

Report on Examination
of
Ultimate Health Plans, Inc.
Spring Hill, FL
as of
December 31, 2015



**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 Ultimate Health Plans, Inc. as of December 31, 2015. Our report on the examination follows.

Florida Office of Insurance Regulation
January 6, 2017

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SCOPE OF EXAMINATION

We have completed a financial condition examination as of December 31, 2015 of Ultimate Health plans, Inc. (the "Company"), a Florida health maintenance organization (HMO). The examination covered the period of July 1, 2014 through December 31, 2015 and took place primarily in the Company's Spring Hill, Florida office. The last financial condition examination of the Company by the Florida Office of Insurance Regulation (the "Office") was as of June 30, 2014.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners 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. 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.

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

The Company entered into contracts with unaffiliated entities for administrative, management, and certain provider services that did not contain provisions that the contracts may be canceled upon issuance of an order by the Office pursuant to Section 641.234(3), F.S. Finding is a repeat from the prior examination. Recommendation relating to this examination finding is summarized beginning on page 11.

COMPANY HISTORY

The Company was incorporated in Florida on October 10, 2011, and licensed by the Office as an HMO on March 29, 2012. It was authorized by the State of Florida to operate as an HMO in accordance with Part I of Chapter 641, (F.S.).

On September 30, 2014, Ultimate Healthcare Holdings, LLC acquired 100% of the Company's outstanding shares of common stock, and the Company became a member of a holding company system.

CORPORATE RECORDS

The examination reviewed the minutes of the Company's Shareholder and Board of Directors (Board) meetings. The Board's approval of Company transactions were recorded in the minutes of its meetings. The Company had no investment transactions that would require authorization from the Board per Section 641.35(7), F.S.

Dividends and Capital Contributions

The Company received capital contributions in the amounts of \$4,600,000 and \$1,000,000 during the period July 1, 2014 through December 31, 2014, and 2015, respectively. The Company did not distribute any stockholder dividends during the period examined.

MANAGEMENT AND CONTROL

The Company was wholly owned by its parent holding company, Ultimate Healthcare Holdings, LLC, which was wholly owned by a private investor. The Company's senior officers and directors were:

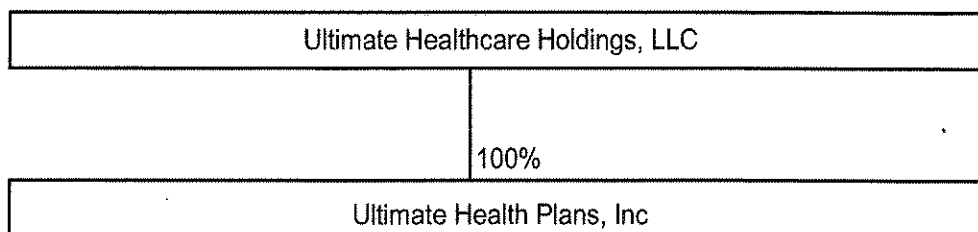
Senior Officers	
Name	Title
Medhat A. Reheem, M.D.	President/Treasurer
Azzam Muftah	Secretary
Michael F. Turrell	Chief Executive Officer
Terence W. Sleaf	Chief Financial Officer

Board of Directors	
Name	Location
Azzam Muftah	Spring Hill, Florida
Medhat A. Reheem, M.D.	Spring Hill, Florida
Enrico M. Romeo	Spring Hill, Florida
Layla Shuayb	Spring Hill, Florida
Michael F. Turrell	Windermere, 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 69O-143.046, Florida Administrative Code (F.A.C.), on March 30, 2016.

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

Ultimate Health Plans, Inc.
Abbreviated Organizational Chart
December 31, 2015



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 \$100,000.

PENSION, STOCK OWNERSHIP AND INSURANCE PLANS

The Company offered group health, vision, dental, life, short term disability, and long term disability insurance benefits to eligible employees. It did not provide a retirement plan.

TERRITORY AND PLAN OF OPERATION

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 Hernando, Citrus, and Pasco. 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 February 19, 2018. As an Individual Practice Association (IPA) model HMO, the Company had 4,462 members as of December 31, 2015.

COMPANY GROWTH

The Company reported the following for the 6-month period ending December 31, 2014 and the year ending 2015:

(In millions except member months and year-end enrollment)

	7/1 - 12/31	
	2014	2015
Member months	17,687	52,182
Year-end enrollment	137	4,462
Premiums	\$ 14.3	\$ 39.2
Revenues	\$ 14.3	\$ 39.2
Underwriting deductions	\$ 16.2	\$ 39.7
Net income	\$ (1.9)	\$ (0.5)
Shareholder dividends	\$ -	\$ -
Paid in surplus received	\$ 4.6	\$ 1.0
Admitted assets	\$ 3.2	\$ 9.9
Liabilities	\$ 0.4	\$ 4.8
Capital and surplus	\$ 2.8	\$ 5.1

REINSURANCE

Atlantic Specialty Insurance Company provided excess of loss reinsurance coverage to the Company effective January 1, 2015. The reinsurance covered 90% of the cost of specified health care services for Hospital Inpatient Services in excess of \$850,000 per member per agreement period with a maximum benefit for each covered member of \$2,000,000.

ACCOUNTS AND RECORDS

Examiners found that the Company's contracts with unaffiliated entities for administrative, management, and certain provider services did not contain provisions that they may be canceled upon issuance of an order by the Office pursuant to Section 641.234(3), F.S. Finding is a repeat from the prior examination.

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:

Ultimate Health Plans, Inc.
Admitted Assets, Liabilities, Capital and Surplus
December 31, 2015

Admitted Assets	Per Company	Examination Adjustments	Per Examination
Cash, cash equivalents and short-term investments	\$ 8,703,164	\$ -	\$ 8,703,164
Aggregate write-ins for invested assets	300,000	-	300,000
	9,003,164	-	9,003,164
Investment income due and accrued	17,849	-	17,849
Accrued retrospective premiums	699,963	-	699,963
Electronic data processing equipment and software	74,652	-	74,652
Health care and other amounts receivable	111,937	-	111,937
Total assets	\$ 9,907,565	\$ -	\$ 9,907,565
Liabilities			
Claims unpaid	\$ 3,326,553	\$ -	\$ 3,326,553
Accrued medical incentive pool and bonus amounts	41,594	-	41,594
Unpaid claims adjustment expenses	99,797	-	99,797
Aggregate health policy reserves	395,751	-	395,751
General expenses due or accrued	764,996	-	764,996
Aggregate write-ins for liabilities	159,951	-	159,951
Total liabilities	4,788,642	-	4,788,642
Surplus and Other Funds			
Common capital stock	1	-	1
Gross paid in and contributed surplus	17,615,055	-	17,615,055
Aggregate write-ins for special surplus funds	146,126	-	146,126
Unassigned funds (surplus)	(12,642,259)	-	(12,642,259)
Total surplus and other funds	5,118,923	-	5,118,923
Total liabilities, surplus and other funds	\$ 9,907,565	\$ -	\$ 9,907,565

Ultimate Health Plans, Inc.
Summary of Operations
(As reported by the Company)
For The Year Ended December 31, 2015

Net premium income	\$ 39,229,631
Total revenues	39,229,631
Hospital/medical benefits	16,147,195
Other professional services	1,531,841
Emergency room and out-of-area	6,985,533
Prescription drugs	4,257,037
Aggregate write-ins for other hospital and medical	699,290
Incentive pool, withhold adjustments and bonus amounts	1,754,478
Total hospital and medical	31,375,374
Claims adjustment expenses	281
General administrative expenses	8,356,331
Total underwriting deductions	39,731,986
Net loss from operations before dividends to policyholders and federal income taxes	(502,355)
Net investment income earned	4,462
Net investment gains	4,462
Net loss from operations before capital gains and losses	(497,893)
Net loss	\$ (497,893)

Ultimate Health Plans, Inc.
Statement of Changes in Capital and Surplus
July 1, 2014 - December 31, 2015

Capital and surplus - July 1, 2014	\$ 2,026,898
Net loss	(1,910,954)
Change in nonadmitted assets	118,559
Paid in surplus adjustment	4,600,000
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Capital and surplus - December 31, 2014	4,834,503
Net loss	(497,893)
Change in nonadmitted assets	(217,687)
Paid in surplus adjustment	1,000,000
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	5,118,923
Examination adjustments	-
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Capital and surplus - December 31, 2015	\$ 5,118,923
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Ultimate Health Plans, Inc.
Comparative Analysis of Changes in Capital & Surplus
December 31, 2015

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

Capital & surplus, December 31, 2015 - per annual statement			\$ 5,118,923
	Per Company	Per Examination	Increase (Decrease) In Capital & Surplus
Total admitted assets	\$ 9,907,565	\$ 9,907,565	\$ -
Total liabilities	\$ 4,788,642	\$ 4,788,642	\$ -
Net change in capital and surplus			-
Capital & surplus, December 31, 2015 - per examination			\$ 5,118,923

SUMMARY OF RECOMMENDATIONS

Accounts and Records

As reported on page 6, the Company entered into contracts with unaffiliated entities for administrative, management, and certain provider services that did not contain provisions that the contracts may be canceled upon issuance of an order by the Office pursuant to Section 641.234(3), F.S. Finding is a repeat from the prior examination. **We recommend the Company ensure all contracts with unaffiliated entities for administrative, management, and provider services contain all necessary provisions in compliance with Section 641.234(3), F.S.**

SUBSEQUENT EVENTS

On February 26, 2016, the Centers for Medicare & Medicaid Services (CMS) notified the Company of its intent to impose intermediate sanctions for certain contracts including the Company's CMS contracts, consisting of the suspension of enrollment of Medicare beneficiaries and the suspension of all marketing activities to Medicare beneficiaries. Sanctions were released on September 13, 2016.

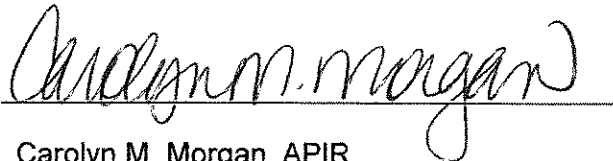
CONCLUSION

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

At December 31, 2015, the Company's capital and surplus was \$5,118,923 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: Joseph R. May, CFE, CPA, Sharon Stuber, CPA, Francois Houde, CISA, Participating Examiners, of Carr, Riggs and Ingram, LLC. We also recognize Margaret "Peggy" McCrary, CPA, CGMA, Financial Examiner/Analyst Supervisor; Laura Lee II, Financial Specialist; Shantia Simmons, Reinsurance/Financial Examiner; Lisa Parker, ASA, MAAA, Actuary; and Shawn Steinly, ASA, Actuary, participating in the examination.

Respectfully submitted,

A handwritten signature in cursive script, reading "Carolyn M. Morgan", is written over a horizontal line.

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