

STATE OF CONNECTICUT

INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of Aetna Better Health Inc. (A Connecticut Corporation) (the "Company") as of December 31, 2020, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

TO WIT:

1. I, Andrew N. Mais, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On April 28, 2022, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On May 26, 2022, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.



STATE OF CONNECTICUT

INSURANCE DEPARTMENT

NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director."

Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Division Director of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting."

This will be verified by **the Insurance Department** either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 2nd day of June, 2022.

Andrew N. Mais
Insurance Commissioner

Exhibit A

EXAMINATION REPORT

OF THE

**AETNA BETTER HEALTH INC. (A CONNECTICUT CORPORATION)
(NAIC #13174)**

AS OF

DECEMBER 31, 2020

BY THE

CONNECTICUT INSURANCE DEPARTMENT



TABLE OF CONTENTS

Salutation	1
Scope of Examination	1
History	3
Organizational Chart	4
Management and Control	5
Related Party Agreements	6
Insurance Coverage	7
Territory and Plan of Operations	7
Accounts and Records	7
Financial Statements:	
Assets	8
Liabilities, Capital and Surplus	8
Statement of Revenue and Expenses	9
Capital and Surplus Account	9
Capital and Surplus	9
Subsequent Events	10
Conclusion	10
Signature	11

April 28, 2022

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, CT 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of:

AETNA BETTER HEALTH INC. (A CONNECTICUT CORPORATION)

(hereinafter referred to as the Company or ABH-CT), a capital stock corporation incorporated under the laws of the State of Connecticut and having its main administrative office located at 151 Farmington Avenue, Hartford, CT. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The previous examination of the Company was conducted by the Financial Regulation Division of the Connecticut Insurance Department (Department) as of December 31, 2015. The current examination, which covers the subsequent five-year period through December 31, 2020, was conducted virtually.

The current examination was conducted as part of a multi-state examination, in which the Department served as the lead state. As the lead state, the Department coordinated the examination of CVS Health Corporation (CVS Health) holding company comprised of fifty-nine (59) regulated entities domiciled in twenty-six (26) states (CVS Health Group). The coordinated examination not only provided information on each regulated entity individually but also provided a structure for regulators to understand and evaluate risks of CVS Health as a whole.

The other Connecticut domiciled entities examined concurrently were: Aetna Life Insurance Company (ALIC); Aetna Health and Life Insurance Company (AHLIC); Aetna Insurance Company of Connecticut (AICC); and Aetna Health Inc. (a Connecticut corporation) (AHI).

AETNA BETTER HEALTH INC. (a Connecticut corporation)

As part of the examination planning procedures, the Department reviewed the following materials from 2016 through 2020:

- Board of Director (Board) minutes and other committee minutes through the latest 2021 minutes;
- Statutory audit reports completed by the Company's independent certified public accountants, Ernst & Young LLP (E&Y);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- Documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements filed with the Department; and
- Reports of the Internal Audit Department.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, all of which indicated no material concerns with respect to financial condition or regulatory compliance.

Work papers prepared by E&Y, as of December 31, 2020, in connection with its annual audits were reviewed and relied upon to the extent deemed appropriate.

We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook (the Handbook). 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 insurers 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 is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant 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 (e.g., subjective conclusions, proprietary information, etc.) are not included within the examination report but separately communicated to other regulators and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

HISTORY

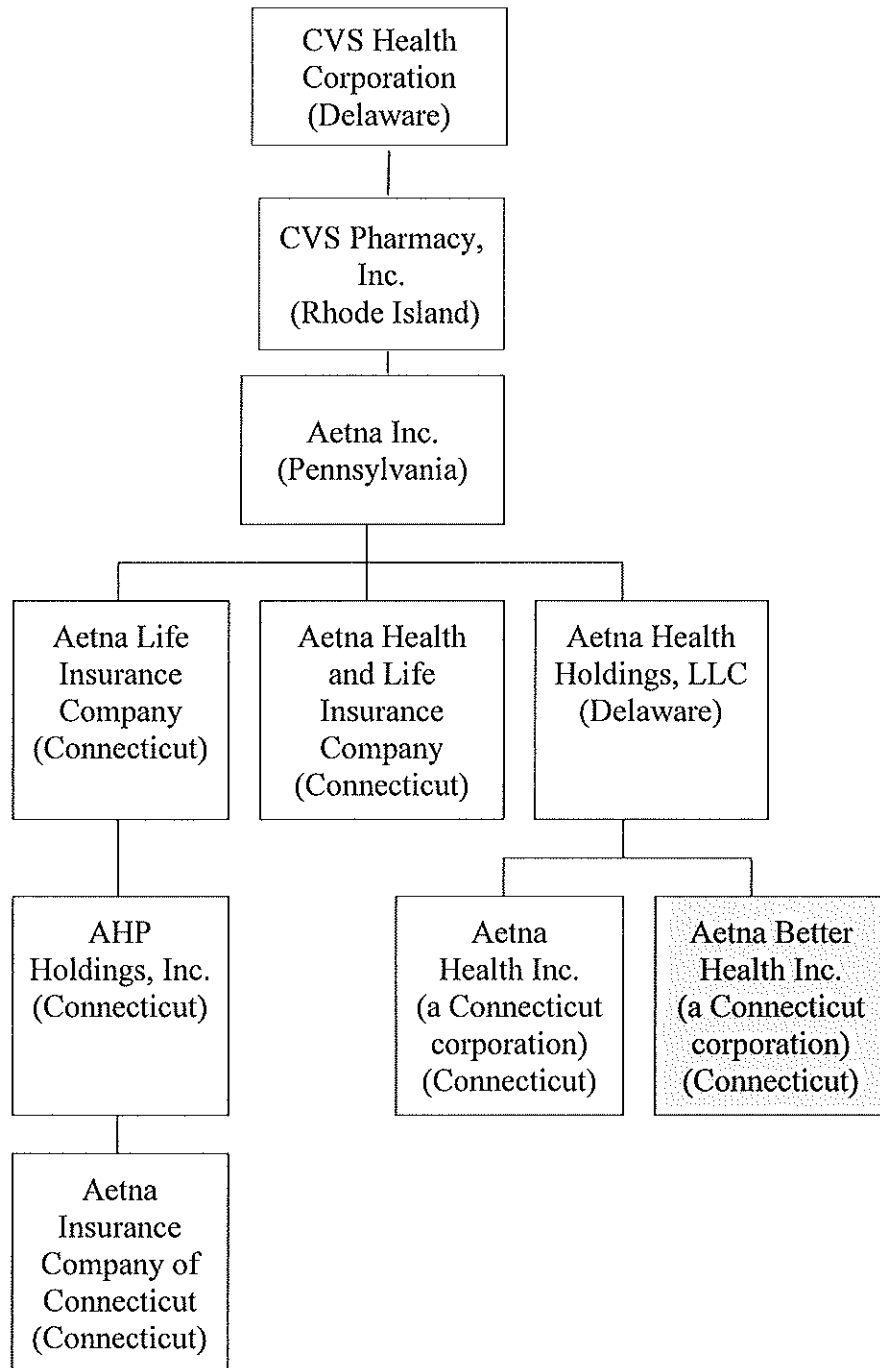
The Company filed a certificate of incorporation with the Secretary of the State of Connecticut on June 25, 2008, and was formed pursuant to Chapter 698a of the CGS. On June 30, 2008, the Company was granted a Certificate of Authority to transact business as a Health Maintenance Organization, and commenced operations on August 1, 2008.

The Company is a direct, wholly-owned subsidiary of Aetna Health Holdings, LLC, (Delaware), whose ultimate parent is CVS Health. On November 28, 2018, CVS Health acquired Aetna Inc. and became the Company's ultimate parent.

AETNA BETTER HEALTH INC. (a Connecticut corporation)

ORGANIZATIONAL CHART

The following is a partial organizational chart that identifies the relationship of the Company and its parent and affiliates as of December 31, 2020:



MANAGEMENT AND CONTROL

The bylaws of the Company require the annual meeting of the shareholders be held each year, on such date and at such time, within or without the State of Connecticut, as may be determined by the Board. Notice of each meeting of the shareholders, whether annual or special, shall be served to each shareholder, not less than ten and not more than sixty days in advance of such meeting, stating the date, time and location of such meeting.

Special meetings of the shareholders may be called at any time by the Board, by the president or secretary, or at the written request of any shareholder or shareholders owning at least ten percent of the outstanding shares entitled to vote.

At all meetings of shareholders, the presence of, at the commencement of such meeting, in person or by proxy, of shareholders holding a majority of the total number of shares then issued and outstanding, and entitled to vote, shall constitute a quorum for the transaction of business.

The Board may consist of not less than three and not more than twenty-one directors. Regular annual meetings of the Board shall be held immediately following the annual meeting of shareholders. Special meetings of the Board shall be held whenever called by the president, the secretary, any shareholder owning at least ten percent of the outstanding shares entitled to vote, or by any of the directors.

The Board, by the affirmative vote of directors holding a majority of the directorships, may designate an executive committee and other such committees as they deem desirable, each consisting of two or more directors.

At all meetings of the Board, the presence of a majority of the entire Board, but not less than two directors, shall be necessary to constitute a quorum for the transaction of business.

Members of the Board serving the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title and Principal Business Affiliation</u>
Debra J. Bacon	Vice President, Chief Operating Officer, Medicaid, CVS Health
Glenn A. MacFarlane	President, ABH –CT Vice President, Northeast Territory Leader, Medicaid, CVS Health
Kelli K. Smith	Chief Financial Officer, ABH-CT Executive Director, Controller, Medicaid, CVS Health

AETNA BETTER HEALTH INC. (a Connecticut corporation)

Officers serving the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Title</u>
Glenn A. MacFarlane	President
Tracy L. Smith	Vice President and Treasurer
Robert M. Kessler	Secretary
Kelli K. Smith	Chief Financial Officer
Robert J. Parslow	Principal Financial Officer and Controller
Gregory S. Martino	Vice President
Kevin J. Casey	Senior Investment Officer
Peter Keller	Assistant Controller
Bryan J. Lane	Assistant Controller
Whitney D. Lavoie	Assistant Controller
Timothy J. Olson	Assistant Controller

RELATED PARTY AGREEMENTS

The Company is party to numerous related party agreements. The agreements that are significant are as follows:

Administrative Services Agreement (ASA)

Effective August 1, 2008, the Company entered into an ASA with an indirect wholly-owned subsidiary of Aetna Inc., Aetna Medicaid Administrators, LLC (AMA) (formerly known as Schaller Anderson, LLC), under which AMA provides certain administrative services, including accounting and processing of premiums and claims. Under the ASA, the Company remits nine percent of its earned premium revenue, as applicable to AMA, as a fee. The Company did not incur fees in 2020.

Insolvency Agreement

Effective July 1, 2008, the Company entered into an Insolvency Agreement with ALIC. The Insolvency Agreement provided that in the event the Company ceases operations or becomes insolvent, ALIC will continue to pay benefits for any members confined as inpatients on the date of insolvency until their discharge or expiration of benefits, pursuant to Section 38a-193(d) of the CGS. The Insolvency Agreement also provided that ALIC will continue benefits for any member until the end of the contract period for which premium has been paid but for no longer than thirty-one days. For a period of thirty-one days, ALIC will also make replacement insurance policies available to members.

Consolidated Tax Allocation Agreement

Effective January 1, 2019, ABH-CT terminated its prior tax sharing agreement with Aetna Inc. Additionally, effective January 1, 2019 ABH-CT entered into written tax sharing agreement with CVS Health. In accordance with the agreement, the Company's current federal and state tax provisions are generally computed as if the Company were filing a separate federal and state tax return.

AETNA BETTER HEALTH INC. (a Connecticut corporation)

Effective January 1, 2019, the Company simultaneously entered into an addendum to the Tax Sharing Agreement which modifies certain terms of the Tax Sharing Agreement in accordance with the Department regulations.

INSURANCE COVERAGE

The Company is covered by a fidelity bond maintained by CVS Health for itself and other affiliates and subsidiaries. The aggregate limit of liability provides fidelity coverage above the prescribed minimum set forth by the NAIC's schedule of suggested minimum amounts in the Handbook. In addition to the fidelity insurance policy, CVS Health maintains various other types of insurance coverages.

TERRITORY AND PLAN OF OPERATIONS

The Company insured Medicaid and the Children's Health Insurance Program membership through its contract with the State of Connecticut Department of Social Services. This contract expired on December 31, 2011 and was not renewed. As a result, the Company is currently in run-off.

ACCOUNTS AND RECORDS

The Company uses the Oracle Integrated Financial System, CVS Health Group's general ledger system, to process and maintain its financial accounting records.

The Company uses Sovos' Statutory Reporting software, formerly known as WingPlus, to prepare its statutory statements. Financial Statement and supplemental data are imported into the Statutory Reporting software using formatted source information derived from the Oracle ledger and certain other non-ledger sources.

General ledger account balances are reconciled and traced to appropriate asset, liability, and income statement lines of the Annual Statement. Adjusting entries are posted on a quarterly basis.

AETNA BETTER HEALTH INC. (a Connecticut corporation)

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2020. No adjustments were made to surplus as a result of the examination.

ASSETS

Account Description	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$881,550		\$881,550
Cash, cash equivalents and short-term investments	2,436,677		2,436,677
Investment income due and accrued	4,886		4,886
Current federal and foreign income tax recoverable and interest thereon	9,300		9,300
Aggregate write-ins for other that invested assets	2,614		2,614
Totals	<u>\$3,335,057</u>		<u>\$3,335,057</u>

LIABILITIES, CAPITAL AND SURPLUS

Account Description	Covered	Uncovered	Total
Amounts due to parent, subsidiaries and affiliates	\$13		\$13
Aggregate write-ins for other liabilities	4,867		4,867
Total liabilities	\$4,880		\$4,880
Common capital stock			10
Gross paid in and contributed surplus			2,309,990
Unassigned funds (surplus)			1,020,177
Total capital and surplus			3,330,177
Total liabilities, capital and surplus			<u>\$3,335,057</u>

AETNA BETTER HEALTH INC. (a Connecticut corporation)

STATEMENT OF REVENUE AND EXPENSES

Account Description	Uncovered	Total
Total revenues		\$0
General administrative expenses		(1,425)
Total underwriting deductions		(1,425)
Net underwriting gain or (loss)		1,425
Net investment income earned		40,166
Net realized capital losses		(34)
Net Investment gains		40,132
Net income or (loss) after capital gains tax and before all other federal income taxes		41,557
Federal and foreign income taxes incurred		7,923
Net income		<u>\$33,634</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus prior reporting period	\$3,296,264
Net income	33,634
Change in net deferred income tax	279
Net change in capital and surplus	<u>33,913</u>
Capital and surplus end of reporting period	<u>\$3,330,177</u>

CAPITAL AND SURPLUS

\$3,330,177

The reconciliation of surplus for the period under examination, was as follows:

Surplus, December 31, 2015	\$3,024,107
Net income	\$304,619
Changed in net deferred income tax	<u>\$1,451</u>
Surplus, December 31, 2020	<u>\$3,330,177</u>

SUBSEQUENT EVENTS

- In February 2021, Karen S. Lynch was promoted to President and Chief Executive Officer of CVS Health.
- In May 2021, Shawn Guertin was hired as Executive Vice President and Chief Financial Officer of CVS Health.
- The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination team noted no significant financial impact to the Company as result of COVID-19. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position including its Pandemic Plan. The Department will continue to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

CONCLUSION


The results of this examination disclosed that, as of December 31, 2020, the Company had admitted assets of \$3,335,057, liabilities of \$4,880, and capital and surplus of \$3,330,177. During the period under examination, admitted assets increased \$291,792, liabilities decreased \$14,278, and capital and surplus increased \$306,070.

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: Sharon Altieri, CPA; William Arfanis, CFE; Cecilia Arnold, CFE; Edna Bosley; Susan Cotugno, CPA; Michael Daniels, CFE; Michael Estabrook, CFE; Daniel Levine, AFE, CPA; Ellen McCarthy, AFE; Joseph Marcantonio, AFE, CISA, AES; and Kenneth Roulier, AFE, AES, CISA

I, Jeffrey Prospero, CFE, solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2020, to the best of my information, knowledge and belief.

Respectfully submitted,




Jeffrey Prospero, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss. Hartford

County of Hartford

Subscribed and sworn to before me, 
Notary Public on this 26 day of April, 2022.



Notary Public

My Commission Expires June 30, 2026

