REPORT ON EXAMINATION

OF

EXCELLUS HEALTH PLAN, INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT	**APRIL 6, 2016**
EXAMINERS	**JERRY EHLERS, CFE** **WAI WONG**

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Acting Superintendent

April 6, 2016

Honorable Maria T. Vullo
Acting Superintendent of Insurance
Albany, New York 12257

Sir:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 31055, dated September 25, 2013 and Appointment Number 31074, dated November 13, 2013 attached hereto, we have made an examination into the condition and affairs of Excellus Health Plan, Inc., a health service corporation licensed pursuant to the provisions of Article 43 of the New York Insurance Law, as of December 31, 2013, and submit the following report thereon.

The examination was conducted at the home office of Excellus Health Plan, Inc. located at 165 Court Street, Rochester, New York.

Wherever the designations the "Plan", "EHP" or "Excellus" appear herein, without qualification, they should be understood to indicate Excellus Health Plan, Inc., a wholly-owned subsidiary of Lifetime Healthcare, Inc.

Wherever the designation the "Parent" appears herein, without qualification, it should be understood to indicate Lifetime Healthcare, Inc., a not-for-profit holding company.

Wherever the designation "MANY" appears herein, without qualification, it should be understood to indicate MedAmerica Insurance Company of New York an accident and health insurer licensed pursuant to the provisions of Article 42 of the New York Insurance Law, a wholly-owned subsidiary of MedAmerica, Inc., which, in turn, is a wholly-owned subsidiary of Excellus Health Plan, Inc.

Wherever the designation "MAPA" appears herein, without qualification, it should be understood to indicate MedAmerica Insurance Company, a wholly-owned subsidiary of MedAmerica, Inc., domiciled in the state of Pennsylvania, which is a wholly-owned subsidiary of Excellus Health Plan, Inc.

Wherever the designation "MAFL" appears herein, without qualification, it should be understood to indicate MedAmerica Insurance Company of Florida, domiciled in the state of Florida, a wholly-owned subsidiary of MedAmerica Insurance Company.

Wherever the designation the "Companies" appears herein, without qualification, it should be understood to indicate Excellus Health Plan, Inc., MedAmerica Insurance Company, MedAmerica Insurance Company of New York, and MedAmerica Insurance Company of Florida, collectively.

Wherever the designation "MedAmerica Companies" appears herein, without qualification, it should be understood to indicate, MedAmerica Insurance Company, MedAmerica Insurance Company of New York, and MedAmerica Insurance Company of Florida, collectively.

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

A concurrent examination was made of MedAmerica Insurance Company of New York, a subsidiary stock accident and health company licensed pursuant to the provisions of Article 42 of the New York Insurance Law. A separate report thereon will be submitted.

A separate Market Conduct examination reviewing the manner in which the Plan conducted its business practices and fulfilled its contractual obligations to policyholders and claimants was also conducted as of December 31, 2013. A separate report thereon will be submitted.

1. SCOPE OF THE EXAMINATION

The Plan was previously examined as of December 31, 2008. This examination of the Plan was a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2014 Edition* ("the Handbook") and it covered the period from January 1, 2009 through December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2013 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 examiners' assessment of risk in the Plan's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiners 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 Excellus Health Plan, Inc.

The examiners 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 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 to 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 annually for the years 2009 through 2013, by the accounting firm of Deloitte & Touche, LLP ("D&T"). The Plan received an unmodified opinion in each of those years. Certain audit work papers of D&T were reviewed and relied upon in conjunction with this examination. The Plan has an internal audit department which has been given the task of assessing the Plan's internal control structure. A review was also made of the Plan's Enterprise Risk Management program.

During this examination, an information systems review was made of the Plan's computer 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 departure from laws, regulations or rules, or which require explanation or description.

2. DESCRIPTION OF THE PLAN

Excellus Health Plan, Inc. is a not-for-profit health service corporation organized and licensed pursuant to Article 43 of the New York Insurance Law. The Plan operates under two assumed (d/b/a) names for its Article 43 business, Excellus BlueCross BlueShield and Univera Healthcare. Excellus BlueCross BlueShield provides hospital, surgical-medical, major medical/comprehensive, dental and prescription drug coverage within the Rochester, New York and Central New York State regions. Univera Healthcare provides hospital, medical, dental and prescription drug coverage within an eight county area of western New York State.

The Plan also holds a Certificate of Authority under Article 44 of the New York Public Health Law to operate Excellus Health Plan, Inc. as a health maintenance organization (HMO) d/b/a Upstate HMO, Univera Healthcare HMO and Univera as a separate line of business. The latter two d/b/a names pertain to the Plan's HMO operations within an eight county region of the western region of New York State.

Lifetime Healthcare, Inc. is the sole member of Excellus Health Plan, Inc. Excellus Inc. changed its name on January 23, 2004 to Lifetime Healthcare, Inc., d/b/a The Lifetime Healthcare Companies. Excellus Health Plan, Inc. is the surviving entity resulting from the mergers of the Blue Cross/Blue Shield Plans in the Rochester, Central New York, and Utica-Watertown regions and HMOs in Central and Western New York; including HMO-CNY and Univera Healthcare of Central and Western New York.

A. Corporate Governance

As of December 31, 2013, the Plan's board of directors was comprised of eighteen (18) members as follows:

Name and Residence	Principal Business Affiliation
Employee Director	
Christopher C. Booth, Esq. Pittsford, New York	President and Chief Executive Officer, Excellus Health Plan, Inc.
Provider Directors	
Joseph F. Kurnath, M.D. Rochester, New York	Physician
Patrick A. Mannion Fayetteville, New York	Vice Chairman, Columbian Financial Group
Colleen E. O'Leary, M.D. Manlius, New York	Professor, SUNY Upstate Medical University
Public Directors	
Hermes L. Ames, III Menands, New York	Retired
Natalie L. Brown Barneveld, New York	Executive Director, YWCA Mohawk Valley
John G. Doyle, Jr. Ontario, New York	President and Chief Executive Officer, Doyle Security Systems, Inc.

Name and Residence	Principal Business Affiliation
	Public Directors (Continued)
Marianne W. Gaige Holland Patent, New York	President and Chief Executive Officer, Cathedral Corporation
Alfred D. Matt Clinton, New York	President and CEO, FX Matt Brewing Co., Inc.
Charles H. Stuart Rochester, New York	Financial Advisor, Cobblestone Capital Advisors
George F. T. Yancey, Jr. Rochester, New York	Managing Director, DeltaPoint Capital Management, LLC
	Subscriber-Directors
Jennifer C. Balbach Buffalo, New York	Partner, Summer Street Capital Partners, LLC
(Chairman) Randall L. Clark* Vero Beach, Florida	Chairman and President, Dunn Tire
William H. Goodrich Fairport, New York	Chief Executive Officer, LeChase Construction Services, LLC
Austin T. Hildebrandt (Vice-Chairman) Webster, New York	Special Assistant to the President, Hillside Family of Agencies
Thomas Y. Hobart, Jr. East Amherst, New York	Retired
Dennis P. Kessler, Esq. Rochester, New York	Owner and Co-founder, Kessler Restaurants, Inc.
Thomas E. Rattmann** Vestal, New York	Chairman, President, and Chief Executive Officer, Columbian Financial Group

*Note: On March 20, 2014, Randall L. Clark retired as Chairman of the Board and was replaced by Austin T. Hildebrandt.
**Note: On March 20, 2014, Thomas E. Rattmann replaced Austin T. Hildebrandt as Vice Chairman of the Board of Directors.

The board met five times during each calendar year of the examination period.

A review of the minutes of attendance records at the Plan's board of directors' meetings held during the period under examination revealed that the meetings were well attended, with all directors attending more than one-half of the meetings they were eligible to attend.

It was noted that the composition of Excellus Board of Directors was in compliance with the requirements of Section 4301(k)(1) of the New York Insurance Law throughout the examination period.

The officers of the Plan as of December 31, 2013 were as follows:

Name	Title
Christopher C. Booth	President and Chief Executive Officer
Dorothy A. Coleman	Chief Financial Officer and Treasurer
Stephen R. Sloan	Chief Administrative Officer and General Counsel

It is noted that the members of the Plan's board of directors and senior management officers are also members of the board of directors and senior management officers of the Parent, as well as several other affiliated companies.

Article III, Section 1, of the Plan's by-laws states:

> "The governing board of the Corporation shall be a Board of Directors charged with the general management of the affairs, property, and business of the Corporation. The board of directors shall consist of eighteen (18) members. One of the eighteen (18) members shall be the Chief Executive Officer of the Corporation. The term "entire board of directors" shall mean the total number of directors that the Corporation would have if there were no vacancies."

Article III, Section 1 of the Plan's by-laws provides that the board of directors shall consist of eighteen (18) members. During a portion of the examination period, the Plan had fewer than eighteen (18) directors due to an unusually large number of unplanned and unforeseen mid-tenure departures.

It is recommended that Excellus maintain eighteen (18) members on its board of directors, as required by Article III, Section 1 of its by-laws, and replace any unplanned vacancies within a reasonable period of time.

The Plan's audit committee charter charges such committee with the responsibility to "review the performance" of the Chief Audit Executive ("CAE"), however, it is not specific with respect to involvement in the potential termination of the CAE.

It is recommended that the Plan include within the audit committee charter wording that the audit committee be the decision-making entity with regard to the potential termination of the Chief Audit Executive.

Internal Audit Department

Excellus has an established Internal Audit Department ("IAD") function, which is independent of management, to serve the Audit Committee of the board of directors ("the audit committee" or "AC"). In addition, the IAD addresses the requirements of Insurance Regulation No. 118 (11 NYCRR 89), New York's version of the NAIC's Model Audit Rule, and assists management with any insurance regulatory reviews.

During the course of this examination, consideration was given to the significance and potential impact of certain IAD findings. To the extent possible, the examiners relied upon the work performed by the IAD, as prescribed by the Handbook.

Article III, Section 1, of the Plan's by-laws states in part:

> "The governing board of the Corporation shall be a Board of Directors charged with the general management of the affairs, property, and business of the Corporation…"

Full reports from the IAD containing the significant findings and recommendations, along with priority rankings of the findings, were not consistently provided to the audit committee of the board, which would allow the board to fulfill its duties and responsibilities under its by-laws.

It is recommended that the Plan's IAD provide the Plan's audit committee with a more comprehensive report of its audit results relative to significant findings, along with priority rankings of the findings, which will allow the audit committee and board to fulfill its duties and responsibilities.

Enterprise Risk Management

Effective April 30, 2014, Excellus Health Plan, Inc. was required to be compliant with Insurance Regulation No. 203. Controls are identified by management and testing is managed and monitored by the Excellus Internal Audit Department ("IAD"). Shared services with Lifetime HealthCare, Inc. and the MedAmerica companies are managed by Excellus, and include information technology, risk management, investments, accounting and internal audit.

The Plan's Enterprise Risk Management ("ERM") framework is conducted on a Lifetime Healthcare, Inc. holding company basis. Exhibit M of the Handbook (*Understanding the Corporate Governance Structure*) was utilized by the examiners as guidance for assessing corporate governance.

B. Territory and Plan of Operation

At December 31, 2013, the Plan was authorized to transact business throughout New York State. The Plan also held a Certificate of Authority under Article 44 of the New York Public Health Law as a health maintenance organization and was authorized to transact business as a health maintenance organization in the following counties in the State of New York:

Allegany	Erie	Livingston	St. Lawrence
Broome	Essex	Madison	Schuyler
Cattaraugus	Franklin	Monroe	Seneca
Cayuga	Fulton	Montgomery	Steuben
Chautauqua	Genesee	Oneida	Tioga
Chemung	Hamilton	Onondaga	Tompkins
Chenango	Herkimer	Ontario	Wayne
Clinton	Jefferson	Orleans	Wyoming
Cortland	Lewis	Oswego	Yates
Delaware	Niagara	Otsego	

Excellus participates in the Blue Cross Blue Shield Association's BlueCard program. This program allows Excellus members to receive treatment from providers participating in other Blue Cross Blue Shield plans when they travel outside of Excellus' coverage area. In return, members of other Blue Cross and Blue Shield plans are permitted to obtain treatment from providers in Excellus' territory on a participating basis.

The following table displays EHP's net admitted assets, capital and surplus, net premium income, and net income during the period under examination:

	Net Admitted Assets	Capital and Surplus	Net Premium Income	Net Income
2009	$2,200,425,921	$ 965,052,547	$4,888,134,513	$ 46,566,219
2010	2,380,843,336	1,089,671,571	5,174,426,946	44,450,757
2011	2,721,866,921	1,263,576,773	5,669,292,780	223,287,450
2012	2,818,628,731	1,282,486,221	5,988,786,993	105,742,878
2013	3,044,020,106	1,352,620,435	6,289,316,239	52,557,239

The change in net income for 2013 was primarily attributed to losses in the Plan's government program products.

As of December 31, 2013, health care services were provided to 1,614,663 members. The following chart shows annual membership changes during the examination period by number and percentage:

	2008	2009	2010	2011	2012	2013
Members	1,661,879	1,525,447	1,536,092	1,614,392	1,623,970	1,614,663
Change %		(8.21%)	0.70%	5.10%	0.59%	(0.57%)

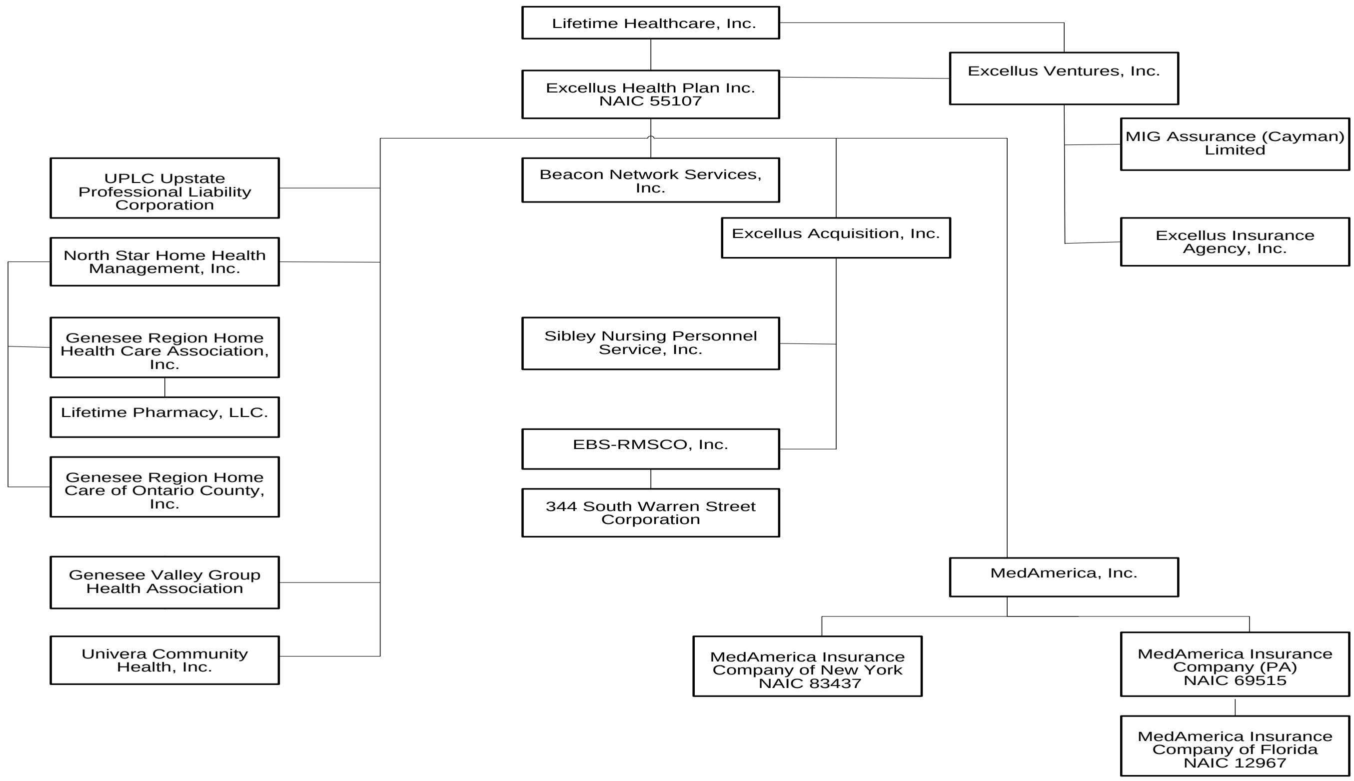
C. Reinsurance

Excellus has a stop-loss reinsurance contract in place to provide reimbursement for catastrophic medical claims for groups with an at-risk financial arrangement, such as Self-funded (ASC or ASO), Minimum Premium, or Premium Credit plans. This coverage is meant to protect a group, from unforeseen losses. The amount of risk to be insured is a function of the employer's size, nature of business, location, plan of benefits, financial resources, prior experience and tolerance for risk. The stop-loss premium revenue for 2013 was $1,967,924 for coverage related to a total of twelve (12) groups.

D. Holding Company System

As a member of a holding company system, the Plan is required to file registration statements pursuant to Article 15 of the New York Insurance Law and Insurance Regulation No. 52 (11 NYCRR 80). All required filings made during the examination period, regarding the aforementioned statute and regulation were reviewed. No problem areas were noted.

The following chart depicts the Plan's holding company system as of December 31, 2013:



Lifetime Healthcare, Inc.
Excellus Health Plan Inc. NAIC 55107
Excellus Ventures, Inc.
MIG Assurance (Cayman) Limited
Excellus Insurance Agency, Inc.
UPLC Upstate Professional Liability Corporation
North Star Home Health Management, Inc.
Genesee Region Home Health Care Association, Inc.
Lifetime Pharmacy, LLC.
Genesee Region Home Care of Ontario County, Inc.
Genesee Valley Group Health Association
Univera Community Health, Inc.
Beacon Network Services, Inc.
Excellus Acquisition, Inc.
Sibley Nursing Personnel Service, Inc.
EBS-RMSCO, Inc.
344 South Warren Street Corporation
MedAmerica, Inc.
MedAmerica Insurance Company of New York NAIC 83437
MedAmerica Insurance Company (PA) NAIC 69515
MedAmerica Insurance Company of Florida NAIC 12967

As of the examination date, the Plan maintained agreements with affiliated entities for administrative services, capital support, and tax sharing. Inter-company agreements and amendments for the Plan that were in place as of December 31, 2013 include the following:

- Genesee Valley Group Health Association ("GVGHA" d/b/a "Lifetime Health Medical Group") provides the Plan with regular and systematic services (i.e. - call center services for the following: utilization notification to members, appointment availability of providers, after hour access to clinical behavioral health providers, and follow-up calls for the behavioral health referral assistance program). Reimbursement is made to GVGHA for exact costs and in certain instances, on a cost study allocation basis. The agreement was dated January 1, 2002 and the Department completed its review of the original agreement on May 4, 2004. Amendments were made to the agreement effective January 1, 2009, November 1, 2011, and March 1, 2013. The Department issued "no objection" letters relative to the aforementioned amendments to the agreement on March 9, 2009, October 28, 2011 and February 2, 2013 respectively.

  Excellus provides Genesee Valley Group Health Association ("GVGHA" d/b/a "Lifetime Health Medical Group") with regular and systematic administrative services (i.e. – human resources, IT, legal, printing and mailing, Digital Shoreline Analysis Systems (DSAS), data warehouse, audit and recovery). Excellus will invoice GVGHA within 30 days of the end of each month for all direct and indirect cost incurred and payment is to be made within 15 days of receipt of the invoice. The agreement was dated October 1, 2008 and the Department completed its review of the original agreement on December 8, 2008. Amendments were made to the agreement effective July 1, 2009, July 1, 2011, January 1, 2013 and January 1, 2014. The Department issued "no objection" letters relative to the aforementioned amendments to this agreement on September 8, 2009, June 2, 2011, January 28, 2013 and November 1, 2013.

- Genesee Region Home Care Association, Inc. and subsidiaries ("GRHC") d/b/a Lifetime Care provides marketing, fraud abuse service, and network development services to the Plan. In addition, GRHC provides outpatient clinical peer review for physical therapy, occupational therapy and speech therapy. GRHC also administers several programs as follows:

  - Home Care Direct, a program designed to streamline the number of calls physicians make for home care and durable medical equipment;
  - Compassion Net Case Management, a program that provides support to children with life threatening illnesses;
  - Healthy Steps, a program that provides at risk families with information and guidance concerning the physical, emotional, social and cognitive development of their child from birth to age three;

- The Home Administration Program, an initiative that includes administering Synagis (an FDA approved drug for the prevention of lower tract respiratory diseases) to infants at home.
- Benefit Determination, a program that provides benefit determinations for certain Excellus members;
- After Hours Pre-certification Programs, include but not limited to the Hospital Aversion program, the Department of Labor initiative and customer service pre-certification calls for all regions;
- Care Transitions, a program provided to Excellus members hospitalized and requiring interventions from trained transition coaches to prevent re-hospitalizations and Emergency room visits, resulting in overall cost savings to the health plan and improved quality of care;
- Congestive Heart Failure Program, utilizes remote patient monitoring to demonstrate a decrease in the utilization of unnecessary Emergency Room visits and hospitalizations;
- Fall Prevention Program, to establish a community fall prevention program. Using a "person centric" approach, the program goal is to reduce falls and identify fall risk through practice approach. This may be demonstrated via several methodologies including but not limited to, falls risk assessments, a home care falls program, or leading and/or arranging a six step Falls Program in the community;
- Also, GRHC provides post-closure functions for Univera home care.

Reimbursement is made to GRHC for exact costs and in certain instances, on a cost allocation basis. The Department issued a "no objection" letter relative to such agreement on June 21, 2004. The agreement was amended effective January 1, 2008, January 1, 2009, and December 1, 2010. The Department issued "no objection" letters relative to the aforementioned amendments to this agreement on February 14, 2008, March 9, 2009 and December 14, 2010.

- Excellus provides Genesee Region Home Care Association, Inc. and subsidiaries ("GRHC" d/b/a "Lifetime Care") with regular and systematic administrative services (i.e. – human resources, payroll, legal, financial, office space, management information services, print, mail and personnel). Excellus will invoice GRHC within 30 days of the end of each month for all direct and indirect cost incurred and payment is to be made within 15 days of receipt of the invoice. The agreement was dated December 31, 2007 and the Department completed its review of the original agreement on February 2, 2008. Amendments were made to the agreement on July 1, 2009, July 1, 2011, January 1, 2013 and January 1, 2014. The Department issued "no objection" letters relative to the aforementioned amendments to this agreement on September 8, 2009, June 2, 2011, February 12, 2013 and December 30, 2013.

- Excellus subleases office and warehouse space to Genesee Region Home Care Association, Inc. ("GRHC") and Genesee Valley Group Health Association ("GVGHA") d/b/a Lifetime Care. Excellus subleases over 88,000 square feet of space to GRHCA and

GVGHA. Rent is paid to Excellus on an annual basis by GRHC and GVGHA. The term of the lease commenced on June 23, 2005 and expires on June 22, 2015. The agreement was dated September 30, 2005 and the Department's "no objection" letter was issued on October 21, 2005.

- Univera Community Health, Inc. ("UCH") is a not-for-profit prepaid health service plan (PHSP) that provides comprehensive health care to enrolled Medicaid, Family Health Plus, and Child Health Plus populations in western New York. The Plan is compensated for administrative services by UCH.

- Support Service Alliance, Inc. ("SSA") is a wholly-owned subsidiary of Excellus Acquisitions, Inc., which in turn is a wholly-owned subsidiary of the Plan. SSA administers insurance sales through the use of the Plan's internal sales force and associated services to select Excellus groups under general agency. The agreement was effective October 1, 2007. Amendments to the agreement were made effective July 1, 2010 and January 1, 2013. The NYDFS issued "no objection" letters for these amendments. As of December 31, 2013 Support Services Alliance, Inc. was no longer in existence as it has merged with EBS-RMSCO, Inc.

- EBS-RMSCO, Inc. ("EBS-RMSCO") is a wholly-owned subsidiary of Excellus Acquisition, Inc. ("EAI"), which in turn is a wholly-owned subsidiary of the EHP. On September 28, 2013, EBS-RMSCO and Support Services Alliance, Inc. ("SSA"), both wholly owned subsidiaries of the EAI, entered into an agreement and plan of merger whereby SSA merged with and into EBS-RMSCO. EBS-RMSCO, the surviving entity for legal purposes, remains a wholly owned subsidiary of EAI. On January 28, 2014, the Department of State accepted and filed EAI's Certificate of Amendment to change EBS-RMSCO's corporate name to Lifetime Benefit Solutions, Inc. ("LBS"), which was effective January 28, 2014.

  LBS, formerly EBS-RMSCO, administered the Plan's self-funded workers' compensation program, (i.e. - utilization review for clinical issues, case management, and pharmacy benefit management) through April 1, 2013. As part of the administration of the workers' compensation program, it administered pre-existing condition, cosmetic services, and chiropractic consultant case management related reviews in addition to claim reimbursement negotiations and second level reviews of claims denied for medical necessity under the terms of the agreement.

  LBS also administers the Plan's employee welfare plan benefits, which include the pension plan, flexible spending accounts, dental and vision administration, COBRA administration and retiree premium billing. It also administers the variable pay plan and the Board of Directors deferred compensation plan programs. Pension services were terminated effective June 2013. Administration of deferred compensation arrangements was terminated effective April 1, 2014.

  The original agreement, dated June 1, 2005, between Excellus and EBS-RMSCO, Inc. (formerly RMSCO, Inc.) was filed with the Department on May 11, 2005. The

Department issued a “no objection” letter relative to this agreement on May 18, 2005. The agreement was amended effective January 1, 2006 and the Department issued a “no objection” letter dated November 30, 2006.

- MedAmerica Insurance Company of New York (MANY) is provided executive management, staffing of direct services, desktop and network support, human resource services, purchasing services, payroll services, accounts payable services, telecommunication services, office space, and cash flow and investment management services by the Plan under the terms of an administrative services agreement. In addition, the Plan provides reserve calculation, premium billing, collecting and reporting, and document services to MANY. The agreement, originally dated January 1, 2002, was renewed on March 1, 2004. Amendments to the agreement were filed with effective dates of December 5, 2007, July 1, 2009, and December 1, 2010. No objection letters were issued for these amendments on October 3, 2007, September 8, 2009 and March 15, 2010.

- Excellus Insurance Agency (“EIA”) provides network and desktop support, human resources, purchasing services, accounts payable services, and telecommunication services by the Plan under the terms of an administrative services agreement. The agreement was effective December 10, 2007, and was approved by the Department on November 23, 2007. An amendment was made on July 1, 2009 to include “Costs will be allocated pursuant to 11 NYCRR 105 through 109.” The Department issued a “no objection” letter related to this administrative services agreement dated September 8, 2009.

- Excellus Ventures, Inc. (“EVI” or “Ventures”) is a holding company and sole shareholder of MIG Assurance (Cayman), Ltd. (“MIG”) and Excellus Insurance Agency, Inc. (the “Agency” or EIA). The administrative services agreement provides for reimbursement of services provided by the Chief Executive Officer; the Chief Financial Officer; and the Corporate Treasurer of the Plan. This agreement was effective on July 1, 2009. The Department issued a “no objection” letter relative to such administrative services agreement on September 8, 2009.

- The MedAmerica Companies and Excellus entered into a Capital Support Agreement (“CSA”) pursuant to which Excellus agreed to make an investment in one or more of the MedAmerica Companies in the event a certain trigger event occurs as defined in the CSA. Such investment could involve one or more companies domiciled outside of New York. The Department requested that Excellus provide an assurance that any such investment will be subject to the Department’s prior approval and the quantitative limits set forth in New York Insurance Law §1705. As such, as of July 1, 2010, Excellus agreed to take any and all action necessary to ensure that MANY, MAFL, and MAPA each have sufficient liquid assets for the timely payment of amounts due on policies issued by such long term care insurance companies on or after that date. This provision requires that for each calendar year after December 31, 2010, the cash and invested assets of each long term care insurance company, shown on the annual statement must be more than the disabled life reserves for policies subject to the agreement. MANY, MAFL, and

MAPA are required to provide written notice to Excellus within thirty days after the long term care insurance company calculates the need for capital support. This dictates that the CSA only requires that the assets and investments of the MedAmerica companies be greater than the disabled life reserves. As disclosed in the statutory basis financial statements, no contributions have been required from Excellus to satisfy the CSA as of or during the years ended December 31, 2013, 2012, 2011, or 2010.

- Sibley Nursing Personnel Services, Inc. ("Sibley") provides the Plan with regular and systematic services (i.e. – nursing personnel to staff health screening and workshops at employer workshops and in the community). Reimbursement is made to Sibley for its material and labor costs, direct and indirect, including hourly staff rates and laboratory screening costs. The agreement was received by the Department on March 30, 2005 to be effective April 25, 2005. The Department completed its review of the original agreement on April 6, 2005. Amendments were made to the agreement effective September 1, 2008, January 1, 2009, January 1, 2010, January 1, 2011, January 1, 2012 and January 1, 2014. The Department issued "no objection" letters relative to the aforementioned amendments to this agreement on August 11, 2008, August 5, 2009, January 22, 2010, January 18, 2011, November 1, 2011 and October 24, 2013 respectively.

- Excellus provides Beacon Network Services ("Beacon") with regular and systematic administrative services (payroll processing, which includes input of timesheet information; production, review and mailing of pay documents; production and review of quarterly payroll tax filings and annual W-2 forms). Excellus will invoice Beacon within 30 days of the end of each month for all its material and labor costs both direct and indirect incurred in providing services pursuant to the agreement. Payment is to be made within 15 days of receipt of the invoice. The effective date of the agreement was February 1, 2005 and the Department issued a "no objection" letter relative to the aforementioned agreement on January 31, 2005.

- Univera IPA, LLC ("Univera IPA") arranges for the provision of covered health services for Univera Community Health, Inc. ("UCH") enrollees in accordance with a participating provider agreement between UCH and Univera IPA approved by the Department of Health. Pursuant to the DOH approved UCH/Univera IPA participating provider agreement, Univera IPA has assumed financial risk based on methodology reconciling budgeted with actual UCH medical expenses.

  Excellus is one of two members (the Monroe Plan is the other member) of Univera IPA, LLC. In accordance with Univera IPA's amended and restated operating agreement dated June 28, 2012, Excellus is required to make capital contributions to Univera IPA in an amount equal to 50% of any net loss during a fiscal year no later than ninety (90) days following the end of the fiscal year. In contrast, if Univera IPA has a positive net cash flow, Excellus is entitled to a distribution.

It is noted that Excellus withdrew as a member of Univera IPA, LLC as of August 1, 2015 and has no ongoing financial liability to the IPA.

It was also noted that Excellus is a party to a federal income tax allocation agreement with its Parent, Lifetime Healthcare, Inc. and its other eligible domestic subsidiaries. The federal income tax allocation agreement filed with the Department contains a provision that complies with Department Circular Letter No. 33 (1979) in that a method is established to ensure the domestic insurers enforceable right to recoup federal income taxes in the event of future net losses. The federal income tax allocation agreement was approved by the Department on October 5, 2005.

The agreement was re-filed with the Department on December 14, 2006, for the purpose of adding an escrow account and letter of credit clause and changing the effective date of the agreement to January 1, 2006. On December 28, 2007, the agreement was re-filed again with the Department for the purpose of adding additional parties to the agreement and changing the effective date of the agreement to January 1, 2007. The current tax allocation agreement, dated January 1, 2011 was executed on May 25, 2011. The Department issued a "no objection" letter relative to this agreement on January 12, 2011.

E. Internal Controls

The NAIC Risk Surveillance approach to financial examinations relies on the review of mitigating controls applicable to the inherent risks of the companies examined. In the case of the Plan and affiliated companies, the documentation supporting mitigating controls is housed in "Double Check," a vendor purchased software package. Controls related to the Plan's compliance with Insurance Regulation No. 118 (11 NYCRR 89) are tested and monitored by the Plan's IAD. The internal controls applicable to the Plan were identified by its management.

A review of the Plan's controls documentation and the internal controls were an important component of the examination process. There were no identified material weaknesses or significant deficiencies identified by D&T, the Plan's external auditor. Additionally, there were no material control deficiencies or internal control observations noted by the examiners during the review of the Plan's internal controls.

The Plan's information technology ("IT") environment is managed in a shared services model providing support to Lifetime Healthcare, Inc., the MedAmerica companies, and other affiliates. Under this model, the Plan manages the information technology environment, security processes, and operations for the enterprise.

IT infrastructure and operations for the financially significant systems identified were managed at the data centers located in Rochester, New York and Syracuse, New York.

The examination encompassed a review of the controls for financially significant applications, systems and infrastructure. The IT portion of the examination was performed in accordance with the Handbook and utilized applicable procedures found in Exhibit C – *Evaluation of Controls in Information Technology* – of the Handbook.

The IT examiners coordinated their efforts with the financial examination team as they determined whether to rely on the Information Technology General Controls ("ITGC") environment for financially significant applications.

Controls for financially significant applications, systems, and underlying infrastructure in each of the NAIC Exhibit C Information Technology Work Program areas listed below represent the framework for the scope of this examination. The following control areas were reviewed:

- Align, Plan and Organize;
- Build, Acquire and Implement;
- Deliver, Service and Support; and
- Monitor, Evaluate, and Assess.

It was determined that the overall assessment of the Plan's ITGC environment for the key financial systems that supported the preparation of EHP's Company's financial statements supported an ITGC reliance-based financial examination. The IT examiners assessed the ITGC for the Plan as effective. No exceptions were noted relative to the Plan's IT environment.

F. Accounts and Records

Genesee Valley Group Health Association

Excellus, in its 2010 annual statement filing, reported debt forgiveness to GVGHA in the amount of $33 million. In its 2012 annual statement filing, Excellus reported the forgiveness of a receivable from GVGHA in the amount of approximately $25 million. The write-offs were implemented in the context of an intercompany agreement between Excellus and GVGHA pursuant Insurance Law Section 1505(d), under which Excellus provides certain administrative services to GVGHA, for a fee.

Section 1505(d) of the New York Insurance Law states in part:

> "(d) The following transactions between a domestic controlled insurer and any person in its holding company system may not be entered into unless the insurer has notified the superintendent in writing of its intention to enter into any such transaction at least thirty days prior thereto, or with regard to reinsurance treaties or agreements at least forty-five days prior thereto, or such shorter period as the superintendent may permit, and the superintendent has not disapproved it within such period:
> (1) sales, purchases, exchanges, loans or extensions of credit, or investments involving less than five percent of the insurer's admitted assets at last year-end, provided the transactions are equal to or exceed:
> (A) the lesser of three percent of the insurer's admitted assets or twenty-five percent of capital and surplus at last year-end, with regard to an accident and health insurance company or a corporation subject to article forty-three of this chapter;…

The Department raised the concern whether EHP's business decision to forgive GVGHA's uncollectable debt is a permissible waiver of its right to receive payments under the administrative services agreement as approved by the Department under Section 1505(d) of the Insurance Law. EHP has agreed to notify the Department and obtain its approval for any future GVGHA debt forgiveness. .

It is recommended that Excellus cease the forgiving of GVGHA debt to Excellus and collect the fees owed Excellus by GVGHA, and any debt that Excellus previously determined to be uncollectible as GVGHA's cash flow allows.

Sale of Deferred Tax Asset

EHP and MANY entered into a transaction during 2013 by which MANY sold an alternative minimum tax credit ("AMT") to EHP for $13,287,000. The sale had the immediate impact of increasing MANY's surplus by the amount of the sale, because MANY exchanged a non-admitted asset for cash. The sale had no effect on EHP's surplus because EHP's valuation of its MANY subsidiary increased by the same amount that cash decreased.

The Department has raised concerns with the accounting of a deferred tax asset sale between two companies that belong to the same holding company system and file a consolidated tax return. To address these concerns, EHP has agreed that, in the event of any proposed future deferred tax asset sale between two companies in its holding company system, EHP will account for such a sale using a methodology acceptable to the Department.

The issue is under review by the Department.

G. Medical Loss Ratio Review

The Affordable Care Act ("ACA") requires insurers to spend a minimum percentage of premium dollars on medical services and activities designed to improve health care quality and submit a medical loss ratio ("MLR") report to present this information. The Department reviewed the components of the Plan's 2013 MLR Report filing by utilizing the MLR Procedures Spreadsheet provided by the Center for Consumer Information and Insurance Oversight to review and test, as deemed appropriate, the following items in accordance with 45 CFR Part 158:

- Validity of the data regarding expenses and premiums that the issuer reported to the Secretary, including the appropriateness of the allocations of expenses used in such reporting,
- Whether the activities associated with the issuer's reported expenditures for quality improving activities meet the definition of such activities,
- The accuracy of rebate calculations, and the timeliness and accuracy of rebate payments as applicable.

Section 158.110(a) of the Code of Federal Regulations states the following:

> "General requirements. For each MLR reporting year, an issuer must submit to the Secretary a report which complies with the requirements of this Part, concerning premium revenue and expenses related to the group and individual health insurance coverage that it issued."

The examiner found that data reported on Excellus 2013 MLR Annual Reporting Form (MLR Form) during the reporting year 2013 were not, in all instances, reported accurately and were inconsistent with similarly captioned amounts reported on the 2013 New York Supplemental Health Care Exhibit (SHCE).

During the course of his review, the examiner met with Excellus relative to the verification of the account totals reported on MLR Form Part 4, Line 2.2, Federal and State Taxes and Licensing or Regulatory Fees, as it was evidenced that the reported totals did not reconcile to similar account totals reported on either the 2013 NewYork SHCE or the Plan's NAIC 2013 annual statement filing. Excellus subsequently acknowledged the errors reported on the MLR Reporting Form, which had resulted in discrepancies between those totals and the same totals reported on the SHCE, and provided a reconciliation highlighting the discrepancies and corrected account totals.

It was noted that the above errors did not result in a material change in the MLR calculation or the MLR rebates to be paid to enrollees in the state of New York.

It is recommended that Excellus develop controls and business processes sufficient to mitigate risks associated with the MLR reporting and payment requirements of 45 CFR Part 158.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, capital and surplus as of December 31, 2013, as contained in the Plan’s 2013 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review.

The firm of Deloitte & Touche, LLP was retained by the Plan to audit the Plan’s combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, capital and surplus, and cash flows for the year then ended.

D&T concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Company at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years’ annual statements with no discrepancies noted.

A. Balance Sheet

Assets	Plan
Bonds	$ 1,405,178,611
Preferred stocks	6,959,797
Common stocks	652,845,071
Real estate occupied by the company	40,874,874
Cash and short-term investments	30,654,418
Other invested assets	(7,273,594)
Securities lending reinvested collateral assets	163,214,993
Interest income due and accrued	8,019,169
Uncollected premiums in the course of collection	168,308,720
Accrued retrospective premiums	343,638
Amounts receivable relating to uninsured plans	45,999,025
Net deferred tax asset	141,411,555
Guaranty funds receivable or on deposit	368,932
Receivables from parent, subsidiaries and affiliates	23,015,567
Healthcare and other amounts receivable	364,099,330
Total assets	$ 3,044,020,106

Liabilities		Plan
Claims unpaid	$	462,522,607
Accrued medical incentive pool and bonus amounts		8,812,202
Unpaid claims adjustment expenses		17,476,517
Aggregate health policy reserves		29,162,088
Premiums received in advance		27,670,558
General expenses due and accrued		95,407,877
Amounts withheld or retained for the account of others		216,289,594
Borrowed money		243,107,406
Amounts due to parents, subsidiaries and affiliates		278,506
Payable for securities		910,386
Payable for securities lending		163,214,993
Liability for amounts held under uninsured plans		42,909,501
Aggregate write-ins for other liabilities		383,637,436
Total liabilities	$	1,691,399,671
Surplus		
Aggregate write-ins for other than special surplus funds	$	786,164,530
Unassigned funds		566,455,905
Total capital and surplus	$	1,352,620,435
Total liabilities, capital and surplus	$	3,044,020,106

NOTE: The Internal Revenue Service ("IRS") is currently conducting an audit of the consolidated tax return of Lifetime Healthcare, Inc. and subsidiaries for the tax year ended December 31, 2011. As of the date of this report there have been no findings identified. The examiners are unaware of any potential exposure of the Plan for any tax assessments and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Surplus

Surplus increased $356,563,477 during the five-year examination period, January 1, 2009 through December 31, 2013, detailed as follows:

Revenue			
Premium income	$28,009,957,471		
Change in unearned premium reserve	10,455,596		
Total revenue			$28,020,413,067
Hospital and medical expense			
Hospital/medical benefits *(see Notes #1 and # 2 below)*	$ 18,975,971,009		
Other professional services	701,633,702		
Emergency room and out-of-area	651,344,394		
Prescription drugs	3,754,395,442		
Aggregate write-ins for other hospital and medical	729,763,062		
Incentive pool, withhold adjustments, and bonus amounts	59,477,521		
Total hospital and medical expenses	$ 24,872,585,130		
Claims adjustment expenses	1,153,834,817		
General administrative expenses	1,966,574,514		
Increase in reserves for life and accident and health contracts	11,000,000		
Total underwriting expenses			28,003,994,461
Net underwriting gains			$ 16,418,606
Net investment income			469,234,824
Aggregate write-ins for other income or Expense			(58,291,792)
Net income before federal and foreign income taxes			$ 427,361,638
Federal and foreign income taxes incurred			92,865,095
Net income			$ 334,496,543

Note #1: An examination adjustment was made to reflect the reduction of Unpaid Claims in the amount of $138,108,000 and an increase in surplus in the amount of $138,108,000, as reflected in the previous report on examination as of December 31, 2008.

Note # 2: As of January 1, 2013, Excellus re-assumed certain financial risk previously transferred to the Monroe Plan for Medical Care, Inc. (“Monroe Plan”), an independent practice association, for Medicaid Managed Care, Child Health Plus and Family Health Plus members. This re-assumption of financial risk was necessitated by significant losses experienced by the Monroe Plan since 2011 that threatened insolvency. Excellus’ losses from Medicaid Managed Care decreased from $69.5 million in 2013 to $2.5 million in 2015. Excellus’ agreement with the Monroe Plan was terminated effective August 1, 2015.

Changes in Surplus

Surplus, per report on examination, as of December 31, 2008			$ 996,056,958
	Gains in Surplus	Losses in Surplus	
Net Income *(see **Note**)*	$334,496,543		
Net change in unrealized capital gains	67,353,843		
Change in net deferred income tax		$ 23,761,076	
Change in non-admitted assets	82,877,558		
Aggregate write-ins for losses to surplus		104,403,391	
Net change in capital and surplus			$ 356,563,477
Surplus, per report on examination, as of December 31, 2013			$ 1,352,620,435

Note: An examination adjustment was made to reflect the reduction of Unpaid Claims in the amount of $138,108,000 and increase in surplus, in the amount of $138,108,000, as reflected in the previous report on examination as of December 31, 2008.

4. SUBSEQUENT EVENT – DATA BREACH

On September 5, 2015, Excellus along with other Lifetime Healthcare Companies, Inc. entities including Lifetime Benefits Solutions, Lifetime Care, Lifetime Medical Group, The Medamerica Companies and Univera Healthcare, announced that it had learned on August 5, 2015 that its' Information (IT) systems were the target of a sophisticated cyber attack. Such data breach was estimated to affect 10.5 million Lifetime Healthcare members, including approximately 7 million members of Excellus and another 3.5 million persons who did business with other entities of Lifetime Healthcare Companies, Inc.

As a response, Excellus sent letters to its members and other affected individuals indicating that it was making available free identity theft services and credit monitoring. A dedicated call center and website were also established relative to inquiries involving the data breach.

The Department's Capital Markets Bureau, along with other sections of the New York Department of Financial Services, is currently monitoring Excellus' investigation and response to this data breach.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2008, contained the following three (3) comments and recommendations pertaining to the financial portion of the examination (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Holding Company System	
1.	It is recommended that the Plan comply with Section 1505 (d)(3) of the New York Insurance Law and file with this Department an administrative service agreement for any affiliate which the Plan renders services on a regular or systematic basis.	15
	The Plan subsequently filed its administrative services agreement with Excellus Ventures, Inc. with the Department on July 6, 2009. The Department issued a "no objection" letter to such administrative service agreement on September 8, 2009.	
	The Plan has complied with this recommendation.	
2.	Information Systems	19
	It is recommended that the Plan continue to take steps to mitigate the risks and areas of concern as noted by the examiners relative to its Information Technology section.	
	The Plan has complied with this recommendation.	
3.	Claims Unpaid	26
	It is recommended that the Plan revise its claim reserve methodology to provide for the establishment of its unpaid claim reserves at levels within a reasonable range. It is further recommended that the Plan demonstrate to the Department what proactive checks and measures it will institute to ensure that its unpaid claim reserving methodology will be adequate, but not excessive.	
	The Plan has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM NO.		**PAGE NO.**
A.	Corporate Governance	
i.	It is recommended that Excellus maintain eighteen (18) members on its board of directors, as required by Article III, Section 1 of its by-laws, and replace any unplanned vacancies within a reasonable period of time.	10
ii.	It is recommended that the Plan include within the audit committee charter wording that the audit committee be the decision making entity with regard to the termination of the Chief Audit Executive.	10
B.	Internal Audit Department	
	It is recommended that the Plan's IAD provide the Plan's audit committee with a more substantial report of its audit results relative to significant findings along with priority rankings of the findings which will allow the audit committee and board to fulfill its duties and responsibilities.	11
C.	Accounts and Records	
i.	It is recommended that Excellus cease the forgiving of GVGHA debt to Excellus and collect the fees owed Excellus by GVGHA, and any debt that Excellus previously determined to be uncollectible as GVGHA's cash flow allows.	24
ii.	EHP and MANY entered into a transaction during 2013 by which MANY sold an alternative minimum tax credit ("AMT") to EHP for $13,287,000. The sale had the immediate impact of increasing MANY's surplus by the amount of the sale, because MANY exchanged a non-admitted asset for cash. The sale had no effect on EHP's surplus because EHP's valuation of its MANY subsidiary increased by the same amount that cash decreased. The Department has raised concerns with the accounting of a deferred tax asset sale between two companies that belong to the same holding company system and file a consolidated tax return. To address these concerns, EHP has agree that, in the event of any proposed future deferred tax asset sale between two companies in its holding company system, EHP will account for such a sale using a methodology acceptable to the Department. The issue is under review by the Department.	24

ITEM NO.		**PAGE NO.**
D.	Medical Loss Ratio Review	26
	It is recommended that Excellus develop controls and business processes sufficient to mitigate risks associated with the MLR reporting and payment requirements of 45 CFR Part 158.	

Respectfully submitted,

________/S/____________
Jerry Ehlers, CFE
Principle Insurance Examiner

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

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

________/S/____________
Jerry Ehlers, CFE

Subscribed and sworn to before me
this ________ day of___________2015.

Respectfully submitted,

________/S/____________
Wai Wong
Principle Insurance Examiner

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

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

________/S/____________
Wai Wong

Subscribed and sworn to before me
this ________ day of___________2015.

APPOINTMENT NO. **31055**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***BENJAMIN M. LAWSKY****, 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:*

Wai Wong

as a proper person to examine the affairs of

Excellus Health Plan, Inc.

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

Plan

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 25th day of September, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau

NEW YORK STATE
DEPARTMENT OF FINANCIAL SERVICES
EXCELSIOR

APPOINTMENT NO. **31074**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***BENJAMIN M. LAWSKY****, 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:*

Noble Consulting Services

as a proper person to examine the affairs of

Excellus Health Plan, Inc.

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

Plan

with such other information as it 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 13th day of November, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau