

**Report on Examination**

**of**

**JMH Health Plan**

**(A Division of the Public Health Trust  
of Miami-Dade County, Florida)**

**Miami, Florida**

**as of**

**December 31, 2009**

**By The**

**Florida Office of Insurance Regulation**

Kevin M. McCarty, Commissioner  
Florida Office of Insurance Regulation  
200 E. Gaines Street  
Tallahassee, Florida 32399-0305

Dear Commissioner McCarty:

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 JMH Health Plan (a division of the Public Health Trust of Miami-Dade County, Florida) as of December 31, 2009. Our report on the examination follows.

Florida Office of Insurance Regulation  
April 25, 2011

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## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2009 of JMH Health Plan (a division of the Public Health Trust of Miami-Dade County, Florida) (the "Plan"), a single-state health maintenance organization (HMO) domiciled in Florida. The last financial condition examination of the Plan by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2004.

This examination covered the period of January 1, 2007 through December 31, 2009. 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 Plan. It required that we do so by obtaining information about the Plan including corporate governance, identifying and assessing inherent risks within the Plan, 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 Plan were considered in accordance with the risk-focused examination process.

The Plan's administrative office was located in Miami, Florida, where this examination was conducted.

## **SUMMARY OF SIGNIFICANT FINDINGS**

The examination resulted in a finding that the Plan understated its liability for unpaid claims at December 31, 2009. A recommendation related to the finding is contained on page 13.

## **PLAN HISTORY**

The Public Health Trust of Miami-Dade County, Florida (the "Trust") was established in 1973 by the Board of County Commissioners of Miami-Dade County, Florida for the purpose of controlling, through a board of trustees, the operation, maintenance and governance of the Jackson Health System, which includes the Plan, Jackson Memorial Hospital and other health care facilities. The Plan was licensed by the Office as an HMO on September 30, 1985. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, F.S.

## **TRUST RECORDS**

The minutes of the meetings of the Board of Trustees of the Trust were reviewed for the period examined. The minutes of the Board adequately documented its meetings and approval of Plan transactions including the authorization of investments as required by Section 641.35(7), F.S.

## **MANAGEMENT AND CONTROL**

The Jackson Health System and the Plan were governed by the Board of Trustees of the Trust. The Plan received significant administrative benefits from the Trust. The Plan's senior officers, the Board of Trustees, the Jackson Health System Health Plans Committee, and the Trust's Audit and Compliance Committee were as shown on the following page. An abbreviated organizational chart is shown on page 4.

<b>Senior Officers</b>	
<b>Name</b>	<b>Title</b>
Olga Dazzo	Executive Director and Senior Vice President
Asif D. Jamal	Chief Financial Officer
Shawn Thamert	Vice President of Marketing
Mark W. Bloom, M.D.	Medical Director

<b>Board of Trustees</b>	
<b>Name</b>	<b>Location</b>
John H. Copeland, III, Chair	Miami, Florida
Stanley H. Arkin	Miami Beach, Florida
Jorge L. Arrizurieta	Coral Gables, Florida
Gladys L. Ayala	North Miami Beach, Florida
Rosy Cancela	Miami Beach, Florida
Ernesto A. de la Fe	Miami, Florida
Joaquin del Cueto	Miami, Florida
Georgena D. Ford, R.N.	Miami, Florida
Abraham A. Galbut	Miami, Florida
Saif Y. Ishaof	Miami, Florida
Marcos J. Lapciuc	Miami Gardens, Florida
Angel Medina, Jr.	Coral Gables, Florida
Diego L. Mella	Miami, Florida
Judy Rosenbaum, Ed.D.	Miami, Florida
Martin G. Zilber	Miami, Florida

**Health Plans Committee**

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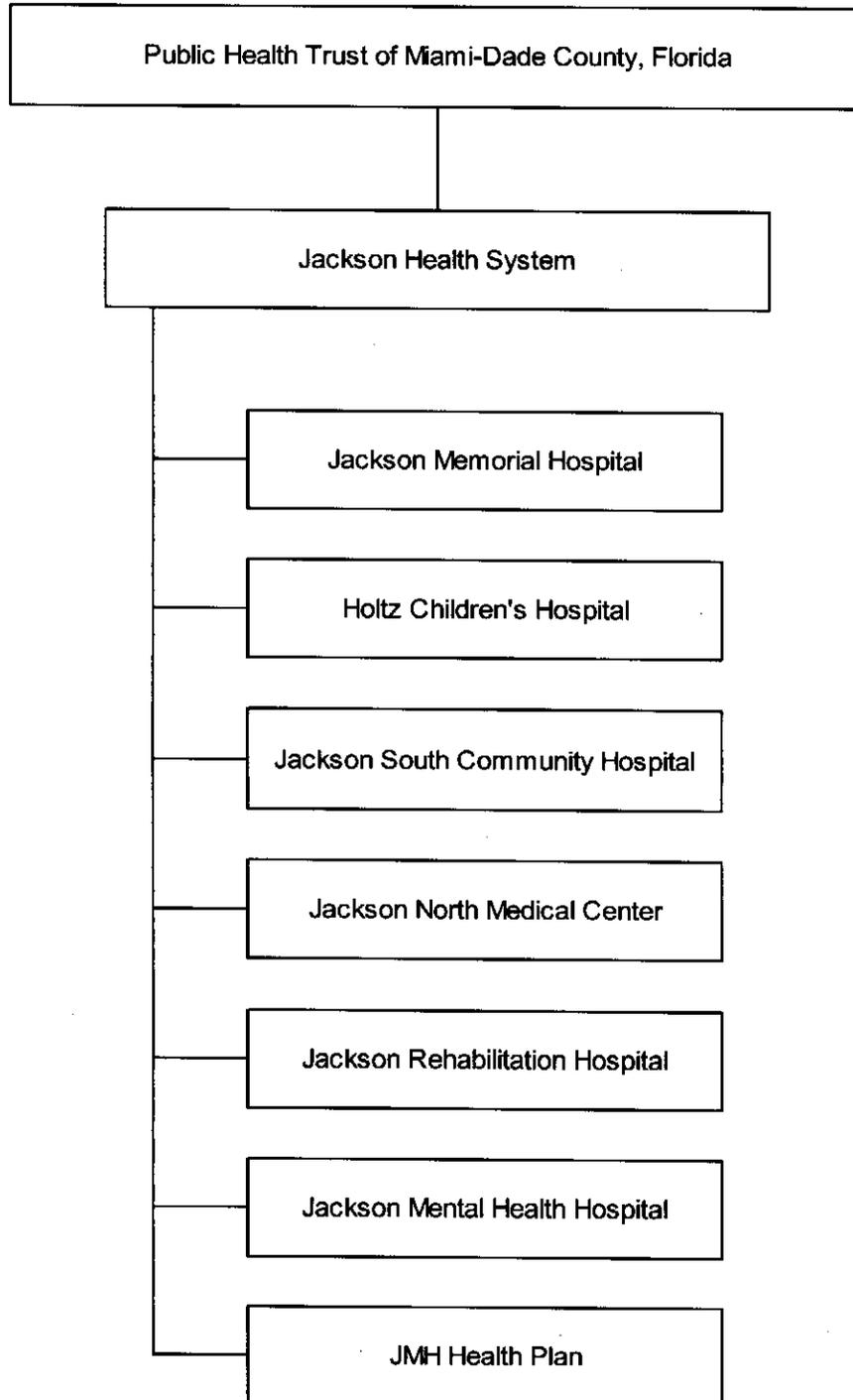
Saif Y. Ishaof, Chair  
 Joaquin del Cueto, Vice Chair  
 John H. Copeland, III  
 Ernesto A. de la Fe  
 Abraham A. Galbut  
 Judy Rosenbaum, Ed.D.

**Audit and Compliance Committee**

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Angel Medina, Jr., Chair  
 Marcos J. Lapciuc, Vice Chair  
 Jorge L. Arrizurieta  
 Gladys L. Ayala  
 Georgena D. Ford, R.N.

**JMH Health Plan  
(A Division of the Public Health Trust of Miami-Dade County, Florida)  
Abbreviated Organizational Chart  
December 31, 2009**



## FIDELITY BONDS AND OTHER INSURANCE

The Plan was insured by a blanket fidelity bond as required by Section 641.22, F.S., in the amount of \$1,000,000 with a deductible of \$25,000. It was self-insured for general liability, medical malpractice and professional liability coverage. Pursuant to Rule 69O-191.069(5), Florida Administrative Code, the Plan supported its self-insurance program by filing with the Office an actuarial study prepared by an acceptable actuarial firm.

## TERRITORY AND PLAN OF OPERATION

The Plan 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 May 9, 2012. At December 31, 2009, there were 28,012 Plan members, of which approximately 46% were comprehensive members and approximately 54% were Medicaid members. The Plan operated exclusively in Miami-Dade County, Florida.

## PLAN GROWTH

The Plan reported the following for years 2007, 2008 and 2009:

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Year-end enrollment (In millions)	24,846	31,729	28,012
Net premiums	\$ 88.6	\$ 120.7	\$ 118.5
Total revenues	\$ 88.6	\$ 120.7	\$ 118.5
Net income (loss)	\$ 2.9	\$ 3.0	\$ (5.2)
Capital and surplus	\$ 21.4	\$ 8.2	\$ 4.4

## **STATUTORY DEPOSITS**

The Plan 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.

**JMH Health Plan**  
**(A Division of the Public Health Trust of Miami-Dade County, Florida)**  
**Assets**  
**December 31, 2009**

	Per Company	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$ 24,821,103	\$ -	\$ 24,821,103
Investment income due and accrued	1,772	-	1,772
Uncollected premiums and agents' balances	4,651,192	-	4,651,192
<b>Total assets</b>	<b>\$ 29,474,067</b>	<b>\$ -</b>	<b>\$ 29,474,067</b>

**JMH Health Plan**  
**(A Division of the Public Health Trust of Miami-Dade County, Florida)**  
**Liabilities, Capital and Surplus**  
**December 31, 2009**

<b>Liabilities</b>	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Claims unpaid	\$ 13,251,415	\$ 925,768	\$ 14,177,183
Unpaid claims adjustment expenses	253,340	-	253,340
Aggregate health policy reserves	4,540,023	-	4,540,023
Premiums received in advance	4,858,854	-	4,858,854
General expenses due or accrued	324,296	-	324,296
Amounts due to parent, subsidiaries and affiliates	1,336,956	-	1,336,956
Aggregate write-ins for other liabilities	535,000	-	535,000
<b>Total liabilities</b>	<b>25,099,884</b>	<b>925,768</b>	<b>26,025,652</b>
<b>Capital and Surplus</b>			
Gross paid in and contributed surplus	1,523,659	-	1,523,659
Unassigned funds	2,850,524	(925,768)	1,924,756
<b>Total capital and surplus</b>	<b>4,374,183</b>	<b>(925,768)</b>	<b>3,448,415</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 29,474,067</b>	<b>\$ -</b>	<b>\$ 29,474,067</b>

**JMH Health Plan**  
**(A Division of the Public Health Trust of Miami-Dade County, Florida)**  
**Statement of Revenue and Expenses**  
**(As reported by the Plan)**  
**For The Year Ended December 31, 2009**

Net premium income	\$ 118,496,805
Hospital and medical benefits	82,372,306
Other professional services	854,583
Emergency room and out-of-area	7,438,247
Prescription drugs	19,800,661
<b>Total hospital and medical</b>	<b>110,465,797</b>
Claims adjustment expenses	564,475
General administrative expenses	11,468,461
Increase in reserves	1,311,139
<b>Total underwriting deductions</b>	<b>123,809,872</b>
Net underwriting gain (loss)	(5,313,067)
Net investment income earned	124,236
<b>Net income (loss)</b>	<b>\$ (5,188,831)</b>

**JMH Health Plan**  
**(A Division of the Public Health Trust of Miami-Dade County, Florida)**  
**Statement of Changes in Capital and Surplus**  
**For The Three Years Ended December 31, 2009**

Capital and surplus - December 31, 2006	\$ 17,528,301
Net income (loss)	2,864,143
Change in nonadmitted assets	1,048,797
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Capital and surplus - December 31, 2007	21,441,241
Net income (loss)	3,023,019
Change in valuation basis of reserves	(3,228,884)
Change in nonadmitted assets	(2,046,862)
Transfer to the Trust	(11,000,000)
<hr/>	
Capital and surplus - December 31, 2008	8,188,514
Net income (loss)	(5,188,831)
Change in nonadmitted assets	1,371,951
Aggregate write-ins for gains in surplus	2,549
<hr/>	
	4,374,183
Examination adjustments	(925,768)
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Capital and surplus - December 31, 2009	\$ 3,448,415
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**JMH Health Plan**  
**(A Division of the Public Health Trust of Miami-Dade County, Florida)**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2009**

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

<b>Capital and surplus, December 31, 2009 - per annual statement</b>			<b>\$ 4,374,183</b>
	<b>Per</b>	<b>Per</b>	<b>Increase</b>
	<b>Company</b>	<b>Examination</b>	<b>(Decrease)</b>
	<b>_____</b>	<b>_____</b>	<b>In Capital</b>
			<b>&amp; Surplus</b>
Claims unpaid	\$ 13,251,415	\$ 14,177,183	\$ (925,768)
Net change in capital and surplus			(925,768)
			<b>_____</b>
<b>Capital and surplus, December 31, 2009 - per examination</b>			<b>\$ 3,448,415</b>
			<b>_____</b>

## COMMENTS ON FINANCIAL STATEMENTS

### Claims Unpaid

**\$14,177,183**

The examination resulted in a finding that the \$13,251,415 reported by the Plan in its 2009 annual statement as claims unpaid was understated by \$925,768. Upon examination, the liability was increased to \$14,177,183.

## SUMMARY OF RECOMMENDATIONS

### Claims Unpaid

In its 2009 annual statement, the Plan understated its liability for unpaid claims by \$925,768, as reported on page 12. **We recommend that, in future statements filed with the Office, the Plan fully report its unpaid claims obligation in accordance with Section 641.35(3), F.S.**

## SUBSEQUENT EVENTS

The Plan began offering Medicare coverage effective January 1, 2010. As of December 31, 2009, the Plan had incurred approximately \$1.8 million in start-up costs related to this expansion of coverage.

Effective in June of 2010, the Plan obtained reinsurance coverage with HCC Life Insurance Company for its new Medicare line of business.

In April of 2011, the Plan increased its insolvency protection deposit to \$1,300,000.

## CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of JMH Health Plan (a division of the Public Health Trust of Miami-Dade County, Florida) as of December 31, 2009, consistent with the insurance laws of the State of Florida.

The Plan's capital and surplus at December 31, 2009 was determined to be \$3,448,415 which was in compliance with Section 641.225, F.S. Its required minimum capital and surplus was \$2,602,565.

In addition to the undersigned, the following individuals participated in this examination: Cathy S. Jones, CPA, Financial Examiner/Analyst Supervisor; Scott R. Slaughter, CPA, Financial Examiner/Analyst; and Richard Tan, Actuary.

Respectfully submitted,

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Stephen Feliu, CFE (Fraud)  
Financial Examiner/Analyst  
Florida Office of Insurance Regulation