

**Report on Examination**

**of**

**Sunshine Health Community Solutions, Inc.**

**Sunrise, Florida**

**as of**

**December 31, 2017**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



**FINANCIAL SERVICES  
COMMISSION**

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AGRICULTURE**

## OFFICE OF INSURANCE REGULATION

**DAVID ALTMAIER  
COMMISSIONER**

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

Dear Sir:

In accordance with Section 624.316 and 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 Sunshine Health Community Solutions, Inc. as of December 31, 2017. Our report on the examination follows.

Florida Office of Insurance Regulation  
April 22, 2019

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## **SCOPE OF EXAMINATION**

We have completed a financial condition examination as of December 31, 2017 of Sunshine Health Community Solutions, Inc. (Company), a Florida Health Maintenance Organization (HMO). The examination covered the period of January 1, 2017 through December 31, 2017 and took place in Tallahassee, Florida and at the Company's Sunshine, Florida office. This was the first financial condition examination of the Company by the Florida Office of Insurance Regulation (Office) and was conducted as a coordinated multi-state examination with Texas being the lead state.

We conducted our examination in accordance with the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook* (Handbook). The Handbook required that we plan and perform our examination to evaluate the financial condition and identify current and 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.

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 reportable findings as a result of this examination.

## **COMPANY HISTORY**

The Company was incorporated in Florida on November 4, 2015 and licensed by the Office as a Health Maintenance Organization (HMO) on April 08, 2016. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, F.S.

## **CORPORATE RECORDS**

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

## **DIVIDENDS AND CAPITAL CONTRIBUTIONS**

The Company was capitalized in 2016 with a contribution from its parent of \$19.9 million dollars. The Company received no capital contributions in 2017. The Company distributed no dividends during the period examined.

## **MANAGEMENT AND CONTROL**

The Company is a wholly owned subsidiary of Centene Corporation (Centene). With headquarters in Saint Louis, Missouri, Centene is a diversified, multi-line health care enterprise providing programs and services to government-sponsored health care programs and focusing on under-insured and uninsured individuals. Centene's common stock is traded on the New York Stock Exchange.

Its senior officers and directors were:

**Senior Officers**

<u>Name</u>	<u>Title</u>
Chris Edward Patterson	President and Chief Executive Officer
Alain Ferzli	Plan Chief Financial Officer
Tricia Lynn Dinkelman	Vice President of Tax
Keith Harvey Williamson	Secretary
Jeffery Alan Schwaneke	Treasurer
Jeff Martorana, M.D.	Medical Doctor

**Board of Directors**

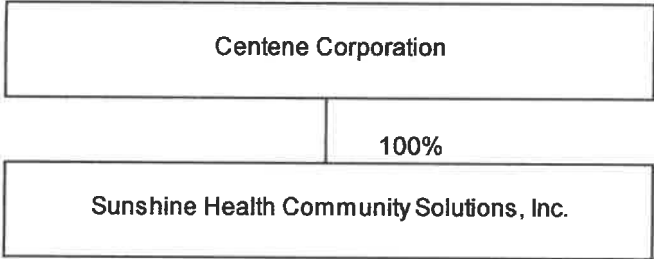
<u>Name</u>	<u>Location</u>
Chris Edward Paterson	Parkland, Florida
Jeffrey A. Schwaneke	Des Peres, Missouri
Keith H. Williamson	Richmond Heights, Missouri

All principal committees of the Company are appointed by the parent Company.

The Holding Company Registration Statement for 2017 was filed timely 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 the holding company system is shown below.

**Abbreviated Organizational Chart  
December 31, 2017**



**AFFILIATED AND OTHER AGREEMENTS**

Management Services Agreement

On March 1, 2016, the Company entered into a Management Services Agreement with Centene Management Company, LLC (CMC), a wholly owned subsidiary of Centene Corporation. Under this agreement, CMC provided data, claims processing, case management, care coordination and general management services to the Company. At December 31, 2017, the Company reported amounts due to CMC of \$130,831 for services rendered.

Tax Sharing Agreement

The results of the Company's operations were included in the consolidated federal income tax returns of Centene. Income taxes were allocated to the Company in accordance with a tax sharing agreement. The allocation was primarily on a separate return basis using a percentage method to allocate a tax asset for any benefit derived by the consolidated group for the Company's losses or credits which offset consolidated taxable income.

### Master Services Agreement

On January 1, 2017, the Company entered into a Master Services Agreement with Envolve People Care, Inc. (EPC) who provided behavioral health services, triage services, outbound calling services and life and health management services to the Company. As of December 31, 2017, the Company reported a payable to Envolve People Care, Inc. of \$1,012 for services rendered.

### Pharmacy Benefit Management Services Agreement

On January 1, 2017 the Company entered into an agreement with Envolve Pharmacy Solutions (formerly U.S. Script), Inc. to provide pharmacy benefit management services to the Company. As of December 31, 2017, the Company reported a payable to Envolve Pharmacy Solutions, Inc. of \$20,012 for services rendered.

### Vision Services Agreement

On January 1, 2017 the Company entered into a Vision Services Agreement with Envolve Vision of Florida, Inc. who provided vision benefits management services to the Company. As of December 31, 2017, the Company reported a payable to Envolve Vision of Florida, Inc. in the amount of \$1,206 for services rendered.

### Dental Services Agreement

On January 1, 2017 the Company entered into a Dental Services Agreement with Envolve Dental, Inc. who provided dental services to the Company. As of December 31, 2017, the Company reported a payable to Envolve Dental, Inc. in the amount of \$2,426 for services rendered.



## TERRITORY AND PLAN OF OPERATIONS

The Company provided coordinated health, dental and pharmacy benefits through the Medicare program. It 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 March 13, 2020. At December 31, 2017, it was only licensed in Florida. As an Independent Practice Association (IPA) model HMO, the Company had 195 members as of December 31, 2017, of which 100% were Medicare members.

## COMPANY GROWTH

The Company reported the following for the 8-months period ending 2016 and for 2017.

*(in millions except for Member months and Year-end enrollment)*

	2016	2017
Member months	-	1,598
Year-end enrollment	-	195
Premiums	-	1.4
Revenues	-	1.4
Underwriting deductions	2.4	9.3
Net income	(1.6)	(7.2)
Shareholder dividends	-	-
Paid in surplus received	20.0	20.0
Admitted assets	19.1	18.0
Liabilities	0.7	6.9
Capital and surplus	18.3	11.1

## REINSURANCE

The Company maintained reinsurance with PartnerRe America Insurance Company. Effective January 1, 2017 the reinsurance covered a specific deductible per covered person of \$1,250,000 with a Maximum Payable per Covered Person of \$3,000,000.

## ACCOUNTS AND RECORDS

There were no examination findings related to the Company's accounts and records.

## SURPLUS NOTES

The Company had no surplus note obligations during the period covered by this financial examination.

## STATUTORY DEPOSITS

The following securities were deposited with the State of Florida as required by Section 641.285, F.S.:

<b>State</b>	<b>Description</b>	<b>Par Value</b>	<b>Market Value</b>
Florida	Cash-Statutory Deposit	\$ 300,000	\$ 300,000
Total Florida Deposits		<u>300,000</u>	<u>300,000</u>
Total Special Deposits		<u>\$ 300,000</u>	<u>\$ 300,000</u>

## FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included. 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:

**Sunshine Health Community Solutions, Inc.**  
**Admitted Assets, Liabilities, Capital and Surplus**  
**December 31, 2017**

<b>Admitted Assets</b>	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Cash	16,262,303	\$ -	16,262,303
Investment income due and accrued	1,268	-	1,268
Premiums and Considerations:		-	
Uncollected premiums and agents balances in the course of collection	6,579	-	6,579
Accrued retrospective premiums	24,466	-	24,466
Amounts receivable relating to uninsured plans	195,020	-	195,020
Current federal and foreign income tax recoverable and interest thereon	1,171,586	-	1,171,586
Aggregate write-ins for other than invested assets	312,248	-	312,248
<b>Total admitted assets</b>	<b>\$ 17,973,470</b>	<b>\$ -</b>	<b>\$ 17,973,470</b>
<b>Liabilities</b>			
Claims unpaid	\$ 601,670	\$ -	\$ 601,670
Accrued medical incentive pool and bonus amounts	11,940	-	11,940
Unpaid claims adjustment expenses	10,000	-	10,000
Aggregate health policy reserves	5,813,757	-	5,813,757
General expenses due or accrued	287,868	-	287,868
Ceded reinsurance premiums payable	8	-	8
Amounts due to parent, subsidiaries and affiliates	130,831	-	130,831
<b>Total liabilities</b>	<b>\$ 6,856,074</b>	<b>\$ -</b>	<b>\$ 6,856,074</b>
<b>Capital and Surplus</b>			
Aggregate write-ins for special surplus funds	\$ 31,037	\$ -	\$ 31,037
Common capital stock	1	-	1
Gross paid in and contributed surplus	19,999,999	-	19,999,999
Unassigned funds (deficit)	(8,913,641)	-	(8,913,641)
<b>Total capital and surplus</b>	<b>11,117,396</b>	<b>-</b>	<b>11,117,396</b>
<b>Total liabilities, capital and surplus</b>	<b>\$ 17,973,470</b>	<b>\$ -</b>	<b>\$ 17,973,470</b>

**Sunshine Health Community Solutions, Inc.**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2017**

Net premium income	\$ 1,445,223
Hospital and medical benefits	1,561,490
Other professional services	42,294
Emergency room and out-of-area	96,544
Prescription drugs	192,588
Incentive pool, withhold adjustments and bonus amounts	12,065
	<u>1,904,981</u>
Net reinsurance recoveries	0
Total hospital and medical	1,904,981
Claims adjustment expenses	45,577
General administrative expenses	1,584,213
Increase in reserves for life and accident and health contracts	5,813,757
Total underwriting deductions	<u>9,348,528</u>
Net underwriting gain	(7,903,305)
Net investment gains	4,164
Net gain (loss) from agents or premium balances charged	(385)
Aggregate write-ins for other income and expenses	0
Income before federal income tax	<u>(7,899,526)</u>
Federal income tax	(728,930)
Net income	<u>\$ (7,170,596)</u>

**Sunshine Health Community Solutions, Inc.**  
**Statement of Changes in Capital and Surplus**  
**Two Years Ended December 31, 2017**

Capital and surplus - December 31, 2015	\$	(64,050)
Net income		(1,584,097)
Change in nonadmitted assets		(2,000)
Surplus Adjustments Paid In		19,999,999
Aggregate write-ins for gains or (losses)		-
		18,349,852
Capital and surplus - December 31, 2016		18,349,852
Net income		(7,170,596)
Change in nonadmitted assets		(61,860)
Surplus Adjustments Paid In		-
		11,117,396
Examination adjustments		-
		11,117,396
Capital and surplus - December 31, 2017	\$	11,117,396

**Sunshine Health Community Solutions, 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.

<b>Capital and surplus, December 31, 2017 - per Annual Statement</b>			<b>\$ 11,117,396</b>
			<b>Increase (Decrease) In Capital &amp; Surplus</b>
	<u>Per Company</u>	<u>Per Examination</u>	<u>                    </u>
Total assets	\$17,973,470	\$ 17,973,470	\$ -
Total liabilities	\$ 6,856,074	\$ 6,856,074	\$ -
 <b>Capital and surplus, December 31, 2017 - per examination</b>			 <b><u>\$ 11,117,396</u></b>

## **COMMENTS ON FINANCIAL STATEMENTS**

The examination actuaries concluded that the assumptions and methodologies used by the Company to develop the Claims Unpaid liabilities were reasonable.

## **SUMMARY OF RECOMMENDATIONS**

There were no recommendations as a result of this examination.

## **SUBSEQUENT EVENTS**

The examination also considered notable subsequent events occurring after the December 31, 2017 examination date:

Chris Edward Patterson resigned as President/CEO on July 13, 2018. Donald Chris Coffey was appointed as President/CEO on September 20, 2018.

Alain Ferzli resigned as Plan Chief Financial Officer on June 15, 2018. Ray Bautista was appointed as Plan Chief Financial Officer July 2, 2018.

## CONCLUSION

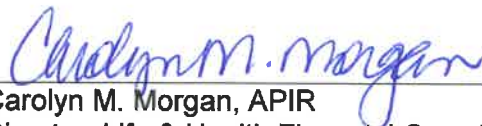
The customary insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Sunshine Health Community Solutions, Inc. consistent with the insurance laws of the State of Florida.

At December 31, 2017, the Company's capital and surplus was \$11,117,396 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: Tracy D. Gates, CFE, CISA, Examiner-in-Charge; Sheri Kenney, CFE, Participating Examiner; Travis Harrison, Participating Examiner; Lori Jester, Participating Examiner of Highland Clark, LLC as well as Kirk Braunis, ASA, MAAA, Examination Actuary and Brett Miller, FCAS, MAAA, ARM, Examination Actuary of Merlinos & Associates, Inc.

The following individuals from the Florida Office of Insurance Regulation also participated in the examination: Marshay L. Spencer, APIR, Financial Examiner/ Analyst Supervisor and Shantia Simmons, APIR, Reinsurance/Financial Examiner.

Respectfully submitted,



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