

**EXAMINATION REPORT
of
HEALTHKEEPERS, INC.
Richmond, Virginia
as of
December 31, 2022**

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of HealthKeepers, Incorporated as of December 31, 2022, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 25th day of June 2024

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
May 15, 2024

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by the authority of Section 38.2-4315 of the Code of Virginia, an examination of the financial condition, records and affairs of

HEALTHKEEPERS, INC.
Richmond, Virginia

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Corporation was made by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the five-year period from January 1, 2018 through December 31, 2022.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation 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 coordinated examination of the Elevance Health Group, of which the Corporation is a member, was led by the Indiana Insurance Department. The Bureau and twenty-six other State Insurance Departments participated in the group examination. (Group exam #671-2022-1)

All accounts and activities of the Corporation 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.

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 Corporation.

HISTORY

The Corporation became licensed in Virginia as a health maintenance organization (HMO) pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on June 12, 1986. The Corporation was incorporated in the Commonwealth of Virginia on April 8, 1985 as a not-for-profit stock corporation by Blue Cross and Blue Shield of Southwestern Virginia. On February 11, 1986, Blue Cross and Blue Shield of Southwestern Virginia transferred all the stock of the Corporation to Blue Cross and Blue Shield of Virginia. On February 12, 1986, the Corporation amended its Articles of Incorporation to become a for-profit entity. On July 15, 1987, the corporate structure was reorganized and ownership of the Corporation was transferred to Healthcare Support Corporation (HSC).

Effective November 1, 1997, HMO Virginia, Inc. (HMOVA), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective July 1, 1998, HSC and Trigon Administrators, Inc. (Trigon Administrators) merged, with Trigon Administrators remaining as the surviving entity and owner of the Corporation. Effective November 1, 1998, Physicians Health Plan, Inc. (PHP), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. Effective March 31, 2001, Trigon Administrators was sold and the outstanding shares of the Corporation were distributed to Trigon Healthcare, Inc. (Trigon Healthcare)

On July 31, 2002, Trigon Healthcare and Anthem, Inc., a publicly traded company incorporated in Indiana, completed a merger in which Trigon Healthcare was merged into a wholly-owned subsidiary of Anthem, Inc. (Anthem) that subsequently changed its name to Anthem Southeast, Inc. (Anthem Southeast). The Corporation became a wholly-owned subsidiary of Anthem Southeast.

On November 30, 2004, Anthem, the Corporation's ultimate Parent, and WellPoint Health Networks, Inc. (WellPoint Health Networks) completed a merger in which WellPoint Health Networks and all WellPoint subsidiaries merged with and into Anthem Holding Corp., a direct and wholly-owned subsidiary of Anthem with Anthem Holding Corp. as the surviving entity in the merger. In connection with the merger, Anthem amended its articles of incorporation to change its name to WellPoint, Inc. (WellPoint)

Effective January 1, 2006, UNICARE Health Plan of Virginia, Inc. (UNICARE Health Plan), an affiliated HMO, and the Corporation merged, with the Corporation remaining as the surviving entity. As a result of the merger, UNICARE National Services, Inc. (UNICARE National), UNICARE Health Plan's parent company, received 25 shares of the Corporation's common stock which was commensurate with the fair value of UNICARE Health Plan at the date of merger. Prior to the merger the Corporation was a wholly-owned subsidiary of Anthem Southeast. After the merger, the Corporation was 88.89% owned by Anthem Southeast and 11.11% owned by UNICARE National.

Effective October 1, 2010, Peninsula Health Care, Inc. (Peninsula) and Priority Health Care, Inc. (Priority), affiliated HMOs, and the Corporation merged. As a result of the merger, Anthem Southeast, Peninsula's and Priority's parent company, received 108.7 shares of the Corporation's common stock which was commensurate with the fair value of Peninsula and Priority at the date of merger.

Effective December 2, 2014, WellPoint, Inc. changed its name to Anthem, Inc. Effective June 27, 2022, Anthem, Inc. changed its name to Elevance Health, Inc. (Elevance). At December 31, 2022, the Corporation was 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National.

CAPITAL AND SURPLUS

At December 31, 2022, the Corporation's capital and surplus was \$1,329,555,325. According to the Articles of Incorporation, the Corporation has the authority to issue 10,000 shares of common stock with a par value of \$5 per share. At December 31, 2022, 333.7 shares were outstanding, with gross paid in and contributed surplus of \$88,560,321 and unassigned funds (surplus) of \$1,240,993,335.

CAPITAL AND SURPLUS REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-211-30 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Section 38.2-4307.1 C states that a statement of covered and uncovered expenses shall not be required for any HMO that reports capital and surplus of at least \$4,500,000 on its most recent annual or quarterly financial statement. At December 31, 2022, the Corporation reported capital and surplus greater than \$4,500,000 and was not required to file a statement of covered and uncovered expenses.

MANAGEMENT AND CONTROL

The bylaws of the Corporation provide that the affairs of the Corporation shall be managed by a board of not fewer than three and not more than six directors. A majority of the directors shall constitute a quorum for the transaction of business. The bylaws also provide that the board may designate two directors to constitute an Executive Committee. The Executive Committee shall have and may exercise all the authority of the board of directors except to approve an amendment of the bylaws of the Corporation or plan of merger or consolidation. Additionally, the Executive Committee may designate any other committees as may be deemed desirable.

The officers of the Corporation shall consist of a Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers as the Board of Directors may from time to time deem necessary. The Chairman of the Board shall preside at all meetings of the Board and of the Executive Committee. The President shall be the Chief Operating Officer and shall have general supervision and control of the other officers of the Corporation. At December 31, 2022, the Board of Directors and the Officers of the Corporation were as follows:

<u>Directors</u>	<u>Principal Occupation</u>
Jennifer A. Dewane	Vice President and Counsel Elevance Health, Inc. Williamston, Michigan
Jennie L. Reynolds	President, Medicaid HealthKeepers, Inc. Richmond, Virginia

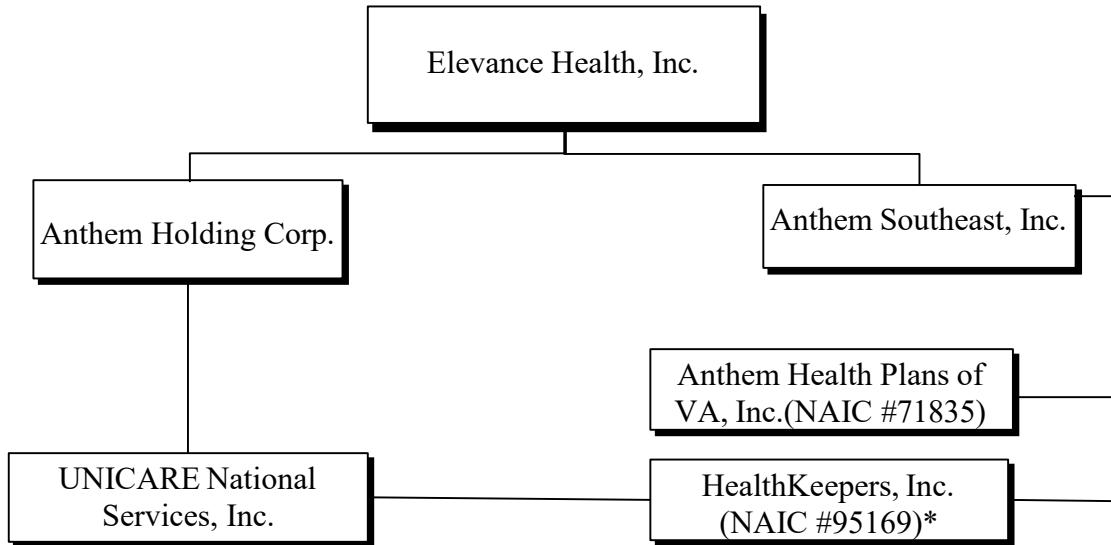
At December 31, 2022, there was one vacancy on the Board of Directors which was filled in April 2023 (see the Subsequent Events section of this report).

Officers

Kurt C. Small	Acting President
Jennie L. Reynolds	Vice President and Medicaid Plan President
Kathleen S. Kiefer	Secretary
Sidney O. Hunt	Assistant Secretary
Vincent E. Scher	Treasurer
Eric K. Noble	Assistant Treasurer

AFFILIATED COMPANIES

At December 31, 2022, the Corporation is 92.51% owned by Anthem Southeast and 7.49% owned by UNICARE National. Both Anthem Southeast and UNICARE National are wholly-owned subsidiaries of Elevance. By virtue of this ownership, the Corporation is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following chart summarizes the Corporation's relationship within the holding company system:



* HealthKeepers, Inc. is 92.51% owned by Anthem Southeast, Inc. and 7.49% owned by UNICARE National Services, Inc.

TRANSACTIONS WITH AFFILIATES

Master Administrative Services Agreement

Effective January 1, 2006, the Corporation entered into a Master Administrative Services Agreement with Elevance, and its subsidiaries and affiliates. According to the agreement, each affiliate a party to the agreement may provide certain administrative, consulting and support services to another affiliate upon request. The affiliate rendering services shall be reimbursed for the direct and indirect costs and expenses incurred in providing such services and reimbursement is due within 30 days upon receipt of a statement for the services rendered. The term of the agreement is one year and shall be automatically renewed for additional one-year periods unless terminated upon 90 days written notice. The Corporation incurred \$534,263,828 in fees related to the agreement in 2022.

Consolidated Federal Income Tax Agreement

Effective December 31, 2005, the Corporation became a party to a Consolidated Federal Income Tax Agreement with Elevance and selected subsidiaries. The agreement establishes methods for allocating the consolidated federal income tax liability of the consolidated group among its members, for reimbursing Elevance for payment of such tax liability, for compensating any member for use of its tax losses or tax credits and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits for subsequent taxable years. For each consolidated federal return year, each member shall pay Elevance an amount equal to the federal income tax payments it would incur if it were filing a separate federal income tax return. Such payments shall be made to Elevance no later than 30 days after these payments would be due to the federal government if the subsidiary were filing a separate return. For each consolidated federal return year, Elevance shall pay each member an amount equal to the reduction in the federal income tax liability of the consolidated group, if any, resulting from the use in any taxable year of tax benefits attributable to such member, including the use of net operating losses or tax credits. In the event of a refund, Elevance shall pay each member its proportional share within 30 days after the refund is received. Tax expenses for the Corporation were \$120,894,970 in 2022.

Cash Concentration Agreement

Effective April 1, 2010, the Corporation entered into a Cash Concentration Agreement with Elevance and its direct or indirect affiliates whereby Elevance and certain affiliates are designated Cash Managers to handle the receipt and/or disbursement of funds on behalf of one or more affiliates. When a Cash Manager receives funds on behalf of an affiliate, an intercompany payable to the affiliate is established. When a Cash Manager

disburses funds on behalf of an affiliate, an intercompany receivable from the affiliate is established. All resulting intercompany payables and receivables shall be settled within 30 days unless the parties mutually agree to settlement at a later date no later than 90 days after the intercompany payable or receivable was established. The Cash Manager shall be reimbursed monthly for all direct and indirect allocable costs it incurs in its capacity as Cash Manager.

Excess Medical Stop Loss Agreement

Effective January 1, 2000, the Corporation entered into an Excess Medical Stop Loss Agreement with AHPVA. Pursuant to the agreement, AHPVA shall reimburse the Corporation 100% of the losses paid during the annual twelve-month policy period ending December 31 in excess of the deductibles specified within the agreement.

For the purposes of this policy, losses are defined as amounts that are actually paid by the Corporation for medical expenses covered under the contract; in settlement of claims for medical expenses covered under the contracts; or in satisfaction of judgments for medical expenses covered under the contracts. Medical expenses are defined as covered charges for inpatient services rendered by hospitals, rehabilitation and skilled nursing facilities to persons enrolled under contracts and transplant services fees charged by transplant service providers. For hospital, rehabilitation, skilled nursing facility or transplant services expenses, each expense shall be deemed to be incurred upon the date of admission to the hospital, rehabilitation or skilled nursing facility.

This agreement contains a provision that requires the Corporation to pay AHPVA up to a maximum of 30% of the initial premium in the event that the paid losses exceed 85% of the initial premium. Conversely, AHPVA is required to return to the Corporation up to 30% of the initial premium when paid losses are less than 85% of the initial premium.

The maximum lifetime excess insurance indemnity payable under this agreement for any one member shall not exceed \$2,000,000. The agreement includes a continuation of coverage clause and a benefits conversion clause in the event of the Corporation's insolvency. Premiums and claims ceded to AHPVA related to this agreement during 2022 were \$20,678,284 and \$10,462,791, respectively.

Master Services Agreement

Effective January 1, 2021, the Corporation entered into a Master Services Agreement with Beacon Health Strategies, LLC (BHS) and its affiliate Beacon Health Options, Inc. (BHO). Per the agreement, BHS or an affiliate will provide administrative, management, utilization review and/or other behavioral health and related services in connection with mental health and substance abuse services. These services include but

are not limited to; clinical and case management services, behavioral health services, administrative services, provider networking, claims processing, telephone access and triage services, quality management services, and management of information system and data transfer services. For these services the Corporation incurred \$27,004,265 in fees in 2022.

Health Care Services Agreement

Effective June 1, 2012 the Corporation entered into a services agreement with CareMore, LLC (CM) an affiliate primary care provider licensed in Indiana. Per the agreement CM will provide certain healthcare and benefit administration services related to the Medicare Advantage line of business. These services include but are not limited to, primary care physician services, diagnostic services, prescription drug services, outpatient surgery, emergency and urgent care services, vision and dental services, and ambulance services. As compensation, the Corporation agrees to pay CM 100% of the Centers for Medicare and Medicaid Services revenue as a capitation fee. For these services the Corporation incurred \$57,907,917 in fees in 2022.

Solvency Guarantee Agreement

The Corporation's performance, obligations, and solvency are guaranteed by AHPVA through a solvency guarantee agreement that was originally entered into effective April 9, 1986. This agreement remains in effect unless and until reasonable prior written notice has been given by either party to the other and the Commissioner of Insurance of the Commonwealth of Virginia has granted prior approval for such termination.

This solvency guarantee agreement was amended September 1, 1987 to include AHPVA's agreement that in the event the Corporation shall cease operations for any reason, AHPVA coverage will be offered to all of the Corporation's members without exclusions, limitations, or conditions based on health reasons.

Dividends to Stockholders

The Corporation paid ordinary cash dividends of \$183,400,000, \$75,000,000 and \$350,000,000 in 2018, 2019 and 2020, respectively. On August 25, 2021, the Bureau approved the Corporation's request to pay an extraordinary dividend of \$200,000,000 and the Corporation paid the dividend on September 8, 2021. The Corporation paid ordinary cash dividends of \$300,000,000 in 2022. The dividends were paid to Anthem Southeast and UNICARE National in proportion to their ownership interests.

TERRITORY AND PLAN OF OPERATION

At December 31, 2022, the Corporation's service area, as reported in its 2022 Annual Statement, was the entire state of Virginia except for the city of Fairfax, the town of Vienna, and east of State Route 123. The Medicare service area also includes the entire state of Indiana except for the county of Greene. The Missouri Medicare service areas include the counties of Audrain, Barry, Barton, Bollinger, Boone, Buchanan, Butler, Callaway, Cape Girardeau, Cass, Cedar, Christian, Clay, Cole, Cooper, Crawford, Dade, Dallas, Dent, Douglas, Dunklin, Franklin, Gasconade, Greene, Hickory, Holt, Howard, Howell, Iron, Jackson, Jasper, Jefferson, Laclede, Lawrence, Lincoln, McDonald, Madison, Mercer, Moniteau, Montgomery, Newton, Osage, Ozark, Perry, Pike, Platte, Polk, Randolph, Reynolds, Ripley, St. Charles, Ste. Genevieve, St. Francois, St. Louis, Shannon, Stoddard, Stone, Taney, Warren, Washington, Webster, Wright, and St. Louis City.

Medical services are provided by a comprehensive network of physicians and hospitals within the Corporation's service area. Physicians include primary care physicians (PCPs) and specialists. Some products only offer in-network care, except for urgent and emergency services. Others offer a point of service option, which allows a member to receive services from outside of the Corporation's participating network of providers.

At December 31, 2022, the Corporation had a contract with the Virginia Department of Medical Assistance Services to administer coverage to Medicaid enrollees which comprised 45% of its premium revenue in 2022.

PROVIDER AGREEMENTS

Medical Services

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to enrollees. The Corporation compensates participating physicians either on a capitated basis or a fee-for-service arrangement. Additionally, PCPs participate in an incentive program based on qualitative measures such as quality of care, as well as service and resource management.

Hospital Care

The Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its enrollees. The Corporation compensates participating hospitals on either a case/admission rate basis or a per diem rate basis.

Other Health Care Services

The Corporation has entered into various ancillary service agreements. These agreements provide mental health services, pharmacy services, home health care, physical therapy, durable medical equipment and other related covered health care services. Compensation is based on arrangements set forth in each contract.

CONTRACT FORMS

Group Contracts

The group contracts generally cover the following services provided by PCPs, specialty care physicians, and other participating providers:

1. Primary care physician services
2. Specialist physician services
3. Hospital services
4. Early intervention services
5. Diagnostic services
6. Maternity care services
7. Skilled nursing facilities services
8. Hospice care services
9. Mental health and substance abuse services
10. Home health care services
11. Durable medical equipment
12. Prescription drug services
13. Therapy services
14. Wellness services
15. Emergency and urgent care services
16. Ambulance services

Exclusions apply and may include benefits related to a non-covered service, such as cosmetic procedures and experimental procedures. These are general summaries of coverages and exclusions and the provisions in each individual group contract may vary.

GROWTH OF THE CORPORATION

The following data is representative of the growth of the Corporation for the ten-year period ending December 31, 2022. The data is compiled from the Corporation's filed Annual Statements, previous examination reports, and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total Liabilities	Capital And <u>Surplus</u>
2013	\$490,843,419	\$241,617,559	\$249,225,860
2014	716,851,354	435,379,210	281,472,144
2015	896,504,139	555,779,391	340,724,748
2016	1,132,859,369	690,182,660	442,676,709
2017	1,188,233,249	593,167,179	595,066,070
2018	1,234,616,735	667,745,102	566,871,633
2019	1,906,729,019	1,002,427,970	904,301,049
2020	2,531,293,838	1,642,611,690	888,682,148
2021	2,992,840,033	1,690,210,149	1,302,629,884
2022	3,259,784,860	1,930,229,535	1,329,555,325

<u>Year</u>	Total Revenue	Net Investment <u>Gain</u>	Medical & Hospital <u>Expenses</u>	Administrative <u>Expenses</u>	Pre-Tax <u>Income</u>
2013	\$1,658,651,374	\$11,020,804	\$1,437,253,507	\$122,433,324	\$109,985,347
2014	2,081,395,594	6,057,907	1,718,478,318	248,688,873	120,286,310
2015	2,806,094,662	1,456,658	2,331,096,098	360,819,332	115,635,890
2016	3,120,525,925	11,827,702	2,576,414,027	346,144,954	209,794,646
2017	3,460,652,608	14,880,945	2,848,388,252	336,811,417	290,333,884
2018	3,484,855,688	4,835,701	2,897,434,302	390,639,796	201,617,291
2019	5,161,080,676	34,414,035	4,194,369,815	507,240,167	493,884,729
2020	6,163,810,780	27,312,701	4,970,213,189	767,547,531	453,362,761
2021	7,377,667,696	32,169,464	6,017,130,427	741,793,311	650,913,422
2022	8,589,977,340	123,970,087	7,427,913,202	789,611,893	496,422,332

The Corporation's enrollment data at year-end is illustrated as follows:

<u>Year</u>	Number of <u>Members</u>
2013	423,977
2014	536,354
2015	629,111
2016	632,321
2017	669,975
2018	532,548
2019	707,600
2020	849,108
2021	981,844
2022	1,059,376

SPECIAL RESERVES AND DEPOSITS

At December 31, 2022, the Bureau required that the Corporation maintain a minimum of \$5,553,059 on deposit with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2022. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2022.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$1,801,155,003		\$1,801,155,003
Common stocks	2,421,643		2,421,643
Cash, cash equivalents and short-term investments	26,223,328		26,223,328
Derivatives	1,688		1,688
Other invested assets	575,298,512		575,298,512
Receivables for securities	343,778		343,778
Securities lending reinvested collateral assets	<u>66,164,653</u>		<u>66,164,653</u>
Subtotals, cash and invested assets	\$2,471,608,605	\$0	\$2,471,608,605
Investment income due and accrued	12,289,023	7,906	12,281,117
Uncollected premiums and agents' balances in the course of collection	513,024,146	5,194,853	507,829,293
Deferred premiums, agents' balances and installments booked but deferred and not yet due	28,925		28,925
Accrued retrospective premiums and contracts subject to redetermination	109,305,889		109,305,889
Amounts recoverable from reinsurers	1,518,051		1,518,051
Other amounts receivable under reinsurance contracts	6,420,777		6,420,777
Amounts receivable relating to uninsured plans	98,196,889	826,128	97,370,761
Current income tax recoverable and interest thereon	7,751,794		7,751,794
Health care and other amounts receivable	111,317,464	65,648,154	45,669,310
Aggregate write-ins for other than invested assets	<u>5,265,591</u>	<u>5,265,253</u>	<u>338</u>
Total assets	<u>\$3,336,727,154</u>	<u>\$76,942,294</u>	<u>\$3,259,784,860</u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$751,055,451	\$54,798,037	\$805,853,488
Accrued medical incentive pool and bonus amounts	57,866,656		57,866,656
Unpaid claims adjustment expenses		22,521,806	22,521,806
Aggregate health policy reserves		530,439,190	530,439,190
Aggregate health claim reserves		2,358,649	2,358,649
Premiums received in advance		16,193,320	16,193,320
General expenses due or accrued		38,279,011	38,279,011
Net deferred tax liability		13,298,161	13,298,161
Ceded reinsurance premiums payable		2,239,254	2,239,254
Amounts withheld or retained for the account of others		367,964	367,964
Remittance and items not allocated		131,404,986	131,404,986
Amounts due to parent, subsidiaries and affiliates		171,445,596	171,445,596
Payable for securities		4,459,772	4,459,772
Payable for securities lending		66,164,653	66,164,653
Liability for amounts held under uninsured plans		50,181,221	50,181,221
Aggregate write-ins for other liabilities	<u>17,155,808</u>	<u>17,155,808</u>	<u>17,155,808</u>
Total liabilities	<u>\$808,922,107</u>	<u>\$1,121,307,428</u>	<u>\$1,930,229,535</u>
Common capital stock			\$1,669
Gross paid in and contributed surplus			88,560,321
Unassigned funds (surplus)			<u>1,240,993,335</u>
Total capital and surplus			<u>\$1,329,555,325</u>
Total liabilities, capital and surplus			<u>\$3,259,784,860</u>

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Net premium income	XXX	\$8,687,542,747
Change in unearned premium reserves and reserve for rate credits	XXX	(97,565,407)
Total revenues	XXX	<u>\$8,589,977,340</u>
Hospital and Medical		
Hospital/medical benefits	\$375,678,741	\$4,666,816,660
Other professional services	74,960,282	931,183,629
Emergency room and out-of-area	60,426,977	649,752,437
Prescription drugs	76,924,252	1,131,239,006
Aggregate write-ins for other hospital and medical	7,537	691,458
Incentive pool, withhold adjustments and bonus amounts		<u>66,632,170</u>
Subtotal	\$587,997,789	<u>\$7,446,315,360</u>
Less:		
Net reinsurance recoveries	18,402,158	<u>18,402,158</u>
Total hospital and medical	\$569,595,631	<u>\$7,427,913,202</u>
Claims adjustment expenses	345,015,531	345,015,531
General administrative expenses	442,513,901	<u>442,513,901</u>
Total underwriting deductions	<u>\$1,357,125,063</u>	<u>\$8,215,442,634</u>
Net underwriting gain	XXX	<u>\$374,534,706</u>
Net investment income earned	\$146,655,771	\$146,655,771
Net realized capital gains or (losses)	(22,685,684)	<u>(22,685,684)</u>
Net investment gains	XXX	<u>\$123,970,087</u>
Net loss from agents' or premium balances charged off	XXX	(\$1,474,159)
Aggregate write-ins for other income or expenses	XXX	<u>(\$608,302)</u>
Net income before federal income taxes	XXX	\$496,422,332
Federal income taxes incurred	XXX	<u>62,612,889</u>
Net income	XXX	<u>\$433,809,443</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Capital and surplus prior reporting year	<u>\$595,066,070</u>	<u>\$566,871,633</u>	<u>\$904,301,049</u>	<u>\$888,682,148</u>	<u>\$1,302,629,884</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS					
Net income	\$146,778,850	\$395,505,743	\$333,253,034	\$488,291,833	\$433,809,443
Change in net unrealized capital gains and (losses)	16,314,457	22,354,730	3,825,270	109,307,510	(53,792,122)
Change in net deferred income tax	3,233,030	(134,571)	6,679,814	28,131,348	(36,189,538)
Change in nonadmitted assets	(2,404,633)	(5,296,486)	(9,377,019)	(11,782,955)	(16,902,342)
Change in surplus notes	(8,716,141)	0	0	0	0
Dividends to stockholders	<u>(183,400,000)</u>	<u>(75,000,000)</u>	<u>(350,000,000)</u>	<u>(200,000,000)</u>	<u>(300,000,000)</u>
Net change in capital and surplus	<u>(\$28,194,437)</u>	<u>\$337,429,416</u>	<u>(\$15,618,901)</u>	<u>\$413,947,736</u>	<u>\$26,925,441</u>
Capital and surplus end of reporting year	<u>\$566,871,633</u>	<u>\$904,301,049</u>	<u>\$888,682,148</u>	<u>\$1,302,629,884</u>	<u>\$1,329,555,325</u>

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	\$8,604,759,879
Net investment income	153,442,813
Total	<u>\$8,758,202,692</u>
Benefit and loss related payments	\$7,337,933,328
Commissions, expenses paid and aggregate write-ins	
for deductions	768,201,259
Federal income taxes paid	98,213,009
Total	<u>\$8,204,347,596</u>
Net cash from operations	<u>\$553,855,096</u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$291,744,017
Stocks	18,144,790
Other invested assets	46,807,987
Net losses on cash, cash equivalents and short-term investments	(932,754)
Miscellaneous proceeds	356,053
Total investment proceeds	<u>\$356,120,093</u>
Cost of investments acquired (long-term only):	
Bonds	\$543,062,023
Stocks	980,502
Other invested assets	130,156,911
Miscellaneous applications	29,962,203
Total investment acquired	<u>\$704,161,639</u>
Net cash from investments	<u>(\$348,041,546)</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Dividends to stockholders	(\$300,000,000)
Other cash applied	79,186,918
Net cash from financing and miscellaneous sources	<u>(\$220,813,082)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash, cash equivalents and short-term investments	(\$14,999,532)
Cash, cash equivalents and short-term investments:	
Beginning of the year	41,222,860
End of the year	<u>\$26,223,328</u>

SUBSEQUENT EVENTS

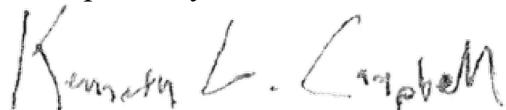
On April 10, 2023, Monica L. Schmude was elected a member of the Board of Directors and President of the Corporation replacing acting President Kurt C. Small. Ms. Schmude was also elected Chairman of the Board.

On April 10, 2023, the Corporation paid an ordinary dividend of \$300,000,000. On September 21, 2023, the Corporation paid an ordinary dividend of \$100,000,000. On April 11, 2024, the Corporation paid an ordinary dividend of \$278,400,000. The dividends were paid to Anthem Southeast and Unicare National in proportion to their ownership interests.

ACKNOWLEDGEMENT

The courteous cooperation extended by the officers and employees of the Corporation during the examination is gratefully acknowledged. In addition to the undersigned, other individuals from the financial examination staff of the Bureau participated in the work of the examination.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner
Commonwealth of Virginia



Dan Wolke
Elevance Health, Inc.
220 Virginia Avenue
Indianapolis, IN 46204

June 21, 2024

Ms. Jennifer K. Blizzard, MBA, CFE, AIAF, AIM, PIR
Chief Examiner

Re: Examination Report as of December 31, 2022

We acknowledge receipt and accept the final version of the HealthKeepers, Inc. 2022 financial examination report.

Very truly yours,

DocuSigned by:

Dan Wolke

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Dan Wolke
Assistant Controller