

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
CareSource Indiana, Inc.)
230 North Main Street)
Dayton, Ohio 45402)

Examination of: **CareSource Indiana, Inc.**


NOTICE OF ENTRY OF ORDER

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of CareSource Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 30, 2019, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of CareSource Indiana, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

June 28, 2019
Date


Roy Eft
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 7005 3110 0002 4444 0694

STATE OF INDIANA)
) SS: BEFORE THE INDIANA
COUNTY OF MARION) COMMISSIONER OF INSURANCE

IN THE MATTER OF:)
)
CareSource Indiana, Inc.)
230 North Main Street)
Dayton, Ohio 45402)

Examination of: **CareSource Indiana, Inc.**

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the CareSource Indiana, Inc. (hereinafter "Company") for the time period January 1, 2016 through December 31, 2017.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 21, 2019.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 30, 2019 and was received by the Company on June 3, 2019.

The Company did not file any objections.

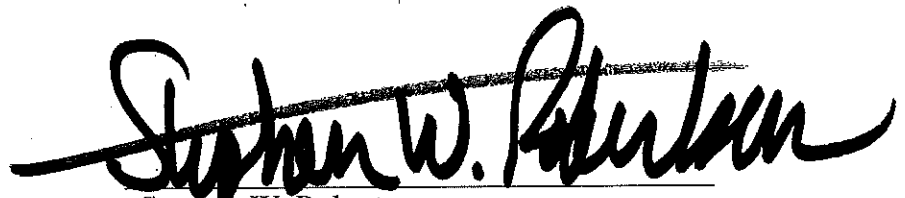
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the CareSource Indiana, Inc. as of December 31, 2017.
2. That the Examiner's Recommendations are reasonable and necessary in order for the CareSource Indiana, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 28 day of June, 2019.

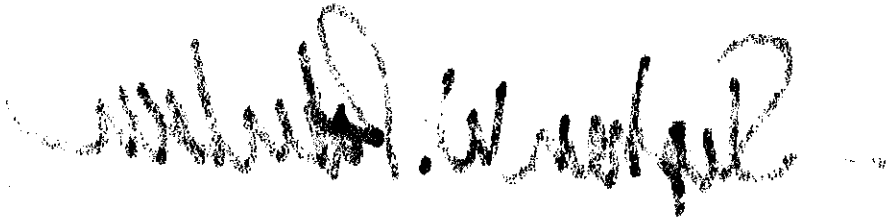

Stephen W. Robertson
Insurance Commissioner
Indiana Department of Insurance

ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A large, cursive handwritten signature in black ink, appearing to read "Michael J. W. [unclear]".A smaller, cursive handwritten signature in black ink, appearing to read "E. J. [unclear]".

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF
CARESOURCE INDIANA, INC.

NAIC Co. CODE 10142
NAIC GROUP CODE 3683

As of

December 31, 2017.

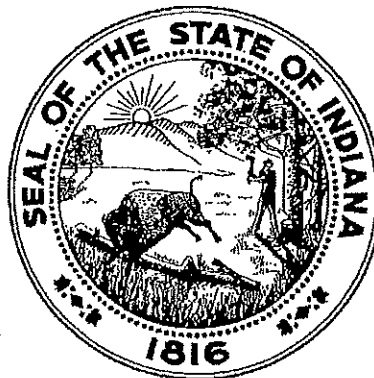


TABLE OF CONTENTS

SALUTATION.....	1
SCOPE OF EXAMINATION.....	2
HISTORY.....	2
CAPITAL AND SURPLUS.....	3
TERRITORY AND PLAN OF OPERATION.....	3
GROWTH OF THE COMPANY.....	3
MANAGEMENT AND CONTROL.....	4
Directors.....	4
Officers.....	4
CONFLICT OF INTEREST.....	4
CORPORATE RECORDS.....	5
Articles of Incorporation.....	5
Bylaws.....	5
Minutes.....	5
AFFILIATED COMPANIES.....	5
Organizational Structure.....	5
Affiliated Agreements.....	6
FIDELITY BOND AND OTHER INSURANCE.....	6
PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS.....	6
SPECIAL AND STATUTORY DEPOSITS.....	7
REINSURANCE.....	7
Ceded Reinsurance.....	7
ACCOUNTS AND RECORDS.....	7
FINANCIAL STATEMENTS.....	8
Assets.....	8
Liabilities, Capital and Surplus.....	9
Statement of Revenue and Expenses.....	10
Capital and Surplus Account Reconciliation.....	11
COMMENTS ON THE FINANCIAL STATEMENTS.....	12
OTHER SIGNIFICANT ISSUES.....	12
SUBSEQUENT EVENTS.....	12
AFFIDAVIT.....	13



STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

Indiana Department of Insurance

Stephen W. Robertson, Commissioner

311 W. Washington Street, Suite 103

Indianapolis, Indiana 46204-2787

Telephone: 317-232-2385

Fax: 317-232-5251

Website: in.gov/idoi

March 21, 2019

Honorable Stephen W. Robertson, Commissioner
Indiana Department of Insurance
311 West Washington Street, Suite 300
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 4000, an examination has been made of the affairs and financial condition of:

CareSource Indiana, Inc.
230 North Main Street
Dayton, Ohio 45402

hereinafter referred to as the "Company", or "CSIN"; an Indiana domestic health maintenance organization (HMO). The examination was conducted at the corporate offices of the Company in Dayton, Ohio.

The Report of Examination, reflecting the status of the Company as of December 31, 2017, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413 COMPANY COMPLIANCE 317-232-3495 CONSUMER SERVICES 317-232-2395/1-800-622-4461 FINANCIAL SERVICES 317-232-2390 MEDICAL MALPRACTICE 317-232-2402 COMPANY RECORDS 317-232-5692 STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) and covered the period from January 1, 2013 through December 31, 2015. The present risk focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2016 through December 31, 2017, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we 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.

The examination of the Ohio domestic insurance companies of CareSource Group was called by the Ohio Department of Insurance (ODI) in accordance with the Handbook guidelines, through the NAIC's Financial Examination Electronic Tracking System. The ODI served as the lead state on the coordinated examination, and the insurance departments from Georgia, Indiana, Montana, and West Virginia served as participating states.

Joe Higgins with INS Consultants, Inc. provided all actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2017.

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 in the Indiana Code (IC) 27-1-3.1-10 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.

HISTORY

The Company operates as a not-for-profit, domiciled in the state of Indiana, and is a wholly-owned subsidiary of CareSource Management Group Company (CSMG), a not-for-profit managed care organization operating primarily in Ohio. The Company is managed by CSMG. The Company qualifies as an Internal Revenue Code Section 501(c)(3) entity, and as such, is exempt from federal income taxes, but is subject to the unrelated business income tax code.

The Company was incorporated on July 15, 2004 and commenced operations on January 1, 2005. During 2005, the Company entered into a contract with the Office of Medicaid Policy and Planning (OMPP) to provide financing and delivery of healthcare services to Medicaid beneficiaries throughout the state of Indiana. The contract with OMPP was terminated in the fourth quarter of 2006. During the period of examination, the Company wrote health insurance on Indiana's Federally Facilitated Marketplace (FFM), Medicare and Medicaid business.

CAPITAL AND SURPLUS

As of December 31, 2017, the Company has no outstanding shares of stock and therefore does not pay dividends. The Company received capital contributions from CSMG of \$15,000,000 in 2017 and \$30,000,000 in 2016.

TERRITORY AND PLAN OF OPERATION

During 2014, the Company was approved as a Qualified Health Plan (QHP) in the state of Indiana, which allows the Company to offer individual health insurance policies on the FFM. Effective January 1, 2015, the Company began offering a product registered as "Just4Me" (currently referred to as "CareSource Marketplace") to individuals signing up for coverage on the FFM. Enrollment in the plans offered on the FFM is dependent on individuals voluntarily selecting a CSIN plan. CSIN receives monthly premium revenues from subscribers and from the Centers for Medicaid and Medicare Services in exchange for providing the services outlined in the individual insurance policies.

The Company expanded into the Medicare Advantage Marketplace on January 1, 2016. Effective January 1, 2017, the Company had extended its service area for Medicare Advantage from thirty-three (33) counties in 2016 to fifty-seven (57) counties. The Company terminated the Medicare Advantage product in Indiana effective January 1, 2018.

On January 1, 2017, the Company began participation in Hoosier Healthwise (HHW) and Health Indiana Plan (HIP 2.0) under Medicaid managed care.

GROWTH OF THE COMPANY

The following exhibit summarizes the financial results of the Company during the examination period:

Year	Admitted Assets **	Liabilities **	Surplus and Other Funds **	Total Revenues	Net Income (Loss)
2017	\$ 201,334,735	\$ 162,273,539	\$ 39,061,197	\$ 350,475,585	\$ 5,705,974
2016	64,624,099	48,683,942	15,940,156	92,406,223	(21,561,450)

**The balances include immaterial rounding differences.

The increase in assets, liabilities, capital and surplus and total revenues is due to the Company becoming a QHP offering individual health policies on the FFM in 2015 along with the expansion into the Medicare Advantage Marketplace in 2016 and HHW and HIP 2.0 in 2017. The Company's parent, CSMG has also provided capital contributions of \$15,000,000 in 2017 and \$30,000,000 in 2016. The net loss in 2016 was primarily due to costs associated with starting new programs and low initial membership.

MANAGEMENT AND CONTROL

Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board) consisting of four (4) directors. The directorships expire upon staggered three (3) year terms. After initial appointment, the directors hold office until either a successor is elected and qualified or an early resignation, removal from office, or death. Except for the CEO, Directors may not serve more than three (3) consecutive terms. At least one (1) of the directors must be a resident of Indiana. The sole member, CSMG, elects the Board members.

The following is a listing of persons serving as directors as of December 31, 2017, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Kevin R. Brown Potomac, Maryland	Retired – Former President and Chief Executive Officer CaseNet, Inc.
Patricia A. Martin Indianapolis, Indiana	Retired – Former Senior Director Eli Lilly and Company
J. Thomas Maultsby Dayton, Ohio	President and Chief Executive Officer United Way of Greater Dayton
Pamela B. Morris Centerville, Ohio	President and Chief Executive Officer Secretary/Treasurer CareSource Management Group Company

Officers

The Bylaws state that the officers shall be a President and a Secretary/Treasurer, and such other officers as the directors may deem necessary. The Company's Bylaws state that the officers of the Company shall be elected by a majority of the directors in office.

The following is a list of key officers and their respective titles as of December 31, 2017:

<u>Name</u>	<u>Office</u>
Pamela B. Morris	President and Chief Executive Officer
L. Tarlton Thomas III	Chief Operating Officer
David W. Goltz	Chief Financial Officer
Daniel J. McCabe	Chief Administrative Officer

CONFLICT OF INTEREST

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2017.

CORPORATE RECORDS

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board and shareholders meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

The CSMG Board committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Risk and Compliance Committee, Executive Compensation Committee, Finance Committee, Nominating and Governance Committee, and Quality Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's parent and subsidiaries as of December 31, 2017:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
CareSource Management Group Company		
CareSource Ohio	95201	OH
The CareSource Foundation		OH
CareSource Reinsurance LLC		MT
CareSource Management Services Company		OH
CareSource North Carolina Company		NC
CareSource Kentucky Company	15479	KY
CareSource Virginia Company	15992	VA
CareSource Management Group Foundation		OH
CareSource Network Partners LLC		OH
CareSource Life Services		OH
CareSource at Home LLC		OH
CareSource Indiana, Inc.	10142	IN
CareSource Georgia Company	15710	GA
CareSource West Virginia Company	15728	WV

Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

Guaranty Agreement

The Guaranty Agreement is between CSMG and the Company. CSMG provides for payment of funds into the Plan in the event that the Plan's risk-based capital falls below the Company action level as defined by IC 27-1-36-6. The Company is required to calculate risk-based capital on a quarterly basis to ensure that they stay above the action level. This amended and restated agreement was filed with INDOI and non-disapproved on March 23, 2016.

Management Agreement

The Management Agreement is between CSMG and the Company. In accordance with the management agreement, which outlines the allocation of costs for shared resources and direct costs between CSIN and CSMG, certain administrative services are provided to the Company by CSMG. Cost are allocated in accordance with SSAP No. 70, *Allocation of Expenses*. CSMG invoices the Company on a monthly basis and a payment is made within 15 business days. This agreement was filed with INDOI and non-disapproved as of December 12, 2014. The Management Agreement was subsequently amended and non-disapproved by INDOI on May 22, 2015. Pursuant to the Management Agreement, the Company incurred management fees of \$32,124,461 in 2017.

Network Access Agreement

The Network Access Agreement is between CareSource Network Partners LLC (CSNP) and the Company. The agreement allows for CSNP to make available its providers to those covered under plans of insurance offered by the Company. CSNP shall cause network providers to sign provider agreements approved by the Company. The agreement was filed with INDOI and non-disapproved as of April 22, 2016. Pursuant to terms of the Network Access Agreement there are no payments made between the Company and CSNP.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by the National Union Fire Insurance Company of Pittsburgh. The bond has a single loss coverage limit of \$10,000,000, with a \$100,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force as of December 31, 2017, including but not limited to automobile liability, commercial general liability, excess liability, property liability, and workers' compensation liability.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

The Company had 112 employees as of December 31, 2017. CSIN employees participate in a plan at the group level. As a result, CSIN had \$47,058 accrued in an employee pension plan.

SPECIAL AND STATUTORY DEPOSITS

The Company reported the following deposits as of December 31, 2017:

<u>State</u>	<u>Book Value</u>	<u>Fair Value</u>
For All Policyholders:		
Indiana	\$ 500,000	\$ 500,000
Total Deposits	<u>\$ 500,000</u>	<u>\$ 500,000</u>

REINSURANCE

Ceded Reinsurance

The Company has stop loss reinsurance with Partner Re as of December 31, 2017 with retention of \$575,000. In 2017, premiums ceded under this agreement were \$5,772,496 and reinsurance recoverable was \$1,809,961 at year end 2017.

ACCOUNTS AND RECORDS

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2016 and December 31, 2017, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2016 through December 31, 2017, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

FINANCIAL STATEMENTS

CARESOURCE INDIANA, INC.

Assets

As of December 31, 2017

	<u>Per Examination*</u>
Cash, cash equivalents and short-term investments	<u>\$ 165,421,843</u>
Subtotals, cash and invested assets	165,421,843
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	28,595,463
Reinsurance:	
Amounts recoverable from reinsurers	2,316,768
Health care and other amounts receivable	<u>5,000,661</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>201,334,735</u>
Totals **	<u>\$ 201,334,735</u>

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

**The balances include immaterial rounding differences.

CARESOURCE INDIANA, INC.
Liabilities, Capital and Surplus
As of December 31, 2017

	Per Examination*
Claims unpaid	\$ 83,857,315
Unpaid claims adjustment expenses	2,468,652
Aggregate health policy reserves	11,774,339
Premiums received in advance	56,652,812
General expenses due or accrued	2,783,254
Amounts due to parent, subsidiaries and affiliates	3,873,847
Liability for amounts held under uninsured plans	863,320
Total liabilities	162,273,539
Gross paid in and contributed surplus	81,225,061
Unassigned funds (surplus)	(42,163,864)
Total capital and surplus	39,061,197
Total liabilities, capital and surplus**	\$ 201,334,736

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

** The balances include immaterial rounding differences.

CARESOURCE INDIANA, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2017

	Per Examination*
Member Months	1,092,300
Net premium income	\$ 348,655,309
Aggregate write-ins for other health care related revenues: Pay for Performance	1,820,276
Total revenues	350,475,585
Hospital and Medical:	
Hospital/medical benefits	232,442,597
Other professional services	1,252,971
Emergency room and out-of-area	13,088,500
Prescription drugs	53,526,114
Subtotal	300,310,182
Less:	
Net reinsurance recoveries	3,475,846
Total hospital and medical	296,834,336
Claims adjustment expenses, including cost containment expenses	7,135,047
General administrative expenses	43,595,975
Increase in reserves for life and accident and health contracts	(2,560,679)
Total underwriting deductions	345,004,679
Net underwriting gain or (loss)	5,470,906
Net investment income earned	235,068
Net investment gains (losses)	235,068
Net income or (loss) after capital gains tax and before all other federal income taxes	5,705,974
Net income (loss)	\$ 5,705,974

* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

CARESOURCE INDIANA, INC.
Capital and Surplus Account Reconciliation

	2017	2016
Capital and surplus prior reporting year	\$ 15,940,153	\$ 8,632,523
Net income or (loss)	5,705,974	(21,561,450)
Change in nonadmitted assets	2,415,066	(1,130,920)
Surplus adjustments:		
Paid in	15,000,000	30,000,000
Net change in capital and surplus	23,121,040	7,307,630
Capital and surplus end of reporting year	\$ 39,061,193	\$ 15,940,153

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2017, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no significant issues requiring disclosure in this Report of Examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from INS Consultants, Inc. performed an examination of CareSource Indiana, Inc., as of December 31, 2017.

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


This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of CareSource Indiana, Inc. as of December 31, 2017, as determined by the undersigned.



Jim Kattman, CFE
Noble Consulting Services, Inc.

Under the Supervision of:



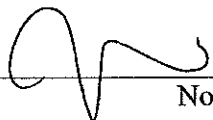
Jerry Ehlers, CFE, AES
Examinations Manager
Indiana Department of Insurance

State of: Indiana
County of: Marion

On this 29 day of April, 2019, before me personally appeared, Jim Kattman and Jerry Ehlers, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires: July 4, 2019



Notary Public

EXAMINER

1. The following is a list of the names of the persons who have been appointed as examiners for the examination of candidates for the degree of Bachelor of Science in the Department of Science, University of Toronto, for the year 1911-12.