

Report of the Examination of
Harken Health Insurance Company
Minnetonka, Minnesota
As of December 31, 2022

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April 25, 2024

Honorable Nathan D. Houdek
Commissioner of Insurance
State of Wisconsin
125 South Webster Street
Madison, Wisconsin 53703

Commissioner:

In accordance with your instructions, a compliance examination has been made of the affairs and financial condition of:

HARKEN HEALTH INSURANCE COMPANY
Minnetonka, Minnesota

and this report is respectfully submitted.

I. INTRODUCTION

The previous examination of Harken Health Insurance Company (Harken or the company) was conducted in 2018 as of December 31, 2017. The current examination covered the intervening period ending December 31, 2022, and included a review of such subsequent transactions as deemed necessary to complete the examination.

The examination of the company was conducted concurrently with the examination of UnitedHealth Group Incorporated (UHG) holding company. The Connecticut Insurance Department acted in its capacity as the lead state for the coordinated examinations with Wisconsin serving as examination facilitator. Representatives of Alabama, California, Colorado, Florida, Indiana, Kentucky, Minnesota, Nebraska, Nevada, New Hampshire, New Mexico, New York, Ohio, Oklahoma, Pennsylvania, and Texas, participated in the examination, and their work was reviewed and relied on where deemed appropriate.

The examination was conducted using a risk-focused approach in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. This approach sets forth guidance for planning and performing the examination of an insurance company to evaluate the financial condition, assess corporate governance, identify current and prospective risks

(including those that might materially affect the financial condition, either currently or prospectively), and evaluate system controls and procedures used to mitigate those risks.

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, annual statement instructions, and Wisconsin laws and regulations. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately at the end of the "Financial Data" section in the area captioned "Reconciliation of Surplus per Examination."

Emphasis was placed on those areas of the company's operations accorded a high priority by the examiner-in-charge when planning the examination. Special attention was given to the action taken by the company to satisfy the recommendations and comments made in the previous examination report.

The company is annually audited by an independent public accounting firm as prescribed by s. Ins 50.05, Wis. Adm. Code. An integral part of this compliance examination was the review of the independent accountant's work papers. Based on the results of the review of these work papers, alternative or additional examination steps deemed necessary for the completion of this examination were performed. The examination work papers contain documentation with respect to the alternative or additional examination steps performed during the examination.

Independent Actuary's Review

An independent actuarial firm was engaged under a contract with the Pennsylvania Insurance Department. The actuary assisted in the review of the company's reserving, pricing/underwriting, and reinsurance risks for the coordinated examination. The actuary's results were reported to the examiner-in-charge. As deemed appropriate, reference is made in this report to the actuary's conclusion.

II. HISTORY AND PLAN OF OPERATION

The company was incorporated in Indiana on August 4, 1972, as Golden Investors Life Insurance Corporation and commenced business on March 15, 1973. The company changed its name several times during its existence as depicted below.

- September 8, 1976 - Knickerbocker Life Insurance Corporation of Indiana
- September 24, 1976 - Knickerbocker Life Insurance Company of Indiana
- October 22, 1981 - Omnivest Life Insurance Company
- September 5, 1986 - Midwest Security Life Insurance Company (MSLIC).

In 1986, the company's issued and outstanding shares were owned by R.W. Houser & Associates, Ltd., a Wisconsin Corporation, which changed its name to R.W. Houser, Inc. on February 11, 1988. MSLIC redomiciled to the state of Wisconsin from Indiana on January 1, 1993.

On October 1, 2002, UnitedHealthcare, Inc. (UHC) purchased 100% of R.W. Houser, Inc., the parent company of MSLIC. R.W. Houser, Inc. changed its name to Midwest Security Holding, Inc. (MSH) on October 24, 2002. On December 31, 2007, MSH issued a dividend of 100% stock ownership of MSLIC to UHC. Effective March 10, 2015, the company changed its name to Harken Health Insurance Company.

The company stopped writing new life and disability products and discontinued renewing active groups in March 2010. Effective January 1, 2016, Harken offered comprehensive commercial products (both on and off the Affordable Care Act [ACA] exchange) to individuals and employer groups in Georgia and Illinois. Effective January 1, 2017, the company exited the ACA individual and employer groups exchange market in all states. In 2017, Harken exited the individual off-exchange marketplace and transitioned all remaining group membership to other affiliates. As a result, the company had no membership beginning January 1, 2018. Effective January 1, 2019, the company offered Medicare Part A and Part B along with Medicare Part D prescription drug coverage. However, the company is currently in run-off status, effective January 1, 2022, due to the novation of the Medicare contracts to its affiliate as part of the UnitedHealth Group's Medicare strategy.

The company is licensed to write business in Georgia, Illinois, Iowa, Michigan, Nebraska, Ohio, South Dakota, Texas, and Wisconsin. In 2022, the company collected direct premium in the following states:

Texas	\$(6,039,984)	93.9%
South Dakota	(222,820)	3.5
Iowa	(130,735)	2.0
Nebraska	<u>(37,086)</u>	<u>0.6</u>
Total	<u>\$ (6,430,625)</u>	<u>100.0%</u>

III. MANAGEMENT AND CONTROL

Board of Directors

The board of directors consists of four members. The directors are all employed by UnitedHealth Group. All directors are elected annually to serve a one-year term. Officers are elected at the board's annual meeting. Members of the company's board of directors may also be members of other boards of directors in the holding company group. The board members currently receive no compensation for serving on the board.

Currently, the board of directors consists of the following persons:

Name and Residence	Principal Occupation	Term Expires
Thomas P. O'Connor ¹ Chapel Hill, North Carolina	President and Chief Executive Officer Harken Health Insurance Company	2024
Christopher J. Van Doren Austin, Texas	Chief Financial Officer Harken Health Insurance Company	2024
N. Brent Cottingham Maple Grove, Minnesota	Vice President Harken Health Insurance Company	2024
Craig A. Stillman Plymouth, Minnesota	Director Harken Health Insurance Company	2024

Officers of the Company

The officers serving at the time of this examination are as follows:

Name	Office
Thomas P. O'Connor ¹	President and Chief Executive Officer
Christopher J. Van Doren	Chief Financial Officer
Richard C. Sullivan	Secretary
Peter M. Gill	Treasurer

Committees of the Board

The company's bylaws allow for the formation of certain committees by the board of directors. There were no committees of the board at the time of the examination. The Board of Directors of United

¹ Thomas P. O'Connor was elected to fill a vacancy for the President and Chief Executive Officer positions effective September 18, 2023, and as a director effective September 14, 2023.

HealthCare Services, Inc. has established a Central Region Audit Committee for the purpose of overseeing the accounting and financial reporting processes of the company. The members of the Central Region Audit Committee are as follows:

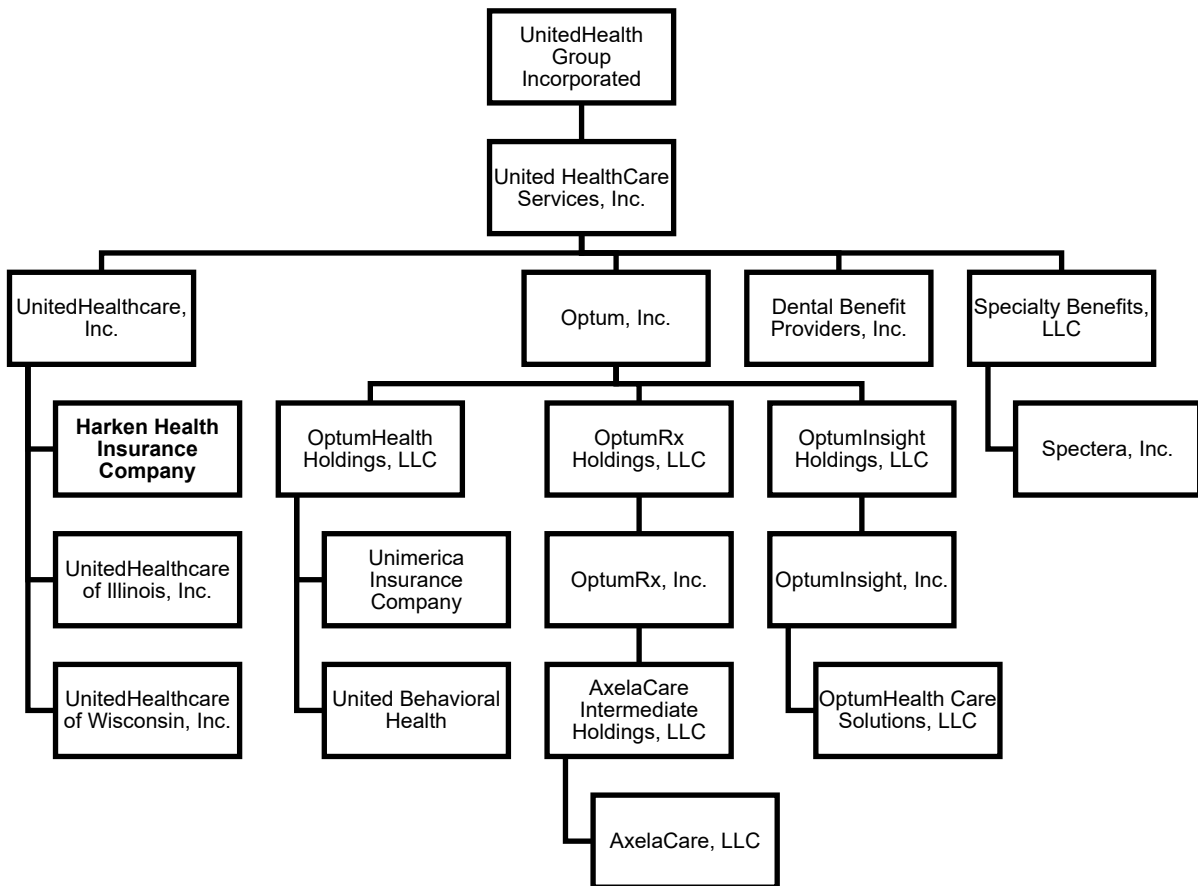
Audit Committee

Christopher J. Kreutzer, Chair
Marc R. Briggs
Mark C. Wentworth

IV. AFFILIATED COMPANIES

Harken Health Insurance Company is a member of a holding company system with UnitedHealth Group Inc. as the ultimate parent. The holding company consists of 864 entities, including 95 insurance companies operating in all 50 states. The abbreviated organizational chart below depicts the relationships among the affiliates in the direct succession of control of the company. A brief description of affiliates deemed significant follows the organizational chart.

**Abbreviated Organizational Chart
As of December 31, 2022**



UnitedHealth Group Incorporated

UnitedHealth Group Incorporated, the ultimate controlling entity in the insurance holding company system, is a diversified health and well-being company. UHG offers a broad spectrum of health care products and services through its affiliated companies. As of December 31, 2022, UHG's audited financial statement (consolidated) reported assets of \$245.7 billion, liabilities of \$159.4 billion, and shareholders' equity of \$81.5 billion. Operations for 2022 produced net earnings of \$20.6 billion on total revenues of \$324.2 billion. UHG is traded over the New York Stock Exchange under the symbol "UNH."

UHG has two distinct, but strategically aligned business platforms: health benefits operating under UnitedHealthcare and health services operating under Optum through its OptumHealth, OptumInsight, and OptumRx businesses. To the extent there are contracts between Harken and any UnitedHealthcare or Optum affiliate, they will be within these four operating segments. The following is the number of total assets, revenues, and total earnings before income taxes as of December 31, 2022 for each segment:

(in billions)	UnitedHealthcare	OptumHealth	OptumInsight	OptumRx
Total assets	\$107.1	\$69.0	\$31.1	\$47.5
Revenues	249.7	71.2	14.6	99.8
Total earnings before income taxes	14.4	6.0	3.6	4.4

United HealthCare Services, Inc.

United HealthCare Services, Inc. (UHS) is the employer for a large percentage of the personnel who provide services to UHG and its subsidiaries. It is a direct subsidiary of UHG and functions as an intermediate holding company for all the other subsidiaries of UHG. As of December 31, 2022, the consolidated audited financial statements for UHS and subsidiaries reported assets of \$204.5 billion, liabilities of \$101.0 billion, redeemable noncontrolling interests of \$4.8 billion, and equity of \$98.6 billion. Operations for 2022 produced net earnings of \$15.2 billion on revenues of \$297.1 billion.

UnitedHealthcare, Inc.

UnitedHealthcare, Inc. (UHC) is a direct subsidiary of UHS and functions as a holding company. UHC provides global health care benefits, serving individuals and employers, and Medicare and Medicaid beneficiaries. As of December 31, 2022, the unaudited financial statements of

UnitedHealthcare reported assets of \$107.1 billion. Operations for 2022 produced a net income of \$14.4 billion on total revenues of \$249.7 billion.

Optum, Inc.

Optum, Inc. (Optum) is a direct subsidiary of UHS and functions as a holding company for the health services business serving the global health care marketplace, including payers, care providers, employers, governments, life sciences companies, and consumers through its OptumHealth, OptumInsight, and OptumRx businesses. As of December 31, 2022, the unaudited financial statements of Optum reported assets of \$147.5 billion. Operations for 2022 produced a net income of \$14.1 billion on total revenues of \$182.8 billion.

UnitedHealthcare Insurance Company

UnitedHealthcare Insurance Company (UHIC) is a life and health insurer domiciled in Connecticut. UHIC is the largest insurer in the holding company and writes group accident and health insurance contracts for employers and associations. As of December 31, 2022, the annual statement of UHIC reported assets of \$21.4 billion, liabilities of \$15.0 billion, and net worth of \$6.4 billion. Operations for 2022 produced a net income of \$2.5 billion.

Agreements with Affiliates

UHG Tax Sharing Agreement

Harken became a party to the Tax Sharing Agreement with UHG effective October 1, 2002. This agreement was amended and restated effective March 1, 2019. The Tax Sharing Agreement establishes a formal method for the allocation and payment of federal, state, and local income tax liabilities related to the consolidated federal tax returns of UHG and its subsidiaries filed each year.

UHG Subordinated Revolving Credit Agreement

Effective August 1, 2012, Harken and UHG entered into a Subordinated Revolving Credit Agreement whereby UHG provides Harken with a short-term borrowing facility. Harken may borrow funds upon demand from UHG up to a maximum of \$10 million at an interest rate equal to LIBOR plus 50 basis points.

UHS - Agreement for Combined Billing and Disbursement Operations

Effective April 1, 2010, Harken entered into the Agreement for Combined Billing and Disbursement Operations with UnitedHealthcare Insurance Company, United HealthCare Services, Inc., and PacifiCare Health Plan Administrators, Inc., through a participating addendum. The purpose of the agreement is to provide a common lockbox for premium collection and zero balance disbursements account for paying certain bills. The services covered under the agreement are covered under the Management Services Agreement between Harken and UHS.

UHS Management Services Agreement

Harken entered into a management services agreement with UHS effective July 1, 2011. Pursuant to the agreement, UHS provides management services to Harken under a fee structure, which is based on a percentage of premium charges representing UHS' expenses for services or use of assets provided to Harken. In addition, UHS provides or arranges for services on behalf of the company using a pass-through of charges incurred by UHS on a per member per month basis or using another allocation methodology consistent with the agreement.

This agreement was amended three times: The first amendment, effective January 1, 2015, included modifications in the Third-Party Administrator and Other Services Provisions, and to the Medicare Provisions; the second amendment, effective January 1, 2016, updated to include a name change and the addition of the Exchange Regulatory Appendix Provisions; the third amendment, effective March 1, 2017, updated methodology for calculating management fees.

UHS - naviHealth, Inc. Post-Acute Care Services Agreement

Effective February 1, 2021, the company entered into an agreement for Post-Acute Care services with naviHealth, Inc. and United Healthcare Services (UHS). naviHealth, Inc. arranges for the delivery and provision of Post-Acute Care clinical services to enrollees through an integrated care delivery system.

UHIC - Prospero Health Partners, P.C. – Medical Group Participation Agreement

UHIC and Prospero Health Partners, P.C. entered into the Medical Group Participation Agreement effective March 1, 2020. Effective January 1, 2021, the company began to participate in the agreement via a Participating Addendum. Under the agreement, Prospero Health Partners, P.C. provides

palliative care management and supportive care services to UHICIL's Medicare Advantage members within the last 12 months of their lives. Payment will be a per member per month care management fee.

UHIC - Prospero Health Partners, P.C. – Accountable Care Organization Agreement

UHIC and Prospero Health Partners, P.C. entered into the Accountable Care Organization Agreement effective March 1, 2020. Effective January 1, 2021, the company began to participate in the agreement via a Participating Addendum. The agreement outlines an incentive program. After meeting certain quality criteria, Prospero Health Partners will earn a share of any savings it can generate or be responsible for any deficit as compared to a target budget. Under the agreement, Prospero Health Partners, P.C. provides palliative care management and supportive care services to UHICIL's Medicare Advantage members within the last 12 months of their lives. Payment will be a per member per month care management fee.

UHIC - EPIC Hearing Health Care, Inc. Ancillary Provider Participation Agreement

Effective January 1, 2008, an Ancillary Provider Participation Agreement between Epic Hearing Health Care, Inc., and UnitedHealthcare Insurance Company was entered into, which was amended ten times between January 1, 2008, and January 1, 2018. The agreement and the subsequent amendments, which cover all lines of business, were entered prior to Harken and EPIC becoming affiliates. The agreement was amended 11 times with the latest amendment effective February 1, 2019, to update the fee schedule for Medicare members. Effective January 1, 2020, the agreement was replaced and superseded by the National Ancillary Provider Participation Agreement.

AxelaCare Facility Participation Agreement

Effective February 1, 2016, Harken entered into the Facility Participation Agreement with AxelaCare Intermediate Holdings, LLC (AxelaCare). Under the terms of the agreement, AxelaCare provides home infusion therapy services, including per diem nursing services and the cost of drugs. The agreement covers all products, commercial, Medicare, and Medicaid that Harken may offer.

DBP Dental Services Agreement

Effective January 1, 2016, Harken entered into the Dental Services Agreement with Dental Benefit Providers, Inc. (DBP), in which DBP is responsible for managing a network of dental providers, claims processing, and other administrative functions in order to provide dental services to Harken's

members. The agreement was amended effective July 1, 2019, updating the Compensation for Services addendum, Medicare Advantage Regulatory Requirements appendix, and the Florida Third Party Administrator Regulatory Requirements appendix. The agreement was amended for a second time effective May 1, 2020, updating the Compensation for Services addendum and the Medicare Advantage Regulatory Requirements appendix.

OptumHealth Care Solutions Physical Health Services Agreement

Harken entered into an administrative services agreement with OptumHealth Care Solutions, Inc. (OHCS) effective January 1, 2016. Pursuant to the agreement, OHCS is responsible for managing a network of therapy providers and other administrative functions in order to provide physical health solutions such as chiropractic and physical, occupational, and speech therapy for Harken's members.

The agreement was amended effective December 1, 2019, changing the type of agreement from Administrative Services Agreement to Physical Health Services Agreement. The Compensation for Services addendum and Medicare Advantage Regulatory Requirements appendix were also updated.

Effective November 1, 2020, a second amendment was made updating the Compensation for Services addendum and Medicare Advantage Regulatory Requirements appendix.

OptumInsight Services Agreement

Harken entered into the OptumInsight Services Agreement with OptumInsight, Inc., (OptumInsight) effective November 1, 2016, in which OptumInsight provides Harken with services related to claim analytics and recovery services, retrospective fraud, waste and abuse services, subrogation services, and premium audit services.

Three amendments were made to the agreement updating the services listed in the covered services exhibits. The amendments were effective June 1, 2019, January 1, 2021, and November 1, 2021, respectively.

OptumRx Facility Participation Agreement Durable Medical Equipment Services and Hearing Aids

Effective January 1, 2012, Harken and OptumRx, Inc. (OptumRx) entered into the Facility Participation Agreement in which OptumRx provides durable medical equipment services and hearing aids for Harken's members. The agreement covers all products, commercial, Medicare, and Medicaid that Harken may offer. The agreement was amended effective January 1, 2013, to update the rates, add

additional hearing aids, and delete the durable medical equipment fee schedule as it is no longer being utilized.

OptumRx Prescription Drug Benefit Administration Agreement (Commercial)

UHS entered into the Prescription Drug Benefit Administration Agreement (commercial) with OptumRx effective January 1, 2013. Harken became a party to the agreement by entering a participating plan addendum effective October 1, 2013, in which OptumRx provides Harken with core prescription drug benefit services and mail-order pharmacy services. Under the core prescription drug benefit services, OptumRx establishes and maintains a network of pharmacies to service the benefit plans and provides claims processing services, benefits administration and support, marketing and sales support, account management services, rebate administration, clinical services and finance, and analytical support services. Under the mail-order pharmacy services, OptumRx provides Harken with mail-order network prescription services. Harken remains ultimately responsible for the pharmacy benefit administration services provided to its members.

The agreement was amended effective January 1, 2015 adding two exhibits: Exchange Regulatory Appendix and Third-Party Administrator and Other Services Provisions. The agreement was amended again effective January 1, 2016, adding a Participating Plan Addendum.

OptumRx Facility Participation Agreement Specialty Pharmacy for the Medical Benefit

Effective December 1, 2015, Harken entered into the Facility Participation Agreement-Specialty Pharmacy for the Medical Benefit. Pursuant to the agreement, OptumRx is a specialty pharmacy provider. OptumRx provides specialty pharmacy medications covered under the member's medical benefits. In addition to dispensing and delivering specialty pharmacy medications, OptumRx provides information, including side effect management, storage of the medication, missed dose management, and disease state information to Harken's members or their caregivers. OptumRx also provides access to customer service representatives and pharmacists to provide support and guidance to Harken's members and family members.

OptumRx Facility Participation Agreement Specialty Pharmacy for the Pharmacy Benefit

Effective December 1, 2015, Harken entered into the Facility Participation Agreement-Specialty Pharmacy for the pharmacy benefit. Pursuant to the agreement, OptumRx is a specialty

pharmacy provider. OptumRx provides the specialty pharmacy medications covered under the member's pharmacy benefits. In addition to dispensing and delivering specialty pharmacy medications, OptumRx provides information, including side effect management, storage of the medication, missed dose management, and disease state information to Harken's members or their caregivers. OptumRx also provides access to customer service representatives and pharmacists to provide support and guidance to Harken's members and family members.

OptumRx Medicare Prescription Drug Benefit Administration Agreement (Individual Members)

Effective January 1, 2018, UHS entered into the Medicare Prescription Drug Benefit Administration Agreement (Individual Members) with OptumRx. Harken became a party to the agreement by entering a participating plan addendum effective January 1, 2019, in which OptumRx is the Pharmacy Benefit Manager for Individual MA-PD plans and PDP Plans. The agreement is a full restatement of the previous Medicare Prescription Drug Benefit Administration Agreement that was effective January 1, 2017, and removed Employer Group Plans as well as updated the agreement to reflect current processes and procedures, services being provided, applicable regulatory requirements, and the 2018 pricing.

The agreement was amended effective August 1, 2018, to reflect the inclusion of real time audits and fax audits in the desktop audit recovery work performed by the administrator and to clarify the amount of the Network Pharmacy Audit Recovery Incentive payment for real-time audits. The agreement was amended three more times to update various sections and exhibits of the agreement with the fourth amendment effective January 1, 2021.

A third amendment was made effective March 1, 2020, to update various sections of the agreement.

Spectera, Inc. Specialty Benefits, LLC - Vision Services Agreement

Harken entered into a Vision Services Agreement with Spectera, Inc. (Spectera) and Specialty Benefits, LLC (Specialty Benefits) effective January 1, 2016. The agreement provides that Spectera is responsible for managing a network of vision providers to provide vision services and/or products (frames and contact lenses), claims processing, and other administrative functions related to its

vision services to Harken's members. Specialty Benefits provides optometric materials, such as eyeglasses and contact lenses prescribed by network providers for Harken's members.

Four amendments were made to update the Compensation for Services Addendum and to add the Florida Third Party Administrator Regulatory Requirements (first amendment effective February 1, 2017) and the Medicare Advantage Regulatory Requirements Appendix (second amendment, effective June 1, 2019, and third amendment, July 1, 2020). The fourth amendment was made effective November 1, 2021, and only included the update to the Compensation for Services Addendum.

UBH Behavioral Health Services Agreement

Harken entered into the Behavioral Health Services Agreement with United Behavioral Health (UBH) effective January 1, 2016. Under the agreement, UBH is responsible for arranging for provisions for certain mental health and substance abuse treatment services for Harken's members.

Three amendments were made to the agreement. Each included an update to the Compensation for Services Addendum and the first and second amendment added the Medicare Advantage Regulatory Requirements appendix. The third amendment was made effective November 1, 2021, and only included the update to the Compensation for Services Addendum.

UHCIL Healthcare Provider Services Agreement

Effective March 19, 2017, Harken entered into the Healthcare Provider Services Agreement with UnitedHealthcare of Illinois, Inc. (UHCIL). Under the agreement, certain services from healthcare providers to be employed by UHCIL will be provided to Harken. Harken operates health centers in the State of Illinois, for the benefit of its members and certain services from healthcare providers are employed by UHCIL. UHCIL healthcare provider employees will provide Harken with all services for the provision of medical and health benefits to members of Harken. Harken will reimburse UHCIL for all costs and risk associated with UHCIL's providing healthcare services to Harken's members.

WellMed Networks, Inc. – Health Services Agreement

Effective January 1, 2020, the company entered into a Health Services Agreement between WellMed Networks, Inc., and several affiliates of UnitedHealthcare including the company. WellMed Networks is responsible for the health care needs and arranges for medical services through a network of providers for Medicare Advantage members for specific H Plans in the states of Texas. WellMed

Networks also provides medical management services, including, but not limited to, care management services, referral services, and out-of-area services as well as claims payment services.

The agreement was amended effective January 1, 2021, to include a new definition, additional affiliate of UnitedHealthcare, and additional product attachment appendices.

V. REINSURANCE

As of December 31, 2022, the company does not have any material reinsurance contracts.

VI. FINANCIAL DATA

The following financial statements reflect the financial condition of the company as reported to the commissioner of insurance in the December 31, 2022, annual statement. Adjustments made as a result of the examination are noted at the end of this section in the area captioned "Reconciliation of Capital and Surplus per Examination." Also included in this section are schedules that reflect the growth of the company and the compulsory and security surplus calculation.

Harken Health Insurance Company
Assets
As of December 31, 2022

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$ 1,701,443	\$	\$ 1,701,443
Cash, cash equivalents, and short-term investments	41,139,748		\$41,139,748
Investment income due and accrued	199,751		199,751
Uncollected premiums and agents' balances in course of collection	608,732	1,045	607,687
Accrued retrospective premiums and contracts subject to redetermination	462,108		462,108
Amounts receivable relating to uninsured plans	5,819,677		5,819,677
Guaranty funds receivable or on deposit	25,615		25,615
Receivable from parent, subsidiaries and affiliates	126,987		126,987
Health care and other amounts receivable	<u>563,264</u>	<u>461,167</u>	<u>102,097</u>
Total Assets	<u>\$50,647,325</u>	<u>\$462,212</u>	<u>\$50,185,113</u>

Harken Health Insurance Company
Liabilities, Surplus, and Other Funds
As of December 31, 2022

Claims unpaid		\$ 1,359,009
Accrued medical incentive pool and bonus payments		16,706
Unpaid claims adjustment expenses		6,990
Aggregate health policy reserves		410,456
Aggregate life policy reserves		19,194
Aggregate health claim reserves		97,440
Premiums received in advance		354
General expenses due or accrued		183,732
Current federal and foreign income tax payable and interest thereon		40,359
Net deferred tax liability		1,718
Remittance and items not allocated		77
Liability for amounts held under uninsured accident and health plans		514,396
Miscellaneous liabilities		282,674
Unclaimed property		<u>1,771</u>
Total Liabilities		2,934,876
Common capital stock	\$ 2,500,000	
Gross paid in and contributed surplus	154,198,293	
Unassigned funds (surplus)	<u>(109,448,056)</u>	
Total Capital and Surplus		<u>47,250,237</u>
Total Liabilities, Capital and Surplus		<u>\$50,185,113</u>

**Harken Health Insurance Company
Statement of Revenue and Expenses
For the Year 2022**

Net premium income		\$(6,430,625)
Change in unearned premium reserves and reserve for rate credits		3,961,523
Total revenues		(2,469,102)
Medical and Hospital:		
Hospital/medical benefits	\$(2,377,914)	
Other professional services	(132,854)	
Prescription drugs	(513,005)	
Incentive pool and withhold adjustments	<u>644,960</u>	
Total medical and hospital	(2,378,813)	
Claims adjustment expenses	(273,935)	
General administrative expenses	1,331,773	
Increase in reserves for life and accident and health contracts	<u>(1,128)</u>	
Total underwriting deductions		<u>(1,322,103)</u>
Net underwriting gain or (loss)		(1,146,999)
Net investment income earned		214,045
Net gain or (loss) from agents' or premium balances charged off		(101,082)
Net income or (loss) before federal income taxes		(1,034,036)
Federal and foreign income taxes incurred		<u>(400,641)</u>
Net Income (Loss)		<u>\$ (633,395)</u>

**Harken Health Insurance Company
Capital and Surplus Account
For the Five-Year Period Ending December 31, 2022**

	2022	2021	2020	2019	2018
Capital and surplus, beginning of year	\$137,999,145	\$ 98,721,197	\$15,753,405	\$23,844,099	\$42,111,259
Net income (loss)	(633,395)	(9,704,801)	28,154,278	(4,951,065)	568,674
Change in net deferred income tax	(329,631)	13,052	314,861		
Change in nonadmitted assets	214,118	(30,303)	(501,347)	(139,629)	329,703
Surplus adjustments:					
Paid in	(90,000,000)	49,000,000	55,000,000	(3,000,000)	(20,000,000)
Write-ins for gains and (losses) in surplus:					
Correction of Error	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u>834,463</u>
Capital and Surplus, End of Year	<u>\$ 47,250,237</u>	<u>\$137,999,145</u>	<u>\$98,721,197</u>	<u>\$15,753,405</u>	<u>\$23,844,099</u>

**Harken Health Insurance Company
Statement of Cash Flow
For the Year 2022**

Premiums collected net of reinsurance		\$23,195,732
Net investment income		40,560
Total		23,236,292
Less:		
Benefit- and loss-related payments	\$ 34,407,450	
Commissions, expenses paid and aggregate write-ins for deductions	(4,956,463)	
Federal and foreign income taxes paid (recovered) net of tax on capital gains (losses)	<u>(809,314)</u>	
Total		<u>28,641,673</u>
Net cash from operations		(5,405,381)
Cash Provided for/Applied from Financing and Miscellaneous Sources:		
Capital and paid-in surplus, less treasury stock	(90,000,000)	
Other cash provided (applied)	<u>11,316,399</u>	
Net cash from financing and miscellaneous sources		<u>(78,683,601)</u>
Net Change in Cash, Cash Equivalents, and Short- Term Investments		(84,088,982)
Cash, cash equivalents, and short-term investments:		
Beginning of year		<u>125,228,730</u>
End of Year		<u>\$ 41,139,748</u>

Growth of Harken Health Insurance Company

Year	Assets	Liabilities	Capital and Surplus	Premium Earned	Medical Expenses Incurred	Net Income
2022	\$ 50,185,113	\$ 2,934,876	\$ 47,250,237	\$ (6,430,625)	\$ (2,378,813)	\$ (633,395)
2021	215,225,274	77,226,129	137,999,145	900,209,847	822,417,906	(9,704,801)
2020	152,104,656	53,383,459	98,721,197	367,136,019	275,061,579	28,154,278
2019	31,668,216	15,914,811	15,753,405	57,761,802	51,588,531	(4,951,065)
2018	25,248,694	1,404,595	23,844,099	(120,388)	(886,089)	568,674

Year	Profit Margin	Medical Loss Ratio	Administrative Expense Ratio	Change in Enrollment
2022	28.1%	96.3%	-42.8%	-100.0%
2021	-1.1	91.5	9.8	156.4
2020	7.7	75.6	14.6	411.4
2019	-8.5	88.8	22.5	N/A
2018	136.4	736.0	-557.0	-100.0

Enrollment and Utilization

Year	Enrollment	Hospital Days/1,000	Average Length of Stay
2022	0	0	0.0
2021	82,965	889	5.6
2020	32,356	771	5.3
2019	6,327	1,046	5.6
2018	0	0	0.0

Per Member Per Month Information

	2022	2021	Percentage Change
Premiums:			
Medicare	\$41,221.9	\$ 992.3	4,054.0%
Expenses:			
Hospital/medical benefits	(15,243.0)	839.4	-1,715.9
Other professional services	851.6	14.9	5622.1
Prescription Drugs	3,288.5	49.9	6,495.5
Incentive pool and withhold adjustments	(4,134.4)	2.4	-172,709.9
Total medical and hospital	(15,248.8)	906.6	-1,582.0
Claims adjustment expenses	1,755.9	29.1	5,931.5
General administrative expenses	(8,537.0)	68.2	-12,611.7
Total underwriting deductions	<u>\$ 8,467.8</u>	<u>\$1,003.9</u>	743.5

The company experienced a net loss in three out of the five years under examination with the largest occurring at year-end 2021. The net loss in 2021 was driven by higher total expenses than the increase in premiums. The company experienced a net income of \$28.2 million in 2020 that was driven by a favorable enrollment period and expansion into South Dakota with an increase of 432%. Due to the novation of the Medicare contracts to its affiliate as part of the UnitedHealth Group's Medicare strategy, the company is in run-out status effective January 1, 2022.

Though both admitted assets and capital and surplus decreased significantly from year-end 2021 to year-end 2022, the company remains well positioned to meet its short-term liquidity needs given that approximately 96% of the invested asset portfolio as of December 31, 2022, is comprised of cash and cash equivalents.

The company paid dividends of \$90.0 million in 2022.

**Harken Health Insurance Company
Compulsory and Security Surplus Calculation
December 31, 2022**

Assets		\$50,185,113
Less liabilities		<u>2,934,876</u>
Adjusted surplus		47,250,237
Annual premium:		
Individual life and health	\$(6,430,625)	
Factor	<u>15%</u>	
Total		\$0
Compulsory surplus (subject to a \$2,000,000 minimum)		<u>2,000,000</u>
Compulsory Surplus Excess (Deficit)		<u>\$45,250,237</u>
Adjusted surplus (from above)		\$47,250,237
Security surplus (140% of compulsory surplus, factor reduced 1% for each \$33 million in premium written in excess of \$10 million, with a minimum of 110%)		<u>2,800,000</u>
Security Surplus Excess (Deficit)		<u>\$44,450,237</u>

Reconciliation of Capital and Surplus per Examination

No adjustments were made to surplus as a result of the examination. The amount of surplus reported by the company as of December 31, 2022, is accepted.

VII. SUMMARY OF EXAMINATION RESULTS

Compliance with Prior Examination Report Recommendations

There was one specific comment and recommendation in the previous examination report.

The action taken by the company as a result of the comment and recommendation was as follows:

1. Executive Compensation—It is recommended that the company comply with s. 611.63 (4), Wis. Stat., by reporting all compensation received by officers, executive management, and directors in accordance with the instructions stated on the Report on Executive Compensation.

Action—Compliance.

Summary of Current Examination Results

This section contains comments and elaboration on those areas where adverse findings were noted or where unusual situations existed. Comment on the remaining areas of the company's operations is contained in the examination work papers.

Intersegment Rate Negotiation Documentation

During the lead state's review of the intercompany transactions during the as of 2021 examination, it was noted that the documents used by UnitedHealthcare segments to analyze and renegotiate the inter-segment rates, for appropriateness, are not maintained as support in accordance with s. 617.21 Wis. Stat., s. Ins. 40.04 (2) (d) Wis. Adm. Code, NAIC Accounting Practices and Procedures Manual Statement of Statutory Accounting Principles No 25 – Affiliates and Other Related Parties (SSAP No. 25), and Appendix A-440 – Insurance Holding Companies (A-440). Additionally, the company did not provide comprehensive support to demonstrate that charges between affiliates were fair and reasonable as required by SSAP No. 25 and A-440. Due to the timing of the examination, the examination team was unable to confirm compliance with the lead state's recommendation and as such, the following recommendations were carried forward to the current examination. It is recommended that the company maintain, for review, the accounting information necessary to support the reasonableness of charges or fees for affiliated transactions, as required by s. 617.21 Wis. Stat. and s. Ins. 40.04 (2) (d) Wis. Adm. Code, SSAP No. 25, and A-440. It is further recommended for future affiliated contracts that the company either be able to fully demonstrate that the charges or fees are fair and reasonable or enter into those arrangements on a cost basis.

VIII. CONCLUSION

Effective January 1, 2022, the company novated the Medicare contracts to its affiliate as part of the UnitedHealth Group's Medicare strategy. As a result, the company is in run-out status.

The company experienced a net loss in three out of the five years under examination with the largest occurring at year-end 2021. The net loss in 2021 was driven by higher total expenses than the increase in premiums. The company experienced a net income of \$28.2 million in 2020 which was driven from a favorable enrollment period and expansion into South Dakota with an increase of 432%.

The examination resulted in two recommendations and no adjustments to surplus. The amount of surplus reported by the company as of December 31, 2022, is accepted.

IX. SUMMARY OF COMMENTS AND RECOMMENDATIONS

1. Page 27 - Intersegment Rate Negotiation Documentation—It is recommended that the company maintain, for review, the accounting information necessary to support the reasonableness of charges or fees for affiliated transactions, as required by s. 617.21 Wis. Stat. and s. Ins. 40.04 (2) (d) Wis. Adm. Code, SSAP No. 25, and A-440.
2. Page 27 - Intersegment Rate Negotiation Documentation—It is further recommended for future affiliated contracts that the company either be able to fully demonstrate that the charges or fees are fair and reasonable or enter into those arrangements on a cost basis.

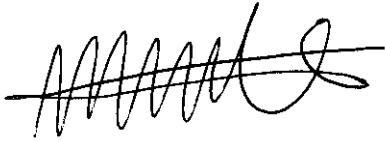
X. ACKNOWLEDGMENT

The courtesy and cooperation extended during the course of the examination by the officers and employees of the company are acknowledged.

In addition to the undersigned, the following representatives of the Office of the Commissioner of Insurance, State of Wisconsin, participated in the examination:

Name	Title
Takoda Boyd	Insurance Financial Examiner
Gabriel Gorske, CFE	Insurance Financial Examiner
Kongmeng Yang, AFE	Quality Control Specialist
Jerry DeArmond, CFE	Reserve Specialist

Respectfully submitted,



Marisa K. Rodgers
Examiner-in-Charge

XI. SUBSEQUENT EVENT

On February 21, 2024, UnitedHealth Group (UHG) identified a cyber security threat actor had gained access to the Change Healthcare (Change) information technology systems. Change is a clearinghouse used by providers and health insurers to facilitate claim submissions and payment processes. Change is owned by UHG. UHG has reported that it has isolated the impacted systems from other connecting systems in the interest of protecting its partners and patients, to contain, assess and remediate the incident. The company has indicated that the event has not resulted in unauthorized access, disruption, or misuse of any information system supporting its regulated insurance entities.