

REPORT ON ORGANIZATIONAL EXAMINATION
OF
MOLINA HEALTHCARE OF KANSAS, INC.
1100 SW WANAMAKER DRIVE, SUITE 103
TOPEKA, KANSAS 66604
AS OF
SEPTEMBER 15, 2023

FILED

November 16, 2023

VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
October 19, 2023

Honorable Vicki Schmidt
Commissioner of Insurance
Kansas Insurance Department
1300 SW Arrowhead Road
Topeka, Kansas 66604-4019

Dear Commissioner:

Pursuant to K.S.A. 40-208 and K.S.A. 40-3203, and in accordance with your authorization, an organizational examination has been conducted of the financial condition and business affairs of

MOLINA HEATHCARE OF KANSAS, INC.

with its statutory home office at:

**2900 SW WANAMAKER DRIVE, SUITE 204
TOPEKA, KANSAS 66614**

and main administrative office at:

**801 EAST DOUGLAS, 2nd FLOOR
WICHITA, KANSAS 67202**

hereinafter referred to as the "Company". The following report on such organizational examination is respectfully submitted.

SCOPE OF EXAMINATION

This is an organizational examination of the Company conducted in accordance with K.S.A. 40-3203. The examination was conducted pursuant to the instructions and directives of the Kansas Insurance Department.

The affairs, activities, and transactions of the Company were reviewed and analyzed to determine the Company's compliance with applicable statutes and regulations and adherence to provisions of its articles of incorporation and bylaws. K.S.A.

40-208 requires incorporators or officers of the Company to certify under oath to the person making such examination that the money, notes, stocks, bonds, mortgages, deeds of trust and all obligations exhibited to the examiner are bona fide property of the Company.

COMPANY HISTORY

The Company was organized as a corporation in Kansas on March 28, 2023, under the name Molina Healthcare of Kansas, Inc. as a health maintenance organization under the provisions of K.S.A. 40-3201 *et seq.*

The Company will operate as a health maintenance organization under Article 32, Chapter 40 of the Kansas Statutes Annotated.

Article II of the Company's articles of incorporation provides that: "The Corporation will be engaging in any lawful business for which a corporation may be organized in the State of Kansas. To the extent that the Corporation holds a certificate of authority in accordance with Chapter 40, Insurance, Article 32, Health Maintenance Organizations of the Kansas Statutes, the Corporation may establish and operate a health maintenance organization."

CAPITAL STOCK

Article III of the Company's articles of incorporation provides that: "The number of shares the corporation is authorized to issue is ten thousand (10,000), all of which are without par value and are of the same class and are Common shares and each share shall be identical in all respects, one with the other, and shall have unlimited voting rights."

A stock permit was issued on June 22, 2023. On October 3, 2023, the Company requested and received permission from the Department to backdate the stock sale date

to March 28,2023, so that the sale aligns with other corporate events. The Company sold 100 shares at \$1.00 per share to its parent Molina Healthcare, Inc.("MHI").

MANAGEMENT AND CONTROL

Board of Directors

Article II, Section 2 of the Company's bylaws provides that: "The authorized number of Directors shall not be less than one (1) nor more than five (5), and the exact number of directors shall be three (3) until changed, within the limits specified above, by a resolution changing such exact number, duly adopted by the Board of Directors. Each Director shall be a natural person of full age and otherwise need not be a resident of the state of incorporation. A Director need not be a Shareholder unless so required by the Corporation Law or Articles of Incorporation. No reduction of the authorized number of Directors shall have the effect of removing any Director before the Director's term of office expires."

Article II, Section 3 of the Company's bylaws provides that: "Unless otherwise provided in the Corporation Law or Articles of Incorporation, Directors shall be elected by the majority of the shares entitled to vote present, in person, or by proxy at each annual meeting of the Shareholders to hold office until the next annual meeting. Unless the Articles of Incorporation provide otherwise each Director, including a Director elected to fill a vacancy, shall hold office until the expiration of the term for which elected and until a successor has been elected and qualified or until such Director's earlier resignation or removal. Each Director so elected shall hold office until the next annual meeting of the Shareholders and until a successor has been elected and qualified unless the terms are staggered."

Article III, Section 1 of the Company’s bylaws provides that: “Meetings of the Board of Directors may be called by the Chairman of the Board, or the President, or any Vice President, or the Secretary, or any two (2) Directors and shall be held at the principal executive office of the corporation, unless some other place is designated in the notice of the meeting. Members of the Board may participate in a meeting through use of a conference telephone or similar communications equipment so long as all members participating in such a meeting can simultaneously hear one another. Accurate minutes of any meeting of the Board or any committee thereof, shall be maintained by the Secretary or other officer designated for that purpose.”

Article III, Section 2 of the Company’s bylaws provides that: “Regular meetings of the Board of Directors shall be held at the principal executive offices, or such other place as may be designated by the Board of Directors.”

The Board members elected and serving as of September 15, 2023, were as follows:

<u>Director</u>	<u>Principal Occupation and Business Affiliation</u>
Aaron Dunkel	Chairman of the Board and President Molina Healthcare of Kansas, Inc.
Ronald Kurtz	President and Sole Manager Molina Clinical Services, LLC
Dave Reynolds.	Vice President Molina Healthcare of Oklahoma, Inc.

Officers

Article IV, Section 1 of the Company’s bylaws provides that: “The officers of the corporation shall be a President, a Secretary, and a Chief Financial Officer. The corporation may also have, at the discretion of the Board of Directors, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more

Assistant Treasurers, and such other officers as may be appointed in accordance with the provisions of Section 3 of this Article IV. Any number of offices may be held by the same person except the offices of President and Secretary unless the corporation has only one Shareholder. Only an individual who is eighteen years of age or older may be appointed as an officer. Any natural person may be appointed as an officer. Unless the Articles provide otherwise, none of the officers (other than Chairman of the Board) need be a Director. No person should acknowledge or verify any instrument in more than one capacity.”

Article IV, Section 2 of the Company’s bylaws provides that: “The officers of the corporation, except such officers as may be appointed in accordance with the provisions of Section 3 of this Article IV relating to appointment of subordinate officers or Section 5 of this Article IV relating to vacancies, shall be chosen annually by the Board of Directors. Each officer shall hold office until he or she shall resign or shall be removed or otherwise disqualified to serve, or a successor shall be elected and qualified.

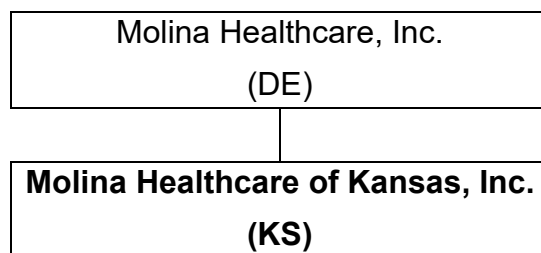
The Officers elected and serving as of September 15, 2023, were as follows:

<u>Officer</u>	<u>Position</u>
Aaron T. Dunkel	President
Mark L. Keim	Chief Financial Officer and Treasurer
Jeffrey D. Barlow	Chief Legal Officer and Secretary
Jason B. Dees	Chief Medical Officer

INSURANCE HOLDING COMPANY SYSTEM

K.S.A. 40-3301 *et seq.*, requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance.

The exhibit below is an abbreviated organizational chart as of July 2023, indicating the identities and inter-company relationships having a direct bearing on the Company.



Affiliated Transactions

The Company has submitted a draft Federal Tax Sharing Agreement with Molina Healthcare, Inc. (“MHI”), its parent. The consolidated income tax liability is allocated based on each entity’s federal income tax liability computed on the “Stand Alone Method”. Under the Stand Alone Method, the Company’s liability for the federal income tax for any taxable period shall be computed as if the Company is not part of a consolidated tax return. In the event of any net operating losses created by the Company based on the “Stand Alone Method”, the Company will be refunded the tax savings that result from such net operating loss. If the Company’s net operating loss cannot be fully utilized on the consolidated tax return, MHI will refund to the Company the amount of the tax savings that result from the utilized portion of the net operating loss, and the balance will be carried forward to offset future taxable income.

The intercompany tax balances will be reconciled and settled within ninety (90) days of the filing of the consolidated income tax return, or where a refund is due to MHI, within 90 days of the receipt of the refund.

The Company has submitted a draft Services Agreement with MHI, its parent. Through the proposed Services Agreement, MHI will offer an array of administrative and management services to the Company, including but not limited to: accounting and

finance services, actuarial and underwriting services, analytical support and report generation services, appeals and grievances, claims processing and administration, contract development and negotiations, encounter data submission, enrollee and provider contract centers, enrollee materials, enrollment services, delegation oversight, facilities and facilities management, fraud, waste, and abuse prevention, general assistance, health care services, health plan employee benefits and payroll, human resource functions, information technology systems and infrastructure, insurance, legal services, nurse advice line, pharmacy, premium collection, print and fulfillment, provider credentialing, quality improvement, utilization review, and website design and maintenance.

Under the proposed Services Agreement, the Company may provide services for MHI that may benefit MHI's affiliates and subsidiaries as requested by MHI from time to time. The Company may decline to provide a requested service if providing the service negatively impacts the Company's operations.

The Company agrees to pay MHI on a monthly basis an amount reflecting the value of the services, assistance, consultation, materials, supplies, capital access, etc., such amount not to exceed MHI's cost. The Company agrees to pay such amount no later than thirty (30) days after receipt of invoices from MHI. If the Company provides any services to MHI, the monthly charge will be an amount reflecting the value of the service, such amount not to exceed the Company's cost. MHI agrees to pay such amount no later than thirty (30) days after receipt of the invoices.

The Federal Tax Sharing Agreement will be effective for the 2024 tax year. The Services Agreement will be effective the 1st day of the month after the Company receives its Certificate of Authority from the Department.

FIDELITY BOND AND OTHER INSURANCE

Pursuant to K.S.A. 40-3225, the Company is required to maintain a fiduciary bond sufficient to cover any director, officer or partner of a health maintenance organization or Medicare provider organization, who receives, collects, disburses, or invests funds on behalf of the Company. Such level of coverage shall be not less than \$250,000 for each health maintenance organization or \$5,000,000 in aggregate maintained on behalf of health maintenance organizations by a common parent organization. The Company has fiduciary liability coverage with a \$5,000,000 limit and no deductible. The policy meets the amount established by statute and suggested by the National Association of Insurance Commissioners (“NAIC”).

Other insurance coverages were reviewed, and the Company is covered by the following other insurance coverages: crime, directors’ and officers’ errors and omissions, healthcare professional liability, managed care errors and omissions, and tech errors and omissions.

STATUTORY DEPOSIT

Pursuant to paragraph (a) of K.S.A. 40-3227, the Company will have an initial minimum net worth of \$1,500,000 prior to the issuance of a Certificate of Authority. The Company is also required to deposit \$300,000 into a custodial account in the form of cash, securities or a combination of these or other measures, for the benefit of all enrollees of the Company in accordance with paragraph (f) of K.S.A. 40-3227. The deposit of a \$300,000 US Treasury Note was made on August 4, 2023.

INSURANCE PRODUCTS AND RELATED PRACTICES

The State of Kansas has a program to provide managed care for the Medicaid and Children’s Health Insurance Plan (“CHIP”) programs. Managed care services that will be

provided include physical health services, behavioral health services and long-term care, including nursing facility care and home and community-based services. Services include Medicaid funded inpatient and outpatient mental health and substance use disorder service, including 1915(c) HCBS (Home and Community-Based Services) waiver programs for children with serious emotional disturbance.

Territory and Plan of Operation

All CHIP members and almost all Medicaid members will be required to enroll in the managed care program. The level of participation will require the Company to provide services throughout Kansas. All members are enrolled through the Kansas Department of Health and Environment, freeing the Company from underwriting and marketing responsibilities.

The Company will be submitting a bid on a Request for Proposal (“RFP”) with the Kansas Department of Health and Environment (“KDHE”) to participate in the program starting January 1, 2025.

The RFP requires the companies that are awarded the contract to sell a complimentary contract with the Centers of Medicare and Medicaid Services (“CMS”) and KDHE to provide Medicare benefits to individuals eligible for both Medicare and Medicaid through a highly integrated dual eligible special needs plan (“HIDE D-SNP”). The Company intends to offer these HIDE D-SNP policies to eligible enrollees in all Kansas counties. The Company intends to market these policies through direct response advertising (mail, print), and public relations activities (health articles/radio spots). Additionally, the Company will have community driven health and wellness venues for members and prospective members. The Company will submit its Medicare marketing material to CMS for approval and only use CMS approved marketing material.

The Company will operate only in the State of Kansas.

FINANCIAL STATEMENTS

The following financial statements reflect only the transactions regarding the capitalization of the Company as of September 15, 2023, and the assets and liabilities as of that date.

MOLINA HEALTHCARE OF KANSAS, INC. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF SEPTEMBER 15, 2023

Assets

Bonds	\$ 300,000
Cash and cash equivalents	1,499,378
Total assets	<u>\$ 1,799,378</u>

Liabilities, Surplus and Other Funds

Total liabilities	\$ -
Common capital stock	100
Gross paid in and contributed surplus	1,799,900
Unassigned funds	(622)
Total liabilities, surplus and other funds	<u>\$ 1,799,378</u>


The Company's ultimate parent is Molina Healthcare, Inc. for which a summary of key financial information (in millions) from its December 31, 2022, 10 -K filed with the Securities and Exchange Commission is provided:

Assets	\$12,314
Liabilities	\$ 9,350
Stockholder Equity	\$ 2,964

CONCLUSION

The assistance and cooperation by the officers of the Company during this examination is hereby acknowledged and appreciated.

Respectfully submitted,



Tamara House, CFE
Senior Insurance Examiner
Examiner-In-Charge

EXHIBIT S
EXAMINER'S AFFIDAVIT AS TO STANDARDS AND
PROCEDURES USED IN AN EXAMINATION

State of Kansas,

County of Shawnee,

Tamara House, being duly sworn, states as follows:

1. I have authority to represent the Kansas Insurance Department in the examination of Molina Healthcare of Kansas, Inc.

2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

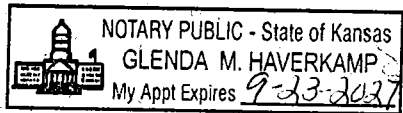
3. I have reviewed the examination work papers and examination report, and the examination of Molina Healthcare of Kansas, Inc., was performed in a manner consistent with the standards and procedures required by K.S.A. 40-208 and K.S.A. 40-3203.

The affiant says nothing further.

Tamara House
Examiner's Signature

Subscribed and sworn before me by Tamara House on this 14th day of November, 2023.

(SEAL)



Glenda M. Haverkamp
Notary Public

My commission expires 9-23-2027
(date)