



**EXAMINATION REPORT
OF
Sunshine Health Community Solutions, Inc.**

NAIC Company Code: 15927

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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May 27, 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

Sunshine Health Community Solutions, Inc.
1301 International Parkway
Sunrise, FL 33323

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, 2018 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on June 26, 2020. The fieldwork concluded as of May 27, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2017 through December 31, 2017.

The examination was a multi-state/coordinated 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 Texas, and states that participated in this exam are as follows: Arkansas, Florida, Kansas, Nevada and Pennsylvania.

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 November 4, 2015 and commenced business on January 1, 2017.

Dividends

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

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
Par value per share	\$0.001

The Company received a capital contribution of \$1,000,000 in 2019.

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
Chris Coffey ^(a)	Sunrise, Florida	President and Chief Executive Officer – Company
Jeffrey Schwaneke	Sunrise, Florida	Treasurer, Executive Vice President – Centene
Joel Samson	Sunrise, Florida	Secretary

(a) Subsequent to year-end, Mrs. Elizabeth Miller was appointed as President and Chief Executive Officer of the Company.

In accordance with the Company's Bylaws, the Board of Directors ("Board") appointed the following Senior Officers:

Senior Officers		
Name	City, State	Title
Chris Coffey ^(a)	Sunrise, Florida	President and Chief Executive Officer – Company
Jeffrey A. Schwaneke	Sunrise, Florida	Treasurer
Joel Samson	Sunrise, Florida	Secretary
Tricia L. Dinkelman	Sunrise, Florida	Vice President of Tax
Ray Bautisa ^(b)	Sunrise, Florida	Plan Chief Financial Officer
Jeff Martorana, M.D.	Sunrise, Florida	Medical Director

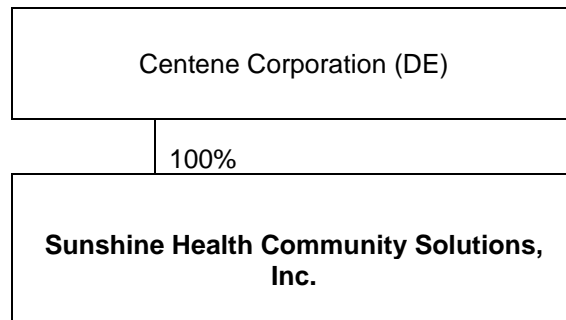
(a) Subsequent to year-end, Mrs. Elizabeth Miller was appointed as President and Chief Executive Officer of the Company.

(b) Subsequent to year-end, Mrs. Traci Fabrizi was appointed as Chief Financial Officer of the Company.

Holding Company System

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

**Sunshine Health Community Solutions, Inc.
Simplified Organizational Chart
December 31, 2019**



AFFILIATED AND OTHER AGREEMENTS

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

Tax Allocation Agreement

The Company is party to a Tax Sharing Agreement with Centene. The agreement was initially effective on December 31, 2002 by Centene and ratified by the Company when operations began on November 4, 2015. The method of allocation among companies is subject to a written agreement whereby allocation is made primarily on a separate company basis using the percentage method pursuant to provisions of IRC Sections §1502 and §1552 and Treasury Regulations §1.1502 and §1.1552. In accordance with the tax sharing agreement, each member shall pay to Centene or receive from Centene the amount of tax liability or benefit reported on each member's pro forma federal income tax return within 90 days of the date Centene files its consolidated federal income tax return.

Management Agreement

Effective March 1, 2016, the Company entered into a Management Agreement with Centene Management Company, LLC ("CMC"), a Wisconsin limited partnership and a wholly-owned subsidiary of Centene. Under the agreement, the Company pays CMC a fee based on a percentage of its monthly revenue, for which CMC provides the services necessary to manage the business operations of the Company and assumes responsibility for all associated costs. CMC assumes responsibility for program planning and development, management information systems, financial systems and services, facilities arrangement, claims administration, provider and enrollee services and records, case management, care coordination, utilization and peer review, and quality assurance/quality improvement. In addition, under the agreement, the Company pays other direct costs associated with the business not covered by the management service agreement. Fees incurred under this agreement during 2019 amounted to \$1,224,015.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Saint Louis, MO.

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

Custodial Agreement

The Company maintained a custodial agreement with Brown Brother Harriman & Co executed on December 15, 2017.

Independent Auditor Agreement

An independent CPA, KPMG, 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 Shareholder's and Board of Directors (Board) were reviewed for the period under examination. The recorded minutes of the Board documented the approval of Company transactions and events, in compliance with the Handbook, including 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.

The Company was authorized to transact insurance in Florida on April 8, 2016, and is currently authorized as a Health Maintenance Organization as of December 31, 2019.

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

Effective January 1, 2018, the Company entered into an HMO Specific Excess of Loss Reinsurance Agreement with PartnerRe America Insurance Company. The specific deductible is \$1,250,000 per covered person, up to \$3,000,000 per covered person. During 2019, \$2,294 of net ceded premiums were reported as a reduction of premium revenue in the statutory statements of revenue and expenses.

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.)

Sunshine Health Community Solutions, Inc.
Assets
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Bonds	\$12,435,473		\$12,435,473
Cash, cash equivalents and short-term investments	1,153,558		1,153,558
Subtotal cash and invested assets	\$13,589,031		\$13,589,031
Investment income due and accrued	105,920		105,920
Premiums and considerations			
Uncollected premiums and agents' balances	935		935
Accrued retrospective premiums	570,935		570,935
Current federal and foreign income taxes recoverable	1,044,392		1,044,392
Aggregate write-ins for other than invested assets	105,087		105,087
Totals	\$15,416,300		\$15,416,300

Sunshine Health Community Solutions, Inc.
Liabilities, Capital and Surplus
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$3,972,216		\$3,972,216
Accrued medical incentive pool and bonus amounts	94,963		94,963
Unpaid claims adjustment expenses	54,000		54,000
Aggregate health policy reserves	2,951,547		2,951,547
Premiums received in advance	372		372
General expenses due or accrued	92,110		92,110
Ceded reinsurance premiums payable	2,656		2,656
Amounts due to parent, subsidiaries and affiliates	3,599,512		3,599,512
Liability for amounts held under uninsured plans	691,932		691,932
Total liabilities	\$11,459,308		\$11,459,308
Aggregate write-ins for special surplus funds	240,990		240,990
Common capital stock	1		1
Gross paid-in and contributed surplus	20,999,999		20,999,999
Unassigned funds (surplus)	(17,283,998)		(17,283,998)
Total capital and surplus	\$3,956,992		\$3,956,992
Total liabilities, capital and surplus	\$15,416,300		\$15,416,300

Sunshine Health Community Solutions, Inc.
Statement of Revenue and Expenses
December 31, 2019

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$12,237,858		\$12,237,858
Total revenues	\$12,237,858		\$12,237,858
Hospital and Medical:			
Hospital/medical benefits	15,172,623		15,172,623
Other professional services	650,676		650,676
Emergency room and out-of-area	770,067		770,067
Prescription drugs	1,103,372		1,103,372
Incentive pool, withhold adjustments and bonus amounts	130,915		130,915
Subtotal	\$17,827,653		\$17,827,653
Less:			
Total hospital and medical	\$17,827,653		\$17,827,653
Claims adjustment expenses	245,033		245,033
General administrative expenses	1,180,508		1,180,508
Increase in reserves for life and accident and health contracts	120,550		120,550
Total underwriting deductions	\$19,373,744		\$19,373,744
Net underwriting gain or (loss)	(\$7,135,886)		(\$7,135,886)
Net investment income earned	439,888		439,888
Net realized capital gains (losses) less capital gains tax	(1,165)		(1,165)
Net investment gains ((losses)	\$438,723		\$438,723
Net gain or (loss) from agents' or premium balances charged off	(8,527)		(8,527)
Net income or (loss) after capital gains tax and before all other federal income taxes	(\$6,705,690)		(\$6,705,690)
Federal and foreign income taxes incurred	(1,418,422)		(1,418,422)
Net Income	(\$5,287,268)		(\$5,287,268)

Sunshine Health Community Solutions, 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	\$8,174,514		\$8,174,514
Net Income or (loss)	(\$5,287,268)		(\$5,287,268)
Change in nonadmitted assets	69,746		69,746
Surplus adjustments:			
Paid in	1,000,000		1,000,000
Net change in capital and surplus	(\$4,217,522)		(\$4,217,522)
Capital and surplus end of reporting year	\$3,956,992		\$3,956,992

Sunshine Health Community Solutions, Inc.
Reconciliation of Capital and Surplus
December 31, 2019

Capital/Surplus Change during Examination Period			
Capital and Surplus at December 31, 2017, per Examination			\$11,117,396
	Increase	Decrease	
Loss in surplus		(\$7,811,990)	(\$7,811,990)
Change in non-admitted assets		(\$348,414)	(\$348,414)
Change in paid in surplus	\$1,000,000		\$1,000,000
Net increase (or decrease)			(\$7,160,404)
Surplus at December 31, 2019 per Examination			\$3,956,992

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

Michael Polakowski, FSA, MAAA, Principal and Consulting Actuary of Milliman, 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, Brett Miller, FCAS, MAAA, ARM, Senior Consulting Actuary of Merlinos & Associates, 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 \$3,956,992, exceeded the minimum of \$1,500,000 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.

CONCLUSION

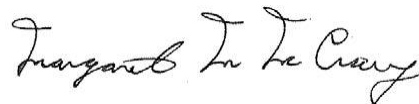
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Sunshine Health Community Solutions, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Dale Miller, CFE, CPA, CFF, Consulting Examination Manager of Carr, Riggs & Ingram, LLC, also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager. Additionally, Brett Miller, FCAS, MAAA, ARM, Senior Consulting Actuary of Merlinos & Associates, Inc., IT Specialist of the Texas Department of Insurance, are recognized for participation in the examination.

Respectfully submitted,



Francois Houde, CFE, CPA, CA, CISA, AES
Examiner-in-Charge
Carr, Riggs & Ingram, LLC



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