

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, 2004

By The
State of Florida
Office of Insurance Regulation

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Tallahassee, Florida

December 22, 2005

Kevin M. McCarty, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399-0326

Dear Sir:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes (F.S.), and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2004, of the financial condition and affairs of:

**JMH Health Plan,
a Division of
The Public Health Trust of Miami-Dade County, Florida
1801 N.W. 9th Ave. - Suite 700
Miami, Florida 33136**

hereinafter generally referred to as the "Plan". Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2002 through December 31, 2004. The Plan was last examined by the Florida Office of Insurance Regulation (the Office) as of June 30, 1997. In lieu of conducting statutory financial examinations of the Plan for the last six months of 1997 and for the years 1998 through 2001, the Office accepted the independent certified public accountant's (CPA) audit reports on the Plan's statutory-basis financial statements for those periods pursuant to Section 641.27(1), F.S.

Planning for the current examination began on May 2, 2005. The fieldwork commenced on May 10, 2005, and concluded on October 12, 2005. The examination included any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination.

This was a statutory financial examination conducted in accordance with the *NAIC Financial Examiners Handbook, Accounting Practices and Procedures Manual, and Annual Statement Instructions*, with due regard to the requirements of the insurance laws and rules of the State of Florida.

In this examination, emphasis was directed to the quality, value, and integrity of the statement assets and the determination of liabilities, as they affect the Plan's solvency.

The examination included a review of corporate and other selected records deemed pertinent to the Plan's operations and practices. In addition, various ratio results, the A.M. Best Report, the Plan's independent audit reports, and certain work papers prepared by the Plan's independent CPA were reviewed and utilized where applicable within the scope of this examination.

We valued and/or verified the Plan's assets and liabilities as reported by the Plan in its 2004 annual statement. Transactions subsequent to December 31, 2004 were reviewed where relevant and deemed significant to the Plan's financial condition.

This report of examination is confined to financial statements and comments on matters that involve departures from laws, regulations or rules, or which require special explanation or description.

STATUS OF ADVERSE FINDINGS FROM PRIOR EXAMINATION

The prior examination report did not contain any significant adverse regulatory disclosures or findings related to the Plan's solvency.

HISTORY

GENERAL

The Public Health Trust of Miami-Dade County, Florida (the Trust) was established 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 Jackson Memorial Hospital (the Hospital), the Plan, and other facilities.

The Plan is authorized to transact business as a health maintenance organization (HMO) in accordance with Part I of Chapter 641, F.S.

During its April 2004 meeting, the Board of County Commissioners of Miami-Dade County, Florida, approved an amendment to the bylaws of the Trust to restructure the committees of the Board of Trustees.

PROFITABILITY

For the period of this examination, the Plan reported the following:

(\$ Millions)	<u>2004</u>	<u>2003</u>	<u>2002</u>
Net premiums	\$76.1	\$86.2	\$71.3
Total revenues	\$76.1	\$86.2	\$71.3
Net income (loss)	\$2.8	(\$3.1)	\$0.9
Total capital & surplus	\$6.4	\$2.5	\$5.6

MANAGEMENT

The Jackson Health System, including the Plan, is governed by the Board of Trustees of The Public Health Trust of Miami-Dade County, Florida. The Board of Trustees and its committees meet every month except in August and December. Trustees serving at December 31, 2004, exclusive of ex-officio members, were:

Trustees

Name and Location	Principal Occupation
Larry R. Handfield, Esq., - Chairperson Miami, Florida	Attorney Pitts, Handfield, & Valentine, P.A.
Michelle M. Austin, Esq. Miami, Florida	General Counsel Planet Automotive Group, Inc.
Kate Callahan, Ph.D. Coconut Grove, Florida	Consultant The Huntington Consulting Group
Rosy Cancela Coconut Grove, Florida	Real Estate Broker-Associate Caldwell Banker
John H. Copeland, III Miami, Florida	Entrepreneur Copeland Construction Group, Inc.
Ernesto A. de la Fe, Miami, Florida	Managing Director/Regional Director Lehman Brothers
Walter James Harvey, Esq. Miami, Florida	Attorney Steel, Hector, & Davis
David Kraslow Coral Gables, Florida	Newspaper Executive – Retired
Andres Murai Coral Gables, Florida	President of Berna Products Corporation
Laurie Weiss Nuell Miami, Florida	Community Activist
Carlos Planas Miami, Florida	Managing Partner Tamiami Automotive Group
Kathie Sigler, Ed.D. Miami, Florida	Provost for Operations Miami-Dade Community College
Senator Ronald A. Silver Miami Beach, Florida	Attorney & State Senator

Members (exclusive of ex officio members) of those board committees most closely associated with the Plan's operations were as shown below. The Strategic Planning and Program Planning Committee has a Primary Care and Managed Care Subcommittee that meets quarterly. The Fiscal Affairs, Purchasing, & Budget Committee has an External Audit Subcommittee that meets annually and an Investment Review Subcommittee that meets quarterly.

Strategic Planning and Program Planning Committee

Laurie Weiss Nuell – Chairperson
John H. Copeland III – Vice Chairperson
Kate Callahan, Ph.D.
Ernesto A. de la Fe
Andres Murai
Carlos Planas
Kathie Sigler, Ed. D.

Fiscal Affairs, Purchasing, & Budget Committee

Kate Callahan, Ph.D. – Chairperson
Michelle M. Austin, Esq.
Walter James Harvey, Esq.
Kathie Sigler, Ed.D.
Senator Ronald A. Silver

The Plan's president is appointed by the Board of Trustees in accordance with the bylaws of Trust. The Plan's senior officers as of December 31, 2004 were:

Senior Officers	
Name	Title
Joseph S. Rogers	President
Asif D. Jamal	Associate Executive Director and Director of Finance
Clarence E. Smith, MD	Medical Director

CONFLICT OF INTEREST PROCEDURE

The conflict of interest policy of the Trust calls for all staff members to comply with the Miami-Dade County Code and Section 112.313, F.S. As appointed members of the governing body of a political subdivision, the trustees are required to file annual financial disclosure statements with the State of Florida through the Miami-Dade County Elections Department. In addition, because the Plan president is a senior officer the Trust, he is required to make the annual filing. Our review of the filings resulted in a finding that requirements were fully met.

CORPORATE RECORDS

The recorded minutes of the Board of Trustees and Committee meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Plan transactions except that the Plan could not provide evidence of compliance with Section 641.35(7), F.S., which requires that investments of HMOs be authorized or ratified by the Board of Directors or a committee, department, or section of the organization charged with the duty of supervising investments and loans.

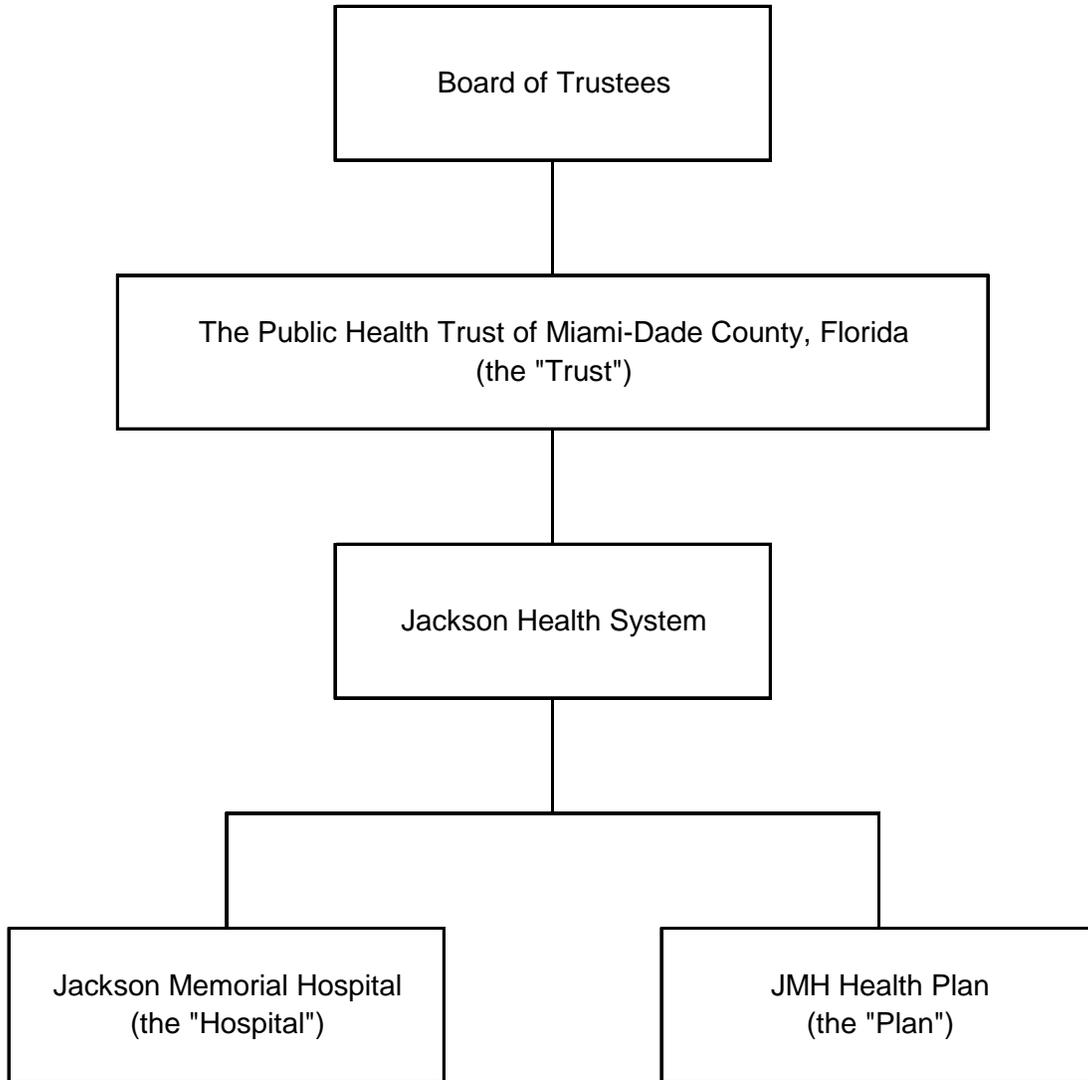
AFFILIATED COMPANIES

The Hospital provides purchasing, investment, payroll, accounting, legal, and other support services to the Plan in return for a fixed monthly administrative overhead fee, which fee amounted to \$171,532, \$372,069, and \$248,047 in years 2004, 2003, and 2002, respectively.

The Plan leases office space in the Hospital and reimburses the Hospital according to the amount of space occupied. Office lease payments were \$415,193, \$440,127, and \$402,751 in years 2004, 2003, and 2002, respectively.

A simplified organizational chart as of December 31, 2004 is shown below.

**JMH Health Plan,
a Division of The Public Health Trust of Miami-Dade County, Florida
Organizational Chart
December 31, 2004**



FIDELITY BOND AND OTHER INSURANCE

The Plan is self-insured for general liability and medical malpractice and professional liability coverage. Pursuant to Rule 69O-191.069(5), Florida Administrative Code, the Plan supported its plan for self-insurance by filing with the Office an actuarial study prepared by an actuarial firm acceptable to the Office.

PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS

Employees hired after January 1, 1996 are covered by the Trust's retirement plan; those hired prior to that date are covered by the Florida Retirement System. Both plans are non-contributory defined benefit plans. Eligible employees are provided with health care coverage, and may elect to be covered by one of several HMOs or a health insurer. Employees who elect family health coverage contribute the incremental premium above the employer-provided amount for individual coverage. Eligible employees are also provided with life insurance with a contributory option for additional coverage.

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.

INSURANCE PRODUCTS AND RELATED PRACTICES

TERRITORY AND PLAN OF OPERATION

At December 31, 2004, the Plan was authorized to transact business in Florida as an HMO in accordance with Part I of Chapter 641, F.S. It holds a current health care provider certificate issued by the Florida Agency for Health Care Administration, pursuant to Part III of Chapter 641, F.S., which is valid until May 9, 2006. The Plan operates exclusively in Miami-Dade County, Florida.

The Plan markets its products using internal resources. It operates as an individual practice association (IPA) model in that it has a network of physicians and hospitals that it reimburses for services provided at negotiated rates. The Plan provides health care services to commercial and Medicaid members. The commercial members predominantly consist of county, state, and federal government employees. At December 31, 2004, the Plan had 28,277 members, 51% of whom were Medicaid members and 49% of whom were commercial members.

TREATMENT OF MEMBERS

The Plan established procedures for handling written complaints in accordance with Section 641.511, F.S., and maintained a claims procedure manual that included detailed procedures for handling each type of claim.

REINSURANCE

The Plan neither cedes nor assumes reinsurance.

ACCOUNTS AND RECORDS

An independent CPA audited the Plan's statutory basis financial statements annually for years 2002, 2003, and 2004, pursuant to Section 641.26(1)(c), F.S.

The Plan's accounting records were maintained on a computerized system. Its balance sheet accounts were verified with the line items of its annual statement submitted to the Office.

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

The following agreements were in effect between the Plan and non-affiliates:

PROVIDER AGREEMENTS

The Plan contracted with various entities to provide health care services to its members.

CUSTODIAL AGREEMENT

The Plan contracted with SunTrust Bank for the safeguarding of the Plan's securities.

ACTUARIAL SERVICES AGREEMENT

The Plan contracted with the firm of Wakely Consulting Group, Inc, for actuarial services performed for the years 2004 and 2003. Fees for those years related to this agreement were \$13,702 and \$6,542, respectively.

FINANCIAL STATEMENTS PER EXAMINATION

The following three pages contain statements of the Plan's financial position at December 31, 2004, as determined by this examination, and the results of its operations for the year then ended as reported by the Plan.

**JMH Health Plan,
a Division of The Public Health Trust of Miami-Dade County, Florida
Assets
December 31, 2004**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$0	\$5,929,800	\$5,929,800
Cash	16,949,506	310,000	17,259,506
Other invested assets	<u>6,239,800</u>	<u>(6,239,800)</u>	<u>0</u>
	23,189,306	0	23,189,306
Investment income due & accrued	1,000	0	1,000
Uncollected premiums & agents' balances	458,740	0	458,740
Electronic data processing equipment & software	0	220,099	220,099
Furniture & equipment	220,977	(220,099)	878
Health care & other amounts receivable	<u>89,660</u>	<u>0</u>	<u>89,660</u>
Totals	<u><u>\$23,959,683</u></u>	<u><u>\$0</u></u>	<u><u>\$23,959,683</u></u>

**JMH Health Plan,
a Division of The Public Health Trust of Miami-Dade County, Florida
Liabilities, Capital & Surplus
December 31, 2004**

Liabilities	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$11,082,400	\$0	\$11,082,400
Premiums received in advance	3,182,655	0	3,182,655
General expenses due or accrued	1,162,122	0	1,162,122
Amounts due to parent, subsidiaries, & affiliates	1,638,161	0	1,638,161
Aggregate write-ins for other liabilities	<u>535,000</u>	<u>0</u>	<u>535,000</u>
Total liabilities	17,600,338	0	17,600,338
Capital & Surplus			
Gross paid in and contributed surplus	1,523,659	0	1,523,659
Unassigned funds (surplus)	<u>4,835,686</u>	<u>0</u>	<u>4,835,686</u>
Total capital & surplus	<u>6,359,345</u>	<u>0</u>	<u>6,359,345</u>
Total liabilities, capital & surplus	<u><u>\$23,959,683</u></u>	<u><u>\$0</u></u>	<u><u>\$23,959,683</u></u>

**JMH Health Plan,
a Division of The Public Health Trust of Miami-Dade County, Florida**

**Statement of Revenue & Expenses
For Year Ended December 31, 2004**

Net premium income		\$76,104,972
Hospital & medical benefits	\$50,387,402	
Other professional services	807,679	
Emergency room & out-of-area	4,949,159	
Prescription drugs	<u>10,665,597</u>	
	66,809,837	
Claims adjustment expenses	537,155	
General administrative expenses	<u>6,219,067</u>	<u>73,566,059</u>
Net underwriting gain		2,538,913
Net investment income earned		<u>233,297</u>
Net income		<u><u>\$2,772,210</u></u>

**Capital & Surplus Account
For Year Ended December 31, 2004**

Capital and surplus - December 31, 2003		\$2,535,852
Net income	\$2,772,210	
Change in nonadmitted assets	151,283	
Paid in surplus	900,000	
Examination adjustments	<u>0</u>	<u>3,823,493</u>
Capital and surplus - December 31, 2004		<u><u>\$6,359,345</u></u>

COMMENTS ON FINANCIAL STATEMENTS

ASSETS

Bonds **\$5,929,800**

In its 2004 annual statement, the Plan incorrectly reported the value of a Federal Home Loan Mortgage Corporation security as “Other Invested Assets” rather than as “Bonds” as required by the NAIC *Annual Statement Instructions*. As a result of this finding, an examination adjustment has been made to reclassify the investment to “Bonds” in the amount of \$5,929,800. In addition, the Plan incorrectly valued the security. In accordance with Statement of Statutory Accounting Principles (SSAP) No. 26, the security should have been valued at its amortized cost of \$6 million.

Cash **\$17,259,506**

In its 2004 annual statement, the Plan incorrectly reported cash on deposit with the State of Florida in the amount of \$310,000 as “Other Invested Assets” rather than as “Cash” as required by the NAIC *Annual Statement Instructions*. As a result of this finding, an examination adjustment in the amount of \$310,000 has been made to reclassify the deposits to “Cash”.

Other Invested Assets **\$0**

As a result of the reclassification of bonds and cash in the amounts of \$5,929,800 and \$310,000, respectively, the amount reported by the Plan as “Other Invested Assets” in the amount of \$6,239,800 has been decreased to zero.

Electronic Data Processing Equipment & Software **\$220,099**

In its 2004 annual statement, the Plan incorrectly reported the value of computer equipment in the amount of \$220,099 as “Furniture and Equipment” rather than as “Electronic Data Processing Equipment & Software” as required by the NAIC *Annual Statement Instructions*. As a result of this finding, an examination adjustment in the amount of \$220,099 has been made to reclassify the computer equipment to “Electronic Data Processing Equipment & Software”.

Furniture and Equipment **\$878**

As a result of the above finding related to computer equipment, the amount of “Furniture and Equipment” has been decreased from \$220,977 to \$878.

LIABILITIES

Claims Unpaid **\$11,082,400**

An outside actuarial firm appointed by the Board of Trustees rendered an opinion that the amounts carried in the Plan’s balance sheet as of December 31, 2004 reasonably provided for all unpaid loss and loss expense obligations of the Plan under the terms of its policies and agreements. The Office actuary reviewed work papers provided by the Plan and concurred with this opinion.

Based on the results of the Office actuary’s review and analysis of work papers and data provided by the Plan, we concluded that the claims unpaid liability was not materially misstated.

**JMH Health Plan,
a Division of The Public Health Trust of Miami-Dade County, Florida
Comparative Analysis of Changes in Capital & Surplus
December 31, 2004**

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

Capital & surplus - December 31, 2004, per annual statement			\$6,359,345
	<u>Per Company</u>	<u>Per Exam</u>	<u>Increase (Decrease) In Capital & Surplus</u>
Assets	\$23,959,683	\$23,959,683	\$0
Liabilities	\$17,600,338	\$17,600,338	<u>\$0</u>
Net change in capital and surplus			<u>0</u>
Capital & surplus - December 31, 2004, per examination			<u><u>\$6,359,345</u></u>

SUMMARY OF FINDINGS

COMPLIANCE WITH PREVIOUS DIRECTIVES

There were no recommendations, directives, or significant findings from the prior examination on which to comment.

CURRENT EXAMINATION COMMENTS AND CORRECTIVE ACTION

The following is a brief summary of items of interest and corrective action to be taken by the Plan regarding findings in the examination as of December 31, 2004.

CLASSIFICATION ERRORS

As discussed on pages 16 and 17, the Plan incorrectly classified its bonds, cash deposits, and computer equipment in its 2004 annual statement. **We recommend that, in all future statements filed with the Office, the Plan properly classify its bonds, cash deposits, and computer equipment in accordance with the *Annual Statement Instructions*.**

BONDS

As discussed on page 16, the Plan incorrectly valued its investment in a Federal Home Loan Mortgage Corporation security. In accordance with SSAP No. 26, the security should have been valued at its amortized cost of \$6 million. **We recommend that the Plan report its investment in the Federal Home Loan Mortgage Corporation security at amortized cost in accordance with SSAP No. 26.**

AUTHORIZATION OF INVESTMENTS

As discussed on page 6, the Plan was unable to demonstrate compliance with Sec. 641.35(7), F.S., which requires that investments of HMOs be authorized or ratified by the Board of Directors or a committee, department, or section of the organization charged with the duty of supervising investments and loans. **We recommend that the Plan document its compliance with Sec. 641.35(7), F.S.**

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, 2004, consistent with the insurance laws of the State of Florida.

Per examination findings, the Plan's total capital and surplus was \$6,359,345, which was in compliance with Section 641.225, F.S. Its minimum capital and surplus at December 31, 2004 was \$1,760,034.

In addition to the undersigned, Cathy S. Jones, CPA, Financial Examiner/Analyst, David C. Schleit, CPA, Financial Examiner/Analyst Supervisor, Richard J. Schaaf, Financial Specialist, and Richard Tan, Actuary, participated in this examination.

Respectfully submitted,

C. Alan Irvin
Financial Administrator
Florida Office of Insurance Regulation