# REPORT ON EXAMINATION

# OF

# MVP HEALTH SERVICES CORP.

## AS OF DECEMBER 31, 2022

**EXAMINERS:** **PHILIP TALERICO, CFE**
**THOMAS DUDEK**

**DATE OF REPORT:** **May 1, 2025**

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May 1, 2025

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 32573, dated September 19, 2023 attached hereto, we have made 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, 2022. The following report is respectfully submitted.

The examination was conducted remotely due to restrictions related 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 "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 "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 the "Department" appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

Separate Medical Loss Ratio ("MLR") examinations of the Companies were conducted as of December 31, 2022, 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. Separate reports will be 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 financial reports 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, 2019. This examination of the Plan was a financial examination, as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2023 Edition* (the "Handbook") and covered the three-year period January 1, 2020 through December 31, 2022. The examination was conducted observing the guidelines and procedures in the Handbook. Where deemed appropriate by the examiners, transactions occurring subsequent to December 31, 2022 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 2020 through 2022. For calendar years 2020 through 2022, MVPHSC was audited by the accounting firm Grant Thornton ("GT"). The Plan received an unmodified opinion in each of those years. Certain audit work papers of GT 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.

The examiners reviewed the corrective action taken by the Plan with respect to 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 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.

Subsequent to the examination period, 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 $25,203,023 as of December 31, 2022. Its total adjusted capital was $111,891,242 yielding an RBC ratio of 443.960% as of December 31, 2022.

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.<br>Schenectady, NY | Retired |
| Subscriber and Public Representatives | |
| Burt Danovitz, Ph.D.<br>Clinton, NY | Self-employed<br>Danovitz Consulting |
| Alan Paul Goldberg<br>Albany, NY | Retired |
| Plan Representative | |
| Emily Hope Titsworth<br>Schenectady, NY | General Counsel,<br>MVP Health Service Corp. |

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, 2022, were as follows:

| Name | Title |
|---|---|
| Christopher Del Vecchio | President and Chief Executive Officer |
| Emily Hope Titsworth* | Secretary, General Counsel and Chief Legal Officer |
| Karla Ann Austen | Treasurer and Chief Financial Officer |

* On September 8, 2022, Emily Hope Titsworth assumed the position of Secretary upon the retirement of Monice Barbero Esq.

Enterprise Risk Management

The Plan is required to comply with Insurance Regulation No. 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 (the "Committees"). Each of these Committees were implemented and monitored by executive management of MVP in accordance

with their charters / governing documents. These management committee charters/ governing documents reflect the Committees' respective purposes.

The Compliance and Risk Oversight Committee (the "CROC") of the Board is responsible for the oversight of cybersecurity, vendor management, certain oversight responsibilities previously held by other Board committees, such as Enterprise Risk Management, and Corporate Compliance. Additionally, the CROC is responsible for risk and controls and monitoring and reporting on the MVP Companies' overall ERM program.

Additionally, MVP 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 for MVP's strategy relative to emerging issues.

Information Technology ("IT")

The MVP Companies have more than 482,000 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.

Overall, the IT examination team concluded that MVP's IT General Controls ("ITGCs") are "Effective," resulting in the conclusion that ITGCs are reliable for the purposes of this financial examination. The IT review's conclusions were based on inquiry, observation, inspection of documentation, independent research, and a review of third-party workpapers.

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 MVP Board of Directors, 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 GT, 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 Plan'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 was authorized to write insurance business as a not-for-profit health service corporation for the 62 counties within State of New York pursuant to Article 43 of the New York Insurance Law as of December 31, 2022.

| | | | |
|---|---|---|---|
| Albany | Franklin | Oneida | 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 2023, was as follows:

| Line of Business | 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|---|
| PPO | 98,899 | 92,664 | 87,925 | 81,523 |
| POS | 880 | 855 | 864 | 920 |
| Dental | 1,162 | 1,068 | 1,021 | 1,032 |
| Vision | 0 | 0 | 5,121 | 5,804 |
| Total | 100,941 | 94,587 | 94,931 | 89,279 |

During the examination period, the Plan's membership decreased from 100,941 to 94,931 (approximately 6%). Subsequently, in calendar year 2023, the membership further decreased to 89,279 (12%), 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 for the examination period and calendar year, were as follows:

| 2020 | 2021 | 2022 | 2023 |
|---|---|---|---|
| $ 711,810,681 | $ 705,484,756 | $ 696,362,428 | $ 671,806,412 |

C. Reinsurance

Assumed Reinsurance

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

Ceded Reinsurance

On December 31, 2022, the Plan, along with the other entities of the MVP Companies, was a party to a stop-loss reinsurance agreement with The North River Insurance Company ("NRIC"), a New York licensed insurer. The agreement requires NRIC to pay a percentage of the eligible related

benefit expenses paid by the MVP Companies 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.

This stop-loss agreement provides coverage for large medical claims that exceed the MVP Companies retention limits. For a claim to be covered, it must be incurred in the coverage year and paid within nine (9) months of the coverage period end date. Coverage is provided for all medical services including facility, physician and prescription provided in a facility setting.

Stop-loss coverages:

Retention:

$1,000,000 of eligible expenses per member per agreement year

Reimbursement maximum:

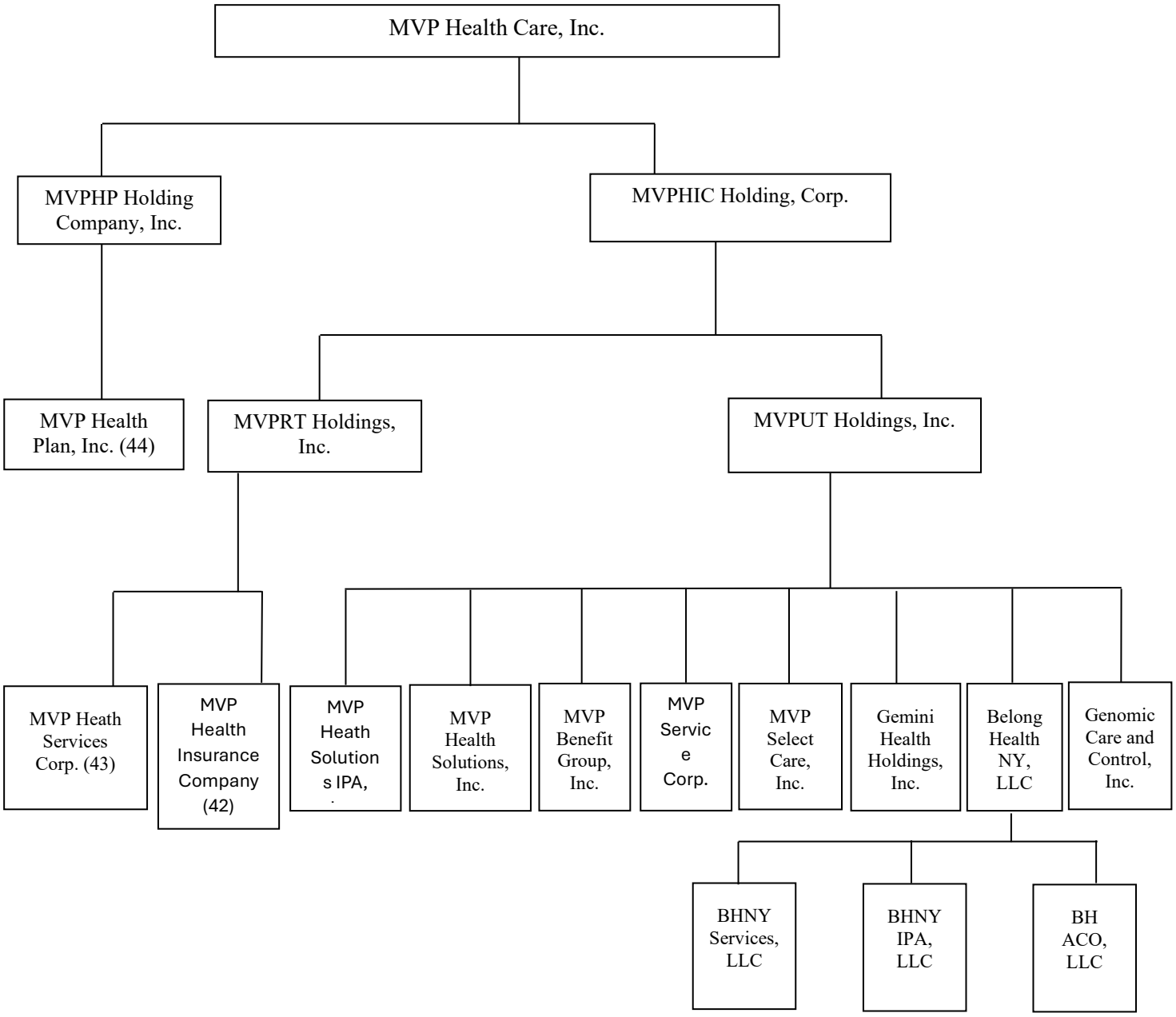
$3,000,000 per member, per agreement year.

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, 2022:



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

MVPHIC Holding Corp. ("MVPHICHC")

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.

MVP Health Insurance Company ("MVPHIC")

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 also received approval to operate as an Accident and Health insurer in Vermont on May14, 2002.

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 to deliver health care services in New York and Vermont. 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, second, and third amendments to this agreement were approved by the Department on January 1, 2011, October 29, 2013, and April 17, 2015, respectively. This agreement was not amended during the examination period.

Office Facilities, Equipment and Supplies Agreement

During the examination 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. This agreement was terminated on May 31, 2022.

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. The Plan, after previous correspondence with the Department, submitted this amendment for review on August 31, 2021; the amendment was approved by the Department on September 27, 2021.

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. This agreement was terminated on September 22, 2022.

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 | $1,841,471,933 | 87.36% |
| Claim adjustment expenses | 11,160,356 | 0.53% |
| Cost containment expenses | 32,606,878 | 1.55% |
| General administrative expenses | 206,731,141 | 9.81% |
| Net underwriting gain | 15,944,670 | 0.76% |
| Total revenue | $2,107,914,978 | 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)), state:

> "(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 that the Plan did not provide the required information (Parts A through D) for numerous risk-bearing entities.

It should be noted that the Plan was unable to properly oversee and monitor the health care providers in order to obtain the required financial information needed to complete the NY Supplement.

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 with which it has a risk-sharing agreement.

A similar comment appeared in the prior report on examination.

## 3. FINANCIAL STATEMENTS

The following statements show the assets, liabilities, and surplus as of December 31, 2022, as contained in the Plan's 2022 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 Plan's financial condition as presented in its financial statements contained in the December 31, 2022 filed annual statement.

Independent Accountants

Grant Thornton was retained by MVPHSC to audit the Plan's GAAP basis statements of financial position as of December 31st of each year in the examination period, and the related statements of operations changes in capital and surplus, 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.

Grant Thornton 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 | $ 92,674,771 |
| Common stocks | 10,322,781 |
| Cash, cash equivalents and short-term investments | 16,317,911 |
| Receivables for securities | 100,000 |
| Investment income due and accrued | 487,059 |
| Uncollected premiums and agents' balances in the course of collection | 3,531,369 |
| Contracts subject to redetermination | 26,247,508 |
| Amounts recoverable from reinsurers | 237,816 |
| Current federal and foreign income tax recoverable and interest thereon | 2,812,200 |
| Net deferred tax asset | 2,941,310 |
| Receivables from parent, subsidiaries and affiliates | 2,751,829 |
| Health care and other amounts receivable | 30,414,931 |
| Aggregate write-ins for other than invested assets | 34,558 |
| Totals assets | $188,874,043 |
| **Liabilities** | |
| Claims unpaid | $ 63,019,721 |
| Accrued medical incentive pool and bonus amounts | 777,384 |
| Unpaid claims adjustment expenses | 1,431,251 |
| Aggregate health policy reserves | 1,675,808 |
| Premiums received in advance | 4,707,884 |
| General expenses due or accrued | 3,510,602 |
| Amounts due to parent, subsidiaries and affiliates | 1,860,152 |
| Total liabilities | $ 76,982,802 |
| **Capital and Surplus** | |
| Gross paid-in and contributed surplus | 58,150,000 |
| Surplus notes | 75,000,000 |
| Aggregate write-ins for other than special statutory reserve requirement | 87,045,304 |
| Unassigned funds (surplus) | (108,304,062) |
| Total Capital and surplus | $111,891,242 |
| Total liabilities, capital and surplus | $188,874,044 |

**NOTE:** The Internal Revenue Service has not conducted any audits of the income tax returns filed on behalf of the Plan during the period under examination. The examiners are unaware of any potential exposure of the Plan to any further tax assessment and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses, and changes in Capital and Surplus

Capital and surplus increased by $18,718,531 during the three-year examination period, January 1, 2020 through December 31, 2022, detailed as follows:

| | | |
|---|---|---|
| Revenue | | |
| Net premium income | $2,107,680,110 | |
| Change in unearned premium reserves and reserve for rate credits | 234,868 | |
| Total revenue | | $2,107,914,978 |
| Hospital and Medical Expenses | | |
| Hospital medical benefits | $1,260,061,822 | |
| Other professional services | 185,605,594 | |
| Emergency room and out-of-area | 59,700,420 | |
| Prescription drugs | 228,498,163 | |
| Aggregate write-ins for other hospital and medical | 99,199,964 | |
| Incentive pool, withhold adjustments and bonus amounts | 13,748,565 | |
| Net reinsurance recoveries | (5,342,595) | |
| Total hospital and medical expenses | $1,841,471,933 | |
| Claims adjustment expenses | 43,767,234 | |
| General administrative expenses | 206,731,141 | |
| Total underwriting deductions | | 2,091,970,308 |
| Net underwriting gain | | $ 15,944,670 |
| Net investment income earned | | 7,685,500 |
| Net realized capital gains | | 4,718,289 |
| Net gains before all other federal income taxes | | $ 12,403,789 |
| Aggregate write-in for other income or expense | | (8,000) |
| Federal and foreign income taxes incurred | | 3,191,536 |
| Net income | | $ 25,148,923 |

Changes in Capital and Surplus

| | | | |
|---|---|---|---|
| Capital and surplus, per report on examination, as of December 31, 2019 | | | $ 93,172,715 |
| | Gains in Surplus | Losses in Surplus | |
| Net income | $25,148,923 | | |
| Change in net unrealized capital gains | | $(4,402,479) | |
| Change in net deferred income tax | | (1,101,907) | |
| Change in non-admitted assets | | (926,010) | |
| Net increase in capital and surplus | | | $ 18,718,537 |
| Capital and surplus, per report on examination, as of December 31, 2022 | | | $111,891,242 |

## 4. UNPAID CLAIMS

The examination liability of 63,019,721 for the above captioned account is the same as the amount reported by the Plan as of December 31, 2022

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, 2022.

## 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 have 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, as of December 31, 2019, contained the following three (3) comments and recommendations (the page numbers included below refer to that prior report on examination):

| ITEM NO. | | PAGE NO |
|---|---|---|
| | Holding Company System | 19 |
| 1. | 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.<br><br>*The Plan has complied with this recommendation.* | |
| | New York Supplement for Article 43 Corporations | 21 |
| 2. | It is recommended that the Plan comply with the Part 101.9(a)(2) and (3) of Insurance Regulation No. 164 and file with the Department, its risk-bearing agreements with all the required provisions.<br><br>*The Plan has complied with this recommendation.* | |
| 3. | 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 with which it has entered into a risk-sharing agreement.<br><br>*The Plan has not complied with this recommendation.* | |

## 7. SUMMARY OF COMMENTS AND RECOMMENDATIONS

| ITEM | PAGE NO |
|---|---|
| New York Supplement for Article 43 Corporations | 20 |

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 with which it has entered into a risk-sharing agreement.

A similar comment appeared in the prior report on examination.

Respectfully submitted,

_____/S/_____
Philip Talerico, CPA, CFE, ARM, MCM
Examiner-in-Charge

STATE OF MARYLAND )

) SS.

)

COUNTY OF BALTIMORE )

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

_____/S/_____
Philip Talerico

Subscribed and sworn to before me

this _____ day of _____2024

Respectfully submitted,

_____/S/_____
Thomas Dudek

STATE OF NEW YORK )

) SS.

)

COUNTY OF NEW YORK )

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

_____/S/_____
Thomas Dudek

***APPOINTMENT NO.* 32573**

***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:*

***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 19th Day of September, 2023*

*Adrienne A. Harris*
*Superintendent of Financial Services*

*By:* Alice Wang McKenney

*Alice Wang McKenney*
*Deputy Bureau Chief*
*Health Bureau*