



STATE OF TENNESSEE
DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON EXAMINATION
OF
RHYTHM HEALTH TENNESSEE, INC.
ST. LOUIS, MISSOURI

AS OF
DECEMBER 31, 2022

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St. Louis, Missouri
June 7, 2024

Honorable Carter Lawrence
Commissioner
Tennessee Department of Commerce and Insurance
500 James Robertson Parkway
Nashville, Tennessee 37243

Dear Commissioner:

In accordance with your instructions and pursuant to Tennessee Code Annotated (“Tenn. Code Ann.”) §56-1-408, a full-scope financial examination and market conduct review, as of December 31, 2022, has been made of the condition and affairs of:

RHYTHM HEALTH TENNESSEE, INC.

NAIC # 16533

NAIC Group #1295

7700 Forsyth Boulevard

St. Louis, Missouri 63105

hereinafter referred to as “RHTN” or the “Company” and a report thereon is submitted as follows:

INTRODUCTION

This examination was arranged by the Tennessee Department of Commerce and Insurance (TDCI or “Department”) and was conducted by duly authorized representatives of the Department. The examination was called through the National Association of Insurance Commissioners (NAIC) Financial Examination Electronic Tracking System (FEETS).

The examination was performed as part of the full-scope coordinated examination of health insurance companies and Health Maintenance Organizations (HMO) in the Centene Corporation (“Centene”) group. The TDCI served as a participating state within the coordinated group examination. The Texas Department of Insurance (TDI) was the lead state for the group examination.

This examination was conducted concurrently with the statutory financial condition examinations of the following companies:

COMPANY	NAIC CoCode
WellCare of Alabama, Inc. (AL)	16239
Centene Venture Co Alabama Health Plan, Inc. (AL)	16771
WellCare of Alabama, Inc. (AL)	16239
Arkansas Health & Wellness Health Plan, Inc. (AR)	16130
Arkansas Total Care, Inc. (AR)	16256
QCA Health Plan, Inc. (AR)	95448
QualChoice Life & Health Insurance Company, Inc. (AR)	70998
WellCare Health Insurance Company of America (AR)	16343
Bridgeway Health Solutions of Arizona, Inc. (AZ)	16310
Hallmark Life Insurance Company (AZ)	60078
Health Net Community Solutions of Arizona (AZ)	15895
Health Net of Arizona, Inc. (AZ)	95206
WellCare Health Insurance of Arizona, Inc. (AZ)	83445
WellCare Health Insurance of the Southwest, Inc. (AZ)	16692
WellCare Prescription Insurance, Inc. (AZ)	10155
Health Net Life Insurance Company (CA)	66141
WellCare Health Insurance of Connecticut, Inc. (CT)	16513
WellCare of Connecticut, Inc. (CT)	95310
Centene Venture Company Florida (FL)	16499
Sunshine Health Community Solutions, Inc. (FL)	15927
Sunshine State Health Plan, Inc. (FL)	13148
WellCare Health Insurance of Hawaii, Inc. (HI)	17002
Iowa Total Care, Inc. (IA)	15713
Celtic Insurance Company (IL)	80799
Centene Venture Company Illinois (IL)	16505
Harmony Health Plan, Inc. (IL)	11229
Meridian Health Plan of Illinois, Inc. (IL)	13189
WellCare of Illinois, Inc. (IL)	16765
Centene Venture Company Kansas (KS)	16528
Sunflower State Health Plan, Inc. (KS)	14345
WellCare Health Insurance of Kentucky, Inc. (KY)	64467
WellCare Health Plans of Kentucky, Inc. (KY)	15510
Louisiana Healthcare Connections, Inc. (LA)	13970
Magellan Complete Care of Louisiana, Inc. (LA)	15550
WellCare Health Insurance Company of Louisiana, Inc. (LA)	16788
WellCare of Maine, Inc. (ME)	16344
Centene Venture Company Michigan (MI)	16613
Meridian Health Plan of Michigan, Inc. (MI)	52563

Home State Health Plan, Inc. (MO)	14218
WellCare Health Plans of Missouri, Inc. (MO)	16753
WellCare of Missouri Health Insurance Company, Inc. (MO)	16512
Ambetter of Magnolia, Inc. (MS)	15762
Magnolia Health Plan, Inc. (MS)	13923
WellCare of Mississippi, Inc. (MS)	16329
Ambetter of North Carolina, Inc. (NC)	16395
Carolina Complete Health, Inc. (NC)	16526
WellCare Health Insurance of North Carolina, Inc. (NC)	16548
WellCare of North Carolina, Inc. (NC)	16547
Nebraska Total Care, Inc. (NE)	15902
Granite State Health Plan, Inc. (NH)	14226
WellCare Health Insurance Company of New Hampshire, Inc. (NH)	16516
WellCare of New Hampshire, Inc. (NH)	16515
Magellan Behavioral Health of New Jersey, LLC (NJ)	12632
WellCare Health Insurance Company of New Jersey, Inc. (NJ)	16789
WellCare Health Plans of New Jersey, Inc. (NJ)	13020
Western Sky Community Care, Inc. (NM)	16351
American Progressive Life & Health Insurance Of New York (NY)	80624
Buckeye Community Health Plan, Inc. (OH)	11834
Buckeye Health Plan Community Solutions, Inc. (OH)	16112
Oklahoma Complete Health, Inc. (OK)	16904
WellCare Health Insurance Company of Oklahoma, Inc. (OK)	16752
WellCare of Oklahoma, Inc. (OK)	16117
Health Net Health Plan of Oregon, Inc. (OR)	95800
Trillium Community Health Plan, Inc. (OR)	12559
Magellan Behavioral Health of Pennsylvania, Inc. (PA)	47019
Magellan Complete Care of Pennsylvania, Inc. (PA)	15924
Pennsylvania Health & Wellness, Inc. (PA)	16041
WellCare Health Plans of Rhode Island, Inc. (RI)	16766
Centene Venture Company Tennessee (TN)	16770
Rhythm Health Tennessee, Inc. (TN)	16533
WellCare Health Insurance of Tennessee, Inc. (TN)	16532
Centene Venture Company Texas (TX)	16990
Envolve Dental of Texas (TX)	16106
Envolve Vision of Texas (TX)	95302
SelectCare of Texas, Inc. (TX)	10096
Superior HealthPlan, Inc. (TX)	95647
WellCare National Health Insurance Company (TX)	16342
WellCare of Texas, Inc. (TX)	12964

WellCare of Virginia, Inc. (VA)	16763
WellCare Health Plans of Vermont, Inc. (VT)	16514
Coordinated Care of Washington, Inc. (WA)	15352
WellCare Health Insurance Company of Washington, Inc. (WA)	16570
WellCare of Washington, Inc. (WA)	16571
Bankers Reserve Life Insurance Company of Wisconsin (WI)	71013
Managed Health Service Insurance Corporation (WI)	96822

SCOPE OF EXAMINATION

This is the first full-scope examination of the Company. This examination covers the period February 27, 2019, through December 31, 2022, and includes any material transactions and/or events occurring subsequent to the examination date, which were noted during the course of examination.

The examination was conducted in accordance with rules and procedures as prescribed by the statutes of the State of Tennessee, and in accordance with the NAIC in the *Financial Condition Examiners Handbook* (“Handbook”), as deemed appropriate. The examination was planned and performed to evaluate the financial condition of the Company, as of December 31, 2022. The examination sought to identify prospective risks by obtaining information about the Company, including its corporate governance, by identifying and assessing inherent risks within the Company, and by evaluating system controls and procedures used to mitigate those risks. The examination also included assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation and management’s compliance with statutory accounting principles and NAIC Annual Statement instructions.

All significant risks were considered when planning which key activities and accounts would be examined. The key activities included: Investments; Capital and Surplus; and Related Parties.

The Company’s 2022 NAIC Annual Statement was compared with or reconciled to the corresponding general ledger account balances.

TDI information technology specialists were utilized in the examination review of the Company’s information technology general controls.

The TDCI approved the Company’s request for exemption from required filings of Actuarial Opinions and audited financial statements for the years ending 2020, 2021, and 2022.

COMPANY HISTORY

The Company was incorporated on April 25, 2012, under the laws of the State of Tennessee in the name of WellCare Health Plan of Tennessee, Inc. (WCHPT). On February 27, 2019, WCHPT received its Certificate of Authority (COA) as a HMO. This COA was in force for the period under examination and is perpetual until it is surrendered by the Company or subjected to regulatory action by the TDCI. The Company amended its Articles of Incorporation on February 26, 2021, to change its name from WCHPT to RHTN. The Company has not written any business since receiving its COA.

The Company is a wholly-owned subsidiary of WellCare Management Group, Inc. (WMG), which is a wholly-owned subsidiary of WCG Health Management, Inc. (WCGHM). WCGHM is a wholly-owned subsidiary of WellCare Health Plans, Inc. (WCHP), which is a wholly-owned subsidiary of Centene Corporation (“Centene”), the ultimate parent. The Company became part of the Centene insurance holding company system when Centene acquired WCHP on January 23, 2020. This acquisition was approved by the TDCI on August 21, 2019.

On December 31, 2022, the Company had one hundred (100) shares of common stock authorized with a par value of one dollar (\$1.00). One hundred (100) shares were issued and outstanding. All shares are owned by WMG.

MANAGEMENT AND CONTROL

MANAGEMENT

Directors

The business and affairs of the Company are managed and controlled by a Board of Directors (“Board”). The Board members are elected by the shareholders at each annual meeting of shareholders or by unanimous written consent, to serve until the next annual meeting of shareholders or written consent in lieu thereof or his or her successor is elected. In accordance with the Bylaws, the Board shall consist of not less than three (3) members. The precise number of directors shall be fixed by resolution of either the shareholders or the Board from time to time.

The following persons were serving as members of the Board, as of December 31, 2022:

<u>Name</u>	<u>Principal Occupation</u>
Brian N. Debatin	Senior Finance Director, Centene
Thomas Robert Lindquist	Plan President and Chief Executive Officer, Centene
William Andrew Jones	Senior Vice President, Markets, Centene
Travis R. Christie	Medicare Region President, Centene

Officers

The Bylaws of the Company provide that the Board shall designate and appoint a Chief Executive Officer, President, a Secretary, and a Treasurer, and such other officers with such titles as the Board may determine. Any two (2) or more offices may be held by the same person. In the absence of the CEO, the President shall be the CEO and have all the duties, power and authority of the CEO given under the Bylaws to the CEO.

The following individuals were listed as officers of the Company, according to its annual statement jurat pages for the period under the examination:

<u>Name</u>	<u>Title</u>
Thomas Robert Lindquist	President
Janet Robey Alonzo	Secretary and Vice President
James Edward Snyder III	Treasurer and Vice President
Tricia Lynn Dinkelman	Vice President of Tax
Brian N. Debatin	Chief Financial Officer

CONTROL

The Company is a member of an insurance holding company system as defined by Tenn. Code Ann. § 56-11-101(b)(8), and as such, is subject to the Insurance Holding Company System Act of 1986, set forth in Tenn. Code Ann. §§ 56-11-101, *et seq.* All outstanding shares of the Company are owned by the holding company, WMG, a New York domiciled corporation. The “Ultimate Controlling Person” (UCP) is Centene, a Delaware Corporation, as shown in the following organizational chart.

ORGANIZATIONAL CHART

An organizational listing flowing from the UCP, as reported in the Company's 2022 Annual Statement, is represented below. Subsidiaries are denoted through the use of indentations. All subsidiaries are one hundred percent (100%) owned.

Centene Corporation (DE)

- Comprehensive Health Management, Inc. (CHMI) (FL)
- WellCare Health Plans, Inc. (DE)
 - WCG Health Management, Inc. (DE)
 - The WellCare Management Group, Inc. (NY)
 - **Rhythm Health Tennessee, Inc. (TN)**

DIVIDENDS

The Company did not pay dividends to shareholders during the examination period.

CORPORATE RECORDS

The minutes of meetings of the Company's shareholders and Board were reviewed for the period under examination. The minutes were complete as to necessary detail and appear to adequately reflect the acts of the respective bodies.

The review of the minutes indicated that investment transactions were approved by the Board pursuant to Tenn. Code Ann. § 56-3-408(b)(1).

Charter

The Company filed its original Charter with the Tennessee Secretary of State in April 2012 in the name of WellCare Health Plans of Tennessee, Inc. The Charter was approved by the TDCI on April 25, 2012. In March 2021, the Company filed Articles of Amendment to the Charter to change its name to Rhythm Health of Tennessee, Inc. The amended and restated Charter of the Company was approved by the sole shareholder on February 26, 2021, and was filed and recorded with the Tennessee Secretary of State on March 1, 2021. The Amended Charter was approved by the TDCI on May 6, 2021.

The Charter authorizes a maximum number of one million five hundred thousand (1,500,000) shares of common stock, with a one dollar (\$1.00) par value per share.

Bylaws

The Company's original Bylaws were signed on May 17, 2012. The Amended and Restated Bylaws of the Company were adopted by the Board on April 27, 2021.

The Bylaws, as amended, are such as generally found in corporations of this type and contain no unusual provisions. The Bylaws provide for the regulation of the business and for the conduct of the affairs of the Company, the Board, and its shareholders.

AGREEMENTS WITH PARENT AND AFFILIATES

The Company had the following significant agreements with its parent and related parties in effect, as of December 31, 2022:

Management Agreement

Effective January 1, 2019, the Company entered into a Management Services Agreement with Comprehensive Health Management, Inc. ("CHMI"), under which CHMI agreed to provide administrative services in support of the Company's day to day operations. The agreement was submitted with initial licensure.

Tax Sharing Agreement

Effective January 23, 2020, the Company became an included subsidiary to a Tax Sharing Agreement dated December 31, 2002, with Centene. Under the agreement, the tax liability shall be allocated to each member based on the member's contribution to consolidated taxable income. The amended agreement was filed with the TDCI on June 3, 2019. The agreement was non-disapproved by the TDCI on March 3, 2020.

TERRITORY AND PLAN OF OPERATION

Territory

As of December 31, 2022, the Company was licensed to transact business in the State of Tennessee. The COA was reviewed and found to be in order.

The Company currently has no applications pending for admission to any other states or territories.

Plan of Operation

The Company was licensed as an HMO in the State of Tennessee on February 27, 2019. The Company has not written any business since inception.

GROWTH OF COMPANY

The table below depicts certain aspects of the growth and financial history of the Company for the period subject to this examination, according to its annual statements filed with the TDCI:

<u>Year</u>	<u>Admitted Assets</u>	<u>Net Premium Written</u>	<u>Capital and Surplus</u>	<u>Hospital Medical Benefits Paid</u>	<u>Net Income (Loss)</u>
2022	\$2,478,216	\$0	\$2,477,110	\$0	\$20,125
2021	\$2,461,330	\$0	\$2,457,102	\$0	(\$2,656)
2020	\$2,459,876	\$0	\$2,459,798	\$0	\$9,777
2019	\$2,452,135	\$0	\$2,449,992	\$0	\$33,559

LOSS EXPERIENCE

The company did not have loss experience during the examination period, as no business has been written since inception.

ACCOUNTS AND RECORDS

During the course of the examination, certain balances were tested, and amounts were traced from the Company's trial balance to the 2022 NAIC annual statement. All of the Company's investment securities were confirmed with the custodian of such securities as of the date of this examination. All NAIC annual statements for the period under examination were reviewed for completeness and adequacy of disclosure. The Company's risk-based capital filings were reviewed. These test checks and reviews revealed no material discrepancies.

The Company's books and records are located in St. Louis, Missouri.

MARKET CONDUCT ACTIVITIES

The Company has not written any business since inception. Therefore, there are no market conduct activities.

SUBSEQUENT EVENTS

During the examination, a review of subsequent events was performed. Management stated in its Letter of Representation that they were not aware of any events subsequent to December 31, 2022, that could have a material effect on the Company's financial condition. Our review confirmed the Company's disclosures in its 2022 Annual Statement and in its Letter of Representation.

FINANCIAL STATEMENTS

There follows a statement of assets, liabilities, surplus, and other funds, and a statement of revenue and expenses, as of December 31, 2022, together with a reconciliation of capital and surplus for the period under review, as reported by the Company in its 2022 Annual Statement. *(Note: Immaterial differences in totals are due to rounding.)*

ASSETS

	<u>Assets</u>	Non-Admitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$923,801		\$923,801
Cash	1,529,643		1,529,643
Investment income due and accrued	3,563		3,563
Net deferred tax asset	108		108
Receivables from parent, subsidiaries, and affiliates	10,637		10,637
Aggregate write-ins for other- than-invested assets	<u>10,699</u>	<u>235</u>	<u>10,464</u>
 Totals	 <u>\$2,478,451</u>	 <u>\$235</u>	 <u>\$2,478,216</u>

LIABILITIES, SURPLUS, AND OTHER FUNDS

Current federal and foreign income tax payable and interest thereon		<u>\$1,106</u>
Total Liabilities		\$1,106
Surplus and Other Funds		
Common Capital Stock	\$100	
Gross Paid In and Contributed Surplus	2,418,171	
Unassigned Funds (Surplus)	<u>58,839</u>	
Surplus as Regards Policyholders		<u>\$2,477,110</u>
Total Liabilities, Capital, and Surplus		<u>\$2,478,216</u>

STATEMENT OF REVENUE AND EXPENSES

Member Months		<u>0</u>
Net premium income	\$0	
Total Revenues		<u>\$0</u>
General administrative expenses	19,208	
Total Underwriting Deductions		<u>\$19,208</u>
Net underwriting gain (loss)		(\$19,208)
Net investment income earned	44,752	
Net investment gains (losses)		<u>44,752</u>
Net income or (loss) after capital gains tax and before all other federal income taxes		25,544
Federal and foreign income taxes incurred		<u>5,419</u>
Net Income (Loss)		<u>\$20,125</u>

CAPITAL AND SURPLUS ACCOUNT

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019*</u>
Capital and Surplus				
December 31, previous year	<u>\$2,457,102</u>	<u>\$2,459,798</u>	<u>\$2,449,992</u>	<u>\$1,498,262</u>
Net income or (loss)	20,125	(2,656)	9,777	33,559
Change in net deferred income tax	118	(40)	29	
Change in non-admitted assets	(235)			
Capital Changes: Paid in				
Surplus adjustments: Paid in	_____	_____	_____	<u>918,171</u>
Net change in capital and surplus for the year	<u>20,008</u>	<u>(2,696)</u>	<u>9,806</u>	<u>951,730</u>
Capital and Surplus				
December 31, current year	<u>\$2,477,110</u>	<u>\$2,457,102</u>	<u>\$2,459,798</u>	<u>\$2,449,992</u>

*The Company was incorporated in 2012. However, they did not seek or obtain a Tennessee COA until February 27, 2019.

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS

Total Capital and Surplus

\$2,477,110

Total capital and surplus, as established by this examination, is the same as reported by the Company in its 2022 Annual Statement. There were no changes made to any asset or liability items as a result of our examination performed as of December 31, 2022.

COMMENTS AND RECOMMENDATIONS

The following list presents a summary of comments and recommendations noted in this report:

Comments

No comments were noted for this report.

Recommendations

No recommendations were noted for this report.

CONCLUSION

Rules and procedures as prescribed by the statutes of the State of Tennessee and guidance from the NAIC Handbook, as deemed appropriate, have been followed in connection with the verification and valuation of assets and the determination of liabilities of Rhythm Health Tennessee, Inc.

In such manner, it was found that as of December 31, 2022, the Company had admitted assets of \$2,478,216 and liabilities, exclusive of capital and surplus, of \$1,106. Thus, there existed for the additional protection of the policyholders, the amount of \$2,477,110 in the form of common capital stock, gross paid in and contributed surplus, and unassigned funds. Tenn. Code Ann. § 56-32-112(a)(2) requires an insurer of this Company's type and premium volume to maintain a minimum net worth of \$1,500,000. For this examination, as of December 31, 2022, the Company maintains net worth sufficient to satisfy this requirement.

The courteous cooperation of the officers and employees of the Company, extended during the course of the examination, is hereby acknowledged.

In addition to the undersigned, James Menck, CFE of Noble Consulting Services, Inc., participated in the work of this examination.

Respectfully submitted,

Brian H. Sewell

Brian H. Sewell (Jul 23, 2024 13:33 EDT)

Brian H. Sewell, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the State of Tennessee

Don Karnes

Don Karnes (Jul 23, 2024 12:37 CDT)

Don Karnes, CFE
Department Designee
State of Tennessee

CERTIFICATE

The undersigned certifies and says that he has duly executed the attached examination report of Rhythm Health Tennessee, Inc. located in St. Louis, Missouri, dated June 7, 2024, and made as of December 31, 2022, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

Brian H. Sewell

Brian H. Sewell (Jul 23, 2024 13:33 EDT)

Brian H. Sewell, CFE
Examiner-in-Charge
Noble Consulting Services, Inc.
Representing the State of Tennessee

CERTIFICATE

The undersigned certifies and says that he has duly executed the attached examination report of Rhythm Health Tennessee, Inc. located in St. Louis, Missouri, dated June 7, 2024, and made as of December 31, 2022, on behalf of the Tennessee Department of Commerce and Insurance. The undersigned further says he is familiar with such instrument and the contents thereof, and the facts therein set forth are true to the best of his knowledge, information, and belief.

Don Karnes

Don Karnes (Jul 23, 2024 12:37 CDT)

Don Karnes, CFE
Department Designee
State of Tennessee