# REPORT ON EXAMINATION

# OF

# WELLCARE OF NEW YORK, INC.

# AS OF DECEMBER 31, 2004

**DATE OF REPORT** **AUGUST 31, 2006**

**EXAMINER** **ROY ZABALA**

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STATE OF NEW YORK
INSURANCE DEPARTMENT
25 BEAVER STREET
NEW YORK, NEW YORK 10004

George E. Pataki
Governor

Howard Mills
Superintendent

Honorable Howard Mills
Superintendent of Insurance
Albany, New York 12257

August 31, 2006

Sir:

Pursuant to the requirements of the New York Insurance Law and in compliance with the instructions contained in Appointment Number 22415 dated March 20, 2006, attached hereto, I have made an examination into the condition and affairs of WellCare of New York, Inc., as of December 31, 2004, and respectfully submit the following report, thereon.

The examination was conducted at the home office of WellCare of New York, Inc.'s ultimate parent, Wellcare Health Plans, Inc., located at 8725 Henderson Rd, Tampa FL.

Wherever the designations "the Plan", "the HMO", or "WCNY" appear herein, without qualification, they should be understood to indicate WellCare of New York, Inc. Wherever the designations "WCMG" or "the Parent" appear herein, without qualification, they should be understood to mean Wellcare Management Group, the immediate parent of the Plan.

## 1. SCOPE OF EXAMINATION

The Plan was previously examined as of September 30, 2000. This examination covered the period from October 1, 2000 through December 31, 2004. Transactions subsequent to the period were reviewed where deemed appropriate.

The examination comprised a verification of assets and liabilities as of December 31, 2004, in accordance with statutory accounting principles, as adopted by the New York Insurance Department, a review of income and disbursements deemed necessary to accomplish such verification and utilized, to the extent considered appropriate, work performed by the Plan's independent certified public accountants. A review or audit was also made of the following items as called for in the Examiners Handbook of the National Association of Insurance Commissioners:

History of the Company
Management and control
Corporate records
Fidelity bonds and other insurance
Territory and plan of operation
Growth of Company
Business in force
Reinsurance
Loss experience
Accounts and records
Market Conduct

A review was also made to ascertain what action was taken by the Plan with regard to comments and recommendations made in the prior report on examination.

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

## 2. EXECUTIVE SUMMARY

The examination revealed certain operational deficiencies during the examination period. The following are the examination findings:

- It was noted that the Plan's management agreement with Comprehensive Health Management, Inc. was not approved by the New York State Insurance Department during the examination period. (See item 3D of this report)
- The Plan violated Sections 1315 and 1316 of the New York Abandoned Property Law by failing to furnish annual reports of Abandoned Property for the four year period of examination. (See item 3F of this report)
- The Plan did not account for and maintain sufficient documentation to supports its allocation of expenses methodology. (See item 3G of this report)
- The Plan violated §3224-a(a) and §3224-a(c) of the New York Insurance Law by failing to pay claims within forty five days and for non payment of interest. (See item 6A of this report)

## 3. DESCRIPTION OF PLAN

The Plan was incorporated under New York State Law on December 26, 1985 to develop and operate as a health maintenance organization ("HMO"). The New York State Department of Health, effective February 12, 1987, granted a Certificate of Authority to the Plan for the purpose of operating as a for-profit HMO under the provisions of Article 44 of the New York Public Health Law.

On July 31, 2002, Wellcare Management Group, Inc. (‘WCMG”) and WellCare of New York, Inc. were purchased by WCG Health Management, Inc. (“WCGHM”).

A. Management and Controls

Pursuant to the Plan’s charter and by-laws, management of the Plan is vested in a board of directors consisting of no less than three and no more than thirteen, which may from time to time be increased or decreased by resolution of the board. As of the examination date, the board of directors was comprised of eight members. The directors as of December 31, 2004 were as follows:

| Name and residence | Principal business affiliation |
|---|---|
| Paul Behrens<br>Tampa, FL | Chief Financial Officer,<br>Wellcare Health Plans, Inc. |
| Thaddeus Bereday<br>Tampa, FL | General Counsel and Secretary,<br>Wellcare Health Plans, Inc. |
| Trena Boone<br>Beacon, NY | Teacher |
| Guido D’Allessio<br>Shoken, NY | Retired |
| Todd Farha<br>Tampa, FL | Chief Executive Officer,<br>Wellcare Health Plans, Inc. |
| Dr. Stuart Munson<br>Woodstock, NY | Psychologist |
| Daniel Pariette<br>White Plains, NY | Chief Operating Officer,<br>WellCare of New York, Inc. |
| David Smith<br>Tampa, FL | Treasury and Assistant Secretary,<br>Wellcare Health Plans, Inc. |

The board may hold annual or special meetings as desired. The board of directors of Wellcare met twenty seven (27) times during the period of October 1, 2000 through December 31, 2004. A review of the minutes of the board of directors' meetings indicated that board meetings were generally well attended.

The principal officers of WCNY as of December 31, 2004 are as follows:

| Name | Title |
|---|---|
| Todd Farha | Chief Executive Officer and President |
| Paul Beherens | Chief Financial Officer |
| Daniel Parietta | Chief Operating Officer |
| Thaddeus Bereday | Secretary |
| David Smith | Assistant Secretary |

B. Territory and Plan of Operation

As of December 31, 2004, the Plan held a Certificate of Authority to operate in the following counties of New York State:

| | | | |
|---|---|---|---|
| Albany | Bronx | Brooklyn | Columbia |
| Delaware | Dutchess | Greene | Kings |
| Manhattan | Montgomery | Nassau | New York |
| Orange | Otsego | Putnam | Queens |
| Rensselaer | Richmond | Rockland | Saratoga |
| Schenectady | Schoharie | Sullivan | Ulster |
| Westchester | | | |

As of December 31, 2004, WCNY's coverages consisted of Medicare, Medicaid, Child Health Plus, and Family Health Plus. The Plan had the authority to sell contracts to commercial members, but did not do so.

In 2005, the Plan filed for conversion from an HMO to a Pre-paid Health Service Plan ("PHSP") with the New York Department of Health. The application for conversion to a PHSP was approved by the New York Department of Health on February 13, 2006.

The Plan's direct premiums written for the previous four years are as follows:

| Calendar Year | Direct Premiums Written | Enrollment |
|---|---|---|
| 2001 | $ 55,445,338 | 33,061 |
| 2002 | $ 67,107,206 | 42,770 |
| 2003 | $ 94,287,621 | 55,666 |
| 2004 | $131,697,885 | 68,978 |

During the examination, it was noted that the Company experienced significant membership growth since 2001. Specifically, the Family Health Plus line of business increased its membership 308% from 3,602 in December of 2002 to 14,711 in December 2004.

C. Reinsurance

At December 31, 2004, the Plan had a reinsurance policy in effect with an authorized reinsurer, Allianz Life Insurance Company of New York ("Allianz"). The

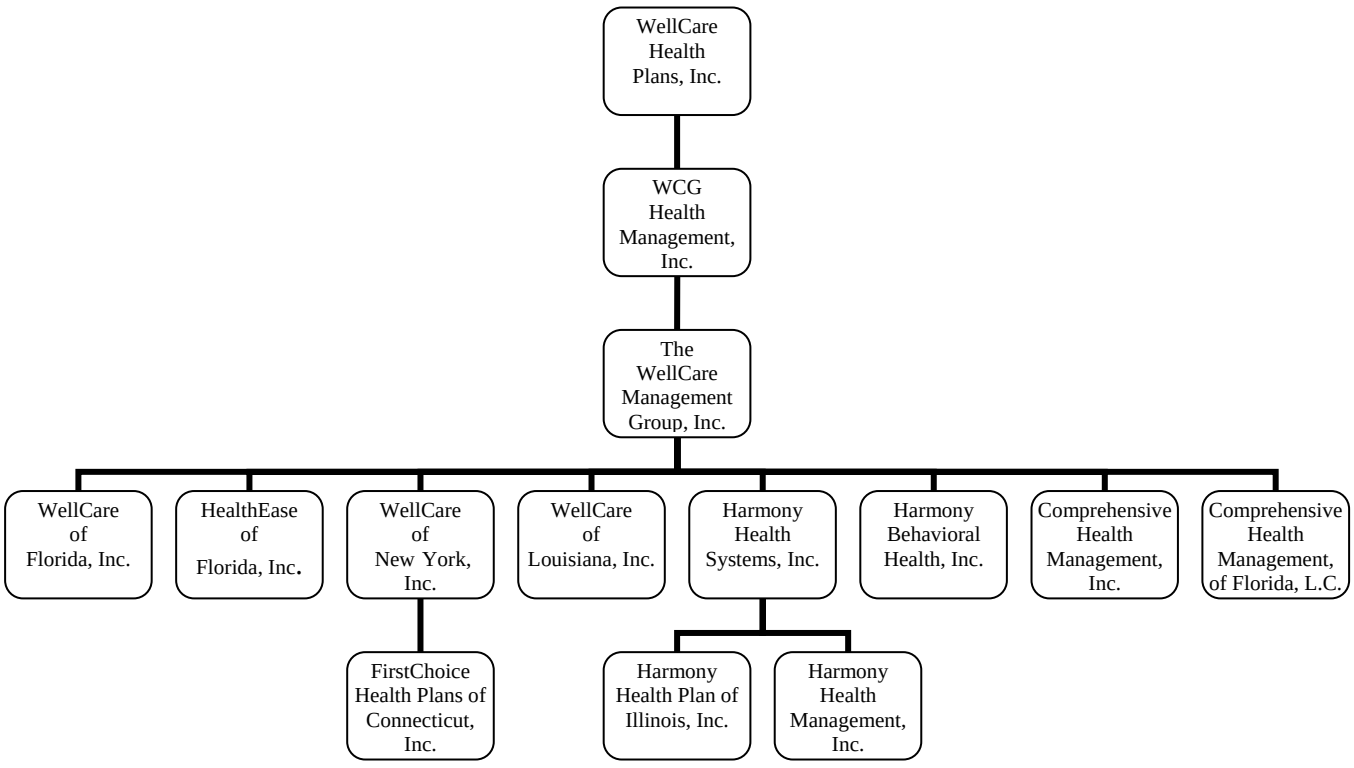
limits of coverage are as follows:

Allianz agreed to reimburse the Company specified portions of eligible claims expenses in excess of $125,000 for Medicaid, Medicare, Family Health Plus and Child Health Plus members subject to an annual aggregate amount of $1,000,000 per covered member.

The reinsurance agreement contains all of the standard clauses required by the New York State Insurance Department.

D. Holding Company System

The following chart depicts the HMO and its relationship to its major affiliates as of December 31, 2004:



The following is a description of the Plan's major affiliates as of December 31, 2004.

The WellCare Management Group, Inc. ("WCMG") is a publicly traded holding company and is the parent company of WellCare of New York, Inc. WCNY is a wholly-owned subsidiary of the WellCare Management Group, Inc., which is a wholly-owned subsidiary of WCG Health Management, Inc. ("WCGHM"). Furthermore, WellCare Health Plans, Inc. is the ultimate parent company of WCNY.

FirstChoice Health Plans of Connecticut, Inc. is an independent practice association model HMO that mainly serves the Medicaid managed care market in the State of Connecticut. The Plan owns 100% of the outstanding common stock of FirstChoice Health Plans of Connecticut, Inc.

Comprehensive Health Management, Inc. ("CHMI") is an affiliated third-party administrator owned by The WellCare Management Group, Inc. The Plan has a management agreement with Comprehensive Health Management, Inc. in which CHMI provides WCNY with claims processing services, customer services, utilization review, date processing/MIS, credentialing, postage and supplies as related to covered services, communication, provider relations, all administrative expenses and provider contracting. The management fee agreement provides for charges of 9.5% to 11.5% of premium revenue earned depending on the Company's membership at January 1 of each year.

The Plan also entered into a consolidated Tax Allocation Agreement with an effective date of August 1, 2002 with its Parent. This Agreement was found to be consistent with the guidelines contained in Circular Letter No. 33 (1979).

It was noted that the Plan's management agreement with Comprehensive Health Management, Inc. was not approved by the New York State Insurance Department during the examination period.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the period covered by this examination.

| | **Amounts** | **Ratios** |
|---|---|---|
| Claims incurred | $243,147,548 | 70% |
| Claims adjustment expenses incurred | $ 6,543,456 | 2% |
| General administrative expenses incurred | $ 63,918,366 | 18% |
| Net underwriting gain(loss) | $ 34,928,784 | 10% |
| Premiums earned | $348,538,050 | 100% |

F. Abandoned Property Law

§1316 of the New York Abandoned Property Law states,

*"§ 1316. Any amount issued and payable on or after July first, nineteen hundred seventy-four payable to a resident of this state on or because of a policy of insurance other than life insurance, which is held or owing by a domestic insurer*

*or a foreign insurer authorized to do business in this state or by an agent or agency of such insurer, shall be deemed abandoned property if unclaimed for three years by the person entitled thereto... 2. Such abandoned property shall be reported to the comptroller annually on or before the first day of April. Such report shall be in such form and manner as the comptroller may prescribe. 3. Within thirty days following the filing of the report of abandoned property with the comptroller pursuant to subdivision two of this section, the insurer shall cause to be published a list of such abandoned property in the same manner as that prescribed for life insurance companies by section seven hundred two of this chapter. 4. Such abandoned property shall be paid or delivered to the comptroller within the first ten days of September of each year."*

During the review of the Plan's annual Report of Abandoned Property, it was noted that the Plan did not file an Abandoned Property Report with the Office of the Comptroller of the State of New York during the period under examination.

It is recommended that the Plan file an annual Report of Abandoned Property on a going forward basis with the Office of the State Comptroller to comply with the provisions of Sections 1316 of the New York Abandoned Property Law.

Subsequently, the Plan submitted a Voluntary Compliance Agreement with the Office of the Comptroller of the State of New York whereby WCNY agreed to correct any previous under-recording of unclaimed property.

## G. Accounts and Records

### 1. Allocation of expenses

During the review of the Plan's Underwriting and Investment Exhibit Part 3

– Analysis of Expenses, it was noted that the Company did not provide sufficient documentation to support its method in its allocation of expenses to expense groups.

It is recommended that the Plan account for and maintain sufficient documentation to support its allocation of expenses to expense groups as set fourth under New York Insurance Department Regulation 30.

# 4. FINANCIAL STATEMENTS

## A. Balance Sheet

The following shows the assets, liabilities, and capital and surplus as determined by this examination as of December 31, 2004. This statement is the same as the balance sheet filed by the Plan.

**Assets**

| | |
|---|---|
| Stocks | $ 8,216,870 |
| Cash and short term investments | 29,994,587 |
| Subtotal, cash and invested assets | $ 38,211,457 |
| Investment due and accrued | 18,200 |
| Uncollected premiums and agents' balances in the course of collection | 13,103,327 |
| Current federal and foreign tax recoverable and interest thereon | 3,390,255 |
| Net deferred tax asset | 788,121 |
| Total Assets | $ 55,511,360 |

**Liabilities**

| | |
|---|---|
| Claims unpaid | $ 15,571,125 |
| Unpaid claims adjustment expenses | 550,901 |
| Premiums received in advance | 51,961 |
| General expenses due or accrued | 2,526,232 |
| Amounts due to parent, subsidiaries and affiliates | 2,222,990 |
| Total Liabilities | $ 20,923,209 |

**Net Worth**

| | |
|---|---|
| Common Stock | $ 10 |
| Gross paid in and contributed surplus | 50,896,041 |
| Unassigned funds (surplus) | (25,910,399) |
| Write-ins for other than special surplus funds | 9,602,499 |
| Total Capital and Surplus | 34,588,151 |
| Total Liabilities, Capital and Surplus | 55,511,360 |

Note: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2004. The examiner is unaware of any potential exposure of the Company to any tax assessments and no liability has been established herein relative to such contingency.

## B. Underwriting and Investment Exhibit

Capital and surplus increased $36,053,831 during the period October 1, 2000 through December 31, 2004, detailed as follows:

**Revenue**

| | | |
|---|---|---|
| Premium earned (net of reinsurance) | $ 363,685126 | |
| Net investment gains | 1,611,793 | |
| Other investment gain | 734,789 | |
| Total Revenue | | $ 366,004,708 |

**Expenses**

| | | |
|---|---|---|
| Hospital and medical | $ 261,969,968 | |
| Claim adjustment expenses | 6,393,456 | |
| General administrative expenses | 66,909,830 | |
| Federal and foreign income taxes incurred | 11,871,982 | |
| Total Expenses | | $ 347,145,236 |
| Net Income | | $ 18,859,472 |

**Changes in Capital and Surplus**

| | | | |
|---|---|---|---|
| Capital and surplus per report on examination as of September 30, 2000 | | | $ (1,465,680) |
| | Gains in Surplus | Loss in Surplus | |
| Net Income | $ 18,859,472 | | |
| Change in deferred income tax | 946,455 | | |
| Change in nonadmitted assets | | 1,722,192 | |
| Change in surplus notes | | 19,037,609 | |
| Change in accounting principles | 4,207,944 | | |
| Capital Changes – paid in | 18,192,017 | | |
| Surplus adjustments – paid in | 11,447,915 | | |
| Surplus adjustments – transferred to surplus | | 1,801,668 | |
| Net increases in contingency reserve | 4,961,497 | | |
| Net change in capital and surplus | | | $ 36,053,831 |
| Capital and surplus as of December 31, 2004 | | | $ 34,588,151 |

## 5. CLAIMS UNPAID

The examination liability of $15,571,125 is the same as that reported by the Plan in its filed Annual Statement as of December 31, 2004.

The examination analysis of the unpaid claims reserve was conducted in accordance with generally accepted actuarial principles and practices and was based on statistical information contained in the Plan's internal records and in its filed annual statements as verified during the examination.

## 6. MARKET CONDUCT

A. Prompt pay

§3224-a of the New York Insurance Law "Standards for prompt, fair and equitable settlement of claims for health care and payments for health care services" ("Prompt Pay") requires all insurers to pay undisputed claims within forty-five days of receipt. If such undisputed claims are not paid within forty-five days of receipt, interest may be payable.

§ 3224-a(a) of the New York Insurance Law states,

> *"Except in a case where the obligation of an insurer to pay a claim submitted by a policyholder or person covered under such policy or make a payment to a health care provider is not reasonably clear, or when there is a reasonable basis supported by specific information available for review by the superintendent that such claim or bill for health care services rendered was submitted fraudulently, such insurer or organization or corporation shall pay the claim to a policyholder or covered person or make a payment to a health care provider within forty-five days of receipt of a claim or bill for services rendered."*

§3224-a(b) of the New York Insurance Law states,

> *"In a case where the obligation of an insurer or an organization or corporation licensed or certified pursuant to …article forty-four of the public health law to pay a claim or make a payment for health care services rendered is not reasonably clear due to a good faith dispute regarding the eligibility of a person for coverage, the liability of another insurer or corporation or organization for all or part of the claim, the amount of the claim, the benefits covered under a contract or agreement, or the manner in which services were accessed or provided, an insurer or organization or corporation shall pay any undisputed portion of the claim in accordance with this subsection and notify the policyholder, covered person or health care provider in writing within thirty calendar days of the receipt of the claim: (1) that it is not obligated to pay the claim or make the medical payment, stating the specific reasons why it is not liable; or (2) to request all additional information needed to determine liability to pay the claim or make the health care payment. Upon receipt of the information requested in paragraph two of this subsection or an appeal of a claim or bill for health care services denied pursuant to paragraph one of this subsection, an insurer or organization or corporation licensed pursuant to article forty-three of this chapter or article forty-four of the public health law shall comply with subsection (a) of this section."*

§ 3224-a(c) of the New York Insurance Law states in part that,

> *"any insurer or organization or corporation that fails to adhere to the standards contained in this section shall be obligated to pay to the health care provider or person submitting the claim, in full settlement of the claim or bill for health care services, the amount of the claim or health care payment plus interest on the amount of such claim or health care payment of the greater of the rate equal to the rate set by the commissioner of taxation and finance for corporate taxes pursuant to paragraph one of subsection (e) of section one thousand ninety-six of the tax law or twelve percent per annum, to be computed from the date the claim or health care payment was required to be made. When the amount of interest due on such a claim is less then two dollars, an insurer or organization or corporation shall not be required to pay interest on such claim."*

The examination included statistical samples for WCNY to determine whether or not interest was appropriately paid pursuant to §3224-a(c) of the New York Insurance Law to those claimants not receiving payment or denials within the timeframes required by §3224-a(a) and (b) of the New York Insurance Law. Accordingly, all claims that were not paid within 45 days during the period, January 1,

2004 through December 31, 2004 were segregated and Medicare claims were excluded from the population. During this 12 month period 76,523 claims were paid more than 45 days after the date of receipt. A statistical sample of this population was then selected to determine whether the claims paid were in accordance with §3224-a of the New York Insurance Law.

The following charts illustrate the Plan's non-compliance with New York Insurance Law §3224-a, as determined by this examination.

**New York Insurance Law §3224-a(a)**

| | **WellCare of New York, Inc.** |
|---|---|
| Total Population | 910,910 |
| Eligible Population | 76,523 |
| Sample Size | 167 |
| Part (a) violations | 10 |
| | |
| Calculated Error Rate | 5.99% |
| | |
| **Upper Error Limit** | **9.59%** |
| **Lower Error Limit** | **2.39%** |
| | |
| **Upper Limit Claims in Error** | **7,336** |
| **Lower Limit Claims in Error** | **1,828** |

**New York Insurance Law §3224-a(c)**

| | **WellCare of New York, Inc.** |
|---|---|
| Total Population | 910,910 |
| Eligible Population | 76,523 |
| Sample Size | 167 |
| Part (c) violations | 5 |
| | |
| Calculated Error Rate | 2.99% |
| | |
| **Upper Error Limit** | **5.58%** |
| **Lower Error Limit** | **0.41%** |
| | |
| **Upper Limit Claims in Error** | **4,269** |
| **Lower Limit Claims in Error** | **313** |

Note: The upper and lower error limits represent the range of potential error (e.g., if 100 samples were selected the rate of error would fall between these limits 95 times.)

It is recommended that WellCare of New York, Inc. improve its internal claim procedures to ensure full compliance with Section 3224-a(a), (b) and (c) of the New York Insurance Law.

## 7. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination contained twenty three (23) comments and recommendations as follows (page numbers refer to the prior report):

| ITEM NO. | | PAGE NO. |
|---|---|---|
| | **Management** | |
| A. | It is recommended that the Plan list the proper board members when so required within Departmental filings.<br><br>The Plan has complied with this recommendation. | 6 |
| B. | It is recommended that the Plan hold board meetings on a regular basis.<br><br>The Plan has complied with this recommendation. | 6 |
| C. | It is recommended that the Plan comply with its by-laws and hold its annual stockholder's meeting within 60 days of the end of each fiscal year.<br><br>The Plan has complied with this recommendation. | 7 |
| D. | It is recommended that the Plan adopt a formal Code of Ethics. It is further recommended that the Plan require its Directors and Officers to annually sign statements confirming they have not materially violated such a code.<br><br>The Plan has complied with this recommendation. | 7 |
| E. | It is recommended that Circular Letter No. 9(1999) be distributed to all board members at the board's next regularly scheduled meeting. Such distribution, receipt and any subsequent discussion should be recorded in the minutes of the respective board's meeting.<br><br>The Plan has complied with this recommendation. | 7 |

| ITEM NO. | | PAGE NO. |
|---|---|---|
| F. | It is recommended that the board obtain the following certifications annually: (i) from the company's independent CPA that the responsible officers have implemented the claims procedures adopted by the board, and (ii) from the company's general counsel a statement that the company's current claims adjudication procedures, including those set forth in the current claims manual are in accordance with applicable statutes, rules and regulations.<br><br>The Plan has complied with this recommendation. | 7 |
| | **Holding Company System** | |
| G. | It is recommended that the Plan comply with 10 NYCRR Part 98- 1.11(h)) and obtain approval of its Management Agreement.<br><br>The Plan did not comply with this recommendation.<br><br>A comment is made in this report. | 11 |
| H. | It is recommended that the Plan comply with the terms of its Management Agreement.<br><br>The Plan has complied with this recommendation. | 12 |
| I. | It is recommended that all loans/transfers be properly documented, include repayment provisions, and be signed by the appropriate officers.<br><br>The Plan has complied with this recommendation. | 12 |
| J. | It is recommended that the Plan comply with 10NYCRR Part 98- 1.11(b) and notify the Department when the balance of the loans it is making to its affiliates or Parent exceeds 5% of its admitted assets.<br><br>The Plan has complied with this recommendation. | 12 |
| K. | It is recommended that all loans/transfers be divulged in the appropriate locations within the financial statements and within the Holding Company statement. | 12 |

The Plan has complied with this recommendation.

| ITEM NO. | | PAGE NO. |
|---|---|---|
| L. | It is recommended that the Plan comply with 10NYCRR Part 98- 1.10(b) and maintain its books, accounts and records so as to disclose the nature and details of all transactions. | 12 |
| | The Plan has complied with this recommendation. | |
| | **Schedule H** | |
| M. | It is recommended that the Plan maintain underlying Schedule H data in an electronic format and in sufficient detail to permit a full examination of such data. | 12 |
| | The Plan has complied with this recommendation. | |
| N. | It is recommended that the Plan file complete and accurate Schedule H reports. | 12 |
| | The Plan has complied with this recommendation. | |
| | **Electronic Date Processing** | |
| O. | It is recommended that an annual budget be established using long-term and short-term goals as a base. | 14 |
| | The Plan has complied with this recommendation. | |
| P. | It is recommended that the Company provide ongoing in-house training for its EDP staff. | 14 |
| | The Plan has complied with this recommendation. | |
| Q. | It is recommended that incompatible functions such as the initiation and authorization of transactions and the custody of assets be performed outside of the EDP Department. It is also recommended that the functions of system design and programming be adequately segregated from computer operations and data entry functions. Finally, it is recommended that there be a control group within the EDP department whose duties include a.) scheduling of input and output, b.) acting as a liaison between computer operations and user departments, c.) recording of input controls and error controls, and d.) reviewing output for accuracy and disposition. | 14 |

The Plan has complied with this recommendation.

| ITEM NO. | | PAGE NO. |
|---|---|---|
| R. | It is recommended that cost justifications be performed when developing systems and programs. It is further recommend that when a goal has been determined, a thorough cost analysis be performed in order to determine the most effective method of achieving that goal.<br><br>The Plan has complied with this recommendation. | 15 |
| S. | It is recommended that a back-up copy of the disaster recovery plan be stored in a safe facility off-site. It is further recommended that the Company obtain an alternative facility from which to operate in the event of an emergency. Finally, it is suggested that the Company have the Plan's disaster recovery plan professionally and independently evaluated.<br><br>The Plan has complied with this recommendation. | 15 |
| T. | It is recommended that contingency planning for the Wide Area Network (WAN), critical computer programs, operating systems, and data files be performed. Additionally, it is recommended that user departments develop manual-processing procedures for use as a contingency in the event EDP functions are disrupted.<br><br>The Plan has complied with this recommendation. | 16 |
| | **Fraud Control** | |
| U. | It is recommended that the Plan provide all interested parties with claim forms containing the fraud warning required by 11NYCRR Part 86.4(a).<br><br>The Plan has complied with this recommendation. | 25 |
| V. | It is recommended that the Plan hold in-service training programs for claims personnel to enable them to identify and evaluate instances of suspected insurance fraud as required by 11NYCRR Part 86.6(b).<br><br>The Plan has complied with this recommendation. | 25 |
| W. | It is recommended that the Plan file a fraud report by January 15 of each year as required by 11NYCRR Part 86.6(d)(10). | 25 |

The Plan has complied with this recommendation.

## 8. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| ITEM NO. | | PAGE NO. |
|---|---|---|
| | **Holding Company System** | |
| A. | It was noted that the Plan's management agreement with Comprehensive Health Management, Inc. was not approved by the New York State Insurance Department during the examination period. | 9 |
| | **Abandoned Property** | |
| B. | It is recommended that the Plan file an annual Report of Abandoned Property on a going forward basis with the Office of the State Comptroller to comply with the provisions of Sections 1315 and 1316 of the New York Abandoned Property Law.<br><br>Subsequently, the Plan submitted a Voluntary Compliance Agreement with the Office of the Comptroller of the State of New York whereby WCNY agreed to correct any previous under-recording of unclaimed property. | 10 |
| | **Allocation of Expenses** | |
| C. | It is recommended that the Plan account for and maintain sufficient documentation to support its allocation of expenses to expense groups as set fourth under New York Insurance Department Regulation 30. | 11 |
| | **Prompt Pay** | |
| D. | It is recommended that WellCare of New York, Inc. improve its internal claim procedures to ensure full compliance with Section 3224-a(a),(b) and (c) of the New York Insurance Law. | 18 |

Respectfully submitted,

Roy Zabala
Senior Insurance Examiner

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

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

Roy Zabala

Subscribed and sworn to before me
this 8th day of September, 2006.

Charles T. Lovejoy
Notary Public, State of New York
No. 31-4798952
Qualified in New York County
Commission Expires 1-28-10

Appointment No. **22415**

# STATE OF NEW YORK
# INSURANCE DEPARTMENT

I, ***Howard Mills***, Acting Superintendent of Insurance of the State of New York, pursuant to the provisions of the Insurance Law, do hereby appoint:

**Roy Zabala**

as a proper person to examine into the affairs of the

**Wellcare of New York, Inc.**

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

**Managed Care Organization**

with such information as he shall deem requisite.

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

this 20th day of March 2006

Howard Mills
Acting Superintendent of Insurance