

**FILED**

**MAY 30 2023**

**Department of Insurance  
State of Idaho**

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE  
STATE OF IDAHO**

In the Matter of:

BLUE CROSS OF IDAHO HEALTH  
SERVICE, INC.

NAIC Group Code No. 1290,  
NAIC Company Code No. 60095

Docket No. 18-4294-23

**ORDER ADOPTING REPORT  
OF EXAMINATION AS OF  
DECEMBER 31, 2021**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code §§ 41-3911 and 41-219(1), has examined the affairs, transactions, accounts, records, and assets of Blue Cross of Idaho Health Service, Inc. (“Idaho Health Service”), for the period of January 1, 2017, through December 31, 2021. The Department’s verified Report of Examination (“Report”), reflecting the examiner’s findings, was then filed with the Department per Idaho Code § 41-227(4).

Having reviewed the Report and record, the Department’s Director (“Director”) enters this order adopting the Report as filed. A copy of the Report is attached to this Order as Exhibit “A”.

**FINDINGS OF FACT**

1. Idaho Health Service is an Idaho-domiciled company authorized to transact disability insurance, including managed care, in Idaho under NAIC Company Code No. 60095.
2. On or about April 20, 2023, the Department completed an examination of Idaho Health Service per Idaho Code § 41-219(1). The Department's examination disclosed no adverse material findings or any adjustments that impacted Idaho Health Service’s reported capital and surplus.

3. Per Idaho Code §§ 41-227(4), the Department transmitted a copy of the Report to Idaho Health Service on April 20, 2023.

4. Under Idaho Code § 41-41-227(4), Idaho Health Service had (30) days from receipt of the Report to make written recommendations for corrections or changes to the Report. No such written submission or rebuttal was received by the Department from Idaho Health Service.

### **CONCLUSIONS OF LAW**

5. Idaho Code § 41-227(5)(a) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers and enter an order adopting the Report as filed or with modifications or corrections, rejecting the Report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report and record, the Director concludes that, regarding the matters examined, the Report is appropriate and should be adopted and incorporated into this Order as if set forth in full.

### **ORDER**

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

IT IS FURTHER ORDERED, per Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, per Idaho Code § 41-227(6)(a), that within 30 days of the service date of this Order adopting the Report, Idaho Health Service must file with the Department's chief examiner, affidavits executed by each of its directors, stating under oath that they have received a copy

of the adopted Report and related orders.

DATED AND EFFECTIVE this 30<sup>th</sup> day of May, 2023.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE



DEAN L. CAMERON  
Director

### **NOTIFICATION OF RIGHTS**

This is a final order of the agency. Any party may file a motion for reconsideration of this final order within 14 days of the service date of this order. The agency will dispose of the motion for reconsideration within 21 days of its receipt, or the motion will be considered denied by operation of law. *See* Idaho Code § 67-5246(4).

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director  
Idaho Department of Insurance  
700 W. State Street, 3<sup>rd</sup> Floor  
P.O. Box 83720  
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion for reconsideration, whichever is later. *See* Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal. Idaho Code § 67-5274.

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 30<sup>th</sup> day of May, 2023, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF December 31, 2021, to be served upon the following by the designated means:

BLUE CROSS OF IDAHO HEALTH SERVICE, INC. Attn: Joanne Stringfield, Chairperson Board of Directors 3000 E. Pine Avenue Meridian, ID 83642	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:rochelle.hersley@bcidaho.com">rochelle.hersley@bcidaho.com</a>
Eric Fletcher, CFE Chief Examiner Idaho Department of Insurance 700 W. State St., 3 <sup>rd</sup> Floor PO Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:eric.fletcher@doi.idaho.gov">eric.fletcher@doi.idaho.gov</a>
John C. Keenan Deputy Attorney General Idaho Department of Insurance 700 W. State St., 3 <sup>rd</sup> Floor PO Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:john.keenan@doi.idaho.gov">john.keenan@doi.idaho.gov</a>

  
Penny Wilcox

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

BLUE CROSS OF IDAHO HEALTH SERVICE, INC.  
(disability, including managed care)  
(NAIC Group Code: 1290)  
(NAIC Company Code: 60095)

As of  
December 31, 2021

**EXHIBIT**

A

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Meridian, Idaho  
April 20, 2023

The Honorable Dean L. Cameron  
Director of Insurance  
State of Idaho  
700 West State Street  
P.O. Box 83720  
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Section 41-219(1), Idaho Code, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2021, of the financial condition and corporate affairs of:

Blue Cross of Idaho Health Service, Inc.  
3000 East Pine Avenue  
Meridian, Idaho

Hereinafter referred to as (the "Company"), at its offices in Meridian, Idaho. The following report of examination is respectfully submitted.



## SCOPE OF EXAMINATION

### *Period Covered*

We have performed our single state examination of Blue Cross of Idaho Health Service, Inc. The last examination was completed as of December 31, 2016. This examination covers the period of January 1, 2017, through December 31, 2021.

### *Examination Procedures Employed*

Our examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* to determine compliance with accounting practices and procedures in conformity with the applicable laws and insurance rules promulgated by the Idaho Department of Insurance (the "Department"). The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment was identified, the impact of such an adjustment will be documented separately following the Company's financial statements.

This examination report includes findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the report of examination but separately communicated to the Company.

The examination determined the risks associated with identified key functional areas of the Company's operation and considered mitigating factors. Interviews were held with the senior management of the Company to gain an understanding of the entity's operating profile and control environment.

The Company retained the services of a certified public accounting firm, Eide Bailly LLP, to audit its financial records for the years under examination. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work was relied upon where deemed appropriate.

The examination relied on the findings of the actuarial firm contracted by the Department to verify reserves.

A letter of representation certifying that management disclosed all significant matters and records was obtained from management and included in the examination working papers.

### *Status of Prior Examination Findings*

There were no exceptions commented upon in our preceding Report of Examination, dated September 11, 2018, which covered the period from January 1, 2013, to December 31, 2016.

The Prior Examination Report as of December 31, 2016, was distributed to the Board on December 7, 2018, in accordance with Idaho Code § 41-227 (6) (a).

## **SUMMARY OF SIGNIFICANT FINDINGS**

Our examination did not disclose any material adverse findings or any adjustments that impacted the Company's reported capital and surplus.

## **SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Company is unknown. In a coordinated effort, the Company and the Department will continue to monitor the effects of the pandemic to the Company.

On July 20, 2022, the Company filed a limited application for a plan of reorganization into a mutual insurance holding company. On October 4, 2022, the Department conditionally approved the Company's Limited Reorganization Plan provided that they submit to the Department the final name of the Company's holding company to the Department no later than sixty days prior to the effective date of the holding company.

## **COMPANY HISTORY**

### *General*

On December 31, 1977, the Company was formed as a non-profit entity. The Company was formed under Title 41, Chapter 34, Idaho Code, and operated as a hospital and professional service corporation. In 1995, the Company converted to a non-profit mutual insurer under Title 41, Chapter 28, Idaho Code.

In 2001, the Board of Directors established the Blue Cross of Idaho Foundation for Health, Inc. (the "Foundation"). The purpose of the Foundation is to promote health improvement initiatives to Idaho residents. Via an administrative services agreement, the Company provided certain administrative and management services to the Foundation.

In 2013, the Company sponsored the formation of Blue Cross of Idaho Care Plus, Inc. (ICP), for the purpose of transacting business in Idaho as a managed care organization. Via an

administrative services agreement, the Company provides certain administrative and management services to ICP. Additionally, via a financial guarantee agreement, the Company guaranteed, to the full extent of its assets, all the contractual and financial obligations of ICP, to its customers in accordance with a license agreement with the Blue Cross of Blue Shield Association.

On April 1, 2019, the Company purchased forty percent of the common units of Alliance Medical Group LLC (doing business as Primary Health Medical Group), an Idaho based primary medical practice group. On May 10, 2019, the Department granted a disclaimer of affiliation under Idaho Code § 41-3809(11) between the Company and Alliance Medical Group LLC.

#### *Capital Contributions*

There were no capital contributions made during the examination period.

#### *Mergers and Acquisitions*

There were no mergers during the examination period. As noted above, on April 1, 2019, the Company acquired forty percent of the common units of Alliance Medical Group, LLC.

#### *Surplus Debentures*

As of December 31, 2021, the Company held surplus notes with a par value of \$50,000,000, issued by ICP.

### **CORPORATE RECORDS**

There were regular and special meetings of the Board of Directors (the "Board") conducted at least four times each year under examination. The meetings were held in person or virtually. Annually, directors were elected to staggered three year-terms, not to exceed five (5) full consecutive terms for any one director. The meeting minutes including the accompanying board packets contained detailed information regarding the financial condition, corporate governance and operational affairs of the Company.

The Company's corporate records, which included but were not limited to, accounting, claims system, policyholder information and Board meeting minutes were kept at the corporate office in Meridian, Idaho.

### **MANAGEMENT AND CORPORATE GOVERNANCE**

The bylaws of the Company indicated the number of directors must be at least five elected directors and the Company may have up to seventeen directors consisting of elected directors and appointed directors.

The following persons served as directors of the Company as of December 31, 2021:

Name	Principal Occupation
Jo Anne Stringfield, Chair	Former Human Resources Executive, Martin Equity Partners & Micron Technology Boise, Idaho
Micheal J. Adcox, M.D.	Nephrologist, Idaho Nephrology Associates Boise, Idaho
Darrel T. Anderson	Former President and CEO, Idacorp/Idaho Power Company Boise, Idaho
Larry R. Bird*	Retired, Senior Audit Partner, Deloitte & Touche, LLC Boise, Idaho
Gordon S. Jones	President, College of Western Idaho Boise, Idaho
Cortney Liddiard	CEO, Ball Ventures Idaho Falls, Idaho
Catherine T. Lyons	Retired, Executive Vice President, Hewlett Packard Company Boise, Idaho
Charlene A. Maher	President and Chief Executive Officer, Blue Cross of Idaho Meridian, Idaho
Sheryl L. Rickard	CEO, Bonner General Health Sandpoint, Idaho
Michael J. Shirley*	Retired, Bogus Basin Mountain Recreation Area Boise, Idaho
Brent J. Stacey	CIO, Idaho National Laboratory Idaho Falls, Idaho
Linda Copple Trout	Retired, Chief Justice of Idaho Supreme Court Boise, Idaho

*\*As of June 30, 2022, Mr. Larry R. Bird & Mr. Michael J. Shirley no longer serve as directors and Mr. Juan Alvarez was named a director.*

### *Committees*

The Company's bylaws authorize the Board to create one or more regular or special Board Committees ("Committee"). Each Committee must include at least two directors. At least one-third of the members of each Committee shall be Independent Directors, except that the Committees that perform the audit, nominating, compensation, and evaluation functions shall be composed of entirely Independent Directors. Per the Company by-laws an Independent Director

is one that is not part of a faction of the Board that in practice controls the Board. As of December 31, 2021, the Company's Board had established, appointed, or authorized the following committees:

Audit Committee

Assists the Board in fulfilling its oversight responsibilities for: (a) integrity of the financial statements, (b) performance, qualifications and independence of the independent auditor, (c) performance of internal audit function, (d) compliance with legal and regulatory requirements and ethical business standards and (e) assessment of major areas of risk. Members as of December 31, 2021, were as follows:

Brent J. Stacey, Chair  
Darrel T. Anderson  
Larry R. Bird  
Gordon S. Jones  
Catherine T. Lyons  
Jo Anne Stringfield

Compensation and Benefits Committee

Comprised solely of Independent Directors that are charged with oversight of executive compensation and evaluation, reporting on compensation and evaluation matters to the full Board and seeking full Board approval of compensation and evaluation matters particularly those related to the Chief Executive Officer (the "CEO"). Members as of December 31, 2021, were as follows:

Catherine T. Lyons, Chair  
Micheal J. Adcox, M.D.  
Larry R. Bird  
Linda Copple Trout  
Michael J. Shirley  
Jo Anne Stringfield

#### Executive Committee

Acts on behalf of the full Board between regular or special meetings of the Board in order to respond to urgent issues. Members as of December 31, 2021, were as follows:

Jo Anne Stringfield, Chair  
Darrel T. Anderson  
Linda Copple Trout  
Gordon S. Jones  
Catherine T. Lyons  
Sheryl L. Rickard  
Brent J. Stacey  
Charlene A. Maher

#### Finance Committee

Assists the Board to (a) monitor the investment of the Company's assets ensuring assets are consistent with state law and investment policy guidelines, (b) oversee financial planning, (c) monitor financial performance and (d) monitor the investment and finances of the affiliated entities. Members as of December 31, 2021, were as follows:

Darrel T. Anderson, Chair  
Larry R. Bird  
Linda Copple Trout  
Cortney Liddiard  
Catherine T. Lyons  
Michael J. Shirley  
Brent J. Stacey  
Jo Anne Stringfield  
Charlene A. Maher

Investment transactions were authorized or approved by the Finance Committee, which is charged by the Board with the duty of reviewing and considering approval of all investment transactions, in compliance with Idaho Code § 41-704. The Company maintained records of its investments in conformity with Idaho Code § 41-705.

#### Governance Committee

Utilizes a variety of methods for identifying and evaluating nominees for directors, assesses the appropriate size of the Board and whether any vacancies on the Board are expected, considers whether the vacancy should be filled, considers the skillsets of existing directors, and identifies preferred skillsets for new directors. Members as of December 31, 2021, were as follows:

Linda Copple Trout, Chair  
Micheal J. Adcox, M.D.  
Michael J. Shirley  
Brent J. Stacey  
Jo Anne Stringfield

#### Independent Public Directors Committee

Acts on behalf of the Board in matters that raise a potential conflict of interest that affect Board members who represent hospitals or physicians. Members as of December 31, 2021, were as follows:

Jo Anne Stringfield, Chair  
Darrel T. Anderson  
Larry R. Bird  
Linda Copple Trout  
Gordon S. Jones  
Catherine T. Lyons  
Michael J. Shirley  
Brent J. Stacey

#### Nominating Committee

Assists the Board in discharging its duties and responsibilities with respect to Board and Board Committee nominations. Members as of December 31, 2021, were as follows:

Linda Copple Trout, Chair  
Micheal J. Adcox, M.D.  
Michael J. Shirley  
Brent J. Stacey  
Jo Anne Stringfield

#### Quality Committee

Monitors (a) the quality improvement program and recommends revisions to the Board for the Medical and Provider Quality Program, (b) the metrics for brand health and customer experience and (c) advises management on measures to improve brand health and customer experience.

Sheryl L. Rickard, Chair  
Micheal J. Adcox, M.D.  
Larry R. Bird  
Gordon S. Jones  
Cortney Liddiard  
Jo Anne Stringfield  
Charlene A. Maher

#### Strategy and Innovation Committee

Ensures the long-term relevance of the Company by advising management regarding corporate strategy, strategic investments and innovation. Members as of December 31, 2021, were as follows:

Gordon S. Jones, Chair  
Darrel T. Anderson  
Catherine T. Lyons  
Brent J. Stacey  
Jo Anne Stringfield  
Charlene A. Maher

#### *Officers*

The Company's bylaws provide for principal officers to consist of the President, Chief Executive Officer (the "CEO"), Secretary and Treasurer. Other offices may be established by the Board, or CEO and ratified by the Board. A single person may hold multiple offices, but the offices of Secretary and President must be held by different persons. The following persons served as officers of the Company as of December 31, 2021:

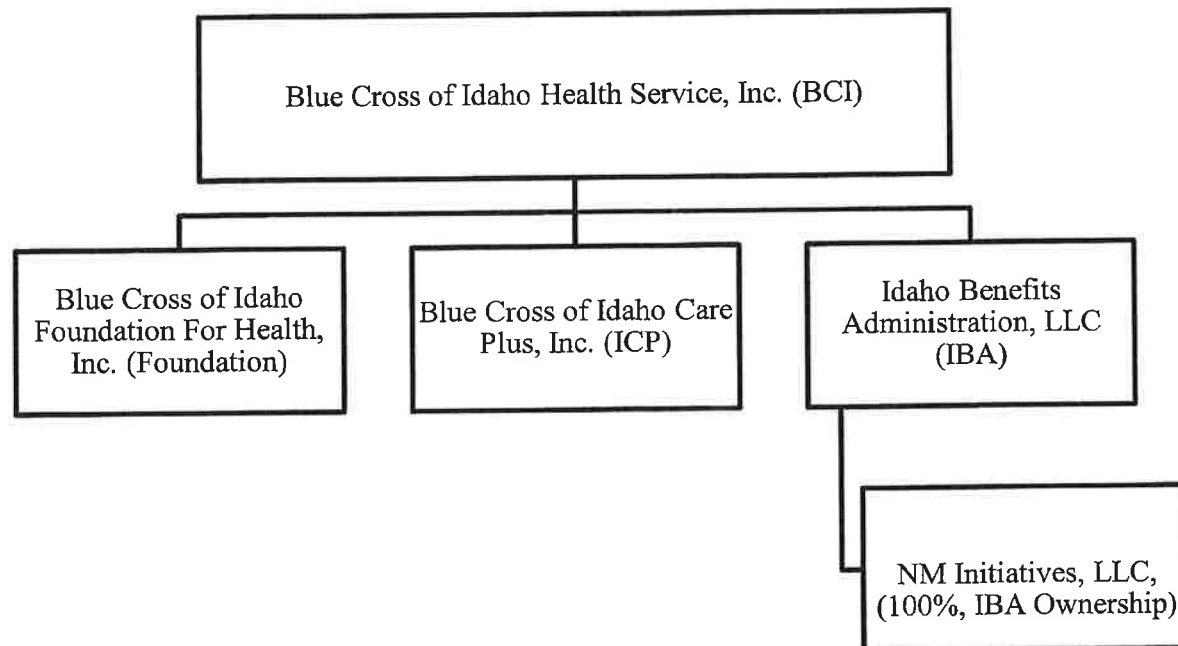
Name	Position
Charlene A. Maher	President & CEO
Mark T. Kohler	Secretary
David M. Ward	Treasurer
Jill E. Alessi	Vice President - Healthcare Operations
Carlos Brown	Vice President - Customer Service
Stacey L. Gehlken	Vice President - Human Resources
Lance C. Hatfield	Vice President - Chief Technology Officer
Drew E. Hobby	Executive Vice President - Healthcare Economics & Operations
Jennifer C. Hoppins	Vice President - Service Operations



David J. Hutchins	Vice President - Actuarial Services & Underwriting
Mark T. Kohler	Vice President - Legal Services & Deputy General Counsel
Julia E. Kukuruda	Vice President - Sales, Account Management & Customer Experience
Stephen Lucht, M.D.	Vice President - Service Operations
Pamela A. McNamara	Vice President - Marketing & Brand
Valarie A. Reardon	Executive Vice President - Chief Operating & Continuity Officer
Michael R. Reynoldson	Senior Vice President - Government Affairs & Public Relations
Marc F. Roberts	Vice President - Healthcare Economics
Jayson M. Ronk	Vice President - Public Affairs
Karen E. Smith-Hagman	Vice President - Clinical Consultancy
Peter C. Sorensen	Vice President - Individual & Government Markets
Wade D. Thornock	Vice President - Chief Compliance Officer
Kevin F. Tighe	Senior Vice President – Internal Audit & Compliance
David M. Ward	Senior Vice President – Chief Financial Officer
Rex C. Warwick	Vice President - Group Markets
Charles F. Weber	Senior Vice President - IT & Chief Information Officer
Brian C. Wonderlich	Senior Vice President - General Counsel
John C. Worley III	Vice President - Provider Network Management
Todd R. York	Vice President - Provider Partnerships
Paul G. Zurlo	Executive Vice President - Health Markets

### *Insurance Holding Company System*

The Company is a member of an insurance holding company system and is the ultimate controlling person, as depicted in the following organization chart as of December 31, 2021:



### *Agreements with Affiliates*

The Company had the following agreements in effect with its affiliates, ICP and the Foundation as of December 31, 2021:

#### Amended and Restated Services Agreement

Effective January 1, 2015, this agreement was between the Company and ICP. Pursuant to this agreement the Company provided certain management and administrative services including but not limited to financial services, electronic data processing, maintenance of ledgers and processing accounts payable.

#### Administrative Services Agreement – The Foundation

Effective January 1, 2018, this agreement was between BCI and the Foundation. Pursuant to this agreement the Company provided the Foundation with administrative and management services including but not limited to the Chief Medical Affairs Officer, Executive Director and general staffing.

#### Financial Guarantee Agreement

Effective October 1, 2014, this agreement was between the Company and ICP. Pursuant to this agreement BCI guaranteed all of ICP's contractual and financial obligations to ICP's customers. The guarantee is required for ICP to use the Blue Cross name, trademarks and branding.

## **FIDELITY BONDS AND OTHER INSURANCE**

The minimum fidelity coverage suggested by the NAIC for an insurer of the Company's size and premium volume is not less than \$2,000,000. As of December 31, 2021, the Company had sufficient fidelity bond coverage subject to a single loss limit of \$2,000,000 and an aggregate limitation of \$4,000,000.

Other insurance maintained included: directors' and officers' liability, errors and omissions liability, employment practice liability, commercial property, general liability, business automobile, umbrella excess liability, employee benefits liability, fiduciary liability, privacy liability and network risk insurance, workers compensation and employers' liability coverages. The insurers providing coverages were licensed or otherwise authorized in the State of Idaho.

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

### *Defined Benefit Plan*

Effective January 1, 2017, the Company froze all future benefit accruals related to its defined benefit plans administered by the Blue Cross Blue Shield Association National Employee Benefit Administration, covering substantially all of its employees hired before January 1, 2007. Effective November 1, 2018, the Company adopted a plan to terminate its noncontributory defined benefit retirement program. Termination of the pension plan included settling all liabilities by offering lump sum distributions to participants and purchasing annuity contracts for those who did not elect lump sums. On November 7, 2019, the Company purchased a group annuity contract with American United Life Insurance Company to transfer the remaining pension obligation of all plan participants that elected not to receive a lump sum payout.

### *Post Retirement Benefit Plans*

The Company provides health and life insurance benefits for certain retired employees and, in the case of health insurance, for their eligible dependents. These benefits are provided once the employee becomes eligible by satisfying plan provisions, which include certain age and/or service and participation requirements. The Company's postretirement benefit plans, other than pension plans, are unfunded. Employees hired on or after March 1, 2003, are not eligible to participate in the retiree health plans. Employees retiring on or after January 1, 2010, are not eligible to participate in the retiree life plan. As of December 31, 2021, the net postretirement benefit obligation for vested and non-vested employees was roughly \$27.8 million.

### *Employee Retirement Savings Plan – 401(k) Plan*

The Company has a 401(k)-salary deferral plan that covers all employees from date of hire, who have attained 18 years of age. The Company made matching contributions equal to one hundred percent of the employee's deferral up to three percent of the employee's annual compensation plus fifty percent of the employee's next two percent of deferred compensation. As of December 31, 2021, the Company's matching and non-contributory employer contributions were \$4.6 million and \$3.4 million, respectively.

### *Supplemental Executive Retirement Plans*

Effective January 1, 2017, the Company amended its Supplemental Executive Retirement Plan (SERP). The SERP covered key employees meeting certain eligibility.

## **TERRITORY AND PLAN OF OPERATION**

As of December 31, 2021, the Company was licensed in Idaho as a taxable not-for-profit mutual health and dental insurer. The Company, an independent licensee of the Blue Cross Blue Shield Association (the "BCBSA"), maintained its home office in Meridian, Idaho. There were five district offices located in Meridian, Coeur d'Alene, Idaho Falls, Pocatello and Twin Falls. The Company offers a comprehensive range of health and dental insurance products for individuals, and small and large group employers, supplementary insurance products such as vision and prescription drug coverage, and health benefit services for self-insured plans.

Health care services are provided to individual and group subscribers utilizing participating or contracting providers. Additionally, the Company provided administrative services to companies that self-fund a portion of their employees' health care claims as well as the Federal Employee Health Benefit Plan.

The Company marketed insurance products through commissioned producers and agencies. As of December 31, 2021, there were approximately two-thousand appointed producers, and approximately five hundred and thirty-three thousand members, including its dental and self-insurance programs.

## **GROWTH OF THE COMPANY**

The following represents the Company's gross written premium activity and its relationship to capital and surplus over the examination period:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Gross Written Premium	\$ 1,064,247,155	\$ 1,248,348,654	\$ 1,296,921,102	\$ 1,369,124,126	\$ 1,311,824,219
Capital & Surplus	\$ 600,543,326	\$ 632,939,169	\$ 658,076,137	\$ 767,743,585	\$ 797,351,869
Gross Written Premiums to Capital & Surplus Ratio	177%	197%	197%	178%	165%

In 2021, the Company reported a net underwriting loss attributable to an increase in hospital and medical expenses. Deferred non-emergent services in fiscal year 2020, postponed due to the pandemic, also increased claims in 2021.

## LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Net Premiums Earned	\$1,063,600,101	\$1,244,218,819	\$1,290,350,938	\$1,365,201,149	\$1,305,337,799
Claims Incurred	\$ 853,450,148	\$1,050,153,385	\$1,111,028,946	\$1,068,242,828	\$1,162,337,539
Claims Adjustment Expenses Incurred	\$ 24,776,208	\$ 22,528,168	\$ 34,695,722	\$ 39,229,699	\$ 38,616,916
Total Claims & Claims Adjustment Expenses Incurred	\$ 878,226,356	\$1,072,681,553	\$1,145,724,668	\$1,107,472,527	\$1,200,954,455
Total Claims & Claims Adjustment Expenses Incurred to net Premiums Earned	121%	116%	113%	123%	109%

In 2021, premiums decreased which was primarily attributable to a settlement related to the Affordable Care Act (ACA) risk corridor premium and risk adjustment audit for years 2014, 2015, and 2016.

## REINSURANCE

### *Assumed*

The Company did not assume any reinsurance during the examination period.

### *Ceded*

During the examination period, the Company participated in two reinsurance pools mandated by the State of Idaho.

#### Idaho High Risk Reinsurance Pool

Pursuant to Idaho Code § 41-5502, this pool promotes the availability and affordability of individual insurance coverage, regardless of health or claims experience. This pool reduces the market premiums by providing a safety net to carriers with policyholders experiencing claims from certain high risk medical conditions. The Board of Directors of the Idaho High Risk Reinsurance Pool are responsible for the design of the reinsurance and establishing the premium rates.

Beginning January 1, 2021, the program reinsured claims in excess of \$50,000 up to seventy percent, with a maximum annual reimbursement of \$500,000. During the examination period, the Company ceded approximately \$13 million to this pool.

#### Idaho Small Employer Health Reinsurance Program

Pursuant to Idaho Code § 41-4711, this pool promotes availability of small employers' health insurance coverage, regardless of health or claims experience, by providing a safety net to carriers in the form of a risk program and reinsurance mechanism which facilitates the guaranteed issuance of standardized state approved health benefit plans.

Small employer insurance is available for employers who have two to fifty employees at the beginning of the plan year. Under this program, an insurer can choose to reinsure either all members of an employer or a particular member within sixty days of the commencement of coverage with the insurer.

The Board of Directors of the Idaho Small Employer Health Reinsurance Program were responsible for determining premium rates charged and the amounts of the claims covered. The Company had to incur \$5,000 in claims per employee or dependent, per calendar year. Additionally, the Company had to cover ten percent of the next \$50,000 of benefits payments during the calendar year, with the program reinsuring the remainder of the claim. During the examination period, the Company ceded approximately four hundred thousand dollars to this pool. As of year-end 2021, this program was discontinued.

The Company had the following ceded reinsurance contracts in effect as of December 31, 2021:

Type of Contract	Reinsurer	Business Covered	Company's Retention	Coverage
Medical Excess of Loss	Swiss Re Life & Health America, Inc.	Fully insured medical business including group, individual, conversion policies and policies sold through the Idaho Health Insurance Exchange.	<p><u>Coverage A</u> – Fully Insured - \$2 million, for any one member, during term of contract.</p> <p><u>Coverage B</u> – Idaho Exchange - \$1.5 million for any one member, during contract.</p>	<p><u>Coverage A – Fully Insured</u> – 100% of ultimate net loss in excess of the \$2 million retention limit, for any one member, no limitation.</p> <p><u>Coverage B – Idaho Exchange</u> – 100% of ultimate net loss in excess of the \$1.5 million retention limit, for any one member no limitation.</p> <p><u>Extra Contractual Obligation</u> – Covers amounts in excess of retention limits described above, not to exceed \$5 million for any one contract year.</p>

Medicare Advantage Excess of Loss	Swiss Re Life & Health America, Inc.	Medicare Advantage, Dual Eligible and Medicaid Plus.	<u>Medicare Advantage</u> - \$750,000 for any one member, per term of contract. One specific member, \$1,150,000, per term of contract.  <u>Dual Eligible and Medicaid Plus</u> - \$500,000 for any one member, per term of contract. Two members with charges related to Hereditary Angioedema are excluded.	<u>Medicare Advantage</u> – 100% of ultimate net loss in excess of the \$750,000 retention limit, for any one member, no limitation.  <u>Dual Eligible Medicaid Plus</u> – 100% ultimate net loss in excess of the \$500,000 retention limit, for any one member no limitation.  <u>Extra Contractual Obligation</u> - Covers amounts in excess of retention limits described above, not to exceed \$5 million for any one contract year
Stop Loss Excess of Loss	Swiss Re Life & Health America, Inc.	<u>Coverage A</u> – Employer groups with self-funded retention of less than \$2 million.  <u>Coverage B</u> – Employer groups with self-funded retention of \$2 million or more.	<u>Coverage A</u> - \$2 million, any one member, any one policy period.  <u>Coverage B</u> - \$2.25 million, any one member, any one policy period.  <u>Self-funded &amp; lasered individuals</u> - \$250,000 any employer group or lasered individual.	<u>Coverage A</u> – 100% of ultimate net loss in excess of the \$2 million retention limit, any one member, any one policy period.  <u>Coverage B</u> – 100% ultimate net loss in excess of the \$2.25 million retention limit, any one member, any one policy period.  <u>Extra Contractual Obligation</u> - Covers amounts in excess of retention limits for coverages A and B, not to exceed \$5 million.

## **ACCOUNTS AND RECORDS**

### *General Accounting*

The Company's claims payments, processing, group administration, membership and billing administration, provider administration, customer service, commissions and benefit administration applications were performed utilizing a commercial policy management and claims system.

On January 1, 2020, the Company replaced its general ledger software. The general ledger software was used to compile all accounting transactions. A separate commercially available software was used to create the quarterly and annual financial statements.

The Company has a current practice prescribed by the Idaho Department of Insurance that differs from the NAIC Statutory Principles. The prescribed practice relates to the admissibility of certain furniture and equipment as an admitted asset.

## **STATUTORY DEPOSITS**

Pursuant to Idaho Code § 41-313, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The examination confirmed the Company maintained a statutory deposit with the State of Idaho in compliance with Idaho Code.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2021. The accompanying comments on financial statements reflect any material examination adjustments to the amounts reported in the annual statements and should be considered an integral part of the financial statements.



	<u>Statement of Assets</u>		
	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 548,404,870		\$ 548,404,870
Stocks			
Preferred stocks	4,833,054		4,833,054
Common stocks	306,658,961	\$79,741	306,579,220
Real estate			
Properties occupied by the company	35,346,830		35,346,830
Cash, cash equivalents and short-term investments	103,349,033		103,349,033
Other invested assets	118,555,224	31,821,715	86,733,509
Receivables for securities	48,983,023		48,983,023
Investment income due and accrued	2,038,638		2,038,638
Premiums and considerations			
Uncollected premiums and agents' balances in the course of collection	67,649,006	669,745	66,979,261
Accrued retrospective premiums and contracts subject to redetermination	26,667,062	362,487	26,304,575
Reinsurance			
Amounts recoverable from reinsurers	1,147,583		1,147,583
Amounts receivable relating to uninsured plans	13,203,465	6,117,413	7,086,052
Current federal and foreign income tax recoverable and interest thereon	12,231,476		12,231,476
Guaranty funds receivable or on deposit	382,429		382,429
Electronic data processing equipment and software	41,709,509	36,386,240	5,323,269
Furniture and equipment, including health care delivery assets	11,255,582	1,820,751	9,434,831
Receivables from parent, subsidiaries and affiliates	85,739		85,739
Health care and other amounts receivable	53,340,523	38,274,332	15,066,191
Aggregate write-ins for other-than-invested assets	31,681,607	31,070,081	611,526
	<u>\$ 1,427,523,614</u>	<u>\$ 146,602,505</u>	<u>\$ 1,280,921,109</u>

Statement of Liabilities

Claims unpaid	\$ 137,327,419
Accrued medical incentive pool and bonus amounts	19,507,383
Unpaid claims adjustment expenses	1,180,000
Aggregate health policy reserves	38,740,688
Premiums received in advance	25,899,773
General expenses due or accrued	77,916,163
Net deferred tax liability	105,872
Ceded reinsurance premiums payable	222,001
Amount withheld or retained for the account of others	16,965,830
Amounts due to parent, subsidiaries and affiliates	2,712,045
Payable for securities	111,209,522
Liability for amounts held under uninsured plans	34,383,752
Aggregate write-ins for other liabilities	17,398,792
Total Liabilities	<u>\$ 483,569,240</u>

Statement of Revenue and Expenses

Net premium income	\$ 1,307,820,485
Change in unearned premium reserves and reserve for rate credits	(2,546,876)
Aggregate write-ins for other non-health revenues	64,190
Total revenues	<u>\$ 1,305,337,799</u>
 Hospital and Medical	
Hospital/medical benefits	\$ 867,051,324
Other professional services	56,296,917
Outside referrals	26,078,919
Emergency room and out-of-area	21,315,279
Prescription drugs	179,299,087
Incentive pool, withhold adjustments and bonus amounts	12,296,013
Cost of Hospital and Medical	<u>\$ 1,162,337,539</u>
  Less: Net reinsurance recoveries	  \$ 8,512,962
 Claims adjustment expenses	 38,616,916
General administrative expenses	132,061,819
Total underwriting deductions	<u>\$ 1,324,503,312</u>
 Net underwriting gain or (loss)	 <u>\$ (19,165,513)</u>
 Net investment income earned	 \$ 22,873,641
Net realized capital gains (losses) less capital gains tax	13,267,418
Net investment gains (losses)	<u>\$ 36,141,059</u>
 Net income or (loss) after capital gains tax and before all other federal income taxes	 \$ 16,975,546
Federal and foreign income taxes incurred	901,474
Net Income (Loss)	<u>\$ 16,074,072</u>

Capital and Surplus

Capital and surplus prior reporting year	<u>\$ 767,743,585</u>
Net income	\$ 16,074,072
Change in net unrealized capital gains	34,179,924
Change in net deferred income tax	2,257,612
Change in nonadmitted assets	(23,215,600)
Aggregate write-ins for gains in surplus	312,276
Net change in capital and surplus	<u>\$ 29,608,284</u>
Capital and surplus end of reporting year	<u><u>\$ 797,351,869</u></u>

### Reconciliation of Capital and Surplus

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus prior reporting year	\$ 486,631,870	\$ 600,543,326	\$ 632,939,169	\$ 658,076,137	\$ 767,743,585
Net income	\$ 79,834,567	\$ 48,545,103	\$ 13,790,431	\$ 88,313,300	\$ 16,074,072
Change in net unrealized capital gains (losses) less capital gain tax	27,251,713	(31,080,619)	36,765,879	18,324,282	34,179,925
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-	(4,379,171)	-
Change in net deferred income tax	(9,986,052)	5,556,597	706,776	-	2,257,612
Change in non-admitted assets	22,729,612	6,005,702	(39,987,324)	5,738,132	(23,215,600)
Other comprehensive income	(5,918,382)	3,321,340	13,861,207	1,670,905	312,276
Other adjustments	-	47,720	-	-	-
Rounding	(2)	-	(1)	-	(1)
Net change in capital and surplus	\$ 113,911,456	\$ 32,395,843	\$ 25,136,968	\$ 109,667,448	\$ 29,608,284
Capital and surplus end of reporting year	\$ 600,543,326	\$ 632,939,169	\$ 658,076,137	\$ 767,743,585	\$ 797,351,869

Analysis of Change in Financial Statements Resulting from Examination

There were no material adjustments to surplus resulting from the examination.

Comments on Financial Statement Items

There were no adverse findings or material changes to the financial statements resulting from the examination.

**SUMMARY OF RECOMMENDATIONS**

There were no material findings or recommendations rising to the level deemed necessary for inclusion into this report of examination.

## ACKNOWLEDGEMENT

Michael A. Mayberry, FSA, MAAA, Senior Vice President & Principal of Lewis & Ellis, Inc. performed the actuarial phases of the examination. Joanna Latham, CPA, CFE, AES, CISA, CRISC, of Jennan Enterprise LLC, performed the information systems review. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

Respectfully submitted,



Toni L. Bean, CFE, CIA, CRMA

Examiner-in-Charge

Representing the Idaho Department of Insurance



Jessie L. Adamson, CFE, CISA

Deputy Chief Examiner

Idaho Department of Insurance

## AFFIDAVIT OF EXAMINER

Alabama  
Shelby

Toni L. Bean, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Blue Cross of Idaho Health Service, Inc. for the period January 1, 2017 through December 31, 2021, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Toni Bean

Toni. L. Bean  
INS Regulatory Insurance Services  
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 20<sup>th</sup> April, 2023 day  
Boise of ID (City), (State).



Penny Wilcox  
Notary Public

My Commission Expires:

02/02/2027



## AFFIDAVIT OF EXAMINER

Idaho  
Ada

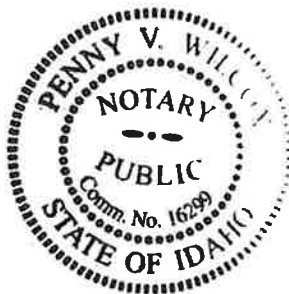
Jessie L. Adamson, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Blue Cross of Idaho Health Insurance Service, Inc. for the period January 1, 2017 through December 31, 2021, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Jessie Adamson

Jessie L. Adamson, CFE, CISA  
Deputy Chief Examiner  
Idaho Department of Insurance

Subscribe and sworn to before me the 30<sup>th</sup> day of April, 2023, at Boise (City),  
ID (State).

Penny V. Wilcox  
Notary Public



My Commission Expires: 07/02/2027

**LEGAL REFERRAL**  
**For**  
**ORDER ADOPTING REPORT OF EXAMINATION**

DATE: 5/22/2023

TO: John Keenan, DAG

FROM: Jessie Adamson

Approval of Bureau Chief or Supervisor: \_\_\_\_\_

*Jessie Adamson*

Date of Approval: \_\_\_\_\_ 5/22/2023 \_\_\_\_\_

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**Name of Company:** Blue Cross of Idaho Care Plus, Inc.

**Certificate of Authority or Registration Number:** 4191

**Company Type:** ☐ Stock ☒ Mutual ☐ Reciprocal ☐ Self-funded ☐ Other:

**Information and Documents Needed with Referral (attach each document referenced):**

- ☒ Verified Report of Examination  
☐ Waiver, if returned by Company  
☐ Letter or e-mail showing the date the verified report was sent to the Company  
☐ Any rebuttals or written submissions made by the company in response to the Report. *If written submissions, does the company want them attached to the Order as an Exhibit?* ☐ Yes ☒ No

**Service:** The Order will be sent to the Company's primary mailing address of record with the DOI. If an additional address or person needs to be included on the Certificate of Service, please provide that information.

**Any special circumstances we need to be aware of** (*i.e., deadlines, violations, or corrective actions to be included in the order*):

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