



**EXAMINATION REPORT
OF**

Ultimate Health Plans, Inc.

NAIC Company Code: 14243

Spring Hill, Florida

as of

December 31, 2020

BY THE

FLORIDA

OFFICE OF INSURANCE REGULATION

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May 5, 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 (NAIC), we have conducted an examination as of December 31, 2020, of the financial condition and corporate affairs of

Ultimate Health Plans, Inc.
1244 Mariner Boulevard
Spring Hill, Florida 34609

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, 2016, through December 31, 2020, and the fieldwork commenced with planning with the Florida Office of Insurance Regulation (OIR) on September 28, 2021. The fieldwork concluded as of May 5, 2022. The Company's last full scope exam by representatives of the OIR covered the period of July 1, 2014, through December 31, 2015.

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. 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 material findings or exceptions noted during the examination as of December 31, 2020.

Previous Examination Findings

The following is an update on other significant regulatory information disclosed in the previous examination.

- The Company's contracts with unaffiliated entities for administrative, management, and certain provider services did not contain provisions that they may be canceled upon issuance of an order by the OIR, pursuant to Section 641.234(3) Florida Statutes.
 - For the current examination, all necessary provisions in compliance with Section 641.234(3) Florida Statutes were included in the unaffiliated agreements.

COMPANY HISTORY

General

The Company was incorporated in Florida on October 10, 2011, and licensed by the Office as a Health Maintenance Organization (HMO) on March 29, 2012. It was authorized by the State of Florida to operate as an HMO in accordance with Part 1 of Chapter 641, Florida Statutes.

On September 30, 2014, Ultimate Healthcare Holdings, LLC (UHH) acquired 100% of the Company's outstanding shares of common stock, and the Company became a member of a holding company system.

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 | 100 |
| Total common capital stock | \$1 |
| Par value per share | \$0.01 |

The Company received capital contributions of \$1,020,000 in 2016, \$1,300,000 in 2017, \$5,600,000 in 2018, and \$9,000,000 in 2019.

Surplus Notes

The Company did not have or issue any surplus notes during the period under examination.

Acquisitions, Mergers, Disposals, Dissolutions

As of December 31, 2020, the Company was owned 100% by UHH, with its controlling member, Sehat Partners, LLC (Sehat) holding 59.84% and no other members holding more than 10%. Sehat's controlling member is Dr. Azzam Muftah holding 57.1%, with Dr. Medhat Allam Reheem holding 25%. The remaining 17.9% is held by members, each holding less than 10% interest.

In 2016, Dr. Reheem was the 100% controlling member of UHH. In 2017, Dr. Reheem transferred 26.92% of his ownership interest in UHH to other parties, none of which owned more than 10% of UHH. He contributed his remaining 73.08% ownership interest in UHH to Sehat, in exchange for becoming its 100% member and also making Sehat a 100% member of UHH. These transactions provided additional capital, of which \$1,300,000 was contributed to the Company.

In 2018, after transferring 40.16% of its membership interest in UHH to other parties, Sehat retained 59.84% controlling membership interest in UHH. This transaction provided additional capital, of which \$5,600,000 was contributed to the Company.

In 2019, upon approval from the Office, Dr. Reheem transferred 50% of his membership interest in Sehat to Dr. Muftah. Sehat continued to be the 100% member of UHH. This transaction provided additional capital, of which \$9,000,000 was contributed to the Company.

Finally, in 2020, Dr. Reheem transferred an additional 7.1% of his membership interest in Sehat to Dr. Muftah, who became the majority member of Sehat with 57.1% interest. Dr. Reheem transferred another 25% of his interest in Sehat to other parties, none of which hold more than 10%. Through his membership interest in Sehat, Dr. Muftah will hold a 37.17% membership interest in UHH and an indirect 10% or greater shareholder interest in the Company.

MANAGEMENT AND CONTROL

Corporate Governance

The annual shareholder meeting for the election of the Board of Directors (“Board”) was held in accordance with the Company’s Bylaws. Directors serving as of December 31, 2020, are shown below:

| Directors | | |
|--------------------------------|----------------------|---|
| Name | City, State | Principal Occupation, Company Name |
| Medhat Allam Reheem, MD | Brooksville, Florida | Chairman, President, and Chief Executive Officer; Ultimate Health Holdings, LLC; and board-certified anesthesiologist and pain management specialist, Advanced Pain Management Center, Inc. |
| Azzam Muftah, MD | Spring Hill, Florida | Co-Founder and Manager, Ultimate Healthcare Holdings, LLC.; and board-certified gastroenterologist, Access Health Care Physicians, LLC |
| Layla Shuayb | Spring Hill, Florida | AP Biology Teacher at the Universal Academy of Florida in Tampa |
| Purnachander Rao Bikkasani, MD | Tampa, Florida | Board-certified in Internal Medicine and Gastroenterology, retired |

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

| Senior Officers | | |
|-------------------------|-----------------------|-------------------------|
| Name | City, State | Title |
| Nancy Theresa Gareau | Lutz, Florida | Chief Executive Officer |
| Edward Maszak | Spring Hills, Florida | Chief Financial Officer |
| Medhat Allam Reheem, MD | Brooksville, Florida | President and Treasurer |
| Azzam Muftah, MD | Spring Hill, Florida | Secretary |

The Company maintained a Compliance Committee during the period under examination.

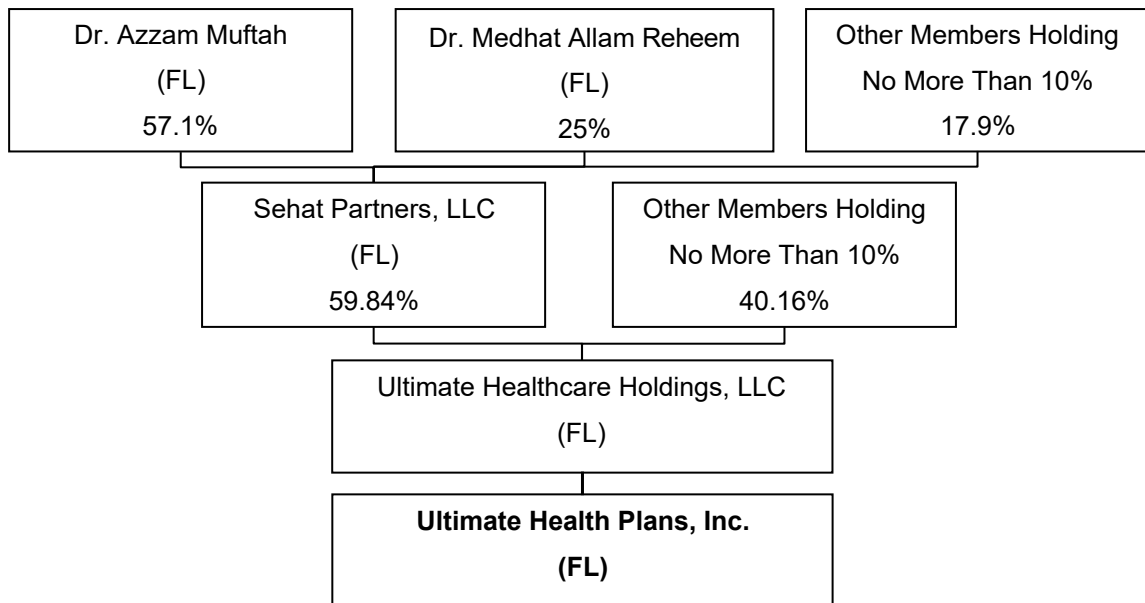
Compliance Committee

The Compliance Committee consisted of sixteen members representing the various departments including Sales, Operations, Information Technology, and Quality. Membership also included Nancy Theresa Gareau, Chief Executive Officer, and Edward Maszak, Chief Financial Officer.

Holding Company System

An 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.

**Ultimate Health Plans, Inc.
Organizational Chart
December 31, 2020**



Affiliate Agreements

The Company has no affiliates and no service agreements with related parties.

However, Dr. Reheem owns a specialist practice and is contracted at terms that are similar to other Company specialists. As of December 31, 2020, the Company paid claims to Dr. Reheem's practice of \$106,121.

ACCOUNTS AND RECORDS

The Company maintained its principal operational office in Spring Hill, Florida.

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

Independent Auditor Agreement

An independent CPA, BDO USA, LLP, audited the Company's statutory basis financial statements for all five years of the examination, 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 Shareholders, Board, Audit Committee, and Compliance Committee 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.

TERRITORY AND PLAN OF OPERATIONS

The Company was authorized to provide managed care services only in the State of Florida and wrote Medicare Advantage plans ("MA Plans").

The Company is licensed under Chapter 641 of the Florida Statutes and operates as a Medicare HMO providing MA Plans within approved service areas in Citrus, Hernando, Pinellas, and Pasco counties. The Company's primary business is the provision of prepaid health care services to members residing in its service areas. The MA Plan offered by the Company provides plan members with full Medicare Part A and Plan B benefits plus coverage of Medicare deductibles and copayment amounts and additional benefits that traditional fee-for-service Medicare does not provide. The MA Plans also provide Medicare Part D drug coverage.

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 has one Excess of Loss Reinsurance Agreement with a non-affiliate reinsurer, Atlantic Specialty Insurance Company. The agreement in effect from January 1, 2019, to January 1, 2020, provided coverage for 7,675 members with a minimum annual premium of \$10,000. After the Company's retention (deductible) of \$850,000 per member, the reinsurer reimburses 90% of covered expenses up to their maximum daily limit of \$4,000.

FINANCIAL STATEMENTS

The following includes the Company's statutory Statement of Assets, Liabilities, Capital, and Surplus; 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 the Florida Office of Insurance Regulation 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.

Ultimate Health Plans, Inc.
Assets
December 31, 2020

| | Per Company |
|---|--------------|
| Cash, cash equivalents and short-term investments | \$24,067,726 |
| Aggregate write-ins for invested assets | 300,000 |
| Subtotal cash and invested assets | \$24,367,726 |
| Investment income due and accrued | 53,014 |
| Accrued retrospective premiums | 1,563,002 |
| Electronic data processing equipment and software | 308,242 |
| Furniture and equipment | 148,381 |
| Health care and other amounts receivable | 1,090,385 |
| Aggregate write-in for other than invested assets | 267,235 |
| Totals | \$26,291,984 |

Ultimate Health Plans, Inc.
Liabilities, Capital and Surplus
December 31, 2020

| | Per Company |
|--|--------------|
| Claims unpaid | \$8,491,491 |
| Accrued medical incentive pool and bonus amounts | 5,269,380 |
| Unpaid claims adjustment expenses | 559,844 |
| Aggregate health claim reserves | 146,705 |
| General expenses due or accrued | 1,724,603 |
| Aggregate write-ins for other liabilities | 233,294 |
| Total liabilities | \$16,425,317 |
| Aggregate write-ins for special surplus funds | 1,068,488 |
| Common capital stock | 1 |
| Gross paid-in and contributed surplus | 34,535,055 |
| Unassigned funds (surplus) | (25,736,877) |
| Total capital and surplus | \$9,866,667 |
| Total liabilities, capital and surplus | \$26,291,984 |

Ultimate Health Plans, Inc.
Statement of Revenue and Expenses
December 31, 2020

| | Per Company |
|--|--------------|
| Net premium income | \$92,369,776 |
| Total revenues | \$92,369,776 |
| Hospital/medical benefits | 32,817,392 |
| Other professional services | 3,662,163 |
| Emergency room and out-of-area | 15,575,395 |
| Prescription drugs | 10,612,148 |
| Aggregate write-ins for other hospital and medical | 1,564,301 |
| Incentive pool, withhold adjustments and bonus amounts | 9,284,243 |
| Subtotal | \$73,515,642 |
| Total hospital and medical | \$73,515,642 |
| Claims adjustment expenses | 24,812 |
| General administrative expenses | 18,459,838 |
| Increase in reserves for life and accident and health contracts | (3,600,000) |
| Total underwriting deductions | \$88,400,292 |
| Net underwriting gain or (loss) | \$3,969,484 |
| Net investment income earned | 29,584 |
| Net investment gains ((losses) | \$29,584 |
| Net income or (loss) after capital gains tax and before all other federal income taxes | \$3,999,068 |
| Net Income | \$3,999,068 |
| | |
| Capital and Surplus Account | |
| | |
| Capital and surplus prior reporting year | \$6,844,062 |
| Net Income | \$3,999,068 |
| Change in net deferred income taxes | (30,377) |
| Change in nonadmitted assets | (946,086) |
| Net change in capital and surplus | \$3,022,605 |
| Capital and surplus end of reporting year | \$9,866,667 |

Ultimate Health Plans, Inc.
Reconciliation of Capital and Surplus
December 31, 2020

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

| Capital/Surplus Change during Examination Period | | | |
|---|--------------|--------------|-------------|
| Capital and Surplus at December 31, 2015, per Examination | | | \$5,118,923 |
| | Increase | Decrease | |
| Net Income (loss) | | \$11,380,487 | |
| Change in non-admitted assets | | 791,769 | |
| Change in paid in surplus | \$16,920,000 | | |
| Net increase (or decrease) | | | \$4,747,744 |
| Capital and Surplus at December 31, 2020, per Examination | | | \$9,866,667 |

COMMENTS ON FINANCIAL STATEMENT ITEMS

Liabilities

Losses and Loss Adjustment Expenses

Kelsey L. Stevens, FSA, MAAA, Director Senior Consulting Actuary of Wakely Consulting Group, LLC, 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 actuary, Jay C. Miniati, FSA, MAAA of Jay Miniati Actuarial Services, 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 \$9,866,667 exceeded the minimum of \$ 1,847,396 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.

Effective November 1, 2021, the Company entered into a new TPA agreement with Customer Service and Technology Solutions, LLS (CSTS).

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of Ultimate Health Plans, Inc. as of December 31, 2020, consistent with the insurance laws of the State of Florida.

The following individuals with the firm of Highland Clark, LLC participated in the examination: Tracy D. Gates CISA, CFE, Examiner-in-Charge, and IT Specialist; Sheri L. Kenney CFE, MCM, Examination Supervisor; Lori G. Lewter, CISA, Participating Examiner and IT Specialist; Aleksandreja H. Kulits, Participating Examiner; and Travis. R. Harrison, CPA, CPCU, Participating Examiner. Members of the OIR who participated in the examination include Margaret M. McCrary, CPA, CFE, MBA, Chief Financial Examiner, and Examination Manager and Marshay Spencer, APIR, Participating Examiner. Additionally, Jay C. Miniati, FSA, MAAA of Jay Miniati Actuarial Services is also recognized for participation in the examination.

Respectfully submitted,



Tracy D. Gates, CISA, CFE
Examiner-in-Charge
Highland Clark, 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