

**Report on Examination**  
**of**  
**UnitedHealthcare of Florida, Inc.**  
**Maitland, Florida**  
**as of**  
**December 31, 2016**



**FLORIDA OFFICE OF  
INSURANCE REGULATION**



## OFFICE OF INSURANCE REGULATION

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COMMISSIONER OF  
AGRICULTURE

David Altmaier, Commissioner  
Florida Office of Insurance Regulation  
Tallahassee, Florida 32399

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 UnitedHealthcare of Florida, Inc. as of December 31, 2016. Our report on the examination follows.

Florida Office of Insurance Regulation  
April 30, 2018

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## SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2016 of UnitedHealthcare of Florida, Inc. (the "Company"), a Florida health maintenance organization (HMO). The examination covered the period of January 1, 2012 through December 31, 2016 and took place primarily in the office of the Company's affiliate in Hartford, Connecticut. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of December 31, 2011.

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 May 26, 1970 and licensed by the Office as an HMO on March 6, 1973. 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 the Company's shareholder, board of directors and audit committee meetings held during the period examined. 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

The Company distributed shareholder dividends in the amounts of \$100.0 million and \$50.0 million in years 2012 and 2016, respectively. No dividends were distributed in years 2013, 2014 or 2015. The Company received capital contributions of \$30.0 million, \$240.0 million and \$173.1 million in years 2013, 2014 and 2015, respectively.

## **MANAGEMENT AND CONTROL**

The Company was wholly owned by UnitedHealthcare, Inc., a subsidiary of United HealthCare Services, Inc. (UHS) and affiliated with numerous other entities through common ownership and control. Headquartered in Minnetonka, Minnesota, UnitedHealth Group Incorporated (UHG) was

the sole shareholder of UHS. The common stock of UHG was traded on the New York Stock Exchange.

Its senior officers and directors were:

<b>Senior Officers</b>	
<b>Name</b>	<b>Title</b>
Thomas D. Lewis	President and Chief Executive Officer
Juliet T. Scott	Chief Financial Officer
Thomas C. Choate	Vice President
Peter J. Clarkson	Vice President, Government Programs
N. Brent Cottingham	Vice President
Nicholas J. Zaffiris	Vice President
Robert W. Oberrender	Treasurer
Paul A. J. Norman	Secretary
Heather A. Lang Jacobsen	Assistant Secretary
Erin E. Weber	Assistant Secretary

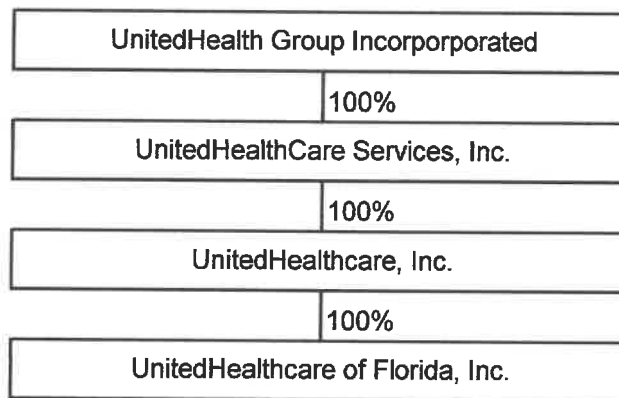
<b>Board of Directors</b>	
<b>Name</b>	<b>Location</b>
Thomas C. Choate	Windermere, Florida
Peter J. Clarkson	Palm Harbor, Florida
Thomas D. Lewis	Tampa, Florida
Stephen L. Wilson, Jr.	Franklin, Tennessee
Nicholas J. Zaffiris	Weston, Florida

<b>Audit Committee</b>
James Y. Huang
Salli J. Thompson
Stephen L. Wilson, Jr.

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 27, 2017.

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

**UnitedHealthcare of Florida, Inc.  
Abbreviated Organizational Chart  
December 31, 2016**



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

#### Management Services Agreement

UHS provided management and administrative services to the Company pursuant to an agreement effective March 1, 2011 and later amended, to provide or arrange for services such as integrated personal health management solutions.

#### Various Administrative Agreements with Affiliates

The Company directly contracted with related parties to provide services to its members which are expensed as capitation fees, administrative services and access fees. United Behavioral Health provided mental health and substance abuse services. OptumHealth Care Solutions, Inc. delivered chiropractic, physical therapy and complex medical conditions services. Dental Benefits Providers, Inc. provided dental care assistance. Spectera, Inc. provided administrative services related to vision benefit management and claims processing.

The Company contracted with OptumRx to provide administrative services related to pharmacy management and pharmacy claims processing for its enrollees. Additionally, the Company contracted with OptumRx to provide personal health products catalogues showing the healthcare products and the specific benefits credits that were needed to redeem the products. OptumRx also distributed personal health products to individual members based upon the terms of the agreement.

Agreements with OptumInsight, Inc. were in place for claim analytics, recovery of medical expense overpayments, retroactive fraud, waste and abuse, subrogation, and premium audit services.



### Combined Billing and Disbursements Agreement

The Company entered into a combined billing and disbursement agreement with PacifiCare Health Plan Administrators, Inc., UHS and UnitedHealthcare Insurance Company to provide a common lockbox for premium collection and a zero-balance disbursement account.

### Tax Allocation Agreement

The results of the Company's operations were included in UHG's consolidated federal income tax returns pursuant to a 1994 tax allocation agreement. Per the agreement, taxes were allocated to the Company 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.

### Revolving Credit Agreement

The Company held a \$50.0 million revolving credit agreement with UHG at an interest rate of London InterBank Offered Rate plus a margin of 0.5%. The credit agreement was subordinate to the extent it does not conflict with any 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.

## **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 crime policy issued by a licensed Florida carrier, as required by Section 641.22(7), F.S., in the amount of \$5.0 million.

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

The Company had no employees and did not directly provide employee benefits nor sponsor retirement plans. Employees of UHS performed functions on behalf of the Company under the terms of a management agreement.

## **TERRITORY AND PLAN OF OPERATION**

The Company provided comprehensive commercial products to employer groups and government-sponsored programs, including the individual and small group exchange business in the State of Florida. 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 May 11, 2017. At December 31, 2016, it was licensed solely in the State of Florida and was authorized to operate in all Florida counties for commercial business. As an individual practice association (IPA) model HMO, the Company had 484,781 members as of December 31, 2016, of which 39% were comprehensive and 61% were Medicaid members.

Pursuant to an agreement with the Centers for Medicare & Medicaid Services (CMS), the Company provided health care services to Medicare members in the Florida counties of Broward, Charlotte, Hernando, Hillsborough, Indian River, Lake, Lee, Manatee, Martin, Orange, Osceola, Pasco, Pinellas, Polk, Sarasota, Seminole, and St. Lucie. The contract was novated to its affiliate, Preferred Care Partners, Inc. effective January 1, 2016.

## COMPANY GROWTH

The Company reported the following for years 2012 through 2016:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Member months	3,726,017	4,252,315	4,701,724	6,894,591	5,718,329
Year-end enrollment	334,399	366,254	444,980	556,707	484,781
Premiums	\$ 1,306.9	\$ 1,661.7	\$ 2,350.2	\$ 3,256.4	\$ 3,000.8
Revenues	\$ 1,364.4	\$ 1,668.7	\$ 2,349.5	\$ 3,248.8	\$ 3,000.4
Underwriting deductions	\$ 1,297.1	\$ 1,713.1	\$ 2,552.3	\$ 3,299.6	\$ 2,883.3
Net income (loss)	\$ 49.8	\$ (38.1)	\$ (165.1)	\$ (12.9)	\$ 84.7
Shareholder dividends	\$ 100.0	\$ -	\$ -	\$ -	\$ 50.0
Paid-in surplus received	\$ -	\$ 30.0	\$ 240.0	\$ 173.1	\$ -
Admitted assets	\$ 291.5	\$ 351.2	\$ 651.3	\$ 808.6	\$ 792.7
Liabilities	\$ 199.1	\$ 279.8	\$ 546.3	\$ 534.1	\$ 444.0
Capital and surplus	\$ 92.4	\$ 71.4	\$ 105.0	\$ 274.5	\$ 348.7

## REINSURANCE

The Company entered into an insolvency-only reinsurance agreement with UnitedHealthcare Insurance Company to cover any losses which might occur in the event of the Company's insolvency. The agreement was effective January 1, 2005.

## STATUTORY DEPOSITS

The Company maintained on deposit with the Office an insolvency protection deposit of \$326,560 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:

**UnitedHealthcare of Florida, Inc.**  
**Assets, Liabilities, Capital and Surplus**  
**December 31, 2016**

<b>Assets</b>	<b>Per Company</b>	<b>Examination Adjustments</b>	<b>Per Examination</b>
Bonds	\$ 366,022,753	\$ -	\$ 366,022,753
Cash, cash equivalents and short-term investments	158,670,809	-	158,670,809
Other invested assets (Schedule BA)	40,016,253	-	40,016,253
	564,709,815	-	564,709,815
Investment income due and accrued	3,165,250	-	3,165,250
Uncollected premiums and agents' balances	62,227,671	-	62,227,671
Accrued retrospective premiums	95,267,205	-	95,267,205
Amounts recoverable from reinsurers	27,994,923	-	27,994,923
Amounts receivable relating to uninsured plans	3,909,675	-	3,909,675
Net deferred tax asset	11,956,146	-	11,956,146
Health care and other amounts receivable	2,884,935	-	2,884,935
Aggregate write-ins for other than invested assets	20,555,185	-	20,555,185
<b>Total assets</b>	<b>\$ 792,670,805</b>	<b>\$ -</b>	<b>\$ 792,670,805</b>
<b>Liabilities</b>			
Claims unpaid	\$ 313,146,328	\$ -	\$ 313,146,328
Accrued medical incentive pool and bonus amounts	9,285,432	-	9,285,432
Unpaid claims adjustment expenses	3,004,661	-	3,004,661
Aggregate health policy reserves	11,453,711	-	11,453,711
Aggregate health claim reserves	6,209,005	-	6,209,005
Premiums received in advance	37,154,267	-	37,154,267
General expenses due or accrued	6,019,489	-	6,019,489
Current federal and foreign income taxes	494,433	-	494,433
Ceded reinsurance premiums payable	942,424	-	942,424
Amounts withheld or retained for the account of others	64,846	-	64,846
Amounts due to to parent, subsidiaries and affiliates	46,981,585	-	46,981,585
Liability for amounts held under uninsured plans	3,886,459	-	3,886,459
Aggregate write-ins for other liabilities	5,349,199	-	5,349,199
<b>Total liabilities</b>	<b>443,991,839</b>	<b>-</b>	<b>443,991,839</b>
<b>Surplus and Other Funds</b>			
Common capital stock	45	-	45
Gross paid in and contributed surplus	496,078,301	-	496,078,301
Unassigned funds (surplus)	(147,399,380)	-	(147,399,380)
<b>Total surplus and other funds</b>	<b>348,678,966</b>	<b>-</b>	<b>348,678,966</b>
<b>Total liabilities, surplus and other funds</b>	<b>\$ 792,670,805</b>	<b>\$ -</b>	<b>\$ 792,670,805</b>

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

Net premium income	\$ 3,000,754,676
Change in unearned premium reserves and reserve for rate credits	(378,382)
<b>Total revenues</b>	<b>3,000,376,294</b>
Hospital/medical benefits	2,221,525,772
Other professional services	31,264,438
Prescription drugs	358,455,005
Incentive pool, withhold adjustments and bonus amounts	14,960,639
	<b>2,626,205,854</b>
Less: Net reinsurance recoveries	28,941,983
<b>Total hospital and medical</b>	<b>2,597,263,871</b>
Claims adjustment expenses	126,143,460
General administrative expenses	210,183,141
Increase in reserves for life and accident and health contracts	(50,315,000)
<b>Total underwriting deductions</b>	<b>2,883,275,472</b>
Net underwriting gain or (loss)	117,100,822
Net investment income earned	7,542,525
Net realized capital gains (losses)	845,589
Net investment gains (losses)	8,388,114
Net gain or (loss) from agents' or premium balances charged off	(2,225,843)
Aggregate write-ins for other income or expensees	(3,192,800)
<b>Net income or (loss) after capital gains tax and before all other federal income taxes</b>	<b>120,070,293</b>
Federal and foreign income taxes incurred	35,349,114
<b>Net income</b>	<b>\$ 84,721,179</b>

**UnitedHealthcare of Florida, Inc.**  
**Statement of Changes in Capital and Surplus**  
**For The Five Years Ended December 31, 2016**

Capital and surplus - December 31, 2011	\$ 132,143,963
Net income (loss)	47,919,438
Change in net deferred income tax	4,266,630
Change in nonadmitted assets	(8,899,501)
Dividends to stockholder	(100,000,000)
<hr/>	
Capital and surplus - December 31, 2012	75,430,530
Net income (loss)	(40,015,836)
Change in net deferred income tax	16,201,950
Change in nonadmitted assets	(19,389,520)
Surplus adjustments: Paid in	30,000,000
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Capital and surplus - December 31, 2013 (originally reported)	62,227,124
Adjustment to reflect merger of Citrus Health Care, Inc. pursuant to SSAP No. 68	9,152,470
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Capital and surplus - December 31, 2013 as restated	71,379,594
Net income (loss)	(165,123,617)
Change in net deferred income tax	(26,396,281)
Change in nonadmitted assets	(14,818,992)
Surplus adjustments: Paid in	240,000,000
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Capital and surplus - December 31, 2014	105,040,704
Net income (loss)	(12,901,792)
Change in net deferred income tax	(136,045)
Change in nonadmitted assets	9,431,776
Surplus adjustments: Paid in	173,072,365
<hr/>	
Capital and surplus - December 31, 2015	274,507,008
Net income (loss)	84,721,179
Change in net deferred income tax	11,956,146
Change in nonadmitted assets	27,494,633
Dividends to stockholder	(50,000,000)
<hr/>	
	348,678,966
Examination adjustments	-
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Capital and surplus - December 31, 2016	\$ 348,678,966
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**UnitedHealthcare of Florida, Inc.**  
**Comparative Analysis of Changes in Capital & 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 &amp; surplus, December 31, 2016 - per annual statement</b>				<b>\$ 348,678,966</b>
	<u>Per Company</u>	<u>Per Examination</u>	<u>Increase (Decrease) In Capital &amp; Surplus</u>	
Total assets	\$ 792,670,805	\$ 792,670,805	-	
Total liabilities	\$ 443,991,839	\$ 443,991,839	-	-
<b>Capital &amp; surplus, December 31, 2016 - per examination</b>				<b>\$ 348,678,966</b>

## **SUBSEQUENT EVENTS**

As of January 1, 2017, the Company exited the ACA Individual Exchange market. The 2016 Individual Exchange revenue represented approximately 19% of total direct premiums written.

## CONCLUSION

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

At December 31, 2016, the Company's capital and surplus was \$348,678,966 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: Cathie A. Stewart, CFE, associated with the firm of Risk & Regulatory Consulting, LLC; and from the Florida Office of Insurance Regulation: Margaret M. McCrary, CPA, Chief Financial Examiner; Luke Stavenau, AFE, Financial Examiner/Analyst Supervisor; and Shawn Steinly, ASA, Actuary.

Respectfully submitted,



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Carolyn M. Morgan, APIR

Director, Life & Health Financial Oversight  
Florida Office of Insurance Regulation