

Report of Examination of

UnitedHealthcare Community Plan of Ohio, Inc.
Westerville, Ohio

As of December 31, 2013

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Columbus, Ohio
January 30, 2015

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

UnitedHealthcare Community Plan of Ohio, Inc.

an Ohio domiciled, for-profit insurance company, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2009. The Department’s current examination covers the intervening period through December 31, 2013. The State of New York took the lead role to perform the coordinated exam of the UnitedHealth Group (“UHG”) insurance affiliates and the State of Ohio took the lead role to conduct the UHG Subgroup 7 insurance affiliates.

The Department conducted the examination in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and corporate governance, identify and assess current and prospective risks and evaluate the Company’s system of controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAPs”) and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

The Certified Public Accounting firm of Baker Tilly Virchow Krause, LLP provided an unqualified opinion on the Company’s financial statements based on Statutory Accounting Principles as of December 31, 2013. The Department reviewed the independent auditors’ report and supporting work papers during the examination.

Management and Control

Board of Directors

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

Name	Principal Occupation
Richard G. Dunlop	Health Plan Chief Executive Officer Medicare & Retirement
Joseph G. Gaudio	Health Plan Chief Executive Officer UnitedHealthcare Community Plan
Bror O. Hultgren	UnitedHealthcare Community & State President Central Region

Officers

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

Name	Title
Tracy L. Davidson	President
Robert W. Oberrender	Treasurer
Christina R. Palme-Krizak	Secretary
Dale R. Moore	Chief Financial Officer
Michelle M. Huntley	Assistant Secretary

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32. The Company is a wholly-owned subsidiary of Three Rivers Holdings, Inc. ("TRH"). TRH is a wholly-owned subsidiary of AmeriChoice Corporation ("ACC") and ACC is a wholly-owned subsidiary of UnitedHealth Group Incorporated ("UHG"). UHG is the ultimate controlling entity in the holding company system and its common stock is publicly traded on the NYSE.

Territory and Plan of Operations

The Company is licensed as a health insuring corporation and began operations in October 2005. The Company has entered into contracts with physicians, hospitals, and other health care provider organizations to deliver health care services for all enrollees. The Company has a contract with the Ohio Department of Medicaid to provide health care services to Medicaid and Partners for Kids eligible beneficiaries in Ohio. The current contract is effective through June 30, 2015, and is subject to annual renewal provisions thereafter.

Significant Operating Results

The Company reported the following net underwriting results, reported in thousands, for the Medicaid business segment during 2013:

	Title XIX Medicaid
Total revenue	<u>\$ 667,359</u>
Hospital and medical exp.	510,617
Administrative expenses	<u>120,131</u>
Underwriting deductions	<u>630,748</u>
Underwriting gain	<u>\$ 36,611</u>

Reinsurance

The Company has an insolvency-only reinsurance agreement with UnitedHealthcare Insurance Company (“UHIC”), an affiliate of the Company, to provide insolvency protection for its enrollees.

The Company has a reinsurance agreement with UHIC to cover certain inpatient hospital claims in excess of defined limits.

Financial Statements

The financial condition of the Company and the results of its operations for the period ending December 31, 2013, as reported by the Company and filed with the Department, and audited by its external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Revenue and Expenses

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2013**

Assets

Bonds	\$ 115,299,543
Cash, cash equivalents, and short term investments	<u>97,607,818</u>
Subtotal, cash and invested assets	212,907,361
Investment income due and accrued	1,083,496
Uncollected premiums in course of collection	18,279,690
Amounts recoverable from reinsurers	588,044
Current federal and foreign income tax recoverable	583,863
Net deferred tax asset	2,933,645
Health care and other amounts receivable	<u>6,217,404</u>
Total Assets	<u>\$ 242,593,503</u>

**Statement of Assets, Liabilities, Capital and Surplus
December 31, 2013**

Liabilities, Capital and Surplus

Liabilities:

Claims unpaid	\$ 71,932,541
Accrued medical incentive pool and bonus amounts	1,007,825
Unpaid claims adjustment expenses	1,309,043
Aggregate health policy reserves	376,468
Aggregate health claims reserves	1,729,547
Premiums received in advance	855,808
General expenses due or accrued	12,700,178
Ceded reinsurance premiums payable	64,962
Amounts due to affiliates	21,354,876
Miscellaneous liabilities	<u>373,643</u>
Total liabilities	<u>111,704,891</u>

Capital and Surplus:

Common capital stock	1,000
Gross paid in and contributed surplus	21,227,057
Unassigned funds	<u>109,660,555</u>
Total capital and surplus	<u>130,888,612</u>
Total liabilities, capital and surplus	<u>\$ 242,593,503</u>

**Statement of Revenue and Expenses
As of December 31, 2013**

Revenue:

Net premium income	\$ 666,284,400
Change in unearned premium reserves; reserve for rate credits	(376,468)
Other health care related revenues	<u>1,451,406</u>
Total revenue	<u>667,359,338</u>

Hospital and Medical Expenses:

Hospital and medical benefits	371,523,138
Other professional services	27,037,877
Emergency room and out of area	10,147,478
Prescription drugs	104,310,626
Incentive pool, withhold adjustments and bonus amounts	904,867
Less net reinsurance recoveries	<u>3,306,740</u>
Total hospital and medical expenses	510,617,246

Claims adjustment expenses	34,212,846
General administrative expenses	<u>85,918,825</u>
Total underwriting deductions	<u>630,748,917</u>

Net underwriting gain	36,610,421
Net investment gains	1,787,536
Other income or expenses	<u>(385,219)</u>
Net income before federal income taxes	38,012,738
Federal income taxes incurred	<u>13,744,639</u>
Net income	<u>\$ 24,268,099</u>

Statement of Changes in the Capital and Surplus Account
(in thousands)

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, December 31, 2012	\$ 107,099	\$ 71,223	\$ 60,424	\$ 60,526	\$ 41,257
Net income	24,268	36,241	23,267	32,753	15,219
Change in net deferred income tax	1,350	816	223	(3,123)	3,021
Change in non-admitted assets	(1,828)	(1,181)	(191)	468	583
Dividends to stockholder	-	-	(12,500)	(30,200)	-
Adjustment to surplus	-	-	-	-	446
Net change in capital and surplus	<u>23,789</u>	<u>35,876</u>	<u>10,799</u>	<u>(102)</u>	<u>19,269</u>
Capital and surplus, December 31, 2012	<u>\$ 130,889</u>	<u>\$ 107,099</u>	<u>\$ 71,223</u>	<u>\$ 60,424</u>	<u>\$ 60,526</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 3925.08 and valued in accordance with the relevant SSAPs and the NAIC Securities Valuation Office.

Unpaid Claims

Unpaid claims and claims adjustment expenses represent management's best estimate of amounts based on historical claim development patterns as well as emerging medical cost trends. The Company's Board of Directors appointed Kevin B. Francis, FSA, MAAA, Vice President of Actuarial Services for United HealthCare Services, Inc. to render the Company's Statement of Actuarial Opinion ("Opinion"). The Opinion for year end 2013 was unqualified.

Thomas Botsko, ACAS, MAAA, the Department's Chief Property and Casualty Actuary, reviewed the Opinion and performed other procedures as considered necessary to evaluate the unpaid claims. Based on his evaluation, Mr. Botsko concluded the Company's carried reserves fall within a reasonable range of reserve estimates at December 31, 2013.

Subsequent Events

Effective May 1, 2014, the Company began to offer the Medicare Medicaid Program product, which is reported as Medicare in the supplemental pages to the quarterly financial statement beginning June 30, 2014.

Conclusion

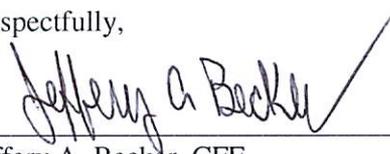
The balance sheet contained in this Report of Examination reflects the financial condition of the Company at December 31, 2013, and is summarized as follows:

Total Assets	<u>\$ 242,593,503</u>
Liabilities	111,704,891
Capital and Surplus	<u>130,888,612</u>
Total Liabilities, Capital and Surplus	<u>\$ 242,593,503</u>

Acknowledgement

In addition to the aforementioned and undersigned, Kim Somogyi, AFE, CPA and Methuselah Nyangoro, AES, CFE, of the Department, participated in this examination.

Respectfully,



Jeffery A. Becker, CFE
Examiner-in-Charge
Office of Risk Assessment
Ohio Department of Insurance



Jeffrey K. Ebert, CFE
Assistant Chief Examiner
Office of Risk Assessment
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2013.

Jeffery A. Becker 2/13/15
Examiner-in-Charge Date

Jeffrey K. Ebert 2/13/15
Assistant Chief Examiner Date

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffery A. Becker personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 13 day of February, 2015.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires

State of Ohio
County of Franklin

Personally appeared before me the above named Jeffrey K. Ebert personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 13 day of February, 2015.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
~~MY COMMISSION EXPIRES MAY 22, 2017~~
My Commission Expires