

JUN 13 2025

FILED

CERTIFICATION

June 13, 2025

I, Eric Dunning, Director of Insurance of the State of Nebraska, do hereby certify that the attached is a full and correct copy of the Financial Examination Report of

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

AS OF

DECEMBER 31, 2023

The report is now on file and forming a part of the records of this Department.

I hereto subscribe my name under the seal of my office at Lincoln, Nebraska.





DIRECTOR OF INSURANCE

CERTIFICATE OF ADOPTION

Notice of the proposed report for the financial examination of

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

9800 HEALTH CARE LANE MN006-W500

MINNETONKA, MN 55343

dated as of December 31, 2023, verified under oath by the examiner-in-charge on
May 29, 2025, and received by the company on May 30, 2025, has been adopted
without modification as the final report pursuant to Neb. Rev. Stat. § 44-5906(3) (a).

Dated this 13th day of June 2025.

STATE OF NEBRASKA
DEPARTMENT OF INSURANCE

A handwritten signature in black ink that reads "Tadd R. Wegner". The signature is written in a cursive, flowing style.

Tadd Wegner, CFE
Chief Financial Regulator

STATE OF NEBRASKA

Department of Insurance

EXAMINATION REPORT

OF

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

as of

December 31, 2023

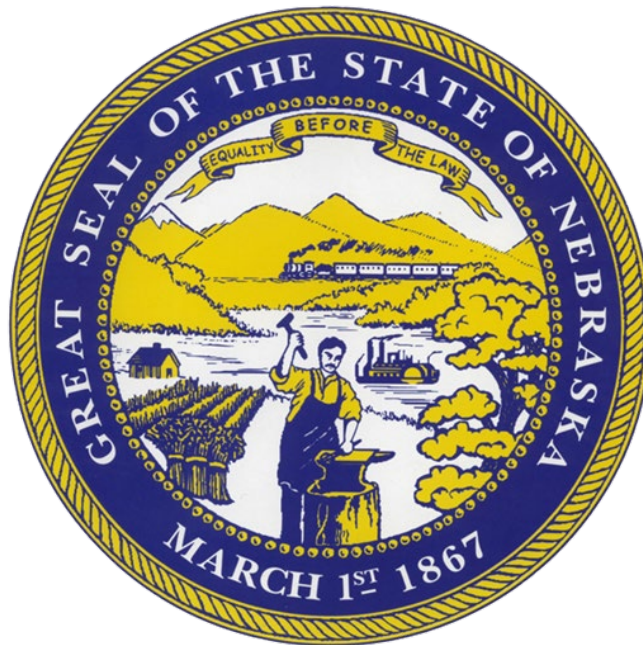


Table of Contents

<u>Item</u>	<u>Page</u>
Salutation	1
Introduction.....	1
Scope of Examination	2
Description of Company	5
History	5
Management and Control	6
Holding Company	6
Shareholder.....	7
Board of Directors	7
Officers	8
Committees.....	9
Transactions with Affiliates	10
Federal Income Tax Sharing Agreement.....	10
Combined Billing and Disbursement Operations Agreement.....	10
Short-Term Investment Pool	11
Management Service Agreement	11
Asset Transfer Agreements	11
Promissory Note	11
General Agency Agreement	12
Various Medical and Drug Service Agreements	12
Territory and Plan of Operation	16
Reinsurance	18
Ceded	18
General	18
Body of Report.....	18
Growth.....	18
Financial Statements	19
Examination Changes in Financial Statements	23
Compliance with Previous Recommendations.....	23
Commentary on Current Examination Findings	24
Insurance Holding Company System Annual Registration Statement.....	24
Summary of Comments and Recommendations.....	24
Acknowledgment	25

Omaha, Nebraska
May 1, 2025

Honorable Eric Dunning
Director of Insurance
Nebraska Department of Insurance
1526 K Street, Suite 200
Lincoln, Nebraska 68508

Dear Sir:

Pursuant to your instruction and authorizations, and in accordance with statutory requirements, an examination has been conducted of the financial condition and business affairs of:

UNITEDHEALTHCARE OF THE MIDLANDS, INC.

which has its Statutory Home Office located at

**2717 North 118th Street, Suite 300
Omaha, Nebraska 68164**

with its Principal Executive Office located at

**9800 Health Care Lane MN006-W500
Minnetonka, MN 55343**

(hereinafter also referred to as the “Company”), and the report of such examination is respectfully presented herein.

INTRODUCTION

The State of Nebraska last examined the Company as of December 31, 2018. The current financial condition examination covers the intervening period to, and includes the close of business on December 31, 2023 and such subsequent events and transactions as were considered pertinent to this report. The States of Nebraska, Arizona, Colorado, Connecticut, New Jersey,

New York, Ohio, Rhode Island and Texas participated in this examination and preparation of this report.

The same examination staff conducted concurrent financial condition examinations of the Company's affiliates, Care Improvement South Central Insurance Company, Solstice Healthplans of Arizona, Inc., Rocky Mountain Health Maintenance Organization, Inc., International Healthcare Services, Inc., Healthplex of New Jersey, Inc., Optum Networks of New Jersey, Inc., AmeriChoice of New Jersey, Inc., UnitedHealthcare Insurance Company of New York, UnitedHealthcare of New York, Inc., UnitedHealthcare Community Plan of Ohio, Inc., UnitedHealthcare of New England, Inc., Solstice Healthplans of Texas, Inc. and Kelseycare Administrators LLC.

SCOPE OF EXAMINATION

The examination was conducted pursuant to and in accordance with both the NAIC Financial Condition Examiners Handbook (Handbook) and Section §44-5904(1) of the Nebraska Insurance Statutes. The Handbook requires that examiners plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including but not limited to: corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management's compliance with Statutory Accounting Principles and Annual Statement Instructions when applicable to domestic state regulations.

The examination was completed under coordination of the holding company group approach with the Nebraska Department of Insurance as the coordinating state and the Arizona

Insurance Department, Connecticut Insurance Department, New Jersey Department of Banking and Insurance, New York Department of Financial Services, Ohio Department of Insurance, Rhode Island Department of Business Regulation – Insurance Division, Colorado Department of Insurance and Texas Department of Insurance as the participating states. The companies examined under this approach benefit to a large degree from common management, systems and processes, and internal control and risk management functions that are administered at the consolidated or business unit level.

The coordinated examination applies procedures sufficient to comprise a full scope financial examination of each of the companies in accordance with the examination procedures and standards promulgated by the NAIC and by the respective state insurance departments where the companies are domiciled. The objective is to enable each domestic state to report on their respective companies' financial condition and to summarize key results of examination procedures.

The Nebraska Department of Insurance made a general review of the Company's operations and the manner in which its business has been conducted in order to determine compliance with statutory and charter provisions. The Company's history was traced and has been set out in this report under the caption "Description of Company." All items pertaining to management and control were reviewed, including provisions for disclosure of conflicts of interest to the Board of Directors and the departmental organization of the Company. The Articles of Incorporation and By-Laws were reviewed, including appropriate filings of any changes or amendments thereto. The minutes of the meetings of the Shareholders, Board of Directors and committees held during the examination period were read and noted. Attendance

at meetings, proxy information, election of Directors and Officers, and approval of investment transactions were also noted.

The fidelity bond and other insurance coverages protecting the Company's property and interests were reviewed. Certificates of Authority to conduct the business of insurance in the various states were inspected, and a survey was made of the Company's general plan of operation.

Data reflecting the Company's growth during the period under review, as developed from the Company's filed annual statements, is reflected in the financial section of this report under the caption "Body of Report."

The Company's reinsurance facilities were ascertained and noted and have been commented upon in this report under the caption "Reinsurance." Accounting records and procedures were tested to the extent deemed necessary through the risk-focused examination process. The Company's method of claims handling and procedures pertaining to the adjustment and payment of incurred losses were also noted.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This included a review of workpapers prepared by Deloitte & Touche LLP, the Company's external auditors, during their audit of the Company's accounts for the years ended December 31, 2022 and 2023. Portions of the auditor's workpapers have been incorporated into the workpapers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination. This utilization was performed pursuant to Title 210 (Rules of the Nebraska Department of Insurance), Chapter 56, Section 013.

Any failure of items to add to the totals shown in schedules and exhibits appearing throughout this report is due to rounding.

DESCRIPTION OF COMPANY

HISTORY

The Company was incorporated as a for-profit corporation on April 16, 1984, under the name of Share Health Plan of Nebraska, Inc. The Articles of Incorporation provided that the primary purpose is to operate as a health maintenance organization providing comprehensive health care to enrollees through contractual arrangements with health care providers and that it shall have perpetual existence.

At the commencement of business, the Company was a wholly owned subsidiary of Share Development Corporation, a wholly owned subsidiary of United Healthcare Corporation. During September of 1986, a 49% minority interest in the Company was sold to Lincoln National Administrative Services Corporation, a subsidiary of Lincoln National Corporation. This 49% interest was repurchased by Share Development Corporation on September 30, 1988. Also in 1988, the Company purchased Maxicare/HealthAmerica from Maxicare Health Plans, Inc. of Los Angeles, California. As of December 31, 1991, Share Development Corporation was merged with, and into, UHC Management Company, Inc., a wholly owned subsidiary of United HealthCare Corporation, with UHC Management Company, Inc. emerging as the surviving entity.

Effective September 2, 1994, the Company changed its name to United HealthCare of the Midlands, Inc. The Company's parent, UHC Management Company, Inc., changed its name to United HealthCare Services, Inc. (UHS) effective March 1, 1996.

Effective June 30, 2000, ownership of the Company transferred to UnitedHealthcare, Inc., an intermediate holding company. Management and operations of the Company remained unchanged.

Effective December 31, 2008, the Company changed its name to UnitedHealthcare of the Midlands, Inc.

MANAGEMENT AND CONTROL

Holding Company

The Company is a member of an insurance holding company system as defined by Nebraska Statute. An organizational listing flowing from the “Ultimate Controlling Person,” as reported in the 2023 Annual Statement, is represented by the following (subsidiaries are denoted through the use of indentations, and unless otherwise indicated, all subsidiaries are 100% owned):

UnitedHealth Group, Inc.

United HealthCare Services, Inc.

Rocky Mountain Health Maintenance Organization, Inc.

UnitedHealthcare of New England, Inc.

XL Health Corporation

Care Improvement Plus South Central Insurance Company

Specialty Benefits, LLC

Solstice Benefits, Inc.

Solstice Administration Services, Inc.

Solstice Healthplans of Arizona, Inc.

Solstice Healthplans of Texas, Inc.

UHC Holdings, Inc.

UnitedHealthcare Insurance Company

UnitedHealthcare Insurance Company of New York

UnitedHealthcare, Inc.

UnitedHealthcare of the Midlands, Inc.

Optum, Inc.

Marlin Holding Company LLC

Healthplex, Inc.

Healthplex of NJ, Inc.

International Healthcare Services, Inc.

OptumInsight Holdings, LLC

OptumInsight, Inc.

OptumHealth Care Solutions, LLC

OrthoNet Holdings, Inc.

Optum Networks of NJ, Inc.

OptumHealth Holdings, LLC

Collaborative Care Holdings, LLC

Transformer TX Holdings, LLC
 KSMS Holdings, LLC
 KSMS Holdings, LLC
 KSMS Intermediate Holdings I, LLC
 KSMS Intermediate Holdings II, LLC
 KS Management Services, LLC
 KelseyCare Administrators, LLC

AmeriChoice Corporation
 AmeriChoice of New Jersey, Inc.
 UnitedHealthcare of New York, Inc.
 Three Rivers Holding, Inc.
 UnitedHealthcare Community Plan of Ohio

Shareholder

Article VI of the Company’s Articles of Incorporation states that, “the total authorized number of shares of this Corporation shall be One Hundred Thousand (100,000) Common Shares of the par value of One dollar (\$1.00) per share.” As of the year end of 2023, Company records indicate that all of its issued and outstanding shares of capital stock, being 100,000 shares of common stock, were owned and held by UnitedHealthcare, Inc.

The Company paid cash dividends to the Shareholder during the examination period as follows:

<u>Year</u>	<u>Amount</u>
2019	\$110,000,000
2020	100,000,000
2021	150,000,000
2022	194,000,000
2023	<u>205,000,000</u>
Total	<u>\$759,000,000</u>

Board of Directors

Article III, Section 3.1 of the By-Laws states that, “the property, funds, affairs and business of the Corporation shall be managed by the Board of Directors.” Section 3.2 states that, “...the Board of Directors shall consist of at least three (3) members. The Board of Directors

shall be divided into two classes, Consumer Directors and Non-Consumer or Regular Directors.” Furthermore, “one-third (1/3) of the members of the Board of Directors shall be Consumer Directors who reside in or in proximity to the HMO’s service areas...”

The Company did not have a Consumer Director after 2022 and therefore was not in compliance with its own By-Laws. It is recommended that the Company amend its By-Laws to eliminate the Consumer Director requirement.

The following persons were serving as Directors at December 31, 2023:

<u>Name and Residence</u>	<u>Principal Occupation</u>
Robert Andersen Broomfield Overland Park, KS	Health Plan, Chief Executive Officer Commercial
Gloria Margaret Sargent St. Charles, MO	Health Plan, Chief Executive Officer Commercial
Jeffrey Scott Stafford* Omaha, NE	Health Plan, Chief Executive Officer Chair

*Replaced by James M. Parnell effective August 29, 2024

**New Director Daniel M. Parietti effective October 11, 2024

Officers

Article V, Section 5.1 of the By-Laws states that, “the Board of Directors shall elect the Officers of the Corporation, which Officers shall be a President, a Vice President, a Secretary and a Treasurer or a Secretary/Treasurer. The Board of Directors may elect one (1) or more additional Vice Presidents, Assistant Secretaries and Assistant Treasurers as the Board of Directors may deem necessary. In addition, a Chairman and Vice Chairman of the Board of Directors may be elected from the members of the Board of Directors.”

Officers elected and serving the Company at December 31, 2023, were as follows:

<u>Name</u>	<u>Office</u>
Jeffrey Scott Stafford*	Chief Executive Officer, President, Chair

Peter Marshall Gill**	Treasurer
Alexander McCarthy Miskella	Secretary
James Stevenson Elliston	Chief Financial Officer, Vice President
Heather Anastasia Lang	Assistant Secretary
Nyle Brent Cottington	Vice President
Robert Andersen Broomfield	President, Commercial

*Replaced by James M. Parnell effective August 29, 2024

**Replaced by Marilyn V. Hirsch effective August 30, 2024

***Meeta Prafulchandra Shah appointed as Medical Director effective March 29, 2024

Committees

Article III, Section 3.11 of the By-Laws states that, “the Board of Directors may, by resolution approved by the affirmative vote of the entire Board of Directors, designate three (3) or more Directors to constitute an Executive Committee, which, to the extent determined by resolution approved by the affirmative vote of the entire Board of Directors, shall have and exercise the authority of the Board of Directors in the management of the business of the Corporation. Any such Executive Committee shall act only in the interval between meetings of the Board of Directors and shall be subject at all times to the control and direction of the Board of Directors.”

In addition, Article III, Section 3.12 of the By-Laws states that, “...the Board of Directors shall create, by resolution, a Complaint Review Committee, which shall be a standing committee consisting of three (3) Directors, at least one (1) of which shall be a Consumer Director; the Complaint Review Committee shall be charged with the resolution and recording of written complaints...”. The Company did not have a Consumer Director after 2022 and therefore was not in compliance with its own By-Laws. It is recommended that the Company amend its By-Laws to eliminate the Consumer Director requirement.

The Company has designated the Medicare & Retirement Audit Committee of its indirect controlling party, UHS, to serve as the audit committee for the Company for purposes of complying with the Model Audit Rule effective January 1, 2022. Prior to January 1, 2022, the Company designated the Central Region Audit Committee of the Board of Directors of UHS to serve as the Company's audit committee.

The following persons were serving on the Medicare & Retirement Audit Committee at December 31, 2023:

Christopher Kreutzer, Chair
Mark Wentworth

Marc Briggs

TRANSACTIONS WITH AFFILIATES

Federal Income Tax Sharing Agreement

Effective January 1, 1990, the Company entered into an Intercompany Federal Income Tax Sharing Agreement with its ultimate parent, UnitedHealth Group Inc. ("UHG"), whereby the parties join in filing a consolidated federal tax return as members of an "affiliated group." UHG coordinates the tax planning for the group, accumulates the information, prepares and files the required consolidated tax return and pays the taxes due or collects refunds from the IRS.

Payment by a subsidiary to UHG is equal to its separate tax liability attributable to its net taxable income. This agreement establishes the method for reimbursing UHG for payment of such tax liability; for computation of any consolidated adjustments; for treatment of participant losses; and to provide for the allocation and payment of any refund or liability arising from a carryback. The First Amendment to this agreement was effective March 1, 2019.

Combined Billing and Disbursement Operations Agreement

Effective April 1, 2010, the Company entered into a Combined Billing and Disbursement Operations Agreement through a Participating Addendum with UnitedHealthcare Insurance

Company (“UHIC”), UHS, and certain other participants to provide premium collection and claim payment services for the Company.

Short-Term Investment Pool

UHS maintains a private short-term investment pool in which affiliated companies may participate. As of December 31, 2023, the Company’s portion was \$148,628,526 and is included in cash equivalents in the financial statements.

Management Service Agreement

Effective January 1, 2011, the Company entered into a Management Services Agreement with UHS to provide various management and administrative services.

Asset Transfer Agreements

Effective January 1, 2022, the Company entered in the Asset Transfer Agreement with UnitedHealthcare of Alabama, Inc. Pursuant to the agreement, a MAPD contract with the identifiable number of H0432 with the Centers for Medicare & Medicaid Services (“CMS”) was transferred by means of a novation from UnitedHealthcare of Alabama, Inc. to the Company.

Effective January 1, 2022, the Company entered in the Asset Transfer Agreement with UnitedHealthcare of Arkansas, Inc. Pursuant to the agreement, a MAPD contract with the identifiable number of H3484 with CMS was transferred by means of a novation from UnitedHealthcare of Arkansas to the Company.

Promissory Note

Effective April 1, 2023, the Company entered into a Promissory Note with UHS. Pursuant to the Promissory Note, UHS agrees to lend to the Company an aggregate principal amount of \$250,000,000, at an interest rate of Fed Runds Target rate – Upper Bound plus 50 basis points. The Promissory Note may be prepaid at any time in the whole or in part. Payment

of the principal and interest will be subordinated to the claims of non-affiliated creditors. There were no balances outstanding on this note as of December 31, 2023.

General Agency Agreement

Effective July 1, 2018, UHIC entered into an eAlliance General Agency Agreement with Golden Outlook, Inc. The agreement is for payment of agent commissions for the sale of Medicare products made by licensed agents. The Company began participating in the agreement by signing a participating addendum effective September 1, 2018. Effective April 10, 2023, the agreement was terminated.

Various Medical and Drug Service Agreements

Effective October 1, 2010, the Company entered into a Facility Participation Agreement with Optum Biometrics (f/k/a Wellness, Inc.). This agreement is for Wellness, Inc. providing the members influenza vaccination services.

Effective July 1, 2011, the Company entered into a Services Agreement with Ingenix, Inc. to provide services involving the investigation, pursuit, and recovery of health care claim overpayments occurring due to fraudulent, abusive, or other inappropriate billing activity. Effective January 1, 2020, the agreement and subsequent amendments were replaced and superseded by the First Amended and Ancillary Health Services Agreement IIPAS #5598-MA.

Effective January 1, 2012, the Company entered into a Vision Services Agreement with Spectra, Inc. to provide vision services to customers.

Effective February 1, 2012, the Company contracted with Dental Benefit Providers, Inc. (DBP) to provide dental services for the Company's Members. Additionally, DBP provides claims administration services for the covered services.

Effective March 1, 2012, the Company entered into a Behavioral Health Services Agreement with United Behavioral Health and its subsidiaries to provide mental health services for commercial and Medicare participants.

Effective April 1, 2012, the company entered into an Administrative Services Agreement with OptumHealth Care Solutions to provide physical solutions such as chiropractic and physical, occupation and speech therapy for the Company's Commercial, Medicare and Medicaid members.

Effective January 1, 2013, OptumRx, Inc. ("OptumRx") and UHS entered into the Prescription Drug Benefit Administration Agreement. The Company was added to the agreement as a participant through signing a Participating Addendum effective January 1, 2013. This agreement covers the Company's commercial members only.

Effective December 1, 2015, the Company entered into the Facility Participation Agreement. Pursuant to the agreement, OptumRx is acting as a specialty pharmacy provider.

Effective February 1, 2016, the Company entered into a Facility Participation Agreement with AxelaCare Intermediate Holdings, LLC which provides home infusion therapy services and per diem nursing services.

Effective January 1, 2018, OptumRx and UHS entered into the First Amended and Restated Medicare Prescription Drug Benefit Administration Agreement acting on behalf of its affiliates, including but not limited to the Company. Under the terms of the agreement, OptumRx is the Pharmacy Benefit Manager for the Company's Individual MA-PD Plans and PDP Plans. The Company began to participate in the agreement by signing a Participating Addendum effective January 1, 2018.

Effective January 1, 2019, UHIC entered into a National Provider Participation Agreement with Real Appeal, Inc. The Company began participating in the agreement by entering into a Participating Addendum effective January 1, 2019.

Effective February 1, 2019, Ear Professionals International Corporation (“EPIC”) and UHIC entered into an Eleventh Amendment to the Ancillary Provider Participation Agreement. Pursuant to the agreement and subsequent amendments, EPIC is providing hearing aids to its members. The Company signed a participating addendum for the Eleventh Amendment effective February 1, 2019. Effective January 1, 2020, the agreement was replaced and superseded by the National Ancillary Provider Participation Agreement.

Effective January 1, 2020, UHS entered into an Amended and Restated Master Ancillary Health Supplies Agreement with OptumRx. The Company was added through a Participating Addendum. The agreement is a complete restatement of the Health Supplies Agreement effective January 1, 2008, which the Company began participating in on June 1, 2019.

Effective March 1, 2020, the Company began via a participating addendum in the Medicare Prescription Drug Benefit Administration Agreement between OptumRx and UHS to provide mail order prescription drug services to the MA-PD Plans and PDP Plans for Group members.

Effective March 1, 2020, Prospero Health Partners, P.C. (“PHPPC”) and UHIC entered into the Medical Group Participation Agreement. The Company began participating in the agreement via a Participating Addendum effective March 1, 2020. Under the agreement, PHPPC provides palliative care management and care services to the Company’s Medicare Advantage members within the last 12 months of their lives.

Effective March 1, 2020, PHPPC and UHC entered into the Accountable Care Organization (“ACO”) Agreement. The ACO Agreement outlines an incentive program. The Company began participating in the agreement via a Participating Addendum effective March 1, 2020.

Effective January 1, 2021, the Company entered into a Medical Services Agreement with LifePrint Health, Inc. (“LifePrint”). Under the agreement, LifePrint provides the Company with services related to performing medical management services for their I-SNP members.

Effective February 1, 2021, the Company entered into an agreement for Post-Acute Services with UHS and naviHealth, Inc. (“naviHealth”). Pursuant to the agreement, naviHealth arranges for the delivery and provision of Post-Acute clinical services to their enrollees.

Effective January 1, 2022, the Company and American Health Network of Indiana Care Organization entered into the Fifth Amendment to the agreement with UHIC (contracting on behalf of the Company and other entities that are UHG’s affiliates) and WellMed Medical Management, Inc. The amendment modified all references to the name of WellMed Medical Management, Inc., which was replaced with Optum Care Networks, Inc.

Effective January 1, 2022, the Company began to participate in the Accountable Care Organization Agreement with ArchWell Health Professional Services of Alabama, LLC (“ArchWell-AL”), and Care Improvement Plus South Central Insurance Company. Pursuant to the agreement, ArchWell-AL will participate in certain incentive programs related to ArchWell-AL’s provision of care coordination and primary care services to the Company’s Medicare Advantage members in the State of Alabama.

Effective January 1, 2022, the Company began to participate in the Accountable Care Organization Agreement with ArchWell Health Professional Services of Kansas, P.A.

(“ArchWell-KS”), and Care Improvement Plus South Central Insurance Company pursuant to which ArchWell-KS will participate in certain incentive programs related to ArchWell-KS’s provision of care coordination and primary care services to the Company’s Medicare Advantage members in the States of Kansas and Missouri.

Effective May 1, 2022, the Company entered into the Landmark Program Services Agreement between the Company and Landmark MSO, LLC (“Landmark”). Pursuant to the agreement, Landmark will make the Landmark Program available to the Company and provide and/or arrange for the provision of certain Landmark Program Services to the Company. Landmark will provide the Company with the care management, administrative and technical components of the Landmark Program.

Effective May 1, 2022, the Company entered into the Landmark Medical Group Agreement with Landmark Medical of Arkansas PA, Landmark Medical of Kansas PA, and Landmark Medical of Missouri PC, pursuant to which each Medical Group will provide health care services to individuals enrolled in their Medicare Advantage Plans.

Effective January 1, 2023, the Company entered into the Health Services Agreement between Optum Health Networks, Inc. d.b.a. Optum Care Network- Kansas City. Pursuant to the agreement, the Provider Group participating providers desire to participate in their prepaid health service delivery system by providing or arranging covered services to Medicare Advantage Members.

TERRITORY AND PLAN OF OPERATION

As evidenced by current or continuous Certificates of Authority, the Company is licensed to transact the business of a Health Maintenance Organization in the states of Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, and Nebraska.

Through the UnitedHealthcare Community and State segment, the Company has a contract with the State of Nebraska, to provide health care services to Medicaid eligible beneficiaries, which include eligible beneficiaries under the Children's Health Insurance Program in Nebraska. The current contract ended on December 31, 2023. The Company entered into a new contract on January 1, 2024, which is effective through December 31, 2029 and includes an option for two (2) one-year extensions. The Company administers benefits for the unique needs of children, pregnant women, adults, seniors and those who are institutionalized or are nursing home eligible.

Utilizing the UnitedHealthcare Medicare and Retirement segment, the Company serves as a plan sponsor offering Medicare Plans under contracts with CMS. The Company offers Medicare Advantage HMO plans, Preferred Provider Organization (PPO) plans, Point-of-Services plans, Private-Fee-for-Service plans and Special Needs Plans. They also offer various forms of Medicare Part D plans and Medicare Supplement plans.

Under the UnitedHealthcare Employer and Individual segment the Company also offer comprehensive commercial products to small employer groups. The Company assumes both the risk of medical and administrative costs for its customers in return for a monthly premium which is typically a fixed rate for a one-year period. They also offer a variety of options such as self-funded arrangements, as well as dental and vision, hearing, accident protection, critical illness, disability and hospital indemnity products to customize plans for employers of various sizes.

Various management/administrative services are provided to the Company under the Management Agreement with UHS. All personnel are employees of UHS. Direct marketing and continued servicing of the subscribers and accounts is provided by an Omaha office staff consisting of sales, account management, clinical and network staff and other individuals

handling subscriber support services. There are satellite offices located in Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri and Nebraska. These offices serve their respective networks and handle sales and marketing in the other areas of Alabama, Arkansas, Illinois, Indiana, Iowa, Kansas, Missouri, and Nebraska.

This health delivery system is responsible for managing the health care of its approximately 499,661 members. Members are provided services by over 162,787 providers (i.e., physicians, & hospitals), under contract with the Company. The Company also contracts with a significant number of pharmacies for services to its members.

REINSURANCE

Ceded

Effective January 1, 2005, the Company entered into an insolvency-only reinsurance agreement with UHIC to provide insolvency protection for its enrollees. This agreement does not relieve the Company of its obligations to policyholders.

General

All contracts reviewed contained standard insolvency, arbitration, errors and omissions, and termination clauses where applicable. All contracts contained the clauses necessary to assure reinsurance credits could be taken.

BODY OF REPORT

GROWTH

The following comparative data reflects the growth of the Company during the period covered by this examination:

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Total admitted assets	\$ 908,437,100	\$ 973,082,849	\$1,465,681,054	\$1,734,550,031
Total liabilities	498,445,708	514,309,358	895,195,530	980,984,044
Total capital & surplus	409,991,392	458,773,491	570,485,524	753,565,987
Total revenues	3,541,157,862	3,772,346,554	5,608,832,552	6,514,530,507
Hospital/medical benefit	2,869,588,757	3,123,163,841	4,653,245,535	5,448,948,360
General administrative expenses	343,356,949	279,891,520	401,922,570	436,875,506
Net income before taxes	211,299,484	247,104,186	394,866,873	495,510,731
Federal income taxes	58,330,584	51,072,694	82,862,795	103,332,891
Net income (loss)	152,968,900	196,031,492	312,004,078	392,177,840
Membership	354,026	362,741	476,788	499,661

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the State of Nebraska Department of Insurance and present the financial condition of the Company for the period ending December 31, 2023. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements. A reconciliation of the capital and surplus account for the period under review is also included.

FINANCIAL STATEMENT
December 31, 2023

Assets

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>
Bonds	\$ 910,194,073		\$ 910,194,073
Cash, cash equivalents, and short term investments	243,972,613		243,972,613
Other invested assets	<u>1,793,263</u>		<u>1,793,263</u>
Subtotal, cash and invested assets	\$1,155,959,955		\$1,155,959,955
Investment income due and accrued	7,124,595		7,124,595
Uncollected premiums	25,814,803	\$ 677,524	25,137,279
Accrued retrospective premiums and contracts subject to redetermination	274,451,337		274,451,337
Amounts receivable relating to uninsured plans	45,396,898	50,690	45,346,208
Current federal income tax recoverable	9,012,656		9,012,656
Net deferred tax asset	6,856,946		6,856,946
Receivables from parent, subsidiaries and affiliates	23,752,292		23,752,292
Health care and other amounts receivable	208,487,253	22,133,884	186,353,369
State taxes recoverable	555,394		555,394
Miscellaneous receivables	805	805	
Prepaid commissions	<u>4</u>	<u>4</u>	<u> </u>
Total assets	<u>\$1,757,412,938</u>	<u>\$22,862,907</u>	<u>\$1,734,550,031</u>

Liabilities, Surplus and Other Funds

Claims unpaid	\$ 561,154,893
Accrued medical incentive pool and bonus amounts	75,681,256
Unpaid claims adjustment expenses	4,326,038
Aggregate health policy reserves	192,918,683
Aggregate health claim reserves	1,523,366
Premiums received in advance	12,425,401
General expenses due or accrued	15,081,464
Ceded reinsurance premiums payable	2,121,459
Remittances and items not allocated	97,127
Payable for securities	8,316,929
Liability for amounts held under uninsured plans	107,335,006
Unclaimed property	<u>2,422</u>
Total liabilities	<u>\$ 980,984,044</u>
Common capital stock	\$ 100,000
Gross paid in and contributed surplus	61,100,000
Unassigned funds (surplus)	<u>692,365,987</u>
Total capital and surplus	<u>\$ 753,565,987</u>
Total liabilities, capital and surplus	<u><u>\$1,734,550,031</u></u>

STATEMENT OF REVENUE AND EXPENSES – 2023

Underwriting revenues:	
Net premium income	\$6,542,016,519
Change in unearned premium reserves and reserve for rate credits	<u>(27,486,012)</u>
Total underwriting revenues	<u>\$6,514,530,507</u>
Hospital and medical:	
Hospital/medical benefits	\$4,751,307,884
Other professional services	126,481,511
Prescription drugs	457,401,263
Incentive pool, withhold adjustments and bonus amounts	<u>113,757,702</u>
Total hospital and medical	<u>\$5,448,948,360</u>
Claims adjustment expenses	191,734,614
General administrative expenses	<u>436,875,506</u>
Total underwriting deductions	<u>\$6,077,558,480</u>
Net underwriting gain	<u>\$ 436,927,027</u>
Investments:	
Net investment income earned	\$ 56,288,631
Net realized capital (losses)	<u>3,071,418</u>
Net investment gains	<u>\$ 59,360,049</u>
Net (loss) from agents' or premium balances charged off	<u>\$ (821,345)</u>
Net income before federal income taxes	\$ 495,510,731
Federal income taxes incurred	<u>103,332,891</u>
Net income	<u>\$ 392,177,840</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Capital and surplus, beginning	<u>\$358,352,801</u>	<u>\$409,991,392</u>	<u>\$458,773,491</u>	<u>\$570,485,524</u>
Net income or (loss)	\$152,968,900	\$196,031,492	\$312,004,078	\$392,177,840
Change in net unrealized capital gains (losses) less capital gains tax	30,622	(136,615)		
Change in net deferred income tax	475,634	(881,742)	2,014,755	1,820,497
Change in nonadmitted assets	(1,836,565)	3,768,964	(7,406,800)	(5,917,874)
Surplus adjustments: paid in Dividends to Stock- holders	(100,000,000)	(150,000,000)	(194,900,000)	(205,000,000)
Net change in capital and surplus	<u>\$ 51,638,591</u>	<u>\$ 48,782,099</u>	<u>\$111,712,033</u>	<u>\$183,080,463</u>
Capital and surplus, end of year	<u>\$409,991,392</u>	<u>\$458,773,491</u>	<u>\$570,485,524</u>	<u>\$753,565,987</u>

EXAMINATION CHANGES IN FINANCIAL STATEMENTS

Unassigned funds (surplus) in the amount of \$1,734,550,031, as reported in the Company's 2023 Annual Statement, has been accepted for examination purposes. Examination findings, in the aggregate, were considered to have no material effect on the Company's financial condition.

COMPLIANCE WITH PREVIOUS RECOMMENDATIONS

The recommendation appearing in the previous report of examination is reflected below together with the remedial actions taken by the Company to comply therewith:

Safekeeping Agreement – It is recommended that the Company revise its safekeeping agreement with Wells Fargo to include the provisions related to safeguards and controls

of securities pursuant to Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 81.

Actions: The Company has complied with this recommendation.

COMMENTARY ON CURRENT EXAMINATION FINDINGS

Insurance Holding Company System Annual Registration Statement

The Company was not in compliance with Nebraska Revised Statute (“Neb. Rev. Stat.”) §44-2132 in that its 2023 Form B filing was not properly completed. Specifically, there were contracts with inaccurate amounts of fees paid, and some transactions/agreements were not disclosed. Additionally, information between the 2023 Form B filing and the 2023 Annual Statement did not reconcile.

It is recommended that the Company properly disclose intercompany agreements and amounts paid to various related parties in its Form B filing on a going forward basis, pursuant to Neb. Rev. Stat. §44-2132 and Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 24.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following comments and recommendations have been made as a result of this examination:

Non-Compliance with By-Laws – It is recommended that the Company amend its By-Laws to eliminate the Consumer Director requirement.

Insurance Holding Company System Annual Registration System – It is recommended that the Company properly disclose intercompany agreements and amounts paid to various related parties in its Form B filing on a going forward basis, pursuant to Neb. Rev. Stat. §44-2132 and Title 210 (Nebraska Department of Insurance Rules and Regulations), Chapter 24.

ACKNOWLEDGMENT

The courteous cooperation extended by the Officers and employees of the Company during this examination is hereby acknowledged.

In addition to the undersigned, Adrienne Sulaiman, CFE, Derek Petersen, MCM, CFE, Debbie Fernatt, AFE, Tony Gilbert, CPA, CFE, Mario Ascic, CFE, Financial Examiners and Jason Dunavin, FSA, MAAA, Actuarial Examiner; all with Lewis & Ellis, LLC contracted by the Nebraska Department of Insurance and Financial Examiners, Information Systems Specialists, and Actuarial Examiners with or contracted by the California Department of Insurance, Colorado Division of Insurance, State of Connecticut Insurance Department, Iowa Insurance Division, and New York Department of Financial Services; participated in this examination and assisted in the preparation of this report.

Respectfully submitted,



Katerina Bolbas, EIC, CFE
Examiner-in Charge
Lewis & Ellis, LLC
Representing the Nebraska Department of Insurance



Skyler Lawyer, CFE
Assistant Chief Examiner - Field
Department of Insurance
State of Nebraska

State of Nebraska,

County of Garden,

Katerina Bolbas, being duly sworn, states as follows:

1. I have authority to represent the Department of Insurance of the State of Nebraska in the examinations of Care Improvement South Central Insurance Company and UnitedHealthcare of the Midlands, Inc.
2. The Department of Insurance of the State of Nebraska is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination reports, and the examinations of Care Improvement South Central Insurance Company and UnitedHealthcare of the Midlands, Inc. were performed in a manner consistent with the standards and procedures required by the Department of Insurance of the State of Nebraska.

The affiant says nothing further.

Katerina Bolbas

Examiner-in-Charge's Signature

Subscribed and sworn before me by KATERINA BOLBAS on this 29th day of MAY, 20 25.



Derek Petersen
Notary Public

My commission expires July 1, 2026