

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

IN THE MATTER OF: )  
 )  
CareSource Indiana, Inc. )  
135 North Pennsylvania Street, Suite 1300 )  
Indianapolis, IN 46204 )

Examination of: **CareSource Indiana, Inc.**


**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of CareSource Indiana, Inc., any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 31, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of CareSource Indiana, Inc. shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

6/21/2017  
\_\_\_\_\_  
Date

  
\_\_\_\_\_  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8728**

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CareSource Indiana, Inc. )  
135 North Pennsylvania Street, Suite 1300 )  
Indianapolis, IN 46204 )

Examination of: **CareSource Indiana, Inc.**

**FINDINGS AND FINAL ORDER**

The Indiana Department of Insurance conducted an examination into the affairs of the CareSource Indiana, Inc. (hereinafter “Company”) for the time period January 1, 2013 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter “Commissioner”) by the Examiner on April 4, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 31, 2017 and was received by the Company on June 5, 2017.

The Company did not file any objections.

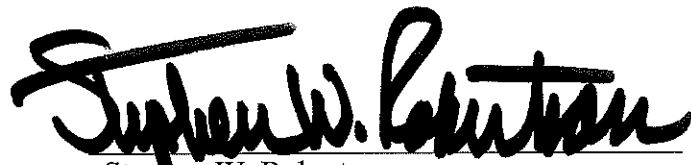
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the CareSource Indiana, Inc. as of December 31, 2015.
2. That the Examiner’s Recommendations are reasonable and necessary in order for the CareSource Indiana, Inc. to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 21st day of  
June, 2017.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

A handwritten signature in black ink, appearing to read "Michael J. ...". The signature is written in a cursive style and is positioned in the lower-left quadrant of the page.

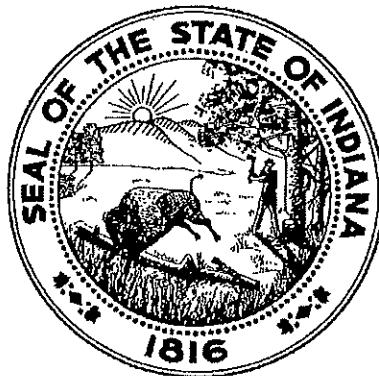
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**  
**OF**  
**CARESOURCE INDIANA, INC.**

NAIC Co. CODE 10142  
NAIC GROUP CODE 3683

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As of

December 31, 2015



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# STATE OF INDIANA

# IDOI

ERIC HOLCOMB, Governor

## Indiana Department of Insurance

311 W. Washington Street, Suite 300

Indianapolis, Indiana 46204-2787

Telephone: (317) 232-2385

Fax: (317) 232-5251

Stephen W. Robertson, Commissioner

April 4, 2017

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3899, an examination has been made of the affairs and financial condition of:

**CareSource Indiana, Inc.**  
**230 North Main Street**  
**Dayton, Ohio 45402**

hereinafter referred to as the "Company", or "CSIN", an Indiana domestic health maintenance organization (HMO). The examination was conducted at the corporate offices of Noble Consulting Services, Inc., in Indianapolis, Indiana.

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE  
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES  
(317) 232-2413

COMPANY COMPLIANCE  
(317) 233-0697

CONSUMER SERVICES  
(317) 232-2395  
1-800-622-4461

EXAMINATIONS/FINANCIAL SERVICES  
(317) 232-2390

MEDICAL MALPRACTICE  
(317) 232-2402

COMPANY RECORDS  
(317) 232-5692

STATE HEALTH INSURANCE PROGRAM  
1-800-332-4674

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2012 through December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, 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.

Michael Berman, FSA, MAAA, and Kirk Braunius, ASA, MAAA of Merlinos and Associates, Inc., provided actuarial services throughout the examination and conducted a review of the Company's actuarial related risks as of December 31, 2015.

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. 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, as in the Indiana Code (IC) 27-1-3.1-10 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.

## HISTORY

The Company operates as a not-for-profit, domiciled in the state of Indiana, and is a wholly-owned subsidiary of CareSource Management Group Company (CSMG), a not-for-profit managed care organization operating primarily in Ohio. The Company is managed by CSMG. The Company qualifies as an Internal Revenue Code Section 501(c)(3) entity, and as such, is exempt from federal income taxes, but is subject to the unrelated business income tax code.

The Company was incorporated on July 15, 2004, and commenced operations on January 1, 2005. During 2005, the Company entered into a contract with the Office of Medicaid Policy and Planning (OMPP) to provide financing and delivery of healthcare services to Medicaid beneficiaries throughout the state of Indiana. During the fourth quarter of 2006, the contract with OMPP was terminated and the Company completed the run-out of claims as of June 30, 2008.

## CAPITAL AND SURPLUS

As of December 31, 2015, the Company has no outstanding shares of stock and therefore does not pay dividends. During 2015, the Company received \$11,600,000 in capital contributions from CSMG.



## TERRITORY AND PLAN OF OPERATION

During 2014, the Company was approved as a Qualified Health Plan (QHP) in the state of Indiana, which allows the Company to offer individual health insurance policies on the Federally Facilitated Marketplace (FFM). Effective January 1, 2015, the Company began offering a product registered as "Just4Me" to individuals signing up for coverage on the FFM. Enrollment in the plans offered on the FFM is dependent on individuals voluntarily selecting a CSIN plan. CSIN receives monthly premium revenues from subscribers and from the Centers for Medicaid and Medicare Services in exchange for providing the services outlined in the individual insurance policies.

## GROWTH OF THE COMPANY

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

Year	Admitted Assets	Liabilities	Capital and Surplus	Total Revenues	Net Income (Loss)
2015	\$ 49,763,595	\$ 41,131,070	\$ 8,632,525	\$ 55,608,937	\$ (2,979,395)
2014	2,973,187	732,812	2,240,375	0	(321,787)
2013	1,570,473	8,311	1,562,162	0	(42,570)

The increase in assets, liabilities, capital and surplus, and total revenues is due to the Company becoming a QHP and offering individual health policies on the FFM. The net loss in 2015 was due to an increase in administrative expenses which was impacted by the first year of FFM operations.

## MANAGEMENT AND CONTROL

### Directors

The Bylaws provide that the business affairs of the Company are to be managed by a Board of Directors (Board). The directorships expire upon staggered three (3) year terms. After initial appointment, the directors hold office until either a successor is elected and qualified or an earlier resignation, removal from office, or death. The sole member, CSMG, elects the Board.

The following is a listing of persons serving as directors at December 31, 2015, and their principal occupations as of that date:

Name and Address	Principal Occupation
Kevin R. Brown Potomac, Maryland	Retired
Patricia A. Martin Indianapolis, Indiana	Senior Director, Lilly Diabetes Eli Lilly and Company
J. Thomas Maultsby Dayton, Ohio	President and Chief Executive Officer United Way of Greater Dayton
Pamela B. Morris Centerville, Ohio	President and Chief Executive Officer Secretary/Treasurer CareSource Management Group Company

## Officers

The Bylaws state that the officers shall be a President and a Secretary/ Treasurer, and such other officers as the directors may deem necessary. The Company's Bylaws state that the officers of the Company shall be elected by a majority of the directors in office.

The following is a list of key officers and their respective titles as of December 31, 2015:

<u>Name</u>	<u>Office</u>
Pamela B. Morris	President and Chief Executive Officer and Secretary/Treasurer
Bobby L. Jones	Chief Operating Officer
L. Tarlton Thomas III	Chief Financial Officer
Craig S. Thiele M.D.	Chief Medical Officer

## **CONFLICT OF INTEREST**

Directors and officers are required to review and sign Conflict of Interest statements annually. It was determined that all directors and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

## **CORPORATE RECORDS**

### Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

### Bylaws

There were no amendments made to the Bylaws during the examination period.

### Minutes

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

The CSMG Board committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Audit, Risk and Compliance Committee, Executive Compensation Committee, Finance Committee, Nominating and Governance Committee, and Quality Committee.

## AFFILIATED COMPANIES

### Organizational Structure

The following abbreviated organizational chart depicts the Company's relationship to its parent and affiliates as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
CareSource Management Group Company		
CareSource Ohio	95201	OH
The CareSource Foundation		OH
<b>CareSource Indiana, Inc.</b>	<b>10142</b>	<b>IN</b>
CareSource Life Services Company		OH
CareSource Reinsurance, LLC		MT
CareSource North Carolina Company		NC
CareSource Management Services Company		OH
CareSource Insurance, LLC		VT
CareSource West Virginia Company	15728	WV
CareSource Network Partners, LLC		OH
CareSource Kentucky Company	15479	KY
CareSource Georgia Company	15710	GA
CareSource@Home, LLC		OH

### Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

#### *Guaranty Agreement*

The Guaranty Agreement is between CSMG and the Company. CSMG provides for payment of funds into the Plan in the event that the Plan's risk-based capital falls below the Company action level as defined by IC 27-1-36-6. The Company is required to calculate risk-based capital on a monthly basis to ensure that they stay above the action level. This agreement was filed with the INDOI and non-disapproved on December 30, 2014.

#### *Management Agreement*

The Management Agreement is between CSMG and the Company. In accordance with the management agreement, which outlines the allocation of costs for shared resources and direct costs between CSIN and CSMG, certain administrative services are provided to the Company by CSMG. Costs are allocated in accordance with SSAP No. 70, *Allocation of Expenses*. CSMG invoices the Company on a monthly basis and the payment is made within 15 business days. This agreement was filed with the INDOI and non-disapproved on December 12, 2014. The Management Agreement was subsequently amended and non-disapproved by the INDOI on May 22, 2015. Pursuant to the Management Agreement, the Company incurred management fees of \$7.9 million in 2015.

## FIDELITY BOND AND OTHER INSURANCE

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by National Union Fire Insurance Company. The bond has a single loss coverage limit of \$10,000,000,

with a \$10,000 deductible. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to automobile liability, commercial general liability, excess liability, property liability, and workers' compensation liability.

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

The Company has no direct employees therefore; there were no employee pension or insurance plans.

### **SPECIAL DEPOSITS**

The Company reported one special deposit for the benefit of all policyholders as of December 31, 2015. The deposit was held with the state of Indiana and had a book value and fair value of \$1,500,000.

### **REINSURANCE**

In 2015, the Company had an Excess of Loss reinsurance policy on individual healthcare exchange policies for claims in excess of \$250,000. In 2015, premiums ceded under this agreement were \$2,837,563 and reinsurance recoverable was \$82,760 at year-end 2015.

### **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2013 through December 31, 2015, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

CARESOURCE INDIANA, INC.  
Assets  
As of December 31, 2015

	Per Examination*
Cash, cash equivalents and short-term investments	\$ 44,497,542
Premiums and considerations:	
Uncollected premiums and agents' balances in course of collection	1,169,727
Reinsurance:	
Amounts recoverable from reinsurers	3,483,036
Health care and other amounts receivable	591,948
Aggregate write-ins for other-than-invested assets	21,342
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	49,763,595
Total	\$ 49,763,495

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

CARESOURCE INDIANA, INC.  
Liabilities, Surplus and Other Funds  
As of December 31, 2015

	Per Examination*
Claims unpaid	\$ 8,621,543
Unpaid claims adjustment expenses	294,633
Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act	16,800,000
Premiums received in advance	13,309,312
General expenses due or accrued	1,274,914
Ceded reinsurance premiums payable	2,558
Amounts due to parent, subsidiaries and affiliates	828,110
Total liabilities	41,131,070
Aggregate write-ins for special surplus funds	640,428
Gross paid in and contributed surplus	36,225,061
Unassigned funds (surplus)	(28,232,964)
Total capital and surplus	8,632,525
Total liabilities, capital and surplus	\$ 49,763,595

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

CARESOURCE INDIANA, INC.  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2015

	Per Examination*
Member Months	204,320
Net premium income	\$ 55,608,937
Total revenues	55,608,937
HOSPITAL AND MEDICAL:	
Hospital/medical benefits	38,570,560
Emergency room and out-of-area	1,300,458
Prescription drugs	12,723,753
Subtotal	52,594,771
LESS:	
Net reinsurance recoveries	6,082,760
Total hospital and medical	46,512,011
Claims adjustment expenses, including cost containment expenses	1,916,256
General administrative expenses	10,160,692
Total underwriting deductions	58,588,959
Net underwriting gain or (loss)	(2,980,022)
Net investment income earned	627
Net investment gains (losses)	627
Net income or (loss) after capital gains tax and before all federal income taxes	(2,979,395)
Net income (loss)	\$ (2,979,395)

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

CARESOURCE INDIANA, INC.  
Capital and Surplus Account Reconciliation

	2015	2014	2013
Capital and surplus prior reporting year	\$ 2,240,375	\$ 1,562,162	\$ 1,904,732
Net income or (loss)	(2,979,395)	(321,787)	(42,570)
Change in nonadmitted assets	(2,228,457)	-	-
Surplus adjustments:			
Paid in	11,600,000	1,000,000	(300,000)
Net change in capital and surplus	<u>6,392,148</u>	<u>678,213</u>	<u>(342,570)</u>
Capital and surplus end of reporting year	<u>\$ 8,632,523</u>	<u>\$ 2,240,375</u>	<u>\$ 1,562,162</u>



### COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

### OTHER SIGNIFICANT ISSUES

There were no significant issues requiring disclosure in this Report of Examination.

### SUBSEQUENT EVENTS

The Company received bid approval from Center for Medicare and Medicaid Services to begin writing Medicare Advantage premiums for coverage effective January 1, 2016.

The Company was awarded a Medicaid managed care contract and began Hoosier Healthwise and Healthy Indiana Plan (HIP 2.0) operations effective January 1, 2017.



### **COMMENTS ON THE FINANCIAL STATEMENTS**

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

### **OTHER SIGNIFICANT ISSUES**

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### **SUBSEQUENT EVENTS**

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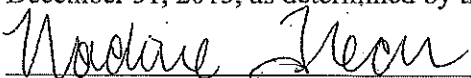
**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., and actuarial assistance from Merlino & Associates, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of CareSource Indiana, Inc., as of December 31, 2015.

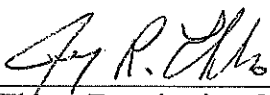
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of CareSource Indiana, Inc., as of December 31, 2015, as determined by the undersigned.

  
\_\_\_\_\_  
Nadine Treon, CFE  
Noble Consulting Services, Inc.

Under the supervision of,

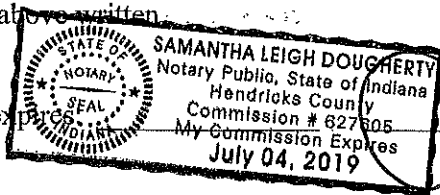
  
\_\_\_\_\_  
Jerry Ehlers, Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 4 day of April, 2017, before me personally appeared, Nadine Treon, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires



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

