



**EXAMINATION REPORT
OF
BAYCARE SELECT HEALTH PLANS, INC.**

NAIC Company Code: 16282

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

**BY THE
FLORIDA
OFFICE OF INSURANCE REGULATION**

TABLE OF CONTENTS

| | |
|--|-----------|
| LETTER OF TRANSMITTAL | - |
| SCOPE OF EXAMINATION..... | 1 |
| SUMMARY OF SIGNIFICANT FINDINGS | 2 |
| CURRENT EXAMINATION FINDINGS | 2 |
| PREVIOUS EXAMINATION FINDINGS | 2 |
| COMPANY HISTORY | 2 |
| GENERAL | 2 |
| DIVIDENDS | 2 |
| CAPITAL STOCK AND CAPITAL CONTRIBUTIONS..... | 2 |
| SURPLUS NOTES | 3 |
| ACQUISITIONS, MERGERS, DISPOSALS, DISSOLUTIONS | 3 |
| MANAGEMENT AND CONTROL..... | 3 |
| CORPORATE GOVERNANCE | 3 |
| HOLDING COMPANY SYSTEM | 5 |
| SIMPLIFIED ORGANIZATIONAL CHART | 6 |
| PURCHASED SERVICES AGREEMENT | 7 |
| FACILITIES SERVICES AGREEMENT | 7 |
| PHYSICIAN SERVICES AGREEMENT | 7 |
| PHYSICIAN SERVICES AGREEMENT | 7 |
| ACCOUNTS AND RECORDS | 8 |
| MANAGED SERVICES AGREEMENT | 8 |
| INDEPENDENT AUDITOR AGREEMENT | 8 |
| CORPORATE RECORDS REVIEW..... | 8 |
| TERRITORY AND PLAN OF OPERATIONS..... | 10 |
| REINSURANCE..... | 10 |
| REINSURANCE ASSUMED..... | 10 |
| REINSURANCE CEDED..... | 10 |
| FINANCIAL STATEMENTS..... | 11 |
| ASSETS..... | 12 |
| LIABILITIES, CAPITAL AND SURPLUS | 13 |
| STATEMENT OF REVENUE AND EXPENSES | 14 |
| RECONCILIATION OF CAPITAL AND SURPLUS..... | 16 |
| COMMENTS ON FINANCIAL STATEMENT ITEMS | 16 |
| LIABILITIES | 16 |
| CAPITAL AND SURPLUS | 16 |
| SUBSEQUENT EVENTS..... | 17 |
| SUMMARY OF RECOMMENDATIONS..... | 18 |
| CONCLUSION..... | 19 |

April 5, 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

BayCare Select Health Plans, Inc.

300 Park Place, Suite 170
Clearwater, Florida 33759

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

SCOPE OF EXAMINATION

This examination covered the period of December 26, 2017 through December 31, 2019 and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (“the Office”) on July 28, 2020 . The fieldwork concluded as of April 5, 2021. This is the Company’s first full scope exam by representatives of the Office.

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

The following is a summary of significant findings of fact including material adverse findings, significant non-compliance findings, such as non-compliance with state law(s), SSAPs, annual financial statement instructions, etc. or material changes in the financial statements.

- The annual member meeting for the election of Directors was not held in accordance with Article IV, Section 4.1 of the Company's bylaws.
- The Company's Appointed Actuary did not file a report substantially in compliance with Section 641.26(1)(f), Florida Statutes. The report did not include an actuarial certification that the health maintenance organization is actuarially sound and that the rates are actuarially adequate to the end of the period for which rates have been guaranteed.

Previous Examination Findings

There are no previous examination findings.

COMPANY HISTORY

General

The Company was incorporated in Florida on December 7, 2015 and commenced business on January 1, 2019.

Dividends

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

Capital Stock and Capital Contributions

The Company was incorporated as a nonprofit, nonstock corporation. BayCare Health System, Inc. (BCHS), a separate tax-exempt corporation, is the parent holding company and "sole member" of the Company. Below are the capital contributions by BCHS to the Company.

| <u>Date</u> | <u>Amount</u> | <u>Balance</u> |
|-------------|------------------|----------------------|
| 09/16/16 | \$ 1,500.00 | \$ 1,500.00 |
| 08/17/17 | \$ 19.99 | \$ 1,519.99 |
| 08/25/17 | \$ 20,000,000.00 | \$ 20,001,519.99 |
| 08/25/17 | \$ 14,000,000.00 | \$ 34,001,519.99 |
| 02/27/20 | \$ 15,000,000.00 | \$ 49,001,519.99 (1) |
| 06/25/20 | \$ 2,000,000.00 | \$ 51,001,519.99 (1) |
| 09/29/20 | \$ 4,000,000.00 | \$ 55,001,519.99 (1) |
| 12/21/21 | \$ 10,000,000.00 | \$ 65,001,519.99 (1) |
| 02/17/21 | \$ 10,000,000.00 | \$ 75,001,519.99 (1) |

(1) - See Subsequent Events section of this report

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 member meeting for the election of Directors was not held in accordance with Article IV, Section 4.1 of the Company's bylaws. Directors serving as of December 31, 2019, are shown below:

| Directors | | |
|----------------------|-----------------------------|---------------------------------------|
| Name | City, State | Principal Occupation, Company Name |
| Thomas William Cardy | Largo, Florida | Consultant |
| Ravi Sanavedab Chari | Tampa, Florida | Executive, HCA Healthcare |
| David Wesley Hillis | Worcester, Massachusetts | Retired |

| | | |
|--|--------------------------|----------------------------------|
| Thomas Philip Inzina | Largo, Florida | CEO BayCare Health Systems, Inc. |
| Victor Paul Krauze ^(a) | Treasure Island, Florida | Retired |
| Robert Buist McGivney | Palm Harbor, Florida | Executive, Flagship Bank |
| Randall Dean Zomermaand ^(b) | Tampa, Florida | Retired |

(a) Chairman

(b) Ceased being a Director December 31, 2020.

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

| Senior Officers | | |
|------------------------|----------------------|-----------------------|
| Name | City, State | Title |
| Larry Julius Costello | Clearwater, Florida | President |
| Robert Buist McGivney | Palm Harbor, Florida | Secretary |
| Janice Sue Polo | Tampa, Florida | Treasurer |
| Patrick Thomas Cimino | Tampa, Florida | Chief Medical Officer |

The Company's Board appointed several internal committees. The following were the principal internal board committees and their members as of December 31, 2019. The first person listed for each committee is the chairman.

| Compliance Committee | | |
|-----------------------------|------------------------|--|
| Name | City, State | Title, Company Name |
| Dianne Patrice Weiskittle | Dayton, Ohio | Interim Compliance Officer, BayCare Select Health Plans, Inc. |
| Melissa Ann Blas | Land O' Lakes, Florida | Director, Finance, BayCare Select Health Plans, Inc. |
| Patrick Thomas Cimino | Tampa, Florida | Chief Medical Officer, BayCare Select Health Plans, Inc. |
| Larry Julius Costello | Clearwater, Florida | President, BayCare Select Health Plans, Inc. |
| Jeffrey E. Durham | Clearwater, Florida | VP Audit Services and Corp. Responsibility, BayCare Health Systems, Inc. |

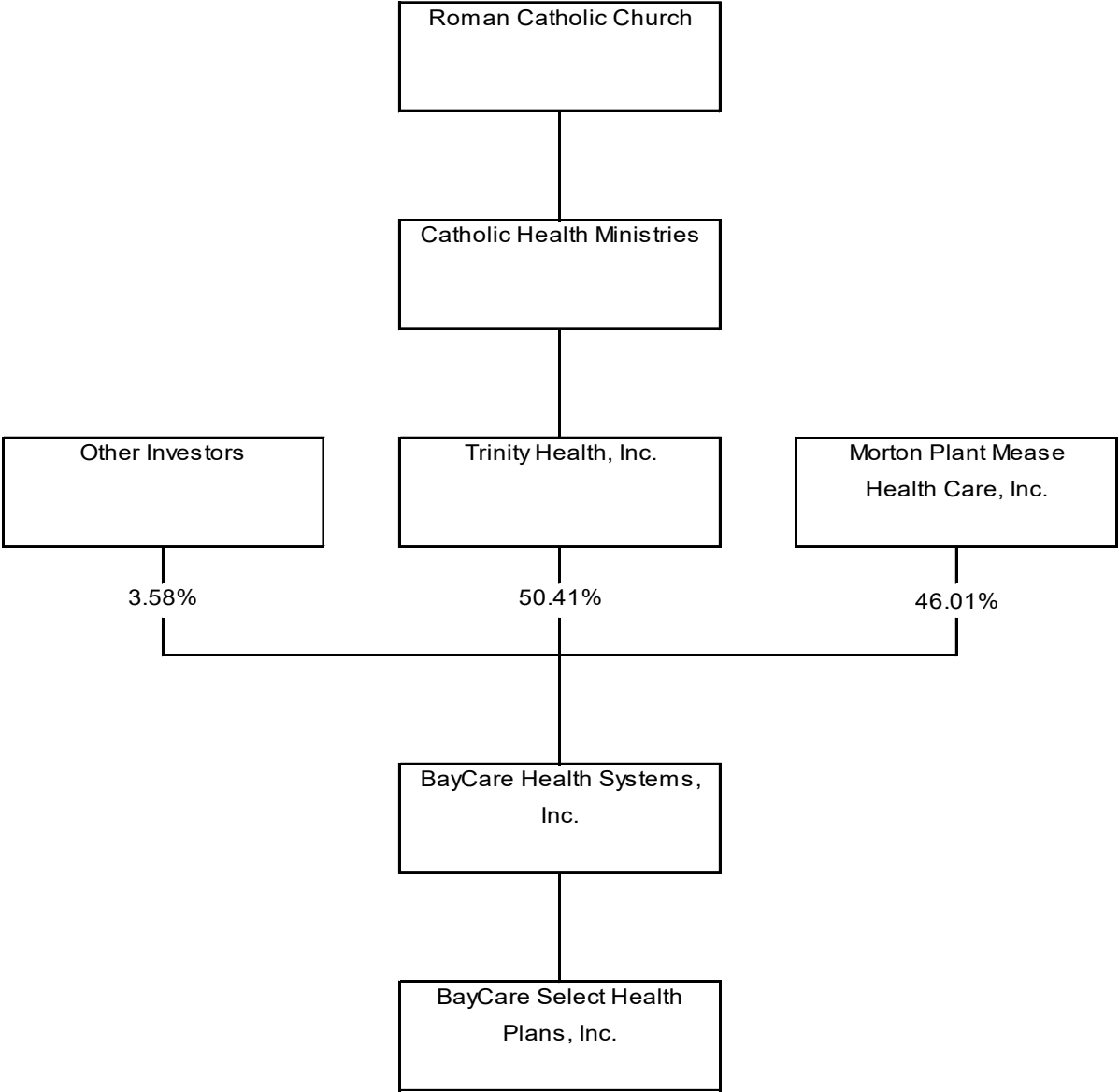
| | | |
|----------------------------|----------------------|--|
| Kristy Nicole Croom Tucker | Palm Harbor, Florida | Director, Member Experience & Acquisition, BayCare Select Health Plans, Inc. |
| Barbara Jean Wolf | Dunedin, Florida | Director, Operations, BayCare Select Health Plans, Inc. |
| Randall Dean Zomermaand | Tampa, Florida | Director, BayCare Select Health Plans, Inc. |

| Quality Improvement Committee | | |
|-------------------------------|-------------------------|---|
| Name | City, State | Title, Company Name |
| Dr. Patrick Thomas Cimino | Tampa, Florida | Chief Medical Officer, BayCare Select Health Plans, Inc. |
| Dr. Jay Kumar Amin | Belleair Beach, Florida | Cardiologist |
| Dr. Percy Renato Bracamonte | Palm Harbor, Florida | Geriatrics and Internal Medicine |
| Larry Julis Costello | Clearwater, Florida | President, BayCare Select Health Plans, Inc. |
| Dr. Robert Scott Davidson | Palm Harbor, Florida | General and Oncologic Surgeon |
| Dr. Naakesh A. Dewan | Clearwater, Florida | Psychiatry |
| Tracey Carroll Kaly | Palm Harbor, Florida | LCSW, Behavioral Health |
| Joanna Marie Tofani | Land O' Lakes, Florida | Director, Chief Compliance Officer, BayCare Select Health Plans, Inc. |
| Dr. Mairaj Uddin | Belleair Beach, Florida | Internal Medicine |
| Dr. Anthony Rocco Zappia | Lakeland, Florida | General Surgeon |
| Randall Dean Zomermaand | Tampa, Florida | Director, BayCare Select Health Plans, Inc. |

Holding Company System

The Company is a member of a holding company. 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.

BayCare Select Health Plans, Inc.
Simplified Organizational Chart
December 31, 2019



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

Purchased Services Agreement

The Company participated in a purchased services agreement with BayCare Health Solutions, LLC (BHS), whereby BHS provides the Company with administrative support, acquisition of equipment and supplies, consulting and regulatory support, management of filings, and marketing. The agreement was originally entered April 1, 2017, and filed with its application for a Certificate of Authority that was approved by a Consent Order dated December 26, 2017 (Case No. 219356-17-CO).

Facilities Services Agreement

The Company had a facilities services agreement with BCHS, whereby BCHS provided access to hospitals and other health care facilities, and provided and/or arranged for medically necessary covered services to insureds of the Company. The agreement was originally entered October 1, 2017, and filed with its application for a Certificate of Authority that was approved by a Consent Order dated December 26, 2017 (Case No. 219356-17-CO).

Physician Services Agreement

The Company had a physician services agreement with BCHS, whereby BCHS provided access to participating physician groups to provide and/or arrange for covered services to insureds of the Company. The agreement was originally entered October 1, 2017, and filed with its application for a Certificate of Authority that was approved by a Consent Order dated December 26, 2017 (Case No. 219356-17-CO).

Physician Services Agreement

The Company had a physician services agreement with BayCare Physician Partners, LLC (BPP), whereby BPP provided access to participating physician groups to provide and/or arrange for covered services to insureds of the Company. The agreement was originally entered October 1, 2017, and filed with its application for a Certificate of Authority that was approved by a Consent Order dated December 26, 2017 (Case No. 219356-17-CO). The agreement was subsequently

amended on January 1, 2019 to add telemedicine services and to amend and supplement the terms and conditions of the agreement.

ACCOUNTS AND RECORDS

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

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

Managed Services Agreement

The Company had a managed services agreement with Lumeris Healthcare Outcomes, LLC (Lumeris), whereby Lumeris provides management and administrative services to the Company including health plan management and operation services, population health management services, and access to software to enable such services. The agreement was originally entered September 1, 2017.

Independent Auditor Agreement

An independent CPA, KPMG, LLP audited the Company's statutory basis financial statements annually for the years 2017, 2018 and 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, Board of Directors (Board) and the Compliance and Quality Improvement Committees 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, including the authorization of investments, as required by Section 641.35(7), Florida Statutes.

The following deficiency was noted during the corporate records review.

- The Company's Appointed Actuary did not file a report substantially in compliance with Section 641.26(1)(f), Florida Statutes. The report did not include an actuarial certification that the health maintenance organization is actuarially sound and that the rates are actuarially adequate to the end of the period for which rates have been guaranteed.

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 26, 2017, and is currently authorized to operate as a Health Maintenance Organization as of December 31, 2019.

The Company writes Medicare policies in the State of 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

Effective January 1, 2019, the Company entered into an excess of loss reinsurance agreement with Atlantic Specialty Insurance Company (ASIC), whereby ASIC agreed to reimburse eligible expenses in excess of \$150,000 per member per agreement year up to an unlimited amount per member agreement year.

FINANCIAL STATEMENTS

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

BayCare Select Health Plans, Inc.**Assets****December 31, 2019**

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Cash and short-term investments | \$13,213,473 | | \$13,213,473 |
| Subtotal cash and invested assets | \$13,213,473 | | \$13,213,473 |
| Interest income due and accrued | 1,875 | | 1,875 |
| Premiums and considerations: | | | |
| Uncollected premiums | 47,683 | | 47,683 |
| Reinsurance: | | | |
| Amounts recoverable from reinsurers | 101,887 | | 101,887 |
| Other amounts receivable under reinsurance contracts | 110,955 | | 110,955 |
| Amounts receivable relating to uninsured plans | 596,837 | | 596,837 |
| Health care and other amounts receivable | 256,470 | | 256,470 |
| Aggregate write-in for other than invested assets | 15,000,000 | | 15,000,000 |
| Total | \$29,329,180 | | \$29,329,180 |

BayCare Select Health Plans, Inc.
Liabilities, Capital and Surplus
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Claims unpaid | \$4,472,001 | | \$4,472,001 |
| Accrued medical incentive pool and bonus amounts | 11,505 | | 11,505 |
| Unpaid claims adjustment expenses | 89,780 | | 89,780 |
| Aggregate health policy reserves | 11,902,924 | | 11,902,924 |
| General expenses due or accrued | 252,256 | | 252,256 |
| Amounts due to parent, and affiliates | 288,183 | | 288,183 |
| Liability for amounts held under uninsured plans | 2,188,485 | | 2,188,485 |
| Aggregate write-in for liabilities | 3,666 | | 3,666 |
| Total liabilities | \$19,208,800 | | \$19,208,800 |
| Gross paid-in and contributed surplus | 49,001,520 | | 49,001,520 |
| Unassigned funds (surplus) | (38,881,140) | | (38,881,140) |
| Capital and Surplus | \$10,120,380 | | \$10,120,380 |
| Total Liabilities, Capital and Surplus | \$29,329,180 | | \$29,329,180 |

BayCare Select Health Plans, Inc.
Statement of Revenue and Expenses
December 31, 2019

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Underwriting Income | | | |
| Net premium income | \$34,865,781 | | \$34,865,781 |
| Deductions | | | |
| Hospital and medical benefits | \$31,451,679 | | \$31,451,679 |
| Other professional services | 500,043 | | 500,043 |
| Emergency room and out-of-area | 343,588 | | 343,588 |
| Prescription drugs | 3,965,022 | | 3,965,022 |
| Incentive pool, withhold adjustments and bonus amounts | (62,521) | | (62,521) |
| Subtotal | 36,197,811 | | 36,197,811 |
| Net reinsurance recoveries | 101,887 | | 101,887 |
| Total Hospital and Medical | 36,095,924 | | 36,095,924 |
| Claims adjustment expenses | 89,780 | | 89,780 |
| General administrative expenses | 12,841,433 | | 12,841,433 |
| Increase in reserves for life and accident and health | 11,572,000 | | 11,572,000 |
| Total Underwriting Deductions | \$60,599,137 | | \$60,599,137 |
| Net underwriting gain or (loss) | (\$25,733,356) | | (\$25,733,356) |
| Investment Income | | | |
| Net investment gain or (loss) | \$425,180 | | \$425,180 |
| Net income or (loss) after capital gains tax and before all other federal income taxes | (\$25,308,176) | | (\$25,308,176) |
| Federal & foreign income taxes incurred | | | |
| Net income (loss) | (\$25,308,176) | | (\$25,308,176) |

| | Per Company | Examination Adjustments | Per Examination |
|---|----------------|----------------------------|--------------------|
| Capital and Surplus Account | | | |
| | | | |
| Capital and surplus prior reporting year | \$21,710,216 | | \$21,710,216 |
| Net income or (loss) | (\$25,308,176) | | (\$25,308,176) |
| Change in non-admitted assets | (1,281,662) | | (1,281,662) |
| Surplus adjustments: Paid in | 15,000,000 | | 15,000,000 |
| Aggregate write-ins for gains or (losses) in surplus | 2 | | 2 |
| Net change in capital and surplus | (\$11,589,836) | | (\$11,589,836) |
| | | | |
| Capital and surplus end of reporting year | \$10,120,380 | | \$10,120,380 |

BayCare Select Health 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

Daniel S. Pribe, FSA, MAAA, of Lumeris, 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

The amount of capital and surplus reported by the Company of \$10,120,380, exceeded the minimum of \$1,920,880 required by Section 641.225, Florida Statutes.

SUBSEQUENT EVENTS

Throughout 2020 and 2021, the Company received capital contributions from BCHS. The Company received permission from the Office to admit these as a gross paid-in and contributed surplus and a corresponding receivable as of December 31st, in accordance with SSAP No. 72 – *Surplus and Quasi-Reorganizations*.

Effective December 31, 2020, Randall Zomermaand resigned as a Director.

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.

SUMMARY OF RECOMMENDATIONS

1. The annual member meeting for the election of Directors was not held in accordance with Article IV, Section 4.1 of the Company's bylaws. **It is recommended that all member meetings be held in accordance with the Company's bylaws.**
2. The Company's Appointed Actuary did not file a report substantially in compliance with Section 641.26(1)(f), Florida Statutes. **We recommend the Company's appointed actuary incorporate Section 641.26(1)(f), Florida Statutes requirements in the actuarial opinion going forward if not submitted separately.**

CONCLUSION

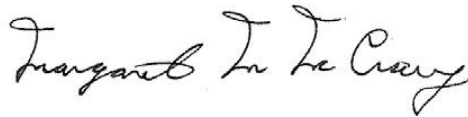
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of BayCare Select Health Plans, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

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 Shantia Simmons, APIR, Examination Oversight 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, CFE
Supervising Examiner
EWM Group, PC



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