

**REPORT ON EXAMINATION
OF
WELLCARE OF KANSAS, INC.
112 SW 7TH STREET, SUITE 3C
TOPEKA, KANSAS 66603
AS OF
DECEMBER 31, 2016**

**FILED
JAN - 8 2018
KEN SELZER
Commissioner of Insurance**

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Topeka, Kansas
December 12, 2017

Honorable Ken Selzer
Commissioner of Insurance
Kansas Insurance Department
420 SW 9th Street
Topeka, Kansas 66612-1678

Dear Commissioner:

In accordance with your authorization and pursuant to K.S.A. 40-222 – *Examination of condition of company*, an examination has been conducted of the financial condition and business affairs of

WELLCARE OF KANSAS, INC.

with its statutory home office at:

**112 SW 7TH ST, SUITE 3C
TOPEKA, KANSAS, 66606**

and main administrative office at:

**8735 HENDERSON ROAD
TAMPA, FLORIDA 33634**

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

SCOPE OF EXAMINATION

The examiner has performed a health maintenance organization single-state financial examination of WellCare. The organization examination was conducted as of November 30, 2011. This examination covers the five-year period from January 1, 2012, through December 31, 2016.

The examination was conducted in accordance with the rules, regulations and directives of the Kansas Insurance Department (KID) and the observed guidelines and

procedures contained in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook requires the examiners plan and perform the examination 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 Statutory Accounting Principles. 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 significant findings of fact, as mentioned in K.S.A. 40-222, *Examination of condition of company*, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Independent Audit Reports

Financial statements of the Company were exempt from being audited for each year under review.

SUMMARY OF SIGNIFICANT FINDINGS

No significant findings were noted during the course of the examination.

COMPANY HISTORY

The Company was incorporated in the State of Kansas on October 13, 2011 as a health maintenance organization under the provisions of K.S.A. 40-3201 et seq. – *Health Maintenance Organizations and Medicare Provider Organizations*.

WellCare began operations on January 1, 2014 as a health maintenance organization under Article 32, Chapter 40 of the Kansas Statutes Annotated. The Company was organized as a for-profit corporation as set forth in its articles of incorporation to engage in any lawful act or activities for which corporations may be organized under the Kansas general corporation code.

Capital Stock

The Company's articles of incorporation authorize the issuance of 1,500,000 shares of common stock with a par value of \$1.00 per share. At December 31, 2016, 1,500,000 shares were issued and held by The WellCare Management Group, Inc.

MANAGEMENT AND CONTROL

The Company's bylaws consist of eleven articles that provide the framework for the operation, management and control of this domestic health maintenance organization. The Company is managed by a Board of Directors (Board).

Pursuant to the bylaws, the number of directors shall consist of no less than three (3) Directors. Each Director will hold office until the next annual meeting of the stockholders is held (or until a written consent in lieu of is effective) after his or her initial election, and thereafter until his or her successor shall have been duly elected and qualified or until his or her earlier death, resignation, removal, retirement, disqualification,

or expiration of term. Those elected Directors and their principal occupations as of December 31, 2016 are:

<u>Name</u>	<u>Principal Occupation</u>
Andrew L. Asher	Chief Financial Officer and Senior Vice President Comprehensive Health Management, Inc.
Phillip P. Bisesi	Assistant General Counsel and Vice President Comprehensive Health Management, Inc.
Michael T. Meyer	Corporate Controller and Vice President Comprehensive Health Management, Inc.

The officers of the corporation shall consist of a Chief Executive Officer, a President, a Secretary, a Treasurer and such other officers with such other titles as the Board of Directors may determine. Any number of offices may be held by the same person. The following officers were elected by the Board and serving in their respective position as of December 31, 2016.

<u>Name</u>	<u>Company Position</u>
David T. Reynolds	President
Michael W. Haber	Secretary and Vice President
Michael T. Meyer	Chief Financial Officer, Corporate Controller Treasurer and Vice President
Phillip P. Bisesi	Assistant Secretary and Vice President

Insurance Holding Company System

K.S.A. 40-3301, et seq. - *Insurance Holding Companies*, requires a domestic insurer that is part of an insurance holding company system to file appropriate registration statements with the Commissioner of Insurance. The Company has submitted Form "B" and "C" registration statements to the KID for each of the years under examination. A

review of the registration statements indicated that the Company is properly reporting items and events as required by statute.

The exhibit below illustrates an abbreviated organizational chart as of December 31, 2016, indicating the identities and intercompany relationships having a direct bearing on the Company.

- WellCare Health Plans, Inc. (DE)
- WCG Health Management, Inc. (DE)
- WellCare Management Group, Inc., The (NY)
- WellCare of New York, Inc. (NY)
- WellCare of Connecticut, Inc. (CT)
- WellCare of Florida, Inc. (FL)
- WellCare of Georgia, Inc. (GA)
- WellCare of Kansas, Inc. (KS)**
- WellCare of Nebraska, Inc. (NE)
- WellCare of Ohio, Inc. (OH)
- WellCare of South Carolina, Inc.(SC)

Intercompany/Cost Sharing Agreements

The Company is a party to WellCare Health Plans, Inc.'s income tax allocation agreement, which requires all participating subsidiaries reimburse or recover their portion of the income taxes as calculated on a separate company basis for settlement under the consolidated federal income tax. .

TERRITORY AND PLAN OF OPERATION

As of December 31, 2016, the Company is authorized to transact business in the State of Kansas.

In January 2013, the State of Kansas implemented the KanCare program to provide managed care for Medicaid in Kansas. Managed care services that will be provided include physical health services, dental and vision care, pharmacy, transportation, behavioral health services, and long term care, which includes nursing facility care and home and community based services (HCBS). Services include

Medicaid funded inpatient and outpatient mental health and substance use disorder services, including 1915(c) HCBS waiver programs for children with a serious emotional disturbance.

The Kansas Department of Health and Environment (KDHE) and the Kansas Department of Aging and Disability Services (KDADS) administer the KanCare program. KDHE maintains financial management and contract oversight and KDADS administers the Medicaid waiver programs for disability services, mental health and substance abuse. KDHE contracts with health maintenance organizations that are licensed by the KID to transact health insurance business in Kansas.

The Company submitted a bid in response to a Request for Proposal (RFP) from KDHE in 2012 but was not awarded a contract. WellCare will submit a bid for the KanCare program when the next RFP is released.

REINSURANCE

Currently, the Company does not have any reinsurance contracts as no business has been written as of December 31, 2016.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Kansas Insurance Department and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements.

WELLCARE OF KANSAS, INC.
ANALYSIS OF ASSETS
AS OF DECEMBER 31, 2016

	Assets	Assets Nonadmitted	Net Admitted Assets
Bonds	\$ -		\$ -
Cash and short-term investments	1,820,797		1,820,797
Investment income due & accrued	617		617
Net deferred tax asset	468		468
Receivables from parent, subsidiaries and affiliates	1,339	1,339	-
Totals	\$ 1,823,221	\$ 1,339	\$ 1,821,882

WELLCARE OF KANSAS, INC.
LIABILITIES, SURPLUS AND OTHER FUNDS
AS OF DECEMBER 31, 2016

Claims unpaid	\$ -
General expenses due or accrued	158
Current federal and foreign income tax and interest thereon	1,348
Total liabilities	<u>1,506</u>
Common capital stock	1,500,000
Gross paid in and contributed surplus	315,633
Unassigned funds	<u>4,743</u>
Surplus as regards policyholders	<u>1,820,376</u>
Totals	<u><u>\$ 1,821,882</u></u>

**WELLCARE OF KANSAS, INC.
STATEMENT OF INCOME
CAPITAL AND SURPLUS ACCOUNT
FOR THE YEAR ENDED DECEMBER 31, 2016**

Net premium income	\$ -
Total revenues	<u>-</u>
Hospital /medical benefits	<u>-</u>
Subtotal	<u>-</u>
Net reinsurance recoveries	<u>-</u>
Total hospital and medical	<u>-</u>
General administrative expenses	<u>158</u>
Total underwriting deductions	<u>158</u>
Net underwriting gain or loss	<u>(158)</u>
Net investment income earned	<u>7,075</u>
Net realized capital gains (losses)	<u>-</u>
Net investment gains (losses)	<u>7,075</u>
Net income or (loss) after capital gains tax and before all other federal income tax	6,917
Federal income taxes incurred	<u>2,421</u>
Net income	<u>\$ 4,496</u>

CAPITAL AND SURPLUS ACCOUNT

Surplus as regards policyholders, December 31, 2015	\$ 1,813,338
Net income	4,496
Change in net deferred income tax	(1,370)
Change in nonadmitted assets	<u>3,912</u>
Change in surplus as regards policyholders for the year	<u>7,038</u>
Surplus as regards policyholders, December 31, 2016	<u>\$ 1,820,376</u>

WELLCARE OF KANSAS, INC.
CAPITAL AND SURPLUS ACCOUNT
RECONCILIATION OF CAPITAL AND SURPLUS SINCE LAST EXAMINATION

Surplus as regards policyholders, December 31, 2011			<u>\$ -</u>
Net income (loss)	2012	(1,886)	
	2013	(510)	
	2014	53	
	2015	3,459	
	2016	<u>4,496</u>	5,612
Change in net deferred income tax	2012	-	
	2013	-	
	2014	4,606	
	2015	(2,767)	
	2016	<u>(1,370)</u>	469
Change in nonadmitted assets	2012	-	
	2013	(7,882)	
	2014	(9,853)	
	2015	12,485	
	2016	<u>3,912</u>	(1,338)
Capital Changes:	2012	1,500,000	
Paid in	2013	-	
	2014	-	
	2015	-	
	2016	<u>-</u>	1,500,000
Surplus adjustments:	2012	315,633	
Paid in	2013	-	
	2014	-	
	2015	-	
	2016	<u>-</u>	315,633
Surplus as regards policyholders, December 31, 2016			<u>☑ \$ 1,820,376</u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

No adjustments were made to surplus as a result of this examination. The capital and surplus of the Company, as of December 31, 2016, was \$1,820,376 which was the same amount reported by the Company in its 2016 filed Annual Statement.

COMMENTS ON FINANCIAL STATEMENTS

There were no significant or material findings resulting from the examination that warranted inclusion in the Report on Examination.

SUBSEQUENT EVENTS

The Company has indicated it will submit a bid in response to the RFP from the KDHE for the KanCare program when it is released. At this point in time the contract due to expire on December 31, 2017 has been extended as provisions for the new contract have not been finalized.

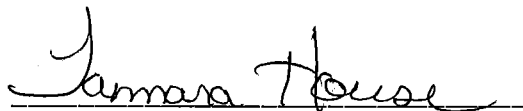
SUMMARY OF RECOMMENDATIONS

There were no significant or material findings resulting from the examination that warranted inclusion in the report on examination.

CONCLUSION

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

Respectfully submitted,



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

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

State of Kansas

County of Shawnee

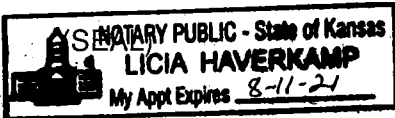
Tamara L. House being duly sworn, states as follows:

1. I have authority to represent the Kansas Insurance Department in the examination of WellCare of Kansas, Inc.
2. The Kansas Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.
3. I have reviewed the examination work papers and examination report, and the examination of WellCare of Kansas, Inc. was performed in a manner consistent with the standards and procedures required by K.S.A. 40-222.

The affiant says nothing further.

Tamara L. House
 Examiner's Signature

Subscribed and sworn before me by Tamara L. House on
 this 14th day of December, 2017.



Lucia Haverkamp
 Notary Public

My commission expires 8-11-21
 (date)