

**Report on Examination**  
**of**  
**BeHealthy America, Inc.**  
**Sarasota, Florida**  
**as of**  
**December 31, 2014**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida

Dear Sir:

In accordance with Section 641.27, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of BeHealthy America, Inc. as of December 31, 2014. Our report on the examination follows.

Florida Office of Insurance Regulation  
December 10, 2015

## Contents

Scope of Examination.....	1
Summary of Significant Findings.....	2
Company History .....	3
Corporate Records .....	3
Management and Control .....	4
Fidelity Bonds and Other Insurance .....	6
Pension, Stock Ownership and Insurance Plans .....	6
Territory and Plan of Operation.....	6
Company Growth.....	7
Reinsurance .....	8
Surplus Notes.....	8
Statutory Deposits.....	8
Financial Statements .....	10
Recommendations.....	14
Subsequent Events.....	15
Conclusion .....	16

## SCOPE OF EXAMINATION

We have completed a financial condition examination of BeHealthy America, Inc. (the "Company"), a Florida health maintenance organization (HMO). Our examination covered the period of April 25, 2013 through December 31, 2014 and took place primarily in the Company's Sarasota, Florida office. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office"). The examination was conducted by Carr, Riggs, & Ingram, LLC, on behalf of the Office.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook required that we plan and perform our examination to evaluate the financial condition and identify prospective risks of the Company. It required that we do so by obtaining information about the Company including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. Our examination included assessing the principles used and significant estimates made by management. It also included evaluating overall financial statement presentation and management's compliance with statutory accounting principles and annual statement instructions when applicable to domestic state regulations. All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

## SUMMARY OF SIGNIFICANT FINDINGS

The examination found that affiliated agreements were not disclosed and submitted to the Office for approval as required by Consent Order 133678-13-CO. The findings are discussed in more detail in the pages that follow. Recommendations begin on page 14.

## COMPANY HISTORY

The Company was incorporated in Florida on July 18, 2012 and licensed by the Office as an HMO on April 25, 2013. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, Florida Statutes (F.S.).

### Dividends and Capital Contributions

The Company distributed no dividends and received no capital contributions during the period examined.

## CORPORATE RECORDS

We reviewed the minutes of the Company's board of directors meetings. The Board's approval of Company transactions were recorded in the minutes of its meetings. During the examination period, the Company's investments consisted of cash on deposit with no investment transactions occurring that would require authorization from the Board in compliance with Section 641.35(7), F.S.

## MANAGEMENT AND CONTROL

At December 31, 2014, the Company was 90% owned by BHA Investors, LLC. The remaining 10% of the Company was owned by individual private investors. The Company was affiliated through common ownership with other entities including DocsUnite, LLC, Florida Medical Specialists, LLC d/b/a MaxHealth, and HPP Management Solutions, LLC.

Its senior officers and directors were:

### Senior Officers

<b>Name</b>	<b>Title</b>
Thomas E. Blankenship	President and Chief Executive Officer
Lynn O. Phelps	Vice President of Finance
Edward Cabrera, MD	Chief Medical Officer

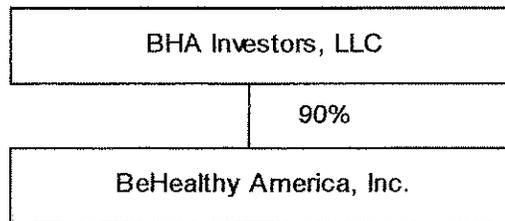
### Board of Directors

<b>Name</b>	<b>Location</b>
Thomas E. Blankenship	Sarasota, Florida
Monica K. Bovio, MD	Palmetto, Florida
Jonathan D. Fleece	Bradenton, Florida
Robert I. Goodman	Longboat Key, Florida
Gerald D. Radford	Sarasota, Florida
Robert S. Stroud	Bradenton, Florida

The Company was a member of an insurance holding company system. Its latest holding company registration statement was filed with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.), on March 31, 2015.

An abbreviated organizational chart reflecting a holding company system is shown below.

**BeHealthy America, Inc.  
Abbreviated Organizational Chart  
December 31, 2014**



DocsUnite, LLC provided medical services to the Company's members pursuant to an agreement dated March 1, 2013.

Florida Medical Specialists, LLC d/b/a MaxHealth (MaxHealth) provided medical services to the Company's members pursuant to agreements dated December 7, 2012.

The agreements with DocsUnite, LLC and MaxHealth were not provided to the Office for review and approval, in violation of Consent Order 133678-13-CO.

The Company leased office equipment from HPP Management Solutions, LLC pursuant to an agreement effective January 1, 2014. The agreement was submitted to and approved by the Office.

## **FIDELITY BONDS AND OTHER INSURANCE**

The Company maintained general and professional liability insurance at acceptable levels and required its providers to certify and maintain appropriate levels of medical malpractice insurance or its equivalent in accordance with Rule 69O-191.069, F.A.C. The policies provided for written notification to the Office of any reduction, cancellation, non-renewal or termination of required coverage. In addition, the Company was insured by a blanket fidelity bond issued by a licensed Florida carrier, as required by Section 641.22(7), F.S., in the amount of \$200,000.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company offered health, life, dental, and vision benefits to eligible employees. It did not provide a retirement plan.

## **TERRITORY AND PLAN OF OPERATION**

Pursuant to an agreement with the Centers for Medicare and Medicaid Services (CMS), the Company provided health care services to Medicare members in the Florida counties of Manatee and Sarasota. It held a current health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Part III of Chapter 641, F.S., valid until April 14, 2017. As an Individual Practice Association (IPA) model HMO, the Company had 598 members as of December 31, 2014.

## COMPANY GROWTH

The Company reported the following for years 2013 through 2014:

(Dollars are in millions.)

	<u>2013</u>	<u>2014</u>
Member months	-	7,103
Year-end enrollment	-	598
Premiums	\$ -	\$ 5.1
Total revenues	\$ -	\$ 5.1
Total underwriting deductions	\$ 2.2	\$ 8.1
Net income (loss)	\$ (2.2)	\$ (3.0)
Stockholder dividends	\$ -	\$ -
Paid in surplus received	\$ -	\$ -
Admitted assets	\$ 3.4	\$ 3.6
Liabilities	\$ 0.3	\$ 1.4
Capital and surplus (deficit)	\$ 3.1	\$ 2.2

## REINSURANCE

The Company maintained excess loss reinsurance with PartnerRe America Insurance Company pursuant to an agreement effective January 1, 2014. The reinsurance covered 90% of the cost of specified health care services in excess of \$100,000 up to a maximum of \$2 million per covered member.

## **SURPLUS NOTES**

At December 31, 2014, the Company was obligated for 10% surplus notes in the total amount of \$2,050,000. The notes were approved by the Company's board of directors and the Office, and complied with the requirements of Rule 69O-191.088, F.A.C. In accordance with Section 641.19(19), F.S., and Statement of Statutory Accounting Principles No. 41, the debt was included in the Company's surplus.

In March 2015 an additional 10% surplus note for \$200,000 was executed with approval by the Board of Directors and the Office.

The \$2,250,000 in surplus notes was reclassified as capital contributions as of June 30, 2015 with approval by the Office.

## **STATUTORY DEPOSITS**

The Company maintained on deposit with the Office an insolvency protection deposit of \$300,000 in accordance with Section 641.285, F.S., and a Rehabilitation Administrative Expense Fund deposit of \$10,000 in accordance with Section 641.227, F.S.

**BeHealthy America, Inc.**  
**Admitted Assets, Liabilities, and Capital and Surplus**  
**December 31, 2014**

<b>Admitted Assets</b>	<b>As Reported</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Cash, cash equivalents and short-term investments	\$ 2,457,095	\$ -	\$ 2,457,095
	2,457,095	-	2,457,095
Accrued retrospective premiums	44,626	-	44,626
Amounts receivable relating to uninsured plans	14,278	-	14,278
Aggregate write-ins for other than invested assets	1,050,000	-	1,050,000
<b>Total admitted assets</b>	<b>\$ 3,565,999</b>	<b>\$ -</b>	<b>\$ 3,565,999</b>
<b>Liabilities</b>			
Claims unpaid	\$ 550,690	\$ -	\$ 550,690
Unpaid claims adjustment expenses	5,559	-	5,559
Aggregate health policy reserves	710,766	-	710,766
General expenses due or accrued	94,236	-	94,236
Liability for amounts held under uninsured plans	24,755	-	24,755
<b>Total liabilities</b>	<b>1,386,006</b>	<b>-</b>	<b>1,386,006</b>
<b>Capital and Surplus</b>			
Gross paid in and contributed surplus	5,745,000	-	5,745,000
Surplus notes	2,050,000	-	2,050,000
Unassigned funds (deficit)	(5,615,007)	-	(5,615,007)
<b>Total capital and surplus</b>	<b>2,179,993</b>	<b>-</b>	<b>2,179,993</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 3,565,999</b>	<b>\$ -</b>	<b>\$ 3,565,999</b>

**BeHealthy America, Inc.**  
**Statement of Revenue and Expenses**  
**(As Reported By The Company)**  
**Year Ended December 31, 2014**

Net premium income	\$ 5,123,588
<b>Total revenues</b>	<b>5,123,588</b>
Hospital and medical benefits	3,652,357
Other professional services	641,793
Emergency room and out-of-area	127,990
Prescription drugs	667,872
<b>Total hospital and medical</b>	<b>5,090,013</b>
Claims adjustment expenses	5,559
General administrative expenses	2,363,477
Increase in reserves for life and accident and health contracts	681,000
<b>Total underwriting deductions</b>	<b>8,140,049</b>
<b>Net underwriting gain</b>	<b>(3,016,460)</b>
Net investment income earned	3,602
<b>Income before federal income tax</b>	<b>(3,012,859)</b>
Federal income tax	-
<b>Net income</b>	<b>\$ (3,012,859)</b>

**BeHealthy America, Inc.**  
**Statement of Changes in Capital and Surplus**  
**Two Years Ended December 31, 2014**

Capital and surplus - April 25, 2013	5,730,291
Net income (loss)	(2,224,010)
Change in nonadmitted assets	(114,566)
Paid in Surplus	(250,900)
<hr/>	
Capital and surplus - December 31, 2013	3,140,815
Net income (loss)	(3,012,859)
Change in nonadmitted assets	2,037
Change in surplus notes	2,050,000
<hr/>	
	2,179,993
Examination adjustments	-
<hr/>	
Capital and surplus - December 31, 2014	2,179,993
<hr/>	

**BeHealthy America, Inc.**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2014**

The following is a reconciliation of capital and surplus between that reported by the Company and as determined by the examination.

<b>Capital and surplus, December 31, 2014 - as reported</b>				<b>\$ 2,179,993</b>
	<b>As</b>	<b>Per</b>	<b>Increase</b>	
	<b>Reported</b>	<b>Examination</b>	<b>(Decrease)</b>	
			<b>In Capital</b>	
			<b>&amp; Surplus</b>	
Total admitted assets	\$ 3,585,999	\$ 3,585,999	\$ -	
Total liabilities	\$ 1,360,006	\$ 1,360,006	\$ -	
Net change in capital and surplus				-
<b>Capital and surplus, December 31, 2014 - per examination</b>				<b>\$ 2,179,993</b>

## RECOMMENDATIONS

As reported on page 5, the Company did not submit affiliated agreements to the Office for review and approval as required by Consent Order 133678-13. **We recommend that the Company provide all affiliated agreements to the Office for review and approval, in compliance with Consent Order 133678-13 CO.**

## SUBSEQUENT EVENTS

The Company was acquired by Diversified Health Services, Inc. on July 1, 2015 and a new Board of Directors was elected on that date, as follows:

<u>Name</u>	<u>Location</u>
Charles Devita, III	Jacksonville, Florida
Prakash R. Patel, MD	Jacksonville, Florida
Kirk Fischer	Jacksonville, Florida

Additionally, Charles Devita, III was named Chief Executive Officer on July 1, 2015.

The name of the Company was changed to BeHealthy Florida, Inc. d/b/a Florida Blue Preferred HMO on July 22, 2015.

The Company received capital contributions from Diversified Health Services, Inc. in the amount of \$650,000 on July 20, 2015 and \$3,000,000 on August 20, 2015.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of BeHealthy America, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2014, the Company's capital and surplus was \$ 2,179,993 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

In addition to the undersigned, the following individuals participated in the examination: Cathy S. Jones, CPA, CFE, Financial Examiner/Analyst Supervisor; Lisa Parker, Actuary; and Carr, Riggs & Ingram, LLC.

Respectfully submitted,

  
\_\_\_\_\_  
Darlene Lenhart-Schaeffer APIR, CFE, CISA  
Chief Examiner  
Florida Office of Insurance Regulation