



**EXAMINATION REPORT  
OF  
CAPITAL HEALTH PLAN, INC.**

**NAIC Company Code: 95112**

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

**BY THE  
FLORIDA  
OFFICE OF INSURANCE REGULATION**

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May 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

**Capital Health Plan, Inc.**  
2140 Centerville Place  
Tallahassee, FL 32308

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 October 5, 2020. The fieldwork concluded as of May 28, 2021. The Company’s last full scope exam by representatives of the Office covered the period of January 1, 2011 through December 31, 2014.

The examination was a single state 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. Florida is the lead state and all seven (7) companies are domiciled in Florida.

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 26, 1978 and commenced business on June 1, 1982.

Effective January 1, 2014, the Company reorganized under a policyholder owned, non-for-profit mutual insurance holding company system. The new mutual insurance holding company, GuideWell Mutual Holding Corporation (GuideWell Mutual), replaced Blue Cross and Blue Shield of Florida, Inc. (Blue Cross) as the controlling organization.

### **Dividends**

The Company did not distribute any stockholder dividends during the exam period.

### **Capital Stock and Capital Contributions**

As of December 31, 2019, the Company was not authorized to issue any capital stock nor did the Company receive any capital contributions during the examination period.

### **Surplus Notes**

There were no surplus notes issued by the Company during the examination period.

## Acquisitions, Mergers, Disposals, Dissolutions

There were no mergers or acquisitions to report during the examination period.

## MANAGEMENT AND CONTROL

### Corporate Governance

According to the Company's Bylaws, corporate members shall meet for the election of Directors.

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

Board of Directors		
Name	City, State	Principal Occupation, Company Name
W. Ken Boutwell	Tallahassee, Florida	Retired
Winifred Schmeling	Tallahassee, Florida	Retired
Thomas A. Barron	Tallahassee, Florida	President, Capital City Bank
DuBose Ausley	Tallahassee, Florida	Retired Partner, Ausley and McMullen
Lillie Bogan	Tallahassee, Florida	Retired
David Coburn	Tallahassee, Florida	Athletics Director, Florida State University
Tim Cronin	Jacksonville, Florida	Vice President, Business Operations GuideWell Health
John Tom Herndon	Tallahassee, Florida	Retired
Kathleen J. Mears	Tallahassee, Florida	Transition Director, State Senator Wilton Simpson
Isaac Moore, M.D.	Tallahassee, Florida	Retired
Elana Schrader, M.D.	Jacksonville, Florida	Senior Vice President, Health Care Services, Guidewell and President, Guidewell Health
Brian Sheedy, M.D.	Tallahassee, Florida	Retired

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

<b>Senior Officers</b>		
<b>Name</b>	<b>City, State</b>	<b>Title</b>
Wallace Kenneth Boutwell, Jr.	Tallahassee, Florida	Chairman
Winifred Schmeling	Tallahassee, Florida	Vice Chairman
John Hogan	Tallahassee, Florida	Chief Executive Officer
Thomas Arnold Barron	Tallahassee, Florida	Secretary
David Keith Coburn	Tallahassee, Florida	Treasurer
Sabin Bass	Tallahassee, Florida	Executive Vice President and Chief Financial Officer

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.

<b>Executive/Nominating Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Wallace Kenneth Boutwell, Jr.	Tallahassee, Florida	Retired
Winifred Schmeling	Tallahassee, Florida	Retired
Thomas Arnold Barron	Tallahassee, Florida	President, Capital City Bank
David Keith Coburn	Tallahassee, Florida	Athletics Director, Florida State University
Tim Cronin	Jacksonville, Florida	Vice President, Business Operations GuideWell Health
Elana Schrader, M.D.	Jacksonville, Florida	Senior Vice President, Health Care Services, Guidewell and President, GuideWell Health

The Company maintained an audit committee.

<b>Audit Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
John Tom Herndon*	Tallahassee, Florida	Chair - Retired
Lillie Bogan	Tallahassee, Florida	Retired
David Keith Coburn	Tallahassee, Florida	Athletics Director, Florida State University
Tim Cronin	Jacksonville, Florida	Vice President, Business Operations GuideWell Health
Kathleen J. Mears	Tallahassee, Florida	Transitional Director, State Senator Wilton Simpson

\*Note: After the final examination report was issued, the Company then noted an error with Mr. Herndon's name in this section. The Office has corrected this for the report posted on the public website.

<b>Finance &amp; Strategic Planning Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
David Keith Coburn	Tallahassee, Florida	Chair – Athletics Director, Florida State University
Winifred Schmeling	Tallahassee, Florida	Retired
DuBose Ausley	Tallahassee, Florida	Retired Partner Ausley and McMullen
Thomas Arnold Barron	Tallahassee, Florida	Co-Chair – President, Capital City Bank
Tim Cronin	Jacksonville, Florida	Vice President, Business Operations GuideWell Health
John Tom Herndon	Tallahassee, Florida	Retired
Isaac Moore, MD	Tallahassee, Florida	Retired

<b>Compensation Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Winifred Schmeling	Tallahassee, Florida	Chair - Retired
Lille Bogan	Tallahassee, Florida	Retired
John Tom Herndon	Tallahassee, Florida	Retired
Brian Sheedy, M.D	Tallahassee, Florida	Retired



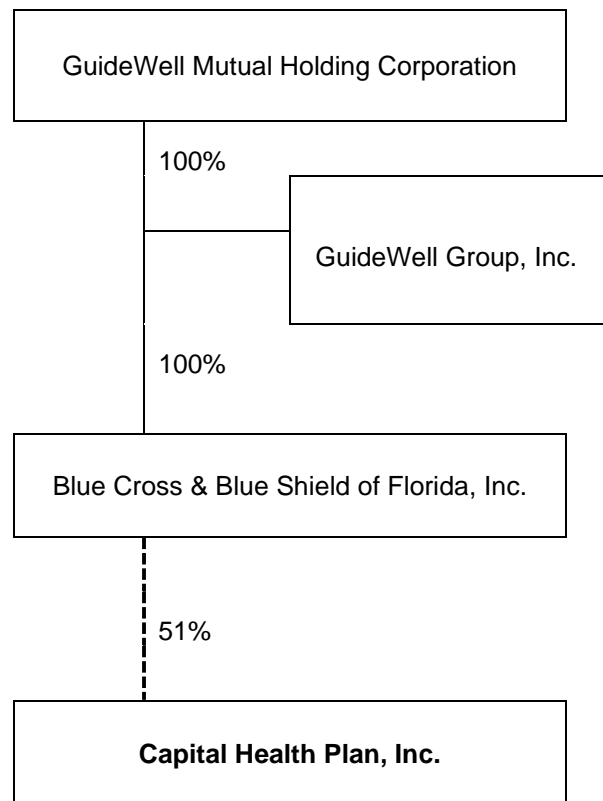
<b>Personnel Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Winifred Schmeling	Tallahassee, Florida	Chair - Retired
Thomas A. Barron	Tallahassee, Florida	President, Capital City Bank
John Tom Herndon	Tallahassee, Florida	Retired

<b>Health Delivery Committee</b>		
<b>Name</b>	<b>City, State</b>	<b>Title, Company Name</b>
Isaac Moore, MD	Tallahassee, Florida	Chair - Retired
Lille Bogan	Tallahassee, Florida	Retired
Winifred Schmeling	Tallahassee, Florida	Vice Chairman of the Board Capital Health Plan, Inc.
Brian Sheedy, M.D	Tallahassee, Florida	Retired

## Holding Company System

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

**Capital Health Plan, Inc.  
Simplified Organizational Chart  
December 31, 2019**



## **AFFILIATED AND OTHER AGREEMENTS**

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

### **Affiliation and Administration Agreement**

The Company entered into an Affiliation and Administration Agreement with Blue Cross and Blue Shield of Florida (BCBSFL) effective December 4, 1981 giving BCBSFL majority control of the Company's membership. The Agreement provides that BCBSFL supply certain administrative services and products to the Company and committed it to lend operating funds to the Company.

### **Financial Guarantee**

On November 17, 2011, BCBSFL and the Company entered into a Financial Guarantee whereby BCBSFL guarantees to the full extent of its assets, all of the contractual and financial obligations of Capital Health Plan, Inc.

### **Pharmacy Benefit Services Agreement**

Effective January 1, 2017, the Company entered into an agreement with Prime Therapeutics, LLC to provide certain pharmacy benefit management and other prescription drug benefit programs for its Commercial and Medicare lines of business.

### **Premium and Equalization Settlement agreement**

The Company maintains an agreement with Blue Cross and Blue Shield of Florida whereby the Companies (CHP and BCBSFL) combine to offer certain group purchasers a multiple option health care program which includes consolidated billing, administrative services, and a provision for equalizing underwriting gains and losses on these particular groups.

## **ACCOUNTS AND RECORDS**

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

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

### **Custodial Agreement**

The Company maintained a custodial agreement with Bank of New York Mellon executed on May 2, 2002 and later amended.

### **Independent Auditor Agreement**

An independent CPA, PricewaterhouseCoopers 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. 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 Board of Directors (Board) and its 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.

## **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 May 25, 1982, and is currently authorized as a Health Maintenance Organization as of December 31, 2019.

## **REINSURANCE**

The reinsurance agreement was reviewed for compliance with NAIC standards with respect to the standard insolvency clause, arbitration 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**

Pursuant to the agreement with PartnerRe America Insurance Company, effective September 1, 2019, the Company cedes 50%-90% coverage for eligible inpatient hospital and transplant services in excess of a specific deductible of \$1 million, with an aggregated specific deductible of \$200,000, during the agreement term of one year. The reinsurance policy has a maximum reinsurance coverage limit of \$3 million per member per year.

## **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.)

**Capital Health Plan, Inc.**  
**Assets**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Bonds	\$424,486,896		\$424,486,896
Stocks			
Common stocks	109,622,693		109,622,693
Real Estate			
Properties Occupied by the Company	42,569,912		42,569,912
Cash, cash equivalents and short-term Investments	9,514,774		9,514,774
Receivables for securities	3,699,637		3,699,637
Subtotals, cash and invested assets	\$589,893,912		\$589,893,912
Investment income due and accrued	2,244,001		2,244,001
Premiums and considerations			
Uncollected premiums and agents' balances in course of collection	10,071,445		10,071,445
Health care and other amounts receivable	11,593,736		11,593,736
Aggregate write-ins for other than invested assets	4,294,379		4,294,379
Totals	\$618,097,473		\$618,097,473

**Capital Health Plan, Inc.**  
**Liabilities, Capital and Surplus**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Claims unpaid	\$66,928,851		\$66,928,851
Unpaid claims adjustment expenses	570,000		570,000
Premiums received in advance	13,143,368		13,143,368
General expenses due or accrued	5,364,607		5,364,607
Amounts due to parent, subsidiaries and affiliates	952,050		952,050
Payable for securities	8,740,345		8,740,345
Aggregate write-ins for other liabilities	36,330,277		36,330,277
Total liabilities	\$132,029,498		\$132,029,498
Aggregate write-ins for special surplus funds	8,975,000		8,975,000
Unassigned funds (surplus)	477,092,975		477,092,975
Total capital and surplus	\$486,067,975		\$486,067,975
Total liabilities, capital and surplus	\$618,097,473		\$618,097,473



**Capital Health Plan, Inc.**  
**Statement of Revenue and Expenses**  
**December 31, 2019**

	Per Company	Examination Adjustments	Per Examination
Net premium income	\$898,354,742		\$898,354,742
Fee-for-service	2,343,048		2,343,048
Total revenues	\$900,697,790		\$900,697,790
Hospital and Medical			
Hospital/medical benefits	669,206,343		669,206,343
Outside referrals	1,203,725		1,203,725
Emergency room and out-of-area	68,978,865		68,978,865
Prescription drugs	85,752,173		85,752,173
Subtotal	\$825,141,106		\$825,141,106
Less			
Net reinsurance recoveries	551,063		551,063
Total hospital and medical	824,590,043		824,590,043
Claims adjustment expenses	12,146,712		12,146,712
General administrative expenses	38,294,353		38,294,353
Total underwriting deductions	\$875,031,108		\$875,031,108
Net underwriting gain or (loss)	25,666,682		25,666,682
Net Investment Income Earned	17,387,126		17,387,126
Net Realized Gains (Losses)	5,340,670		5,340,670
Aggregate write-ins for other income or expenses	(72,730)		(72,730)
Net income or (loss) after capital gains tax and Before all other federal income taxes	\$48,321,748		\$48,321,748
Net income (loss)	\$48,321,748		\$48,321,748

	Per Company	Examination Adjustments	Per Examination
<b>Capital and Surplus Account</b>			
Capital and surplus prior reporting year	\$418,986,525		\$418,986,525
Net Income or (loss)	48,321,748		48,321,748
Change in net unrealized capital gains (losses) less capital gains tax	17,602,890		17,602,890
Change in nonadmitted assets	(2,065,196)		(2,065,196)
Aggregate write-ins for gains or (losses) in Surplus	3,222,008		3,222,008
Net change in capital and surplus	\$67,081,450		\$67,081,450
Capital and surplus end of reporting year	\$486,067,975		\$486,067,975

**Capital Health Plan, Inc.**  
**Reconciliation of Capital and Surplus**  
**December 31, 2019**

<b>Capital/Surplus Change during Examination Period</b>			
Capital and Surplus at December 31, 2014, per Examination			\$368,772,143
	Increase	Decrease	
Increase in surplus	\$107,337,197		\$107,337,197
Change in net unrealized capital gain (loss)	\$17,138,980		\$17,138,980
Change in non-admitted assets		(\$6,093,384)	(\$6,093,384)
Aggregate write-ins for gains and losses in Surplus		(\$1,086,960)	(\$1,086,960)
Net increase (or decrease)			\$117,295,833
Capital and Surplus at December 31, 2019 per Examination			\$486,067,976

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**

Stuart D. Rachlin, FSA MAAA, Principal and Consulting Actuary, 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, Mike Mayberry, FSA, MAAA of Lewis & Ellis, 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 \$486,067,975 exceeded the minimum of \$17,967,095 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

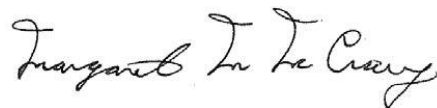
The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Capital Health Plan, Inc. as of December 31, 2019, consistent with the insurance laws of the State of Florida.

In addition to the undersigned, Omar Akel, CFE, Mario Ascic, CFE, Amy Carter, CFE, CPA, Ryne Davison, CFE, Novalene Forbes, CFE, Charles Kreske, CFE, MCM, David Palmer, CFE, MCM, Jessica Lynch, CFE, Derek Petersen, CFE, MCM, and Adrienne Sulaiman, CFE, CPA, Participating Examiners of Lewis & Ellis, Inc. also participated in the examination. Members of the Office who participated in the examination include Marshay Spencer, APIR, Examination Manager and Glenn Coates, participating Examiner. Additionally, Mike Mayberry, FSA, MAAA of Lewis & Ellis, Inc. and Lindsey Pitman, CISA, CFE, CPA, AES, MCM, IT Specialist of Lewis & Ellis, Inc. are recognized for participation in the examination.

Respectfully submitted,



Katerina Bolbas, CFE, CIA, MCM  
Examiner-In-Charge  
Lewis & Ellis, Inc.



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