



**EXAMINATION REPORT
OF
Devoted Health Plan of Florida, Inc.**

NAIC Company Code: 16358

**Miramar, Florida
as of
December 31, 2020**

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

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April 29, 2022

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, 2020, of the financial condition and corporate affairs of

Devoted Health Plan of Florida, Inc.
2801 SW 149th Ave, Suite 100
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, 2020, through December 31, 2020 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“OIR”) on October 11, 2021 to October 15, 2021. The fieldwork concluded as of April 29, 2022. The Company’s last full scope exam by representatives of OIR covered the period of October 12, 2017, through December 31, 2019.

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 Florida, and states that participated in this exam are as follows: Ohio and Texas.

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 Sections 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 October 12, 2017, and commenced business on January 1, 2019. The Company was licensed by OIR as a Health Maintenance Organization (“HMO”) on March 15, 2018. It was authorized by OIR to operate as an HMO in accordance with Part 1 of Chapter 641, Florida Statutes.

Dividends

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

Capital Stock and Capital Contributions

As of December 31, 2020, the Company’s capitalization was as follows:

Number of authorized common capital shares	10,000,000
Number of shares issued and outstanding	7,200,000
Total common capital stock	\$7,200,000
Par value per share	\$1.00

The Company received paid in surplus in the amount of \$65,800,000 in 2020.

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 Section 2.1. Directors serving as of December 31, 2020, are shown below:

Directors		
Name	City, State	Principal Occupation, Company Name
Ed Park	Waltham, Massachusetts	Chief Executive Officer, Devoted Health Inc.
Todd Park	Waltham, Massachusetts	Executive Chairman, Devoted Health Inc.
Dariel Quintana	Miramar, Florida	President, Devoted Health Plans of Florida, Inc
Jeremy Delinsky	Waltham, Massachusetts	Chief Operating Officer, Devoted Health Inc.
Adam Thackery (a)	Waltham, Massachusetts	Chief Financial Officer, Devoted Health Inc.

(a) Resigned on September 26, 2021, and was replaced by Joseph Alfano on September 27, 2021.

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

Senior Officers		
Name	City, State	Title
Dariel Quintana	Miramar, Florida	President
Jeremy Delinsky	Waltham, Massachusetts	Chief Operating Officer

Adam Thackery (a)	Waltham, Massachusetts	Chief Financial Officer and Treasurer
Neil Wagle	Waltham, Massachusetts	Chief Medical Director
Paul Jernigan	Houston, Texas	Secretary

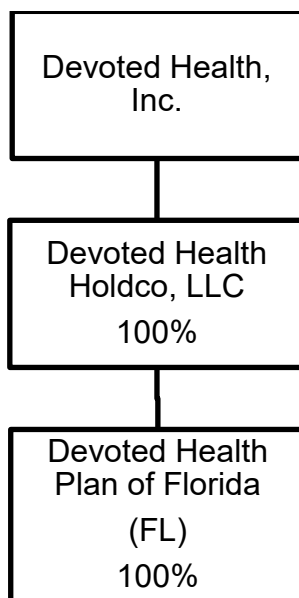
(a) Resigned on September 26, 2021, and was replaced by Joseph Alfano on September 27, 2021.

The Company utilized its ultimate parent's audit committee, Devoted Health, Inc., as its audit committee.

Holding Company System

A simplified organizational chart as of December 31, 2020, reflecting the holding company system, is shown on the following page. Schedule Y of the Company's 2020 annual statement provided a list of all related companies of the holding company group.

Devoted Health Plan of Florida Simplified Organizational Chart December 31, 2020



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

Tax Allocation Agreement

Effective October 12, 2017, the Company and its ultimate parent Devoted Health, Inc., entered into a Tax Sharing Agreement. Pursuant to the Agreement, the members of the Tax Sharing Agreement file a consolidated US federal income tax return and state income tax return.

Administrative Services Agreement

Effective October 1, 2018, the Company entered into an Administrative Services Agreement with Devoted Health, Inc., the Company's ultimate parent. Pursuant to the Agreement, Devoted Health, Inc. will provide services described in one or more Statements of Work entered into between the parties. Each Statement of Work defines the Services to be performed, the time for completion of performance, the personnel to be assigned to perform the Services, the responsibilities undertaken by each Party, and such other terms and conditions as the parties entering into such Statements of Work may agree. Fees incurred under this agreement were \$15,730,108.

Master Services Agreement

Effective February 14, 2019, the Company entered into a Master Services Agreement with Devoted Medical Group, PLLC. Devoted Medical Group, PLLC provides certain goods and/or services pursuant to a Statement of Work, and is willing and able to supply such services on the terms and conditions contained within the Master Services Agreement. Fees incurred under this agreement were \$868,875.

ACCOUNTS AND RECORDS

The Company maintained its principal operational offices in Miramar, Florida with the Company's administrative office in Waltham, Massachusetts.

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

Independent Auditor Agreement

An independent CPA, Deloitte & Touche, LLP audited the Company's statutory basis financial statements annually for the year 2020, in accordance with Section 641.26(5), Florida Statutes. Supporting work papers were prepared by the CPA firm as required.

Corporate Records Review

The recorded minutes of the Shareholder and 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. The Company does not hold any investment securities or loans that require Board authorization under Section 641.35(7), Florida Statutes.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to provide managed care services only in Florida. On January 1, 2019, the Company began offering Medicare Advantage benefit plans in eight counties in Florida. An expansion into other counties was approved by OIR during 2021, which included eleven more counties: Orange, Manatee, Pasco, Hernando, Citrus, Duval, Nassau, Clay, Lake, Marion, and Sumter. Beginning January 1, 2021, the Company was authorized to offer Medicare Advantage plans in nineteen counties in Florida.

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 of loss reinsurance agreement with American Fidelity Assurance Company covering the period January 1, 2020 to January 1, 2021. The Company pays a monthly premium for certain eligible expenses. When a member's claims for hospital and professional services exceed applicable retention of \$175,000, which is subject to claims valuation, the Company receives a credit, or recovery of 90% of the excess up to the contracted agreement, up to the maximum benefit for each covered member of \$5,000,000.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital and Surplus, and statutory Statement of Revenue and Expenses, which includes an analysis of changes in the Capital and Surplus Account for the year ended December 31, 2020. The financial statements are based on the statutory financial statements filed by the Company with OIR and present the financial condition of the Company for the period ending December 31, 2020. Due to rounding, column amounts may not add to the totals reflected in this Report. There were no examination adjustments to the amounts reported by the Company.

Devoted Health Plan of Florida
Assets
December 31, 2020

	Per Company
Cash, cash equivalents and short-term investments	\$66,294,581
Subtotal cash and invested assets	\$66,294,581
Premiums and considerations	
Uncollected premiums and agents' balances	67,330
Accrued retrospective premiums	1,686,361
Amounts recoverable from reinsurer	1,654,671
Amounts receivable relating to uninsured plans	930,203
Health care and other amounts receivable	5,996,484
Total assets	\$76,629,630

**Devoted Health Plan of Florida
Liabilities, Capital and Surplus
December 31, 2020**

	Per Company
Claims unpaid	\$10,954,459
Accrued medical incentive pool and bonus amounts	4,897,849
Unpaid claims adjustment expenses	329,628
Aggregate health policy reserves	22,433,731
Premiums received in advance	422
General expenses due or accrued	389,474
Amounts withheld or retained for the account of others	647,837
Amounts due to parent, subsidiaries and affiliates	3,585,014
Liability for amounts held under uninsured plans	1,641,206
Total liabilities	\$44,879,620
Common capital stock	7,200,000
Gross paid-in and contributed surplus	101,513,000
Unassigned funds (surplus)	(76,962,990)
Total capital and surplus	\$31,750,010
Total liabilities, capital and surplus	\$76,629,630

**Devoted Health Plan of Florida
Statement of Revenue and Expenses
December 31, 2020**

	Per Company
Net premium income	\$159,325,281
Change in unearned premium reserves and reserve for rate credits	(1,575,870)
Total revenues	\$157,749,411
Hospital and Medical:	
Hospital/medical benefits	120,458,386
Other professional services	4,014,851
Outside referrals	8,068,717
Emergency room and out-of-area	4,929,808
Prescription drugs	36,262,098
Incentive pool, withhold adjustments and bonus amounts	(154,896)
Subtotal	\$173,578,964
Less:	
Net reinsurance recoveries	3,200,446
Total hospital and medical	\$170,378,518
Claims adjustment expenses	2,422,760
General administrative expenses	16,998,907
Increase in reserves for life and accident and health contracts	6,389,318
Total underwriting deductions	\$196,189,503
Net underwriting gain or (loss)	(\$38,440,092)
Net investment income earned	168,299
Net investment gains ((losses)	\$168,299
Net income or (loss) after capital gains tax and before all other federal income taxes	(\$38,271,793)
Net loss	(\$38,271,793)

	Per Company
Capital and Surplus Account	
Capital and surplus, prior reporting year	\$13,885,313
Net loss	(\$38,271,793)
Change in nonadmitted assets	(9,663,510)
Surplus adjustments:	
Paid in	65,800,000
Net change in capital and surplus	\$17,864,697
Capital and surplus, end of reporting year	\$31,750,010

**Devoted Health Plan of Florida
Reconciliation of Capital and Surplus
December 31, 2020**

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, 2019, per Examination			\$13,885,313
	Increase	Decrease	
Net loss		\$38,271,793	
Change in nonadmitted assets		\$9,663,510	
Change in paid in surplus	\$65,800,000		
Net increase (or decrease)			\$17,864,697
Capital and Surplus at December 31, 2020, per Examination			\$31,750,010

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Dan Quinn FSA, MAAA, appointed by the Board, rendered an opinion that the amounts carried in the balance sheet as of December 31, 2020, made a reasonable provision for all unpaid loss and loss expense obligations of the Company under the terms of its policies and agreements.

The OIR consulting actuaries, Karen Elsom, FSA, MAAA, and Jason Dunavin, FSA, MAAA, of Lewis & Ellis, Inc., reviewed the loss and loss adjustment expense work papers provided by the Company and they were in concurrence with this opinion.

Capital and Surplus

The amount of capital and surplus reported by the Company of \$31,750,010, exceeded the minimum of \$4,487,962 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

The COVID-19 pandemic has continued to develop throughout 2021 and 2022, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. The OIR has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The OIR 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 Devoted Health Plan of Florida as of December 31, 2020, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of Lewis & Ellis, Inc. participated in the examination: Ryne Davison, CFE, Examiner-in-Charge; David Palmer, CFE, Participating Examiner; Karen Elsom, FSA, MAAA, Actuary, and Jason Dunavin, FSA, MAAA, Actuary. Members of OIR who participated in the examination include Shantia Simmons, APIR, Examination Manager; and Alicia Perryman-Thomas, CFE(Fraud), APIR, Participating Examiner. Additionally, Joanna Latham, CFE, CPA, AES, CISA, CRISC, IT Specialist of Jennan Enterprises, LLC, are recognized for participation in the examination.

Respectfully submitted,



Ryne Davison, CFE
Examiner-in-Charge
Lewis & Ellis, Inc.



Margaret M. McCrary, CFE, CPA, MBA
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Carolyn M. Morgan, APIR
Director
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