

SECTION B: FINANCIAL STABILITY

B.1 Financial Strength

B.1 Provide the following as documentation of the Proposer's and parent corporation's sufficient financial strength and resources to provide the scope of services as required:

- ***Three years of independently audited financial statements and associated enrollment figures from the Proposer. Compiled or reviewed financial statements will not be accepted. The audited financial statements must be:***
 - ***Prepared with all monetary amounts detailed in U.S. currency;***
 - ***Prepared under U.S. generally accepted accounting principles; and***
 - ***Audited under U.S. generally accepted auditing standards. The audited financial statements must include the auditor's opinion letter, financial statements, and the notes to the financial statements.***
- ***The Proposer's four (4) most recent internally prepared unaudited quarterly financial statements (and Year-to-Date), with preparation dates indicated. The statements must include documentation disclosing the amount of cash flows from operating activities. This documentation must indicate whether the cash flows are positive or negative, and if the cash flows are negative for the quarters, the documentation must include a detailed explanation of the factors contributing to the negative cash flows.***
- ***Verification of any contributions made to the Proposer to improve its financial position after its most recent audit (e.g., copies of bank statements and deposit slips), if applicable.***
- ***Proposer shall include the Proposer's parent organization.***

Provide the following information (in Excel format) based on each of the financial statements submitted: (1) Working capital; (2) Current ratio; (3) Quick ratio; (4) Net worth; and (5) Debt-to-worth ratio.

If there are one (1) or more intermediate owners between your organization and the ultimate owner, this additional requirement is applicable only to the ultimate owner.

Amerigroup Louisiana, Inc., (Amerigroup) maintains the required minimum net worth per the Department of Insurance requirements and has remained a strong, fiscally sound, and financially well-managed organization throughout our tenure in the state. Our parent company, WellPoint, Inc., is ranked 38th on the 2014 Fortune 500 list, which further illustrates our financial stability. More important, our financial position gives us the ability to continue to be a strong and reliable partner to DHH and the State of Louisiana.

WellPoint is #38
on the Fortune 500 list. 

Independently Audited Financial Statements

Amerigroup provides independently audited financial statements and associated enrollment figures for 2012 and 2013 as Attachment B.1-1. Although licensed, Amerigroup was not an active health plan in 2011 and was granted exemption from the Louisiana Department of Insurance from filing the 2011 Audited Financial Statement and Actuarial Opinion. Evidence of this exemption has been included in

Attachment B.1-1. Also provided are three audited financial statements for our parent organization, WellPoint, as Attachment B.1-2.

Internally Prepared Unaudited Quarterly Financial Statements

Amerigroup submits our four most recent internally prepared unaudited year-to-date financial statements as Attachment B.1-3 and the following explanation for negative cash flows from operations in 2014:

During the first quarter of 2014, Amerigroup reported a decrease in net cash from operations of \$8.8M with a medical loss ratio (MLR) slightly above the contracted 88 percent. Also, during that period, claims-related receivables increased \$1.3M, and unpaid claims decreased \$2.1M. Included in cash flows for administrative expenses were \$1.4M in health insurer fee payments, new in 2014, and a \$2.8M decrease in the premium taxes payable between December and March of 2014.

For the six months ending June 30, 2014, Amerigroup reported a decrease in net cash from operations of \$11.2M. The two key driving factors were the decrease in cash from operations related to an increase in uncollected premiums of \$8.0M and a decrease in unpaid claims of \$4.0M. The increase in the uncollected premiums is primarily the result of the accrual of the new 2014 health insurer fee of approximately \$4.7M, which is due to be reimbursed by the State, as well as an additional increase in premiums receivable per the Medicaid contract of \$3.3M. The decrease in unpaid claims is the result of the PPACA PCP rate increase, reserved at 12/31/2013 and paid in 2014, of approximately \$1.9M and an overall decrease in the claims liability based on a reduction in membership compared to December 31, 2013. For the six months ending June 30, 2014, Amerigroup reported an MLR, adjusted for prior year completion of 86.3 percent, 1.7 percent below the contracted MLR of 88 percent. Anticipated medical expense projections related to cold, cough, and flu for the first quarter did not materialize and were adjusted in the second quarter.

Notwithstanding, Amerigroup remains well capitalized, as we explain in more detail in Section B.2. In addition, our parent company's cash and/or investment reserves can be utilized, as necessary.

Also provided are four internally prepared unaudited year-to-date financial statements for our parent company, WellPoint, as Attachment B.1-4. WellPoint's operating cash flows for all four quarterly reports provided are positive. WellPoint is currently very well capitalized and above regulatory and BCBSA requirements in our regulated entities. As of 2Q 2014, WellPoint stated that it expects total company operating cash flows to be greater than \$2.7B in 2014. Additionally, WellPoint has averaged approximately \$2.7B in operating cash flows over the last five years, a clear indication of our consistently sound financial position. WellPoint has formally committed to guarantee all of our financial contractual obligations, including our obligations to DHH, and to maintain sufficient minimum financial reserve levels.

The following information based on each of the financial statements has been provided, in Excel format, for both Amerigroup and our parent company, WellPoint as Attachment B.1-5: (1) Working capital; (2) Current ratio; (3) Quick ratio; (4) Net worth; and (5) Debt-to-worth ratio.

Verification of Contributions

Amerigroup and our parent company, WellPoint, Inc., have not received any contributions to improve our financial position after our most recent audit.

B.2 Risk-based Capital Ratio Statements

B.2. Provide your last three (3) statements containing your Risk Based Capital Ratio as prepared in accordance with instructions published by the National Association of Insurance Commissioners (NAIC). Include for both the proposing entity and the parent organization if applicable.

Amerigroup Louisiana, Inc., (Amerigroup) submits the three most recent statements containing its Risk-based Capital Ratio as prepared in accordance with National Association of Insurance Commissioners (NAIC) standards as Attachment B.2-1. Risk-based Capital is calculated only at the subsidiary level, not at the parent level, and is calculated only on an annual basis.

Amerigroup is well capitalized, with capital and surplus at December 31, 2013, of approximately **\$47 million** and an RBC ratio of **332 percent** of the Authorized Control Level. 

The past and present policy of Amerigroup's parent company, WellPoint, along with each of its subsidiaries, is to ensure that each company is appropriately capitalized and exceeds the requirements set forth by the Departments of Insurance.

Amerigroup is required to maintain capital levels in excess of the state minimum RBC requirement of 200 percent of the Authorized Control Level. Amerigroup is well capitalized, with capital and surplus at December 31, 2013, of **approximately \$47 million and an RBC ratio of 332 percent** of the Authorized Control Level. On an on-going basis, Amerigroup will comply will all RBC requirements.

WellPoint has formally committed to guarantee all of our financial contractual obligations, including our obligations to DHH, and to maintain sufficient minimum financial reserve levels. If additional capital is needed, WellPoint maintains cash and/or investments that can be contributed. As of June 30, 2014, WellPoint held approximately \$2.1 billion of cash and investments.

B.3 Financial Ratings

B.3 As applicable, provide (in table format) the Proposer’s current ratings as well as ratings for each of the past three years from AM Best Company.

AM Best Company does not individually rate Amerigroup or our parent company, WellPoint. Our financial strength has also not yet been rated by other rating agencies; however, such ratings are available for consolidated WellPoint, Inc. subsidiaries (as defined by each rating organization).

The current ratings and ratings for each of the past three years for consolidated WellPoint, Inc. subsidiaries appear in Table B.3-1.

Table B.3-1 WellPoint, Inc. Subsidiaries’ Current Financial Ratings

Rating Company	Current Rating	2013	2012	2011
WellPoint, Inc. Subsidiaries Financial Strength Ratings				
AM Best	A	A	A	A
Moody’s	A2	A2	A2	A1
Fitch Ratings	A+	AA-	AA-	AA-
Standard & Poor’s	A+	A+	A+	A+

B.4 Bankruptcy or Insolvency

B.4 Provide a statement of whether or not, in the last ten (10) years, you or a predecessor company has filed (or had filed against it) any bankruptcy or insolvency proceeding, whether voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors. If so, provide an explanation that includes relevant details, including the date in which the Proposer emerged from bankruptcy or expects to emerge. If still in bankruptcy, provide a summary of the court-approved reorganization plan. Include your organization's parent organization, affiliates, and subsidiaries in this response.

Amerigroup Louisiana, Inc., (Amerigroup) has not, in the last ten years filed, or had filed against it, any bankruptcy or insolvency proceeding, voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors. Amerigroup does not have any predecessor company.

Amerigroup makes cost management a priority and prides itself on good stewardship of public funds. Additionally, Amerigroup's parent organization, WellPoint, Inc., (WellPoint), its affiliates, and subsidiaries have not in the last ten years filed bankruptcy or insolvency proceedings, voluntary or involuntary, or undergone the appointment of a receiver, trustee, or assignee for the benefit of creditors.

B.5 Financial Responsibility and Stability

B.5 Provide the following as documentation of financial responsibility and stability:

- ***a current written bank reference, in the form of a letter, indicating that the Proposer's business relationship with the financial institution is in positive standing;***
- ***two current written, positive credit references, in the form of a letters, from vendors with which the Proposer has done business or, documentation of a credit rating determined by an accredited credit bureau within the last 6 months; and***
- ***a copy of a valid certificate of insurance indicating liability insurance in the amount of at least one million dollars (\$1,000,000) per occurrence and three million dollars (\$3,000,000) in the aggregate.***

Amerigroup Louisiana, Inc., (Amerigroup) is a wholly-owned subsidiary of WellPoint, Inc. The financial strength of WellPoint, Inc., and its subsidiaries operating State-sponsored health programs has grown steadily over the years as we have grown our membership through successful contracts with our State partners. The following requested items serve as documentation of our financial responsibility and stability. Amerigroup has provided the following documents as Attachments B.5-1 through B.5-4:

- A Bank of America reference letter indicating a positive business relationship in good standing— Attachment B.5-1
- Positive credit references from Allegis Global Solutions and American Express with whom Amerigroup has done business within for the last six months— Attachment B.5-2
- Three credit ratings from within the last six months for WellPoint, Inc., from Standard and Poor's, Fitch Ratings, and Moody's— Attachment B.5-3
- A copy of a valid certificate of insurance, indicating liability insurance in the amount of at least one million dollars per occurrence and three million dollars in the aggregate for Amerigroup Louisiana, Inc., and the parent company, WellPoint, Inc.— Attachment B.5-4