REPORT ON EXAMINATION

OF

ANTHEM HEALTHCHOICE HMO, INC.

(F/K/A EMPIRE HEALTHCHOICE HMO, INC.)

AS OF DECEMBER 31, 2022

EXAMINERS — **THOMAS J. ALLEN, CFE**

GAIL A. ROSS

DATE OF REPORT — **JUNE 14, 2024**

TABLE OF CONTENTS

ITEM NO.		PAGE NO.
1.	Scope of the examination	4
2.	Description of the Plan	7
	A. Management and controls	8
	B. Corporate governance	11
	C. Territory and plan of operation	15
	D. Reinsurance	17
	E. Risk-based capital	17
	F. Holding company system	17
	G. Significant operating ratios	20
	H. Financial risk transfer agreements with health care providers	20
3.	Financial statements	22
	A. Balance sheet	23
	B. Statement of revenue and expenses and changes in capital and surplus	25
4.	Claims unpaid	27
5.	Subsequent events	27
6.	Compliance with prior report on examination	29
7.	Summary of comments and recommendations	30

Honorable Adrienne A. Harris
Superintendent of Financial Services
Albany, New York 12257

June 14, 2024

Madam:

Pursuant to the requirements of the New York Insurance Law and New York State Public Health Law, and acting in accordance with the instructions contained in Appointment Number 32558, dated July 10, 2023 attached hereto, we have made an examination into the condition and affairs of Empire HealthChoice HMO, Inc., a for-profit health maintenance organization with a certificate of authority issued by the New York State Department of Health under the provisionsof Section 4403 of the New York State Public Health Law, as of December 31, 2022, and submit the following report thereon.

The examination was conducted remotely due to restrictions relating to the COVID-19 pandemic.

Empire HealthChoice HMO, Inc. is a wholly owned subsidiary of Empire HealthChoice Assurance, Inc. (“EHCA’). EHCA is an indirect wholly owned subsidiary of Elevance Health, Inc.

Effective January 1, 2024, Empire HealthChoice, HMO, Inc. changed its name to Anthem HealthChoice HMO, Inc.

Wherever the designations “EHC HMO” or the “Plan” appear herein, without qualification,they should be understood to indicate Empire HealthChoice HMO, Inc.

Wherever the designation “EHCA” appears herein, without qualification, it should be understood to indicate Empire HealthChoice Assurance, Inc. Effective January 1, 2024, Empire HealthChoice Assurance, Inc. changed its name to Anthem HealthChoice Assurance, Inc.

Wherever the designations “Wellpoint Holding Corporation” or “WHC” appear herein, without qualification, they should be understood to indicate Wellpoint Holding Corporation, the parent of EHCA.

Wherever the designation “Elevance Health” appears herein, without qualification, it should be understood to indicate Elevance Health, Inc., the ultimate Parent of WHC. Elevance Health is formerly known as Anthem, Inc., which is a publicly traded company. On June 27, 2022, Anthem changed its name to Elevance Health, Inc. following the approval of its shareholders.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

Wherever the designation the “Companies” appears herein, without qualification, it should be understood to indicate Empire HealthChoice Assurance, Inc., and Empire HealthChoice HMO, Inc., collectively.

A concurrent examination was made of EHC HMO’s immediate parent, EHCA, a stock insurance company, licensed pursuant to provisions of Article 42 of the New York Insurance Law. A separate report thereon will be submitted.

1. SCOPE OF THE EXAMINATION

EHC HMO was previously examined as of December 31, 2019. This examination of the Plan was a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2023 Edition* ("the Handbook"), and it covered the three-year period, January 1, 2020 through December 31, 2022.

The examination was conducted observing the guidelines and procedures in the Handbook and, where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2022 were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiners' assessment of risk in EHC HMO's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiners planned and performed the examination to evaluate EHC HMO's current financial condition, as well as identify prospective risks that may threaten the future solvency of EHC HMO.

The examiners identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and annual statement instructions.

Information concerning EHC HMO's organizational structure, business approach and control environment was utilized to develop the examination approach. The examination evaluated EHC HMO's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing / Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated EHC HMO's critical risk categories in accordance with the NAIC's ten critical risk categories.

These categories are as follows:

- Valuation / Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness / Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/Quality
- Reserve Data
- Reserve Adequacy
- Related Party / Holding Company Considerations
- Capital Management

EHC HMO was audited annually for the years 2020 through 2022, by the accounting firm of Ernst & Young, LLP ("EY"). EHC HMO received an unmodified opinion in each of those years. Certain audit workpapers of EY were reviewed and relied upon in conjunction with this examination. A review was also made of Elevance Health's Internal Audit function, Sarbanes- Oxley / Model Audit Rule function, and Enterprise Risk Management program, as they relate to the Plan.

This examination was conducted as a coordinated examination, as such term is defined in the Handbook (an examination of one insurer or a group of insurers performed by examiners from more than one state whereby the participating states share resources and allocate work among the examiners), of the insurance subsidiaries of Elevance Health.

The examination was led by the state of Indiana with participation from twenty-three (23) other states: Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Iowa, Kentucky, Louisiana, Maryland, Maine, Missouri, Mississippi, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, Wisconsin and West Virginia. Since the lead and participating states are accredited by the NAIC, all states deemed it appropriate to rely on each other's work.

The examination team, representing the participating states, identified and assessed the risks for key functional activities across all of the Elevance Health insurance subsidiaries. The examination team also assessed the relevant prospective risks as they related to the insurance entities.

Additionally, as part of this coordinated examination and in accordance with the provisions of the Handbook, an information systems review was made on a risk-focused basis, of Elevance Health's computer systems and operations that support EHC HMO.

The examiners reviewed the corrective actions taken by the Plan with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiners' review are contained in Item 6 - *Compliance with prior report on examination* – of the report.

This report on examination is confined to financial statements and comments on those matters which involve departure from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE PLAN

EHC HMO is a for-profit health maintenance organization certified pursuant to Article 44 of the New York State Public Health Law. EHC HMO was originally incorporated on March 5, 1996, as Family HealthChoice, Inc., a health maintenance organization certified in the State of New York. Family HealthChoice, Inc. was granted a certificate of authority by the New York State Department of Health under the provisions of Article 44 of the New York State Public Health Law, effective March 7, 1996 and commenced business on March 19, 1996. Effective June 10, 1996, Family HealthChoice, Inc., changed its name to EmpireHealthChoice HMO, Inc.

Effective April 10, 2017, EHC HMO was granted a license in the State of Maine to transact the business of Medicare Advantage HMO. EHC HMO stopped writing business in Maine in 2021.

On August 11, 2017, the Department approved EHC HMO's request for exemption pursuant to Section 4406(1) of the New York Public Health Law and Section 4328(a) of the NewYork Insurance Law. With the exemption, EHCA is permitted to meet the obligations of EHC HMO to offer individual direct payment contracts in accordance with Section 4328 of the New York Insurance Law, effective January 1, 2018, both on and off the New York Health Insurance Exchange.

On April 9, 2019, EHC HMO sought the Department's and the New York State Department of Health's ("DOH") approval to have HealthPlus HP, LLC, d/b/a Empire BlueCross BlueShield HealthPlus ("Empire HealthPlus"), a Prepaid Health Services Plan, assume EHC HMO's obligation to issue coverage in the individual market, rather than EHCA. As part of this transaction, Empire HealthPlus submitted a service area expansion application to match EHCA's and EHC HMO's commercial footprint in 28 counties. Effective January 1, 2024, HealthPlus HP, LLC changed its name to Anthem HP, LLC.

On September 18, 2019, the Department approved EHC HMO's request for exemption pursuant to Section 4406(1) of the New York Public Health Law and Section 4328(a) of the NewYork Insurance Law. With the exemption, EHCA is permitted to meet the obligations of EHC HMO to offer (i) a Healthy New York small group product and (ii) Empire Bronze Exclusive Provider Organization (EPO) in the small group market starting January 1, 2020.

On November 21, 2019, the Department approved EHC HMO's request for exemption pursuant to Section 4406(1) of the New York Public Health Law and Section 4328(a) of the NewYork Insurance Law. With the exemption, Empire HealthPlus is permitted to meet the obligations of EHC HMO to offer an insurance product in the individual market starting January 1, 2020.

EHC HMO is a licensee of the Blue Cross and Blue Shield Association ("BCBSA") and markets its product under the Blue Cross Blue Shield trade name. EHC HMO offers commercial medical, Medicare Advantage and Healthy New York products to group accounts in the greater New York metropolitan area and select upstate counties.

As a BCBSA licensee, EHC HMO participates in the BlueCard program. BlueCard is a BCBSA nationwide program that enables members who need health care services while traveling or living in another plan's service area to access their benefits through local BCBSA plan's providers. It also allows the cost of services to be calculated in accordance with the local plan's contract with providers.

Effective January 1, 2024, Empire HealthChoice, HMO, Inc. changed its name to Anthem HealthChoice HMO, Inc.

A. Management and Controls

The EHC HMO Board of Directors ("BOD") is comprised of internal management and external independent Directors.

As required by Part 98-1.11(g) of the Administrative Rules and Regulations of the DOH (10 NYCRR 98-1.11(g)), not less than twenty percent (20%) of the BOD of the Plan must be comprised of enrollees of the Plan.

Part 98-1.11(g) of the Administrative Rules and Regulations of DOH (10NYCRR 98-1.11(g)) states, in part:

> "(g) Except in the case of an HMO operated by a corporation licensed under article 43 of the Insurance Law which also operates a Public Health Law article 44 line of business, no less than one third of the members of the governing authority of an MCO shall be composed of residents of New York State.
>
> (1) Within one year of the MCO becoming operational, no less than 20 percent of the members of the governing authority shall be enrollees of such MCO…"

EHC HMO complied with this requirement during the examination period.

Pursuant to the Plan's By-laws, management of the Plan is to be vested in a BOD consisting of not less than three (3) and not more than ten (10) Directors. As of December 31, 2022, EHC HMO's BOD was comprised of four (4) Directors.

The four (4) Directors of the Plan and their principal business affiliation as of December 31, 2022, were as follows:

Name and Residence	Principal Business Affiliation
Lois S. Freedman* Allenhurst, NY	Labor Coordinator / Operations, Calico Corners
Alan J. Murray** Syosset, NY	President, Chairman and Chief Executive Officer, Empire HealthChoice HMO, Inc.
Patrick J. O'Keeffe Queensbury, NY	Attorney, Elevance Health, Inc.

Raul G. Smith**	President, Medicare East/North,
Maplewood, NJ	Elevance Health, Inc.

*Enrollee representative per Part 98-1.11(g) of the Administrative Rules and Regulations of the Department of Health (10 NYCRR 98-1.11(g)).

**Effective June 21, 2023, at the annual meeting of the shareholder, Victor J. DeStefano and Neil C. Steffens were elected as directors, replacing Alan J. Murray and Raul G. Smith.

A review of the minutes of the BOD meetings held during the examination period revealed that the meetings were generally well attended, with all Directors attending at least 50% of the meetings they were eligible to attend.

Section 312 of the New York Insurance Law states, in part:

> "(a) The superintendent shall forward to every insurer or other person examined a copy of the report on examination as filed for public inspection, together with any recommendations or statements relating thereto which he may deem proper.
>
> (b) A copy of the report shall be furnished by such insurer or other person to each member of its board of directors and each such member shall sign a statement which shall be retained in the insurer's files confirming that such member has received and read such report…"

This examination found the Plan failed to comply with Section 312(b) of the New York Insurance Law when it did not obtain signed statements from members of the Board of Directors as evidence of the member's receipt and review of the prior report on examination as of December 31, 2019.

It is recommended that the Plan comply with Section 312(b) of the New York Insurance Law by obtaining the required signed statements.

The principal officers of the Plan as of December 31, 2022, were as follows:

Name	Title
Alan J. Murray*	President, Chairman and Chief Executive Officer
Jay H. Wagner	Secretary
Eric K. Noble	Treasurer
Patrick J. O'Keeffe	Assistant Secretary

*Effective June 26, 2023, Victor J. DeStefano was elected Chairman, President and Chief Executive Officer of the Company, replacing Alan J. Murray.

The Audit Committee of the Elevance Health BOD, which is composed of outside Directors, assumes responsibility for all entities in the holding company structure. With the independent auditors, internal auditors and the Risk Control and Assurance ("RCA") group, the Elevance Health Audit Committee reviews the effectiveness of the accounting and financial controls and elicits recommendations that may improve controls.

The Elevance Health Audit Committee meets each quarter and minutes of the meetings are prepared and retained.

B. Corporate Governance

Elevance Health is a publicly traded, diversified health company subject to the Sarbanes-Oxley Act of 2022. EHC HMO is required to be compliant with Insurance Regulation No. 203 – Enterprise Risk Management and Own Risk and Solvency Assessment. Controls are identified by management and testing is managed and monitored by the Elevance Health RCA group, which reports to the Elevance Health Internal Audit Department ("IAD"). Shared services are managed by Elevance Health and include information technology, risk management, investments, accounting and internal audit.

i. Enterprise Risk Management

Elevance Health adopted an Enterprise Risk Management framework for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the Handbook (*Understanding the*

Corporate Governance Structure) was utilized by the examiners as guidance for assessing corporate governance. It was determined that the Plan's BOD and key executives maintain an effective control environment.

ii. Internal Audit Department

Elevance Health has an established IAD, which is independent of management, to serve the Elevance Health Board of Directors Audit Committee ("ELV Audit Committee"). In addition, Elevance Health has established a Statutory Audit Council ("ELV Statutory Audit Council") to assist the Board of Directors (Boards) of the various Elevance Health insurance company subsidiaries (Insurance Companies), key Insurance Companies' officers, the ELV Audit Committee, and the Elevance Health Chief Executive Officer and Chief Financial Officer in fulfilling their responsibilities under enacted state insurance law including Insurance Regulation No. 118 (11 NYCRR 89) – Audited Financial Statements, New York's version of the NAIC's Model Audit Rule. These responsibilities include, but are not limited to, the oversight of (i) the Insurance Companies accounting and financial reporting and related internal controls; (ii) the annual independent audit of the financial statements of the Insurance Companies and other related independent auditor filings required under state Insurance Law; and (iii) the Insurance Companies compliance with state solvency requirements.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD and RCA group findings. To the extent possible, the examiners relied upon the work performed by the IAD and RCA group, as prescribed by the Handbook.

No exceptions were noted by the examiners relative to the Plan's corporate governance.

iii. Internal Controls

The NAIC's Risk-Focused approach to financial examinations relies on the review of mitigating controls applicable to the inherent risks of the companies examined. In the case of Elevance Health and EHC HMO, the mitigating controls are housed in Elevance Health's "WDesk," software application package. Controls related to the Elevance Health Sarbanes-Oxley ("SOX") and Insurance Regulation No. 118 (11 NYCRR 89) are tested and monitored by the Elevance Health RCA group. Within Elevance Health's SOX records, the internal controls applicable to EHC HMO were identified by its management.

A thorough review of Elevance Health's SOX controls documentation and the Plan's MAR internal controls were an important component of the examination process. There were no identified material weaknesses or significant deficiencies identified by EY. Additionally, there were no material control deficiencies or internal control observations noted by the examiners during the review of Elevance Health's and the Plan's internal controls that warranted attention.

The examination encompassed a review of the controls for financially significant applications, systems and infrastructure. The IT portion of the examination was performed in accordance with the Handbook and utilized applicable procedures found in Exhibit C – *Evaluationof Controls in Information Technology* – of the Handbook.

Controls for financially significant applications, systems, and underlying infrastructure in each of the NAIC's Exhibit C Information Technology Work Program areas listed below represent the framework for the scope of this examination. The following control areas were reviewed:

- Align, Plan and Organize;
- Build, Acquire and Implement;
- Deliver, Service and Support; and
- Monitor, Evaluate, and Assess.

It was determined that the overall assessment of Elevance Health's IT general controls ("ITGC") environment for the key financial systems that supported the preparation of the Plan's financial statements supported an ITGC reliance-based financial examination. The IT examiners assessed the ITGC for Elevance Health as effective.

iv. Business Monitoring Documentation

During the interview with the Chairman, President and Chief Executive Officer of the Plan on November 3, 2023, the examiners inquired regarding key meetings are with the Plan's senior leaders to discuss the strategy, business planning, and significant initiatives of the Plan. The Chairman, President and Chief Executive Officer identified the Empire Monthly Leadership Forum as a key meeting.

During the control evaluation phase of the examination, the examiners requested slide decks from a sample of five monthly meetings of the Empire Monthly Leadership Forum held in 2023 to determine if appropriate monitoring of the Plan's operations was performed.

Slide decks were only provided for one month in the sample (November 2023). The Plan noted there were no Monthly Leadership Forum slide decks for any other sampled months. No other materials from these meetings were provided in lieu of a slide deck.

Additionally, it was noted in review of the November 2023 slide deck that 2024 business plans were to be prepared for key lines of business and areas of operations. The examiners requested business plans for certain lines of business and areas of operations. This information was not provided.

As follow-up from the interview with the Chairman, President and Chief Executive Officer, the examiners also received a "NY Walkdown" report from November 2023 which included financial results and key metrics for the individual, small group, and large group lines of business. The examiners requested a comparison of these financial results and metrics to budget and commentary or notes from management

on the information in the report to document review and monitoring. The Plan indicated that the commentary was verbal, and no minutes or transcripts exist.

Due to the lack of available documentation, the examiners were unable to verify that appropriate monitoring of the Plan's strategy, business planning, and key initiatives was performed.

It is recommended, as a best practice, the Plan improve the documentation of key management meetings, including the Empire Leadership Forum, and such documentation should be readily available to verify that an appropriate level of monitoring of the Plan's strategy, business planning, financial results, and key initiatives is performed.

C. Territory and Plan of Operation

As set forth in its certificate of authority, EHC HMO is permitted to serve the following twenty-eight (28) counties in the State of New York:

Albany	Bronx	Clinton	Columbia
Delaware	Dutchess	Essex	Fulton
Greene	Kings	Montgomery	Nassau
New York	Orange	Putnam	Queens
Rensselaer	Richmond	Rockland	Saratoga
Schenectady	Schoharie	Suffolk	Sullivan
Ulster	Warren	Washington	Westchester

The following table displays EHC HMO's net admitted assets, capital and surplus, net premium income and net income (loss) during the period under examination:

	Net Admitted Assets	Capital and Surplus	Net Premium Income	Net Income (Loss)
2020	$425,392,401	$180,201,741	$949,604,393	$ 10,156,172
2021	430,440,262	145,079,570	758,667,182	(33,487,501)
2022	373,230,702	111,470,775	681,726,084	(2,317,119)

As of December 31, 2022, health care coverage was available to 44,819 members. The following chart shows annual membership changes during the examination period by number and percentage:

	2020	2021	2022
Members	73,879	55,885	44,819
% of Change	(10.02)%	(24.36)%	(19.80)%

The decrease in membership during the period of the examination was primarily due to the following:

(1) On September 18, 2019 the Department approved an exemption pursuant to Section 4406(1) of the New York Public Health Law and Section 4328(a) of the New York Insurance Law, under which EHCA is permitted to meet the obligations of EHC HMO to offer (i) a Healthy New York small group product and (ii) Empire Bronze Exclusive Provider Organization with Health Savings Account product in the small group market starting January 1, 2020.

(2) On November 21, 2019, the Department approved an exemption pursuant to Section 4406(1) of the New York Public Health Law, under which HealthPlus is permitted to meet the obligations of EHC HMO to offer an insurance product in the individual market starting January 1, 2020.

(3) In 2021, Elevance Health launched a new Medicare contract through Empire HealthPlus to align with Elevance Health's Medicaid business to support the Center for Medicare & Medicaid Services' and the State of New York's dual integration strategy. The Empire HealthPlus contract offers more supplemental benefits than the Medicare contract on EHC HMO. During the annual enrollment process, New York Medicare members on EHC HMO's Medicare plan had the option to remain on the EHC HMO Medicare plan, apply for enrollment in a competitor's plan or apply for enrollment in the new EmpireHealthPlus plan. Membership numbers on EHC HMO support that more Medicare members opted

for the option of enrolling in the new Empire HealthPlus plan leading to a decrease in Medicare membership for EHC HMO.

(4) EHC HMO stopped writing Medicare Advantage business in Maine in 2021.

D. Reinsurance

There was no reinsurance assumed or ceded during the period under examination.

E. Risk-Based Capital

Risk-Based Capital ("RBC") measures the minimum amount of capital appropriate for thePlan to support its overall business operations in consideration of its size and inherent risks. An RBC of 300 or below can result in regulatory action. NYIL Section 1322 does not apply to HMOs licensed only in New York State, but since EHC HMO is a multi-state HMO, it is subject to RBC requirements per NYIL 1322(a)(3).

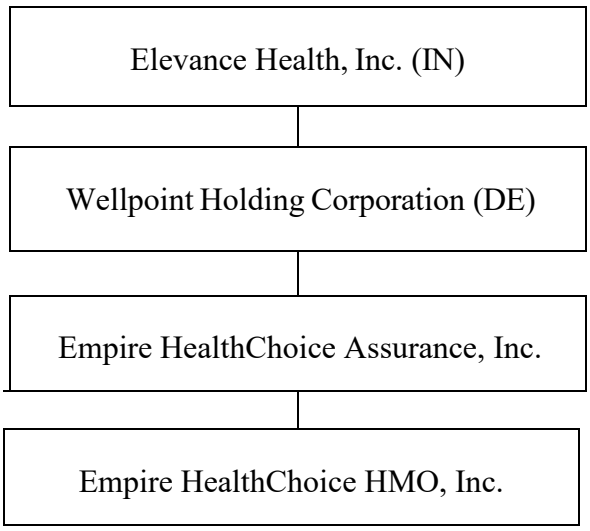
The Plan's RBC during the examination period was above the regulatory action level.

F. Holding Company System

EHC HMO is a wholly-owned subsidiary of EHCA. EHCA is a wholly-owned subsidiary of WHC. WHC is wholly-owned subsidiary of Elevance Health, which is a publicly traded company.

As a member of a holding company system, EHC HMO is required to file registration statements pursuant to Article 15 of the New York Insurance Law and Insurance Regulation No. 52 (11 NYCRR 80). All pertinent filings made during the examination period, regarding the aforementioned statute and regulation, were reviewed. No exceptions were noted.

The following chart depicts the Plan's abbreviated holding company system as of December 31, 2022:



During the examination period, the Plan was a party to inter-company agreements with its affiliates, which were subject to the DOH and the Department's review and approval. These agreements involved activities such as administrative services, cash management, investment management, and tax allocation.

Part 98-1.10(c) of the Administrative Rules and Regulations of the DOH (10 NYCRR98-1.10(c)) states in part:

> "... Thirty days prior notice to the commissioner and, except in the case of a PHSP, HIVSNP or PCPCP, the superintendent, is required before entering into the following transactions between a controlled MCO and any person in its holding company system:a reinsurance agreement or an agreement for rendering services on a regular or systematic basis, other than medical or management services that require prior approval under this Subpart. Such transactions may become effective unless the commissioner orthe superintendent has disapproved the transaction within such period."

Inter-company agreements and amendments for EHC HMO that were in place as of December 31, 2022, included the following:

Amended and Restated Elevance Health Master Administrative Services Agreement

The Plan entered into an Amended and Restated Master Administrative Services Agreement ("MASA") and Attachment NY-02, effective January 1, 2008, with Elevance Health (fka "Wellpoint") and its subsidiaries and affiliates. This Agreement and the Attachment NY-02 were approved by the Department on July 3, 2008.

The MASA was amended in order to incorporate provisions from the 2010 NAIC's Model Insurance Holding Company Regulatory Act and Model Insurance Holding Company System Model Regulation with Reporting Forms and Instructions. This amendment was submitted to the Department pursuant to Section 1505(d)(3) on the New York Insurance Law and New York Health Department Regulation 10 NYCRR 98-1.10(c). The Department issued a no objection letter dated July 11, 2018.

Attachment NY-02 of the MASA was amended and restated, effective August 19, 2021, to add additional affiliated providers to the agreement. The Department issued a non-objection letter dated July 15, 2021.

The Amended and Restated Attachment NY-02 of the MASA was amended, effective March 31, 2023, to add an additional affiliated provider to the agreement. The Department issued a non-objection letter dated December 16, 2022.

American Imaging Management Vendor Agreement

The Plan entered into a Vendor Agreement, effective January 1, 2011, with its affiliated radiology benefits manager, Ultimed (d/b/a American Imaging Management, Inc.). The Department issued a non-objection letter dated August 11, 2010.

IngenioRx Master Services Agreement

The Plan entered into a Management Services Agreement, effective March 20, 2020, with its affiliated pharmacy benefit manager, IngenioRx. The DOH issued a letter of approval dated March 12, 2020.

Federal Income Tax Allocation Agreement

The Plan entered into an AmendedConsolidated Federal Income Tax Agreement, retroactively effective December 31, 2005,with Elevance Health and its subsidiaries. This agreement was submitted to the Department and a letter of no objection was sent to the Plan on October 4, 2006.

G. Significant Operating Ratios

The Plan's operating ratios, for the examination period January 1, 2020, through December 31, 2022, are as follows:

	Amount	Ratio
Claims	$ 2,174,958,475	91.07%
Claims adjustment expenses	129,843,654	5.44
General administrative expenses	193,308,958	8.09
Net underwriting loss	(65,440,593)	(2.74)
Decrease in reserves for accident and health contracts	(44,428,431)	(1.86)
Premiums earned	$ 2,388,242,063	100.00%

H. Financial Risk Transfer Agreements with Health Care Providers

Part 101.4(c) of Insurance Regulation No. 164 (11 NYCRR 101.4(c)) states, in part:

> "(c) An insurer who uses a capitation arrangement to transfer all or part of its financial risk to a health care provider must do so by means of a contract approved by the superintendent…"

The following amendments were made, during the examination period, to previously approved health care provider agreements that transferred financial risk:

Quest Diagnostics:

- Eighteenth Amendment to the Amended and Restated Participating Laboratory Services Provider Agreement dated July 1, 2004, effective July 1, 2020.

It is recommended that the Plan comply with Part 101.4(c) of Insurance Regulation No. 164 by filing with the Department for review and approval all amendments to financial risk transfer agreements.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2022, as contained in the Plan's 2022 filed annual statement, a condensed summary of operations, and a reconciliation of the capital and surplus account for each of the years under review. The examiners' review of a sample of transactions did not reveal any differences which materially affected the Plan's financial condition as presented in the financial statements contained in the December 31, 2022 filed annual statement.

Independent Accountants:

EY was retained by Elevance Health to audit EHC HMO's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus and cash flows for the years then ended.

EY concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Plan at the respective audit dates. Balances reported in these audited financial statements were reconciled to the 2021 and 2022 annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Bonds	$ 294,886,240
Cash, cash equivalents and short-term investments	6,917,720
Securities lending reinvested collateral assets	14,570,768
Investment income due and accrued	2,734,812
Uncollected premiums in the course of collection	6,182,670
Accrued retrospective premiums and contracts subject to redetermination	29,212,624
Amounts receivable relating to uninsured plans	390,281
Current federal and foreign income tax recoverable	1,752,153
Health care and other amounts receivable	5,596,207
Aggregate write-ins for other than invested assets:	
Medicare receivables	7,756,589
Prepaid expenses	1,623,739
Premium tax recoverable	665,223
New York assessment	445,312
Miscellaneous receivables	205,238
Blue Card program recoverable	147,527
City income tax recoverable	143,451
State income tax recoverable	148
Total assets	$ 373,230,702

Liabilities

Claims unpaid	$ 79,082,585
Accrued medical incentive pool and bonus amounts	34,340,220
Unpaid claims adjustment expenses	2,044,182
Aggregate health policy reserves, including the liability for medical loss ratio rebate	9,701,711
Premiums received in advance	393,722
General expenses due or accrued	386,988
Amounts withheld or retained for the account of others	1,759,512
Remittances and items not allocated	980,986
Amounts due to parent, subsidiaries and affiliates	115,887,507
Payable for securities lending	14,570,768
Aggregate write-ins for other liabilities	
Escheat liability	929,895
Miscellaneous Medicare liabilities	813,261
Other premium liability	477,296
Miscellaneous liability	391,294
Total liabilities	$ 261,759,927

Capital and Surplus

Common capital stock	$ 2
Gross paid in and contributed surplus	101,999,998
Aggregate write-ins for other than special surplus funds:	
Required reserves	85,215,761
Unassigned funds (surplus)	(75,744,986)
Total capital and surplus	$ 111,470,775
Total liabilities, capital and surplus	$ 373,230,702

NOTE: The Internal Revenue Service ("IRS") routinely conducts a Compliance Assurance evaluation of tax returns for Elevance Health and its affiliates. There were no known IRS findings reported from the Compliance Assurance evaluation completed for December 31, 2020, December 31, 2021 or December 31, 2022. The examiners are unaware of any potential exposure of issues related to EHC HMO for any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Changes in Capital and Surplus

The Plan's capital and surplus decreased by $45,684,995 during the three-year examination period, January 1, 2020 through December 31, 2022, detailed as follows:

Revenue		
Premium income	$ 2,389,997,659	
Change in unearned premium reserve	(1,755,596)	
Total revenue		$ 2,388,242,063
Hospital and Medical Expenses		
Hospital/medical benefits	$ 1,627,800,262	
Other professional services	76,166,277	
Outside referrals	215,874,205	
Emergency room and out-of-area	79,010,255	
Prescription drugs	131,920,948	
Pool recoveries	(356,255)	
Incentive pool, withhold adjustments and bonus amounts	44,542,783	
Total hospital and medical expenses	$ 2,174,958,475	
Claims adjustment expenses including cost containment expenses	129,843,654	
General administrative expenses	193,308,958	
Decrease in reserves for accident and health contracts	(44,428,431)	
Total underwriting deductions		$ 2,453,682,656
Net underwriting gain or (loss)		$ (65,440,593)
Net investment income earned		25,695,800
Net realized capital losses, less capital gains tax		(1,372,651)
Net investment gains		24,323,149
Net loss from agents' premium balances charged off		(1,181,203)
Miscellaneous expenses		(94,454)
Net loss after capital gains tax and before federal income taxes		$ (42,393,101)
Federal and foreign income taxes incurred		(16,744,653)
Net income (loss)		$ (25,648,448)

Changes in Capital and Surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2019			$ 157,155,770
Net loss		$ 25,648,448	
Change in net unrealized capital gains, less capital gains tax	$12,631		
Change in net deferred income tax	3,357		
Change in non-admitted assets		20,052,535	
Net decrease in capital and surplus			$ (45,684,995)
Capital and Surplus, per report on examination, as of December 31, 2022			$ 111,470,775

4. CLAIMS UNPAID

The examination liability of $79,082,585 for the above captioned account was the same as the amount reported by EHC HMO in its filed December 31, 2022 annual statement.

The examination analysis of the aggregate reserves and claims unpaid reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in EHC HMO's internal records and in its filed annual statements as verifiedduring the examination. The examination reserve was based upon actual payments made through a pointin time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized EHC HMO's past experience in projecting the ultimate cost ofclaims incurred on or prior to December 31, 2022.

5. SUBSEQUENT EVENTS

COVID-19 Pandemic

On March 11, 2020, the World Health Organization declared the spreading coronavirus ("COVID-19") outbreak a pandemic. On March 13, 2020, the coronavirus pandemic was declared a national emergency in the United States. The epidemiological threat posed by COVID-19 continues to have disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown have also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The New York Department of Financial Services expects the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The New York Department of Financial Services and all insurance regulators, with the assistance of the NAIC, continue to monitor the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

Name Change

Effective January 1, 2024, the Plan changed its name to Anthem HealthChoice HMO, Inc.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2019, contained the following two (2) comments and recommendations pertaining to the examination (page numbers refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Conflict of Interest Statements	
1.	It is recommended that Anthem require all management and non-management associates on each subsidiary's Board of Directors complete a Conflict-of-Interest statement, in compliance with Anthem's Conflict of Interest Policy, and provide such copies upon request. *The Plan has complied with this recommendation.*	16
	Investment Policy	
2.	As a good business practice, it is recommended that the Plan review and update its investment policy on a regular basis to ensure that its policy is in compliance with the New York Insurance Law. *The Plan has complied with this recommendation.*	17

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Receipt and Review of Prior Report on Examination	
	It is recommended that the Plan comply with Section 312(b) of the New York Insurance Law by obtaining signed statements from members of the Board of Directors as evidence of the member's receipt and review of the prior report on examination as of December 31, 2019.	10
B.	Business Monitoring Documentation	
	It is recommended, as a best practice, the Plan improve the documentation of key management meetings, including the Empire Leadership Forum, and such documentation should be readily available to verify that an appropriate level of monitoring of the Plan's strategy, business planning, financial results, and key initiatives is performed.	15
C.	Amendments to Health Care Provider Agreements	
	It is recommended that the Plan comply with Part 101.4(c) of Insurance Regulation No. 164 by filing with the Department for review and approval all amendments to financial risk transfer agreements.	21

Respectfully submitted,

_____
Thomas J. Allen, CFE
Examiner-in-Charge

STATE OF IOWA)
) SS.
)
COUNTY OF POLK

Thomas J. Allen, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

_____
Thomas J. Allen

Subscribed and sworn to
before me this_____day of__2024.

Respectfully submitted,

_____
Gail A. Ross
Supervising Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

Gail A. Ross, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

_____
Gail A. Ross

Subscribed and sworn to
before me this_____day of__2024.

***APPOINTMENT NO.* 32558**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***ADRIENNE A. HARRIS****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Examination Resources, LLC

as a proper person to examine the affairs of

Empire HealthChoice HMO, Inc.

and to make a report on organization to me in writing of the condition of said

HMO

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name and affixed the official Seal of the Department at the City of New York

this 10th day of July, 2023

Adrienne A. Harris
Superintendent of Financial Services

By: Alice Wang McKenney

Alice Wang McKenney
Deputy Bureau Chief
Health Bureau