

Report of Examination of

**Anthem Blue Cross Blue Shield Partnership Plan, Inc.**  
Mason, Ohio

As of December 31, 2007

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Columbus, Ohio  
April 10, 2009

Honorable Mary Jo Hudson  
Director  
State of Ohio  
Department of Insurance  
50 West Town Street  
3<sup>rd</sup> Floor – Suite 300  
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code “ORC”, an examination was made of

**Anthem Blue Cross Blue Shield Partnership Plan, Inc.**

an Ohio domiciled, health insuring corporation, hereinafter referred to as the “Plan”. The examination was conducted at the Plan’s statutory home address located at 4361 Irwin Simpson Road, Mason, Ohio.

A report of this examination is hereby respectfully submitted.

The Plan’s qualifying examination was as of April 30, 2006 by the Ohio Department of Insurance (“Department”). Representatives of the Department conducted the current examination covering the intervening period to and including December 31, 2007.

**Management and Control**

**Board of Directors**

Management of the Plan is vested in its Board of Directors, which was comprised of the following members as of the examination date.

<b>Name</b>	<b>Principal Occupation</b>
John Cannon III	Senior Vice President, Wellpoint, Inc.
Brian J. Fields	Vice President Compliance Officer and Special Counsel, Wellpoint, Inc.
Wayne S. DeVeydt	Executive Vice President, and CFO, Wellpoint, Inc.
Brian A. Sassi	Executive Vice President, President /CEO Consumer Business, Wellpoint, Inc.
Nancy L. Purcell	Vice President and Corporate Secretary, Wellpoint, Inc.

## Officers

As of the examination date, the following officers were serving in the designated positions:

<b>Name</b>	<b>Title</b>
Brian A. Sassi	President
Robert D. Kretschmer	Treasurer
Nancy L. Purcell	Secretary
Brian J. Fields	Assistant Secretary

## Insurance Holding Company System

The Plan is a member of a holding company system as defined in Section 3901.32 of the ORC. The following displays the chain of ownership of the insurance companies as of December 31, 2007:

- Wellpoint, Inc. – Indiana
  - WellPoint Holding Corp. – Delaware
    - Reliance Safeguard Solutions, Inc. – New York
    - Empire Medicare Services, Inc. – New York
    - EHC Benefits Agency, Inc. – New York
    - WellChoice Holdings of New York, Inc. – New York
      - Empire HealthChoice Assurance, Inc. – New York
      - Empire HealthChoice HMO, Inc. – New York
      - WellChoice Insurance of New Jersey, Inc. – New Jersey
- Anthem Insurance Companies, Inc. – Indiana
  - National Government Services, Inc. – Indiana
  - Arison Insurance Services, Inc. – Kentucky
  - OneNation Benefit Administrators, Inc. – Ohio
  - Associated Group, Inc. – Indiana
    - Anthem Financial, Inc. – Delaware
    - Lease Partners, Inc. – Delaware
- WellPoint Insurance Services, Inc. – Hawaii
- Arcus Financial Holding Corp. – Indiana
- ATH Holding Company, LLC – Indiana
  - Rocky Mountain Hospital and Medical Service, Inc. – Colorado
  - HMO Colorado, Inc. – Colorado
    - Anthem HMO of Nevada – Nevada
    - Anthem Health Insurance Company of Nevada – Nevada
  - Rocky Mountain Health Care Corporation – Delaware
  - Anthem Life Insurance Company – Indiana
  - Anthem Health Plans, Inc. – Connecticut
    - HealthReach Services, Inc. – Connecticut
  - Anthem Health Plans of New Hampshire, Inc. – New Hampshire
    - Matthew Thornton Health Plan, Inc. – New Hampshire
    - Health Initiatives, Inc. – New Hampshire
  - Anthem Health Plans of Maine, Inc. – Maine
    - Machigonne, Inc. – Maine
  - Anthem Credentialing Services, Inc. – Delaware

WPMI, LLC – Delaware  
     WPMI (Shanghai) Enterprise Consulting and Service Co., Ltd. (China)  
 Community Insurance Company – Ohio  
     NextRx, LLC – Ohio  
     **Anthem Blue Cross Blue Shield Partnership Plan, Inc. – Ohio**  
 The WellPoint Companies, Inc. – Indiana  
 OneNation Insurance Company – Indiana  
 Anthem Health Plans of Kentucky, Inc. – Kentucky  
 Imaging Management Holdings, LLC – Delaware  
     American Imaging Management, Inc. – Illinois  
         American Imaging Management Connecticut, LLC – Delaware  
         Uillimed IPA, Inc. – New York  
         American Imaging Management East, LLC – Delaware  
         IMASIS, LLC – Delaware  
         Imaging Providers of Texas (non-profit) – Texas  
     American Imaging Management Services, LLC – Delaware  
 Anthem Holding Corp. – Indiana  
     WellPoint California Services, Inc. – Delaware  
         Blue Cross of California – California  
         Blue Cross of California Partnership Plan, Inc. – California  
         Anthem Blue Cross Life and Health Insurance Company – California  
         Golden West Health Plan, Inc. – California  
         SellCore, Inc. – Delaware  
             Comprehensive Integrated Marketing Services, Inc. – California  
             Group Benefits Plus, Inc. – California  
             Insurance4 Agency, Inc. – Delaware  
         Park Square Holdings, Inc. – California  
         BCC Holding Corporation – California  
             Park Square I, Inc. – California  
             Park Square II, Inc. – California  
 Cerulean Companies, Inc. – Georgia  
     Blue Cross Blue Shield Healthcare Plan of Georgia, Inc. – Georgia  
     Group Benefits of Georgia, Inc. – Georgia  
     Atlanta Healthcare Partners, Inc. – Georgia  
     CSRA Healthcare Partners, Inc. – Georgia  
     Blue Cross and Blue Shield of Georgia, Inc. – Georgia  
         Greater Georgia Life Insurance Company – Georgia  
 RightCHOICE Managed Care, Inc. – Delaware  
     Healthy Alliance Life Insurance Company – Missouri  
     RightCHOICE Insurance Company – Illinois  
     Diversified Life Insurance Agency of Missouri, Inc. – Missouri  
     R&P Realty, Inc. – Missouri  
     Preferred Health Plans of Missouri, Inc. – Missouri  
     Forty-Four Forty-Four Forest Park Redevelopment Corp. – Missouri  
     HMO Missouri, Inc. – Missouri  
     Summit Administrative Services, LLC – Missouri  
     HealthLink, Inc. – Illinois  
     HealthLink HMO, Inc. – Missouri  
 UNICARE National Services, Inc. – Delaware  
     UNICARE Life & Health Insurance Company – Indiana  
     National Capital Preferred Provider Organization, Inc. – Maryland  
     WellPoint Development Company, Inc. – Delaware  
     National Capital Health Plan, Inc. – Virginia  
     UNICARE of Texas Health Plans, Inc. – Texas  
     HealthKeepers, Inc. – Virginia

AHI Healthcare Corporation – Texas  
     Affiliated Provider Systems, Inc. – Texas  
     American Managing Company – Texas  
     Affiliated Healthcare, Inc. – Texas  
 MCS Holdings, Inc. – Puerto Rico  
 UNICARE Health Benefit Services of Texas, Inc. – Texas  
     UNICARE Health Plans of Texas, Inc. – Texas  
     UNICARE Health Insurance Company of Texas – Texas  
     Texas Managed Care Administrative Services, Inc. – Texas  
 Health Ventures Partner, LLC – Illinois  
 WellPoint Partnership Plan, LLC – Illinois  
     UNICARE Health Plans of the Midwest, Inc. – Illinois  
     UNICARE Health Insurance Company of the Midwest – Illinois  
     UNICARE Illinois Services, Inc. – Illinois  
 UNICARE Health Plan of West Virginia, Inc. – West Virginia  
 UNICARE Health Plan of Kansas, Inc. – Kansas  
 UNICARE Health Plan of south Carolina, Inc. – South Carolina  
 UNICARE Specialty Services, Inc. – Delaware  
     WellPoint Dental Services, Inc. – Delaware  
     NextRx Services, Inc. – New York  
     NextRx, Inc. – Delaware  
     WellPoint Pharmacy IPA, Inc. – New York  
     Anthem UM Services, Inc. – Indiana  
     WellPoint Behavioral Health, Inc. – Delaware  
 Crossroads Acquisition Corp. – Delaware  
     Blue Cross Blue Shield of Wisconsin – Wisconsin  
         Claim Management Services, Inc. – Wisconsin  
         Government Health Services, LLC – Wisconsin  
         TrustSolutions, LLC – Wisconsin  
         United Government Services, LLC – Wisconsin  
         Compcare Health Services Insurance Corporation – Wisconsin  
             CC Holdings, LLC – Wisconsin  
             Meridian Resource Company, LLC – Wisconsin  
 Arcus Enterprises, Inc. – Delaware  
     Highway to Health, Inc. – Delaware  
     HTH Re, Ltd. – Bermuda  
     Arcus Financial Services, Inc. – Indiana  
     ARCUS HealthyLiving Services, Inc. – Indiana  
     Health Core, Inc. – Delaware  
 Wellpoint Acquisition, LLC – Indiana  
     Anthem Life & Disability Insurance Company – New York  
     Behavioral Health Network, Inc. – New Hampshire  
     Landmark Solutions, LLC – New Hampshire  
 Anthem Southeast, Inc. – Indiana  
     Anthem Health Plans of Virginia, Inc. – Virginia  
     HealthKeepers, Inc. – Virginia  
     Peninsula Health Care, Inc. – Virginia  
     Southeast Services, Inc. – Virginia  
     Priority, Inc. – Virginia  
         Priority Health Care, Inc. – Virginia  
         Priority Insurance Agency, Inc. – Virginia  
 Monticello Service Agency, Inc. – Virginia  
     Health Management Corporation – Virginia  
     Healthy Homecomings, Inc. – Missouri

## **Reinsurance**

### **Ceded**

Reinsurer:	Community Insurance Company
Type of contract:	Specific Excess of Loss
Effective date:	August 1, 2006
Term:	Continuous
Business covered:	Inpatient/transplant services allowable under Evidence of Coverage.
Plan retention:	\$150,0000
Reinsurance limits:	Eighty (80) percent of loss in excess \$150,000, to a maximum limit of \$2,500,000 per single event.

All reinsurance agreements appear to transfer risk and have the NAIC required clauses.

### **Assumed**

The Plan does not assume any reinsurance.

## **Territory and Plan of Operations**

The Plan is licensed in the State of Ohio and only writes Medicaid Title XIX business.

## **Scope of Examination**

One of the purposes of the examination was to make an assessment of the financial condition of the Plan as of December 31, 2007. To substantiate the various items, tests were made either by complete audits of accounts or by sampling methods prescribed by the National Association of Insurance Commissioners (NAIC) Examiner's Handbook. In selecting the examination procedures used, due consideration was given to the importance of each account to overall solvency. Transactions occurring subsequent to the date of the examination were reviewed to the extent deemed necessary.

For each year during the period under examination, the Certified Public Accounting (CPA) firm of Ernst and Young, LLP, has provided an unqualified opinion based on statutory accounting principles. Relevant work performed by the CPA firm, during its annual audit of the Plan, was reviewed during the examination and incorporated into the examination workpapers.

In addition, the following items were reviewed during the course of this examination:

1. Plan history;
2. fidelity bonds and other insurance;
3. officers', employees', and agents' welfare and pension plans;
4. growth of Plan;
5. loss experience;
6. pending litigation; and,
7. Articles of Incorporation and Code of Regulations.

### **Significant Operating Results**

The Plan reported the following net underwriting, investment, and other gains or losses during the period under examination:

<b>Description</b>	<b>2006</b>	<b>2007</b>
Net underwriting loss	(4,297,679)	(47,400,662)
Net investment gain	1,269,996	6,709,290
Aggregate write-ins other income/expenses	-0-	(702,616)
Net loss from balances charged off	-0-	(8,928)
Federal income tax (benefit)	671,898	(7,121,905)
Net loss	<u>(3,699,581)</u>	<u>(34,281,012)</u>

### **Financial Statements**

The financial condition and the results of its operations for the period under examination as reported and filed by the Plan with the Department and audited by the Plan's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Surplus and Other Funds  
Statement of Revenue and Expenses  
Statement of Changes in the Capital and Surplus Account

## Statement of Assets, Liabilities, Surplus and Other Funds

**December 31, 2007**

### **Admitted assets**

#### Cash and invested assets:

Bonds	\$103,844,652
Preferred stocks	118,534
Cash and short-term investments	98,539,231
Receivables for securities	43,909
Total cash and invested assets	<u>202,546,326</u>

Investment income due and accrued	1,118,274
Uncollected premiums and agents' balances	4,915,675
Current federal and foreign income tax recoverable	13,679,683
Net deferred tax asset	6,868,556
Electronic data processing equipment and software	42,585
Receivables from parent, subsidiaries, and affiliates	111,387
Health care receivables	3,002,145
Total admitted assets	<u>\$232,284,631</u>

### **Liabilities and capital and surplus**

#### Liabilities:

Claims unpaid	\$81,234,246
Unpaid claims adjustment expenses	3,247,799
Aggregate health policy reserves	11,300,000
Premiums received in advance	50,004,350
General expenses due or accrued	5,816,130
Amounts withheld or retained for the account of others	168
Remittances and items not allocated	101,049
Amounts due to parent, subsidiaries and affiliates	14,236,131
Aggregate write-ins for other liabilities	1,514,039
Total liabilities	<u>167,453,912</u>

#### Capital and surplus:

Common capital stock	10
Gross paid in and contributed surplus	138,140,231
Unassigned funds (surplus)	(73,309,522)
Total capital and surplus	<u>64,830,719</u>
Total liabilities and capital and surplus	<u>\$232,284,631</u>

## Statement of Revenue and Expenses

**For the Year Ended  
December 31, 2007**

Net premium income	\$521,403,418
Total revenues	<u>521,403,418</u>
Hospital and Medical:	
Hospital/medical benefits	400,536,536
Prescription drugs	<u>104,967,184</u>
Subtotal	505,503,720
Less:	
Net reinsurance recoveries	(1,102,786)
Claims adjustment expenses	17,014,244
General administrative expenses	36,088,902
Increase in reserves for life and accident and health contracts	<u>11,300,000</u>
Total underwriting deductions	568,804,080
Net underwriting loss	(47,400,662)
Net investment income earned	6,799,964
Net realized capital losses	<u>(90,674)</u>
Net investment gains	6,709,290
Net loss from agents' or premium balances charged off	(8,929)
Aggregate write-ins for other income or expenses	(702,616)
Net loss after capital gains tax	(41,402,917)
Federal and foreign income taxes incurred	<u>(7,121,905)</u>
Net loss	<u><u>\$(34,281,012)</u></u>

## Statement of Changes in the Capital and Surplus Account

(In thousands)

	2006	2007
Capital and surplus December 31, previous year	<u>\$1,700</u>	<u>\$12,496</u>
Net loss	(3,700)	(34,281)
Change in unrealized capital losses		(1)
Change in net deferred income tax	4,353	8,340
Change in nonadmitted assets	(11,655)	(8,170)
Paid in surplus	50,440	86,000
Aggregate write-ins for gains or losses in surplus	<u>(28,642)</u>	<u>447</u>
Net change in capital and surplus	<u>10,796</u>	<u>52,335</u>
Capital and surplus December 31, current year	<u>\$12,496</u>	<u>\$64,831</u>

### Notes to Financial Statements

#### Investments

The Plan's investments were in compliance with Section 3925.08 of the ORC.

#### Subsequent Events

The Plan terminated participation in the Ohio Covered Family and Children program on March 31, 2008 and terminated the Aged, Blind, and Disabled program on August 31, 2008.

### Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Plan as of December 31, 2007, and is summarized as follows:

Total Admitted Assets	<u>\$232,284,631</u>
Liabilities	<u>\$167,453,912</u>
Surplus as Regards Policyholders	<u>64,830,719</u>
Total Liabilities and Surplus as Regards Policyholders	<u>\$232,284,631</u>

### Acknowledgement

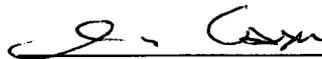
Appreciation is expressed for the assistance extended by the officers and employees of the Plan during the course of this examination.

In addition to the undersigned, the following representatives of the Department participated in this examination: Jyotika Patel, CPA and Patricia Severs, CPA.

Respectfully,



\_\_\_\_\_  
Donnie G. Wells, CFE  
Examiner-In-Charge  
Ohio Department of Insurance



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David A. Cook, CFE  
Assistant Chief Examiner  
Ohio Department of Insurance

