

REPORT ON EXAMINATION

OF

CRYSTAL RUN HEALTH PLAN, LLC

AS OF

DECEMBER 31, 2015

DATE OF REPORT:

MARCH 30, 2018

EXAMINER:

JEFFREY USHER, CFE

TABLE OF CONTENTS

<u>ITEM NO.</u>		<u>PAGE NO.</u>
1.	Scope of the examination	3
2.	Description of the Plan	5
	A. Corporate governance	6
	B. Territory and plan of operation	9
	C. Reinsurance	10
	D. Holding company system	11
	E. Significant operating ratios	14
3.	Medical Loss Ratio	15
	A. Medical loss ratio reporting form	16
	B. Medical loss ratio numerator	17
	C. Medical loss ratio denominator	17
	D. Credibility adjustment	17
4.	Financial statements	18
	A. Balance sheet	18
	B. Statement of revenue and expenses and change in capital and surplus	20
5.	Subsequent events	21
6.	Summary of comments and recommendations	22



NEW YORK STATE
DEPARTMENT *of*
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

March 30, 2018

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the provisions of the New York Insurance Law and the New York State Public Health Law, and acting in accordance with the instructions contained in Appointment Number 31517, dated August 4, 2016, attached hereto, I have made an examination into the financial condition and affairs of Crystal Run Health Plan, LLC, a limited liability company organized in the State of New York as a for-profit New York State Public Health Law Article 44 Health Maintenance Organization (“HMO”), as of December 31, 2015. The following report is respectfully submitted thereon.

The examination was conducted at the home office of Crystal Run Health Plan, LLC located at 109 Rykowski Lane, Middletown, NY.

Wherever the designations, the “Plan” or “CRHP” appear herein, without qualification, they should be understood to indicate Crystal Run Health Plan, LLC.

Wherever the designation the “Crystal Run Companies” appears herein, without qualification, it should be understood to indicate Crystal Run Health Insurance Company, Inc. and Crystal Run Health Plan, LLC, collectively.

Wherever the designation “CRHG” appears herein, without qualification, it should be understood to indicate Crystal Run Health Group, LLC, the immediate parent of the Crystal Run Companies.

Wherever the designation “CRHLLP” appears herein, without qualification, it should be understood to indicate Crystal Run Healthcare, LLP, the ultimate parent.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

A separate market conduct examination was conducted as of December 31, 2015, to review the manner in which the Crystal Run Companies conducted their business practices and fulfilled their contractual obligations to policyholders and claimants. A separate report has been submitted thereon.

A concurrent financial examination was also made of Crystal Run Health Insurance Company, Inc. (“CRHIC”), a for-profit stock company licensed pursuant to the provisions of Article 42 of the New York Insurance Law. This company is an affiliate within the Crystal Run Health Care Holding Company system as detailed herein. A separate report thereon has been submitted for CRHIC.

1. SCOPE OF THE EXAMINATION

This is the first examination of the Plan. The examination was conducted as a financial examination as such term is defined in the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook, 2016 Edition* (the “Handbook”) and covered the five-month period from August 1, 2015 through December 31, 2015. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiner, transactions occurring subsequent to December 31, 2015 were also reviewed.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner’s assessment of risk in CRHP’s operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Plan’s current financial condition, as well as identify prospective risks that may threaten the future solvency of CRHP.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management’s compliance with the Department’s statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and NAIC annual statement instructions.

Information concerning the Plan's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated the Plan's risks and management activities in accordance with the NAIC's nine branded risk categories.

These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Plan's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation/Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness/Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/Quality
- Reserve Data
- Reserve Adequacy
- Related Party/Holding Company Considerations
- Capital Management

The Plan was audited for calendar year 2015 by the accounting firm of PKF O'Connor Davies. The Plan received an unmodified opinion for 2015. Certain audit work papers of PKF O'Connor Davies were reviewed and relied upon in conjunction with this examination.

During the examination, a review was made of the Plan's IT systems and operations on a risk-focused basis, in accordance with the provisions of the Handbook.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE PLAN

CRHP was organized as a for-profit health maintenance organization ("HMO") pursuant to Article 44 of the New York State Public Health Law ("PHL") on October 3, 2012, and received a Health Maintenance Organization Certificate of Authority ("COA") from the New York State Department of Health ("DOH"), on August 1, 2015. The Plan operates as a for-profit, independent practice association model HMO, and commenced operations on October 1, 2015.

Pursuant to Part 98-1.11(e) of the Administrative Rules and Regulations of the New York Health Department (10 NYCRR 98.11), CRHP maintained a contingent reserve of \$801,011 as of the examination date.

The Plan's authorized control level Risk-Based Capital ("RBC") was \$302,334 as of December 31, 2015. Its total adjusted capital was \$7,933,520, yielding an RBC ratio of 2,624.09% at December 31, 2015.

A. Corporate Governance

Pursuant to the operating agreement, management of the Plan is to be vested in a board of managers consisting of three managers. As of December 31, 2015, the managers were as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Michelle Koury Goshen, NY	Chief Operating Officer, Crystal Run Healthcare LLP
Gregory Spencer Goshen, NY	Chief Medical Officer, Crystal Run Healthcare LLP
Hal Teitelbaum, MD White Lake, NY	Chief Executive Officer/Managing Partner, Crystal Run Healthcare LLP

Part 98-1.11(g)(1) of the New York State Department of Health Regulation No. 98 (10 NYCRR 98-1.11(g)) states in part:

“Within one year of the MCO becoming operational, no less than 20 percent of the members of the governing authority shall be enrollees of such MCO.”

In accordance with New York State Department of Health Regulation No. 98 (10 NYCRR 98-1.11(g)(1)), CRHP became operational on October 1, 2015, though the Plan was issued a COA on August 1, 2015. The Plan was required to have at least twenty percent of the members of the Board of Managers as enrollees of the Plan.

The officers of CRHP included the following individuals:

<u>Name</u>	<u>Title</u>
Hal Teitelbaum, MD	CEO
Steve Zeng	Interim Executive Officer
Kathleen Owens	Chief Compliance Officer
Jonathan Nasser, MD	Chief Medical Officer
Michelle Reay	Vice President Operations
Michelle Koury, MD	Secretary
Gregory Spencer, MD	Treasurer

Enterprise Risk Management (ERM)

Part 82.2(a) of New York Insurance Regulation No. 203 (11 NYCRR 82) states in part:

“Pursuant to Insurance Law sections 1503(b), 1604(b), and 1717(b), an entity shall adopt a formal enterprise risk management function that identifies, assesses, monitors, and manages enterprise risk. Except as provided in subdivision (c) of this section, a domestic insurer that is not a member of a holding Plan system, an article 16 system, or an article 17 system also shall adopt such a formal enterprise risk management function. The enterprise risk management function shall be appropriate for the nature, scale, and complexity of the risk...”

In accordance with New York Insurance Regulation No. 203 (11 NYCRR 82) “Enterprise Risk Management and Own Risk and Solvency Assessment,” the Plan’s ultimate parent, Crystal Run Healthcare, LLP, is required to adopt a formal enterprise risk management function. The CRHP did not have an ERM framework in place during the examination period to proactively identify and mitigate various business risks, including prospective business risks.

In addition, and in accordance with Insurance Circular Letter No. 14 (2011) dated December 19, 2011, the Department views ERM as a key component of the risk-focused surveillance process, and expects every insurer to adopt a formal ERM function that identifies,

measures, aggregates, and manages risk exposures within predetermined tolerance levels, across all activities of the enterprise of which the insurer is part, or at the company level when the insurer is a stand-alone entity.

It is recommended that as a best business practice CRHP comply with Part 82.2(a) of Insurance Regulation No. 203 (11 NYCRR 82) and Insurance Circular Letter No. 14 (2011) and adopt a formal enterprise risk management function.

Internal Audit Department (IAD)

The Plan does not have an Internal Audit Department.

Insurance Regulation No. 118

Part 89.1(c) of the Insurance Regulation No. 118 (11 NYCRR 89) states:

“Audit committee means a committee (or equivalent body) established by the board of directors of a company for the purpose of overseeing the accounting and financial reporting processes of a company or group of companies, and auditing of financial statements of the company or group of affected companies provided that: ...

(3) for a company that does not otherwise designate an audit committee, the company’s entire board of directors shall constitute the audit committee.

Part 89.2(c) of the Insurance Regulation No. 118 (11 NYCRR 89) states:

“Every company required to file an annual audited financial report pursuant to this Part shall designate a group of individuals to constitute its audit committee.”

The Plan’s Parent, CRHG, as well as its ultimate parent, CRH, are both non-publicly traded companies and therefore not subject to the Sarbanes-Oxley Act of 2002. However, the ultimate parent and the New York entities are subject to the provisions of Insurance Regulation No. 118. Insurance Regulation No. 118 (11 NYCRR 89) – “Audited Financial Statements,” is

similar to the NAIC’s Model Audit Rule (“MAR”), and applies to certain New York regulated entities, including CRHP. Insurance Regulation No. 118 became effective January 1, 2010.

The Plan has not designated a group of individuals to constitute its audit committee, as required by the cited regulation.

It is recommended that CRHP comply with Part 89.2(c) of Insurance Regulation No. 118 (11 NYCRR 89.2) by formally designating the Plan’s entire Board of Directors or a group of individuals to constitute its audit committee.

B. Territory and Plan of Operation

The Plan offers “Off-Exchange” Plan health insurance products. The Plan obtained a Certificate of Authority (“COA”) from DOH on August 1, 2015 and began offering products with an effective date of October 1, 2015.

The Plan currently operates in Orange and Sullivan Counties only, which are located in the Mid-Hudson region of New York State.

During the year 2015, enrollment in New York by county and line of business was as follows:

CRHP 2015 Enrollment			
<u>County</u>	<u>Direct Pay Off-Exchange</u>	<u>Small Group Off-Exchange</u>	<u>Total</u>
Orange	108	150	258
Sullivan	<u>56</u>	<u>16</u>	<u>72</u>
Total	164	166	330

The Plan contracts with licensed brokers for the production of its business.

C. Reinsurance

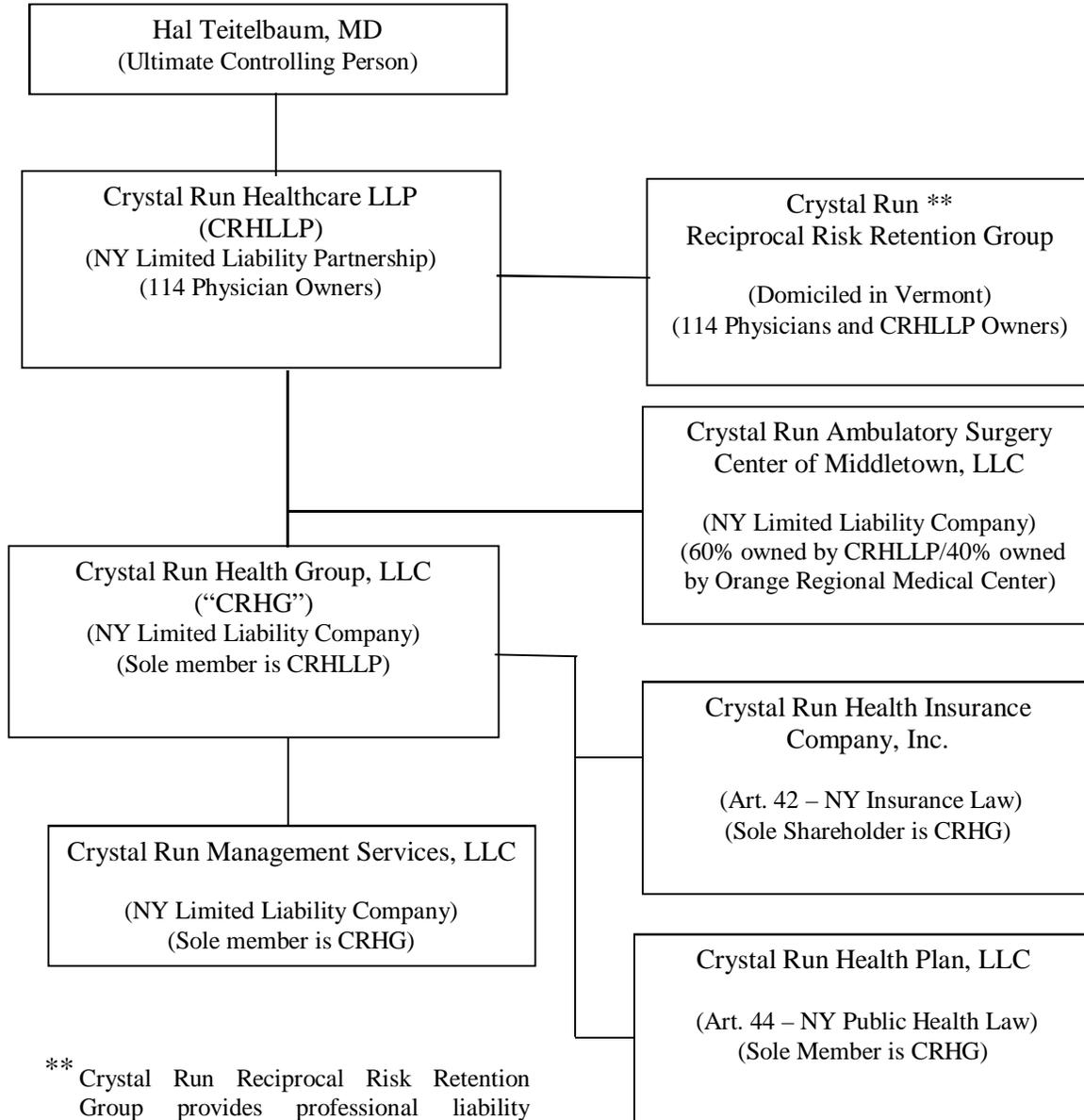
On December 31, 2015, the Plan had a reinsurance agreement with Everest Insurance Company, an authorized reinsurer. The coverage gives the Plan unlimited coverage up to 90% of claims incurred with a deductible of \$200,000 per Covered Person.

The reinsurance agreement contained all the required standard clauses, including the insolvency clause required by Section 1308(a)(2)(A) of the New York Insurance Law.

On June 1, 2016, the Plan initiated a new reinsurance policy with Zurich American Insurance Company (“Zurich”) in which the Plan retains the first \$200,000 of a given loss and 10% of additional amounts with no limit due to period or lifetime.

D. Holding Company System

Below is a chart of the holding company system applicable to the Company and its related parties, as of the examination date:



** Crystal Run Reciprocal Risk Retention Group provides professional liability insurance to certain of the physicians practicing at Crystal Run Healthcare LLP. Crystal Run Healthcare LLP, and each partner of Crystal Run Healthcare LLP (individually) are subscribers in Crystal Run Reciprocal Risk Retention Group.

Hal Teitelbaum, MD is deemed the ultimate controlling person in CRHP's holding company system because he is the managing partner of Crystal Run Healthcare LLP ("CRHLLP").

CRHLLP is a New York limited liability partnership and a multi-specialty physician practice, with a principal business address of 155 Crystal Run Road, Middletown, NY 10941. CRHLLP is owned by 114 physician partners, each of whom holds an equal partnership interest.

Crystal Run Reciprocal Risk Retention Group ("CRRRG") is 100% held by CRHLLP. CRRRG is domiciled in Vermont and writes malpractice coverage for CRHLLP, its 114 physician owners and most of CRHLLP's employed physicians.

Crystal Run Ambulatory Surgery Center of Middletown, LLC, a New York limited liability company is held jointly by CRHLLP, which owns 60% of the membership interest, and Orange Regional Medical Center, which holds the remaining 40%.

Crystal Run Health Group, LLC, a New York limited liability company ("CR Health Group") is owned 100% by CRHLLP and is the sole shareholder (immediate parent) of the Plan.

The Crystal Run Health Insurance Company, Inc. was licensed in December 2014 pursuant to Article 42 of the New York Insurance Law, to write insurance business as defined under Section 1113(a)(3)(i) of the New York Insurance Law.

Parts 98-1.10(a), (b), and (c) of Department of Health Regulation 98-1 (10 NYCRR 98-

le state:

“(a) Transactions within a holding company system to which a controlled (managed care organization) MCO is a party shall be subject to the following guidelines:

- (1) the terms of the financial transaction shall be fair and equitable to the MCO at the time of the transaction;
- (2) charges or fees for services performed shall be reasonable; and
- (3) expenses incurred and payments received shall be allocated to the MCO on an equitable basis in conformity with customary accounting practices consistently applied.

(b) The books, accounts and records of each party to all such transactions shall be so maintained as to clearly and accurately disclose the nature and details of the transactions, including such accounting information as is necessary to support the reasonableness of the charges or fees to the respective parties.

(c) Thirty days prior notice to the commissioner and, except in the case of a PHSP, HIV SNP or PCPCP, the superintendent, is required before entering into the following transactions between a controlled MCO and any person in its holding company system: a reinsurance agreement or an agreement for rendering services on a regular or systematic basis, other than medical or management services that require prior approval under this Subpart. Such transactions may become effective unless the commissioner or the superintendent has disapproved the transaction within such period.”

Further, Part 106.6(b) of Insurance Regulation No. 30 (11 NYCRR 106.6) states:

“The effects of the application, to each operating expense classification of all bases of allocation shall be shown on records kept in clear and legible form. Such records shall be readily available for examination.”

The Plan maintains an expense allocation agreement with its ultimate parent, CRHLLP and affiliates, that was approved by the Department, effective January 1, 2016. However, CRHLLP allocated expenses to CRHP in 2015, prior to the implementation of that agreement.

The approved agreement, which was implemented subsequent to the examination, included the requirement that CRHLLP allocate expenses to the Plan based on a special study to determine the expense cost of each employee. CRHP did not comply with either the approved

agreement or the cited statutory requirements, as no special studies were performed or documented to support the allocation of employee compensation from the Parent to the CRHP.

It is recommended that the Plan comply with the requirements of Parts 98-1.10 (a) and (b) of Department of Health Regulation 98-1(10 NYCRR 98-1) and the approved expense allocation agreement with regard to transactions within its holding company system.

It is also recommended that the Plan comply with Part 98-1.10 (c) of Department of Health Regulation 98-1(10 NYCRR 98-1) by notifying the Commissioner and Superintendent in writing prior to entering into such transactions with its parent consisting of rendering services on a regular or systematic basis.

It is further recommended that the Plan comply with Part 106.6 of Insurance Regulation No. 30 (11 NYCRR 106.6) by maintaining proper records to support the allocation percentages used for its expenses.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis for the year 2015.

	<u>Amounts</u>	<u>Percentage</u>
Claims	\$ 114,872	152.9%
Claims adjustment expenses	269,627	358.9%
General administrative expenses	<u>2,945,700</u>	<u>3920.5%</u>
Net underwriting loss	<u>(3,255,064)</u>	<u>(4,432.3%)</u>
Net premiums earned	\$ <u>75,135</u>	<u>100.0%</u>

3. **MEDICAL LOSS RATIO**

The Plan's 2015 Medical Loss Ratio's ("MLR") Annual Reporting Forms were reviewed to determine compliance with 45 U.S. Code Federal Regulations ("CFR") Part 158, which implements Section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Affordable Care Act ("ACA"), generally requires health insurance companies to submit to the Secretary of the U.S. Department of Health and Human Services an annual report on their Medical Loss Ratios. The MLR is the proportion of premium revenue expended by a company on clinical services and activities that improve health care quality in a given state and market. Section 2718 of the PHS Act also requires a plan to provide rebates to consumers if it does not meet the MLR standard (generally, 80% in the individual and small group market).

This is the first examination of the Plan's MLR Annual Reporting Form. The examination covered the reporting period from the Plan's inception through December 31, 2015.

The examination was conducted in accordance with the Center for Consumer Information and Insurance Oversight (CCIO) Medical Loss Ratio Examination Handbook (the "MLR Handbook"). The MLR Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Plan, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Reporting Form Filing Instructions.

A. Medical Loss Ratio Reporting Form

Title 45 of CFR §158.110(b) requires that a report for each MLR reporting year is to be submitted to the Secretary of the U.S. Department of Health and Human Services (“HHS”) by July 31st of the year following the end of an MLR reporting year, on a form and in the manner prescribed by the Secretary of HHS. Based on the examiner’s review, CRHP failed to file an acceptable form by July 31, 2016 for the 2015 reporting year, and therefore was not in compliance with Title 45 CFR §158.110(b). CRHP did file a Report after being advised of its omission.

Title 45 CFR §158.210 (c) requires that an issuer must provide a rebate to enrollees if the issuer has an MLR of less than 80% for the individual and small group markets. The Plan’s MLR and rebate calculation from the MLR Annual Reporting Form, was as follows:

MLR Components	Individual	Small Group
Adjusted Incurred Claims	\$ 29,103	\$ 35,036
<i>Plus:</i> Quality Improvement Expenses	0	0
Net expected risk adjustment payments	34,182	60,507
MLR Numerator	\$ 63,285	\$95,553
Premium Earned	68,321	\$59,314
<i>Less:</i> Federal & State Taxes and Licensing/Regulatory Fees	1,961	1,702
MLR Denominator	\$ 66,360	\$ 57,612
Preliminary MLR Before Credibility Adjustment	95.4 %	165.8%
Credibility Adjustment	0 %	0%
Credibility-Adjusted MLR	95.4%	165.08%
MLR Standard	80 %	80 %
Rebate Amount	\$0	\$0

B. Medical Loss Ratio Numerator

According to Title 45 of CFR §158.221(b), the numerator of the MLR calculation is comprised of incurred claims, as defined in 45 CFR §158.140, plus expenditures for activities that improve health care quality, as defined in Title 45 CFR §158.150, and Title 45 CFR §158.151. The examiner verified the data used to calculate the numerator and noted that the Plan did not account for Quality Improvement expenses. The inclusion of these expenses would have increased the medical loss ratio and thus, served to reduce the possibility of the Plan having to pay rebates.

C. Medical Loss Ratio Denominator

According to Part 45 CFR §158.22(c), the denominator of the MLR calculation is comprised of premium revenue, as defined in 45 CFR §158.130, minus federal and state taxes and licensing and regulatory fees, described in 45 CFR §158.161(a), and 45 CFR §158.162(a)(1) and (b)(1). The examiner verified the data used to calculate the denominator and noted that the Plan failed to account for agent commissions. The inclusion of these expenses would have increased the medical loss ratio and thus, served to reduce the possibility of the Plan having to pay rebates.

D. Credibility Adjustment

According to 45 CFR§158.230, the credibility of an issuer's experience is based upon the number of life-years covered by the issuer. Life-years means the total number of months of coverage for enrollees whose premiums and claims experience is included in the report to the Secretary required by §158.110 of this part, divided by 12. Part 45 CFR§158.230(c)(3) stipulates

that an MLR is non-credible if it is based on experience of less than 1,000 lives. The Plan's calculated Life-Years was below that level and so, under Part 45 CFR§158.230(d), the Plan's MLR is presumed to exceed the minimum percentage required by §158.210 or §158.211 of this subpart and so, no rebate is required.

It is recommended that the Plan comply with Title 45 of the U.S. Code Federal Regulations (CFR) §158.110(b) and file a Medical Loss Ratio reporting form by the filing deadline.

4. FINANCIAL STATEMENTS

A. Balance Sheet

The following statements show the assets, liabilities, and surplus as of December 31, 2015, as contained in the Plan's 2015 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review. The examiner's review of a sample of transactions did not reveal any differences which materially affected the Plan's financial condition as presented in its financial statements contained in the December 31, 2015 filed annual statement.

Independent Accountants

The firm of PKF O'Connor Davies was retained by the Plan to audit the Plan's combined statutory basis statements of financial position for the year ended December 31, 2015, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

PKF O'Connor Davies concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Plan's at the respective audit date. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

Assets

Cash	\$ 7,397,403
Common stocks	715,375
Uncollected premiums	7,871
Electronic data equipment	256,372
Receivables from affiliate	<u>589,393</u>
Total assets	\$ <u>8,966,414</u>

Liabilities

Claims unpaid	\$ 107,483
Unpaid claims adjustment expense	3,224
Premiums received in advance	327,870
General expenses due and accrued	436,577
Amount due to parent, subsidiaries and affiliates	<u>157,740</u>
Total liabilities	\$ <u>1,032,894</u>

Capital and Surplus

Gross paid-in and contributed surplus	11,574,412
N.Y.S. Contingent Reserve	801,011
Unassigned surplus	<u>(4,441,903)</u>
Total capital and surplus	\$ <u>7,933,520</u>
Total liabilities and surplus	\$ <u>8,966,414</u>

B. Statement of Revenue and Expenses and Change in Capital and Surplus

Capital and surplus decreased during the examination period, August 1, 2015 through December 31, 2015, detailed as follows:

Revenue

Net premium income \$ 75,135

Expenses

Hospital/medical benefits \$ 96,954

Other professional services 7,553

Emergency room and out of area 4,982

Prescription drugs 5,383

Total hospital and medical expense \$114,872

Administrative expenses

Claim adjustment expenses 269,627

General administrative expenses 2,945,700

Total underwriting deductions 3,330,199

Net underwriting loss (3,255,064)

Net investment income earned 2,333

Net realized capital gain (or loss) 0

Net investment gains 2,333

Net loss before federal income taxes (3,252,731)

Federal income taxes incurred 0

Net loss \$ (3,252,731)

Capital and surplus as of August 1, 2015			\$11,574,412
	<u>Increases</u>	<u>Decreases</u>	
Net loss		\$3,252,731	
Change in non-admitted assets	(388,161)		
Net change in capital and surplus			<u>(\$3,640,892)</u>
Capital and surplus, per report on examination, as of December 31, 2015			<u>\$7,933,520</u>

5. SUBSEQUENT EVENTS

On January 3, 2018, the New York State Department of Health approved the acquisition of Crystal Run Health Plan, LLC by Crystal Run Health Transformation Holdings, LLC (“CRHT”) (owned 66.67% by the Crystal Run branch and 33.33% by the Montefiore branch).

The Montefiore Branch includes CRHT Acquisition, Inc. (“CRHT Acquisition”), a New York Limited Liability Company and CRHT’s 33.33% membership interest holder; Montefiore Consolidated Ventures, Inc. (“MCV”), a New York corporation and CRHT Acquisition’s sole shareholder; Montefiore Health System Inc. (“MHS”), a New York not-for-profit corporation and MCV’s sole shareholder; and Montefiore Medicine Academic Health System, Inc. (“MMAHS”), a New York not-for-profit corporation and MHS’s sole member

Crystal Run Health Transformation Holdings, LLC’s stated objective was to create a linkage between two healthcare providers which are equally focused on the reform of the healthcare delivery system in the Hudson Valley region of New York State, and the Bronx and Westchester counties abutting the Hudson Valley.

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

<u>ITEM</u>	<u>PAGE NO.</u>
A. <u>Enterprise Risk Management</u>	
It is recommended that as a best business practice CRHP comply with Part 82.2(a) of Insurance Regulation No. 203 (11 NYCRR 82) and Insurance Circular Letter No. 14 (2011) and adopt a formal enterprise risk management function.	8
B. <u>Insurance Regulation No. 118</u>	
It is recommended that CRHP comply with Part 89.2(c) of Insurance Regulation No. 118 (11 NYCRR 89.2) by formally designating the Plan's entire Board of Directors or a group of individuals to constitute its audit committee.	9
C. <u>Holding Company System</u>	
i.	14
It is recommended that the Plan comply with the requirements of Parts 98-1.10 (a) and (b) of Department of Health Regulation 98-1(10 NYCRR 98-1) and the approved expense allocation agreement with regard to transactions within its holding company system.	
ii.	14
It is also recommended that the Plan comply with Part 98-1.10 (c) of Department of Health Regulation 98-1(10 NYCRR 98-1) by notifying the Commissioner and Superintendent in writing prior to entering into such transactions with its parent consisting of rendering services on a regular or systematic basis.	
iii.	14
It is further recommended that the Plan comply with Part 106.6 of Insurance Regulation No. 30 (11 NYCRR 106.6) by maintaining proper records to support the allocation percentages used for its expenses.	
D. <u>Medical Loss Ratio</u>	
It is recommended that the Plan comply with Title 45 of the U.S. Code Federal Regulations (CFR) §158.110(b) and file a Medical Loss Ratio reporting form by the filing deadline.	18

Respectfully submitted,

Jeffrey Usher
Principal Insurance Examiner

STATE OF NEW YORK)
) SS.
)
COUNTY OF NEW YORK)

JEFFREY USHER, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

Jeffrey Usher

Subscribed and sworn to before me

this _____ day of _____ 2018

NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES

I, MARIA T. VULLO, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:

Jeffrey Usher

as a proper person to examine the affairs of

Crystal Run Health Plan, LLC

and to make a report to me in writing of the condition of said

HMO

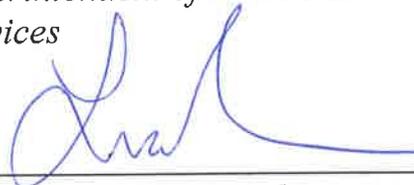
with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 4th day of August, 2016

MARIA T. VULLO
Superintendent of Financial
Services

By:



Lisette Johnson
Bureau Chief
Health Bureau

