



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of Insurance

**RICKY DAVIS**  
State Chief Deputy Fire Marshal

## MISSISSIPPI INSURANCE DEPARTMENT

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June 28, 2019

### CERTIFIED MAIL RETURN RECEIPT REQUESTED

Mr. Aaron Sisk, President  
Magnolia Health Plan, Inc.  
111 East Capitol Street, Suite 500  
Jackson, MS 39201

**RE: Report of Examination as of December 31, 2017**

Dear Mr. Sisk:

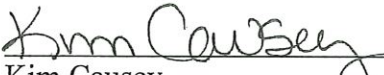
In accordance with Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011), an examination of your Company has been completed. Enclosed herewith is the Order adopting the report and a copy of the final report as adopted.

Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department of Insurance will open the report for public inspection.

If you have any questions or comments, please feel free to contact me.

Sincerely,

MIKE CHANEY  
COMMISSIONER OF INSURANCE

BY   
Kim Causey  
Special Assistant Attorney General

MC/KC/bs  
Encls. Order w/exhibit

**BEFORE THE COMMISSIONER OF INSURANCE  
OF THE STATE OF MISSISSIPPI**

**RE: REPORT OF EXAMINATION OF  
MAGNOLIA HEALTH PLAN, INC.**

**CAUSE NO. 19-7440**

**ORDER**

**THIS CAUSE** came on for consideration before the Commissioner of Insurance of the State of Mississippi ("Commissioner"), or his designated appointee, in the Offices of the Commissioner, 1001 Woolfolk Building, 501 North West Street, 10th Floor, Jackson, Hinds County, Mississippi, pursuant to Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011). The Commissioner, having fully considered and reviewed the Report of Examination together with any submissions or rebuttals and any relevant portions of the examiner's work papers, makes the following findings of fact and conclusions of law, to-wit:

**JURISDICTION**

**I.**

That the Commissioner has jurisdiction over this matter pursuant to the provisions of Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011).

**II.**

That Magnolia Health Plan, Inc. is a Mississippi-domiciled health maintenance organization ("HMO") which was initially certified as an HMO by the Mississippi State Department of Health on April 9, 2009.

## FINDINGS OF FACT

### III.

That the Commissioner, or his appointee, pursuant to Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2011), called for an examination of Magnolia Health Plan, Inc. and appointed David Palmer, Examiner-In-Charge, to conduct said examination.

### IV.

That on or about May 23, 2019, the draft Report of Examination concerning Magnolia Health Plan, Inc. for the period of January 1, 2013 through December 31, 2017, was submitted to the Mississippi Department of Insurance by Examiner-In-Charge, David Palmer.

### V.

That on or about May 29, 2019, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2011), the Department forwarded to the Company a copy of the draft report and allowed the Company a 15-day period to submit any rebuttal to said draft. On or about June 20, 2019, the Company responded by email.

## CONCLUSIONS OF LAW

### VII.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2011), must consider and review the report along with any submissions or rebuttals and all relevant portions of examiner work papers and enter an Order: (1) adopting the Report of Examination as final or with modifications or corrections; (2) rejecting the Report of Examination with directions to reopen; or (3) calling for an investigatory hearing.

**IT IS, THEREFORE, ORDERED,** after reviewing the draft Report of Examination and all relevant examiner work papers, that the draft Report of Examination of Magnolia Health Plan, Inc., attached hereto as Exhibit "A", should be and same is hereby adopted as final.

**IT IS FURTHER ORDERED** that a copy of the adopted Report of Examination, accompanied with this Order, shall be served upon the Company by certified mail, postage pre-paid, return receipt requested.

**IT IS FURTHER ORDERED** that the Mississippi Department of Insurance shall continue to hold the content of this report as private and confidential information for a period of ten (10) days from the date of this Order, pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2011).

**IT IS FURTHER ORDERED**, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2011), that within thirty (30) days of the issuance of the adopted report, Magnolia Health Plan, Inc. shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related orders.

**IT IS FURTHER ORDERED** that Magnolia Health Plan, Inc. take the necessary actions and implement the necessary procedures to ensure that all recommendations contained in the Report of Examination are properly and promptly complied with.

**SO ORDERED**, this the 28<sup>th</sup> day of June 2019.



*J. Mark Haire*  
\_\_\_\_\_  
J. MARK HAIRE  
DEPUTY COMMISSIONER OF INSURANCE



**CERTIFICATE OF MAILING**

I hereby certify that a true and correct copy of the above and foregoing Order and a copy of the final Report of Examination, as adopted by the Mississippi Department of Insurance, was sent by certified mail, postage pre-paid, return receipt requested, on this the 20<sup>th</sup> day of June 2019, to:

**Mr. Aaron Sisk, President  
Magnolia Health Plan, Inc.  
111 East Capitol Street, Suite 500  
Jackson, MS 39201**



---

Kim Causey  
Special Assistant Attorney General

Kim Causey  
Special Assistant Attorney General  
Counsel for the Mississippi Department of Insurance  
Post Office Box 79  
Jackson, MS 39205-0079  
(601) 359-3577  
Miss. Bar No. 10816



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**MAGNOLIA HEALTH PLAN, INC.**

**as of**

**December 31, 2017**

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

State of Texas,

County of Collin,

David Palmer, being duly sworn, states as follows:

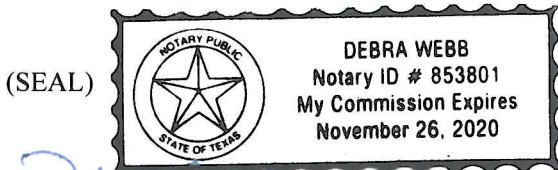
1. I have authority to represent the Mississippi Insurance Department in the examination of Magnolia Health Plan, Inc. as of December 31, 2017.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Magnolia Health Plan, Inc. was performed in a manner consistent with the standards and procedures required by the National Association of Insurance Commissioners and the Mississippi Insurance Department.

The affiant says nothing further.



\_\_\_\_\_  
Examiner's Signature

Subscribed and sworn before me by David Palmer on this 26th day of June, 2019.



\_\_\_\_\_  
Notary Public

My commission expires November 26, 2020 [date].



**MIKE CHANEY**  
Commissioner of Insurance  
State Fire Marshal

**MARK HAIRE**  
Deputy Commissioner of  
Insurance

**MISSISSIPPI INSURANCE DEPARTMENT**

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May 28, 2019

Honorable Mike Chaney  
Commissioner of Insurance  
Mississippi Insurance Department  
1001 Woolfolk Building  
501 North West Street  
Jackson, Mississippi 39201

Dear Commissioner Chaney:

Pursuant to your instructions and authorization and in compliance with statutory provisions, an examination has been conducted, as of December 31, 2017, of the affairs and financial condition of:

**MAGNOLIA HEALTH PLAN, INC.**

111 East Capitol Street, Suite 500  
Jackson, MS 39201

License #	NAIC Group #	NAIC #	FEETS#	MATS#
1000006	1295	13923	13923-MS-2017-1	MS-MS099-17

This examination was commenced in accordance with Miss. Code Ann. § 83-5-201 *et seq.* and § 83-41-337. The examination was performed in Jackson, Mississippi, at the main administrative home office of the Company. The report of examination is herewith submitted.

## **SCOPE OF EXAMINATION**

We have performed our full-scope, single state examination of Magnolia Health Plan Inc. (“Company”) as part of a coordinated examination on the part of the lead state of Texas. The last examination covered the period January 1, 2012 through December 31, 2012. This examination covers the period January 1, 2013, through December 31, 2017.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners 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.

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 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.

## **COMMENTS AND RECOMMENDATIONS OF PREVIOUS EXAMINATION**

There were no comments and/or recommendations deemed necessary for purposes of the previous examination report.

## **HISTORY OF THE COMPANY**

The Company is a Mississippi domestic stock Health Maintenance Organization (HMO) insurance company. The Company was licensed as a HMO on August 4, 2010 and commenced business on January 1, 2011 under the laws of the State of Mississippi. The Company was formed for purposes of providing comprehensive managed healthcare services to Medicaid beneficiaries in Mississippi as provided for by Miss. Code Ann. § 83-41-301 et seq.

The authorized stock of the Company at the time of incorporation was 3,000 shares of common

stock; par value \$1 per share. At December 31, 2017, the Company had 1,000 shares issued and outstanding to its parent, Centene Corporation (“Centene”).

## **CORPORATE RECORDS**

The minutes of the meetings of the Stockholders and Board of Directors (“Board”), regarding the Company’s business affairs as recorded during the period covered by the examination, were reviewed and appeared to be complete and in order with regard to recording action on matters brought up at the meetings for deliberation.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

The Articles of Incorporation and Bylaws vest the management and control of the Company’s business affairs with the Board. The members of the duly elected Board, along with their place of residence, number of years as Director, and principal occupation, at December 31, 2017, were as follows:

Name and Residence	Year Elected/Appointed	Principal Occupation
Christopher Donald Bowers Ladue, Missouri	2011	Sr. VP of Health Plans of Centene Corporation
Brent D. Layton St. Louis, Missouri	2011	SVP Business Development of Centene Corporation
Michelle Y Owens Jackson, Mississippi	2015	Doctor, University of Mississippi Medical Center
Mary Troupe Pearl, Mississippi	2011	Executive Director of MS Coalition for Citizens with Disabilities
Greg Timberlake Jackson, Mississippi	2014	Retired
Robert Pugh Jackson, Mississippi	2015	Retired

### **Committees**

Pursuant to Section 14 of the Model Audit Rule, the Company designated the Centene’s Audit Committee to be the Audit Committee for the Company. The following directors served on the Audit Committee at December 31, 2017:

Name and Residence	Year Elected/Appointed	Principal Occupation
John Roberts* St. Louis, MO	2011	Retired
Frederick Eppinger Grafton, MA	2011	Retired
Vicki Escarra Chicago, IL	2016	Chief Executive Officer of Opportunity International

\* Chairman

### **Officers**

Name	Year Elected/Appointed	Title
Aaron Sisk	2016	President
Jeffrey Alan Schwaneke	2010	Treasurer
Keith Harvey Williamson	2010	Secretary
Jesse Nathan Hunter	2010	Vice President
Mark William Eggert	2010	Vice President
Brent D. Layton	2010	Vice President
Christopher Donald Bowers	2010	Vice President
Tricia L. Dinkelman	2010	Vice President, Tax

### **Conflict of Interest**

The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's policies were noted.

### **HOLDING COMPANY STRUCTURE**

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. § 83-6-1. Holding Company Registration Statements were filed during the examination period with the MID in accordance with Miss. Code Ann. § 83-6-5 and § 83-6-9. The statements and applicable amendments that were filed with the MID during the examination period were reviewed and it appeared that any changes and material transactions by and between the Company and its affiliates were appropriately disclosed.

## Organizational Chart

A simplified organizational chart as of December 31, 2017, reflecting the holding company system, is shown below. Schedule Y of the Company's 2017 annual statement provided a list of all related companies of the holding company group.

	<u>Domiciliary State/Country</u>
Centene Corporation	DE
Envolve Holdings, Inc.	DE
Cenpatico Behavioral Health, LLC	CA
Envolve PeopleCare, Inc.	DE
Envolve Pharmacy Solutions, Inc.	DE
Envolve Benefit Options	DE
Envolve Vision Benefits, Inc.	DE
Envolve Dental, Inc.	DE
Centene Management Company	WI
<b>Magnolia Health Plan</b>	<b>MS</b>

## Parent and Affiliated Companies

The following is information concerning the Company's affiliates and subsidiary:

**Centene Corporation:** This is a Delaware stock corporation, and is the ultimate controlling company of the insurance holding company group. Centene Corporation is a multi-line healthcare enterprise that serves as a major intermediary for both government-sponsored and privately insured health care programs. The main lines of Centene include Medicare, Medicaid, The Health Insurance Marketplace System, Tricare, as well as traditional commercial insurance. Centene also contracts with other healthcare and commercial organizations to provide specialty services, including behavioral health care services, case management software, correctional insurance, in-home health services, life and health management, vision, pharmacy benefits management, and telehealth services.

**Envolve PeopleCare, Inc.:** This company, a subsidiary of Envolve Holdings LLC, and a wholly owned subsidiary of Centene Corporation, provides certain services to and on behalf of health maintenance organizations and other health care providers.

**Envolve Vision, Inc.:** This company, a subsidiary of Envolve Benefit Options, Inc., and a wholly owned subsidiary of Centene Corporation, provides covered vision care services through participating providers.

**Centene Management Company LLC:** This company, a wholly owned subsidiary of Centene Corporation, provides certain administrative services to and on behalf of health maintenance organizations and other health care providers.

**Envolve Pharmacy Solutions, Inc.:** This company, a subsidiary of Envolve Holdings LLC, and a wholly owned subsidiary of Centene Corporation, provides management services for the delivery of pharmacy benefits.

**Cenpatico Behavioral Health, LLC:** This company, a subsidiary of CenCorp Health Solutions, Inc., and a wholly owned subsidiary of Centene Corporation, coordinates covered behavioral health and home behavioral health services through participating providers.

**Envolve Dental Inc.:** This company, a subsidiary of Envolve Benefit Opions, Inc., and a wholly owned subsidiary of Centene Corporation, provides and coordinates covered dental care services through participating providers.

### **Affiliated and Related Party Transactions**

#### **Management Agreement**

Effective January 1, 2014, the Company entered into a Management Agreement with Centene Management Company, LLC (CMC) whereby CMC provided program planning and development services, a management information system, financial systems and services, claims administration, provider and enrollee services and records, utilization review, and quality assurance. The Company paid 10.5% of its revenues to CMC for the above referenced services. In addition to above noted expenses, the Company was liable for other expenses incurred by the Company or on its behalf including, but not limited to travel, payment to providers and suppliers, fees and expenses associated with audits, including external audits, preparation of the Company's tax returns, expenses for legal, actuarial and other consulting services, advertising, and all licensing and certification fees.

#### **Pharmacy Benefit Management Agreement**

Effective January 1, 2017, the Company became a party to a Pharmacy Benefit Management agreement with Envolve Pharmacy Solutions, Inc., in which Envolve Pharmacy Solutions, Inc. provided the management and delivery of pharmacy benefits to the Company eligible enrollees. Services included, but were not limited to claims processing, eligibility management, benefits management, utilization management, pharmacy network management, and call center services. Duration of the agreement was for one year, and shall be automatically renewed for successive one year periods.

#### **Disease Management Program Services Agreement**

Effective January 1, 2017, the Company entered into a Disease Management Program Services Agreement with Envolve PeopleCare, Inc. These services included individualized education programs and member interactions, which were conducted through a combination of telephonic, in-home and printed materials. The programs varied based on disease state and level of acuity of



the members' illness or risk status. The agreement shall renew automatically for successive one-year renewal terms.

#### Services Agreement

Effective January 1, 2017 the Company entered into Services Agreement with Envolve PeopleCare, Inc. The services primarily consisted of utilizing professional registered nurses to provide health information and advice to enrolled members during designated hours of operation. Initial term of the agreement was one year, and shall automatically renew for additional terms of one year unless terminated.

#### Vision Services Agreement and Delegated Services Agreement

Effective January 1, 2017, the Company entered into a Vision Services Agreement with Envolve Vision, Inc. Under the terms of this agreement, Envolve Vision, Inc. agreed to provide or arrange for the provision of covered vision care services to the Company's enrolled members. The same parties also entered into a Delegated Services Agreement under the Original Agreement, under which OptiCare Vision Company, Inc. agreed to provide quality improvement, utilization management, case management, benefit administration, claims adjudication and provider payment, network development and maintenance, and provider credentialing with respect to Vision care covered by the Company. Initial term of this agreement was one year, and shall be automatically renewed for successive one year periods.

#### Behavioral Services Agreement

Effective January 1, 2017, the Company entered into a Behavioral Health Services Agreement with Cenpatico Behavioral Health, LLC (Cenpatico). Under the terms of this agreement Cenpatico agreed to arrange for the provision of covered behavioral health and home health behavioral services through participating providers. Initial term of this agreement was thirteen months, and shall be automatically renewed for successive one year periods.

#### Dental Services Agreement

Effective January 1, 2017, the Company entered into a Dental Services Agreement with Envolve Dental, Inc. The services primarily consisted of providing dental benefit services eligible Medicare Advantage – Part D enrollees. Initial term of the agreement was one year, and shall automatically renew for additional terms of one year unless terminated.

#### Tax Allocation Agreement

The Company was also a party to a Tax Sharing Agreement with Centene Corporation and its subsidiaries. Tax liability was allocated to each subsidiary based on the subsidiary's contribution to consolidated taxable income. Within 90 days of the return filing date, a subsidiary shall pay to Parent, or Parent to a subsidiary, an amount equal to the difference between consolidated tax reflected on the pro-forma Federal tax return and the aggregate amount of the estimated installments of the respective consolidated tax.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company's parent company, Centene Corporation, maintained a fidelity bond in the amount of \$10 million single loss limit of liability, which met the NAIC's suggested minimum amount for fidelity coverage. Centene Corporation had additional coverage, including general liability, auto, umbrella and workers' compensation.

## **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company did not have any direct employees, nor did it provide any benefits or welfare programs for its officers or directors.

## **TERRITORY AND PLAN OF OPERATION**

The Company was licensed in the State of Mississippi to provide comprehensive managed healthcare services to Medicaid beneficiaries in Mississippi. The Company is contracted directly with the Mississippi Department of Medicaid (DOM) on a capitated basis for non-inpatient services.

## **GROWTH OF COMPANY**

The review of the growth of the Company was performed based on balances reported in the annual statements filed with the MID during the period under examination.

	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>
Total admitted assets	\$261,165,958	\$197,564,703	\$166,966,037	\$149,036,292	\$57,062,375
Total liabilities	\$136,924,802	\$112,505,023	\$110,771,415	\$87,894,914	\$20,716,699
Total capital and surplus	\$124,241,156	\$85,059,680	\$56,194,622	\$61,141,378	\$36,345,676
Members enrolled	264,235	263,180	268,212	108,734	78,165
Total revenues	\$1,251,342,599	\$1,248,515,951	\$879,597,319	\$547,317,595	\$406,624,910
Net underwriting gain (loss)	(\$61,414,204)	(\$57,294,597)	(\$32,191,070)	(\$16,913,996)	(\$17,167,878)
Net investment income	\$1,737,754	\$1,373,646	\$1,050,469	\$366,688	\$319,361
Net Income	(\$39,226,668)	(\$43,332,119)	(\$28,834,560)	(\$14,948,966)	(\$10,076,118)

## **REINSURANCE**

### Assumed

The Company did not assume any business during the examination period.

### Ceded

Effective January 1, 2017, the Company had a reinsurance agreement with PartnerRe America Insurance Company, for the calendar year 2017, to reinsure on an excess of loss basis of \$1,250,000 up to \$3,000,000 maximum per covered person. Covered expenses for hospital inpatient services included acute care services, long-term acute care hospital and sub-acute care services (extended care services, skilled nursing, rehabilitation). The limit for acute care services included the lesser of the amount paid, the contracted rate, the applicable State Medicaid Fee Schedule where a contracted rate does not exist, Medicare Allowable for Medicare Covered Persons or a \$15,000 maximum average per diem per discharge. The limit for sub-acute care services included the lesser of the amount paid, the contracted rate, the applicable State Medicaid Fee Schedule where a contracted rate does not exist, Medicare Allowable for Medicare Covered Persons or a \$1,000 per diem and limited to 90 days in total for the combination of all categories. This contract replaced the reinsurance agreement the Company had with its affiliate, Bankers Reserve Life Insurance Company of Wisconsin, for all other years under examination.

On July 1, 2015, the Company completed an assumption reinsurance agreement with its affiliate Ambetter of Magnolia, Inc. (“Ambetter”). The Company ceded the in-force insurance contracts issued to individuals through the Mississippi Health Insurance Marketplace during the 2015 calendar year through June 30, 2015. The Company transferred \$18.4 million in cash and cash equivalents and \$4.4 million in other assets with an aggregate value equal to 100% of the liabilities ceded to Ambetter.

## **ACCOUNTS AND RECORDS**

The 2017 trial balance of the Company’s accounts were traced to the balance sheet of the Company’s statutory annual statement filed with the MID, with no exceptions noted. The Company was audited annually by an independent CPA firm.

The Company utilized a blended platform of its operating system for the processing of its records. The Company maintained supporting documentation that was reviewed during the examination as applicable.

## **STATUTORY DEPOSITS**

The Company's statutory deposits with the state of Mississippi complied with Miss. Code Ann. § 83-41-325(5). The following chart displays the Company's statutory deposits held at December 31, 2017:

<b><u>Description of Security</u></b>	<b><u>Par Value</u></b>	<b><u>Fair Value</u></b>
Certificate of Deposit	\$500,000	\$522,667
Total	<u>\$500,000</u>	<u>\$522,667</u>

## **FINANCIAL STATEMENTS**

### **Introduction**

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2017, a Statement of Revenues and Expenses for the year ended December 31, 2017, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2017.

The following financial statements are based on the statutory financial statements filed by the Company with the Mississippi Insurance Department and present the financial condition of the Company for the period ending December 31, 2017.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2017**

**ASSETS**

Bonds	\$81,386,281
Cash, cash equivalents, and short-term investments	83,789,410
Investment income due and accrued	445,292
Uncollected premiums and agents balances	24,541,155
Receivables from parents, subsidiaries, and affiliates	70,878,881
Healthcare and other amounts receivable	124,938
<b>Total Assets</b>	<b>\$261,165,958</b>

**LIABILITIES, CAPITAL AND SURPLUS**

Claims unpaid	\$87,799,714
Accrued medical incentive pool and bonus amounts	3,200
Unpaid claims adjustment expenses	1,439,000
Aggregate health policy reserves	20,703,099
General expenses due or accrued	11,818,836
Current federal and foreign income tax payable and interest thereon	14,406,047
Liability for amounts held under uninsured plans	161,110
Aggregate write ins for other liabilities	593,796
<b>Total Liabilities</b>	<b>\$136,924,802</b>
Aggregate write-ins for special surplus funds	\$24,466,469
Common capital stock	1,000
Gross paid in and contributed surplus	259,584,203
Unassigned funds (surplus)	(159,810,516)
<b>Surplus as regards policyholders</b>	<b>\$124,241,156</b>
<b>Total liabilities and surplus</b>	<b>\$261,165,958</b>

**STATEMENT OF REVENUE AND EXPENSES  
FOR YEAR ENDED DECEMBER 31, 2017**

Member months	3,218,644
 <b>Revenues</b>	
Net premium income	\$1,251,342,599
Total Revenue	\$1,251,342,599
 <b>Expenses</b>	
Hospital/medical benefits	\$598,984,130
Other professional services	206,525,927
Emergency room and out-of-area	101,222,961
Prescription drugs	233,783,590
Incentive pool, withhold adjustments and bonus amounts	3,500
Net reinsurance recoveries	(785,196)
Total hospital and medical	\$1,141,305,304
 Claims adjustment expenses	 \$13,189,445
General administrative expenses	157,912,556
Increase in reserves for life and accident and health contracts	349,497
Total underwriting deductions	\$1,312,756,802
 Net underwriting gain or (loss)	 (\$61,414,204)
 Net investment income earned	 \$1,725,748
Net realized capital gains (losses)	12,006
Net investment gain (losses)	\$1,737,754
 Net income or (loss) after capital gains and before income tax	 (\$59,676,450)
Federal and foreign income taxes incurred	(20,449,782)
<b>Net Income (loss)</b>	<b>(\$39,226,668)</b>



**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2017**

	2017	2016	2015	2014	2013
Capital and Surplus, December 31, prior year	\$85,059,680	\$56,194,622	\$61,141,378	\$36,345,676	\$19,273,039
Net Income	(39,226,668)	(43,332,119)	(28,834,560)	(14,948,966)	(10,076,118)
Change in net unrealized capital gains (losses)	2,567	(2,223)	-	-	-
Change in net deferred income tax	-	-	-	-	(2,563,008)
Change in non-admitted assets	(94,424)	(1,652,600)	(112,195)	(205,332)	4,211,763
Capital Changes – Paid in	-	-	-	-	-
Surplus adjustments – Paid in	78,500,000	73,852,000	23,999,999	39,950,000	25,500,000
Capital and Surplus, December 31, current year	\$124,241,156	\$85,059,680	\$56,194,622	\$61,141,378	\$36,345,676

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2017**

As a result of this examination, there have been no changes made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2017 annual statement as filed with the MID. The capital and surplus reported by the Company of \$124,241,156 is accepted as reasonably stated for purposes of the balance sheet per the examination. The Company's net worth, as determined by the examination, was in compliance with Miss. Code Ann. § 83-41-325(2).

## **MARKET CONDUCT ACTIVITIES**

A full scope market conduct examination was not performed, however, specific areas of the Company's market conduct activities were reviewed. The specific areas reviewed included those items indicated below.

### **Privacy**

As part of our testing, the Company's policies, practices and procedures regarding protection and disclosure of nonpublic personal information were reviewed to verify compliance with applicable state laws regarding privacy. The Company had a privacy policy in place for the protection of its policyholders. No material concerns were noted during the course of our testing regarding the Company's privacy policy.

### **Claims Handling**

It was determined that a limited claims review was necessary due to the fact that the coordinated financial examination covered claims handling for all lines of business. No issues were noted related to the Company's policies, practices and procedures regarding claims administration.

### **Complaint Handling**

No issues were noted related to the Company's policies, practices and procedures regarding complaint handling.

### **Network Adequacy**

As part of our testing, the network adequacy policies and procedures that apply to the Company were reviewed. Performance against the established standards is measured and evaluated by the Company on an annual basis. No issues were noted related to the Company's policies, practices and procedures regarding network adequacy.

### **Grievances**

As part of our testing, the Company's policies and procedures for handling first-level review of grievances involving an adverse determination, grievances not involving an adverse determination, and grievances from covered persons, or authorized representatives, were reviewed pursuant to applicable state statutes, rules and regulations. No issues were noted related to the Company's policies, practices and procedures regarding grievances.

### **Provider Credentialing**

Based upon procedures performed during the course of the examination, the Company appeared to have the appropriate provider credentialing process. No exceptions were noted during the course of our testing regarding the Company's provider credentialing.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, 2017, the Company was involved as a defendant in various litigation matters arising during normal business activities. Although the outcome of such legal actions cannot be predicted, in the opinion of management, the resolution of any currently pending or threatened actions should not have a material adverse effect on the surplus of the Company.

## **SUBSEQUENT EVENTS**

The Company is subject to an annual fee under section 9010 of the ACA. A health insurance company's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. The annual fee under section 9010 of the ACA was suspended for 2017, resumed for 2018, and was suspended again for 2019.

Effective December 31, 2018, the Company received a capital contribution of \$35 million from its ultimate parent, Centene Corporation. Effective March 31, 2019, the Company received a capital contribution of \$24 million from its ultimate parent, Centene Corporation.

Tessie Smith became a Director of Magnolia Health Plan, Inc. during the third quarter 2018.

## **COMMENTS AND RECOMMENDATIONS**

The examination did not identify any material comments and/or recommendations deemed appropriate for inclusion in the examination report.

## ACKNOWLEDGMENT

The examiners representing the Mississippi Insurance Department and participating in this examination were:

Examiner-in-charge: David Palmer, CFE

Examiner: Ryne Davison, CFE

Examiner: Justin Parr, AFE

Examiner: Jessica Lynch

Supervising Examiner: Katerina Bolbas, CFE

Department Designee: Mark Cooley, CFE

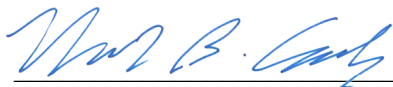
The courteous cooperation of the officers and employees responsible for assisting in the examination is hereby acknowledged and appreciated.

Respectfully submitted,



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David Palmer, CFE  
Examiner-in-charge



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Mark Cooley, CFE  
Mississippi Insurance Department Designee