



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, 2023

CERTIFIED MAIL RETURN RECEIPT REQUESTED

Ms. Bridget Leigh Galatas, President
Molina Healthcare of Mississippi, Inc.
188 E. Capitol Street, Suite 700
Jackson, MS 39201

RE: Report of Examination as of December 31, 2021

Dear Ms. Galatas:

In accordance with Miss. Code Ann. §§ 83-5-201 et seq. and 83-41-337(1) (Rev. 2022), 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.

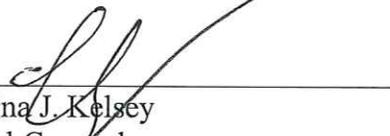
Pursuant to Miss. Code Ann. § 83-5-209(6)(a) (Rev. 2022), the Mississippi Department of Insurance shall continue to hold the content of said report as private and confidential for a period of ten (10) days from the date of the Order. After the expiration of the aforementioned 10-day period, the Department 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


Christina J. Kelsey
General Counsel

MC/CJK/bs
Encls. Order w/exhibit

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

**RE: REPORT OF EXAMINATION OF
MOLINA HEALTHCARE OF MISSISSIPPI, INC.**

CAUSE NO. 23-7811

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. 2022). 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. 2022).

II.

That Molina Healthcare of Mississippi, Inc. is a Mississippi-domiciled health maintenance organization ("HMO") which was incorporated under the laws of the state of Mississippi on March 2, 2009, and received a certificate of authority to transact business as a health maintenance organization effective January 19, 2018, to provide comprehensive health care services to Medicaid enrollees under contracts with the state of Mississippi, Office of the Governor, Division of Medicaid. The Company commenced operations on October 1, 2018, to serve Medicaid members. The Company may terminate the Medicaid contract with ninety (90) day written notice.

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. 2022), called for an examination of Molina Healthcare of Mississippi, Inc. and appointed Kimberly Strong, Examiner-In-Charge, to conduct said examination.

IV.

That on or about June 2, 2023, the draft Report of Examination concerning Molina Healthcare of Mississippi, Inc. for the period of January 1, 2019, through December 31, 2021, was submitted to the Mississippi Department of Insurance by Examiner-In-Charge, Kimberly Strong.

V.

That on or about June 8, 2023, pursuant to Miss. Code Ann. § 83-5-209(2) (Rev. 2022), 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. The Company responded in an email on or about June 14, 2023, to the Department.

CONCLUSIONS OF LAW

VII.

The Commissioner, pursuant to Miss. Code Ann. § 83-5-209(3) (Rev. 2022), 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 Molina Healthcare of Mississippi, 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. 2022).

IT IS FURTHER ORDERED, pursuant to Miss. Code Ann. § 83-5-209(4) (Rev. 2022), that within thirty (30) days of the issuance of the adopted report, Molina Healthcare of Mississippi, 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 Molina Healthcare of Mississippi, 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 28th day of June 2023.


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 25th day of June 2023, to:

**Ms. Bridget Leigh Galatas, President
Molina Healthcare of Mississippi, Inc.
188 E. Capitol Street, Suite 700
Jackson, MS 39201**



Christina J. Kelsey
General Counsel

Christina J. Kelsey
General Counsel
Counsel for the Mississippi Department of Insurance
Post Office Box 79
Jackson, MS 39205-0079
(601) 359-3577
Miss. Bar No. 9853



MISSISSIPPI INSURANCE DEPARTMENT

Report of Examination

of

Molina Healthcare of Mississippi, Inc.

as of

December 31, 2021

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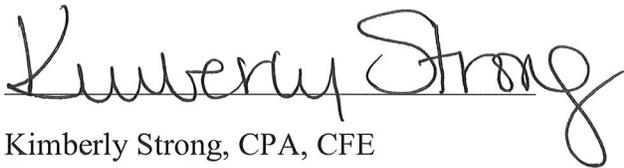
**EXAMINER'S AFFIDAVIT AS TO STANDARDS AND PROCEDURES
USED IN AN EXAMINATION**

State of Mississippi,
County of Madison,

Kimberly Strong, being duly sworn, states as follows:

1. I have authority to represent the Mississippi Insurance Department in the examination of Molina Healthcare of Mississippi, Inc. as of December 31, 2021.
2. The Mississippi Insurance Department is accredited under the National Association of Insurance Commissioners ("NAIC") Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report, and the examination of Molina Healthcare of 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.



Kimberly Strong, CPA, CFE
Examiner-in-Charge

Subscribed and sworn before me by Kimberly Strong on the 20th day of
June, 20 23



Notary Public

My commission expires October 29, 2025 (date).



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501 N. WEST STREET, SUITE 1001
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Post Office Box 79
Jackson, MS 39205-0079

May 31, 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, a coordinated examination has been conducted, as of December 31, 2021, of the affairs and financial condition of:

Molina Healthcare of Mississippi, Inc.
188 East Capitol Street,
Suite 700
Jackson, MS 39201

License #	NAIC Group #	NAIC #	FEETS#	MATS#
1700015	1531	16301	16301-MS-2021-4	MS-MS099-39

This examination was commenced in accordance with Miss. Code Ann. §83-5-201 et seq. and §83-41-337 and was performed in Ridgeland, Mississippi. The report of examination is herewith submitted.

SCOPE OF EXAMINATION

We have performed the coordinated examination of Molina Healthcare of Mississippi, Inc. (the "Company"). This examination covers the period January 1, 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 coordinated 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 previous examination comments and recommendations.

HISTORY OF THE COMPANY

The Company was incorporated under the laws of the state of Mississippi on March 2, 2009, and received a certificate of authority to transact business as a health maintenance organization ("HMO") effective January 19, 2018, to provide comprehensive health care services to Medicaid enrollees under contracts with the state of Mississippi, Office of the Governor, Division of Medicaid ("Division"). The Company commenced operations on October 1, 2018, to serve Medicaid members. The Company may terminate the Medicaid contract with ninety (90) day written notice.

The Company contracts with independent physician associations, hospitals and other providers to provide medical services to its members.

CORPORATE RECORDS

The minutes of the meetings of the Board of Directors (“Board”), prepared during the period under examination, were reviewed and appeared to be complete with regard to the matters brought up at the meetings for deliberation, which included approval of the Company's investment portfolio and actions of the Company's officers.

MANAGEMENT AND CONTROL

Stockholder

As of December 31, 2021, the Company had ten thousand (10,000) shares of no-par value common capital stock authorized, 100 shares issued and outstanding. The common capital stock was owned 100% by Molina Healthcare, Inc.

Board of Directors

The Amended and Restated 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, as of December 31, 2021, were as follows:

Name and Residence	Principal Occupation
Bridget Leigh Galatas, Madison, Mississippi	President, Molina Healthcare of Mississippi, Inc.
Matthew Douglas Wolf, Downers Grove, Illinois	Molina Healthcare of Mississippi, Inc.
Benjamin Edward Lynam, Long Beach California	Molina Healthcare of Mississippi, Inc.

Officers

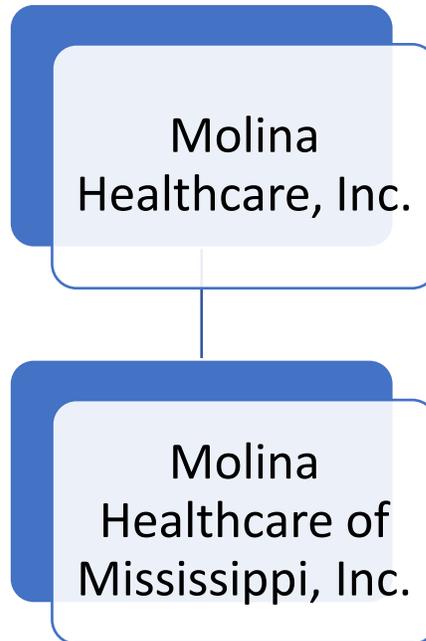
Name	Title
Bridget Leigh Galatas	President
Caroline Ruth LeBlanc	Chief Financial Officer
Jeffrey Don Barlow	Secretary

Conflict of Interest

The Company had formal procedures whereby disclosure was made to the Board of any material interest or affiliation on the part of any officer or director that was, or would likely be, a conflict with the official duties of such persons.

HOLDING COMPANY STRUCTURE

The Company is a member of an insurance holding company system as defined in Miss. Code Ann. §83-6-1. The Company was required to file with the MID, Holding Company Registration Statements in accordance with Miss. Code Ann. §§83-6-5 and 83-6-9. These filings set forth material changes in structure, identity or relationships of affiliates and any material transactions by and between the Company and its affiliates.



Parent and Affiliated Companies

The above simplified organizational chart reflects the direct ownership of the Company.

MOLINA HEALTHCARE, INC. (Molina): Molina Healthcare, Inc. provides health care services to financially vulnerable families and individuals who are covered by government programs through local health plans. Each health plan's organizational structure includes a management team responsible for the profitability and pre-determined goals and objectives of the plan. The health plan presidents report to Molina's Executive Vice President, Health Plans. All key functions supporting local health plans, such as claims processing, IT, legal, human resources, etc. are carried out at the corporate offices located in Long Beach, California.

The Company paid a dividend in the amount of \$15 million to Molina Healthcare, Inc. on December 8, 2021.

Affiliated and Related Party Transactions

Amended and Restated Services Agreement – Each health plan has an agreement with Molina whereby Molina provides certain management services to the health plans. Expenses incurred relating to this agreement include claims processing and administration, utilization management and general and administrative expenses. The Company agreed to pay Molina, on a monthly basis, an amount not to exceed Molina's cost. The invoice charges or fees for services must be fair and reasonable and expenses incurred and payment received must be allocated to the health plan in conformity with customary statutory accounting practices consistently applied. The Company agreed to pay such amount no later than thirty (30) days after receipt of invoices from Molina. Expenses incurred related to this agreement amounted to \$39.9 million for the year ended December 31, 2021.

Federal Tax Sharing Agreement – Each health plan files a consolidated federal income tax return. Under a written inter-company tax-sharing agreement with Molina, approved by the Company's board of directors, the combined federal income tax is allocated to each entity which is a party to the consolidation. Molina collects from, or refunds to, the subsidiaries the amount of taxes or benefits determined as if each entity filed separate tax returns, with the exception of net operating losses and capital losses. For those losses, the Company receives a benefit at the federal rate in the current year for current taxable losses in that year to the extent losses can be utilized in the consolidated income tax return of Molina. Federal income taxes paid for 2021 pursuant to the tax sharing agreement was \$5,080,000.

Reinsurance - The Company had a reinsurance agreement with Oceangate Reinsurance, Inc., an affiliate, which provides unlimited coverage of 90% of individual claims above deductibles of \$1,000,000. Reinsurance expense amounted to \$914,036 for the year ended December 31, 2021.

FIDELITY AND OTHER INSURANCE

Molina maintained a comprehensive insurance program. This program included commercial general liability, directors' and officers' liability, property, employment practices and wage & hour liability, and crime policies, as deemed appropriate by the Company's management. The Company maintained a fiduciary policy with a \$10,000,000 single loss limit of insurance. The Company is insured under this bond as a subsidiary of Molina, which adequately covers the suggested minimum amount of coverage for the Company as recommended by the NAIC.

EMPLOYEE BENEFIT PLANS

The employees of the Company are eligible to participate in a defined contribution 401(k) plan sponsored by Molina subject to the participation eligibility set forth in the plan. Eligible employees are allowed to contribute up to the maximum allowed by law. The Company matches 100% up to the first 4% of compensation contributed by the employees, up to IRS recognized limits, subject to a one-year cliff vesting requirement. The Company has no legal obligation to provide benefits under the plan. The Company's expense recognized in connection with the 401(k) plan was \$292,530 for the year ended December 31, 2021.

Under an equity incentive plan adopted by Molina, the Company's employees may be awarded restricted stock or other equity incentives. Restricted stock awards generally vest in equal annual installments over periods of up to four (4) years from the date they were granted.

Molina has a stock purchase plan under which the eligible employees of the Company may purchase common shares at 85% of the lower of the fair market value of Molina's common stock on either the first or last trading day of each six-month offering period. Each participant is limited to a maximum purchase of \$25,000 per year through payroll deductions.

TERRITORY AND PLAN OF OPERATION

As of December 31, 2021, the Company was authorized to do business as an HMO in the state of Mississippi.

GROWTH OF THE COMPANY

	2021	2020	2019
Capital and Surplus	\$ 62,028,980	\$ 72,185,945	\$ 43,449,646
Ratio of written premiums to capital and surplus	11.18 to 1	6.67 to 1	7.80 to 1
Ratio of assets to liabilities	1.32 to 1	1.69 to 1	1.65 to 1
Ratio of written premiums to expenses	1.08 to 1	1.34 to 1	0.92 to 1
Cash flows from operations	\$ 91,689,039	\$ 92,013,113	\$ (7,759,943)
Net income (loss)	\$ 17,797,597	\$ 31,799,881	\$ (22,930,184)
Assets	\$ 253,962,540	\$ 175,555,190	\$ 110,032,818
Liabilities	\$ 191,933,560	\$ 104,369,245	\$ 66,583,245
Written Premiums	\$ 693,474,594	\$ 428,008,762	\$ 338,748,158
Expenses	\$ 640,847,930	\$ 404,676,176	\$ 367,811,277

ACCOUNTS AND RECORDS

The Company is audited by Grant Thornton. Audit workpapers were evaluated by the lead state.

The Company is licensed as a health maintenance organization pursuant to Miss. Code Ann. §83-41-325, which requires the Company to maintain capital and surplus equal to \$1,000,000 or 2% of annual premium on the first \$150,000,000 of premium and 1% of annual premium on the premiums in excess of \$150,000,000 or an amount equal to the sum of three (3) months uncovered health care expenditures. As of December 31, 2021, the Company was in compliance with the statutory minimum net worth requirement.

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 deposits at December 31, 2021:

Description	Book/Adjusted Carrying Value	Fair Value
Bonds	\$ 530,415	\$ 529,779

FINANCIAL STATEMENTS

Introduction

The following financial statements consist of a Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2021, a Statement of Revenues and Expenses for year ended December 31, 2021, a Reconciliation of Capital and Surplus for the examination period ended December 31, 2021, and a Reconciliation of Examination Adjustments to Surplus as of 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. The following Statement of Assets, Liabilities, Surplus and Other Funds include a required reclassification to report premiums billed in advance and the associated unearned premium liability in compliance with Annual Statement Instructions

Statement of Assets, Liabilities, Capital and Surplus December 31, 2021

	ASSETS	2021
Cash and invested assets		
Bonds		\$ 113,613,585
Cash and cash equivalents		112,722,388
		226,335,973
Investment income due and accrued		390,243
Premiums due and unpaid		13,942,566
Amounts recoverable from reinsurers		-
Amounts receivable relating to uninsured plans		-
Current federal and foreign income tax recoverable and interest thereon		1,216,711
Net deferred tax asset		2,857,215
Health care and other amounts receivable		8,861,890
Premium taxes recoverable		357,942
		253,962,540
TOTAL ASSETS		\$ 253,962,540
	LIABILITIES, CAPITAL AND SURPLUS	
Liabilities		
Claims unpaid		\$ 73,458,317
Accrued medical incentive pool and bonus amounts		2,550
Unpaid claims adjustment expenses		639,521
Aggregate health policy reserves		95,652,818
Premiums received in advance		531,689
General expenses due and accrued		10,562,552
Amounts due to Parent and affiliates		3,168,537
Reinsurance in unauthorized and certified companies		-
Liability for amounts held under uninsured plans		2,156,804
Amounts due to government agencies		5,760,772
		191,933,560
Total liabilities		191,933,560
Capital and surplus		
Common stock, no par value (10,000 shares authorized and 100 shares issued and outstanding)		-
Paid-in surplus		60,000,000
Surplus notes		-
Unassigned surplus		2,028,980
		62,028,980
Total capital and surplus		62,028,980
TOTAL LIABILITIES, CAPITAL AND SURPLUS		\$ 253,962,540

Statement of Revenue and Expenses
For the period ended December 31, 2021

	2021
Revenue	
Net premium income	\$ 692,560,558
Change in unearned premium reserves and reserve for rate credits	(29,766,597)
Total revenue	662,793,961
Expenses	
Hospital and medical benefits	357,222,171
Other professional services	26,006,260
Outside referrals	9,623,045
Emergency room and out	67,717,536
Pharrna.cy	88,395,055
Incentive pool, withhold adjustments and bonus amounts	70,250
Net reinsurance recoveries	(138,758)
Total hospital and medical expenses	548,895,559
Claims adjustment expenses	13,954,505
General administrative expenses	77,997,866
Total expenses	640,847,930
Net underwriting gain	21,946,031
Other income (expense)	
Net investment income earned	686,203
Net realized capital gains, less capital gains tax expense of \$29 and \$43 respectively	111
Other expense	-
Total other income	686,314
Net income before federal income taxes	22,632,345
Federal income taxes incurred	4,834,748
NET INCOME	\$ 17,797,597

Statement of Revenue and Expenses (continued)
For the period ended December 31, 2021

	<u>2021</u>
Capital and surplus, beginning of year	\$ 72,185,945
Net income	17,797,597
Change in net deferred income tax	1,252,197
Change in nonadmitted assets	(4,958,812)
Change in unauthorized and certified reinsurance	752,053
Change in surplus notes	(10,000,000)
Dividends to stockholders	<u>(15,000,000)</u>
Capital and surplus, end of year	<u>\$ 62,028,980</u>

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

There was a reclassification adjustment made to assets and liabilities in the admitted assets, liabilities balances reported by the Company for the year ended December 31, 2021, which had no impact on unassigned surplus. The capital and surplus, which totaled \$62,028,980 as of the examination date, was determined to be reasonably stated and in compliance with Miss. Code Ann. §83-41-325(2).

COMMENTS AND RECOMMENDATIONS

There were no comments or recommendations made in the report of examination of the Company.

COMMITMENTS AND CONTINGENT LIABILITIES

From time to time, the Company may be involved in legal actions in the normal course of business, some of which involve a demand for both compensatory and punitive damages not covered by insurance. As of the date of the examination, there were no pending or threatened actions which, to the knowledge and in the opinion of management and the Company's counsel, would have a material adverse effect on the Company's financial position, results of operations or cash flow.

SUBSEQUENT EVENTS

The Company terminated its reinsurance agreement with Oceangate Reinsurance effective December 31, 2022.

MARKET CONDUCT

As part of the subsequent events review, specific areas of market conduct activities were reviewed in relation to the Company's issuance of policies on the Exchange. A full market conduct examination was not performed. The specific areas reviewed included those items as indicated below.

Privacy

Privacy notices were sent to the Company's policyholders.

Complaint Handling

The Company has implemented policies to maintain complaint documentation.

Producer Appointment & Licensing

The Company appears to have the appropriate licensure to issue its products and agents appear to be properly licensed and appointed.

Claims

The Company has implemented policies and procedures to identify general indicators of policyholder treatment concerns.

Grievances

The Company has implemented procedures to maintain grievance documentation.

Provider Credentialing

The Company appears to have appropriate policies and procedures for credentialing and re-credentialing all health care professionals with whom the Company contracts.

Network Adequacy

The Company appears to have appropriate controls to adequately monitor the effectiveness of its provider network.

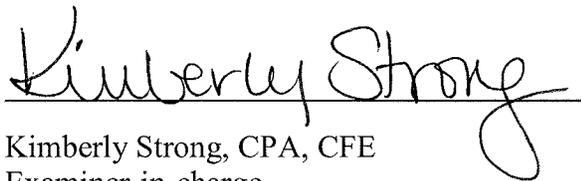
ACKNOWLEDGMENT

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

Jimmy Blissett, CFE	Administrative Examiner
Kimberly Strong, CPA, CFE	Examiner-in-charge, Harper, Rains, Knight & Co.
Leslie Sorrell	Financial Examiner, Harper, Rains, Knight & Co.
Brett Davis	Financial Examiner, Harper, Rains, Knight & Co.

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

Respectfully submitted,


Kimberly Strong, CPA, CFE
Examiner-in-charge


Mark Cooley, CFE
Mississippi Insurance Department Designee