

Report on Examination
of
Florida True Health, Inc.
Palm Beach Gardens, FL
as of
December 31, 2014



**FLORIDA OFFICE OF
INSURANCE REGULATION**

David Altmaier, 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 Florida True Health, Inc. as of December 31, 2014. Our report on the examination follows.

Florida Office of Insurance Regulation
March 22, 2016

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SCOPE OF EXAMINATION

We have completed a financial condition examination of Florida True Health, Inc. (the "Company"), a Florida health maintenance organization ("HMO"). Our examination covered the period from July 9, 2012 through December 31, 2014 and took place primarily in the Company's Palm Beach Garden, Florida office. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office").

We conducted our examination in accordance with the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook* ("Handbook"). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statutes ("F.S.") and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but are separately communicated to other regulators and/or the Company.

COMPANY HISTORY

The Company was incorporated in Florida on December 19, 2011 and licensed by the Office as an HMO on July 9, 2012. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, Florida Statutes.

The Company's contract with the Florida Agency for Health Care Administration ("AHCA") for Medicaid became effective December 1, 2012 and expired on August 31, 2015. The Company began enrolling membership in January 2013. As a result, 2013 was the Company's first year of membership. The Company was not awarded a contract in the State of Florida's expanded Medicaid program, and therefore ceased servicing members under its existing AHCA contract on August 1, 2014.

Dividends and Capital Contributions

The Company received capital contributions in the amount of \$55,855,000, \$20,700,000, and \$33,400,000 from AmeriHealth Caritas Health Plan and Diversified Health Services, Inc. for the years ended December 31, 2012, 2013, and 2014, respectively.

Mergers and Acquisitions

On December 31, 2012, the Company executed a Purchase Agreement with Prestige Health Choice, LLC, to purchase 40% of the membership interest of Prestige, a provider service network that provided access to medical services for Florida Medicaid beneficiaries. The agreement provided that the Company had the option to purchase the remaining 60% of the membership interest.

MANAGEMENT AND CONTROL

The Company was a 50% owned subsidiary of AmeriHealth Caritas Health Plan (ACHP) in a joint venture with Diversified Health Services Inc. (DHSI), which owned the remaining 50% of the Company. DHSI was a wholly owned subsidiary of Blue Cross and Blue Shield of Florida, Inc. through December 31, 2013. Effective January 1, 2014, DHSI became a wholly owned subsidiary of Guidewell Mutual Holding Corporation.

Its senior officers and directors as of December 31, 2014 were:

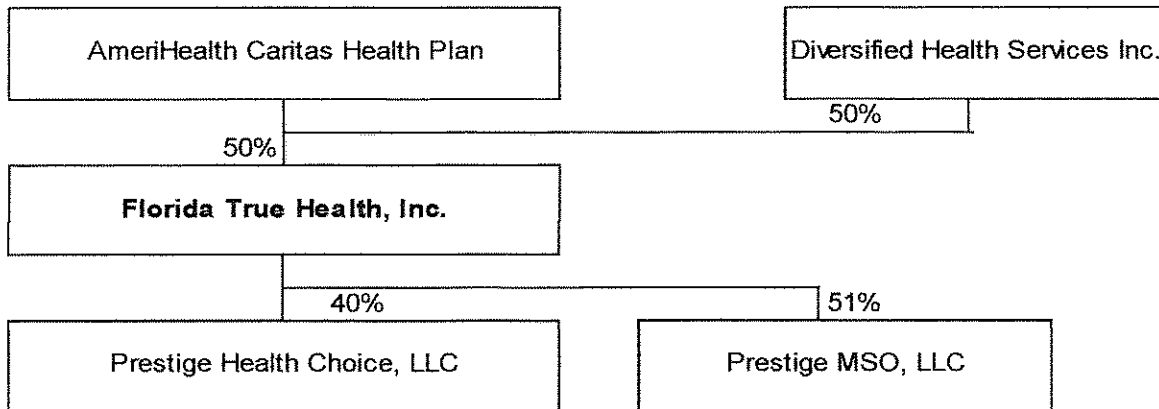
Senior Officers	
Name	Title
Dwight D. Chenette	President
Debra L. Gavras	Executive Director
Robert H. Gilman, Esq	Vice President and Secretary
Steven H. Bohner	Vice President and Treasurer
Lori A. Porrini	Vice President and Chief Financial Officer
William D. Burnham, M.D.	Medical Director

Board of Directors	
Name	Location
Steven H. Bohner	Philadelphia, Pennsylvania
Charles Davita, III	Jacksonville, Florida
Peter A. Jakuc	Philadelphia, Pennsylvania
Joyce A. Kramzer	West Palm Beach, Florida
Debra A. Rittenour	Jacksonville, 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 690-143.046, Florida Administrative Code (F.A.C.), on April 1, 2015.

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

Florida True Health, Inc
Abbreviated Organizational Chart
December 31, 2014



The following agreements were in effect between the Company and affiliates:

Effective January 9, 2012, the Company maintained a Management Services Agreement with AmeriHealth Mercy Health Plan, which provided management and administrative services.

Effective December 22, 2011, the Company entered into a Shareholders Agreement with AmeriHealth Mercy Health Plan and Diversified Health Services, Inc., which determined the composition of the Board of Directors and governance rights; set forth the obligations of the Shareholders to contribute additional capital to the Company; set certain restrictions upon the transfer of Shares, and provided for certain other rights and obligations among the Company and the Shareholders. The agreement defines the conditions related to additional capital contributions as being, at such times and in such amounts as may be required for the Company to maintain the minimum capital and surplus and to comply with any other capital requirements as required by the Office.

The Company entered into a Pharmacy Benefit Management Services Agreement with PerformRX, LLC and Argus Health Systems, Inc. dated March 5, 2012 for pharmacy management services.

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 a named insured on a blanket fidelity bond issued by a licensed carrier, as required by Section 641.22(7), F.S., in the amount of \$10,000,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company had no employees and did not directly provide employee benefits nor sponsor retirement plans. Employees of AmeriHealth Mercy Health Plan (AMHP) performed business functions on behalf of the Company. AMHP provided various benefits to eligible employees including: medical, dental, vision and prescription coverage, defined contribution retirement plan, tuition reimbursement, personal time off, life insurance, short and long term disability, holiday pay, adoption assistance, FMLA, health savings account (for high deductible insurance), and flex spending accounts.

TERRITORY AND PLAN OF OPERATION

Pursuant to an agreement with the Florida Agency for Health Care Administration ("AHCA"), the Company provided health care services to Medicaid members in the Florida counties Volusia, Orange, Osceola, Seminole, Martin, Okeechobee, Palm Beach and St. Lucie. It held a health care provider certificate issued by the Florida Agency for Health Care Administration pursuant to Part III of Chapter 641, F.S., which was issued on July 3, 2012. The certificate was renewed on July 3, 2014 and expires on July 2, 2016. However, as the Company did not participate in the extended Medicaid program, it ceased servicing its members on August 1, 2014. As an Individual Practice Association ("IPA") model HMO, the Company had no members as of December 31, 2014.

COMPANY GROWTH

The Company reported the following for years 2012 through 2014:

(In millions)

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Member months	-	44,249	42,632
Year-end enrollment	-	6,772	8
Premiums	\$ -	\$ 10.4	\$ 9.8
Revenues	\$ -	\$ 10.4	\$ 9.8
Underwriting deductions	\$ 9.5	\$ 24.2	\$ 24.5
Net income	\$ (9.5)	\$ (13.8)	\$ (14.7)
Paid in surplus received	\$ 55.9	\$ 20.7	\$ 33.4
Admitted assets	\$ 19.2	\$ 12.1	\$ 14.8
Liabilities	\$ 8.9	\$ 8.8	\$ 3.9
Capital and surplus	\$ 10.3	\$ 3.3	\$ 10.9

REINSURANCE

The Company maintained excess loss reinsurance with Ironshore Indemnity, Inc. pursuant to an agreement executed on February 1, 2013, which was effective for members as of January 1, 2013. The reinsurance covered 90% of the cost of specified health care services in excess of \$250,000 up to a maximum of \$2 million per covered member.

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.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

Financial statements, as reported and filed by the Company with the Florida Office of Insurance Regulation, are reflected in the following:

Florida True Health, Inc
Admitted Assets, Liabilities, and Capital and Surplus
December 31, 2014

Admitted Assets	As Reported	Examination Adjustments	Per Examination
Bonds	\$ 1,991,665	\$ -	\$ 1,991,665
Cash, cash equivalents and short-term investments	12,505,489	-	12,505,489
Aggregate write-ins for invested assets	300,000	-	300,000
	14,797,154	-	14,797,154
Investment income due and accrued	1,099	-	1,099
Total admitted assets	\$ 14,798,253	\$ -	\$ 14,798,253
Liabilities			
Claims unpaid	\$ 501,319	\$ -	\$ 501,319
Unpaid claims adjustment expenses	18,492	-	18,492
General expenses due or accrued	910,410	-	910,410
Amounts due to parent, subsidiaries and affiliates	2,492,510	-	2,492,510
Aggregate write-ins for other liabilities	13,745	-	13,745
Total liabilities	3,936,476	-	3,936,476
Capital and Surplus			
Common capital stock	50	-	50
Gross paid in and contributed surplus	109,954,950	-	109,954,950
Unassigned funds (deficit)	(99,093,223)	-	(99,093,223)
Total capital and surplus	10,861,777	-	10,861,777
Total liabilities, capital and surplus	\$ 14,798,253	\$ -	\$ 14,798,253

Florida True Health, Inc
Statement of Revenue and Expenses
(As Reported By The Company)
Year Ended December 31, 2014

Net premium income	\$ 9,789,039
Total revenues	9,789,039
Hospital and medical benefits	1,622,642
Other professional services	1,758,283
Outside referrals	6,040
Emergency room and out-of-area	945,143
Prescription drugs	2,220,671
Aggregate write-ins for other hospital and medical	75,633
Total hospital and medical	6,628,412
Claims adjustment expenses	4,183,236
General administrative expenses	15,465,302
Increase (decrease) in reserves for life and accident and health contracts	(1,766,023)
Total underwriting deductions	24,510,927
Net underwriting gain (loss)	(14,721,888)
Net investment income earned	21,123
Income (loss) before federal income tax	(14,700,765)
Federal income tax	-
Net income (loss)	\$ (14,700,765)

Florida True Health, Inc
Statement of Changes in Capital and Surplus
Two Years Ended December 31, 2014

Capital and surplus - December 31, 2012	\$ 10,287,159
Net income (loss)	(13,754,785)
Change in net unrealized capital gains (losses)	3,673,447
Change in net deferred income tax	(118,379)
Change in nonadmitted assets	(20,464,571)
Surplus adjustments, Paid in	20,700,000
Aggregate write-ins for gains and losses in surplus	3,016,438
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Capital and surplus - December 31, 2013	3,339,309
Net income (loss)	(14,700,765)
Change in net unrealized capital gains (losses)	(11,940,209)
Change in nonadmitted assets	763,442
Change in capital stock	50
Surplus adjustments, Paid in	33,399,950
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	10,861,777
Examination adjustments	-
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Capital and surplus - December 31, 2014	\$ 10,861,777
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Florida True Health, 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.

Capital and surplus, December 31, 2014 - as reported			\$ 10,861,777
	As	Per	Increase
	Reported	Examination	(Decrease)
			In Capital
			& Surplus
Total admitted assets	\$ 14,798,253	\$ 14,798,253	\$ -
Total liabilities	\$ 3,936,476	\$ 3,936,476	\$ -
Net change in capital and surplus			-
Capital and surplus, December 31, 2014 - per examination			\$ 10,861,777

SUBSEQUENT EVENTS

In October 2015, the Company acquired the remaining 60% membership interest of Prestige; subsequently, the Company had 100% ownership of Prestige.

The Company entered into six subordinated notes with its affiliate, Prestige, during 2015 in the total amount of \$36,200,000 at a rate of 8%, for a total amount of outstanding subordinate notes to Prestige from the Company totaling \$52,300,000.

Board members Joyce A. Kramzer, and Debra A. Rittenour were replaced and an additional board member was appointed as follows; Luisa Y. Charbonneau, James M. Jemigan and Prakash R. Patel.

As of September 30, 2015 the Company received additional capital contributions from Diversified Health Services, Inc. and AmeriHealth Caritas Health Plan in the amount of \$191,900,000, \$95,950,000 from each entity.

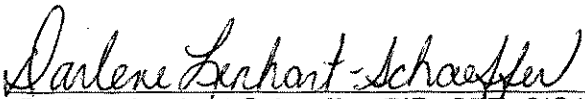
CONCLUSION

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

At December 31, 2014, the Company's capital and surplus was \$10,861,777 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: Margaret McCrary, CPA, CGMA, Examination Manager; Marshay Spencer, Financial Specialist; Lisa Parker, ASA, MAAA, Actuary; and Carr, Riggs and Ingram, LLC.

Respectfully submitted,


Darlene Lenhart-Schaeffer, PIR, CFE, CISA
Chief Examiner
Florida Office of Insurance Regulation