



**EXAMINATION REPORT
OF
Health First Commercial Plans, Inc.**

NAIC Company Code: 16272

**Rockledge, Florida
as of
December 31, 2019**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 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

Health First Commercial Plans, Inc.

6450 US Highway 1
Rockledge, Florida 32955

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 July 31, 2020. The fieldwork concluded as of April 28, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2018 through December 31, 2018.

The examination was a single state 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.

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

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on June 9, 2017 and commenced business on January 1, 2018. It was authorized by the State of Florida to operate as a Health Maintenance Organization (HMO) in accordance with Part I of Chapter 641, Florida Statutes.

Effective January 1, 2018, the Company was formed through the merger of the prior Health First Commercial Plans, Inc., a for-profit entity licensed December 29, 2015, and NewCo Health First Commercial Plans, Inc. (NewCo), a not-for-profit entity. During the merger, all assets and liabilities of the prior Health First Commercial Plans, Inc. were transferred to NewCo, which was renamed Health First Commercial Plans, Inc. and retained its not-for-profit status.

Dividends

The Company did not declare or pay any dividends during the period under examination.

Capital Stock and Capital Contributions

The Company is a not-for-profit, nonstock corporation. Health First, Inc. (HFI), a separate tax-exempt corporation, is the parent holding company and “sole member” of the Company. There were no capital contributions by HFI to the Company during the examination period.

Surplus Notes

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

Acquisitions, Mergers, Disposals, Dissolutions

Pursuant to Consent Order Case No. 256672-19-CO, HFI and subsidiaries completed a transaction with Health First Foundation, Inc. and Adventist Health System Sunbelt Healthcare Corporation, d/b/a Advent Health. Health First Foundation, Inc. and Advent Health acquired an ownership interest in HFI and subsidiaries of 73% and 27%, respectively. Advent Health is a not-for-profit healthcare corporation that owns and/or operates hospitals, nursing homes, physician offices, urgent care centers and other healthcare facilities, and a philanthropic foundation.

MANAGEMENT AND CONTROL

Corporate Governance

Directors serving as of December 31, 2019, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Dale Allen Dettmer, MD	Merritt Island, Florida	Partner in law firm of Krasny and Dettmer
Joseph George Felkner ^(a)	Viera, Florida	Secretary and Treasurer, Health First Health Plans, Inc.
Matthew Ferd Gerrell	Winter Garden, Florida	President & CEO, Health First Health Plans, Inc.
Robert Kenneth Henry	Melbourne, Florida	Retired
Steven Paul Johnson ⁽¹⁾	Indialantic, Florida	Chairman, Health First Health Plans, Inc.
Frank Scott Letherby	Melbourne Beach, Florida	CEO, Health First Medical Group
Alan Lovelle Prestwood	Melbourne, Florida	SVP-Investments, Wells Fargo Advisors
Drew Alan Rector	Indian Harbour Beach, Florida	Vice Chairman, Health First Health Plans, Inc.

⁽¹⁾ Chairman

(a) Resigned effective January 8, 2020 and was replaced by Mike Scialdone effective May 14, 2020.

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

Senior Officers		
Name	City, State	Title
Matthew Ferd Gerrell	Winter Garden, Florida	President and CEO
Alan Philip Fehlner(a)	Cocoa Beach, Florida	Vice President, Chief Financial Officer
Jamie Rawdanowicz Forrest	Melbourne Beach, Florida	Chief Operating Officer
Joseph George Felkner(b)	Viera, Florida	Secretary and Treasurer
Nicholas William Romanello	Melbourne, Florida	Assistant Secretary
Steven Paul Johnson	Indialantic, Florida	Chairman
Drew Alan Rector	Indian Harbour Beach, Florida	Vice Chairman

(a) Resigned effective March 6, 2020 and was replaced by Joshua Pulver effective September 22, 2020.

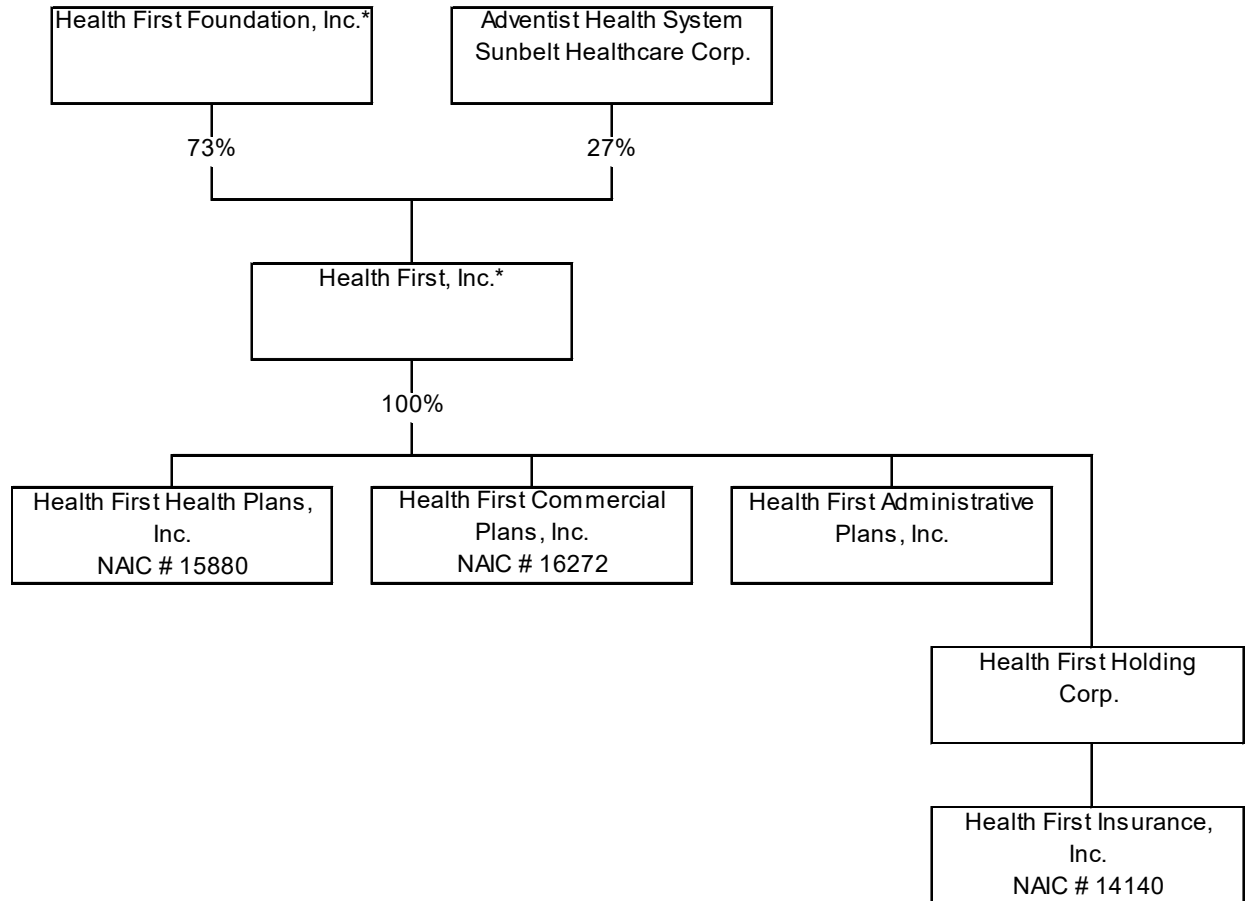
(b) Resigned effective January 8, 2020 and was replaced by Mike Scialdone effective May 14, 2020.

The Company's Board appointed several internal committees. The following was the principal internal board committee and its members as of December 31, 2019.

Audit-Compliance Committee		
Name	City, State	Title, Company Name
Robert K. Henry	Melbourne, Florida	Retired
Scott T. Mikuen	Melbourne, Florida	SVP and General Counsel, L3Harris Technologies
Eugene S. Cavallucci	Melbourne, Florida	Retired
Pamela A. Gatto	Indialantic, Florida	President, Gatto's Tires and Auto Service
Dana S. Kilborne	Merritt Island, Florida	President & Chief Executive Officer, Cypress Trust

Holding Company System

The insurer is a member of a holding company system, and all companies noted in any affiliated agreements below are shown in the following simplified organization chart.



*Effective September 30, 2020, Health First Foundation, Inc. was renamed Health First, Inc. and Health First, Inc. was renamed Health First Shared Services, Inc.

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

Shared Savings Agreement

The Company participated in a shared savings agreement with HFI. The shared savings agreement was designed to share medical risk between the Company and HFI based on specified medical loss ratios, as defined in the federal regulations. The fourth amendment to the agreement was effective October 27, 2016.

Administrative and Financial Management Agreement

The Company had an affiliated administrative and financial management agreement with Health First Administrative Plans, Inc. (HFAP) to receive certain management, administrative, and claims processing services which included utilization review, payroll services, and the majority of the administrative functions of the Company. The agreement allowed HFAP to charge a fee driven by fully loaded costs (direct and indirect) plus a markup, which were included in claims adjustment expenses and general administrative expenses in the accompanying statutory statements of operations. The agreement was originally entered January 1, 2016 and was subsequently amended.

Guaranty Agreement

Effective December 30, 2019, the Company entered into a Consent Order (Case No. 256672-19-CO), whereby HFI agreed to infuse appropriate capital into the Company to maintain compliance with the surplus requirements of the Florida Statutes.

Tax Sharing Agreement

The Company participated in a tax sharing agreement with Health First Holding Corporation, that was effective October 1, 2014. Effective December 8, 2017, the Company entered into a Consent Order (Case No. 218365-17-CO), whereby the Company was converted to a non-profit corporation. The conversion to a non-profit corporation eliminated the need for the Company to participate in the tax sharing agreement.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Rockledge, Florida.

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

Custodial Agreement

The Company maintained a custodial agreement with Branch Banking and Trust Company effective on January 1, 2016.

Independent Auditor Agreement

An independent CPA, RSM US, LLP, audited the Company's statutory basis financial statements for the year 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 Member(s), Board of Directors (Board) and the Audit-Compliance Committee were reviewed for the period under examination. The recorded minutes of the Board documented the authorization of investments, as required by Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. It was authorized to transact insurance in Florida on December 8, 2017, and is currently authorized to operate as a Health Maintenance Organization as of December 31, 2019. The Company writes Medicare policies.

REINSURANCE

The reinsurance agreements reviewed complied with NAIC standards with respect to the standard insolvency clause, arbitration clause, intermediary clause, transfer of risk, reporting and settlement information deadlines.

Reinsurance Assumed

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

Reinsurance Ceded

The Company entered into an excess reinsurance agreement effective January 1, 2019 with American National Insurance Company. Under the terms of the agreement, the Company will retain the first \$500,000 for the commercial line of business of any loss incurred for hospital services. For the commercial line of business, the excess reinsurance coverage is unlimited per member, per agreement period.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds; statutory Statement of Income; and the statutory Analysis of Changes in Surplus 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 this Report.)

Health First Commercial Plans, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$44,103,421		\$44,103,421
Stocks:			
Common stocks	5,918,905		5,918,905
Cash and short-term investments	32,487,781		32,487,781
Receivables for securities	20,925		20,925
Subtotals, cash and invested assets	\$82,531,032		\$82,531,032
Investment income due and accrued	256,507		256,507
Premiums and considerations:			
Uncollected premiums	737,457		737,457
Accrued retrospective premiums and contracts subject to redetermination	8,229,322		8,229,322
Amounts recoverable from reinsurer	1,923,238		1,923,238
Health care and other amounts receivable	4,227,160		4,227,160
Aggregate write-ins for other than invested assets	20,000		20,000
Total	\$97,924,716		\$97,924,716

Health First Commercial Plans, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$26,593,980		\$26,593,980
Unpaid claims adjustment expenses	979,858		979,858
Aggregate health policy reserves, including the liability for medical loss ratio rebate per the Public Health Service Act	2,941,041		2,941,041
Premiums received in advance	4,168,486		4,168,486
General expenses due and accrued	51,581		51,581
Amounts due to parent, subsidiaries and affiliates	3,170,228		3,170,228
Total liabilities	\$37,905,174		\$37,905,174
Aggregate write-ins for special surplus funds	2,005,117		2,005,117
Gross paid-in and contributed surplus	42,390,822		42,390,822
Unassigned funds (surplus)	15,623,603		15,623,603
Total capital and surplus	\$60,019,542		\$60,019,542
Total liabilities, surplus and other funds	\$97,924,716		\$97,924,716

Health First Commercial Plans, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Underwriting Income			
Net premium income	\$237,421,619		\$237,421,619
Change in unearned premium reserves and reserve for rate credits	(900)		(900)
Total revenues	237,420,719		237,420,719
Deductions			
Hospital and medical benefits	\$127,937,264		\$127,937,264
Other professional services	8,084,402		8,084,402
Emergency room and out-of-area	19,742,191		19,742,191
Prescription drugs	36,216,875		36,216,875
Subtotal	191,980,732		191,980,732
Net reinsurance recoveries	2,406,841		2,406,841
Total hospital and medical	189,573,891		189,573,891
Claims adjustment expenses	6,522,185		6,522,185
General administrative expenses	34,282,765		34,282,765
Total underwriting deductions	\$230,378,841		\$230,378,841
Net underwriting gain or (loss)	\$7,041,878		\$7,041,878
Investment Income			
Net investment income earned	\$1,501,263		\$1,501,263
Net realized capital gains or (losses)	155,516		155,516
Net investment gain or (loss)	\$1,656,779		\$1,656,779
Net income or (loss) after capital gains tax and before all other federal income taxes	\$8,698,657		\$8,698,657
Federal & foreign income taxes			
Net income (loss)	\$8,698,657		\$8,698,657

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$46,981,327		\$46,981,327
Net income or (loss)	\$8,698,657		\$8,698,657
Change in net unrealized capital gains (losses) less capital gains tax	1,255,401		1,255,401
Change in non-admitted assets	3,084,158		3,084,158
Net change in capital and surplus	\$13,038,216		\$13,038,216
Capital and surplus end of reporting period	\$60,019,542		\$60,019,542

Health First Commercial Plans, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

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

Michiru Shibata, FSA, MAAA, an employee of HFAP, 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, Edward F. McKernan, FSA, MAAA, of Capstan Actuarial Solutions, LLC, reviewed the loss and loss adjustment expense work papers provided by the Company and he was in concurrence with this opinion.

Capital and Surplus

As of December 31, 2019 the amount of capital and surplus reported by the Company of \$60,019,542, exceeded the minimum of \$4,748,432 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

The Company, along with Health First Health Plans, Inc. and Health First Insurance, Inc. were a party to the Class Action lawsuits *Health Republic Insurance Company, on behalf of itself and all others similarly situated v. the United States of America*, filed February 24, 2016, and *Common Ground healthcare Cooperative v. United States*, filed June 27, 2017. As part of the settlement, the Company and affiliates collectively may receive up to \$2,125,000. In anticipation of that settlement, the parties have agreed to sell their potential recovery to RC Strategies Fund VI, LLC.

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

CONCLUSION

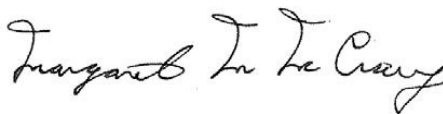
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Health First Commercial Plans, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Thomas Mayberry, CPA, CFE, Examiner-in-Charge, Philip Engelhart, CPA, AIAF, CFE, Supervising Examiner, and Paul Sliwinski, CPA, ARe, Chris Davis, CPA, and Koye Arulogun, CPA, CFE Participating Examiners, of EWM Group, PC, also participated in the examination. Members of the Office who participated in the examination include Margaret McCrary, CPA, CFE, Examination Supervisor. Additionally, Edward F. McKernan, FSA, MAAA of Capstan Actuarial Solutions, LLC and Joanna Latham, CPA, CFE, AES, CISA, CRISC and Jenny Jeffers, AES, CISA, CFE (Fraud), IT Specialist of Jennan Enterprises, LLC, are recognized for participation in the examination.

Respectfully submitted,



Philip D. Engelhart, CPA, AIAF, CFE
Supervising Examiner
EWM Group, PC



Margaret M. McCrary, CFE, CPA, MBA
Chief Financial Examiner – Life & Health
Florida Office of Insurance Regulation



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