REPORT ON EXAMINATION

OF

MVP HEALTH SERVICES CORP.

AS OF

DECEMBER 31, 2019

DATE OF REPORT	**April 18, 2022**
EXAMINERS:	**JAMES B. MORRIS, CFE**
	JEFFREY USHER, CFE

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April 18, 2022

Honorable Adrienne A. Harris
Superintendent of Financial Services
New York, New York 10004

Madam:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Number 32181, dated December 21, 2020 attached hereto, we have conducted an examination into the condition and affairs of MVP Health Services Corp., a not-for-profit health services corporation licensed pursuant to the provisions of Article 43 of the New York Insurance Law, as of December 31, 2019, and submit the following report thereon.

The examination was conducted remotely due to the restrictions relating to the COVID-19 pandemic.

Wherever the designations "MVPHSC" or the "Plan" appear herein, without qualification, they should be understood to indicate MVP Health Services Corp.

Wherever the designation the "MVP Companies" appears herein, without qualification, it should be understood to indicate MVP Health Plan, Inc., MVP Health Insurance Company and MVP Health Services Corp., collectively.

Wherever the designation "MVP" appears herein, without qualification, it should be understood to indicate MVP Health Care, Inc., the ultimate parent of the MVP Companies.

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

A separate Medical Loss Ratio ("MLR") examination of MVPHSC was conducted as of December 31, 2019, to assess compliance with the requirements of Title 45 of the Code of Federal Regulations, Part 158, which implements Section 2718 of the Public Health Service Act. A separate report was submitted thereon.

Concurrent financial and MLR examinations were made of MVP Health Plan, Inc. ("MVPHP"), a not-for-profit health maintenance organization ("HMO") certified pursuant to the provisions of Article 44 of the New York Public Health Law and MVP Health Insurance Company ("MVPHIC"), a for-profit corporation licensed pursuant to the provisions of Article 42 of the New York Insurance Law. These two companies are affiliates within the MVP holding company system as detailed herein. Separate reports thereon have been submitted for each of the above entities.

1. SCOPE OF EXAMINATION

The prior examination of the Plan was conducted as of December 31, 2016. This examination of the Plan was a financial examination, as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2020 Edition* (the "Handbook") and covered the three-year period January 1, 2017 through December 31, 2019. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2019 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 to identify prospective risks that may threaten the future solvency of MVPHSC.

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 the NAIC annual statement instructions.

Information concerning the Plan's organizational structure, business approach, and control environment was 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 MVPHSC's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

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

The Plan was audited annually during the years 2017 through 2019. For calendar years 2017 through 2019, MVPHSC was audited by the accounting firm KPMG, LLP ("KPMG"). The Plan received an unmodified opinion in each of those years. Certain audit work papers of KPMG were reviewed and relied upon in conjunction with this examination. A review was also made of the ultimate parent's corporate governance structure, which included its Internal Audit function and Enterprise Risk Management program, as they relate to the Plan.

A review was made of the Plan's compliance with the provisions of Insurance Regulation No. 118 (11 NYCRR 89) - "Audited Financial Statements." This regulation is based on the Model Audit Rule ("MAR"), as established by the NAIC, and all references to MAR within this report may be interpreted as reference to Insurance Regulation No. 118 (11 NYCRR 89).

Additionally, as part of this examination and in accordance with the provisions of the Handbook, a review was made of MVPHSC's computer systems and operations that support MVPHSC, on a risk-focused basis. Compliance with the provisions of the Financial Services Regulation Part No. 500 (23 NYCRR 500) – "Cybersecurity Requirements for Financial Services Companies" was also assessed.

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

2. DESCRIPTION OF THE PLAN

MVPHSC was incorporated on October 8, 1992 and filed its Certificate of Incorporation with the New York Department of State on October 16, 1992. The Plan began operations by delivering health care services in New York on June 14, 1993.

The Plan was incorporated under Section 402 of the Not-for-Profit Corporation Law and licensed pursuant to Article 43 of the New York Insurance Law as a not-for-profit health services corporation. Prior to January 2002, MVPHSC offered point-of-service health insurance products.

As of the examination date, the Plan provided health and dental insurance to its subscribers.

The Plan is a charitable membership corporation as defined in Section 201 of the New York Not-for-Profit Corporation Law. MVPHSC is a subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corp., a wholly-owned subsidiary of MVP. Pursuant to its bylaws, the Plan has one corporate member, MVPRT Holdings, Inc.

Per an executed loan agreement dated December 31, 2014, MVPHP issued a surplus note to MVPHSC in the amount of $40 million pursuant to Section 1307 of the New York Insurance Law. The transfer was approved by the Department on December 23, 2014. The New York State Department of Health ("DOH") approved the transfer on December 24, 2014.

On February 23, 2016, MVP received approval from the Department for a $47 million Section 1307 loan plus interest repayment by MVPHIC to MVPHP and a $35 million Section 1307 loan to MVPHSC from MVPHP. DOH approved the loan to MVPHSC on February 24, 2016. MVP management indicated that they were expecting a significant shift in premium income on large group business from MVPHIC to MVPHSC during calendar years 2016 and 2017, and as such, the cash infusion was needed to provide MVPHSC with sufficient surplus in relation to its premium writings. As such, MVPHIC would no longer need the Section 1307 loan, thus the reason it repaid the loan to MVPHP with MVPHP then issuing a similar loan to MVPHSC.

MVP submitted a letter dated December 14, 2017, to the Department requesting its approval for MVPHIC to redeem and retire shares of MVPHIC stock in an amount equal to $21.5 million, pursuant to a plan of stock redemption and retirement (the "stock plan"). Pursuant to the stock plan, MVPHIC would repurchase 342,958 shares of its stock from MVPRT Holdings, Inc. ("MVPRT"), for a purchase price of $21.5 million payable by MVPHIC to MVPRT. Subsequent to the purchase payment, MVPHIC would immediately retire the shares and amend its corporate charter to reflect the reduction of its authorized capital stock to 57,042 shares of common stock at a par value of five dollars ($5.00) per share. Additionally, MVPRT would transfer $21.5 million to MVPHSC.

In a letter from the Department to MVP dated December 31, 2017, the Department granted approval of the above referenced stock plan.

The Plan's authorized control level Risk-Based Capital ("RBC") was $24,949,692 as of December 31, 2019. Its total adjusted capital was $93,172,715, yielding an RBC ratio of 373.44% as of December 31, 2019.

A. Corporate Governance

Pursuant to the Plan's Certificate of Incorporation and by-laws, management of the Plan is vested in a board of directors (the "Board") consisting of not less than three (3) nor more than nineteen (19) members. As of the examination date, the Board consisted of four (4) members.

Name and Residence	Principal Business Affiliation
Provider Representative	
Richard Joseph D'Ascoli, M.D. Schenectady, NY	Retired
Subscriber and Public Representatives	
Burt Danovitz, Ph.D. Clinton, NY	Retired
Alan Paul Goldberg Albany, NY	Retired
Plan Representative	
Monice Barbero, Esq. Albany, NY	General Counsel MVP Companies

The Board met in compliance with its charter and bylaws during each calendar year within the examination period. A review of the Board's meeting minutes held during the examination period revealed that the meetings were generally well attended, with all members attending at least one-half of the meetings they were eligible to attend.

The principal officers of the Plan as of December 31, 2019, were as follows:

Name	Title
Christopher Del Vecchio*	President and Chief Executive Officer
Monice Barbero, Esq.	Secretary
Karla Ann Austen	Treasurer and Chief Financial Officer

*On September 1, 2019, President Christopher Del Vecchio assumed the position of Chief Executive Officer upon the retirement of Denise V. Gonick, Esq.

Enterprise Risk Management

The Plan is required to comply with Insurance Regulation 203 (11 NYCRR 82) as it relates to Enterprise Risk Management ("ERM") and Own Risk and Solvency Assessment ("ORSA"). The Plan has a formal ERM framework with defined risk appetites and tolerances for proactively addressing and mitigating risks, including prospective business risks. Exhibit M of the Handbook, *Understanding the Corporate Governance Structure*, was utilized by the examiners as guidance for assessing corporate governance. It was determined that MVPHSC's Board and key executives maintain an effective control environment.

MVP also established multiple management committees that oversee various aspects of its operations, such as the Enterprise Risk Management Committee, Corporate Compliance Committee, and Quality Improvement Committee and its subcommittees. Each of these committees were implemented and are monitored by executive management in accordance with MVP's charter / governing documents. These management committee charter / governing documents reflect the Committees' respective purposes – aimed at the fulfillment of sound ethical, strategic and, to the extent applicable, financial objectives.

In October 2019, a new Board level committee, the Compliance and Risk Oversight Committee (the "CROC") was formed to replace the Cybersecurity Committee. The CROC assumes, in addition to oversight of cybersecurity, certain oversight responsibilities previously held by other Board committees, such as enterprise risk management, and corporate compliance, as well as a new oversight responsibility, vendor management. The CROC is responsible for risk and controls, and monitoring and reporting on the MVP Companies' overall ERM program.

Additionally, MVP has established a Government Affairs Department to address emerging policy issues within the health insurance industry and those facing MVP and all of its affiliates. As issues are identified, MVP establishes leadership teams to gain an understanding of the potential impact to the MVP Companies. These leadership teams are developed to provide recommendations to the members of the executive team, which have the responsibility of MVP's strategy relative to emerging issues.

Information Technology ("IT")

MVP and its subsidiaries have more than 485,000 members across New York and Vermont. MVP manages and maintains a set of computerized application systems to support the Plan's business processes. In addition, the Plan has a contract for recovery services for its primary facility.

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.

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 should be noted that based on inquiry, observation, inspection of documentation, independent research, and a review of third-party workpapers, the examiners concluded that MVP's IT General Controls ("ITGC's") were "Effective" and therefore reliable for the purposes of this financial examination.

The examiners assessed MVP's compliance with the provisions of the Financial Services Regulation Part 500 (23 NYCRR 500) – "*Cybersecurity Requirements for Financial Services Companies*". It was concluded that MVP was compliant with the sections of the Cybersecurity Regulation that were in effect during the examination period. This conclusion was based on a review of the responses provided by MVP to the Department's Cybersecurity letter, review of prior third-party control assessments, inspection of documentation, observation, and management interviews.

Internal Audit Department

MVP, the ultimate parent, established an Internal Audit Department ("IAD") function, which is independent of management, to serve all the subsidiaries and affiliates within its holding company system, including MVPHSC. The IAD reports to the Audit Committee ("AC") of the Board, which is comprised entirely of members independent of MVP's and MVPHSC's internal management.

The IAD assists all levels of management by reviewing and testing financial and operational controls and processes established by management to ensure compliance with laws, regulations, and policies. The scope of the IAD program is coordinated with KPMG, MVP's independent certified public accountant, to ensure optimal audit coverage and efficiency.

During this examination, consideration was given to the significance and potential impact of certain IAD findings. No exceptions relative to MVPHSC's corporate governance were noted.

Insurance Regulation No. 118 (11 NYCRR 89)

The Company's parent, MVPRT Holdings, Inc., as well as its ultimate parent, MVP, are both non-publicly traded companies and therefore not subject to the Sarbanes-Oxley Act of 2002. However, Insurance Regulation No. 118 (11 NYCRR 89) – "Audited Financial Statements," is similar to the NAIC's Model Audit Rule ("MAR"), and therefore applies to certain New York regulated insurance entities, including MVPHSC.

The Audit Committee for MVP, which is composed of outside directors, assumed responsibility for all entities in the holding company structure. With the independent and internal auditors, the MVP Audit Committee reviews the effectiveness of the accounting and financial controls and elicits recommendations that may improve controls. The MVP Audit Committee met each quarter during the examination period, and meeting minutes were prepared and retained.

MVP's management of general controls is applied to all of its subsidiaries and affiliates, which includes the Plan. As part of its Insurance Regulation No. 118 analysis, the risks from various operations were identified and segregated by operational cycles and entity level controls. The IAD performed its own control testing and accumulated its findings. To the extent possible, the examiners relied upon the work performed by the IAD, as prescribed by the Handbook.

B. Territory and Plan of Operation

The Plan's service area, as of December 31, 2019, included 62 counties in New York State. This represents an increase of 10 counties over those that were served at the time of the previous examination.

Albany	Franklin	Onieda	Seneca
Allegany	Fulton	Onondaga	Steuben
Bronx	Genesee	Ontario	St. Lawrence
Broome	Greene	Orange	Suffolk
Cattaraugus	Hamilton	Orleans	Sullivan
Cayuga	Herkimer	Oswego	Tioga
Chautauqua	Jefferson	Otsego	Tompkins
Chemung	Kings	Putnam	Ulster
Chenango	Lewis	Queens	Warren
Clinton	Livingston	Rensselaer	Washington
Columbia	Madison	Richmond	Wayne
Cortland	Monroe	Rockland	Westchester
Delaware	Montgomery	Saratoga	Wyoming
Dutchess	Nassau	Schenectady	Yates
Erie	New York	Schoharie	
Essex	Niagara	Schuyler	

MVPHSC offers a variety of insurance products and provides health insurance coverage to private and public-sector employer groups. The Plan's insurance products include a broad range of exclusive provider option ("EPO"), preferred provider option ("PPO"), and point-of-service option ("POS") plans for small and large employer groups and a full line of dental indemnity products.

The Plan's enrollment by line of business for each year under examination and calendar year 2020, was as follows:

Line of Business	2017	2018	2019	2020
EPO	107,425	95,906	82,844	70,388
PPO	11,590	17,847	18,207	28,511
POS	19,925	14,789	9,673	880
Dental	5,858	1,513	1,222	1,162
Total	144,798	130,055	111,946	100,941

During the examination period, the Plan's membership decreased from 144,798 to 111,946 (approximately 22.7%). Subsequently, in calendar year 2020, the membership further decreased to 100,941; a 30.3% decrease over the four-year period. MVPHSC's reduction is primarily attributable to the withdrawal from the Federal Employee Health Benefit Plan in 2020 and market competition that was offset by new groups in 2020.

The Plan's direct written premiums were as follows:

2017	2018	2019	2020
$ 668,500,364	$ 734,025,597	$ 705,851,870	$ 711,810,681

C. Reinsurance

Assumed Reinsurance

The Plan did not assume any business during the examination period.

Ceded Reinsurance

On December 31, 2019, the Plan had a stop-loss reinsurance agreement with The North River Insurance Company ("NRIC"), a New York licensed insurer. The agreement requires the reinsurer to pay a percentage of the eligible benefit related expenses paid by MVPHSC during the contract year. Any amounts due to MVPHSC pursuant to this agreement are recorded as amounts recoverable from reinsurers in the statutory basis statements of admitted assets, liabilities, and capital and surplus.

Excess-of-loss coverages:

Retention:

$800,000 of eligible expenses per member per agreement year for the commercial lines of business.

Coinsurance:

90% of the approved transplants and services other than transplant services after application of Reinsurance Limits and Retention per agreement year, except non-approved transplants, which are reimbursable at 60%.

Reimbursement maximum:

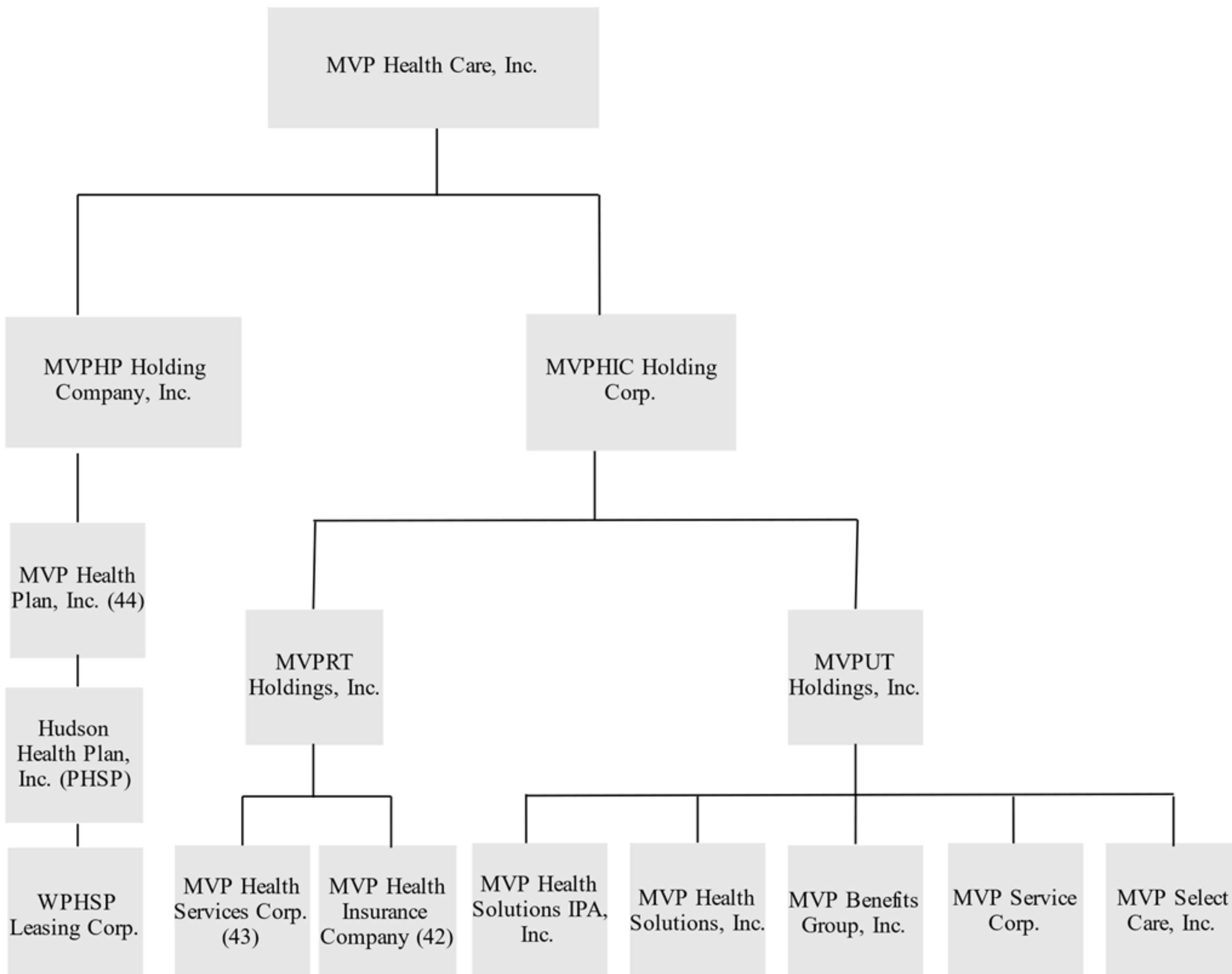
$3,000,000 per member, per agreement year.

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

D. Holding Company System

MVPHSC is a wholly-owned subsidiary of MVPRT Holdings, Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corp.; MVP Health Care, Inc., is the ultimate parent. As a member of a holding company system, MVPHSC 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 pertinent filings made regarding the aforementioned statutes during the examination period were reviewed, and no exceptions were noted.

The following chart depicts the Plan's holding company system as of December 31, 2019:



The following is a summary of MVPHSC's significant entities within the holding company system shown above:

<u>MVPHIC Holding Corp. (“MVPHICHC”)</u>

MVPHIC Holding Corp. was incorporated on December 13, 2000, pursuant to Section 402 of New York Business Corporation Law. MVPRT Holdings, Inc. is the sole member of MVPHSC a not-for-profit corporation licensed under Article 43 of the New York Insurance Law. MVPHIC Holding Corp. holds and controls 100% ownership of both MVPRT Holdings, Inc. (“MVPRT”) and MVPUT Holdings, Inc. (“MVPUT”.) MVP Health Care, Inc., in turn, owns and controls 100% of the stock of MVPHIC Holding Corp.

MVPRT and MVPUT are New York corporations. MVPRT controls subsidiaries which are regulated by the New York State Department of Financial Services and the Vermont Department of Financial Regulation. MVPUT controls certain other subsidiaries which are not subject to such regulation.

As of the examination date, MVPHIC Holding Corp. controlled two subsidiaries of MVPRT Holdings, Inc., MVP Health Services Corp. and MVP Health Insurance Company, both of which were regulated by the New York State Department of Financial Services.

<u>MVP Health Insurance Company (“MVPHIC”)</u>

MVPHIC is a for-profit New York corporation, wholly-owned by MVPRT Holdings Inc., which is a wholly-owned subsidiary of MVPHIC Holding Corp. MVP Health Care, Inc. is the ultimate parent. MVPHIC was incorporated on April 24, 2000. MVPHIC is licensed in the State of New York as an accident and health insurance company pursuant to Article 42 of the New York Insurance Law. MVPHIC underwrites EPO, PPO, point-of-service (out-of-network) and indemnity only products for large and small groups.

MVP Health Plan, Inc. ("MVPHP")

MVPHP was incorporated on July 30, 1982, pursuant to Section 402 of the New York Not-For-Profit Corporation Law for the purpose of operating as a health maintenance organization ("HMO"), as such term is defined in Article 44 of the New York Public Health Law. MVPHP operates as an Independent Practice Association ("IPA") model HMO.

The Plan maintains the following intercompany agreements with several of its affiliates:

Staffing Services Agreement

The Plan has a staffing services agreement with MVP Service Corp. ("MVPSC"). MVPSC is wholly-controlled by MVPUT Holdings, Inc. MVPSC's employees perform all day-to-day operations of the Plan, and charges the Plan for its share of costs based on a contractual cost allocation methodology, pursuant to an agreement approved by the Department on March 14, 2008. The first and second amendments to this agreement were approved by the Department on January 1, 2011 and October 29, 2013, respectively. This agreement was not amended during the examination period.

Office Facilities, Equipment and Supplies Agreement

During the exam period, MVPHSC was party to an agreement with MVPHP, by which MVPHP provided MVPHSC with space, furnishings, equipment, supplies and facilities necessary for MVPHSC to operate its business. MVPHP bills MVPHSC periodically, but not less than quarterly, for access to the equipment provided. The Department approved this agreement on January 1, 2011. The first and second amendments to this agreement were approved by the Department on October 29, 2013, and April 17, 2015, respectively. This agreement was not amended during the examination period.

Administrative Services Agreement

Effective June 1, 2014, MVPHSC entered into an administrative services agreement with Hudson Health Plan, Inc. (“HHP”). This agreement was used to document MVPHSC’s use of any of HHP’s facilities, equipment, and/ or supplies. Additionally, it was also intended to document the allocation of HHP staff to MVPHSC, if any (all HHP staff became MVP staff on January 1, 2015). The agreement was approved by the Department on October 23, 2014.

Tax Allocation Agreement

During the examination period, MVPHSC was party to a tax allocation agreement, dated January 6, 2006, with its affiliates, including MVPHP and MVPHIC. Subsequently, the tax allocation agreement was amended on December 22, 2009, and said amendment was approved by the Department on January 8, 2010. The agreement was further amended on April 1, 2017. The purpose of the amendment was to remove entities within the Holding Company System that were no longer in existence.

ACA Fee Allocation Agreement

MVPHSC entered into an ACA Fee Allocation Agreement with MVPHP dated January 1, 2015. Under this agreement, MVPHP agreed to allocate the ACA Fee liability on behalf of various entities within the holding company system. The agreement was approved by the Department on November 24, 2015. On April 1, 2017, the agreement was amended to remove New Hampshire entities because they were no longer active.

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

> "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…(3) rendering of services on a regular or systematic basis; or (4) any material transaction, specified by regulation, that the superintendent determines may adversely affect the interests of the insurer's policyholders or shareholders."

The Plan did not file the amended ACA Fee Allocation Agreement or the amended Tax Allocation Agreement with the Superintendent as required by Section 1505(d).

It is recommended that the Plan implement practices and procedures to ensure that the Superintendent is properly notified of its intent to enter into and/or amend any form of services or cost-sharing agreement with an affiliated company as required by Section 1505(d) of the New York Insurance Law.

E. Significant Operating Ratios

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

	Amounts	Ratios
Claims	$1,848,594,358	87.66 %
Claim adjustment expenses	9,926,356	0.47 %
Cost containment expenses	32,101,158	1.52 %
General administrative expenses	226,262,573	10.73 %
Net underwriting loss	(8,166,824)	(0.39)%
Total revenue	$2,108.717.621	100.00 %

F. New York Supplement for Article 43 Corporations

Parts 101.9(a)(2) and (3) of Department Regulation No. 164 (11 NYCRR 101.9(a)(2) and (3)), states:

> "(2) the health care provider agrees that the superintendent, and the insurer, shall have the right, from time to time, to inspect the health care provider's books and records and that the superintendent may examine under oath any officer or agent of such provider with respect to its use of the in-network capitation funds received from the insurer and the provider's compliance with the terms and conditions of the financial risk transfer agreement and the provisions of this Part;
>
> (3) the health care provider agrees that on an annual basis, it will submit within 120 days of the close of its fiscal year, to the insurer and the superintendent, a financial statement in a form prescribed by the superintendent, sworn to under penalty of perjury by the health care provider's chief financial officer, showing the health care provider's financial condition at the close of its fiscal year, together with an opinion of an independent certified public accountant (CPA) on the financial statement of such health care provider."

The Plan is required to summarize and provide the financial information submitted by the health care provider through the completion of Report #15 to the NY Supplement. Upon reviewing the NY Supplements filed over the course of the examination period, it was noted the Plan did not provide the required information (Parts A through D) for numerous risk-bearing entities as required. This has been a recurring and ongoing issue by the Plan. The Plan is unable to properly oversee and monitor the providers in order to attain required financial information to complete the NY Supplement. It was also noted after a review of a sample of risk bearing agreements that the above sited required language was not included nor could the Plan provide a copy of the Dept. approval. The Plan has failed to comply with Regulation No. 164.

It is recommended that the Plan comply with Part 101.9(a)(2) and (3) of Department Regulation No. 164 and file with the Department risk-bearing agreements that include all the required provisions.

Additionally, it is recommended that the Plan enhance its oversight and monitoring practices and procedures to ensure its ability to obtain the information needed to complete Report #15, Parts A through D, of the New York Supplement for each of its health care providers.

3. FINANCIAL STATEMENTS

The following statement shows the assets, liabilities, and surplus as of December 31, 2019, as contained in the Plan's 2019 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for the years under review. The examiners' review of a sample of transactions did not reveal any differences which materially affected the Plan's financial condition as presented in its financial statements contained in the December 31, 2019 filed annual statement.

Independent Accountants

KPMG was retained to audit the Plan's GAAP basis statements of financial position as of December 31, 2019, as well as any related statements of operations and changes in net assets, and cash flows for the year then ended. A GAAP to statutory footnote has been presented within the financial statements of the Plan for each of the years audited for the changes in capital and surplus.

KPMG concluded that the GAAP financial statements presented fairly, in all material respects, the financial position of the Plan for all years under review. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

A. Balance Sheet

Assets

Bonds	$ 104,550,312
Common stocks	13,629,986
Cash, cash equivalents and short-term investments	17,775,980
Receivables for securities	12,341
Investment income due and accrued	631,723
Uncollected premiums and agents' balances in the course of collection	5,952,479
Contracts subject to redetermination	1,362,496
Amounts recoverable from reinsurers	152,514
Current federal and foreign income tax recoverable and interest thereon	564,117
Net deferred tax asset	1,200,187
Receivables from parent, subsidiaries and affiliates	14,528,261
Health care and other amounts receivable	25,834,110
Aggregate write-ins for other than invested assets	53,954
Totals assets	$ 186,248,460

Liabilities

Claims unpaid	$ 58,932,344
Accrued medical incentive pool and bonus amounts	1,731,037
Unpaid claims adjustment expenses	1,588,000
Aggregate health policy reserves	14,831,768
Premiums received in advance	9,473,883
General expenses due or accrued	3,759,275
Amounts due to parent, subsidiaries and affiliates	2,465,539
Payable for securities	293,900
Total liabilities	$ 93,075,746

Capital and Surplus

Aggregate write-ins for special surplus funds	14,007,445
Gross paid in and contributed surplus	58,150,000
Surplus notes	75,000,000
Aggregate write-ins:	
Statutory reserve requirement	29,229,911
Unassigned funds (surplus)	(83,214,641)
Total capital and surplus	$ 93,172,715
Total liabilities, capital and surplus	$ 186,248,460

B. Statement of revenue and expenses, and capital and surplus

Capital and surplus increased by $23,604,850 during the three-year examination period, January 1, 2017 through December 31, 2019, detailed as follows:

Revenue		
Net premium income	$ 2,105,452,405	
Change in unearned premium reserves and reserve for rate credits	3,265,216	
Total revenue		$ 2,108,717,621
Hospital and Medical Expenses		
Hospital/medical benefits	$ 1,355,805,541	
Other professional services	87,366,002	
Emergency room and out-of-area	48,726,483	
Prescription drugs	251,995,348	
Aggregate write-ins for other hospital and medical	87,314,420	
Incentive pool, withhold adjustments and bonus amounts	19,746,298	
Net reinsurance recoveries	(2,359,734)	
Total hospital and medical expenses	$ 1,848,594,358	
Claims adjustment expenses	42,027,514	
General administrative expenses	226,262,573	
Total underwriting deductions		2,116,884,445
Net underwriting loss		$ (8,166,824)
Net investment income earned		8,334,723
Net realized capital losses		(175,843)
Net losses before all other federal income taxes		$ (7,944)
Federal and foreign income taxes incurred		(1,732,128)
Net income		$ 1,724,184

Changes in capital and surplus

	Gains in Surplus	Losses in Surplus	
Capital and surplus, per report on examination, as of December 31, 2016			$ 69,567,859
Net income	$ 1,724,184		
Change in net unrealized capital gains	1,690,940		
Change in net deferred income tax		(229,447)	
Change in nonadmitted assets		(1,080,827)	
Surplus adjustments – Paid in	21,500,000		
Net increase in capital and surplus			$ 23,604,850
Capital and surplus, per report on examination, as of December 31, 2019			$ 93,172,709

4. UNPAID CLAIMS

The examination liability of $58,932,344 for the above captioned account is the same as the amount reported by the Plan as of December 31, 2019.

The examination analysis of the claims unpaid 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 filed annual statements as verified during the examination. The examination reserve was based upon actual payments made through a point in time, plus an estimate for claims remaining unpaid at that date. Such estimate was calculated based on actuarial principles, which utilized the Plan's experience in projecting the ultimate cost of claims incurred on or prior to December 31, 2019.

5. SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. On March 13, 2020, the coronavirus pandemic was declared a national emergency in the United States. The epidemiological threat posed by COVID-19 continues to have disruptive effects on the economy, including disruption of the global supply of goods, reduction in the demand for labor, and reduction in the demand for U.S. products and services, resulting in a sharp increase in unemployment. The economic disruptions caused by COVID-19 and the increased uncertainty about the magnitude of the economic slowdown has also caused extreme volatility in the financial markets.

The full effect of COVID-19 on the U.S. and global insurance and reinsurance industry is still unknown at the time of releasing this report. The New York Department of Financial Services expects the COVID-19 outbreak to impact a wide range of insurance products resulting in coverage disputes, reduced liquidity of insurers, and other areas of operations of insurers. The New York Department of Financial Services and all insurance regulators, with the assistance of the National Association of Insurance Commissioners ("NAIC"), continue to monitor the situation through a coordinated effort and will continue to assess the impacts of the pandemic on U.S. insurers.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination did not have any comments and recommendations.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
A.	Holding Company System	
	It is recommended that the Plan implement practices and procedures to ensure that the Superintendent is properly notified of its intent to enter into and/or amend any form of services or cost-sharing agreement with an affiliated company as required by Section 1505(d) of the New York Insurance Law.	19
B.	New York Supplement for Article 43 Corporations	
i	It is recommended that the Plan comply with Part 101.9(a)(2) and (3) of Department Regulation No. 164 and file with the Department risk-bearing agreements that include all the required provisions.	21
ii	Additionally, it is recommended that the Plan enhance its oversight and monitoring practices and procedures to ensure its ability to obtain the information needed to complete Report #15, Parts A through D, of the New York Supplement for each of its health care providers.	21

Respectfully submitted,

___________/S/_________________
James B. Morris, CPA, CFE
Examiner-In-Charge

STATE OF MARYLAND)

) SS.

)

COUNTY OF BALTIMORE)

James B. Morris, being duly sworn, deposes and says that the foregoing submitted report is true to the best of his knowledge and belief.

____________/S/_________________
James B. Morris, CPA, CFE

Subscribed and sworn to before me
this _____ day of _________2022

Respectfully submitted,

___________/S/_____________
Jeffrey Usher, CFE
Financial Services Manager 2

STATE OF NEW YORK)

) SS.

)

COUNTY OF NEW YORK)

Jeffrey Usher, being duly sworn, deposes and says that the foregoing submitted report is true to the best of his knowledge and belief.

____________/S/_________________
Jeffrey Usher, CFE

Subscribed and sworn to before me
this _____ day of _________2022

APPOINTMENT NO. **32181**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***LINDA A. LACEWELL****, 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:*

Baker Tilly US, LLP.

as a proper person to examine the affairs of the

MVP Health Services Corporation

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

Corporation

with such other information as they 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 21st day of December, 2020

LINDA A. LACEWELL
Superintendent of Financial
Services

By: Alice W. McKenney

Alice McKenney
Bureau Chief
Health Bureau