

Report on Examination
of
Neighborhood Health Partnership, Inc.

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 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 Neighborhood Health Partnership, Inc. as of December 31, 2009. Our report on the examination follows.

Florida Office of Insurance Regulation
January 13, 2011

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SCOPE OF EXAMINATION

We have completed a financial condition examination of Neighborhood Health Partnership, Inc. (the "Company"), a Florida health maintenance organization (HMO), as of December 31, 2009. The last financial condition examination of the Company 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 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.

The Company's main administrative office was in Miami, Florida. A portion of its books and records were located in the Company's Miramar, Florida office, where this examination was conducted.

COMPANY HISTORY

The Company was incorporated in Florida on January 21, 2000. It was licensed by the Office as an HMO in accordance with Part I of Chapter 641, Florida Statutes (F.S.), on November 9, 2000, and as a third party administrator in accordance with Part VII of Chapter 626, F.S., on August 13, 2004.

Dividends and Capital Contributions

The Company distributed shareholder dividends in the amounts of \$12.7 million, \$21.3 million, and \$13.0 million in 2007, 2008, and 2009, respectively. It did not receive capital contributions during the period of this examination.

CORPORATE RECORDS

The recorded minutes of the shareholder and Board of Directors meetings were reviewed for the period examined. The recorded minutes of the Board adequately documented its meetings and approval of Company transactions in accordance with Section 607.1601, F.S., including the authorization of investments as required by Section 641.35(7), F.S.

We found that the Company was unable to provide a written record of a shareholder meeting in 2007 for the election of directors as required by Section 607.0701(1), F.S., and its bylaws. We also found that it did not comply with its bylaws with respect to the number of its directors, classes of its capital stock, and issuance of stock certificates.

MANAGEMENT AND CONTROL

The Company was wholly-owned by UnitedHealthcare, Inc. which was owned by United HealthCare Services, Inc. (UHS), a subsidiary of UnitedHealth Group Incorporated. It was affiliated through common ownership with the Florida HMO UnitedHealthcare of Florida, Inc.

The Company's senior officers and directors were as shown below.

Senior Officers

<u>Name</u>	<u>Title</u>
Daniel I. Rosenthal	President & Chief Executive Officer
Ramon E. Coto	Vice President & Chief Financial Officer
Daniel M. Cole	Vice President
John W. Kelly	Vice President, Tax Services
Nyle B. Cottington	Vice President, Regulatory Controller & Assistant Treasurer
John J. Matthews	Secretary
Robert W. Oberrender	Treasurer

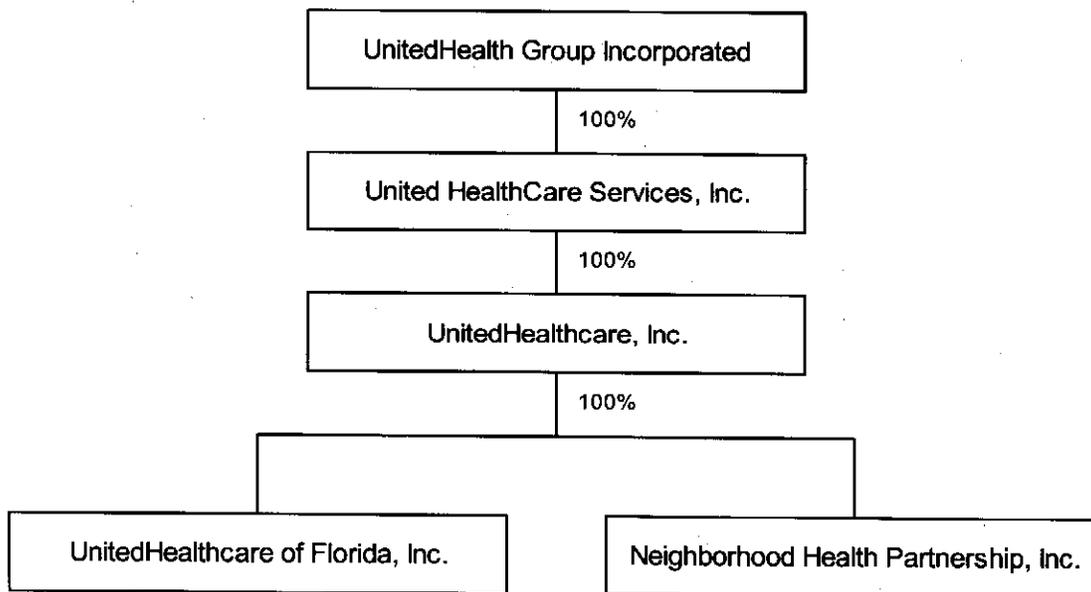
Board of Directors

<u>Name</u>	<u>Location</u>
Daniel M. Cole	Alpharetta, Georgia
Ramon E. Coto	Miami Lakes, Florida
Robert J. Friedrichs	Alpharetta, Georgia
Thomas S. Haggar	Lexington, Kentucky
Thomas D. Lewis	Tampa, Florida
John J. Matthews	Tallahassee, Florida
Daniel I. Rosenthal	Miami, Florida

The Company was a member of an insurance holding company system as defined by Rule 69O-143.045(3), Florida Administrative Code (F.A.C.). 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, F.A.C., on March 15, 2010.

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

**Neighborhood Health Partnership, Inc.
Abbreviated Organizational Chart
December 31, 2009**



UHS provided administrative, financial and managerial services to the Company pursuant to a March 1, 2006 agreement in return for fees based on the Company's gross premium revenues.

ACN Group, Inc., an affiliate, provided physical therapy, occupational therapy, and speech therapy benefits to the Company's enrollees pursuant to a January 1, 2007 agreement in return for per member per month fees.

United Behavioral Health, an affiliate, provided mental health and substance abuse benefits to the Company's enrollees pursuant to a November 1, 2006 agreement in return for per member per month fees.

Through its OptumHealth division, UHS provided health care decision support, wellness, and disease management services to the Company's enrollees pursuant to an agreement effective January 1, 2009 in return for per member per month fees.

Ingenix, Inc., an affiliate, provided payment integrity, fraud and abuse services to the Company pursuant to an agreement effective February 1, 2009 in return for fees based on a percentage of gross amounts recovered and related legal fees incurred. In addition, Ingenix, Inc. provided subrogation, right of reimbursement, and recovery services to the Company pursuant to a January 1, 2009 agreement in return for fees based on a percentage of gross amounts recovered.

The results of the Company's operations were included in the consolidated federal income tax return of UnitedHealth Group Incorporated pursuant to a tax sharing agreement effective September 20, 2005. In accordance with the agreement, consolidated income tax liabilities were allocated to members of the consolidated group in amounts that approximated the amounts that would have been computed on a separate company basis.

FIDELITY BONDS AND OTHER INSURANCE

The Company maintained acceptable levels of general liability insurance in compliance with Rule 69O-191.069, F.A.C., and was insured by a blanket fidelity bond, as required by Section 641.22(7), F.S., in the amount of \$25 million. As an individual practice association model HMO, the Company maintained adequate professional liability insurance. It required in its provider contracts that its providers certify and maintain appropriate levels of medical malpractice insurance or its equivalent in compliance with Rule 69O-191.069, F.A.C.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no direct employees and, therefore, did not provide employee benefits or sponsor retirement plans.

TERRITORY AND PLAN OF OPERATION

The Company 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 September 29, 2012. It provided comprehensive health care services to its members, of which there were 107,608 as of December 31, 2009. The Company operated in the Florida counties of Broward, Miami-Dade and Palm Beach.

COMPANY GROWTH

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Year-end enrollment	113,850	107,648	107,608
(In millions)			
Net premiums	\$ 422.3	\$ 423.9	\$ 431.6
Total revenues	\$ 422.3	\$ 423.9	\$ 431.6
Net income	\$ 21.6	\$ 9.2	\$ 14.9
Capital and surplus	\$ 54.3	\$ 46.6	\$ 48.1

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.

Neighborhood Health Partnership, Inc.
Assets
December 31, 2009

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 90,593,393	\$ -	\$ 90,593,393
Cash, cash equivalents and short-term investments	22,046,706	-	22,046,706
	112,640,099	-	112,640,099
Investment income due and accrued	1,138,231	-	1,138,231
Uncollected premiums and agents' balances	1,257,991	-	1,257,991
Net deferred tax asset	2,841,108	-	2,841,108
Total assets	\$ 117,877,429	\$ -	\$ 117,877,429

Neighborhood Health Partnership, Inc.
Liabilities, Capital and Surplus
December 31, 2009

Liabilities	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$ 52,203,402	\$ -	\$ 52,203,402
Unpaid claims adjustment expenses	826,988	-	826,988
Aggregate health claim reserves	374,482	-	374,482
Premiums received in advance	10,215,471	-	10,215,471
General expenses due or accrued	2,660,000	-	2,660,000
Current federal and foreign income taxes	3,354,971	-	3,354,971
Aggregate write-ins for other liabilities	177,272	-	177,272
Total liabilities	69,812,586	-	69,812,586
Capital and Surplus			
Common capital stock	100	-	100
Gross paid in and contributed surplus	4,988,383	-	4,988,383
Unassigned funds	43,076,360	-	43,076,360
Total capital and surplus	48,064,843	-	48,064,843
Total liabilities, capital and surplus	\$ 117,877,429	\$ -	\$ 117,877,429

Neighborhood Health Partnership, Inc.
Statement of Revenue and Expenses
(As reported by the Company)
For The Year Ended December 31, 2009

Net premium income	\$ 431,571,309
Hospital and medical benefits	301,460,592
Other professional services	437,376
Prescription drugs	36,265,928
Total hospital and medical	338,163,896
Claims adjustment expenses	15,801,298
General administrative expenses	58,119,402
Total underwriting deductions	412,084,596
Net underwriting gain	19,486,713
Net investment gains	2,832,275
Aggregate write-ins for other income (expenses)	(2,028)
Income before income tax	22,316,960
Federal income tax	7,426,431
Net income	\$ 14,890,529

Neighborhood Health Partnership, Inc.
Statement of Changes in Capital and Surplus
For The Three Years Ended December 31, 2009

Capital and surplus - December 31, 2006	\$ 49,270,735
Net income	21,587,824
Change in net deferred income tax	1,650,697
Change in nonadmitted assets	(5,465,119)
Dividends to stockholders	(12,700,000)
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Capital and surplus - December 31, 2007	54,344,137
Net income	9,235,956
Change in net deferred income tax	(3,353,740)
Change in nonadmitted assets	8,803,516
Dividends to stockholders	(21,307,950)
Aggregate write-ins for gains or (losses) in surplus	(1,100,098)
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Capital and surplus - December 31, 2008	46,621,821
Net income	14,890,529
Change in net deferred income tax	334,540
Change in nonadmitted assets	(1,146,023)
Dividends to stockholders	(13,000,000)
Aggregate write-ins for gains or (losses) in surplus	363,976
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	48,064,843
Examination adjustments	-
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Capital and surplus - December 31, 2009	\$ 48,064,843
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Neighborhood Health Partnership, Inc.
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 Company and as determined by the examination.

	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus	
Capital and surplus, December 31, 2009 - per annual statement				\$ 48,064,843
Total assets	\$ 117,877,429	\$ 117,877,429	\$ -	
Total liabilities	\$ 69,812,586	\$ 69,812,586	\$ -	
Net change in capital and surplus				-
Capital and surplus, December 31, 2009 - per examination				\$ 48,064,843

SUMMARY OF RECOMMENDATIONS

Corporate Records and Bylaws

As reported on page 2, the Company was unable to provide a written record of a shareholder meeting in 2007 for the election of directors as required by Section 607.0701(1), F.S., and failed to comply with certain requirements of its bylaws. **We recommend that the Company hold annual meetings of its shareholder for the election of directors, maintain written records of those meetings, and comply with its bylaws.**

SUBSEQUENT EVENTS

In September of 2010, the Company paid a \$14.8 million shareholder dividend after approval by the Office.

CONCLUSION

The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Neighborhood Health Partnership, Inc. as of December 31, 2009, consistent with the insurance laws of the State of Florida.

The Company's total capital and surplus at December 31, 2009 was determined to be \$48,064,843, which was in compliance with Section 641.225, F.S. Its required minimum capital and surplus was \$8,631,426.

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

Respectfully submitted,

Christine N. Afolabi, CPA, Financial Specialist
Florida Office of Insurance Regulation