

REPORT ON ORGANIZATIONAL EXAMINATION
OF
UCARE KANSAS, INC.
112 SOUTHWEST 7TH STREET, SUITE 3C
TOPEKA, KANSAS 66603
AS OF
OCTOBER 13, 2023

FILED

April 16, 2024

VICKI SCHMIDT
Commissioner of Insurance

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Topeka, Kansas
February 28, 2024

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

UCARE KANSAS, INC.

with its statutory home office at:

**112 SOUTHWEST 7th STREET, SUITE 3C
TOPEKA, KANSAS 66603**

and main administrative office at:

**500 STINSON BOULEVARD NE
MINNEAPOLIS, MINNESOTA 55413**

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 June 12, 2023, under the name UCare 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 2, Section 2.1 of the Company's articles of incorporation provides that: "The purpose for which this corporation is formed is to engage in, assist, and contribute to the support of exclusively charitable, educational, or scientific activities and projects, through the establishment of a health maintenance organization in the State of Kansas, as contemplated and permitted pursuant to Section 501(c)(3) of the Internal Revenue Code, and Chapter 17 and Chapter 40 of the Kansas Statutes."

Article 2, Section 2.2 of the Company's articles of incorporation provides that: "In support of such purpose, the main activities of the corporation shall include organizing and operating a health maintenance organization that is dedicated to promoting the health of the community served by the corporation and that will make quality health care available on an economically advantageous prepaid basis to that community."

MANAGEMENT AND CONTROL

Member

Article 2, Section 2.1 of the Company's bylaws provides that: "The Corporation's sole member shall be UCare Minnesota, a Minnesota nonprofit corporation, organized to

operate as a health maintenance organization under Minnesota Statutes, Chapter 62D, and exempt from taxation under section 501(c)(3) of the Internal Revenue Service Code 1986, as amended.”

Article 2, Section 2.3 of the Company’s bylaws provides that: “In addition to those other rights reserved to UCare Minnesota as the corporate member by this Corporation’s Articles of Incorporation or by these Bylaws, all powers and voting rights afforded by law to voting members of nonprofit corporations, shall be vested solely and exclusively in UCare Minnesota, including the rights set forth in this Section 2.3. Except as otherwise provided in these Bylaws, UCare Minnesota may vote or otherwise act through its President, through the President’s designee, through a proxy signed by the President, or through such other person who produces a certified copy of a resolution by UCare Minnesota’s Board of Directors that authorizes such person to vote at a meeting or otherwise to act.”

Article 2, Section 2.4 of the Company’s bylaws provides that: “The annual meeting of UCare Minnesota as corporate member of this Corporation shall be held on such date and at such time and place as the Chair of the Board and President may determine, for the purpose of reporting on the activities and financial condition of the Corporation as required by Kansas law, and to consider such other matters that may be raised pursuant to Kansas law and these Bylaws. Notice of the annual meeting shall be given to the corporate member not more than 60 days and not less than 10 days before the meeting.”

Board of Directors

Article 3, Section 3.1 of the Company’s bylaws provides that: “The business, property and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. The Board shall have all powers that may be exercised by the

Corporation, except for those powers provided UCare Minnesota as corporate member under these Bylaws or the Corporation’s Articles of Incorporation.”

Article 3, Section 3.2 of the Company’s bylaws provides that: “The Board of Directors shall consist of not less than three (3) individuals who are appointed by UCare Minnesota as corporate member.”

Article 3, Section 3.3 of the Company’s bylaws provides that: “Each Director shall serve for a one (1) year term and until his or her successor shall have been duly elected and qualified or, if earlier, until his or her death, resignation or removal. Directors may serve one or more terms of office.”

Article 3, Section 3.7.1 of the Company’s bylaws provides that: “Regular meetings of the Board of Directors shall be held at such time and place as may be fixed by resolution adopted by the majority of the entire Board of Directors.”

The Board members elected and serving as of October 13, 2023, were as follows:

<u>Director</u>	<u>Principal Occupation and Business Affiliation</u>
Hilary Marden-Resnik	Chief Executive Officer & President UCare
Beth Monsrud	Chief Financial Officer & Treasurer UCare Minnesota
Marie Zimmerman	Chief Strategy Officer & Executive Vice President UCare Minnesota

Officers

Article 4, Section 4.1 of the Company’s bylaws provides that: “The Corporation shall have a Chair, a Vice Chair, a President and Chief Executive Officer, a Secretary and a Treasurer. The Board may elect or appoint such other officers as it deems necessary. Any of the offices or functions may be held or exercised by the same person. Officers

may receive compensation for their services and reimbursement for their expenses as determined from time to time by the Board.”

Article 4, Section 4.2 of the Company’s bylaws provides that: “The officers of the Corporation shall be appointed by action of UCare Minnesota as corporate member. They shall serve one-year terms that shall be automatically renewed, unless action is taken by UCare Minnesota as corporate member. Each officer shall hold office until his or her successor has been duly elected and qualified, or until the earlier death, resignation, retirement, termination or other removal of the officer.”

The Officers elected and serving as of October 13, 2023, were as follows:

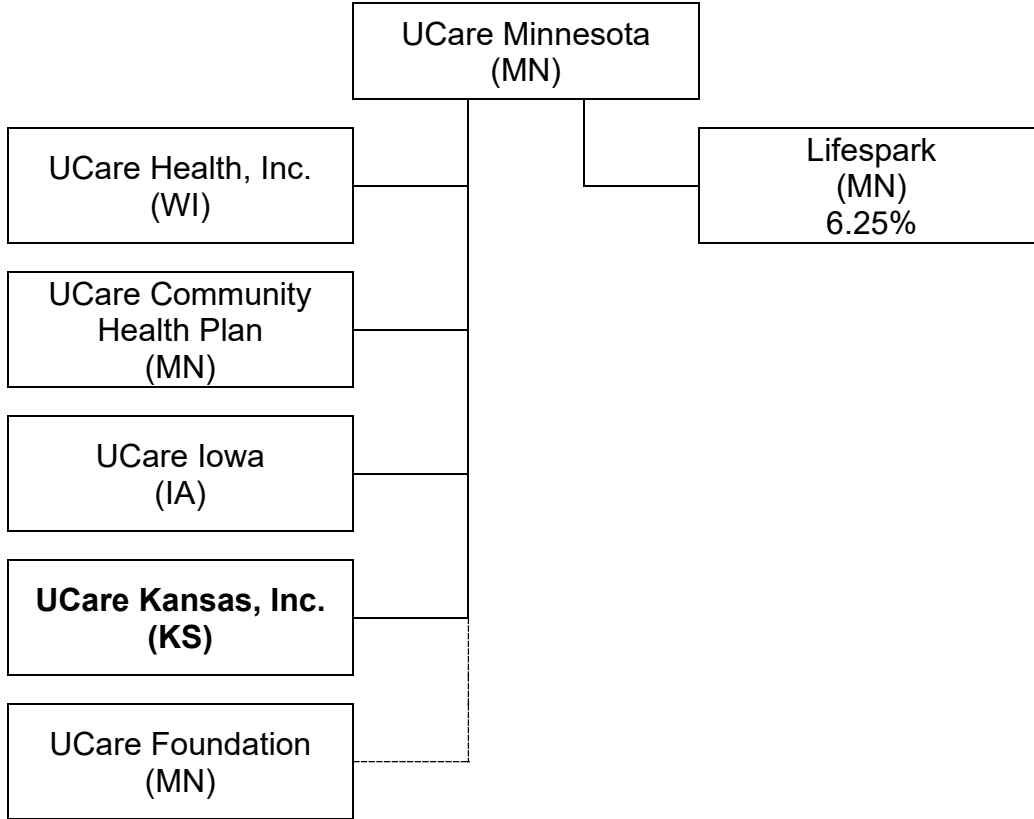
<u>Officer</u>	<u>Office</u>
Hilary Marden-Resnik	Chair and President & CEO
Beth Monsrud	Vice Chair and Treasurer
Daniel Santos	Secretary
Jon Hamdorf	Market President

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 October 2023, indicating the identities and inter-company relationships having a direct bearing on the Company.

Subsidiaries are 100% owned by the parent, unless otherwise noted.



Affiliated Transactions

The Company has submitted a draft Restated Administrative Services Agreement (“ASA”) with UCare Minnesota (“UCare MN”), its parent, and UCare Health, Inc, UCare Iowa, its affiliates. Through the proposed Services Agreement, UCare MN will provide overall management and administration of the business, including but not limited to: administrative management, financial management, marketing services, provider contracting services, public affairs services and any other services that may be necessary to carry out the business.

The Company agrees to pay UCare MN on a monthly basis an amount reflecting the direct costs and expenses incurred to provide the services, and that amount of expenses associated with or attributed to the business and operation of the Company, as

defined by statutory accounting principles consistently applied, including but not limited to: allocation of UCare MN's general administrative expenses associated with or attributed to the Company. The Company agrees to pay such amount no later than ten (10) days after receipt of the statement from UCare MN.

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. UCare MN, the Company's parent, has fiduciary liability coverage with a \$5,000,000 limit with a \$25,000 deductible for itself and various subsidiaries. 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: automobile liability, crime, commercial general liability, cyber liability, directors' and officers' errors and omissions, errors and omissions, umbrella liability, and workers compensation and employers' liability.

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 Company has a deposit of a \$500,000 US Treasury Note.

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 radio ads on targeted stations, print ads in ethnic newspapers, direct mail, posting digital ads (display, social ads), out-of-home advertising (billboards, bus side placards, bus stop signs), text messaging and tv ads. Additionally, the Company will create landing pages to support each audience, translated into the appropriate language, and including imagery reflective of campaign audiences. The Company will submit its Medicare marketing material to CMS for approval and only use CMS approved marketing material.

On January 1, 2027, the Company plans to begin selling Medicare Advantage plans and individual commercial health plans in all Kansas counties.

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 October 13, 2023, and the assets and liabilities as of that date.

UCARE KANSAS, INC. ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS AS OF OCTOBER 13, 2023

Assets

Cash and cash equivalents	\$ 3,000,000
Total assets	\$ 3,000,000

Liabilities, Surplus and Other Funds

Total liabilities	\$ -
Unassigned funds	3,000,000
Total liabilities, surplus and other funds	\$ 3,000,000

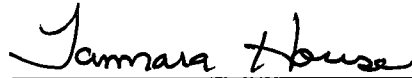
The Company's ultimate parent is UCare MN for which a summary of key financial information (in millions) from its September 30, 2023, quarterly statement filed with the NAIC is provided:

Admitted Assets	\$2,159
Liabilities	\$1,048
Policyholder Surplus	\$1,111

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 UCare 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 UCare 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

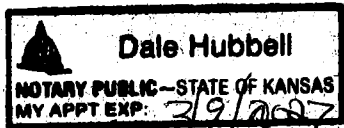
The affiant says nothing further.

Tamara House

Examiner's Signature

Subscribed and sworn before me by Tamara House on this 16 day of April, 2024.

(SEAL)



Dale Hubbell
Notary Public

My commission expires 3/9/2027
(date)