REPORT ON EXAMINATION

OF

INDEPENDENT HEALTH BENEFITS CORPORATION

DECEMBER 31, 2020

EXAMINERS:	**JAN PIERRE SANTIAGO, CFE** **WAI WONG, CFE**
DATE OF REPORT:	**AUGUST 7, 2023**

TABLE OF CONTENTS

August 7, 2023

Honorable Adrienne A. Harris
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law and acting in accordance with the instructions contained in Appointment Letter 32303, dated March 1, 2022, attached hereto, I have made an examination into the financial condition of Independent Health Benefits Corporation, a not-for-profit health service corporation licensed pursuant to the provisions of Article 43 of the New York Insurance Law, as of December 31, 2020, and respectfully submit the following report thereon.

The examination was conducted remotely due to the COVID-19-related travel restrictions.

Wherever the designations "IHBC" or the "Plan" appear herein, without qualification, they should be understood to indicate Independent Health Benefits Corporation.

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

The examiner also conducted a concurrent financial examination of Independent Health Association, Inc., ("IHA") which is the parent of IHBC, and a not-for-profit health maintenance organization certified pursuant to the provisions of Article 44 of the New York State Public Health Law.

A separate financial report on examination of IHA has been submitted thereon.

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, 2020. A separate report thereon will be submitted.

1. SCOPE OF THE EXAMINATION

We have performed our single state examination of the Plan. The previous examination covered the period January 1, 2011, through December 31, 2015. This financial examination of the Plan covered the period January 1, 2016, through December 31, 2020. The financial component of the examination was conducted on a risk-focused basis in accordance with the provisions of the *National Association of Insurance Commissioners* ("NAIC") *Financial Condition ExaminersHandbook, 2021 Edition* ("the Handbook"), which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the Plan's operations and utilizesthat evaluation in formulating the nature and extent of the examination. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriateby the examiners, transactions occurring subsequent to December 31, 2020, were also reviewed.

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 the Plan.

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 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 for the years 2016 through 2020 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, through common management with its parent, Independent Health Association, Inc., has an Internal Audit Department which is tasked with of assessing the Plan's internal control structure.

A review was also made of the Plan's Enterprise Risk Management Program / Own Risk Solvency Assessment. In conjunction with its parent, the Plan filed an ORSA Summary Report with the Department as required pursuant to Section 82.3 of Insurance Regulation No. 203 (11 NYCRR 82).

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.

A review was also made to ascertain what actions were taken by the Plan's with regard to the comments and recommendations contained in the prior report on examination. The results of the examiners' review are contained in Item No. 4 of this report.

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

IHBC is a not-for-profit health service corporation which was incorporated in New York State on October 26, 1994, under the name Integrated Benefits Corporation ("IBC"). Subsequently, the Plan was granted a license by the New York State Insurance Department, now known as the New York State Department of Financial Services, effective June 20, 1995, and thereafter commenced writing business in New York State. Pursuant to the Department's May 2, 2000, approval of the Plan's amended Certificate of Incorporation, IBC changed its company name to IHBC, effective May 10, 2001. The Plan is a taxable entity for federal income taxes purposes. IHBC is a 100% controlled affiliate of IHA.

A. Corporate Governance

(i) Management and Control

Pursuant to IHBC's by-laws, management of the Plan is to be vested in a Board of Directors ("BOD") of not less than twelve (12) and no more than twenty-five (25) members.

IHBC's BOD was comprised of the following fourteen (14) members as of December 31, 2020:

Name and Residence	Principal Business Affiliation
Subscriber Representatives	
Anthony J. Baynes Buffalo, NY	Entrepreneur, A.J. Baynes Freight Contractors, Ltd.
Colleen DiPirro Williamsville, NY	Retired
Linda J. Gianturo Williamsville, NY	Retired
Betty Murphy Amherst, NY	Executive Vice President, Niagara Frontier Automobile Dealers Association
Sidney Weiss Williamsville, NY	CPA, Arcara, Zucarelli, Lenda & Straka CPAs
Public Representative	
Lauren Baynes Buffalo, NY	Vice President for Portfolio and Selection, 43 North
Donna Kelsch Sanborn, NY	Retired Education
Patricia Mascaro N. Tonawanda, NY	Entrepreneur, Senior Advocate Services
Brenda McDuffie Buffalo, NY	President and Chief Executive Officer, Buffalo Urban League, Inc.
Sarah Ranni Buffalo, NY	Attorney, M&T Bank

Name and Residence	Principal Business Affiliation
Public Representative	
Daniel Weintraub Williamsville, NY	CPA, Lougen, Valenti, Bookbinder & Weintraub LLP
Provider Representative	
Edward Stehlik, M.D. Buffalo, NY	Physician, Northtown Medical Group, PC
Officer-Employee Representative	
Michael Cropp, M.D. Williamsville, NY	President and Vice Chairman, Independent Health Association, Inc.
John Mineo, Esq. East Aurora, NY	Executive Vice President and General Counsel, Independent Health Association, Inc.

The following individuals were the principal Officers of the Plan as of December 31, 2020:

Name	Title
Michael W. Cropp, MD	President & Vice Chairman
John Mineo, Esq.	Secretary
Ann Pentkowski	Director of Finance

The BOD has no committees. The BOD has designated IHA's Audit Committee to oversee IHBC's audit and financial functions.

(ii) Internal Audit Department ("IAD") and Audit Committee Activities

As of December 31, 2020, IHA had an effective internal audit function, including established Model Audit Rule ("MAR") practices, as required pursuant to Insurance Regulation No. 118 (11 NYCRR Part 89). The Plan's internal audit function includes oversight from the Audit Committee and has a sufficiently documented repository of internal control policies and procedures which are maintained by the Plan's IAD. The Audit Committee consists of five members, all of which were not employees or directors of IHA or IHBC.

IHA's corporate governance guidelines states its director independence requirements as: *"It is the policy of the Board that all members of the Audit Committee be independent under both the New York Nonprofit Revitalization Act of 2013 and MMAR, and that other committees have standards for the number of non-management members."*

> The Act defines independent director as:
>
> *"Independent director" means a director who: (i) is not, and has not been within the last three years, an employee or a key person of the corporation or an affiliate of the corporation,…"*

On September 14, 2018, Kathleen Mylotte, M.D., terminated her employment with IHA, and was elected as Chairperson of the IHA BOD and as an Audit Committee member on December 12, 2018.

It is recommended that IHBC comply with IHA's corporate governance guidelines as it pertains to the definition of an independent board member under the New York Nonprofit Revitalization Act of 2013.

B. Territory and Plan of Operation

The Plan is licensed to write business only in New York State. As of December 31, 2020, its health insurance business operated in the following twenty-four (24) New York State counties:

Albany	Allegany	Cattaraugus	Chautauqua	Chemung	Delaware
Erie	Franklin	Genesee	Livingston	Madison	Monroe
New York	Niagara	Onondaga	Ontario	Orleans	Putnam
Saratoga	Suffolk	Washington	Wayne	Westchester	Wyoming

During the examination period, IHBC provided comprehensive / major medical (hospital and medical), prescription drug, vision and dental benefits, under various health plans offered by

IHBC, including provider service organization, preferred provider organization, point of service, traditional indemnity and individual direct payment plans. IHBC also marketed a Medicare Advantage Product other than Part D to qualifying members, pursuant to Title XVIII of the Social Security Act. IHA transferred its New York State program (Healthy New York) to IHBC in 2017.

The summary below reflects IHBC's total net annual premium income and member enrollment between December 31, 2016, and December 31, 2020:

Year	Net Premium Income	Enrollment
2016	$606,787,799	114,559
2017	$637,916,481	115,759
2018	$632,636,545	99,678
2019	$539,139,463	73,844
2020	$507,969,267	69,075

As noted above, the Plan's annual net premium writings decreased by 16.3% between the years 2016 and 2020, compared to the 39.7% decrease in member enrollment during the corresponding period. Decreases of 39.34%, 19.18% and 3.85% in Commercial Small Group, Large Group (Experience Rated) and Individual (Direct Pay & Group) writings were offset by increases of 642.65%, 100%, and 62.89%, respectively, in other heath, New York State (Healthy New York) and Federal (Medicare other than Part D) programs. Commercial writings were responsible for the net premium decreases between the years 2016 and 2020.

IHBC's total 2020 annual enrollment of 69,075 members comprised of 62.99% Large Group (Experienced Rated), 21.19% Small Group, 6.46% Individual (Direct Pay & Group), 8.30% Medicare other than Part D and 1.06% Healthy New York.

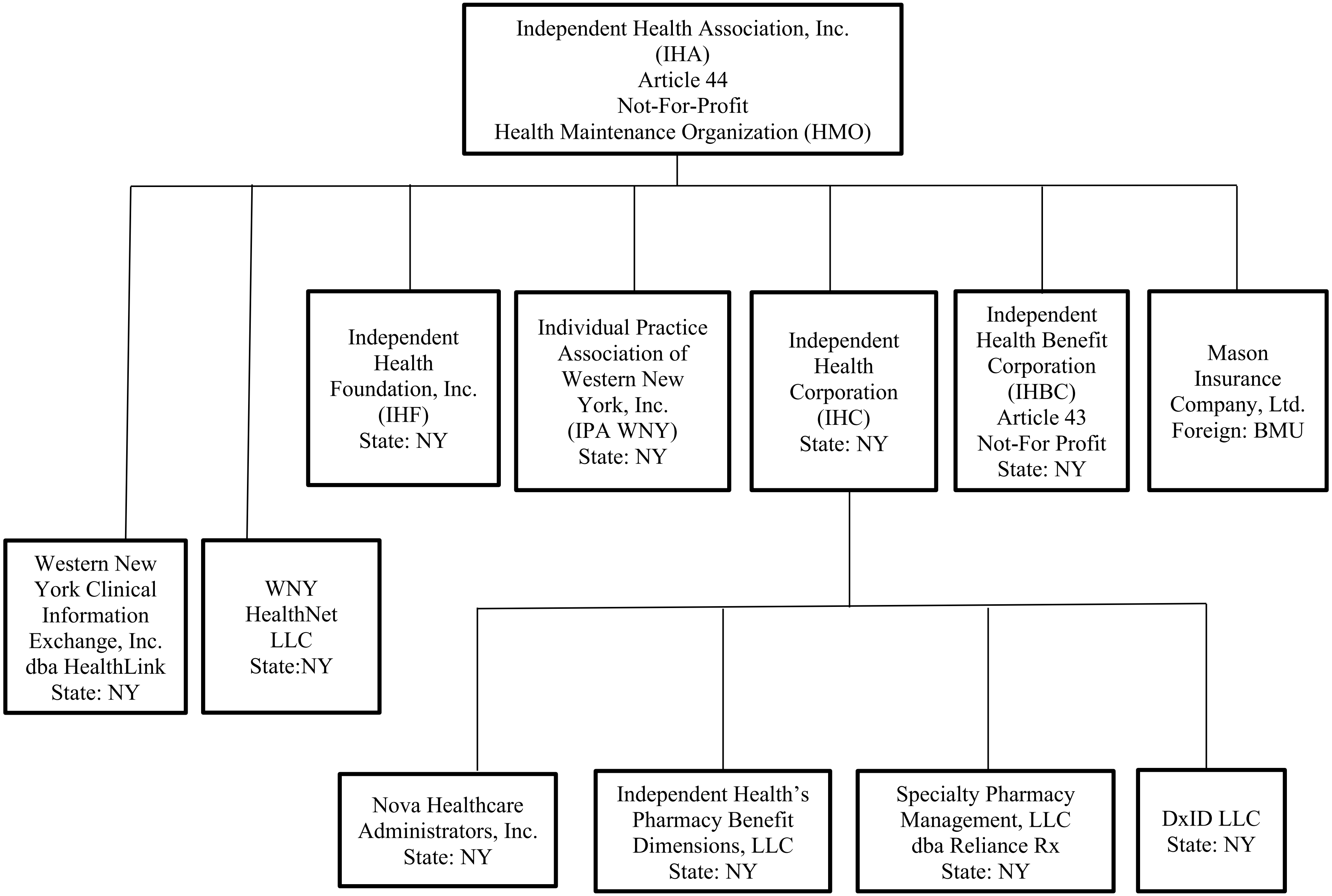
C. Reinsurance

Effective 2017, IHBC insured members under the Healthy New York plan. The Healthy New York plan is also covered under a policy with New York State. For Healthy New York, the New York State program assumes risk for 90% of the claims over the deductible of $5,000 up to $75,000, resulting in a maximum reinsurance reimbursement of $63,000.

Effective 2019, IHBC's commercial members were insured under Mason Insurance Company, LTD ("Mason"). Mason is an affiliate which is 100% owned by IHA. Mason assumes risk for 85% of claims over the deductible limit of $200,000 - $250,000 up to $1,750,000 per member for each agreement period.

D. Holding Company System

Below is a chart of the members within IHA's holding company system as of December 31, 2020:


Independent Health Association, Inc. (IHA) Article 44 Not-For-Profit Health Maintenance Organization (HMO)
Western New York Clinical Information Exchange, Inc. dba HealthLink State: NY
WNY HealthNet LLC State:NY
Independent Health Foundation, Inc. (IHF) State: NY
Individual Practice Association of Western New York, Inc. (IPA WNY) State: NY
Independent Health Corporation (IHC) State: NY
Independent Health Benefit Corporation (IHBC) Article 43 Not-For Profit State: NY
Mason Insurance Company, Ltd. Foreign: BMU
Nova Healthcare Administrators, Inc. State: NY
Independent Health's Pharmacy Benefit Dimensions, LLC State: NY
Specialty Pharmacy Management, LLC dba Reliance Rx State: NY
DxID LLC State: NY

Below is a description of the organizational structure and operating activities for select members within the holding company system:

(i) <u>Independent Health Association, Inc. ("IHA")</u>

IHA is certified pursuant to Article 44 of the New York State Public Health Law. IHA, a not-for-profit HMO, is the ultimate parent within the holding companysystem. In addition to its delivery of healthcare services to the members within its authorized geographic operating area, IHA also provides various management and administrative services to its holding company members, including IHBC.

(ii) <u>Independent Health Foundation (the "Foundation")</u>

The Foundation is a not-for-profit charitable foundation in which IHA is the sole member. The Foundation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code, since it is operating as a Section 509(a)(3) Type 1 Supporting Organization. The Foundation is a community resource dedicated to improving the health and well-being of Western New York residents through health awareness, prevention, wellness, education and other programs focused on community priorities.

(iii) <u>Individual Practice Association of Western New York, Inc. ("IPAWNY")</u>

The IPAWNY is a not-for-profit organization in which IHA is the sole corporate member. IPAWNY has contractual arrangements with IHA to provide and/or arrange medical and pharmaceutical services to IHA's subscribers, including Medicare-eligible participants, who reside primarily in the local geographic region. In return, IPAWNY receives a monthly capitation fee and various administrative services provided by IHA. The net benefit liabilities of IPAWNY are recorded under unpaid claims and capitation.

(iv) Independent Health Corporation ("IHC")

IHC is a New York for-profit company and a wholly-owned subsidiary of IHA, which, together with its other directly owned subsidiaries, provides the following third party and affiliated administrative services: (i) self-funded administration service, (ii) self-funded insurance funds (SFS), (iii) pharmacy benefit management service, (iv) flexible spending accounts, (v) contract printing services to IHA's affiliates, (vi) specialty pharmaceutical products, (viii) consulting and administrative services to physician practices and (viii) consulting services for Medicare Advantage and Program All-Inclusive Care for the Elderly ("PACE") plans.IHC also owns and maintains a provider network of participating hospitals, physicians and ancillary providers (IHC Network). IHC terminated the contract providing printing services to IHA's affiliates and others effective December 31, 2019.

IHC owns 100% of the stock of NOVA Healthcare Administrators, Inc., and is the sole member of Independent Health's Pharmacy Benefit Dimensions, LLC, DxID, LLP, Specialty Pharmacy Management, LLC, and Evolve Practice Partners, LLC ("Evolve"). Evolve was dissolved in December 2020.

(v) Nova Healthcare Administrators, Inc. ("Nova")

Nova is a direct and wholly-owned subsidiary of IHC. The entity administers health services that are covered under the self-funded benefit plans sponsored by employer groups, unions and insurers and their associated members and/or plan participants.

(vi) Independent Health's Pharmacy Benefit Dimensions, LLC ("PBD")

PBD is a direct and wholly-owned subsidiary of IHC which provides pharmacy benefits management services to employers and other entities, including health service companies, health insurers and health maintenance organizations.

(vii) Specialty Pharmacy Management, LLC DBA Reliance Rx ("Reliance Rx")

Reliance Rx is a direct and wholly-owned subsidiary of IHC which distributes specialty pharmaceuticals to those members of the Plan living with chronic and severe medical conditions.

(viii) DxID LLP ("DxID")

DxID, a direct and wholly-owned subsidiary of IHC, is a limited liability company, which is organized under Section 204 of the New York State Limited Liability Company Law. DxID primarily provides consulting services for Medicare reimbursement related to Medicare Advantage and PACE plans throughout the United States.

(ix) Mason Insurance Company, Ltd. of Bermuda ("Mason")

Mason, a Bermuda based captive insurance company, is a wholly-owned subsidiary of IHA and a non-authorized New York reinsurer. It provided reinsurance under contracts with IHBC during the examination period. At the end of 2013, IHBC ceased reinsuring business with Mason and resumed business in 2019.

IHBC held the following inter-company agreements as of December 31, 2020:

(i) IHA Administrative Services Agreement, amended as of January 1, 2019

The captioned amendment, was approved by the Department effective on December 5, 2019, requires IHA to provide IHBC with the following consultative and administrative services: financial, legal, internal operations, management information services, marketing consultation, health care services, development, revision and refinement of new products, systems, policies, procedures, and software support to enhance the business of IHBC and such other services as IHBC may from time-to-time request.

(ii) IHC Administrative Services Agreement, amended as of January 1, 2019

The captioned amended agreement, was approved by the Department effective on December 5, 2019, requires IHC to provide access to IHC's provider network to persons insured by IHBC and such other services as needed by IHBC and its membership from time-to-time.

(iii) Administrative Services Agreement with Nova HealthCare Administrators, Inc. ("Nova"), amended as of January 1, 2019

The captioned amended agreement, was approved by the Department on December 5, 2019, requires Nova to provide IHBC with (i) access to the Nova provider network for IHBC's participants receiving health benefits through plans maintained and offered by IHBC, (b) debit card administration and co-pay reimbursement claims processing and (c) other services as required by IHBC.

(iv) Independent Health's Pharmacy Benefit Dimensions, LLC ("PBD") Administrative Services Agreement, amended as of December 30, 2019

The captioned amended agreement, was approved by the Department effective on October 30, 2019, requires PBD to provide IHBC with the following services: claim payments, explanation of benefits issuance, eligibility and enrollment files processing, administration and processing of rebate contracts, quality assurance and auditing services of IHBC's claim payments functions and other administrative functions and services as required by IHBC.

(v) DxID, LLC ("DxID") Administrative Services Agreement, amended as of January 1, 2019

The captioned amended agreement, was approved by the Department effective December 5, 2019, requires DxID to consult IHBC on Medicare reimbursements relative to the Plan's Medicare Advantage business and to provide such other services as requested by IHBC.

(vi) Specialty Pharmacy Management, LLC DBA Reliance Rx ("Reliance Rx") Administrative Services Agreement, amended as of January 1, 2018

The captioned amended agreement, was approved by the Department effective on December 12, 2017, is an administrative service agreement whereby Reliance Rx performs on behalf of IHBC the following services: Reliance Rx provides IHBC with administrative services such as patient intake, pharmacy dispensing, ongoing clinical and specialty pharmacy support, social services, written grievance, other administrative services and such other services as required by IHBC.

(vii) Mason Insurance Company, Limited ("Mason") and IHBC Excess of Loss Reinsurance Agreement, amended as of January 1, 2020.

The captioned amended agreement, was approved by the Department effective September 10, 2020, is intended to limit losses arising from catastrophic inpatient claims, beginning January 1, 2020. Mason reinsures 85% of claims over the deductible limit of $200,000 up to $1,750,000 per member per contract year (minus the deductible and any coinsurance) for the commercial small group and commercial individual products. Coverage for the commercial large group product allows for 85% of claims over the deductible limit of $250,000 up to $1,750,000 per member per contract. Those members enrolled in a Medicare product are reinsured by Mason on 85% of claims over the deductible limit of $250,000 up to $1,000,000 per member per contract. IHA is responsible for claim amounts above the maximum.

E. Significant Operating Ratios

As of December 31, 2020, the Plan reported the following significant operating ratios on the basis of earned premiums:

Account	Amount	Ratio
Claims incurred	$408,303,124	80.38%
Net reinsurance recoveries	(7,595,277)	(1.50)%
Claims adjustment expenses incurred	25,627,166	5.05%
General expenses incurred	50,140,098	9.87%
Decrease in reserve for A & H contracts	(2,300,000)	(0.45)%
Net underwriting gain	33,794,156	6.65%
Premiums earned	$507,969,267	100%

The above net underwriting gain resulted mainly from the Plan's Small Group business and Medicare to a lesser extent.

As of December 31, 2020, the Plan reported total adjusted capital and authorized control level risk-based capital in the amounts of $127,279,431 and $17,136,425, respectively, which resulted in a Risk Based Capital ("RBC") ratio in excess of any action levels.

F. Medical Loss Ratio ("MLR") Review

IHBC's 2020 Medical Loss Ratio ("MLR") Annual Reporting Form for the state of New York was examined to assess compliance with the requirements of Title 45 of the Code of Federal Regulations ("CFR"), Part 158, which implements Section 2718 of the Public Health Service Act ("PHS Act"). Section 2718 of the PHS Act, as added by the Affordable Care Act, generally requires health insurance companies to submit to the Secretary of the U.S. Department of Health and Human Services ("HHS"), an annual report on their MLRs. The MLR is the proportion of premium revenue expended by a company on clinical services and activities that improve health care quality in a given market. Section 2718 of the PHS Act also requires a company to provide rebates to consumers if it does not meet the MLR standard (82% in the individual and small group markets and 85% in the NY large group market).

This examination of IHBC's 2020 MLR Annual Reporting Form covered the reporting period from January 1, 2018, through December 31, 2020, including 2018, 2019 and 2020 experience and claims run-out through March 31, 2021.

The examination was conducted in accordance with the NAIC's MLR Examination Reporting Instructions and its 24 MLR Agreed Upon Procedures ("MLR AUPs"). The MLR AUPs set forth the procedures for performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments, if applicable. The examination included assessing the principles used and significant estimates made by IHBC, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

Title 45 CFR §158.110(b) requires that a report for each MLR reporting year be submitted to the Secretary of HHS by July 31st of the year following the end of an MLR reporting year, on a form and in the manner prescribed by the Secretary of HHS. Based on the examiners' review, the 2020 MLR Annual Reporting Form filed by IHBC was fully compliant with the requirements of Title 45 CFR §158.

The Plan's MLR and rebate calculations as reported on the 2020 MLR Annual Reporting Form were as follows:

MLR Components	Individual	Small Group	Large Group
Adjusted Incurred Claims	$90,650,261	$388,729,107	$745,389,709
Plus: Quality Improvement Expenses	$3,252,055	$12,470,820	$24,170,613
Less: Cost-sharing reductions	$0		
Less: Federal Transitional Reinsurance Program payments expected from HHS	$0		
Less: Federal Risk Adjustment Program net payments expected from (payable to) HHS	$22,468,457	$20,227,464	
Less: Federal Risk Corridors Program net payments (charges)	$0	$0	
MLR Numerator	**$71,433,859**	**$380,972,463**	**$769,560,322**
Premium Earned	$90,678,590	$438,130,387	$856,133,072
Less: Federal & State Taxes and Licensing/Regulatory Fees	$2,349,749	$10,834,182	$20,209,660
MLR Denominator	**$88,328,841**	**$427,296,205**	**$835,923,412**
Preliminary MLR	80.9%	89.2%	92.1%
Credibility Adjustment	2.3%	0.0%	0.0%
Credibility–Adjusted MLR	**83.2%**	**89.2%**	**92.1%**
MLR Standard	82 %	82%	85%
Rebate Amount	**$0**	**$0**	**$0**

i. <u>MLR Numerator</u>

According to Title 45 CFR §158.221(b), the numerator of the MLR calculation is comprised of incurred claims, as defined in Title 45 CFR §158.140, expenditures for activities that improve health care quality as defined in Title 45 CFR §158.150, and Title 45 CFR §158.151, Cost Sharing Reductions Program as defined in Title 45 CFR §158.140(b)(1)(iii) and Federal Transitional Reinsurance, Federal Risk Adjustment and Federal Risk Corridor Programs as defined by Title 45 CFR §158.140(b)(4)(ii).

Incurred Claims

The examiners reviewed the accuracy and appropriateness of the amounts reported within incurred claims as defined by Title 45 CFR §158.140 including the verification of the data used by the Plan to calculate adjusted incurred claims and the validation of a sample of incurred claims reported by the Plan.

Based on the procedures performed, the Plan's incurred claims were accurately reported on the 2020 MLR Annual Reporting Form.

Quality Improvement Activities (QIA)

The examiners reviewed the accuracy and reasonableness of health care quality improvement expenses, including the validation of a sample of the QIA amounts reported to ensure they are in conformity with the definition of Healthcare Quality Improvement Expenses as defined by Title 45 CFR §158.150 and Title 45 CFR §158.151, and confirmation that the allocation methodology is reasonable and complies with the requirements set forth by Title 45 CFR §158.170.

Based on the procedures performed, the Plan's QIA was accurately reported on the 2020 MLR Annual Reporting Form.

Cost Sharing Reductions (CSR)

The examiners reviewed the accuracy of the amounts reported in connection with the Cost Sharing Reductions ("CSR") as defined by Title 45 CFR §158.140(b)(1)(iii), including the verification of amounts to HHS's Program Summary Reports and the Company's transactional records.

Based on the procedures performed, the Plan's CSR was accurately reported on the 2020 MLR Annual Reporting Form.

Federal Premium Stabilization Programs

The examiner reviewed the accuracy of the amounts reported in connection with the Federal Transitional Reinsurance, Federal Risk Adjustment and Federal Risk Corridor Programs as defined by Title 45 CFR §158.140(b)(4)(ii) including the verification of amounts to HHS program summary reports and the Plan's transactional records.

Based on the procedures performed, the Plan's Federal premium stabilization programs amounts were accurately reported on the 2020 MLR Annual Reporting Form.

ii. MLR Denominator

According to Title 45 CFR §158.22(c), the denominator of the MLR calculation is comprised of premium revenue, as defined in 45 CFR §158.130, minus federal and state taxes and licensing and regulatory fees, described in 45 CFR §158.161(a), and 45 CFR §158.162(a)(1) and (b)(1).

Earned Premiums

The examiners reviewed the accuracy and appropriateness of the amounts reported within earned premiums as defined by Title 45 CFR §158.130, including the verification of the data used by the Plan to calculate earned premium and the validation of a sample of policy premium reported by the Plan. In addition, the examiner reviewed the accuracy of the Plan's policies and procedures for determining and assigning market classification as defined by the requirements of Title 45 CFR

§158.220.

Based on the procedures performed, the Plan's earned premiums were accurately and appropriately reported, and the Plan's market classification policies and procedures are consistent with the requirements of Title 45 CFR §158.220 for each market segment on the 2020 MLR Annual Reporting Form.

Federal and State Taxes and Licensing or Regulatory Fees

The examiners reviewed the accuracy and appropriateness of Federal and State taxes and licensing or regulatory fees, including confirmation that the allocation methodology was reasonable and complies with the requirements set forth by Title 45 CFR §158.170 and the taxes are reported in accordance with the provisions of Title 45 CFR §158.161 and Title 45 CFR §158.162.

Based on the procedures performed, the Plan's allocation methodology is reasonable and the Federal and State taxes and licensing or regulatory fees were accurately and appropriately reported for each market segment on the 2020 MLR Annual Reporting Form.

iii. Credibility Adjustment

According to Title 45 CFR§158.232, the credibility adjustment is the product of the base credibility factor multiplied by the deductible factor. The examiner reviewed the underlying data utilized in the determination of the base credibility and deductible factors, tested the accuracy of the calculation of the base credibility and deductible factors and the resulting credibility adjustment for the individual, small and large group markets. The Plan elected to use a deductible factor of 1.0 in lieu of calculating a deductible factor, which has no impact the Credibility-Adjusted MLR.

Based on the procedures performed, the Plan’s base credibility factor, deductible factor and credibility adjustment were accurately reported and calculated for each market segment on the 2020 MLR Annual Reporting Form.

iv. Credibility-Adjusted MLR

According to Title 45 CFR §158.221(a), the calculation of the MLR is the ratio of the numerator to the denominator, plus the credibility adjustment.

Based on the procedures performed, the Plan’s credibility-adjusted MLR amounts were accurately reported and calculated for each market segment on the 2020 MLR Annual Reporting Form.

v. Rebate Disbursement and Notice

According to Title 45 CFR §158.240, a rebate is required to be paid no later than September 30th following the MLR reporting year if an insurer’s credibility-adjusted MLR is less than the MLR standard. Based the examiners’ review of the credibility-adjusted MLR for each market segment, the Plan exceeded the MLR standard of 82% for the individual and small group markets and 85% for the large group market, and thus was not required to pay rebates to its enrollees.

According to Title 45 CFR §158.251, a notice of rebate is required when the credibility-adjusted MLR does not exceed the MLR standard. Since the Plan’s credibility-adjusted MLR for the individual, small group and large group markets exceed the MLR standard for each market segment, no notices were required to be issued by the Plan.

vi. Impact on Risk Based Capital

According to Title 45 CFR §158.270(a), rebate payments having any adverse impact on the Plan's Risk Based Capital ("RBC") level requires notification by the Department to the Secretary of the HHS. Based on our review, the Plan's credibility-adjusted MLR exceeded the minimum percentage for all market segments, and no rebates were issued, therefore there was no impact on the RBC level that would warrant notification to the Secretary of HHS.

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities and surplus as of December 31, 2020, as reported in the Plan's 2020 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of 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 the December 31, 2020, filed annual statement.

Independent Accountants:

D&T was retained by the Plan to audit IHBC's statutory basis financial statements as of December 31st for each of the years in the examination period, and the related statements of operations, 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 Plan 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	Amount
Bonds	$ 80,674,946
Cash, cash equivalents and short-term investments	10,468,308
Investment income due and accrued	838,001
Uncollected premiums and agents' balances in the course of collection	1,814,694
Accrued retrospective premiums	26,472,310
Amounts recoverable from reinsurers	491,177
Amounts receivable related to uninsured plans	2,672,093
Current federal income tax recoverable and interest thereon	32,171
Net deferred tax asset	1,457,241
Receivables from parents, subsidiaries and affiliates	139,723,709
Healthcare and other amounts receivable	12,810,576
Total assets	$ 277,455,226
Liabilities	
Claims unpaid	$ 45,772,978
Accrued medical incentive pool and bonus	6,824,367
Unpaid claims adjustment expenses	2,400,000
Aggregate health policy reserves	6,626,323
Premiums received in advance	3,805,753
General expenses due and accrued	12,605,588
Current federal income tax payable and interest thereon	92,760
Amounts withheld or retained for the account of others	560,662
Amounts due to parent, subsidiary and affiliates	71,487,364
Total liabilities	$ 150,175,795
Capital and Surplus	
Gross paid-in and contributed surplus	$ 100,000,000
Aggregate write-ins for other than special surplus funds	63,783,658
Unassigned funds (surplus)	(36,504,227)
Total capital and surplus	$ 127,279,431
Total liabilities, capital and surplus	$ 277,455,226

Note: The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Company through tax year 2020. 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. Statement of Revenue and Expenses and Capital and Surplus

Surplus increased $20,246,823 during the five-year examination period, January 1, 2016, through December 31, 2020, detailed as follows:

Revenue		
Premium income	$ 2,924,449,555	
Total revenue		$ 2,924,449,555
Hospital and medical expenses:		
Hospital / medical benefits	$ 1,657,485,613	
Other professional services	38,235,984	
Emergency room and out-of-area	107,941,041	
Prescription drugs	605,747,732	
Aggregate write-ins for other hospital and medical	80,592,952	
Incentive pool, withhold adjustments and bonus amounts	29,087,517	
Net reinsurance recoveries	18,584,999	
Total hospital and medical expenses	$ 2,500,505,840	
Claims adjustment expenses, including $95,479,281 cost containment expenses	116,104,758	
General administrative expenses	268,340,858	
Increase in reserves for life and accident contracts	(390,002)	
Total underwriting deductions		2,884,561,454
Net underwriting gain		$ 39,888,101
Net investment income earned		8,319,543
Net realized capital loss		(267,538)
Net investment gain		$ 8,052,005
Net losses from agents or premium balances		(411,152)
Aggregate write-ins for other expenses		(8,562,378)
Net income, after capital gains tax and before all other federal income taxes		38,966,576
Federal income taxes incurred		14,155,514
Net income		$ 24,811,062

Changes in Capital and Surplus

Capital and surplus, per report on examination, as of December 31, 2015			$ 107,032,608
	Gains in Surplus	Losses in Surplus	
Net income	$ 24,811,062		
Change in net deferred income tax		930,127	
Change in non-admitted assets		3,634,112	
Net increase in capital and surplus			20,246,823
Capital and surplus, per report on examination as of December 31, 2020			$ 127,279,431

4. 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 is having disruptive effects on the global supply chain as well as the demand for labor, products and services in the U.S. The economic disruptions caused by COVID-19 and the increased uncertainty about its magnitude has also caused extreme volatility in the financial markets. While the full effect of COVID19 is still unknown at the time of this report, the Department expects all insurance regulators, with the assistance of NAIC, are monitoring the situation through a coordinated effort and will continue to assess the impacts of COVID-19 on U.S. insurers.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2015, contained nine (9) comments and recommendations pertaining to the financial portion of the examination (page numbers refer to the prior report on examination):

ITEM NO.		PAGE NO.
	Management and Controls	
1.	It is recommended that IHBC comply with Section 4301(k)(1) of the New York Insurance Law and ensure that the total number of the Plan's directors comprising IHBC's "employees-officers" does not exceed the statutory maximum of one eighth of the Plan's BOD membership. *The Plan has complied with this recommendation.*	8
2.	It is recommended that IHBC comply with its Board of Directors' bylaws and maintain a minimum of thirteen elected Board members at all times. *The Plan has complied with this recommendation.*	9
3.	It is recommended that IHBC, relative to its corporate officers-directors that include the Chairperson, Vice Chairperson, President and Secretary, report such directors additionally under the "Directors or Trustees" section of the Plan's financial statement filings with the Department. *The Plan has complied with this recommendation.*	10
	Internal Audit and Audit Committee Activities	
4.	It is recommended that IHBC comply with the IIA's Standard 1312–External Assessments and ensure that a quality assurance assessment by an external reviewer is performed on the Plan's IAD at least once every five years. *The Plan has complied with this recommendation.*	11

ITEM NO.		PAGE NO.
	Internal Audit and Audit Committee Activities	
5.	It is recommended that the Plan's existing Internal Audit Charter be revised to require that the IAD's quality assurance program, undergo an external review and assessment by a third-party reviewer at least once every five years. *The Plan has complied with this recommendation.*	11
6.	It is recommended that the Plan's IAD comply with the Internal Audit Charter and (i) perform periodic follow-up reviews with management to ensure that the IAD's findings and recommendations are properly addressed by management and (ii) provide the Plan's executive management and Audit Committee with periodic audit status update reports. *The Plan has complied with this recommendation.*	12
7.	It is recommended that IHBC comply with Section 89.12(e) of Insurance Regulation No. 118 and provide written notification to the Department of Financial Services relative to any membership change of the Plan's Audit Committee within thirty days of the date of change, including a statement detailing the reason for the change. *The Plan has complied with this recommendation.*	13
	Holding Company System	
8.	It is recommended that IHBC comply with Section 1505(d)(3) of the New York Insurance Law and submit all intercompany agreements at least thirty days prior to the date in which such agreements take effect. *The Plan has complied with this recommendation.*	20
	Accounts and Records	
9.	It is recommended that IHBC comply with the NAIC Health Annual Statement Instructions when replacing IHBC actuaries, by providing the Department with (i) notification of the Plan's replacement of its actuaries and (ii) attestations from the former actuaries regarding any disagreements within the preceding twenty-four months, with the Plan's management, on actuarial related matters. *The Plan has complied with this recommendation.*	22

5. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM	PAGE NO.
Internal Audit and Audit Committee Activities	
It is recommended that IHBC comply with IHA's corporate governance guidelines as it pertains to the definition of an independent board member under the New York Nonprofit Revitalization Act of 2013.	8

Respectfully submitted,

____
Jan Pierre Santiago, CFE
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.

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

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

____
Jan Pierre Santiago, CFE

Subscribed and sworn to before me
this ________ day of___________2023.

Respectfully submitted,

____
Wai Wong, CFE
Financial Services Manager 2

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.

____
Wai Wong, CFE

Subscribed and sworn to before me
this ________ day of___________2023.

APPOINTMENT NO. **32303**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***ADRIENNE A. HARRIS****, 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:*

INS Regulatory Insurance Services, Inc.

as a proper person to examine the affairs of

Independent Health Benefits Corporation

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

Plan

with such other information as she 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 1st day of March, 2022

Adrienne A. Harris
Superintendent of Financial Services

By: Alice W. McKenney

Alice W. McKenney
Deputy Bureau Chief
Health Bureau