

**ASSOCIATION EXAMINATION REPORT
of
HEALTHKEEPERS, INC.
Richmond, Virginia
as of
December 31, 2013**

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Healthkeepers, Inc. as of December 31, 2013, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 19th day of June, 2015

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 15, 2015

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Richmond, Virginia

Dear Madam:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

HEALTHKEEPERS, INC.

Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

DESCRIPTION

The Corporation became licensed in Virginia as a health maintenance organization ("HMO") pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on June 12, 1986. The Corporation was last examined by representatives from the State Corporation Commission's (the "Commission") Bureau of Insurance (the "Bureau") as of December 31, 2010. The current examination, which was called and conducted under the auspices of the NAIC, was conducted by Examiners from the Bureau in coordination with the Indiana Department of Insurance. This examination covers the period from January 1, 2011 through December 31, 2013.

HISTORY

The Corporation was incorporated in the Commonwealth of Virginia on April 8, 1985. The Corporation was formed as a not-for-profit stock corporation by Blue Cross and Blue Shield of Southwestern Virginia. On February 11, 1986, Blue Cross and Blue Shield of Southwestern Virginia transferred all the stock of the Corporation to Blue Cross and Blue Shield of Virginia. On February 12, 1986, the Corporation amended its Articles of Incorporation to become a for-profit entity. On July 15, 1987, the corporate structure was reorganized and ownership of the Corporation was transferred to Healthcare Support Corporation ("HSC").

Effective November 1, 1997, HMO Virginia, Inc. ("HMOVA"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective July 1, 1998, HSC and Trigon Administrators, Inc. ("Trigon Administrators") merged, with Trigon Administrators remaining as the surviving entity and owner of the Corporation. Effective November 1, 1998, Physicians Health Plan, Inc. ("PHP"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective March 31, 2001, Trigon Administrators was sold and the outstanding shares of the Corporation were distributed to Trigon Healthcare, Inc. ("Trigon Healthcare")

On July 31, 2002, Trigon Healthcare and Anthem, Inc., a publicly traded company incorporated in Indiana, completed a merger in which Trigon Healthcare was merged into a wholly-owned subsidiary of Anthem, Inc. ("Anthem") that subsequently changed its name to Anthem Southeast, Inc. ("Anthem Southeast"). The Corporation became a wholly-owned subsidiary of Anthem Southeast.

On November 30, 2004, Anthem, the Corporation's ultimate Parent, and WellPoint Health Networks, Inc. ("WellPoint Health Networks") completed a merger in which WellPoint Health Networks and all WellPoint subsidiaries merged with and into Anthem Holding Corp., a direct and wholly-owned subsidiary of Anthem with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc. ("WellPoint")

Effective January 1, 2006, UNICARE Health Plan of Virginia, Inc. ("UNICARE Health Plan"), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. As a result of the merger, UNICARE National Services, Inc. ("UNICARE National"), UNICARE Health Plan's parent company, received 25 shares of the Corporation's common stock which was commensurate with the fair value of UNICARE Health Plan at the date of merger. Prior to the merger the Corporation was a wholly-owned subsidiary of Anthem Southeast. After the merger the Corporation was 88.89% owned by Anthem Southeast and 11.11% owned by UNICARE National.

Effective October 1, 2010, Peninsula Health Care, Inc. ("Peninsula") and Priority Health Care, Inc. ("Priority"), affiliated HMOs, and the Corporation merged. As a result of the merger, Anthem Southeast, Peninsula's and Priority's parent company, received 108.7 shares of the Corporation's common stock which was commensurate with the fair value of Peninsula and Priority at the date of merger. After the merger and at December 31, 2013, the Corporation was 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National.

CAPITAL AND SURPLUS

At December 31, 2013, the Corporation's capital and surplus was \$249,225,860. According to the Articles of Incorporation, the Corporation has the authority to issue 10,000 shares of common stock with a par value of \$5 per share. As a result of the mergers with Peninsula and Priority, at December 31, 2013, 333.7 shares were outstanding, with gross paid in and contributed surplus of \$58,560,321, surplus notes of \$8,716,141 and unassigned funds (surplus) of \$181,947,729.

As a result of the mergers with HMOVA and PHP, the Corporation assumed subordinated loans executed between the two companies and Trigon Insurance Company (currently Anthem Health Plans of Virginia, Inc.). The outstanding principal on the loans assumed totaled \$6,716,141 from HMOVA and \$2,000,000 from PHP. At December 31, 2013, accrued interest on these loans equaled \$10,449,375.

NET WORTH REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-211-30 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Section 38.2-4307.1 C states that a statement of covered and uncovered expenses shall not be required for any HMO that reports capital and surplus of at least \$4,500,000 on its most recent annual or quarterly financial statement. At December 31, 2013, the Corporation reported capital and surplus greater than \$4,500,000 and was not required to file a statement of covered and uncovered expenses.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the affairs of the Corporation shall be managed by a board of not fewer than three and not more than six directors. A majority of the directors shall constitute a quorum for the transaction of business.

The bylaws also provide that the board may designate two directors to constitute an Executive Committee. The Executive Committee shall have and may exercise all the authority of the board of directors except to approve an amendment of the bylaws of the Corporation or plan of merger or consolidation. Additionally, the Executive Committee may designate any other committees as may be deemed desirable.

The officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time deem necessary. The Chairman of the Board shall preside at all

meetings of the Board and of the Executive Committee. The President shall be the Chief Operating Officer and shall have general supervision and control of the other officers of the Corporation.

At December 31, 2013, the Board of Directors and the Officers of the Corporation were as follows:

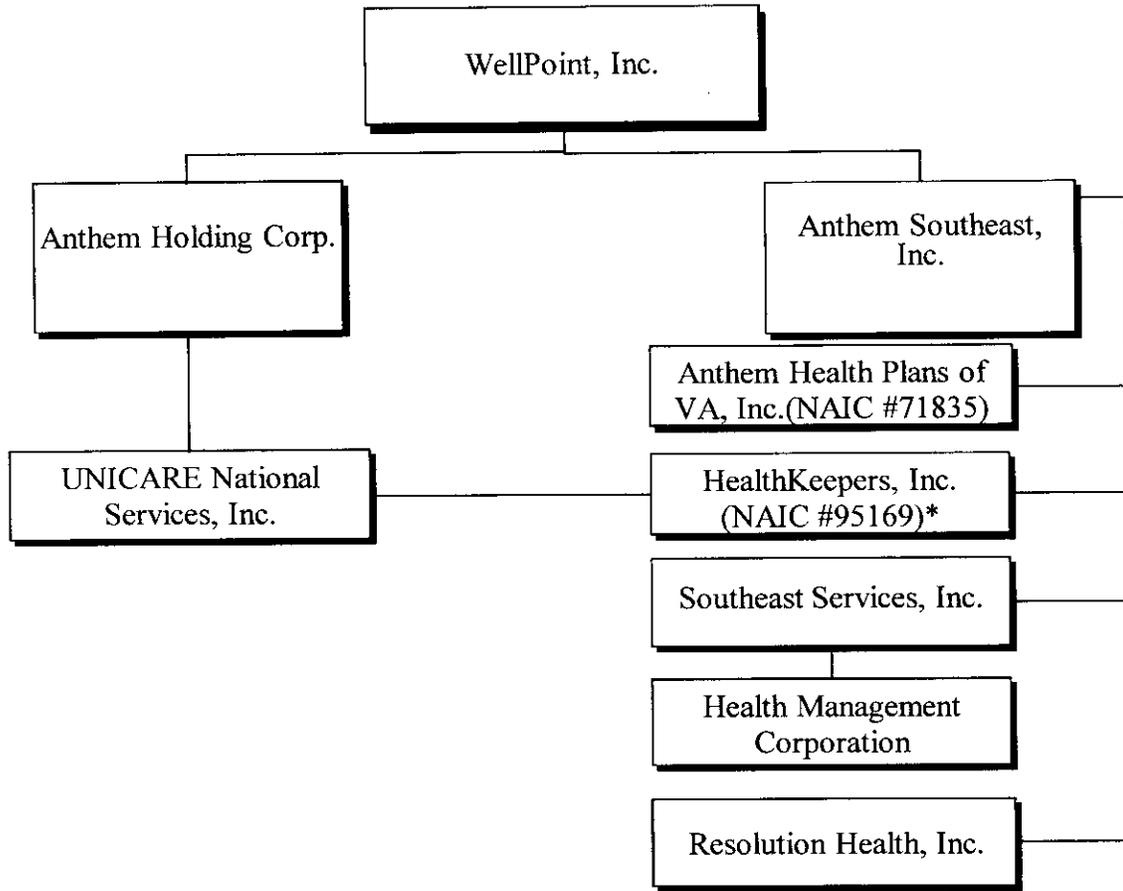
<u>Directors</u>	<u>Principal Occupation</u>
Wayne S. DeVeydt	Executive Vice President and Chief Financial Officer WellPoint, Inc. Indianapolis, Indiana
Catherine I. Kelaghan	Vice President and Assistant Corporate Counsel WellPoint, Inc. Indianapolis, Indiana
Charles B. King	President HealthKeepers, Inc. Richmond, Virginia

Officers

Charles B. King	President and Chairman of the Board
Kathleen S. Kiefer	Secretary
Sidney O. Hunt	Assistant Secretary
Robert D. Kretschmer	Treasurer
Eric K. Noble	Assistant Treasurer

AFFILIATED COMPANIES

At December 31, 2013, the Corporation is 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National. Both Anthem Southeast and UNICARE National are wholly-owned subsidiaries of WellPoint. The chart on the following page illustrates the organizational structure of the Corporation and selected affiliated entities at December 31, 2013.



* HealthKeepers, Inc. is 92.51% owned by Anthem Southeast, Inc. and 7.49% owned by UNICARE National Services, Inc.

TRANSACTIONS WITH AFFILIATES

Cash Concentration Agreement

Effective April 1, 2010, the Corporation entered into a Cash Concentration Agreement with WellPoint and its direct or indirect affiliates whereby Wellpoint and certain affiliates are designated Cash Managers to handle the receipt and/or disbursement of funds on behalf of one or more affiliates. When a Cash Manager receives funds on behalf of an affiliate, an intercompany payable to the affiliate is established. When a Cash Manager disburses funds on behalf of an affiliate, an intercompany receivable from the affiliate is established. All resulting intercompany payables and receivables shall be settled within 30 days unless the parties mutually agree to settlement at a later date no later than 90 days after the intercompany payable or receivable was established. The Cash Manager shall be reimbursed monthly for all direct and indirect allocable costs it incurs in its capacity as Cash Manager.

Master Administrative Services Agreement

Effective January 1, 2006, the Corporation entered into a Master Administrative Services Agreement with WellPoint and its subsidiaries and affiliates. According to the agreement, each affiliate that is party to the agreement may provide certain administrative, consulting and support services to another affiliate upon request. The affiliate rendering services shall be reimbursed for the direct and indirect costs and expenses incurred in providing such services and reimbursement is due within 30 days upon receipt of a statement for the services rendered. The term of the agreement is one year and shall be automatically renewed for additional one-year periods unless terminated upon 90 days written notice. The Corporation incurred \$112,364,106 in fees related to the agreement in 2013.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, the Corporation became a party to a Consolidated Federal Income Tax Agreement with WellPoint and selected subsidiaries. The agreement establishes methods for allocating the consolidated federal income tax liability of the consolidated group among its members, for reimbursing WellPoint for payment of such tax liability, for compensating any member for use of its tax losses or tax credits and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits for subsequent taxable years. For each consolidated federal return year, each member shall pay WellPoint an amount equal to the federal income tax payments it would incur if it were filing a separate federal income tax return. Such payments shall be made to WellPoint no later than 30 days after these payments would be due to the federal government if the subsidiary were filing a separate return. For each consolidated federal return year, WellPoint shall pay each member an amount equal to the reduction in the

federal income tax liability of the consolidated group, if any, resulting from the use in any taxable year of tax benefits attributable to such member, including the use of net operating losses or tax credits. In the event of a refund, WellPoint shall pay each member its proportional share within 30 days after the refund is received.

Excess Medical Stop Loss Agreement

Effective January 1, 2000, the Corporation entered into an Excess Medical Stop Loss Agreement with Trigon Insurance Company (currently AHPVA). Pursuant to the agreement, AHPVA shall reimburse the Corporation 100% of the losses paid during the twelve-month policy period ending December 31, 2013 in excess of the following deductibles:

1. \$500,000 for losses paid for each person enrolled under non-Medicaid contracts.
2. \$500,000 for losses paid for each person enrolled under Medicaid contracts who are not Community Health Associated Physician Organization ("CHAPO") members.
3. \$200,000 for the sum of the losses paid for inpatient facility expenses and outpatient facility expenses which are attributable to CHAPO members.
4. \$25,000 for losses paid for non-facility expenses which are attributable to CHAPO members.

For the purposes of this policy, losses are defined as amounts that are actually paid by the Corporation for medical expenses covered under the contract; in settlement of claims for medical expenses covered under the contracts; or in satisfaction of judgments for medical expenses covered under the contracts. Medical expenses are defined as covered charges for inpatient services rendered by hospitals, rehabilitation and skilled nursing facilities to persons enrolled under contracts and transplant services fees charged by transplant service providers. For hospital, rehabilitation, skilled nursing facility or transplant services expenses, each expense shall be deemed to be incurred upon the date of admission to the hospital, rehabilitation or skilled nursing facility.

This agreement contains a provision that requires the Corporation to pay AHPVA up to a maximum of 30% of the initial premium in the event that the paid losses exceed 85% of the initial premium. Conversely, AHPVA is required to return to the Corporation up to 30% of the initial premium when paid losses are less than 85% of the initial premium.

The maximum lifetime excess insurance indemnity payable under this agreement for any one member shall not exceed \$2,000,000. The agreement includes a continuation of coverage clause and a benefits conversion clause in the event of the Corporation's insolvency. Premiums and claims ceded to AHPVA related to this agreement during 2013 were \$5,588,500 and \$6,604,777 respectively.

Solvency Guarantee Agreement

The Corporation's performance, obligations, and solvency are guaranteed by AHPVA through a solvency guarantee agreement that was originally entered into effective April 9, 1986. This agreement remains in effect unless and until reasonable prior written notice has been given by either party to the other and the Commissioner of Insurance of the Commonwealth of Virginia has granted prior approval for such termination.

This solvency guarantee agreement was amended September 1, 1987 to include AHPVA's agreement that in the event the Corporation shall cease operations for any reason, AHPVA coverage will be offered to all of the Corporation's members without exclusions, limitations, or conditions based on health reasons.

Services Agreement with Health Management Corporation

Effective January 1, 2002, the Corporation entered into a Services Agreement with Health Management Corporation ("HMC") to administer its Family Health Program. The Family Health Program includes a 24-hour toll free nurse line, the Corporation's Baby Benefits Maternity Management and Chronic Disease Management products. As compensation, the Corporation pays a predetermined per member, per month amount to HMC. The agreement had an initial term of one year and renews automatically for one-year terms thereafter. Either party may terminate the agreement upon three months advance written notice. The Corporation incurred \$223,922 in fees related to the agreement in 2013.

Dividends

The Corporation paid cash dividends of \$126,300,000, \$90,000,000 and \$94,500,000 in 2011, 2012 and 2013, respectively. The dividends were paid to Anthem Southeast and UNICARE National in proportion to their ownership interests.

CONFLICT OF INTEREST

The Corporation has adopted WellPoint's corporate conflict of interest policy. The policy states that directors, officers and associates must discharge their business responsibilities in a manner that furthers the interests of the Corporation and must not compromise the interests of the Corporation because of a conflict of interest with their other business or personal interests. Directors, officers and certain employees are required to complete a conflict of interest disclosure form in order to disclose business and personal interests that could be adverse to the interests of the Corporation. The objective of the disclosure is to protect the interests of the Corporation and alert its directors, officers and its responsible employees to business decisions and activities for which they must exercise special care or in which they should not participate.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2013, the Corporation was listed as a named insured on WellPoint's financial institution bond with a \$10,000,000 limit of liability, subject to a \$1,500,000 deductible, to insure against losses arising from dishonest acts of its officers and employees. In addition, the Corporation was listed as a named insured on a commercial property insurance policy, a general liability policy, a business automobile liability policy, an umbrella liability policy, a workers compensation and employers liability policy, a directors and officers liability policy, a managed care professional liability policy, an errors and omissions policy, a fiduciary liability policy and a computer crime policy.

TERRITORY AND PLAN OF OPERATION

At December 31, 2013, the Corporation's service area, as reported in its 2013 Annual Statement, included the Virginia counties of Accomack, Albemarle, Amelia, Arlington, Augusta, Bedford, Botetourt, Brunswick, Buckingham, Caroline, Charles City, Charlotte, Chesterfield, Clarke, Craig, Cumberland, Dinwiddie, Essex, Fairfax, Fauquier, Floyd, Fluvanna, Franklin, Giles, Gloucester, Goochland, Greene, Greensville, Halifax, Hanover, Henrico, Isle of Wight, James City, King and Queen, King George, King William, Lancaster, Loudoun, Louisa, Lunenburg, Madison, Mathews, Mecklenburg, Middlesex, Montgomery, Nelson, New Kent, Northampton, Northumberland, Nottoway, Orange, Page, Pittsylvania, Powhatan, Prince Edward, Prince George, Prince William, Pulaski, Rappahannock, Richmond, Roanoke, Rockbridge, Rockingham, Shenandoah, Southampton, Spotsylvania, Stafford, Surry, Sussex, Tazewell, Warren, Westmoreland, Winchester, Wythe and York. In addition, the service area included the Virginia cities of Alexandria, Bedford, Buena Vista, Charlottesville, Chesapeake, Colonial Heights, Danville, Emporia, Fairfax, Falls Church, Franklin, Fredericksburg, Hampton, Harrisonburg, Hopewell, Lexington, Manassas, Manassas Park, Newport News, Norfolk,

Petersburg, Poquoson, Portsmouth, Radford, Richmond, Roanoke, Salem, South Boston, Staunton, Suffolk, Virginia Beach, Waynesboro and Williamsburg.

Medical services are provided by physicians in independent practice within the Corporation's service area. Each member chooses a primary care physician ("PCP") from a list of the Corporation's primary providers. The PCP is responsible for coordinating all of the member's health care needs. Except in emergencies, a member must obtain services only from, or prearranged by, their PCP. Specialty physicians are available only with a referral from a PCP. All hospital admissions must be arranged by the member's PCP and approved in advance by the Corporation. In addition, the Corporation offers a point of service option which allows a member to receive services from outside of the Corporation's participating network of providers.

At December 31, 2013, the Corporation had a contract with the Virginia Department of Medical Assistance Services to administer coverage to Medicaid enrollees which comprised 54% of its premium revenue in 2013.

PROVIDER AGREEMENTS

Medical Services

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to enrollees. The Corporation compensates participating physicians either on a capitated basis or a fee-for-service arrangement. Additionally, PCPs participate in an incentive program based on qualitative measures such as quality of care, as well as service and resource management.

Hospital Care

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its enrollees. The Corporation compensates participating hospitals on either a case/admission rate basis or a per diem rate basis.

Other Health Care Services

The Corporation has entered into various ancillary service agreements. These agreements provide mental health services, pharmacy services, home health care, physical therapy, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each contract.

CONTRACT FORMS**Group Contracts**

The group contracts generally cover the following services provided by PCPs, specialty care physicians, and other participating providers:

1. Primary care physician services
2. Specialist physician services
3. Hospital services
4. Early intervention services
5. Diagnostic services
6. Maternity care services
7. Skilled nursing facilities services
8. Hospice care services
9. Mental health and substance abuse services
10. Home health care services
11. Durable medical equipment
12. Prescription drug services
13. Therapy services
14. Wellness services
15. Emergency and urgent care services
16. Ambulance services

Exclusions generally include benefits related to a non-covered service, cosmetic procedures, dental services, experimental procedures, family planning services, genetic testing and routine foot care.

The above are general summaries of coverages and exclusions and the provisions in each individual group contract may vary.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation for the ten-year period ending December 31, 2013. The data is compiled from the Corporation's filed Annual Statements, previous examination reports, and the current examination report. In accordance with SSAP No. 68, Business Combinations and Goodwill, the 2009 financial data includes Peninsula Health Care, Inc. and Priority Health Care, Inc. which merged with the Corporation effective October 1, 2010.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital And Surplus</u>
2004	\$219,395,815	\$79,995,061	\$139,400,754
2005	308,840,176	108,004,090	200,836,086
2006	327,790,569	116,597,629	211,192,940
2007	311,037,750	130,569,451	180,468,299
2008	318,292,893	138,951,472	179,341,421
2009	490,837,865	233,632,705	257,205,160
2010	511,932,469	232,224,357	279,708,112
2011	509,628,395	256,896,890	252,731,505
2012	515,345,837	236,585,619	278,760,218
2013	490,843,419	241,617,559	249,225,860

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gain</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income</u>
2004	\$506,231,703	\$7,614,812	\$393,557,769	\$65,620,373	\$54,668,373
2005	705,039,610	8,963,427	543,363,569	80,523,315	90,116,153
2006	766,017,027	11,904,113	610,631,537	77,181,632	90,107,971
2007	829,843,485	13,067,722	680,648,493	77,570,043	84,692,671
2008	857,871,634	10,379,820	722,997,284	63,858,111	81,396,059
2009	1,292,261,170	12,607,435	1,089,392,931	107,622,225	107,853,449
2010	1,365,677,654	15,252,462	1,093,136,833	97,507,984	190,285,299
2011	1,808,428,591	14,579,437	1,524,282,540	140,157,673	158,567,815
2012	1,762,766,259	22,258,850	1,496,851,994	132,002,999	156,170,116
2013	1,658,847,285	11,020,804	1,434,614,069	125,268,673	109,985,347

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2004	206,920
2005	218,588
2006	283,128
2007	283,201
2008	284,828
2009	414,676
2010	423,725
2011	495,467
2012	465,318
2013	423,977

SPECIAL RESERVES AND DEPOSITS

At December 31, 2013, the Bureau required that the Corporation maintain a minimum of \$5,553,059 on deposit with the Treasurer of Virginia.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period January 1, 2011 through December 31, 2013. Assets were verified and liabilities were established at December 31, 2013.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the Bureau plan and perform the examination to evaluate the financial condition and identify prospective risks of the Corporation, assess corporate governance, identify and assess inherent risks within the Corporation, and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

The examination was conducted by the State of Indiana Department of Insurance on the Association Zone Plan with Indiana acting as the lead state. The examination of the Corporation was conducted concurrently with the examination of the following insurers:

Insurer

Domiciliary State

CareMore Health Plan of Arizona, Inc.	Arizona
Anthem Blue Cross Life and Health Insurance Company	California
Anthem Insurance Companies, Inc.	Indiana
UNICARE Life and Health Insurance Company	Indiana
Anthem Life Insurance Company	Indiana
OneNation Insurance Company	Indiana
Anthem Health Plans of Maine, Inc.	Maine
AMERIGROUP Maryland, Inc.	Maryland
HealthLink HMO, Inc.	Missouri
Healthy Alliance Life Insurance Company	Missouri
HMO Missouri, Inc.	Missouri
Anthem Health Plans of New Hampshire, Inc.	New Hampshire
Matthew Thornton Health Plan, Inc.	New Hampshire
AMERIGROUP New Jersey, Inc.	New Jersey
AMERIGROUP Community Care of New Mexico, Inc.	New Mexico
Anthem Life and Disability Insurance Company	New York
Empire HealthChoice Assurance, Inc.	New York
Empire HealthChoice HMO, Inc.	New York
AMERIGROUP Ohio, Inc.	Ohio

Insurer**Domiciliary State**

Community Insurance Company	Ohio
AMERIGROUP Insurance Company	Texas
AMERIGROUP Texas, Inc.	Texas
UNICARE Health Plans of Texas, Inc.	Texas
Anthem Health Plans of Virginia, Inc.	Virginia
HealthKeepers, Inc.	Virginia
AMERIGROUP Washington, Inc.	Washington
UNICARE Health Plans of West Virginia, Inc.	West Virginia
Blue Cross Blue Shield of Wisconsin	Wisconsin
Compcare Health Services Insurance Corporation	Wisconsin

All accounts and activities of the Corporation were considered in accordance with the risk-focused examination process.

FINANCIAL STATEMENTS

There follows a statement of financial condition as of December 31, 2013; a statement of revenue and expenses for the year ending December 31, 2013; a reconciliation of capital and surplus for the period under review; and a statement of cash flow for the year ending December 31, 2013. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$211,106,698		\$211,106,698
Common stocks	78,023,131		78,023,131
Cash, cash equivalents and short-term investments	17,412,757		17,412,757
Derivatives	574		574
Receivables for securities	<u>757,715</u>		<u>757,715</u>
Subtotals, cash and invested assets	\$307,300,875	\$0	\$307,300,875
Investment income due and accrued	1,788,217		1,788,217
Uncollected premiums and agents' balances in the course of collection	91,629,165	975,150	90,654,015
Amounts recoverable from reinsurers	27,062		27,062
Other amounts receivable under reinsurance contracts	2,914,307		2,914,307
Amounts receivable relating to uninsured plans	40,980,986	2,317,580	38,663,406
Net deferred tax asset	12,999,135	486,063	12,513,072
Receivables from parent, subsidiaries and affiliates	31,463,726		31,463,726
Health care and other amounts receivable	11,060,606	5,541,867	5,518,739
Aggregate write-ins for other than invested assets	<u>123,832</u>	<u>123,832</u>	<u>0</u>
Total assets	<u><u>\$500,287,911</u></u>	<u><u>\$9,444,492</u></u>	<u><u>\$490,843,419</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$154,092,498	\$2,920,441	\$157,012,939
Accrued medical incentive pool and bonus amounts	851,731		851,731
Unpaid claims adjustment expenses		5,011,117	5,011,117
Aggregate health policy reserves		2,808,345	2,808,345
Aggregate health claim reserves		3,232,823	3,232,823
Premiums received in advance		11,093,681	11,093,681
General expenses due or accrued		14,403,839	14,403,839
Current federal income tax payable		5,464,013	5,464,013
Ceded reinsurance premiums payable		944,035	944,035
Remittance and items not allocated		8,614,995	8,614,995
Amounts due to parent, subsidiaries and affiliates		9,188,879	9,188,879
Liability for amounts held under uninsured plans		21,538,183	21,538,183
Aggregate write-ins for other liabilities		1,452,979	1,452,979
Total liabilities	<u>\$154,944,229</u>	<u>\$86,673,330</u>	<u>\$241,617,559</u>
Common capital stock			\$1,669
Gross paid in and contributed surplus			58,560,321
Surplus notes			8,716,141
Unassigned funds (surplus)			<u>181,947,729</u>
Total capital and surplus			<u>\$249,225,860</u>
Total liabilities, capital and surplus			<u><u>\$490,843,419</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	\$1,653,275,710
Change in unearned premium reserves and reserve for rate credits	XXX	5,375,664
Total revenues	XXX	\$1,658,651,374
Hospital and Medical		
Hospital/medical benefits	\$16,810,894	\$792,966,687
Other professional services		412,090
Emergency room and out-of-area	2,881,835	36,617,984
Prescription drugs	5,495,228	295,442,384
Aggregate write-ins for other hospital and medical	3,242,414	314,980,455
Incentive pool, withhold adjustments and bonus amounts		799,246
Subtotal	\$28,430,371	\$1,441,218,846
Less:		
Net reinsurance recoveries	6,604,777	6,604,777
Total hospital and medical	\$21,825,594	\$1,434,614,069
Claims adjustment expenses	51,388,822	51,388,822
General administrative expenses	71,240,413	71,240,413
Increases in reserves for life and accident and health contracts	2,639,438	2,639,438
Total underwriting deductions	\$147,094,267	\$1,559,882,742
Net underwriting gain	XXX	\$98,768,632
Net investment income earned	XXX	\$10,851,767
Net realized capital gains or (losses)	XXX	169,037
Net investment gains	XXX	\$11,020,804
Miscellaneous income	XXX	\$195,911
Net income before federal income taxes	XXX	\$109,985,347
Federal income taxes incurred	XXX	39,641,138
Net income	XXX	\$70,344,209

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2011</u>	<u>2012</u>	<u>2013</u>
Capital and surplus prior reporting year	<u>\$279,708,112</u>	<u>\$252,731,505</u>	<u>\$278,760,218</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS			
Net income	\$103,481,718	\$104,387,558	\$70,344,209
Change in net unrealized capital gains and (losses)	(3,155,223)	4,992,793	(6,422,847)
Change in net deferred income tax	1,068,316	(173,096)	2,177,259
Change in nonadmitted assets	(2,071,418)	2,587,690	(1,132,979)
Cumulative effect of changes in accounting principles		4,233,768	
Dividends to stockholders	<u>(126,300,000)</u>	<u>(90,000,000)</u>	<u>(94,500,000)</u>
Net change in capital and surplus	<u>(\$26,976,607)</u>	<u>\$26,028,713</u>	<u>(\$29,534,358)</u>
Capital and surplus end of reporting year	<u>\$252,731,505</u>	<u>\$278,760,218</u>	<u>\$249,225,860</u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$1,652,796,195
Net investment income	13,578,644
Total	<u>\$1,666,374,839</u>
Benefit and loss related payments	\$1,426,697,953
Commissions, expenses paid and aggregate write-ins for deductions	135,433,610
Federal income taxes paid	45,039,483
Total	<u>\$1,607,171,046</u>
Net cash from operations	<u>\$59,203,793</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$453,617,349
Net gains on cash and short-term investments	96
Miscellaneous proceeds	6,791,881
Total investment proceeds	<u>\$460,409,326</u>
Cost of investments acquired (long-term only):	
Bonds	\$444,333,269
Stocks	4,566,795
Miscellaneous applications	656,291
Total investment acquired	<u>\$449,556,355</u>
Net cash from investments	<u>\$10,852,971</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$94,500,000)
Other cash applied	(12,338,573)
Net cash from financing and miscellaneous sources	<u>(\$106,838,573)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	(\$36,781,809)
Cash and short-term investments:	
Beginning of the year	54,194,566
End of the year	<u>\$17,412,757</u>

SUBSEQUENT EVENTS

1. The Corporation is subject to an annual fee under Section 9010 of the Affordable Care Act ("ACA"). The annual fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premium written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. SSAP No. 35R does not require an accrual for this known liability until January 1 of the payment year. The Notes to the 2013 Annual Statement disclosed that the Corporation estimated the amount of the ACA fee payable on September 30, 2014 to be \$32,765,000. Therefore, total capital and surplus at December 31, 2013, as reported in the examination report, was decreased from \$249,225,860 to \$216,460,860 on January 1, 2014. The Corporation's authorized control risk-based capital ratio decreased from 446.1% at December 31, 2013 to 387.4% at January 1, 2014. A review of the Corporation's records indicated that it paid \$28,736,127 for its portion of the ACA fee during 2014.
2. Effective December 2, 2014, WellPoint, Inc. changed its name to Anthem Inc.
3. On December 18, 2014, the Corporation paid a \$25,000,000 cash dividend to Anthem Southeast and UNICARE National in proportion to their respective ownership interests.
4. In February 2015, Anthem reported that it was the target of a sophisticated external cyber attack. The attackers gained unauthorized access to certain of its information technology systems and obtained personal information related to many individuals and employees, such as names, birthdates, health care identification/social security numbers, street addresses, email addresses, phone numbers and employment information, including income data. To date, there is no evidence that credit card or medical information, such as claims, test results or diagnostic codes, were targeted, accessed or obtained, although no assurance can be given that Anthem will not identify additional information that was accessed or obtained.

Currently, Anthem is in the process of addressing the cyber attack and supporting federal law enforcement efforts to identify the responsible parties. Upon discovery of the cyber attack, Anthem took action to remediate the security vulnerability and retained a cybersecurity firm to evaluate its systems and identify solutions based on the evolving landscape. Anthem will provide credit monitoring and identity protection services to those who have been affected by this cyber attack. While the cyber attack did not have an impact on Anthem's business, cash flows, financial condition and results of operations for the year ended December 31, 2014, Anthem has incurred expenses subsequent to the cyber attack to investigate

and remediate this matter and expect to continue to incur expenses of this nature in the foreseeable future. Although Anthem is unable to quantify the ultimate magnitude of such expenses and any other impact to its business from this incident at this time, they may be significant. Anthem will recognize these expenses in the periods in which they are incurred.

Actions have been filed in various federal and state courts and other claims have been or may be asserted against Anthem on behalf of current or former members, current or former employees, other individuals, shareholders or others seeking damages or other related relief, allegedly arising out of the cyber attack. State and federal agencies, including state insurance regulators, state attorneys general, the Health and Human Services Office of Civil Rights and the Federal Bureau of Investigations, are investigating events related to the cyber attack, including how it occurred, its consequences and Anthem's responses. There is currently a separate multi-state target examination of Anthem being conducted that is focusing solely on the cyber attack. Although Anthem is cooperating in these investigations, it may be subject to fines or other obligations, which may have an adverse effect on how it operates its business and its results of operations. With respect to the civil actions, a motion to transfer was filed with the Judicial Panel on Multidistrict Litigation on February 10, 2015 and will be heard by the Panel on May 28, 2015.

Anthem has contingency plans and insurance coverage for certain expenses and potential liabilities of this nature, however, the coverage may not be sufficient to cover all claims and liabilities. While a loss from these matters is reasonably possible, Anthem cannot reasonably estimate a range of possible losses because its investigation into the matter is ongoing, the proceedings remain in the early stages, alleged damages have not been specified, there is uncertainty as to the likelihood of a class or classes being certified or the ultimate size of any class if certified, and there are significant factual and legal issues to be resolved.

CONCLUSION

The courteous cooperation extended by the officers and employees of the Corporation during the course of the examination is gratefully acknowledged.

In addition to the undersigned, other individuals from the financial examination staff of the Bureau participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink that reads "Kenneth G. Campbell". The signature is written in a cursive style with a large initial "K" and a long horizontal stroke for the "G".

Kenneth G. Campbell, CFE
Assistant Chief Examiner
Commonwealth of Virginia

C. Burke King
President

Anthem Blue Cross Blue Shield
2015 Staples Mill Road
Richmond, VA 23230
Phone 804.354.3516

June 16, 2015



Mr. David H. Smith
Chief Examiner
Virginia Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218-1157

Re: HealthKeepers, Inc. Examination Report as of December 31, 2013

Dear Mr. Smith:

In response to your letter dated May 28, 2015 please accept this letter as acknowledgement of receipt of the examination report. The Company does not have any comments on the examination report.

Please provide Joanne Lauterbach with five copies of the examination report. Her address is as follows:

Joanne Lauterbach
Anthem
2 Gannett Drive
South Portland, ME 04106

If you have any questions or concerns, please call me at 804-354-3516 or Joanne Lauterbach at 207-822-7794.

Very truly yours,

A handwritten signature in black ink, appearing to be "CBK", written over the typed name and title.

C. Burke King
President

cc: Joanne Lauterbach
Director II, Regulatory Reporting