

Report on Examination
of
Medica Health Plans of Florida, Inc.
Miami, Florida
as of
December 31, 2017



**FLORIDA OFFICE OF
INSURANCE REGULATION**



OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF AGRICULTURE

David Altmaier, Commissioner
Florida Office of Insurance Regulation
200 East Gaines Street
Tallahassee, Florida 32399

Dear Sir:

In accordance with Section 624.316, Florida Statutes, and the *Financial Condition Examiners Handbook* of the National Association of Insurance Commissioners, we have completed a financial condition examination of Medica Health Plans of Florida, Inc. as of December 31, 2017. Our report on the examination follows.

Florida Office of Insurance Regulation
May 10, 2019

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2017 of Medica Health Plans of Florida, Inc. (Company), a single-state insurer domiciled in Florida. The examination covered the period of January 1, 2013 through December 31, 2017 and took place primarily in the Company's Miami, Florida office and Tallahassee, FL. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) was as of December 31, 2012.

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.

SUMMARY OF SIGNIFICANT FINDINGS

There were no findings of a significant nature during the period of this examination.

COMPANY HISTORY

The Company was incorporated in Florida on August 25, 2005 and licensed by the Office as an insurer on September 29, 2006. It was authorized by the State of Florida to operate as a health maintenance organization (HMO) insurer in accordance with Section 624.401, F.S.

Effective June 30, 2014, the Company elected not to participate in the State of Florida Medicaid Managed Care Medical Assistance Program. Additionally, the Company withdrew from the commercial market by not renewing members as of September 2013 renewal dates.

CORPORATE RECORDS

The minutes of the meetings of the Company's shareholder and Board of Directors, and by its Audit Committee were reviewed. The Board's approval of Company transactions, including the authorization of its investments as required by Section 625.304, F.S., was recorded in the minutes of its meetings.

DIVIDENDS AND CAPITAL CONTRIBUTIONS

The Company distributed stockholder dividends in the amount of \$3.5 million in 2016. No dividends were distributed in any other years during the examination period. The Company received a capital contribution of \$5 million in 2013.

MANAGEMENT AND CONTROL

The Company was wholly owned by United HealthCare Services, Inc. (UHS) which was wholly owned by UnitedHealth Group Incorporated (UHG). UHG's common stock is traded on the New York Stock Exchange.

Its senior officers, directors, and members of principal board committees were:

Senior Officers

<u>Name</u>	<u>Title</u>
Roger Rodriguez	President
N. Brent Cottington	Vice President
Edith L. Escalona	Secretary
Robert W. Oberrender	Treasurer

Board of Directors

<u>Name</u>	<u>Location</u>
Benjamin N. Eklo	Minnetonka, MN
Brian H. St. Martin	Minnetonka, MN
Annette C. Onorati	Miami, FL
Robert Rodriguez	Miami, FL
Craig A. Stillman	Minnetonka, MN

Audit Committee

Marc R. Briggs
Clinton M. Egenes
Mark Wentworth

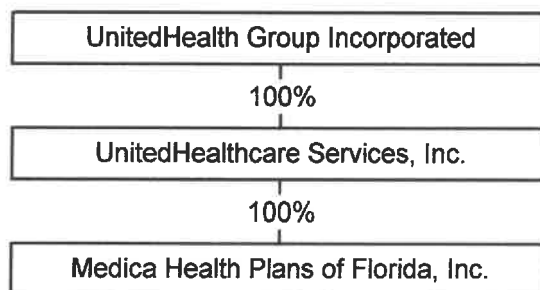
The Company was a member of an insurance holding company system. Its latest holding company registration statement was timely filed on March 27, 2019 with the State of Florida as required by Section 628.801, F.S., and Rule 69O-143.046, Florida Administrative Code (F.A.C.).

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

Medica Health Plans of Florida, Inc.

Abbreviated Organizational Chart

December 31, 2017



AFFILATED AND OTHER AGREEMENTS

The following agreement(s) were in effect between the Company and its affiliates.

Management Services Agreement

UHS provided management services to the Company pursuant to an agreement effective December 14, 2012. Under the terms of the agreement, UHS provided management and operational support to the Company.

Services Agreement

Effective February 1, 2013, the Company had an agreement with OptumInsight, Inc. for claim analytics and recovery services, retrospective fraud, waste and abuse services, and subrogation services.

Dental Services Agreement

The Company entered into an agreement with Dental Benefit Providers, Inc., effective January 1, 2014, to manage a network of dental providers, claims processing and other administrative functions for the commercial members.

Vision Services Agreement

Spectera, Inc. provided vision services and products, claims processing and other administrative functions for commercial members pursuant to an agreement effective January 1, 2014.

Subordinated Revolving Credit Agreement

The Company held a \$1.0 million revolving credit agreement, effective January 1, 2013, with UHG at an interest rate of London InterBank Offered Rate plus a margin of 0.50%. The credit agreement was subordinate to the extent it does not conflict with any other credit facility held by either party. The credit agreement was for a one-year term and automatically renews annually, unless terminated by either party. There was no interest paid or accrued on borrowings and no amounts were outstanding during the examination period.

Tax Sharing Agreement

The results of the Company's operations were included in UHG's consolidated federal income tax returns pursuant to a tax sharing agreement, effective April 30, 2012. Per the agreement, federal income taxes of the group were allocated as if it were filing on a separate return basis with credit given for the tax benefit of any net operating losses, capital losses and tax credits to the extent they reduced the consolidated federal income tax liability.

TERRITORY AND PLAN OF OPERATION

The Company provided health care services to Medicaid eligible beneficiaries in the State of Florida. Additionally, the Company offered comprehensive commercial products to individuals and small groups in Florida. In 2013, the Company withdrew from the commercial market by not renewing members beginning with September 2013 renewal dates. Effective June 30, 2014, the Company elected to not participate in the Florida Statewide Medicaid Managed Care Medical Assistance Program. Therefore, at the end of 2014, the Company had no membership.

COMPANY GROWTH

The Company reported the following for years 2013 through 2017:

(Dollars are in millions.)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Member months	107,287	46,458	0	0	0
Year-end enrollment	8,479	0	0	0	0
Revenues	\$ 35.9	\$ 18.1	\$ (0.2)	\$ (0.0)	\$ -
Underwriting deductions	\$ 40.7	\$ 16.6	\$ 0.4	\$ 0.0	\$ 0.0
Net income	\$ (2.4)	\$ 1.9	\$ 0.4	\$ 0.0	\$ (0.0)
Shareholder dividends	\$ -	\$ -	\$ -	\$ 1.5	\$ -
Paid in surplus received	\$ 5.0	\$ -	\$ -	\$ -	\$ -
Admitted assets	\$ 12.4	\$ 7.9	\$ 8.5	\$ 4.5	\$ 4.5
Liabilities	\$ 6.8	\$ 0.4	\$ 0.6	\$ 0.1	\$ 0.1
Capital and surplus	\$ 5.6	\$ 7.5	\$ 7.9	\$ 4.4	\$ 4.4

REINSURANCE

The Company has no reinsurance arrangements.

ACCOUNTS AND RECORDS

There were no findings of a significant nature identified during the examination.

SURPLUS NOTES

The Company has no surplus notes.

STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 624.411, F.S., and with other jurisdictions as required:

Holder	Description	Par Value	Market Value
Florida	Cash	\$ 1,000,000	\$ 1,000,000
Florida	Cash	10,000	10,000
Total Florida deposits		1,010,000	1,010,000
Total deposits		\$ 1,010,000	\$ 1,010,000

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:

Medica Health Plans of Florida, Inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2017

	Per Company	Examination Adjustments	Per Examination
Admitted Assets			
Bonds	\$ -	\$ -	\$ -
Cash, cash equivalents and short-term investments	4,510,545	-	4,510,545
	4,510,545	-	4,510,545
Investment income due and accrued	47	-	47
Current income tax recoverable	1,287	-	1,287
Total admitted assets	\$ 4,511,879	\$ -	\$ 4,511,879
Liabilities			
Claims unpaid	\$ 44,222	\$ -	\$ 44,222
Amounts due to parent, subsidiaries and affiliates	1,391	-	1,391
Aggregate write-ins for other liabilities	70,016	-	70,016
Total liabilities	\$ 115,629	\$ -	\$ 115,629
Capital and Surplus			
Common capital stock	\$ 1,235	\$ -	\$ 1,235
Gross paid in and contributed surplus	13,135,634	-	13,135,634
Unassigned funds (deficit)	(8,740,619)	-	(8,740,619)
Total capital and surplus	\$ 4,396,250	\$ -	\$ 4,396,250
Total liabilities, capital and surplus	\$ 4,511,879	\$ -	\$ 4,511,879

Medica Health Plans of Florida, Inc.
Statement of Revenue and Expenses
Year Ended December 31, 2017

Net premium income	\$ -
Hospital and medical benefits	(4,415)
	(4,415)
Net reinsurance recoveries	0
<hr/> Total hospital and medical	<hr/> (4,415)
Claims adjustment expenses	(44)
General administrative expenses	34,395
<hr/> Total underwriting deductions	<hr/> 29,936
Net underwriting gain or (loss)	(29,936)
Net investment income earned	13,899
<hr/> Net Income or (loss) before federal income tax	<hr/> (16,037)
Federal income tax	(13,287)
<hr/> <hr/> Net income (loss)	<hr/> <hr/> \$ (2,750)

Medica Health Plans of Florida
Statement of Changes in Capital and Surplus
Five Years Ended December 31, 2017

Capital and surplus - December 31, 2012	\$ 2,976,813
Net income	(2,415,791)
Change in nonadmitted assets	51,236
Surplus adjustments: Paid in	5,000,000
Aggregate write-ins for gains or (losses)	3
<hr/>	
Capital and surplus - December 31, 2013	5,612,261
Net income	1,914,848
Change in nonadmitted assets	(11,705)
<hr/>	
Capital and surplus - December 31, 2014	7,515,404
Net income	375,992
Change in nonadmitted assets	(12,503)
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Capital and surplus - December 31, 2015	7,878,893
Net income	4,550
Change in nonadmitted assets	15,557
Surplus adjustments: Paid in	(3,500,000)
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Capital and surplus - December 31, 2016	4,399,000
Net income	(2,750)
<hr/>	
	4,396,250
Examination adjustments	-
<hr/>	
Capital and surplus - December 31, 2017	\$ 4,396,250

Medica Health Plans of Florida, Inc.
Comparative Analysis of Changes in Capital and Surplus
December 31, 2017

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, 2017 - per annual statement			\$ 4,396,250
	Per	Per	Increase
	Company	Examination	(Decrease)
	<u> </u>	<u> </u>	In Capital
			& Surplus
Total assets	\$ 4,511,879	\$ 4,511,879	\$ -
Total liabilities	\$ 115,629	\$ 115,629	\$ -
Capital and surplus, December 31, 2017 - per examination			\$ 4,396,250

COMMENTS ON FINANCIAL STATEMENTS

There were no comments on the financial statements of a significant nature.

SUMMARY OF RECOMMENDATIONS

There were no recommendations for findings of a significant nature.

SUBSEQUENT EVENTS

There were no subsequent events of a significant nature.

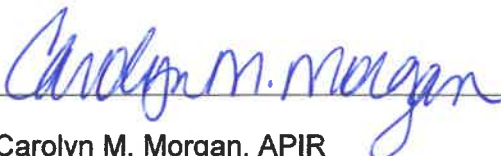
CONCLUSION

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

At December 31, 2017, the Company's capital and surplus was \$4,396,250 and the Company was in compliance with the minimum capital and surplus requirement of Section 624.408, F.S.

In addition to the undersigned, the following individuals participated in the examination: Cathie A. Stewart, CPA, CFE, Examiner-In-Charge, associated with the firm of Risk and Regulatory Consulting, LLC; and from the Florida Office of Insurance Regulation: Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor.

Respectfully submitted,


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