

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

IN THE MATTER OF:)
)
Indiana University Health Plans, Inc.)
950 North Meridian Street, Suite 200)
Indianapolis, Indiana 46204)

Examination of Indiana University Health Plans, 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 Indiana University Health Plans, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as amended by the Final Order, 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 Indiana University Health Plans, 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.

August 12, 2014
Date


Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0036 8443 46

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IN THE MATTER OF:)
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Indiana University Health Plans, Inc.)
950 North Meridian Street, Suite 200)
Indianapolis, Indiana)

Examination of Indiana University Health Plans, Inc.

FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the Indiana University Health Plans, Inc. (hereinafter "Company") for the time period January 1, 2009 through December 31, 2013.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on June 30, 2014.

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 July 23, 2014 and was received by the Company on July 25, 2014.

On July 28, 2014, pursuant to Ind. Code § 27-1-3.1-10, the Company filed a response to the Verified Report of Examination. The Commissioner has fully considered the Company's response.

NOW THEREFORE, based on the Verified Report of Examination and the response filed by the Company, the Commissioner hereby FINDS as follows:

1. The suggested modifications to the Verified Report of Examination submitted by the Company are reasonable and shall be incorporated into the Verified Examination Report. A copy of the Verified Report of Examination, as amended, is attached hereto.

2. The Verified Report of Examination, as amended, is true and accurate report of the financial condition and affairs of the Company as of December 31, 2013.
3. The Examiners' recommendations are reasonable and necessary in order for the Company to comply with the insurance 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, as amended, 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, as amended. 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 and Sealed this 12 day of August, 2014.


Stephen W. Robertson
Insurance Commissioner

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 handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is located at the bottom of the page.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

INDIANA UNIVERSITY HEALTH PLANS, INC.

NAIC Co. CODE 13164

NAIC GROUP CODE 4637

As of

December 31, 2013

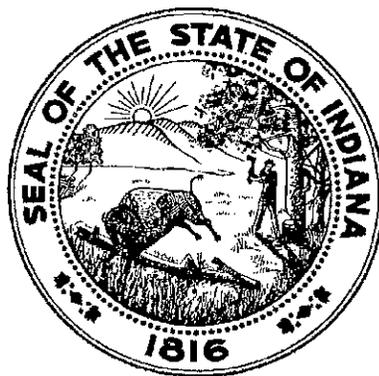


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

June 30, 2014

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 3795, an examination has been made of the affairs and financial condition of:

Indiana University Health Plans, Inc.
950 North Meridian Street, Suite 200
Indianapolis, Indiana 46204

hereinafter referred to as the "Company" or "IUHP" an Indiana domestic health maintenance organization. The examination was conducted at the corporate offices of the Company in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2013, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413 COMPANY COMPLIANCE (317) 233-0697 CONSUMER SERVICES (317) 232-2395 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 SECURITIES/COMPANY RECORDS (317) 232-1991 STATE HEALTH INSURANCE PROGRAM 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2010. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2011 through December 31, 2013, 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 and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating 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.

Kirk Braunius, ASA, MAAA, of Merlinos & Associates, Inc., provided the actuarial services throughout the examination and conducted a review of the Company's loss reserves and loss adjustment expense reserves as of December 31, 2013.

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

HISTORY

The Company is a for-profit health maintenance organization (HMO) incorporated on March 6, 2008. The Company is a wholly-owned subsidiary of Indiana University Health, Inc., (IU Health) previously known as Clarian Health Partners, Inc. IU Health is an Indiana private, not-for-profit corporation that was formed in 1997 through a consolidation of three (3) downtown Indianapolis hospitals: Indiana University Hospital, Methodist Hospital of Indiana, and Riley Hospital.

On December 15, 2010, the Company merged with M-Plan, Inc., with the Company being the surviving entity. Effective June 15, 2011, the Company changed its name from Clarian Health Plans, Inc., to Indiana University Health Plans, Inc. On September 20, 2013, a new affiliate, Indiana University Health Plans NFP, Inc. (IUHPNFP) was formed and organized as a not-for-profit corporation. IUHPNFP is an affiliate of the Company and was established as part of IU Health's internal reorganization of its health insurance companies. See the Subsequent Event section of this Report for further information.

CAPITAL AND SURPLUS

The Company had 100,000 shares authorized, of which 1,000 shares were issued and outstanding. The Company reported capital stock totaling \$1,000 and gross paid-in and contributed surplus totaling \$27,499,000 as of December 31, 2013.

The Company received paid-in capital from its parent company during the examination period as follows:

<u>Year</u>	<u>Paid-in capital</u>
2013	\$ 1,000,000
2012	3,100,000
2011	1,000,000

DIVIDENDS TO STOCKHOLDERS

The Company paid a \$500,000 ordinary dividend to IU Health on November 15, 2013, and an extraordinary dividend of \$1,000,000 on November 18, 2013. The extraordinary dividend was retroactively approved by the INDOI. No other dividend payments were made during the examination period.

TERRITORY AND PLAN OF OPERATION

The Company was incorporated as an Indiana HMO focusing on Medicare operations. The Company wrote business in Indiana only during the period of examination. Effective January 1, 2009, the Company began operations as a Medicare Advantage (MA) plan in Marion County, Indiana. As of January 1, 2013, the Company offered MA products in thirty-two (32) counties across the state. The Company offers MA products that include prescription drug benefits and supplemental benefits in excess of the standard Medicare coverage. Beginning in 2011 and ending on December 31, 2012, the Company provided prepaid comprehensive health services to Indiana University Health Ball Memorial Hospital, a subsidiary of IU Health.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income</u>
2013	\$ 9,019,154	\$ 1,737,064	\$ 7,282,090	\$ 98,250,957	\$ 551,392
2012	10,051,500	2,650,900	7,400,600	118,272,681	(1,126,118)
2011	7,320,622	1,683,224	5,637,398	107,606,079	(1,977,862)

During 2013, the Company paid dividends to IU Health in the amount of \$1,500,000 to fund a new HMO subsidiary, IUHPNFP. This is reflected in the decrease in admitted assets and capital and surplus. Liabilities increased in 2012 primarily as a result of buy-out expenses and start-up costs related to a change in the claims administrator. Total revenues decreased in 2013 with the termination of the IU Health Ball Memorial Hospital contract. Net income increased throughout the examination period corresponding to the growth of the Company.

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 between two (2) and seven (7) directors. At least one (1) of the directors must be a resident of Indiana. The shareholders, at each annual meeting, elect the members of the Board.

The following is a listing of persons serving as directors at December 31, 2013, and their principal occupations as of that date.

Name and Address	Principal Occupation
John F. Fitzgerald M.D. Indianapolis, Indiana	President and Chief Executive Officer IU Healthcare Associates, Inc.
Ryan C. Kitchell Zionsville, Indiana	Executive Vice President and Chief Financial Officer Indiana University Health, Inc.
Cynthia S. Miller Carmel, Indiana	Retired Actuary
Ben H. Park M.D. Zionsville, Indiana	President American Health Network
James T. Parker Indianapolis, Indiana	President and Chief Executive Officer Indiana University Health Plans, Inc.
Steven L. Pollack Carmel, Indiana	President TaiAn International Health Insurance
James G. Terwilliger Carmel, Indiana	President, Methodist and Indiana University Hospitals Indiana University Health, Inc.

Officers

The Bylaws state that the elected officers of the Company shall consist of the President, Treasurer, and Secretary. The Board may also elect such Vice Presidents, Assistant Secretaries, and Assistant Treasurers from time to time by resolution creating the office and defining the duties thereof. The officers shall be elected by the Board and need not be selected from among the members of the Board. Any two (2) or more offices may be held by the same person. All officers shall serve at the pleasure of the Board.

The following is a list of key officers and their respective titles as of December 31, 2013:

Name	Office
James T. Parker	President and Chief Executive Officer
Susan M. Mann	Secretary and Legal Counsel
Constance D. Brown	Treasurer and Chief Financial Officer

Corporate Governance

Corporate governance was evaluated through a review of the Company's corporate governance guidelines, Executive Officer and Board member interviews, Board meeting minutes, and other examination documentation. The corporate governance review followed the format provided by Exhibit M of the Handbook.

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 signed Conflict of Interest statements as required.

CORPORATE RECORDS

Articles of Incorporation

Effective June 15, 2011, the Articles of Incorporation were amended to reflect the name change from Clarian Health Plans, Inc., to Indiana University Health Plans, Inc.

Bylaws

Effective June 15, 2011, the Bylaws were amended to reflect the name change from Clarian Health Plans, Inc., to Indiana University Health Plans, Inc.

Minutes

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

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the parent Company and its wholly-owned subsidiary insurers as of December 31, 2013:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
Indiana University Health, Inc.		IN
Indiana University Health Plans, Inc.	13164	IN
Indiana University Health Plans NFP, Inc.	15450	IN

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 Indiana Code (IC) 27-1-23-4.

Delivery Service Agreement

Effective January 1, 2009, IU Health acts as a delivery system in the administration of IUHP's Medicare program and delivers medical services through its network to members of IUHP's Medicare plan on a prepaid, capitated basis. During 2013, IUHP paid IU Health \$87,285,368 for services performed under the Delivery Service Agreement.

Administrative Service Agreement

Effective August 31, 2008, IU Health provides leased employees and performs necessary administrative functions for IUHP including accounts payable, administrative services, cash management services, financial accounting and reporting, and legal services. IUHP paid IU Health \$4,060,434 for services performed under the Administrative Service Agreement in 2013.

FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from fraudulent or dishonest acts by its employees through a fidelity bond issued by Beazley Insurance Company. The bond has blanket coverage of \$20,000,000 with a \$150,000 deductible. The amount meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2013, including, but not limited to crime, general liability, and property coverages.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Certain employees were eligible to participate in a defined contribution plan through their employment with IU Health. The plan is sponsored by IU Health.

STATUTORY DEPOSITS

The Company reported one (1) statutory deposit as of December 31, 2013. The deposit was held with the state of Indiana for the benefit of all policyholders and had a book value and fair value of \$500,000.

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, 2012 and 2013, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2011 through December 31, 2013, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

INDIANA UNIVERSITY HEALTH PLANS, INC.

Assets

As of December 31, 2013

	<u>Per Examination*</u>
Cash, cash equivalents and short-term investments	<u>\$ 6,645,144</u>
Subtotals, cash and invested assets	6,645,144
Investment income due and accrued	1,068
Premiums and considerations:	
Uncollected premiums and agents' balances in the course of collection	164,418
Receivables from parent, subsidiaries and affiliates	332,038
Health care and other amounts receivable	922,760
Aggregate write-ins for other than invested assets	<u>953,726</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>9,019,154</u>
Totals	<u>\$ 9,019,154</u>

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

INDIANA UNIVERSITY HEALTH PLANS, INC.
 Liabilities, Capital and Surplus
 As of December 31, 2013

	Per Examination*
Aggregate health policy reserves	\$ 29,399
Premiums received in advance	294,066
General expenses due or accrued	818,192
Aggregate write-ins for other liabilities	595,407
Total liabilities	1,737,064
Common capital stock	1,000
Gross paid in and contributed surplus	27,499,000
Unassigned funds (surplus)	(20,217,910)
Total capital and surplus	7,282,090
Total liabilities, capital and surplus	\$ 9,019,154

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

INDIANA UNIVERSITY HEALTH PLANS, INC.
Statement of Revenue and Expenses
For the Year Ended December 31, 2013

	Per Examination*
Member Months	104,934
Net premium income	\$ 98,227,693
Aggregate write-ins for other health care related revenues	20,749
Aggregate write-ins for other non-health revenues	2,515
Total revenues	98,250,957
Hospital and Medical:	
Hospital/medical benefits	87,285,368
Prescription drugs	604,523
Total hospital and medical	87,889,891
General administrative expenses	9,819,992
Total underwriting deductions	97,709,883
Net underwriting gain or (loss)	541,074
Net investment income earned	10,318
Net investment gains (losses)	10,318
Net income or (loss) after capital gains tax and before all other federal income taxes	551,392
Net income (loss)	\$ 551,392

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

INDIANA UNIVERSITY HEALTH PLANS, INC.
Capital and Surplus Account Reconciliation

	2013	2012	2011
Surplus as regards policyholders, December 31 prior year	\$ 7,400,603	\$ 5,637,398	\$ 6,681,201
Net income or (loss)	551,392	(1,126,118)	(1,977,862)
Change in nonadmitted assets	(169,905)	(210,680)	(65,941)
Capital changes:			
Paid in	1,000,000	3,100,000	1,000,000
Dividends to stockholders	(1,500,000)	-	-
Net change in capital and surplus	(118,513)	1,763,202	(1,043,803)
Capital and surplus end of reporting year	<u>\$ 7,282,090</u>	<u>\$ 7,400,600*</u>	<u>\$ 5,637,398</u>

* Ending capital and surplus at December 31, 2012 does not agree to 2013 beginning capital and surplus due to rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2013, based on the results of this examination.

SUBSEQUENT EVENTS

The INDOI issued a certificate of authority to IUHPNFP on February 4, 2014, to operate as an HMO. IUHPNFP is seeking approval from CMS, through a novation agreement, to continue offering benefits to the Indiana University Health Plans, Inc.'s current members under the new license. The approval from CMS is expected sometime in 2015.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlinos & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of Indiana University Health Plans, Inc., as of December 31, 2013.

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 the condition of Indiana University Health Plans, Inc. as of December 31, 2013, as determined by the undersigned.

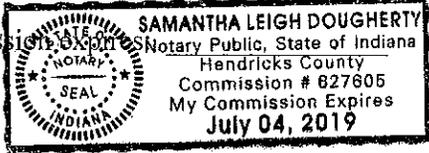
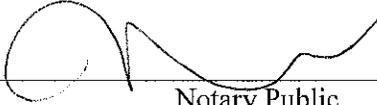


Lisa Warrum, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 30 day of June, 2014, before me personally appeared, Lisa Warrum, 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  

Notary Public