



**EXAMINATION REPORT
OF
FLORIDA HEALTH CARE PLAN, INC.**

NAIC Company Code: 13567

**Holly Hill, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 28, 2021

David Altmaier
Commissioner
Office of Insurance Regulation
State of Florida
Tallahassee, Florida 32399-0326

Dear Commissioner:

Pursuant to your instructions, in compliance with Section 641.27, Florida Statutes, and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners ("the NAIC"), we have conducted an examination as of December 31, 2019, of the financial condition and corporate affairs of

Florida Health Care Plan, Inc.
1340 Ridgewood Avenue
Holly Hill, FL 32117

hereinafter referred to as "the Company." Such report of examination is herewith respectfully submitted.

SCOPE OF EXAMINATION

This examination covered the period of January 1, 2019 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on October 5, 2020. The fieldwork concluded as of May 28, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2014 through December 31, 2018.

The examination was a single state group holding company examination conducted in accordance with the NAIC Financial Condition Examiners Handbook (“the Handbook”). The Handbook requires that the examination be planned and performed 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. Florida is the lead state and the seven (7) companies participating in this examination are all domiciled in Florida.

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 the NAIC Statements of Statutory Accounting Principles (“SSAP”). 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 information obtained from the examination of the records, accounts, files and documents of or relative to the Company and other information as permitted by Section 624.319 and 641.27(1), Florida Statutes. There may be other items identified during the examination that, due to their nature (for example, subjective conclusions or proprietary information), are not included within the examination report but separately communicated to other regulators and/or the Company.

SUMMARY OF SIGNIFICANT FINDINGS

Current Examination Findings

There were no significant findings as a result of this examination.

Previous Examination Findings

The Company was not in compliance with Section 641.35 (7), F.S. which states, "No investment or loan shall be made or engaged in by any health maintenance organization unless the same has been authorized or ratified by the organization's board of directors or by a committee, department, or section of the organization charged with the duty of supervising investments and loans. The minutes or records of any such committee, department, or section shall be maintained and regular reports of such committee, department, or section shall be submitted to the board of directors." The Company was notified of this finding in early 2020, and thereafter the Company's Board of Directors began ratifying the Company's investments and documenting such actions in their Board meeting minutes. As such, subsequent to the examination period, the Company complied with the recommendation from the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on August 7, 2008 and commenced business on January 1, 2009.

Effective January 1, 2019, the Company's CMS contract for Medicare Advantage (H1035) was novated from the Company to Health Options, Inc. (HOI), an affiliated HMO.

Dividends

In accordance with Section 641.365, Florida Statutes, the Company declared and paid dividends to its stockholder in the amount of \$13,000,000 during 2019.

Capital Stock and Capital Contributions

As of December 31, 2019, the Company's capitalization was as follows:

Number of authorized common capital shares	1,000
Number of shares issued and outstanding	1,000
Total common capital stock	\$1,000*
Par value per share	\$0.00

* In accordance with SSAP 72 common capital stock amount is based on the stated value of \$1.00 per share.

The Company did not receive any capital contributions during the period under examination.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

The Company had no acquisitions, mergers, disposals, or dissolutions during the period under examination.

MANAGEMENT AND CONTROL

Corporate Governance

According to the Company's Bylaws, an annual shareholder meeting for the election of Directors shall be held each calendar year. Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Elana Schrader, MD ⁽¹⁾	Jacksonville, Florida	Senior Vice President, Chief Medical Officer & President – GuideWell Health
William Andrew Coats	Jacksonville, Florida	Vice President, Treasurer & Chief Investment Officer – Florida Blue
Ravi Govila, MD	Jacksonville, Florida	President, Diagnostic Clinic Medical Group & GuideWell Health Chief Clinic Officer
David Carl Schandel	Ormond Beach, Florida	President & Chief Executive Officer – Florida Health Care Plan
Shawn Trotter-Mitchell	Jacksonville, Florida	Vice President, Network Strategy & Operations – Florida Blue
Jon Urbanek	Jacksonville, Florida	Senior Vice President, Health Insurance Markets – Florida Blue

⁽¹⁾ Chairman

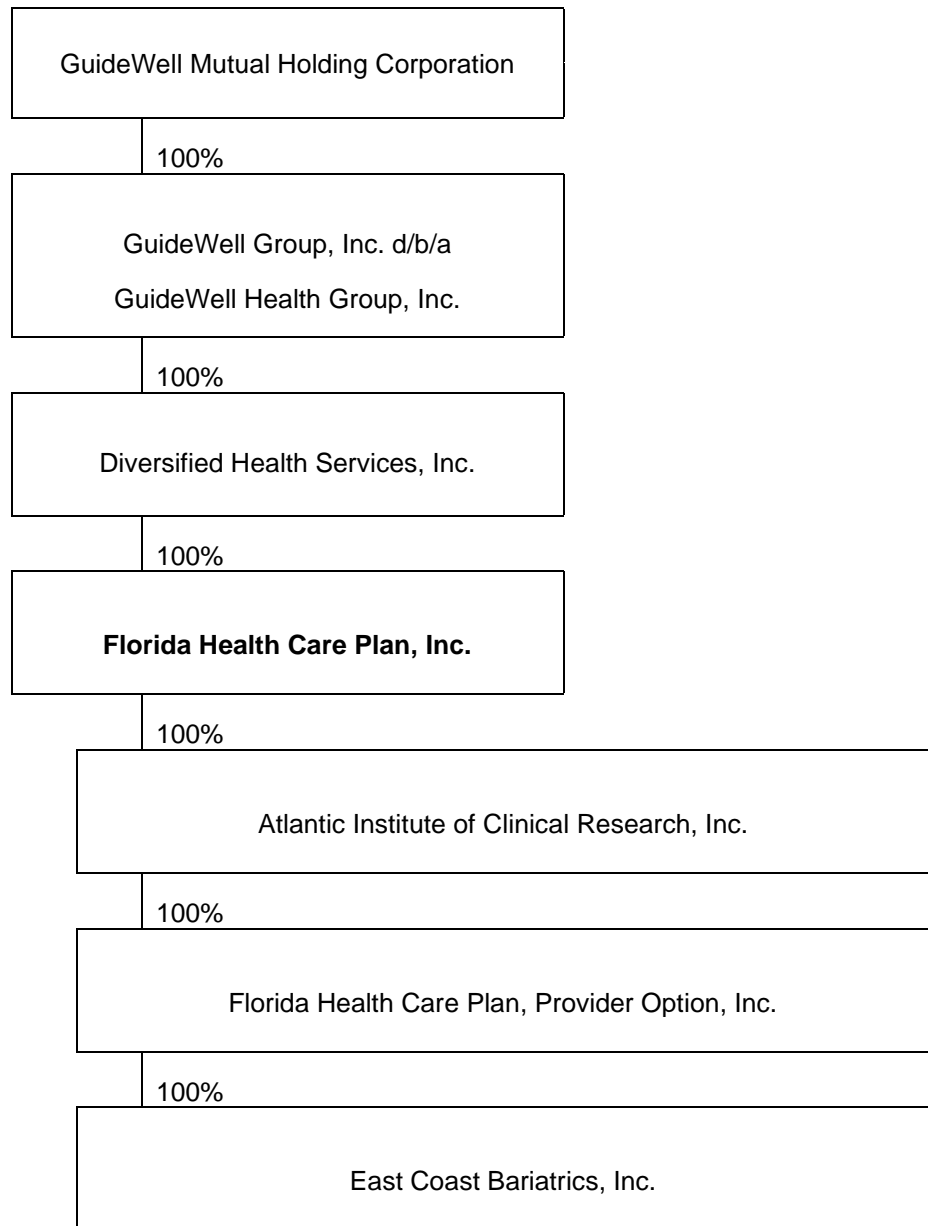
In accordance with the Company's Bylaws, the Board appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
David Carl Schandel	Ormond Beach, Florida	President & Chief Executive Officer
Laura Melanie Ruel	Ormond Beach, Florida	Chief Financial Officer/Treasurer
Arezou C Jolly, Esq	Jacksonville, Florida	Secretary
Pamela J Thomas, Esq	Ormond Beach, Florida	Assistant Secretary

Holding Company System

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown below.

**Florida Health Care Plan, Inc.
Simplified Organizational Chart
December 31, 2019**



AFFILIATED AND OTHER AGREEMENTS

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

Administrative Services Agreement

Effective January 27, 2012, the Company entered into an Administrative Services Agreement with Blue Cross and Blue Shield of Florida, Inc. (BCBSF) and other Affiliates whereby BCBSF and other Affiliate's employees provide certain services, including but not limited to administrative, managerial, professional and technical services. Amounts, which include direct and indirect charges for these services and facilities, are billed monthly to the Company and are settled monthly.

Provider and Administrative Agreement

Effective January 1, 2019, the Company and Health Options, Inc. (HOI) entered into a mutual Provider and Administrative Agreement whereby HOI delegated to the Company the rendering of certain medical and administrative services to members of designated HOI HMO Plans.

Physician Group Medical Services Agreement

Effective May 1, 2008, the Company and Health Options, Inc. (HOI) entered into a Physician Group Medical Services Agreement whereby the Company agreed to be a participating provider in HOI's HMO provider network.

Tax Allocation Agreement

Effective January 1, 2019, the Company was included in the consolidated federal income tax return of its ultimate parent company, GuideWell Mutual. The Agreement provided for the allocation of consolidated income tax liability based upon separate taxable incomes of included companies and provided for annual settlement of amounts due under the agreement. It also provided that an included company with a net operating loss would be reimbursed for the tax benefit associated with the loss in the year used in the group's consolidated return.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Holly Hill, Florida.

The Company and non-affiliates had the following material agreements:

Custodial Agreement

The Company maintained a custodial agreement with the Bank of New York Mellon executed on January 26, 2010.

Independent Auditor Agreement

An independent CPA, PricewaterhouseCoopers LLP, audited the Company's statutory basis financial statements for 2019, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required by Section 641.26(5), Florida Statutes.

Corporate Records Review

The recorded minutes of the Shareholder and Board of Directors (Board) were reviewed for the period under examination.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida.

The Company was authorized to transact insurance in Florida on December 9, 2008, and is currently authorized a Health Maintenance Organization as of December 31, 2019.

REINSURANCE

The Company had the following reinsurance agreements:

Reinsurance Assumed

The Company did not assume any reinsurance during the period of this examination.

Reinsurance Ceded

Pursuant to the agreement with RGA Reinsurance Company, effective March 1, 2019, the Company ceded 80% of its eligible expenses in excess of \$500,000 per member per agreement year, up to \$3,000,000 per member per agreement period.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus and statutory Statement of Revenue and Expenses for the year ended December 31, 2019. The financial statements are based on the statutory financial statements filed by the Company with the Florida Office of Insurance Regulation and present the financial condition of the Company for the period ending December 31, 2019.

(Note: Due to rounding, column amounts may not add to the totals reflected in the Report.)

Florida Health Care Plan, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$88,196,256		\$88,196,256
Real Estate			
Properties occupied by the company	20,102,857		20,102,857
Cash, cash equivalents and short-term investments	91,052,710		91,052,710
Subtotal cash and invested assets	\$199,351,823		\$199,351,823
Investment income due and accrued	96,866		96,866
Premiums and considerations			
Uncollected premiums and agents' balances	2,121,983		2,121,983
Accrued retrospective premiums	2,509,303		2,509,303
Reinsurance			
Amounts recoverable from reinsurers	381,970		381,970
Amounts receivable relating to uninsured plans	1,141,672		1,141,672
Net deferred tax asset	4,686,778		4,686,778
Electronic data processing equipment and software	3,308,766		3,308,766
Furniture and equipment, including health care delivery assets	3,108,913		3,108,913
Health care and other amounts receivable	6,969,005		6,969,005
Total assets excluding separate accounts, Segregated accounts and protected cell accounts	\$223,677,079		\$223,677,079
Totals	\$223,677,079		\$223,677,079

Florida Health Care Plan, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$65,591,762		\$65,591,762
Accrued medical incentive pool and bonus amounts	1,201,026		1,201,026
Unpaid claims adjustment expenses	1,000,000		1,000,000
Aggregate health policy reserves	1,680,821		1,680,821
Premiums received in advanced	4,910,088		4,910,088
General expenses due or accrued	7,284,220		7,284,220
Current federal and foreign income tax payable and Interest thereon	2,473,983		2,473,983
Ceded reinsurance premium	230,541		230,541
Amounts withheld or retained for the account of Others	2,321,194		2,321,194
Amounts due to parent, subsidiaries and affiliates	1,093,737		1,093,737
Payable for securities lending	830,221		830,221
Liability for amounts held under uninsured plans	5,791		5,791
Aggregate write-ins for other liabilities	208,670		208,670
Total liabilities	\$88,832,052		\$88,832,052
Aggregate write-ins for other-than-special surplus funds	9,668,467		9,668,467
Common capital stock	1,000		1,000
Gross paid in and contributed surplus	22,231,695		22,631,695
Unassigned funds (surplus)	102,943,866		102,943,866
Total capital and surplus	\$134,845,027		\$134,845,027
Total liabilities, capital and surplus	\$223,677,080		\$223,677,080

Florida Health Care Plan, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$481,210,510		\$481,510,510
Fee-for-service	2,203,855		2,203,855
Risk revenue	191,910,807		191,910,807
Aggregate write-ins for other health care related revenues	161,565		161,565
Total revenues	\$675,486,737		\$675,486,737
Hospital and Medical:			
Hospital/medical benefits	231,084,390		231,084,390
Other professional services	151,455,030		151,455,030
Outside referrals	11,143,865		11,143,865
Emergency room and out-of-area	88,528,689		88,528,689
Prescription drugs	42,293,019		42,293,019
Aggregate write-ins for other hospital and medical	20,932,110		20,932,110
Incentive pool, withhold adjustments and bonus amounts	1,623,893		1,623,893
Subtotal	\$547,060,996		\$547,060,996
Less:			
Net reinsurance recoveries	1,985,375		1,985,375
Total hospital and medical	\$545,075,620		\$545,075,620
Claims adjustment expenses	5,777,700		5,777,700
General administrative expenses	66,815,691		66,815,691
Total underwriting deductions	\$617,669,011		\$617,669,691
Net underwriting gain	\$57,817,726		\$57,817,726
Net investment income earned	2,426,864		2,426,864
Net realized capital gains or (losses) less capital gains tax	(4,884)		(4,884)
Net investment gains (losses)	\$2,421,980		\$2,421,980
Aggregate write-ins for other income or expenses	735,667		735,667

Net income after capital gains tax and before all other federal income taxes	\$60,975,373		\$60,975,373
Federal and foreign income taxes incurred	12,261,524		\$12,261,524
Net income	\$48,713,849		\$48,713,849

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$103,842,441		\$103,842,441
Net Income	\$48,713,849		\$48,713,849
Change in net unrealized capital gains (losses) less capital gains tax	3,694,453		3,694,453
Change in net deferred income taxes	410,269		410,269
Change in nonadmitted assets	(8,815,985)		(8,815,985)
Dividends to stockholders	(13,000,000)		(13,000,000)
Net change in capital and surplus	\$31,002,586		\$31,002,586
Capital and surplus end of reporting period	\$134,845,027		\$134,845,027

Florida Health Care Plan, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2018, per Examination			\$103,842,441
	Increase	Decrease	
Net Income	\$48,713,849		\$48,713,849
Change in net unrealized capital gain (loss)	\$3,694,453		\$3,694,453
Change in net deferred income tax	\$410,269		\$410,269
Change in non-admitted assets		\$(8,815,985)	\$(8,815,985)
Dividends to stockholders		\$(13,000,000)	\$(13,000,000)
Net increase (or decrease)			\$31,002,586
Capital and Surplus at December 31, 2019 per Examination			\$134,845,027

No adjustments were made to surplus as regards policyholders as a result of this examination.

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Chase Wilson, Administrator of Actuarial Services and Chief Actuary of Florida Health Care Plan, Inc., appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2019, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The Office consulting actuary, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$134,845,027 exceeded the minimum of \$9,624,210 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

COVID – 19

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Office continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.

Dividends

Effective October 31, 2020, the Company made a distribution of \$15,000,000 to its parent company, DHS.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Florida Health Care Plan, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Omar Akel, CFE, Mario Ascic, CFE, Amy Carter, CFE, CPA, Ryne Davison, CFE, Novalene Forbes, CFE, Charles Kreske, CFE, MCM, David Palmer, CFE, MCM, Jessica Lynch, CFE, Derek Petersen, CFE, MCM, and Adrienne Sulaiman, CFE, CPA, Participating Examiners, of Lewis & Ellis, Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager and Glenn Coats, CFE (Fraud), APIR, Participating Examiner. Additionally, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc. and Lindsey Pittman, CISA, CFE, CPA, AES, MCM, IT Specialist of Lewis & Ellis, Inc., are recognized for participation in the examination.

Respectfully submitted,



Katerina Bolbas, CFE, CPA, MCM
Examiner-in-Charge
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Margaret M. McCrary, CFE, CPA, MBA
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Carolyn M. Morgan, APIR
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