



# **THE STATE OF FLORIDA**

## **OFFICE OF INSURANCE REGULATION MARKET INVESTIGATIONS**

**TARGET MARKET CONDUCT FINAL EXAMINATION REPORT**

**OF**

**Neighborhood Health Partnership, Inc.**

**AS OF**

**January 8, 2010**

**NAIC COMPANY CODE: 95123**

---

## TABLE OF CONTENTS

<b>EXECUTIVE SUMMARY .....</b>	<b>1</b>
<b>PURPOSE AND SCOPE OF EXAMINATION .....</b>	<b>1</b>
<b>COMPANY OPERATIONS .....</b>	<b>2</b>
<b>GAP ANALYSIS AND RESULTS.....</b>	<b>3</b>
<b>EXAMINATION FINAL REPORT SUBMISSION .....</b>	<b>4</b>

## EXECUTIVE SUMMARY

The purpose of this examination was to verify the accuracy of the self-reported 2008 Gross Annual Premium and Enrollment (GAP) submission.

Data downloads and additional supporting documents provided by Neighborhood Health Partnership, Inc. (Company) were reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement. The following represent general findings. Specific details are found in each section of the report.

<b>Summary of Findings</b>			
<b>GAP Reporting Area</b>	<b>Market Segment</b>	<b>Findings</b>	<b>Reason</b>
Direct Losses Incurred	2-5 Member Groups	Overstated by \$930,118	Misclassification of losses between market segments.
	6-50 Member Groups	Overstated by \$7,675,012	
	51+ Member Groups	Understated by \$17,094,986	
	Conversion	Overstated by \$8,489,856	
Average Number of Days to Pay Claims	All market segments	Reported 2006 number	Did not calculate the average number of days by individual market segments. The Company has been reporting zero days since 2006.

## PURPOSE AND SCOPE OF EXAMINATION

The Office of Insurance Regulation (Office), Market Investigations, conducted a target market conduct examination of Neighborhood Health Partnership, Inc. pursuant to Section 641.3905, Florida Statutes. The examination was performed by AGI Services. The scope period of this examination was January 1, 2008 through December 31, 2008. The examination began on July 27, 2009 and ended January 8, 2010.

Pursuant to Section 627.9175, F.S., and Rule 69O-137.004 F.A.C., each health insurer, prepaid limited health services organization, and health maintenance organization is required to file a Report of Gross Annual Premiums and Enrollment Data for Health Benefit Plans Issued to Florida Residents (GAP) by April 1 of each year.

The purpose of this examination was to verify the accuracy of the data reported for each market segment in which the company conducts business. There are seven reporting areas required in the GAP submission.

- 1) Direct Premiums Earned for New and Renewal Business
- 2) Direct Losses Incurred
- 3) Direct Premiums Earned for New Business Only
- 4) Employers, if Group Coverage, at End of Reporting
- 5) Primary Insureds at End of Reporting
- 6) Covered Dependents at End of Reporting
- 7) Average Number of Days Taken to Pay Claims

The following procedures were used in conducting the review:

- Obtained a data download of direct premiums earned, direct losses, employers (if group coverage), primary insureds, covered dependents and claims paid. This data was reviewed and reconciled to the amounts the Company submitted on their GAP Report and Annual Statement.
- Analyzed data and performed computer aided audit techniques using ACL to verify the accuracy of the data provided and determine the proper classification.
- Identified areas of concern and held discussions with Company personnel to address and understand these areas.

In reviewing materials for this final report, the examiner relied on records provided by the Company. Procedures and conduct of the examination were in accordance with the *Market Regulation Handbook* produced by the National Association of Insurance Commissioners.

### COMPANY OPERATIONS

Neighborhood Health Partnership, Inc. is a domestic Health Maintenance Organization licensed to conduct business in the State of Florida on November 9, 2000.

For calendar year 2008, the Company reported premiums in the major medical in-state market segment.

Total Direct Premiums Written in Florida for Accident and Health Premiums were as follows:

Year	Total Written Premium In Florida (Per Schedule T of the Annual Statement)
2008	\$423,921,863
2007	\$422,300,211

## GAP ANALYSIS AND RESULTS

### I. Direct Premiums Earned for New and Existing Business

**Findings:** None

**Corrective Action:** None

### II. Direct Losses Incurred

**Findings:**

- Several market segment misclassifications that resulted in a net effect of \$0 on total Direct Losses Incurred.

The table below summarizes the inaccuracies in the Company's 2008 filing:

<b>Market Segment</b>	<b>Per 2008 Filing</b>	<b>Per Examination</b>	<b>Variance</b>
Line 4: 2-5 Member Groups	\$23,452,322	\$22,522,204	\$930,118
Line 5: 6-50 Member Groups	\$189,900,115	\$182,225,103	\$7,675,012
Line 6: 51+ Member Groups	\$121,891,287	\$138,986,273	(\$17,094,986)
Line 8: Conversion	\$16,892,874	\$8,403,018	\$8,489,856
<b>Total</b>			<b>\$0</b>

**Corrective Action:** The Company should accurately report each market segment for Direct Losses Incurred on the GAP Filing.

### III. Direct Premiums Earned for New Business Only

**Findings:** None

**Corrective Action:** None

### IV. Employers, if Group Coverage, at End of Reporting

**Findings:** None

**Corrective Action:** None

### V. Primary Insureds at End of Reporting

**Findings:** None

**Corrective Action:** None

VI. **Covered Dependents at End of Reporting**

**Findings:** None

**Corrective Action:** None

VII. **Average Number of Days Taken to Pay Claims**

**Findings:** The Company has not been calculating the Average Number of Days Taken to Pay Claims and has been reporting zero since 2006.

The Company's 2008 claims data was used to calculate the average number of days to pay claims. The Company understated the average number of days to pay claims by:

- Small Group - 14 days
- Large Group - 13 days
- Conversion - 14 days

**Corrective Actions:** The Company should calculate the average number of days taken to pay claims by individual market segment indicators on a yearly basis.

**EXAMINATION FINAL REPORT SUBMISSION**

The courtesy and cooperation of the officers and employees of the Company during the examination are acknowledged and appreciated.

Examiners participating with this exam were:

John B. Humphries, ASA, MAAA, CFE, CISA, AES, MCM – Managing Partner, AGI Services  
Joanna J. Latham, CFE, CPA, CISA, AES – Senior Examiner, AGI Services  
Kristina Gaddis, CFE – Senior Examiner, AGI Services  
Trina W. Barton - Examiner, AGI Services