



# **Mississippi Insurance Department**

**Report of Examination**

**of**

**SHARED HEALTH MISSISSIPPI, INC.**

**as of**

**December 31, 2021**

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

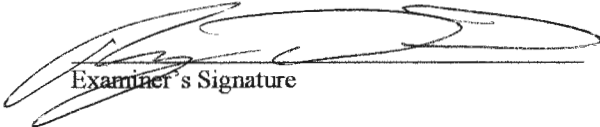
State of Mississippi

County of Rankin

Ryne Davison being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Shared Health Mississippi, Inc. as of December 31, 2021.
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 Shared Health Mississippi, 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 Ryne Davison on this 20th day of June 20 23.

(SEAL)

Keosha S. Logan  
Notary Public



My commission expires April 22, 2027 [date].



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

**MARK HAIRE**  
Deputy Commissioner of

**MISSISSIPPI INSURANCE DEPARTMENT**

501 N. WEST STREET, SUITE 1001  
WOOLFOLK BUILDING  
JACKSON, MISSISSIPPI 39201  
www.mid.ms.gov

MAILING ADDRESS  
Post Office Box 79  
Jackson, MS 39205-0079  
TELEPHONE: (601) 359-3569  
FAX: (601) 576-2568

April 28, 2023

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, 2021, of the affairs and financial condition of:

**SHARED HEALTH MISSISSIPPI, INC.**

7716 Old Canton Road, Suite C  
Madison, MS 39110

License #	NAIC Group #	NAIC #	FEETS#	MATS#
1900019	3498	16708	16708-MS-2021-12	N/A

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

## **SCOPE OF EXAMINATION**

We have performed a full scope, single state risk-focused financial examination of Shared Health Mississippi, Inc. (“Company”). This examination covers the period June 19, 2019, through December 31, 2021.

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**

This is the first examination of the Company and therefore, there was no previous examination report.

## **HISTORY OF THE COMPANY**

Shared Health Mississippi Inc. was incorporated on June 20, 2019, and approved for licensure as a Health Maintenance Organization on January 6, 2020. The Company is a subsidiary of Southern Diversified Business Services, Inc. (“SDBS”), which is a wholly owned subsidiary of Blue Cross Blue Shield Tennessee, Inc. (“BCBSTN”). SDBS owns 95% of the Company and is the majority shareholder. The remaining 5% ownership is held by Health Tech Affiliates, Inc., an affiliate of Baptist Memorial Health Care Systems, Inc.

The authorized stock of the Company at the time of incorporation was 1,000 shares of common stock; par value \$1 per share. The Company filed amended articles of incorporation that were approved June 15, 2020 amending the total number of shares of all classes of stock which the Company shall have authority to issue is (i) 20,000 shares of common stock; par value \$1 per share and (ii) 2,000 shares of preferred stock; par value \$1 per share. At December 31, 2021, the Company had 20,000 shares of common stock authorized of which 100 were issued and outstanding to its immediate parent, SDBS; and 2,000 shares of preferred stock authorized of which 500 were issued and outstanding to its minority shareholder Health Tech Affiliates, Inc.

## **CORPORATE RECORDS**

The minutes of the meetings of 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, and principal occupation, at December 31, 2021, were as follows:

Name and Residence	Principal Occupation
Scott Christian Pierce, Chairperson Chattanooga, Tennessee	Chief Operating Officer Blue Cross Blue Shield Tennessee, Inc.
David Raines Elliott Memphis, Tennessee	Chief Operating Officer Baptist Memorial Health Care Corporation
John Francis Giblin Chattanooga, Tennessee	Chief Financial Officer Blue Cross Blue Shield Tennessee, Inc.
Joseph Todd Ray Chattanooga, Tennessee	Senior Vice President Blue Cross Blue Shield Tennessee, Inc.

### **Committees**

Pursuant to Section 14 of the Model Audit Rule, the Company designated the BCBSTN’s Audit Committee to be the Audit Committee for the Company. The following members served on the

Audit Committee at December 31, 2021:

<b>Audit Committee</b>
Herbert Hilliard, Chair
Michael Brookshire
Reginald Coopwood
Lottie Ryans

The Company also shared the following committees with its ultimate parent, BCBSTN. On December 31, 2021, the standing committees of the Board and respective committee members were as follows:

<b>Audit Committee</b>	<b>Governance &amp; Nominating Committee</b>	<b>Public Policy Committee</b>
Herbert Hilliard, Chair	Bruce Bosse, Chair	Lottie Ryans, Chair
Michael Brookshire	Michael Brookshire	Reginald Coopwood
Reginald Coopwood	Jack McCallie	Darrell Freeman
Lottie Ryans	Lamar Partridge	Martha Wallen

<b>Executive Committee</b>	<b>Compensation Committee</b>	<b>Finance Committee</b>
Marty Dickens, Chair	Martha Wallen, Chair	Darrell Freeman
Emily Reynolds	Bruce Bosse	Miles Burdine
Bruce Bosse	Miles Burdine	Herbert Hillard
Darrell Freeman	Lamar Partridge	Jack McCallie
Herbert Hillard		
Lottie Ryans		
Martha Wallen		

## **Officers**

The following officers were duly elected by the Board and were serving as officers of the company, as of December 31, 2021:

<b>Name</b>	<b>Title</b>
John Robert Cole	President
Jill Anne Langston	Secretary
Erbon Dennis Culver	Treasurer
Mandy Holland Savage	Assistant Treasurer
Kristy Leanne White	Assistant Secretary



### **Conflict of Interest**

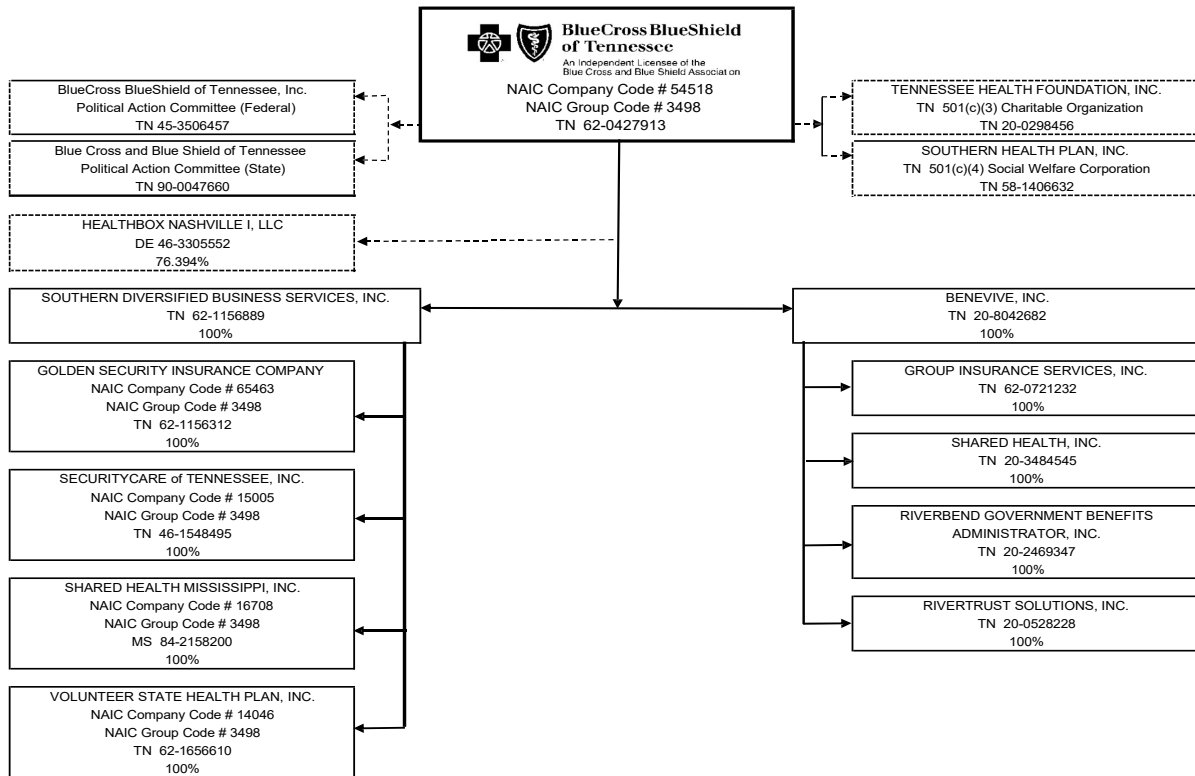
The Company has formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that is, or would likely be, a conflict with their official duties. These procedures were reviewed, and no conflicts or exceptions to the Company's 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, 2021, reflecting the holding company system, is shown below. Schedule Y of the Company's 2021 annual statement provided a list of all related companies of the holding company group.



## Parent and Affiliated Companies

The following is information concerning the Company’s parent and affiliates:

### Blue Cross Blue Shield Tennessee, Inc. (“BCBSTN”)

BCBSTN is a mutual benefit nonprofit corporation. BCBSTN primarily engaged in providing healthcare programs and financial service products to group health plans and individual customers. Healthcare products consist of preferred provider organizations, health maintenance organizations (“HMO”), and point-of-service products. BCBSTN provides indemnity health insurance coverage on a fully-insured basis and provides administrative services for self-funded group health plans.

### Southern Diversified Business Services, Inc. (“SDBS”)

SDBS is a wholly-owned, downstream, non-insurance holding company of BCBSTN that was incorporated on July 9, 1982. SDBS owns hundred percent (100%) of the for-profit corporations Volunteer State Health Plan, Inc. (“VSHP”), doing business as BlueCare Tennessee; Golden Security Insurance Company, doing business as BlueRe of Tennessee; SecurityCare of Tennessee, Inc. doing business as BlueChoice Tennessee; and Shared Health Mississippi, Inc.

### Volunteer State Health Plan, Inc. (VSHP)

VSHP is a for-profit wholly-owned subsidiary of SDBS. VSHP was incorporated on July 1, 1996. VSHP focuses on managing care and providing quality health care products, services, and

information for government programs. VSHP was organized to participate by contract with the State of Tennessee (the “State”) as a managed care organization in TennCare, the State’s Medicaid program. VSHP is a licensed HMO subject to regulation by the Tennessee Department of Commerce and Insurance, the Division of TennCare, and the Office of the Inspector General. VSHP is an independent licensee of the Blue Cross Blue Shield Association (“BCBSA”), an association of independent health benefit plans.

#### Golden Security Insurance Company (“GSIC”)

GSIC is a for-profit wholly owned subsidiary of SDBS. GSIC was incorporated on December 14, 1982. GSIC offers a portfolio of policies for specific and aggregate medical stop-loss coverage for the benefit of Tennessee businesses. GSIC is an independent licensee of the BCBSA.

#### SecurityCare of Tennessee, Inc. (“SCTN”)

SCTN is a for-profit wholly-owned subsidiary of SDBS. SCTN was incorporated on December 12, 2012. SCTN is an HMO that offers Medicare Advantage products within the State, as authorized by the Centers for Medicare and Medicaid Services. SCTN is an independent licensee of the BCBSA. SCTN did not offer policies for the 2018 and 2019 benefit years, and subsequently re-entered the Medicare market offering Chronic Condition Special Needs Plan policies in 2020.

#### BeneVive, Inc. (“BeneVive”)

BeneVive is a wholly-owned, downstream, non-insurance holding company of the BCBSTN. BeneVive was incorporated on November 13, 2006. The principal activity of BeneVive is holding stock of Group Insurance Services, Inc., Shared Health, Inc., RiverTrust Solutions, Inc., and Riverbend Government Benefits Administrator, Inc.

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

#### Administrative Services Agreement

Effective January 1, 2020, the Company entered into an Administrative Services Agreement with BCBSTN and Shared Health, Inc. whereby BCBSTN provides certain administrative functions, including, but not limited to, those surrounding the provision of medical coverage, managed behavioral health coverage, and pharmacy benefits, plus payroll processing, workers' compensation and liability insurance coverage, finance and strategic consulting, legal services, and information technology support.

#### Financial Guarantee Agreement

The Company has entered into a Financial Guarantee with BCBSTN whereby BCBSTN guarantees the contractual and financial obligations of the Company under the laws of the State of Mississippi with regard to capital, surplus, RBC and liquidity ratios.

## Tax Allocation Agreement

Effective December 2005, and restated effective August 31, 2021, BCBSTN, the Company, and other affiliates, directly and indirectly owned by BCBSTN, entered into a Consolidated Tax Allocation Agreement whereby this agreement sets forth that a consolidated income tax return will be filed on behalf of the subsidiaries, the payment and allocation of tax responsibilities amount the affiliated group, as well as other rights and responsibilities of the affiliates as specifically set forth.

## **FIDELITY BOND AND OTHER INSURANCE**

The Company was a named insured under a fidelity bond issued to the BCBSTN in the amount of \$10,000,000. The coverage exceeded the minimum amount of fidelity bond coverage recommended by the NAIC for these companies.

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

The Company's participation in defined benefit plans are included in services performed under the Administrative Services between BCBSTN and Shared Health, Inc.

## **TERRITORY AND PLAN OF OPERATION**

The Company began operations by offering its Dual Special Needs Plan (DSNP") program in the 2021 benefit year for eligible members in the state of Mississippi who qualify for both Medicare and Medicaid benefits as authorized by the Centers for Medicare and Medicaid Services ("CMS"). The Company provides managed care operations support to customers in Medicaid and Medicare Advantage and develops, implements and operates Medicare Advantage health plans. Premiums are paid by CMS for the benefit of eligible members and the Company participates in the CMS Risk Adjustment Processing System ("RAPS"). This is a method used by CMS to adjust bidding and payment to health plans based on demographics as well as the actual health status of the Company's members. RAPS is prospective, meaning diagnoses from the previous year and demographic information are used to predict future costs, and premium payments from CMS are adjusted as necessary.

## **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>2021</b>	<b>2020</b>	<b>2019</b>
Total admitted assets	\$16,632,240	\$2,063,568	\$2,968,271
Total liabilities	\$2,740,580	\$1,352,046	\$381,851
Total capital and surplus	\$13,621,660	\$711,522	\$2,586,420
Members enrolled	128	0	0
Total revenues	\$1,557,997	\$0	\$0
Net underwriting gain (loss)	(\$22,563,650)	(\$15,333,481)	(\$2,422,535)
Net Income	(\$17,821,077)	(\$12,106,354)	(\$1,913,580)

### **REINSURANCE**

The Company did not have any ceded or assumed reinsurance contracts during the examination period.

### **ACCOUNTS AND RECORDS**

The 2021 trial balance of the Company's accounts was 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.

Pursuant to Miss. Code Ann. §83-5-55, the Company is required to file an NAIC Health Maintenance Organization Annual Statement. The Company is also required to file risk-based capital (RBC) reports for each of its NAIC annual statement filings pursuant to Miss. Code Ann. §83-5-401 through § 83-5-427.

### **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 total statutory deposits as held at December 31, 2021:

<b><u>Description of Security</u></b>	<b><u>Par Value</u></b>	<b><u>Fair Value</u></b>
US Treasury Bond	\$500,000	\$507,969
Total	<u>\$500,000</u>	<u>\$507,969</u>

## **FINANCIAL STATEMENTS**

### **Introduction**

The financial statements consist of a Statement of Assets, Liabilities, Surplus and Other Funds as of December 31, 2021, a Statement of Revenue and Expenses for the year ended December 31, 2021, and a Reconciliation of Capital and Surplus for the examination period ended December 31, 2021.

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, 2021.

**STATEMENT OF ASSETS, LIABILITIES, SURPLUS AND OTHER FUNDS  
DECEMBER 31, 2021**

**ASSETS**

Bonds	\$497,292
Cash and cash equivalents	15,837,883
Investment income due and accrued	659
Uncollected premiums and agents balances	24,105
Accrued retrospective premiums	1,995
Health care and other amounts receivable	306
Total Assets	<u>\$16,362,240</u>

**LIABILITIES, SURPLUS AND OTHER FUNDS**

Claims unpaid	\$246,094
Unpaid claims adjustment expenses	8,852
General expenses due or accrued	888,669
Amounts due to parent, subsidiaries, and affiliates	1,434,405
Liability for amounts held under uninsured plans	162,560
Total Liabilities	<u>\$2,740,580</u>
Common capital stock	\$100
Preferred capital stock	500
Gross paid in and contributed surplus	48,499,400
Unassigned funds (surplus)	<u>(34,878,340)</u>
Surplus as regards policyholders	\$13,621,660
Total liabilities and surplus	\$16,362,240

**SUMMARY OF OPERATIONS  
FOR YEAR ENDED DECEMBER 31, 2021**

Member months	1,248
<b>Revenues</b>	
Net premium income	\$1,557,997
Total Revenue	<u>\$1,557,997</u>
<b>Expenses</b>	
Hospital/medical benefits	\$780,237
Other professional services	101,359
Emergency room and out-of-area	17,887
Prescription drugs	94,232
Net reinsurance recoveries	0
Total hospital and medical	<u>\$993,715</u>
Claims adjustment expenses	\$1,065,583
General administrative expenses	22,062,349
Total underwriting deductions	<u>\$24,121,647</u>
Net underwriting gain or (loss)	(\$22,563,650)
Net investment income earned	\$7,275
Net investment gain (losses)	<u>\$7,275</u>
Net income or (loss) after capital gains and before income tax	(\$22,556,375)
Federal and foreign income taxes incurred	<u>(4,735,298)</u>
<b>Net Income (loss)</b>	<b>(\$17,821,077)</b>



**RECONCILIATION OF CAPITAL AND SURPLUS  
FOR EXAMINATION PERIOD ENDED DECEMBER 31, 2021**

	2021	2020	2019
Capital and Surplus, December 31, prior year	\$711,522	\$2,586,420	\$0
Net Income	(17,821,077)	(12,106,354)	(1,913,580)
Change in net deferred income tax	519,006	119,200	-
Change in non-admitted assets	(2,987,791)	(687,743)	-
Capital changes – Paid in	500	-	-
Surplus adjustments – Paid in	33,199,500	10,800,000	4,500,00
Aggregate write-ins for gains or (losses)	-	(1)	-
Capital and Surplus, December 31, current year	\$13,621,660	\$711,522	\$2,586,420

**RECONCILIATION OF EXAMINATION ADJUSTMENTS TO SURPLUS  
DECEMBER 31, 2021**

As a result of this examination, there have been no changes affecting surplus, as regards to policyholders, made to the admitted assets, liabilities, and surplus balance reported by the Company in the December 31, 2021 annual statement as filed with the MID. The capital and surplus reported by the Company as of December 31, 2021 in the amount of \$13,621,660 is accepted as reasonably stated for purposes of the balance sheet per the examination.

## **COMMITMENTS AND CONTINGENT LIABILITIES**

At December 31, 2021, the Company was not a party to any legal proceedings. Procedures performed during the course of the examination revealed no pending litigation, commitments, or other contingent liabilities to which the Company was a party as of the examination date.

## **SUBSEQUENT EVENTS**

In March, 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a global pandemic, which continues to spread throughout the United States. The COVID-19 pandemic has continued to develop into 2023, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of this report, the examination's review noted that there has not been a significant impact to the Company. However, the Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if concerns arise.

## **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:

Supervising Examiner: David Palmer, CFE

Examiner-in-charge: Ryne Davison, CFE

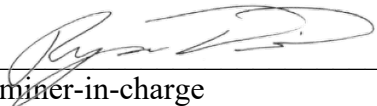
IT Examiner: Lindsey Pittman, CFE, CISA, AES, CPA, MCM

Actuary: Mike Mayberry, FSA, MAAA

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,

  
\_\_\_\_\_  
Examiner-in-charge

  
\_\_\_\_\_  
Department Designee

Department Designee