

**Report on Examination**  
**of**  
**Florida True Health, Inc.**  
**Palm Beach Gardens, Florida**  
**as of**  
**December 31, 2016**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER**  
COMMISSIONER

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
200 East Gaines Street  
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, 2016. Our report on the examination follows.

Florida Office of Insurance Regulation  
February 6, 2018

FINANCIAL SERVICES  
COMMISSION

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GOVERNOR

JIMMY PATRONIS  
CHIEF FINANCIAL OFFICER

PAM BONDI  
ATTORNEY GENERAL

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AGRICULTURE

## Contents

Scope of Examination .....	1
Company History .....	2
Corporate Records .....	2
Management and Control .....	4
Fidelity Bonds and Other Insurance .....	7
Pension, Stock Ownership and Insurance Plans .....	7
Territory and Plan of Operation .....	7
Company Growth .....	8
Reinsurance .....	8
Surplus Notes .....	8
Statutory Deposits .....	9
Financial Statements .....	9
Subsequent Events .....	13
Conclusion .....	13

## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2016 of Florida True Health, Inc. (the Company), a Florida single state health maintenance organization (HMO). The examination covered the period of January 1, 2015 through December 31, 2016 and took place primarily in Tallahassee, Florida, and the AmeriHealth, Inc. Philadelphia, Pennsylvania office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the Office) was as of December 31, 2014.

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, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. Our examination also included 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 included assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact, as mentioned in Section 624.319, Florida Statute (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 were 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, (F.S.).

The Company held a contract with the Florida Agency for Health Care Administration (AHCA) for Medicaid effective December 1, 2012. The Company began enrolling membership in January 2013 and ceased serving members under its AHCA contract on August 1, 2014.

On December 31, 2012, the Company acquired a 40% interest in Prestige Health Choice, LLC (Prestige), a provider service network that provided access to comprehensive medical services for Florida Medicaid beneficiaries. On October 1, 2015, the Company acquired the remaining 60% ownership interest in Prestige and Prestige's assets and liabilities were merged into the Company. The corporate existence of Prestige ceased as of such date, and the Company then did business under the Prestige Health Choice name.

## **CORPORATE RECORDS**

We reviewed the minutes of the Company's Stockholder and Board of Directors meetings for 2015 and 2016. The Board's approval of Company transactions, including the authorization of its investments as required by Section 641.35(7), F.S., was recorded in the minutes of its meetings.

### Dividends and Capital Contributions

On March 9, 2016, \$40 million in cash was received by the Company, of which \$20 million was paid by AmeriHealth Caritas Health Plan (ACHP) and \$20 million was paid by Diversified Health Services, Inc. (DHSI), fulfilling Statements of Statutory Accounting Principles (SSAP) No. 72, Surplus and Quasi-Reorganizations requirements. Pursuant to Section 641.35(2)(i), F.S., as of December 31, 2015, the Company recorded a \$40 million capital contribution receivable and corresponding paid-in capital, which was approved by the Office on March 21, 2016.

The Company received capital contributions in the amount of \$135,950,000 each from ACHP and DHSI for a total of \$271,900,000 during 2015.

## MANAGEMENT AND CONTROL

The Company is a joint venture formed by AmeriHealth Caritas Health Plan (ACHP) and Diversified Health Services, Inc. (DHSI), each holding a 50% ownership interest. DHSI is an indirect wholly owned subsidiary of Guidewell Mutual Holding Corporation. ACHP is a Pennsylvania Partnership formed to develop and operate managed care business for Medicaid and Medicare enrollees.

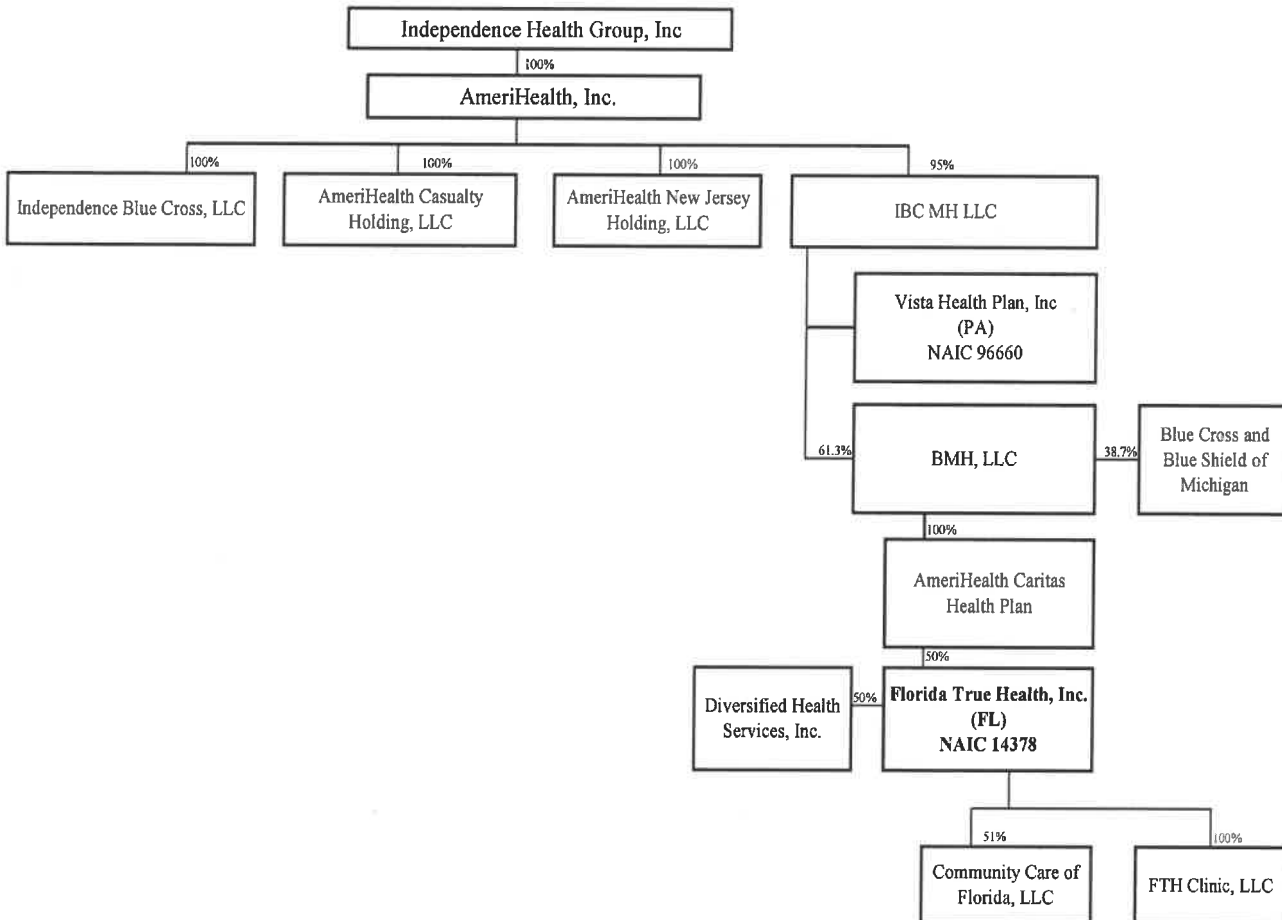
Its senior officers and directors were:

<b>Senior Officers</b>	
<b>Name</b>	<b>Title</b>
Steve H. Bohner	Vice President and Treasurer
William D. Burnham, M.D	Chief Medical Director
Dwight D. Chenette	President
Debra L. Gavras	Executive Director and Assistant Secretary
Lori Ann Porrini	Vice President and CFO
Robert E. Tootle, Esquire	Secretary

<b>Board of Directors</b>	
<b>Name</b>	<b>Location</b>
Steven H. Bohner	Garnet Valley, PA
Charles Divita III	Jacksonville, FL
Peter A. Jakuc	Newtown Square, PA
James M. Jernigan	Charleston, SC
Prakash R. Patel, M.D.	Avon, CT
Jennifer A. Sweet	Tampa, FL

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 69O-143.046, Florida Administrative Code (F.A.C.), on March 29, 2017. An abbreviated organizational chart reflecting a holding company system is shown below.

**Florida True Health, Inc.  
Abbreviated Organizational Chart  
December 31, 2016**



Changes were made to the Holding Company structure subsequent to the examination period and are discussed in further detail on page 13. This resulted in a subsidiary of AmeriHealth, Inc. holding the 95% ownership of IBC MH LLC.



The following agreements were in effect between the Company and its affiliates.

#### ACHP Management Services Agreement

The Company is a party to a Management Services Agreement (MSA) with ACHP as of January 9, 2012, pursuant to which ACHP furnishes to the Company all of the management and administrative services required by or necessary for the Company to provide services under the contract(s) between the Company and AHCA. ACHP is licensed as a third-party administrator by the Office.

#### Joint Services Agreement

On July 31, 2013, the Company entered into a joint venture with Prestige MSO Holdco, LLC (Holdco) to form a management services organization, Prestige MSO, LLC (MSO) for the purpose of providing administrative services in the State of Florida effective in 2014. On such date, 510 Class A Units in MSO were issued to the Company in exchange for a \$5,000 capital contribution and 490 Class B Units were distributed to Holdco, with no associated consideration, resulting in 51% ownership by the Company and 49% ownership by Holdco. MSO subsequently changed its name to Community Care of Florida, LLC (CCF) on March 3, 2016.

#### PerformRx Pharmacy Benefit Management Services Agreement

The Company is a party to a Pharmacy Benefit Management Services Agreement (PBM), effective December 1, 2016, with its affiliated company PerformRx, LLC, a Pennsylvania limited liability company (PerformRx). PerformRx is a wholly-owned subsidiary of ACHP. Under the PBM, PerformRx is responsible for arranging for or providing certain pharmacy benefit management services for and on behalf of the health plan administered by the Company.

## **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 insured by a blanket fidelity bond issued by a licensed Florida carrier, as required by Section 641.22(7), F.S., in the amount of \$5,000,000.

## **PENSION, STOCK OWNERSHIP AND INSURANCE PLANS**

The Company had no employees and did not directly offer employee benefits nor sponsor retirement plans. AmeriHealth Caritas Health Plan (ACHP) provided administrative services for the Company through its affiliate, AmeriHealth Caritas Services, LLC (ACS). ACS extended 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, health savings account (for high deductible insurance), and flex spending accounts.

## **TERRITORY AND PLAN OF OPERATION**

The Company does business as Prestige Health Choice. It currently operates under a contract between Prestige and AHCA that was assumed when the company acquired the remaining ownership interest in Prestige on October 1, 2015. The current Prestige contract services eight (8) of the eleven (11) regions across the State of Florida and is in effect until December 31, 2018. Prestige Health Choice has a three-year accreditation with the Accreditation Association for Ambulatory Health Care (AAAHC) and an interim accreditation with National Committee for Quality Assurance (NCQA) until November 4, 2018.

## COMPANY GROWTH

The Company reported the following for years 2015 through 2016:

*(Dollars are in millions.)*

	<u>2016</u>	<u>2015</u>
Member months	3,772,865	3,682,637
Year-end enrollment	327,306	314,783
Premiums	\$1,103	\$942
Revenues	\$1,105	\$942
Underwriting deductions	\$1,087	\$1,095
Net income	\$18	(\$152)
Shareholder dividends	\$0	\$0
Paid in surplus received	\$0	\$348
Admitted assets	\$219	\$247
Liabilities	\$124	\$169
Capital and surplus	\$95	\$78

## REINSURANCE

The Company did not purchase reinsurance coverage throughout the examination period.

## SURPLUS NOTES

In 2015, the Company was obligated for 8% surplus notes in the total amount of \$20,400,000. On October 1, 2015, principal and accrued interest totaling \$21,087,000 was paid in full to the members, effectively discharging the Company from any further obligation. Accumulated interest of \$687,000 was recognized during 2015.

## **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 was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial Statements, as reported and filed by the Company with the Office, are reflected in the following pages:

**Florida True Health, Inc.**  
**Assets**  
**December 31, 2016**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$ 1,998,564	\$ -	\$ 1,998,564
Cash, cash equivalents and short-term investments	186,689,884	-	186,689,884
Aggregate write-ins for invested assets	300,000	-	300,000
	188,988,448	-	188,988,448
Investment income due and accrued	1,099	-	1,099
Uncollected premiums and agents' balances	12,039,464	-	12,039,464
Current federal and foreign income tax recoverable	528	-	528
Health care and other amounts receivable	1,258,951	-	1,258,951
Aggregate write-ins for other than invested assets	16,921,523	-	16,921,523
Total assets	\$ 219,210,013	\$ -	\$ 219,210,013

**Florida True Health, Inc.**  
**Liabilities, Surplus and Other Funds**  
**December 31, 2016**

	Per Company	Examination Adjustments	Per Examination
<b>Liabilities</b>			
Claims unpaid	\$ 102,120,979	\$ -	\$ 102,120,979
Unpaid claims adjustment expenses	1,945,675	-	1,945,675
General expenses due or accrued	4,401,759	-	4,401,759
Payable to parent, subsidiaries and affiliates	9,305,161	-	9,305,161
Aggregate write-ins for liabilities	6,247,006	-	6,247,006
Total liabilities	124,020,580	-	124,020,580
<b>Surplus and Other Funds</b>			
Common capital stock	50	-	50
Gross paid in and contributed surplus	421,854,950	-	421,854,950
Unassigned funds (surplus)	(326,665,567)	-	(326,665,567)
Total surplus and other funds	95,189,433	-	95,189,433
Total liabilities, surplus and other funds	\$ 219,210,013	\$ -	\$ 219,210,013

**Florida True Health, Inc.**  
**Statement of Revenue and Expenses**  
**(As reported by the Company)**  
**For The Year Ended December 31, 2016**

Net premium income	\$1,102,822,771
Aggregate write-ins for other non-health revenues	2,029,341
Total revenues	<u>1,104,852,112</u>
Hospital/medical benefits	420,828,115
Other professional services	270,541,279
Emergency room and out-of-area	57,819,892
Prescription drugs	214,139,731
Aggregate write-ins for other hospital and medical	19,476,550
Subtotal	<u>982,805,567</u>
Total hospital and medical	982,805,567
Claims adjustment expenses	39,570,431
General administrative expenses	75,585,637
Increase in reserves for life and accident and health contracts	<u>(11,370,000)</u>
Total underwriting deductions	<u>1,086,591,635</u>
Net underwriting gain or (loss)	18,260,477
Net investment income earned	89,060
Net income or (loss) after capital gains tax and before all other federal income taxes	<u>18,349,537</u>
Federal income tax	-
Net income or (loss)	<u>\$ 18,349,537</u>

**Florida True Health, Inc.**  
**Statement of Changes in Capital and Surplus**  
**For The Year Ended December 31, 2016**

Capital and surplus - December 31, 2015	\$ 78,438,186
Net income	18,349,537
Change in net unrealized capital gains (losses)	2,169,842
Change in net deferred income tax	(1,513,771)
Change in nonadmitted assets and related items	(2,254,361)
<hr/>	
Examination adjustments	-
Capital and surplus - December 31, 2016	\$ 95,189,433

**Florida True Health, Inc.**  
**Comparative Analysis of Changes in Capital and Surplus**  
**December 31, 2016**

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

<b>Capital and surplus, December 31, 2016 - per annual statement</b>				<b>\$ 95,189,433</b>
	<b>Per</b>	<b>Per</b>	<b>Increase</b>	
	<b>Company</b>	<b>Examination</b>	<b>(Decrease)</b>	
			<b>In Capital</b>	
			<b>&amp; Surplus</b>	
Total assets	\$ 219,210,013	\$ 219,210,013	\$ -	
Total liabilities	\$ 124,020,580	\$ 124,020,580	\$ -	-
<b>Capital and surplus, December 31, 2016 - per examination</b>				<b>\$ 95,189,433</b>

## SUBSEQUENT EVENTS

The Company indicated that in December 2017, AmeriHealth, Inc. formed two new subsidiaries, AHI SubCo 1, Inc. and AHI SubCo 2, Inc. AmeriHealth, Inc. wholly owns AHI SubCo 1, Inc. which wholly owns AHI SubCo 2, Inc. Following this formation, AmeriHealth, Inc. contributed its 95% ownership interest in IBC MH LLC to AHI SubCo 1, Inc., which in turn contributed the interest to AHI SubCo 2, Inc. As a result, AHI SubCo 2 held 95% of IBC MH LLC as of December 31, 2017.

## 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, 2016, the Company's capital and surplus was \$95,189,433 and the Company was in compliance with the minimum capital and surplus requirement of Section 641.225, F.S.

The following individuals participated in the examination: William Fedak, CFE, and April Spevak, CFE, of INS Regulatory Insurance Services, Inc. and from the Florida Office of Insurance Regulation: Luke Stavenau, AFE, Financial Examiner/Analyst Supervisor; and Shawn Steinly, ASA, Actuary.

Respectfully submitted,



Carolyn M. Morgan, APIR  
Director, Life & Health Financial Oversight  
Florida Office of Insurance Regulation