



**EXAMINATION REPORT
OF
Neighborhood Health Partnership, Inc.**

NAIC Company Code: 95123

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April, 29, 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

Neighborhood Health Partnership, Inc.
3100 S.W. 145th Avenue, Suite 200
Miramar, Florida 33027

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, 2015 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on September 23, 2020. The fieldwork concluded as of April 29, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2010 through December 31, 2014.

The examination was a multi-state/coordinated holding company group 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. The lead state for this exam was Connecticut, and states that participated in this exam are as follows: Alabama, Arizona, Colorado, Florida, Illinois, Indiana, Missouri, New Mexico, North Carolina, Oklahoma, Oregon, Texas, Washington and Wisconsin.

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 641.27, 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

A finding noted during the examination period was resolved by the Company subsequent to the examination date. The finding is discussed in detail in the Comments on Financial Statement Item section of the report on page 18.

Previous Examination Findings

There were no significant findings in the previous examination.

COMPANY HISTORY

General

The Company was incorporated in Florida on January 21, 2000 and licensed by the Office as a Health Maintenance Organization (“HMO”) on November 9, 2000. It was authorized to operate as an HMO in accordance with Part 1 of Chapter 641, Florida Statutes.

Dividends

In accordance with the Company’s Bylaws/Articles of Incorporation, dividends were declared and to its stockholder in 2015, 2016, 2017, 2018 and 2019 in the amounts of \$14,000,000, \$25,000,000, \$41,000,000, \$44,000,000 and \$17,500,000, respectively.

Capital Stock and Capital Contributions

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

Number of authorized common capital shares	100,000
Number of shares issued and outstanding	100,000
Total common capital stock	\$100

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

The annual shareholder meeting for the election of Directors was held in accordance with the Company's Bylaws/Articles of Incorporation. Directors serving as of December 31, 2019, are shown below:

Directors ⁽¹⁾ ⁽²⁾		
Name	City, State	Principal Occupation, Company Name
Thomas C. Choate ⁽³⁾	Maitland, FL	National Markets CEO UnitedHealthcare
Eric H. Johnson	Tampa, FL	E&I Regional CFO UnitedHealthcare
Gregory D. Reidy	Brentwood, TN	E&I Regional CEO UnitedHealthcare
Nicholas J. Zaffiris	Tampa, FL	E&I Health Plan CEO UnitedHealthcare

⁽¹⁾ Juliet T. Scott resigned effective June 24, 2019, hence, there were only 4 directors as of 12/31/2019. Jonathon E. Zitur was elected as a Director February 4, 2020 replacing Juliet T. Scott.

⁽²⁾ The Company's Bylaws do not identify a Chair for the Board of Directors, as such, no Chair is selected. With the Company being part of a regional meeting, the South East Region Chief Operation Officer acts as the Chair at live meetings. Note, this individual is not an officer of the Company

⁽³⁾ Thomas E. Choate resigned as a Director and Lori Halpern joined as a Director effective September 9, 2020.

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

Senior Officers		
Name	City, State	Title
Gregory D. Reidy ⁽¹⁾	Brentwood, TN	President/CEO
Eric H. Johnson ⁽²⁾	Tampa, FL	Chief Financial Officer
Sara A. Murdock	Minnetonka, MN	Secretary
Peter M. Gill	Minnetonka, MN	Treasurer

(1) Gregory D. Reidy was replaced by Nicolas J. Zaffiris as President effective September 16, 2020.

(2) Eric H. Johnson was replaced by Jonathon Zitur as the CEO effective September 16, 2020.

Holding Company System

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, Florida Statutes and Rule 69O-143.046, Florida Administrative Code, on March 27, 2020.

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

Tax Sharing Agreement

Effective March 1, 2019, the Company entered into an Amended and Restated Tax Sharing Agreement. The Company, along with UnitedHealth Group Incorporated (UHG) and other subsidiaries filed a consolidated federal income tax return. On December 31, 2019, the method of allocation between the Company and UHG was on a separate-entity basis. Each member of the group recorded an inter-company income tax receivable or payable with UHG. Within sixty (60) days of the remittance by UHG of any income tax payment to the taxing authorities, all inter-company tax receivables/payables were settled.

Subordinated Revolving Credit Agreement

The Company entered into a Subordinated Revolving Credit Agreement with UnitedHealth Group, effective September 1, 2012. Pursuant to the agreement, UHG provided a short-term borrowing facility for the Company, which required repayment within one year of the date on which the loan was initially made. As of December 31, 2019, there was no outstanding balance.

Combined Billing and Disbursement Operations Agreement

The Company entered into a Combined Billing and Disbursement Operations Agreement with UnitedHealthcare Insurance Company and United HealthCare Services, Inc., effective February 1, 2012 by signing a Participating Addendum. The purpose of this agreement was to provide a common lockbox for premium collection and zero balance disbursements account for payment certain bills. Fees incurred under this agreement are included as part of the Management Service agreement.

Management Services Agreement

The Company entered into a Management Services Agreement with United HealthCare Services, Inc. effective, March 1, 2019, later amended. The agreement continues in force until terminated within the guidelines of the agreement. Fee for services or operational support functions purchased by the Company through this agreement were calculated using either a "Pass-Through of Charges" or an "Annual Percent of Premiums". Fees incurred under this agreement during 2019 amounted to \$65,402,267.

Administrative Services Agreement

The Company entered into an Administrative Services Agreement with OptumHealth Care Solutions, Inc., effective March 1, 2013, later amended. Under the terms of the agreement OptumHealth provided a network of therapy providers and other administrative functions in order to provide physical health solutions for the Company's members. Fees incurred under this agreement during 2019 amounted to \$2,270,237.

Services Agreement

The Company entered into a Services Agreement with OptumInsight, Inc. f/k/a Ingenix, Inc., effective April 1, 2011, later amended. Pursuant to the agreement, Ingenix provide the Company

with services related to claim analytics and recovery services, retrospective fraud, waste and abuse services and subrogation services. Fees incurred under this agreement during 2019 amounted to \$2,161,530.

Dental Services Agreement

The Company entered into a Dental Services Agreement with Dental Benefit Providers, Inc., effective January 1, 2014, later amended. Pursuant to the Agreement a network of dental providers, claims processing and other administrative functions were provided for the Company's members. Fees incurred under this agreement during 2019 amounted to \$243,428.

Vision Services Agreement

The Company entered into a Vision Services Agreement with Spectera, Inc., effective January 1, 2014, later amended. Under the terms of the agreement Spectera provided vision services and products, claims processing and other administrative services to the Company's members. Fees incurred under this agreement during 2019 amounted to \$70,801.

Behavioral Health Services Agreement

The Company entered into a Behavioral Health Services Agreement with United Behavioral Health, effective April 1, 2013, later amended. Under the terms of the agreement United Behavioral Health provided certain mental health and substance abuse treatment services for the Company's member. Fees incurred under this agreement during 2019 amounted to \$8,971,578.

Prescription Drug Benefit Administration Agreement

The Company entered into a Prescription Drug Benefit Administration agreement with OptumRx and United HealthCare Services signing a Participating Addendum, effective January 1, 2013, later amended. Under the terms of the agreement OptumRx provided the Company with prescription drug benefit services, mail order pharmacy services, claims processing, benefits administration, marketing and sales support, account management services, rebate administration, clinical services and finance and analytical services.

Facility Participating Agreements

The Company entered into a Facility Participating Agreement with AxelaCare Intermediate Holdings, LLC effective February 1, 2016, later amended. The agreement provided home infusion therapy services, including per diem nursing services and the cost of drugs to the Company's

Commercial members. Fees incurred under this agreement during 2019 amounted to \$2,003,224.

The Company entered into a Facility Participating Agreement with OptumRx, Inc., effective January 1, 2012, later amended. Under the terms of the agreement, OptumRx provided durable medical equipment services and hearing aids for the Company's members.

The Company entered into a Facility Participating Agreement with OptumRx, Inc., effective December 1, 2015, later amended. This agreement was replaced and superseded by an agreement effective July 1, 2018. Pursuant to the agreements, OptumRx acts as a specialty pharmacy provided to the Company members.

The Company entered into a Facility Participating Agreement with Optum Biometrics f/k/a Wellness, Inc., effective October 1, 2010. Pursuant to the terms of the agreement, Optum Biometrics provided influenza and pneumococcal vaccination services to the Company's members.

National Ancillary Provider Participation Agreements

The Company being an affiliate, became party to the National Ancillary Provider Participation Agreement between UnitedHealthcare Insurance Company and Optum Women's and Children's Health, LLC, effective November 1, 2017. Optum provided home infusion therapy to Company's pregnant members in need of certain hormonal and insulin therapy. Fees incurred under this agreement during 2019 amounted to \$3,035.

The Company being an affiliate, became party to the National Ancillary Provider Participation Agreement between UnitedHealthcare Insurance Company and Real Appeal, Inc., effective January 1, 2019. Real Appeal provided Obesity and Diabetes Prevention Service focusing on weight loss to the Company's members. Fees incurred under this agreement during 2019 amounted to \$320,356.

Ancillary Provider Participation Agreements

The Company entered into an Ancillary Provider Participation Agreement with Ear Professionals International Corporation (EPIC), effective January 1, 2008, later amended. Under the terms of the agreement EPIC provided hearing aids for the Company's members. Fees incurred under this agreement during 2019 amounted to \$96,867.

The Company entered into an Ancillary Provider Participation agreement with MedExpress Urgent Care of Boynton Beach, LLC and DWIS of Tampa Bay, Inc. effective May 1, 2016. Pursuant to the agreement the providers provided home urgent care services to the Company's members. Fees incurred under this agreement during 2019 amounted to \$116,377.

Pooling Agreement

The Company participated in the Pooling agreement for the UnitedHealthcare Short-Term Investment Pool between United HealthCare Services, Inc. ("UHS") and J.P. Morgan Investment Management, Inc., effective September 1, 2011. UHS provided management and administrative services with respect to investment and treasury functions of certain of its affiliates and in performing such services.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Minnetonka, Minnesota.

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

Investment Management Agreement

The Company became a participant to the Investment Management Agreement, dated January 20, 2005, as amended, between United HealthCare Services, Inc. ("UHS") and Standish Mellon Asset Management Company, LLC. Pursuant to the agreement, UHS is an affiliate of all the participants and has the authority to perform treasury functions for all participants, including but not limited to, manage cash and invested assets, either directly or through retention of external investment managers. As such, UHS has appointed one or more investment managers to supervise and direct the investment and reinvestment of the participant's assets.

Independent Auditor Agreement

An independent CPA, Deloitte & Touché LLP, audited the Company's statutory basis financial statements annually for the years 2015, 2016, 2017, 2018 and 2019, in accordance with Section 641.26(5) Florida Statutes.

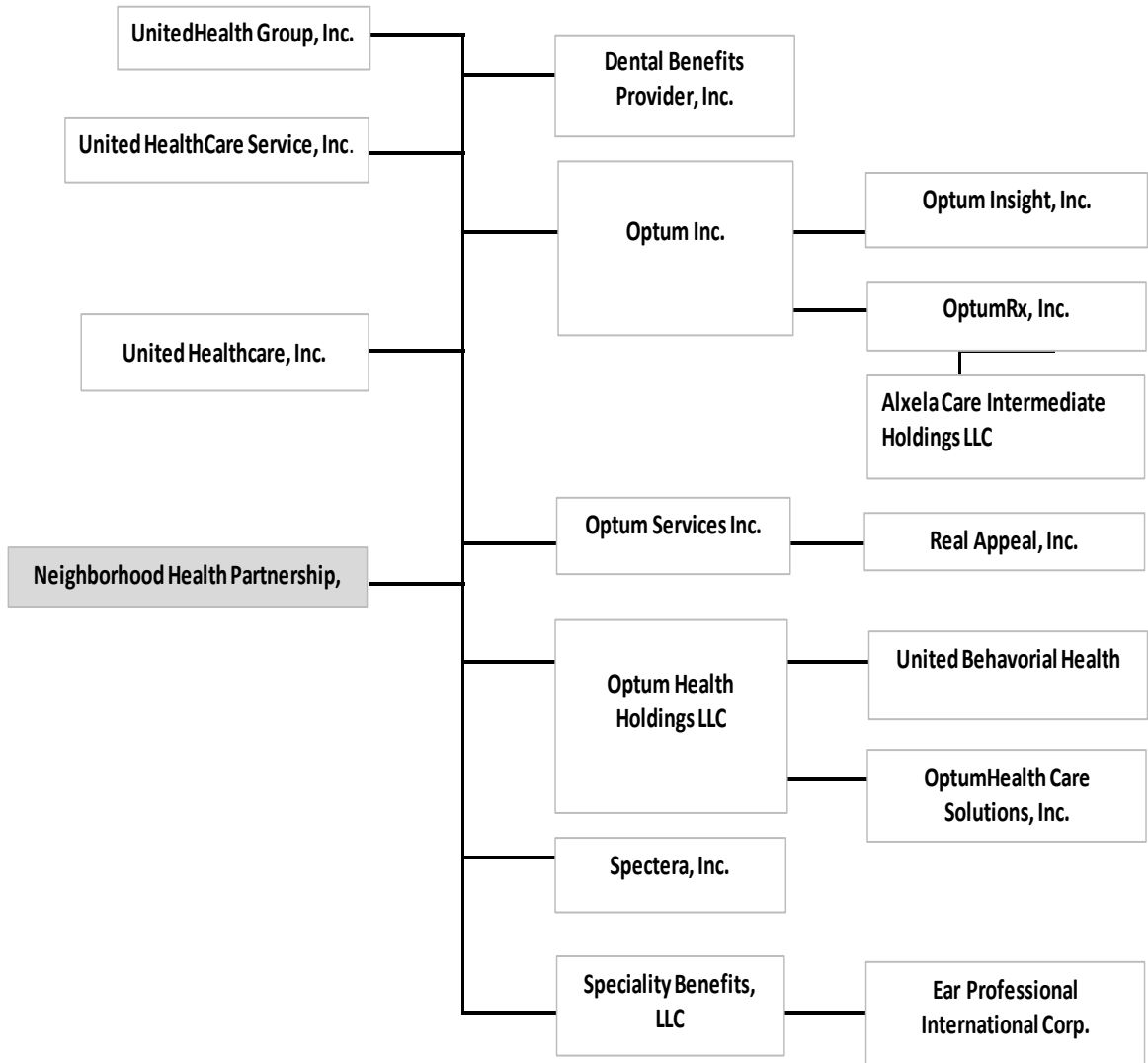
Corporate Records Review

The recorded minutes of the Shareholder(s), Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented its meetings and approval of Company transactions and events, in compliance with the Handbook adopted by Rule 69O-138.001, Florida Administrative Code, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

The Company elected to utilize the Southeast Region Audit Committee of United Healthcare Services, Inc. The recorded minutes of the Southeast Region Audit Committee were reviewed for the period under examination.

A simplified organizational chart as of December 31, 2019, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2019 annual statement provided a list of all related companies of the holding company group.

Neighborhood Health Partnership, Inc.
Simplified Organizational Chart
December 31, 2019



TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to transact insurance only in the State of Florida. The Company was part of UnitedHealth Group's Employer & Individual business segment, commonly known as the "Commercial" market and offered a variety of managed care programs and products to employers and individuals through contractual arrangements with health care providers. The Company 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 September 30, 2020. The Company had 170,144 members as of December 31, 2019, of which 100% were comprehensive Commercial members.

The Company was authorized to transact insurance in Florida on November 9, 2000 and is currently authorized as an HMO as of December 31, 2019.

REINSURANCE

The Company neither assumed nor ceded any reinsurance during the period under examination.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Surplus and Other Funds and a 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 this Report).

Neighborhood Health Partnership, Inc.

Assets

December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$180,044,420		\$180,044,420
Cash, cash equivalents and short-term investments	25,486,857		25,486,857
Subtotal cash and invested assets	\$205,531,277		\$205,531,277
Investment income due and accrued	1,291,020		1,291,020
Premiums and considerations			
Uncollected premiums and agents' balances	4,391,183		4,391,183
Accrued retrospective premiums	523,693		523,693
Current federal and foreign income taxes recoverable	2,613,783		2,613,783
Net deferred tax asset	2,187,075		2,187,075
Totals	\$216,538,031		\$216,538,031

Neighborhood Health Partnership, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$89,732,893		\$89,732,893
Accrued medical incentive pool and bonus amounts	428,469		428,469
Unpaid claims adjustment expenses	518,427		518,427
Aggregate health policy reserves	40,160,408		40,160,408
Aggregate health claim reserves	1,892,543		1,892,543
Premiums received in advance	13,563,729		13,563,729
General expenses due or accrued	2,486,319		2,486,319
Amounts withheld or retained for the account of others	524,795		524,795
Remittances and items not allocated	2,721		2,721
Amounts due to parent, subsidiaries and affiliates	8,731,608		8,731,608
Aggregate write-ins for other liabilities	227,811		227,811
Total liabilities	\$158,269,723		\$158,269,723
Aggregate write-ins for special surplus funds	16,118,432		16,118,432
Common capital stock	100		100
Gross paid-in and contributed surplus	4,988,383		4,988,383
Unassigned funds (surplus)	37,161,393		37,161,393
Total capital and surplus	\$58,268,308		\$58,268,308
Total liabilities, capital and surplus	\$216,538,031		\$216,538,031

Neighborhood Health Partnership, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$840,510,970		\$840,510,970
Change in unearned premium reserves and reserve for rate credits	(4,942)		(4,942)
Total revenues	\$840,506,028		\$840,506,028
Hospital and Medical:			
Hospital/medical benefits	587,032,702		587,032,702
Other professional services	115,141		115,141
Prescription drugs	106,604,765		106,604,765
Incentive pool, withhold adjustments and bonus amounts	367,515		367,515
Total hospital and medical	\$694,120,123		\$694,120,123
Claims adjustment expenses	30,818,831		30,818,831
General administrative expenses	72,218,982		72,218,982
Total underwriting deductions	\$797,157,936		\$797,157,936
Net underwriting gain or (loss)	\$43,348,092		\$43,348,092
Net investment income earned	4,237,795		4,237,795
Net realized capital gains (losses) less capital gains tax	347,795		347,795
Net investment gains ((losses)	\$4,585,590		\$4,585,590
Net gain or (loss) from agent's or premium balances	(137,489)		(137,489)
Net income or (loss) after capital gains tax and before all other federal income taxes	\$47,796,193		\$47,796,193
Federal and foreign income taxes incurred	9,959,570		9,959,570
Net Income	\$37,836,623		\$37,836,623

Neighborhood Health Partnership, Inc.
Statement of Revenue and Expenses (Continued)
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Capital and Surplus Account			
Capital and surplus prior reporting year	\$37,463,036		\$37,463,039
Net Income	\$37,836,623		\$37,836,623
Change in net deferred income taxes	682,088		682,088
Change in nonadmitted assets	(2,417,856)		(2,417,856)
Dividends to stockholders	(17,500,000)		(17,500,000)
Aggregate write-ins for gains or(losses) in surplus	2,204,417		2,204,417
Net change in capital and surplus	\$20,805,272		\$20,805,272
Capital and surplus end of reporting year	\$58,268,308		\$58,268,308

Neighborhood Health Partnership, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

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

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2014, per Examination			\$28,442,189
	Increase	Decrease	
Loss in surplus	\$169,077,196		\$169,077,196
Change in net deferred income tax		\$2,239,711	\$(2,239,711)
Change in non-admitted assets	\$3,383,429		\$3,383,429
Dividends to stockholders		\$141,500,000	\$(141,500,000)
Aggregate write-ins for gains and losses in surplus	\$1,105,205		\$1,105,205
Net increase (or decrease)			\$29,826,119
Capital and Surplus at December 31, 2019 per Examination			\$58,268,308

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Aggregate Health Policy Reserves

Subsequent Event: The Company when estimating its Affordable Care Act (ACA) Risk Adjustment payable noted an overstatement of \$3,924,742 and for the Risk Adjustment Data Validation (RADV) payable an understatement of \$(6,854,183) resulting in a net deficiency of \$2,979,441 as of December 31, 2019. Although some reported amounts were materially deficient, the Company has the appropriate processes and procedures in place to estimate and report payables based on the information provided at the time the estimate is developed. The CMS proposed changes in the process for determining future RADV amounts due which will minimize amounts payable deficiencies going forward. The Company updated their Aggregate Health Policy Reserves in 2020 to reflect the new information related to the 2019 RADV amounts due.

SUBSEQUENT EVENTS

Juliet T. Scott resigned as a Director effective June 24, 2019 and was replaced by Jonathon E. Zitur elected February 4, 2020.

Thomas E. Choate resigned as a Director and Lori Halpern joined as a Director effective September 9, 2020.

Gregory D. Reidy was replaced by Nicolas J. Zaffiris as President and Eric H. Johnson was replaced by Jonathon Zitur as the CEO effective September 16, 2020.

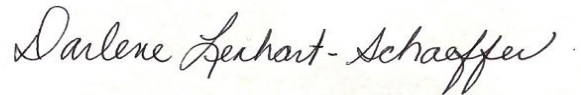
The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The Florida Office of Insurance Regulation has been in communication with the Company regarding the impact 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

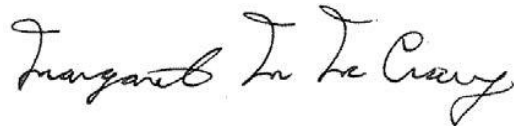
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Neighborhood Health Partnership as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Darlene Lenhart-Schaeffer, CFE, CISA, Examiner-in-Charge and John Humphries, ASA, MAAA, CFE, CISA, AES, MCM, Examination Manager, both with Risk & Regulatory Consulting, LLC, participated in the examination. Members of the Office who participated in the examination include Shantia Simmons, APIR, Financial Examiner/Analyst Supervisor, Oversight Manager.

Respectfully submitted,



Darlene Lenhart-Schaeffer, CFE, CISA
Financial Examination Supervisor
Risk & Regulatory Consulting, LLC



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



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