

**REPORT ON ORGANIZATION**

**OF**

**HEALTHFIRST INSURANCE COMPANY, INC.**

**AS OF**

**SEPTEMBER 22, 2016**

**DATE OF REPORT**

**SEPTEMBER 29, 2016**

**EXAMINER**

**EDOUARD MEDINA**

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NEW YORK STATE  
DEPARTMENT *of*  
FINANCIAL SERVICES

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Andrew M. Cuomo  
Governor

Maria T. Vullo  
Superintendent

September 29, 2016

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

Madam:

Pursuant to the instructions contained in Appointment Number 31532, dated September 16, 2016, and attached hereto, I have made an examination “on organization” of Healthfirst Insurance Company, Inc., and the following report thereon is respectfully submitted.

The examination was conducted at the home office of Healthfirst Insurance Company, Inc., located at 100 Church Street, New York, NY 10007.

Wherever the designations the “Company” or “HFIC” appear herein, without qualification, they should be understood to refer to Healthfirst Insurance Company, Inc.

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

## 1. ORGANIZATION

Healthfirst Insurance Company, Inc. was incorporated, pursuant to a Declaration of Intention and Charter (“Charter”) submitted to the New York State Department of Financial Services on December 10, 2013, and approved by the Department on January 6, 2014 in accordance with Section 1201 of the New York Insurance Law. On January 22, 2014, the Company filed a Uniform Certificate of Authority Application (“UCAA”) for licensure as an Article 42 Accident and Health insurer with the Department.

The Company’s by-laws stipulate that the number of directors, which shall constitute the whole board of directors, shall be fixed from time to time by the board of directors, consistent with the provisions of the Charter. The Company’s Charter states that the board of directors shall consist of no less than seven (7) and no more than twenty (20) directors. As of the date of this examination, the Company’s board of directors consisted of eight (8) directors, as follows:

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Joseph Guarracino New York, NY	Senior Vice President & Chief Financial Officer, White Plains Hospital
Pauline Marks Palisades, NY	Executive Director, MediSys Management, LLC
Daniel McCarthy Mendham, NJ	President & Chief Operating Officer, HF Management Services, LLC
Thomas Meixner Cedar Grove, NY	Senior Vice President, HF Management Services, LLC
Errol Pierre Bronx, NY	Vice President, HF Management Services, LLC

<u>Name and Residence</u>	<u>Principal Business Affiliation</u>
Paul Portsmore Malverne, NY	Senior Vice President, HF Management Services, LLC
Eric Scalettar New York, NY	Senior Vice President, Maimonides Medical Center
Melinda Thiel Wayne, NJ	Senior Vice President HF Management Services, LLC

The officers of the Company included the following individuals:

<u>Name</u>	<u>Title</u>
Patricia Wang	President & Chief Executive Officer
Elizabeth St. Clair	Secretary*
John Bermel	Treasurer

\* Subsequent to the date of the examination, pursuant to a board resolution effective September 27, 2016, Elizabeth St. Clair was replaced by Linda Tiano as Corporate Secretary of HFIC.

## **2. SCOPE OF EXAMINATION**

The examination was comprised of a verification of the issuance of the Company's capital stock, the receipt of capital and surplus funds, and the determination of assets and liabilities. The records examined included the Declaration of Intention and Charter, By-laws, Board of directors' minutes, Stockholders' register, and Holding Company Organizational Chart. In addition, an affidavit, appended hereto, was obtained from two officers of the Company indicating that the transactions noted in this report were bona fide.

## **3. CAPITALIZATION AND SUBSCRIPTION**

The Company is a subsidiary of Healthfirst Health Plan, Inc. and Healthfirst PHSP, Inc. On September 7, 2016, the Company issued to each parent 50,000 shares of common stock (100,000 shares in total) with a par value of \$2.00 per share for a price of \$250 per share resulting in an aggregate purchase price of \$25,000,000. The total investment consists of paid in capital of \$200,000 and contributed surplus of \$24,800,000.

#### 4. BALANCE SHEET

The following balance sheet sets forth the Company's financial condition as of the date of this examination:

##### Assets

Cash and cash equivalents	\$24,760,894
United States Treasury Notes	<u>237,543</u>
Total assets	<u>\$24,998,437</u>

##### Liabilities

\$ 0

##### Capital and Surplus

Common capital stock	\$ 200,000
Gross paid-in and contributed surplus	24,800,000
Unassigned funds	<u>(1,563)</u>
Total capital and surplus	<u>\$24,998,437</u>
Total liabilities, capital and surplus	<u>\$24,998,437</u>

**5. AUTHORIZED POWERS AND MINIMUM CAPITAL REQUIRED**

The Company is authorized pursuant to its Charter to transact the kind of insurance as described in the following numbered paragraph of Section 1113(a) of the New York Insurance Law:

<u>Paragraph</u>	<u>Line of Business</u>
(3)(i)	Accident and health insurance

The Company's Charter indicates that it may also engage in any other kind or kinds of business to the extent necessary or incidental to the kind or kinds of business which it is or may hereafter be authorized to transact in the State of New York.

The Company's minimum financial requirements for the above mentioned line of business, as set forth in Sections 4204 and 4206 of the New York Insurance Law are as follows:

Initial Surplus	\$300,000
Surplus to be maintained	\$200,000
Deposit	\$200,000
Capital	\$200,000
Minimum capital investments	\$200,000

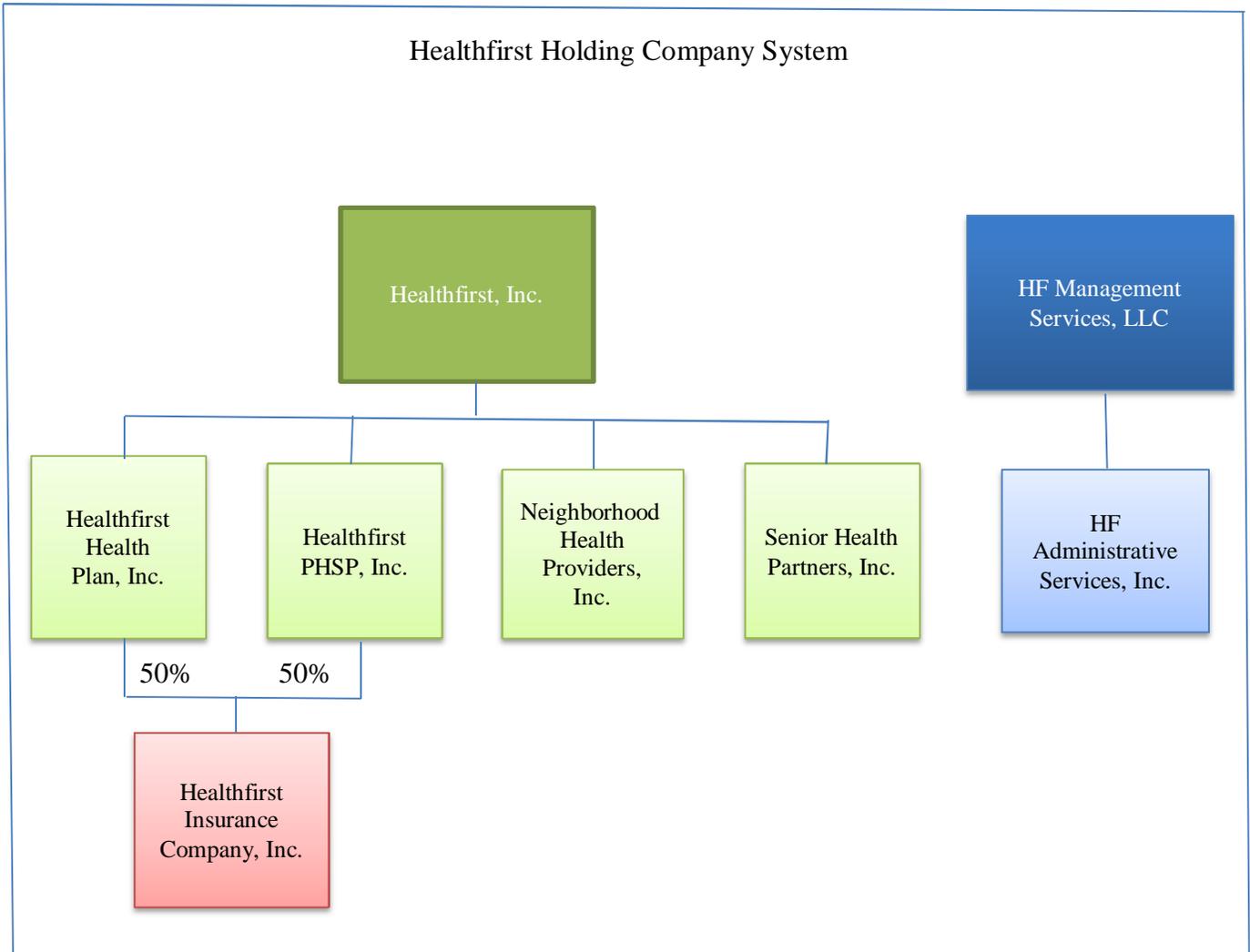
Pursuant to the provisions of Section 1314 of the New York Insurance Law, the Company, as of September 22, 2016, had deposited into a bank account at BNY Mellon, in the name of the Superintendent of Financial Services, qualifying U.S. Treasury Notes with a market value of

\$237,543, in satisfaction of the \$200,000 deposit required pursuant to Section 4206 of the New York Insurance Law.

Besides the \$300,000 initial surplus required by Section 4204 of the New York Insurance Law, an additional \$24,700,000 of capitalization is required based on the Company's submitted business plan and financial projections.

## 6. HOLDING COMPANY SYSTEM

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



Healthfirst, Inc. is a New York not-for profit tax-exempt membership corporation, which will be HFIC's ultimate parent, as it is the sole member of HFIC's two shareholders.

Healthfirst PHSP, Inc. is a New York not-for-profit tax-exempt corporation licensed by the New York State Department of Health pursuant to Article 44 of the Public Health Law to operate as a prepaid health services plan. Healthfirst PHSP, Inc. offers Medicaid, Child Health Plus, and Essential Plans and, since October 2013, offers qualified health plans on the New York State of Health (Exchange). Healthfirst PHSP, Inc. owns 50% of HFIC's stock.

Healthfirst Health Plan, Inc. is a New York not-for-profit tax-exempt corporation licensed by the New York State Department of Health pursuant to Article 44 of the Public Health Law to operate as a health maintenance organization. Healthfirst Health Plan, Inc. offers Medicare Advantage, Medicaid Advantage Plus and Medicare Medicaid Plans (Fully Integrated Dual Advantage Plans), as well as commercial plans pursuant to the New York Insurance Law. Healthfirst Health Plan, Inc. owns 50% of HFIC's stock.

Neighborhood Health Providers, Inc. is a Medicaid, Family Health Plus, and Child Health Plus Plan, which was acquired by Healthfirst Inc. in January 2013. As of June 2013, all of its enrolled members were transferred to Healthfirst PHSP, Inc. Both the January acquisition and the June membership transfer were approved by the New York State Department of Health. Neighborhood Health Providers, Inc. is currently in a wind down process.

Senior Health Partners, Inc. is a New York not-for-profit tax exempt corporation licensed by the New York State Department of Health under Article 44 of the Public Health Law to operate as a health maintenance organization. Senior Health Partners, Inc. offers Medicaid managed long-term care products.

HF Management Services, LLC is a New York limited liability corporation that provides a wide range of management services to the entities controlled by Healthfirst, Inc.

As of September 9, 2016, HFIC has entered into a Management Agreement with HF Management Services, LLC (“HFMS”). Pursuant to the terms of the agreement HFMS provides Underwriting, Premium Accounting, Claims Accounting, Marketing, Financial Reporting, Investment Management, Compliance/Internal Audit, Special Investigations Unit, Medical Management, Member Services and Provider Relations

It is noted that HFIC itself does not have any employees, and all individuals performing functions on behalf of HFIC will be employees of HFMS.

Furthermore, according to the aforementioned management agreement, all costs shall be allocated and otherwise calculated by HFMS in compliance with applicable New York State Department of Financial Services regulations and guidelines, including the provisions of Insurance Regulation No. 30 (11 NYCRR 105-109).

HF Administrative Services, Inc. is a New York for-profit corporation that is licensed as an independent adjuster by the New York State Department of Financial Services. HF Administrative Services, Inc. provides administrative services to several health plans.

As of September 9, 2016, HFIC has entered into a Management Agreement with HF Administrative Services, Inc. (“HFAS”). Pursuant to the terms of the agreement HFAS provides to HFIC claims processing services as required in order for HFIC to perform the operations and services customary for a health insurer and required by applicable plan contracts.

Furthermore, according to the agreement, all costs shall be allocated and otherwise calculated by HFAS in compliance with applicable New York State Department of Financial Services regulations and guidelines, including the provisions of Insurance Regulation No. 30 (11 NYCRR 105-109).

## **7. EXPENSES**

During the examination it was indicated that all the pre-operational expenses incurred by and on behalf of HFIC were paid for by HFMS and that HFMS does not intend to charge-back HFIC for any expenses it has or will incur on behalf of HFIC prior to January 1, 2017. Any expenses incurred prior to January 1, 2017 by HFMS on behalf of HFIC shall remain with HFMS.

Where applicable, with respect to transactions with affiliates and corresponding expense allocations, the Company is reminded to comply with the provisions of New York Insurance Law Article 15 and New York Insurance Regulation 30.

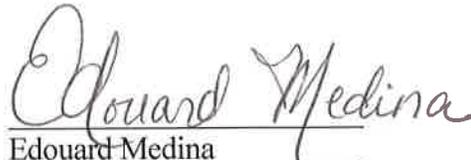
## **8. CONCLUSION**

Based upon the foregoing examination, it is noted that the Company sold all of its 100,000 shares of \$2.00 par value per share common stock for a sale price of \$250 per share resulting in a total sale price of \$25,000,000. Of this amount, \$237,543 is on deposit, as of the date of this examination, in an account in the name of the Superintendent of Financial Services to meet its statutory deposit and minimum capitalization requirements.

**9. SUMMARY OF COMMENTS AND RECOMMENDATIONS**

<b><u>ITEM</u></b>		<b><u>PAGE NO.</u></b>
A.	<u>Expenses</u>	
	Where applicable, with respect to transactions with affiliates and corresponding expense allocations, the Company is reminded to comply with the provisions of New York Insurance Law Article 15 and New York Insurance Regulation 30.	11

Respectfully submitted,

  
Edouard Medina  
Associate Insurance Examiner

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

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

  
Edouard Medina

Subscribed and sworn to before me  
this 29<sup>TH</sup> day of SEPTEMBER, 2016



Charles T. Lovejoy  
Notary Public, State of New York  
No. 01LO4798952  
Qualified in New York County  
Commission Expires 1-26-18

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:

**Edouard Medina**

as a proper person to examine the affairs of

**Healthfirst Insurance Company, Inc.**

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

**Company**

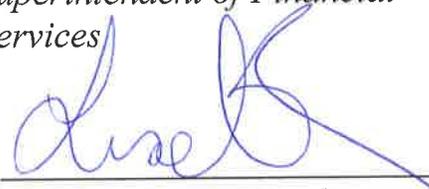
with such other information as he shall deem requisite.

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

this 16th day of September, 2016

MARIA T. VULLO  
Superintendent of Financial  
Services

By:



Lisette Johnson  
Bureau Chief  
Health Bureau



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

The undersigned, each an executive officer of Healthfirst Insurance Company, Inc. (the "Company") duly sworn, depose and say under oath that, on the date of September 22, 2016:

1. Each of the undersigned is an officer of the Company.
2. The Company's capital and surplus equals twenty-four million, nine hundred ninety-eight thousand, four hundred thirty-seven dollars (\$24,998,437), consisting of paid-in capital of two hundred thousand dollars (\$200,000), contributed surplus of twenty-four million, eight hundred thousand dollars (\$24,800,000), and unassigned funds of negative one thousand, five hundred, sixty three dollars (\$1,563) ("Capital and Surplus"). The funds supporting such Capital and Surplus is on deposit with The Bank of New York Mellon (\$238,342) and The TD Bank (\$24,760,095).
3. That no part of said paid-in capital and surplus has been withdrawn, pledged or in any way impaired, except as wanted for investment or otherwise legitimately used or appropriated to and for the sole and exclusive use and benefit of the Company in its corporate capacity and in strict conformity with the statutes on such case made and provided.
4. That no part or portion thereof has been loaned or advanced to the Company by any person, partnership or corporation for the purpose of being used as such paid-in capital and surplus.
5. That according to the best of their respective knowledge, information and belief, there was no intention or design existing on the part of any person or persons whomsoever, to withdraw any part or portion of the said paid-in capital or surplus until the same was or is wanted for investment or to be legitimately used or appropriated to and for the sole and exclusive use and benefit of the Company in its corporate capacity in strict conformity with the statutes in such case made and provided.
6. That there is no agreement or understanding, express or implied, made or existing between the Company or its officers, or any or either of them or any person or persons, to the effect of import that the money paid-in by the stockholder shall be loaned or returned to him or any person or persons for his or their use or accommodation or the hypothecation of stock of the Company as security therefor, or upon any other securities, terms and conditions whatsoever.
7. That neither the Company, nor any of its officers is in any way, manner or form, pledged or committed to make any investment loan or disposition of said paid-in capital and surplus or any part or portion thereof, which is not in strict conformity in all respects with the provisions of the Insurance Law of the State of New York.

Pat Wang 9-29-16  
(Signature) (Date)  
Pat Wang  
CEO/President

Linda V. Tian 9/29/16  
(Signature) (Date)  
Linda Tian  
Corporate Secretary

Subscribed and sworn to before me  
this 29 day of September 2016

(Signature)  
Jessica DeJesus  
Notary Public Stamp

