Unpaid claims adjustment expenses	965,302
Aggregate health policy reserves	109,094,354
Premiums received in advance	19,649,213
General expenses due or accrued	6,392,474
Current federal and foreign income tax payable	3,864,659
Reinsurance in unauthorized and certified	1,110,775
Aggregate write-ins for other liabilities	15,509,630
<b>Total liabilities</b>	<b>280,678,819</b>
Common capital stock	100
Gross paid in and contributed surplus	260,223,630
Unassigned funds (surplus)	(170,788,354)
<b>Total capital and surplus</b>	<b>89,435,376</b>
<b>Total liabilities, capital and surplus</b>	<b>370,114,195</b>

**Molina Healthcare of Florida, Inc.**  
**Statement of Revenue and Expenses**  
**December 31, 2021**

	Per Company
Net premium income	975,907,950
Change in unearned premium reserves	(3,919,890)
<b>Total revenues</b>	<b>971,988,060</b>
Hospital and Medical:	
Hospital/medical benefits	494,430,221
Other professional services	36,720,012
Outside referrals	34,470,716
Emergency room and out-of-area	91,731,316
Prescription drugs	152,233,931
Aggregate write-ins for other hospital and medical	
Incentive pool, withhold adjustments and bonus amounts	2,776,640
<b>Subtotal</b>	<b>812,362,836</b>
Less:	
Net reinsurance recoveries	1,093,166
<b>Total hospital and medical</b>	<b>811,269,670</b>
Claims adjustment expenses	35,659,109
General administrative expenses	102,869,872
<b>Total underwriting deductions</b>	<b>949,798,651</b>
<b>Net underwriting gain or (loss)</b>	<b>22,289,409</b>
Net investment income earned	2,083,921
Net investment gains (losses)	2,920,495
Aggregate write-ins for other income or expenses	(3,168,215)
<b>Net income or (loss) after capital gains tax and before all other federal income taxes</b>	<b>21,941,689</b>
Less: Federal and foreign income taxes incurred	2,405,381
<b>Net income (loss)</b>	<b>19,536,308</b>

	Per Company
<b>Capital and Surplus Account</b>	
Capital and surplus, prior reporting year	154,552,315
Net Income or (loss)	19,536,308
Change in net unrealized capital gains	25,151
Change in net deferred income tax	(457,122)
Change in nonadmitted assets	(7,003,644)
Change in unauthorized and certified reinsurance	(217,632)
Capital Changes:	
Paid in	(10)
Surplus adjustments:	
Paid in	(76,999,990)
Net change in capital and surplus	(65,116,939)
Capital and surplus, end of reporting year	89,435,376

**Molina Healthcare of Florida, Inc.**  
**Reconciliation of Capital and Surplus**  
**December 31, 2021**

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at December 31, 2018, per Examination			334,696,958
	Increase	Decrease	
Net income	150,882,694		150,882,694
Change in unrealized gains	42,439		42,439
Change in nonadmitted assets		(25,310,073)	(25,310,073)
Change in deferred income taxes	22,746,263		22,746,263
Change in unauthorized and certified reinsurance		(1,110,775)	(1,110,775)
Change in paid in capital		(10)	(10)
Change in paid in surplus		(392,512,120)	(392,512,120)
Net increase (or decrease)			(245,261,582)
Capital and Surplus at December 31, 2021, per Examination			89,435,376

## **COMMENTS ON FINANCIAL STATEMENT ITEMS**

### **Liabilities**

#### **Losses and Loss Adjustment Expenses**

Benjamin Lynam, FSA, MAAA, Chief Actuary, MHI, 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, Scott Garduno, FSA, MAAA, Managing Member of Taylor-Walker Consulting, LLC, 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 \$89,435,376 exceeded the minimum of \$28,067,802 required by Section 641.225, Florida Statutes.

## **SUBSEQUENT EVENTS**

An extraordinary dividend was paid to MHI on June 13, 2022, in the amount of \$20,000,000.

Effective on February 8, 2023, the Company and MHI entered into a Termination Agreement, whereby the Health Insurance Providers Fee Payment Consent and Agreement between the parties, dated January 27, 2017, was terminated.

Effective on April 14, 2023, Monica Navarro replaced Patrick Brosnan as Chief Financial Officer.

## CONCLUSION

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

The following individuals with the firm of Examination Resources, LLC, participated in the examination: Joanne Campanelli, CFE, MCM, ARC, Examiner-in-Charge, and Rachelle Gowins, CFE, MCM, Exam Manager. Members of the OIR who participated in the examination include Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor, Examination Oversight Supervisor. Additionally, Solomon Frazier, FSA, FCAS, MAAA, and Scott Garduno, FSA, MAAA, of Taylor-Walker Consulting, LLC, are recognized for participation in the examination.

Respectfully submitted,



Joanne Campanelli, CFE, MCM, ARC  
Contract Examiner-in-Charge  
Examination Resources, LLC



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