REPORT ON EXAMINATION
OF
SENIOR WHOLE HEALTH OF NEW YORK, INC.

AS OF DECEMBER 31, 2021

DATE OF REPORT: **MAY 30, 2024**

EXAMINERS: **MARC MOYER, CFE**
GAIL A. ROSS

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May 30, 2024

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

Madam:

Pursuant to the requirements of the New York Insurance Law and New York Public Health Law, and acting in accordance with the instructions contained in Appointment Number 32438, dated October 12, 2022, attached hereto, we have made an examination into the condition and affairs of Senior Whole Health of New York, Inc., a for-profit health maintenance organization ("HMO") certified pursuant to the provisions of Article 44 of the Public Health Law, as of December 31, 2021. The following report is respectfully submitted thereon.

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

Wherever the designations the "HMO" or "SWHNY" appear herein, without qualification, they should be understood to indicate Senior Whole Health of New York, Inc.

Wherever the designations "Molina" appears herein without qualification, it should be understood to indicate Molina Healthcare, Inc.

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

1. SCOPE OF THE EXAMINATION

The previous examination of SWHNY was conducted as of December 31, 2017. This examination of the HMO was a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2022 Edition* ("the Handbook") and covered the four-year period January 1, 2018, through December 31, 2021. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate, by the examiners, transactions occurring subsequent to December 31, 2021 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 SWHNY's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiners planned and performed the examination to evaluate SWHNY's current financial condition, as well as to identify prospective risks that may threaten the future solvency of the HMO.

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 NAIC annual statement instructions.

Information concerning SWHNY's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated SWHNY'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 SWHNY'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

SWHNY was audited annually, for the years 2018 through 2020, by the accounting firm of Ernst & Young ("EY"). SWHNY received an unmodified opinion in each of those years. On

August 16, 2021, the Department was notified by Molina that SWHNY changed auditors from EY to Grant Thornton LLP ("Grant Thornton") resulting from the acquisition by Molina. As such, Grant Thornton was the auditor of record for the fiscal year that ended December 31, 2021 and issued an unmodified opinion. Certain audit work papers of Grant Thornton were reviewed and relied upon in conjunction with this examination. A review was also conducted of the contracted Internal Audit PricewaterhouseCoopers, LLP ("PwC") and Enterprise Risk Management programs, as they relate to SWHNY.

The examiners reviewed the corrective actions taken by the HMO with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiners' review are contained in Item 6 of this report.

This examination was conducted as a coordinated examination. The examination was led and facilitated by the State of Ohio ("OH") with participation from sixteen (16) states including New York. Since the lead and participating states are both accredited by the NAIC, the states deemed it appropriate to rely on each other's work. The examination team representing the lead and participating states identified and assessed the risks for key functional activities across the Molina group insurance companies. The examination team also assessed the relevant prospective risks as they relate to the various insurance entities.

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.

A separate market conduct examination was conducted as of December 31, 2021 to review the manner in which the HMO conducted its business practices and fulfilled its obligations to policyholders and claimants. A Separate market conduct report was issued.

2. DESCRIPTION OF THE COMPANY

SWHNY is a for-profit stock company that was incorporated in the State of New York on August 1, 2006. SWHNY received a Certificate of Authority ("Certificate") effective August 17, 2006, from the New York Department of Health ("DOH") to operate as a health maintenance organization pursuant to Article 44 of the New York State Public Health Law. The Certificate also empowered the HMO to enroll members covered under the Medicare program. Subsequent to the HMO commencing business on January 1, 2007, the DOH granted the HMO an amended Certificate, effective September 15, 2007, which permitted the HMO to participate in New York's Medicare Advantage Program.

The HMO provides managed health care services to dual-eligible members who qualify to receive Medicare and Medicaid. The Company also received authorization from the Center for Medicare and Medicaid ("CMS") to operate as a "Special Needs Plan" ("SNP") to its members. SNPs were created by the United States Congress within the Medicare Modernization Act of 2003 as a new type of Medicare managed care plan which focus on certain groups of Medicare beneficiaries: the institutionalized, dual-eligible (Medicare and Medicaid) and beneficiaries with severe or disabling chronic conditions. Commencing October 2012, the DOH granted the HMO approval to write Managed Long-Term Care Plan insurance.

A. Corporate Governance

Pursuant to the HMO's by-laws, the number of Directors of SWHNY which shall constitute the whole Board of Directors ("BOD") shall not be fewer than one (1) nor more than ten (10) members. The first board shall consist of one (1) director. Thereafter, within the limits specified, the number of directors shall be determined by resolution of the Board of Directors.

As of December 31, 2021, SWHNY's BOD consisted of the following three (3) members:

Name and Residence	Principal Business Affiliation
David B. Reese Heber City, Utah	Regional Chief Financial Officer Molina Healthcare, Inc.
Mary E. Shinham Bronxville, New York	President and Chairman of the Board Senior Whole Health of New York, Inc.
John B. Stephenson Ridgewood, New Jersey	President and Chairman of the Board Molina Healthcare of New York, Inc.

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

It was noted that the composition of SWHNY's Board of Directors was compliant with the requirements of Part 98-1.11(g) of the New York Public Health Law through the establishment of an Advisory Council ("Council") as outlined in its by-laws. As of December 31, 2021, the membership and enrollee representative of the Council were as follows:

Name	Title
Qiyan Chen	Manager of Health Care Services,
Ethel Clark	Enrollee,
Veronica Estrada	Enrollee Representative,
Christine Gernant	Senior Quality Review Nurse,

Simone Godette	Director of Quality and Risk Adjustment,
Paula Guzman	Enrollee,
Danyelle Jackson	Director of Health Care Services,
Hazel McCary	Enrollee,
Milan Rai	Quality Improvement Specialist,
Donna Redwood	Senior Quality Review Nurse,
Suechet Rodriguez	Director of Health Care Services,
Rikelme Espinal Rosillo	Quality Improvement Specialist,
Sari Rudnick	Enrollee
Ana Torres	Enrollee
Rosalind Williams	Senior Quality Review Nurse

As of December 31, 2021, the HMO had no Committees that were appointed by the Board and serving in accordance with the HMO's by-laws. The five (5) Committees at the Molina Holding Company Group were the Audit Committee, Compensation Committee, Compliance and Quality Committee, Corporate Governance and Nominating Committee, and Finance Committee. All Committee minutes were reviewed as part of the governance review.

As of December 31, 2021, the principal Officers of SWHNY were as follows:

Name	Title
Mary E. Shinham	President and Chairman of the Board
Edvin Beshi	Chief Financial Officer
Jeffrey D. Barlow	Secretary

B. Territory and Plan of Operation

The HMO obtained its Certificate from the DOH as a Medicaid Advantage Plan on September 15, 2007. The amended Certificate, as of October 19, 2017, allowed the HMO to offer Medicare and Medicaid Advantage Plus only, in the following six (6) counties in New York City:

Bronx	Kings	Nassau
New York	Queens	Westchester

As of October 19, 2017, the HMO was also approved to offer the Fully Integrated Duals Advantage ("FIDA") product, serving the dually eligible population in the following four (4) counties in New York City:

Bronx Kings New York Queens

As of October 19, 2017, the HMO was also approved to operate as a partial capitation Managed Long-Term Care Plan serving the Medicaid population in the following five (5) counties in New York City:

Bronx Kings New York Queens Westchester

SWHNY reported premiums written totaling $3,001,731,066 during the four-year period under examination, January 1, 2018, through December 31, 2021. Below is a summary of the HMO's total premiums written during the examination period.

County	2018	2019	2020	2021	Total
Bronx	114,383,534	139,077,771	132,697,637	105,696,208	491,855,150
Kings	264,773,240	307,838,891	276,023,695	215,706,548	1,064,342,374
Nassau	168,616	470,423	324,725		963,764
New York	117,408,089	127,458,770	118,677,267	211,392,417	574,936,543
Queens	191,488,448	249,206,091	213,699,920	171,846,216	826,240,675
Westchester		14,030,487	14,981,636	14,380,437	43,392,560
Total	688,221,927	838,082,433	756,404,880	719,021,826	3,001,731,066

The following is a summary of the HMO's total premiums written by line of business for the four-year period under examination:

Line of Business	Total
Medicaid Advantage Plus and Managed Long-Term Care	$ 2,979,226,256
Fully Integrated Duals Advantage ("FIDA")	22,504,810
Total premium written	$ 3,001,731,066

During the four-year period under examination, January 1, 2018, through December 31, 2021, the Company experienced a net decrease in enrollment of 945 members. An analysis of the enrollment in outlined below:

Year	Enrollment	Increase/(Decrease)
2018	14,548	
2019	15,076	3.63%
2020	13,290	-11.85%
2021	13,603	2.36%

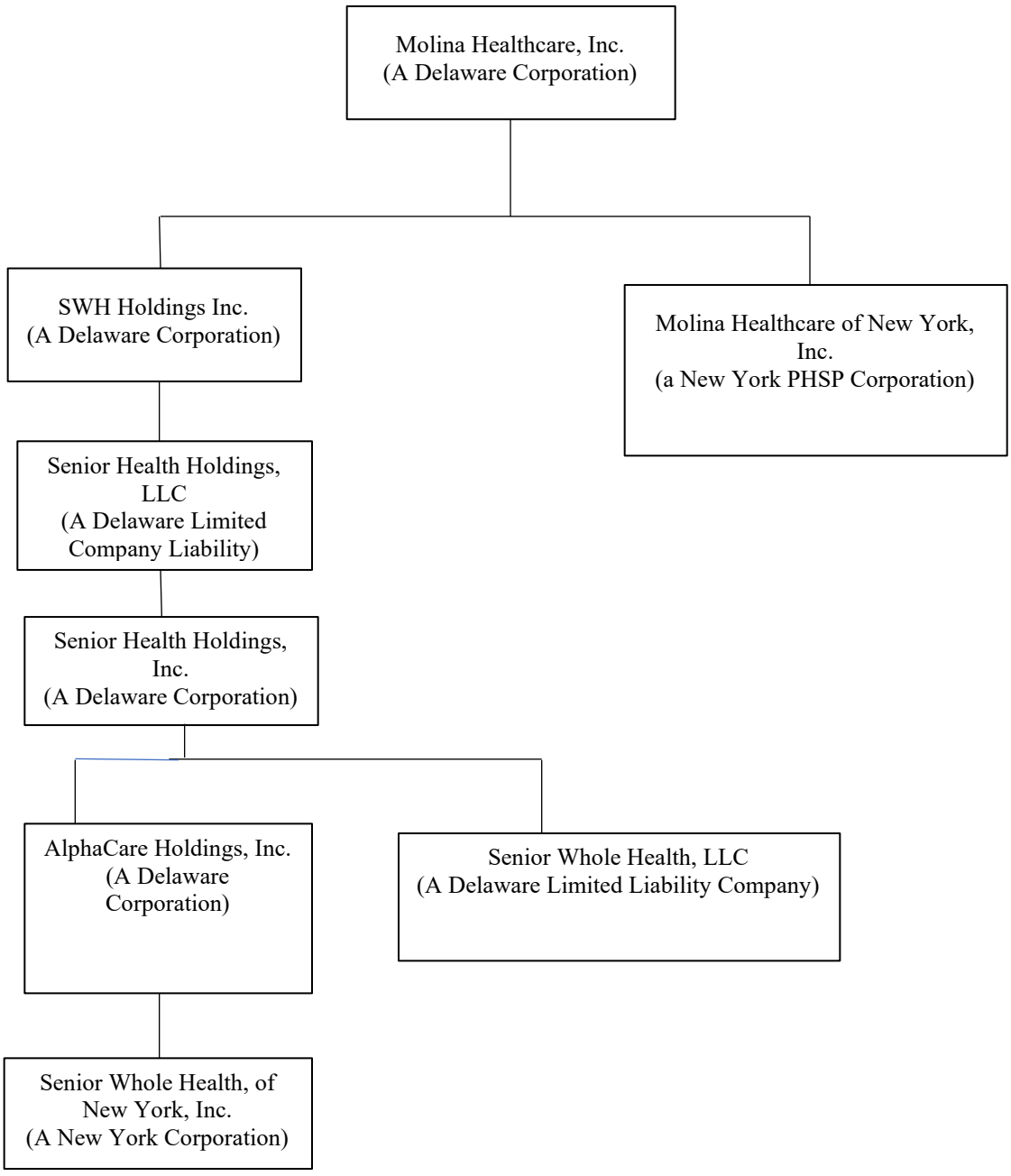
The decrease in enrollment in 2020 is primarily driven by COVID-related Nursing Home Transition ("NHT") member deaths, notable during Q2 2020, as well as the transition of the majority of those members out of managed care and back to Fee for Service.

C. Holding Company System

On October 31, 2017, Magellan Health Inc. ("Magellan") acquired the HMO's ultimate parent company, SWH Holdings, Inc., and its subsidiaries, which includes the HMO. Effective January 1, 2018, AlphaCare of New York, Inc., merged into Senior Whole Health of New York, the HMO was the surviving entity.

On June 9, 2020, Molina Healthcare, Inc. ("Molina") filed an application with the Department for approval of acquisition of control of the HMO. The application was also filed with the DOH for approval. The Department issued a non-objection on December 1, 2020. The DOH issued an approval on December 2, 2020, and the acquisition of control was finalized on December 31, 2020 with Molina being the ultimate parent of SWHNY.

The following organizational chart depicts the relationship between SWHNY and core members of its holding company system as of December 31, 2021:



As of December 31, 2021, SWHNY was party to the following significant services and operating agreements with members of its Holding Company System.

Services Agreement:

SWHNY has a Management Service Agreement ("MSA") with its Ultimate Parent, Molina, effective January 1, 2021. The MSA was reviewed by the Department and the DOH as part of Molina's acquisition of SWHNY. The DOH approved the MSA on December 4, 2020. Under the terms of the MSA, Molina agrees to provide consultation and assistance and SWHNY agrees to delegate certain services to Molina. Among the services performed are accounting and finance services, actuarial and underwriting services, analytical support and report generation services, contract development and negotiations, enrollee and provider call centers, enrollment services, facilities and facilities management, employee services, health care services, legal, pharmacy, and claims adjudication and payment services. The payments under the MSA and the maintenance of supporting documentation will be on an actual cost (no gain, no loss) in accordance with the provisions of Department Regulation No. 30 (11 NYCRR 105 – 109).

Tax Allocation Agreement:

SWHNY has a federal income tax allocation agreement with its indirect owner, Senior Health Holdings, Inc (SHH-INC.). SHH-INC. and its subsidiaries, the HMO, and Senior Whole Health, LLC, agreed to the filing of a consolidated income Federal tax return by SHH-INC. This agreement was submitted to DOH with the HMO's original application for a Certificate of Authority and was approved by DOH August 17, 2006. The Department accepted the original agreement on November 8, 2008.

D. Underwriting Ratios

The following ratios have been computed as of December 31, 2021 based upon the results of the examination. The ratios presented below are on an earned-incurred basis and encompass the four-year period covered by this examination.

	Amount	Ratio
Claims unpaid	$ 617,758,967	85.92%
Claim adjustment expenses	17,572,243	2.44%
General administrative expenses	47,062,886	6.55%
Net underwriting gain	36,627,729	5.09%
Premiums earned	$ 719,021,825	100.00%

3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and surplus as of December 31, 2021, as contained in SWHNY's 2021 filed annual statement, a condensed summary of operations and a reconciliation of the capital and surplus account for each of the years under review. The examiners' review of a sample of transactions did not reveal any differences which materially affected the HMO's financial condition as presented in its financial statements contained in the December 31, 2021, filed annual statement.

Independent Accountants

The firm of EY was retained by SWHNY to audit the HMO's combined statutory basis statements of financial position as of December 31st for the years in the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

As a result of the HMO's acquisition by Molina, E&Y was replaced with Grant Thornton as the HMO's auditors, as of December 31, 2021.

Grant Thornton concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the HMO 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

Bonds	$ 122,076,876
Cash, cash equivalents, and short-term investments	95,149,400
Investment due and accrued	435,100
Uncollected premiums and agents' balances in the course of collection	81,959,305
Accrued retrospective premiums and contracts subject to redetermination	168,621
Amounts receivable relating to uninsured plans	29,314
Net deferred tax assets	1,071,001
Health care and other amounts receivable	660,533
Aggregate write-ins for other than invested assets	509,361
Total assets	$ 302,059,511

Liabilities

Claims unpaid	$ 59,001,322
Accrued medical incentive pool and bonus amounts	1,903,740
Unpaid claims adjustment expenses	537,487
Aggregate health policy reserves	25,981,158
General expenses due or accrued	2,353,318
Current federal and foreign income tax payable and interest thereon	2,533,052
Amounts due to parents, subsidiaries, and affiliates	1,666,597
Aggregate write-ins for other liabilities	44,389,354
Total liabilities	$ 138,366,028

Capital and surplus

Common capital stock	$ 1
Gross paid-in and contributed surplus	148,654,840
Aggregate write-ins for other than special surplus funds	37,250,149
Unassigned funds	(22,211,507)
Total capital and surplus	163,693,483
Total liabilities, capital and surplus	$ 302,059,511

NOTE: The Internal Revenue Service has not conducted audits of the income tax returns filed on behalf of the HMO through tax year 2021. The examiners are unaware of any potential exposure of the HMO 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

The HMO Capital and Surplus increased by $102,250,676 during the four year examination period January 1, 2018, through December 31, 2021, detailed as follows:

Revenue		
Premium income	$ 3,027,708,949	
Change in unearned premiums and reserve for rate credits	(25,981,158)	
Total revenue		$ 3,001,727,791
Hospital and Medical Expenses		
Hospital/medical benefits	2,523,717,751	
Other professional services	81,839,540	
Emergency room and out-of-area	1,905,994	
Prescription drugs	6,507,458	
Aggregate write-ins for other hospital and medical	56,337,998	
Incentive pool, withhold adjustments and bonus amounts	2,037,255	
Net reinsurance recoveries	(10,198)	
Total hospital and medical expenses	$ 2,672,335,798	
Claims adjustment expenses	34,477,301	
General administrative expenses	186,033,400	
Total underwriting deductions		2,892,846,499
Net underwriting gain		$ 108,881,292
Net investment income earned		7,995,241
Net realized capital loss		(24,686)
Aggregate write-ins for other income or expenses		(288,777)
Net Income or (loss) after capital gains		$ 116,563,070
Federal and foreign income taxes incurred		15,364,699
Net income (loss)		$ 101,198,371

B. Changes in Capital and Surplus

Capital and Surplus, per report on examination, as of December 31, 2017			$ 61,442,807
	Gains in Surplus	Losses in Surplus	
Net income	$ 101,198,371		
Change in net unrealized capital losses less capital gains tax of $(6,133)		23,071	
Change in net deferred income tax		9,733,012	
Change in non-admitted assets	4,852,429		
Paid in capital		999	
Paid in surplus	45,103,444		
Aggregate write-ins for losses in surplus		39,146,486	
Net increase in capital and surplus			$ 102,250,676
Capital and Surplus, per report on examination, as of December 31, 2021			$ 163,693,483

4. PREMIUM DEFICIENCY RESERVES

An actuarial review was conducted by the Ohio Department of Insurance for the twenty (20) subsidiaries included in the coordinated examination of Molina as of December 31, 2021. This included a qualitative review of the HMO's current Statement of Actuarial Opinions, Actuarial Memorandum, other supporting documentation, current and prior financial statements, and other various exhibits. The examination found that the HMO did not book a premium deficiency reserve of $57,028 because the calculated reserve did not meet Molina's threshold criteria.

Statutory Accounting Principles ("SSAP") No. 5 states, in part:

- "A liability is defined as certain or probable future sacrifices of economic benefits arising from present obligations of a particular entity to transfer assets or to provide services to other entities in the future as a result of past transaction(s) or event(s)."
- "A liability has three essential characteristics: (a) it embodies a present duty or responsibility to one or more other entities that entails settlement by probably future transfer or use of assets at a specified or determinable date, on occurrence of a specified even, or on demand, (b) the duty of responsibility obligates a particular entity, leaving it little or no discretion to avoid the future sacrifice, and (c) the transaction or other event obligating the entity has already happened. This includes, but is not limited to, liabilities arising from policyholder obligations (e.g., policyholder benefits, reported claims and reserves for incurred but not reported claims). Liabilities shall be recorded on a reporting entity's financial statements when incurred."
- "Estimates (e.g., loss reserves) are required in financial statements for many ongoing and recurring activates of a reporting entity. The mere fact that an estimate is involved does not of itself constitute a loss contingency. For example, estimates of losses utilizing appropriate actuarial methodologies meet the definition of liabilities as outlined above and are not loss contingencies."

It is recommended that the HMO book their calculated Premium Deficiency Reserves in accordance with SSAP No. 5. It was determined that the Premium Deficiency Reserves for the HMO was immaterial, therefore no change to the Premium Deficiency Reserves will be made.

In addition, the HMO did not document its assumption methodology in the Actuarial Opinion Memorandum as required by Actuarial Standard of Practice No. 41 – *Actuarial Communications*.

Actuarial Standard of Practice No. 41 state in part,

"In the actuarial report, the actuary should state the actuarial findings, and identify the methods, procedures, assumptions, and data used by the actuary with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work as presented in the actuarial report.".

It was also recommended that the HMO document their assumption methodology in the Actuarial Opinion Memorandum as required by Actuarial Standard of Practice No. 41 – *Actuarial Communications*.

5. SUBSEQUENT EVENTS

On March 3, 2022, SWHNY established a Regulatory Compliance Committee to monitor compliance with New York Insurance Law's and regulations.

On July 21, 2022, the Department completed its review of the Asset Purchase Agreement between AgeWell and SWHNY and issued its no-objection letter to the DOH. Under the agreement, AgeWell agreed to sell its Medicaid Managed Long-Term Care plan to SWHNY. The agreement was finalized on October 1, 2022.

6. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination as of December 31, 2017, contained five (5) comments and recommendations pertaining to the financial portion of the examination (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Corporate Governance	
1.	It is recommended that the Company comply with Section 312(b) of the New York Insurance Law by requiring each member of its board of directors to sign a statement, which shall be retained in the Company's files, confirming that each board member received and read the prior report on examination issued by the Department.	6
	The HMO has complied with this recommendation.	
	Abandoned Property	
2.	It is recommended that the Company comply with the requirements of Section 1316 of the New York Abandoned Property Law by filing the requisite abandoned property reports with the Office of the New York Comptroller.	13
	The HMO has complied with this recommendation.	
3.	It is also recommended that the Company comply with the requirements of Section 1316 of the New York Abandoned Property Law by annually publishing a list of names with the last known address of the persons appearing to be entitled to such abandoned property.	13
	The HMO has complied with this recommendation.	

ITEM NO. **PAGE NO.**

Abandoned Property (Cont'd)

4. It is further recommended that the Company file proof of such publication with the Office of the State Comptroller. 13

The HMO has complied with this recommendation.

Disaster Response and Business Continuity Plans

5. It is recommended that the Company complete and file the Disaster Response Plan Questionnaire and Business Continuity Plan Questionnaire with the Department, as required by Insurance Circular Letter No. 5 (2017). 14

The HMO has complied with this recommendation.

7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM		PAGE NO.
	Premium Deficiency Reserves	
i.	It was recommended that the HMO book their calculated Premium Deficiency Reserves in accordance with SSAP No. 5.	17
ii.	It was also recommended that the HMO document their assumption methodology in the Actuarial Opinion Memorandum as required by Actuarial Standard of Practice No. 41 – *Actuarial Communications*.	18

Respectfully submitted,

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Marc Moyer, CFE, MCM
Examiner-In-Charge

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

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

_____

Marc Moyer, CFE, MCM

Subscribed and sworn to before me
this _____ of _____, 2024.

Respectfully submitted,

_____

Gail A. Ross
Supervising Examiner

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

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

_____

Gail A. Ross

Subscribed and sworn to before me
this _____ of _____, 2024.

***APPOINTMENT NO.* 32438**

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:*

Examination Resources, LLC

as a proper person to examine the affairs of the

Senior Whole Health of New York, Inc.

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

HMO

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 12th day of October, 2022

Adrienne A. Harris
Superintendent of Financial Services

By: Alice W. McKenney

Alice McKenney
Deputy Bureau Chief
Health Bureau