

EXAMINATION REPORT
of
MARY WASHINGTON HEALTH PLAN
Fredericksburg, Virginia
as of
December 31, 2021

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Mary Washington Health Plan as of December 31, 2021, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 21st day of June 2022

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
August 18, 2022

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

MARY WASHINGTON HEALTH PLAN

Fredericksburg, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

This is the first examination of the Company by representatives of the State Corporation Commission's Bureau of Insurance (Bureau). This examination covers the period from the date of initial licensing through December 31, 2021.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination, that, due to their nature (e.g., subjective conclusions,

proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

HISTORY

The Company was incorporated in the Commonwealth of Virginia effective November 13, 2017. The Company became licensed in Virginia as a health maintenance organization (HMO) pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on March 26, 2019.

CAPITAL AND SURPLUS

At December 31, 2021, the Company's capital and surplus was \$4,999,078 comprised of Gross paid in and contributed surplus of \$28,000,000 and Unassigned funds of (\$23,000,922).

CAPITAL AND SURPLUS REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth requirement in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that a HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30, or September 30. Because the sum of the Company's uncovered expenses for the three-month period ending December 31, 2021 was \$2,016,165 the Company's minimum net worth requirement at December 31, 2021 was \$2,016,165.

MANAGEMENT AND CONTROL

The Company's bylaws provide that the business and affairs of the Company shall be managed by and under the direction of the Board of Directors (Board). The number of directors shall be no fewer than six nor more than eight, and are appointed by the Company's parent, Mary Washington Healthcare (MWHC), during its annual meeting. Each director shall serve a one-year term and shall retain their positions on the Board until their successor is appointed or until they resign or are removed.

The Officers of the Company shall consist of a President, Executive Director, and a Chief Compliance Officer. The Board may create additional positions to serve as officers. At December 31, 2021, a Chairman of the Board, a Vice Chairman of the Board, a Secretary, and a Treasurer were elected by the Board. The Officers shall be elected annually by the Board. At December 31, 2021, the Board and the Officers of the Company were as follows:

DirectorsPrincipal Occupation

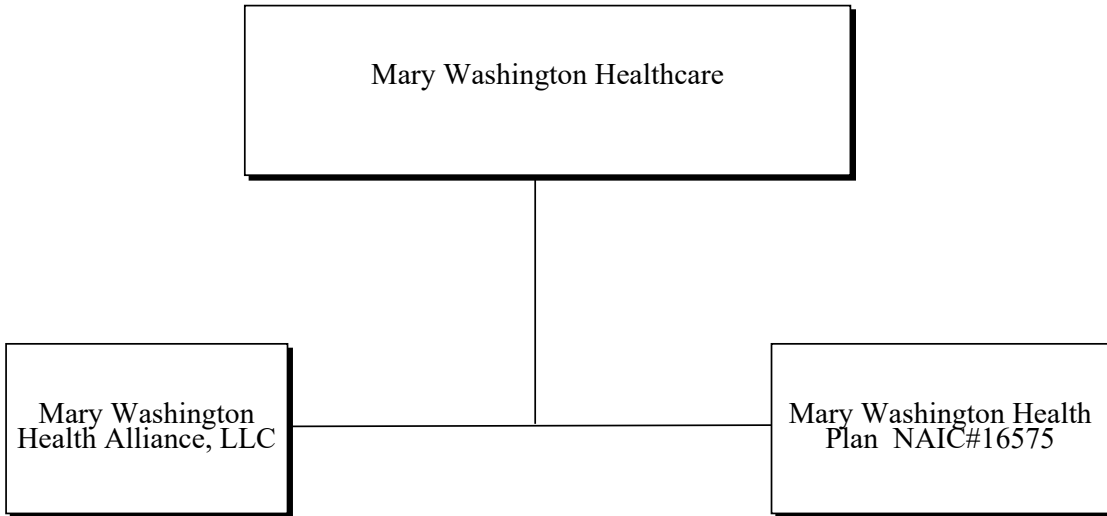
Sean T. Barden	Senior Vice President and Chief Financial Officer Mary Washington Healthcare Fredericksburg, Virginia
Eric K. Fletcher	Senior Vice President and Chief Strategy Officer Mary Washington Healthcare Fredericksburg, Virginia
Michael P. McDermott	President and Chief Executive Officer Mary Washington Healthcare Fredericksburg, Virginia
Sara C. Ogle	Vice President Revenue Cycle Mary Washington Healthcare Fredericksburg, Virginia
John F. Rowley	President Jack Rowley, Inc. Fredericksburg, Virginia
Travis B. Turner	Senior Vice President and Chief Population Health Officer Mary Washington Healthcare Fredericksburg, Virginia

Officers

Michael P. McDermott	President, Chairman of the Board
Eric K. Fletcher	Vice Chairman of the Board
Travis B. Turner	Executive Director
Lauren W. Blalock	Chief Compliance Officer
Sean T. Barden	Secretary/Treasurer

AFFILIATED COMPANIES

At December 31, 2021, the Company was a wholly-owned subsidiary of MWHC. By virtue of this ownership, the Company is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following abbreviated organizational chart summarizes the Company's relationship within the holding company system:



TRANSACTIONS WITH AFFILIATES

Administrative Services Agreement

Effective January 1, 2020, the Company entered into an Administrative Services Agreement with MWHC, whereby MWHC has agreed to provide administrative services, financial services, and personnel to support the Company's operations. For these services, the Company was charged \$550,000 in both 2020 and 2021.

Capital Maintenance Agreement

Effective February 12, 2018, the Company entered into a Capital Maintenance Agreement with MWHC. Pursuant to the agreement, MWHC agrees to maintain the capital and surplus of the Company in an amount no less than 300% of Authorized Control Level Risk-Based Capital. MWHC made capital contributions that totaled \$12,000,000 in 2019, \$1,500,000 in 2020, and \$14,500,000 in 2021.

Provider Participation Agreement

Effective January 1, 2020, the Company entered into a Provider Participation Agreement with Mary Washington Health Alliance, LLC (MWAH). According to the agreement, the Company will utilize MWAH's provider network to provide health care services, supplies, and accommodations to qualified members. For these services, the Company was charged \$96,840 in 2020.

OPERATING AGREEMENT

Managed Services Agreement

Effective January 11, 2019, the Company entered into a Managed Services Agreement with Lumeris Healthcare Outcomes, LLC (Lumeris) whereby Lumeris has agreed to develop, operate, and market the Company's Medicare Advantage business. Under the agreement, Lumeris is responsible for the operational functions of the Company to include administration services, actuarial services, claims processing, customer support, financial reporting support, enrollment processing, sales and marketing, and analytics. For these services, the Company was charged \$3,414,261 in 2021.

TERRITORY AND PLAN OF OPERATION

At December 31, 2021, the Company's service area, as reported in its 2021 Annual Statement, included the city of Fredericksburg and the counties of Caroline, King George, Orange, Spotsylvania, and Stafford.

The Company has contracted with the Centers for Medicare & Medicaid Services (CMS) to provide Medicare Advantage products to qualified members. The Company receives a monthly capitation fee from CMS based on each member's area of residence and risk classification.

Medical services are provided by physicians in independent practice within the Company's service area. Each member will select a Primary Care Physician (PCP) from the list of the Company's primary providers. The PCP is the coordinator for all the member's health care needs. All specialty services, except for emergencies or urgent care, require a referral from the PCP.

PROVIDER AGREEMENTS

Medical Services and Hospital Care

The Company has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Company compensates participating physicians in accordance with current Medicare fee-for-service rates. Additionally, the Company has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. The Company compensates these hospitals in accordance with current Medicare fee-for-service rates.

Other Health Care Services

The Company has entered into various ancillary service agreements. These agreements provide dental services, vision services, hearing services, mental health services, pharmacy services, laboratory services, home health care, physical therapy, durable medical equipment, fitness programs and other related covered health care services. Compensation is based on arrangements set forth in each contract.

BENEFITS

General benefits available to the Company's Medicare Advantage members when provided by PCPs, specialist physicians and other professional providers and approved by the Company are as follows:

1. Inpatient and Outpatient Hospital Care
2. Physician Office Visits
3. Preventive Care
4. Emergency Care
5. Diagnostic Tests, Lab and Radiology Services
6. Hearing, Dental and Vision Services
7. Inpatient and Outpatient Mental Health Care
8. Skilled Nursing Facilities
9. Ambulance Services
10. Outpatient Rehabilitation
11. Home Health Care
12. Durable Medical Equipment

Exclusions generally include any services considered not reasonable and necessary according to the standards of Original Medicare; experimental medical and surgical procedures, equipment and medications; private hospital rooms; private duty nurses; cosmetic surgery; non-routine dental care; eyeglasses and routine eye examinations; chiropractic care; and routine foot care. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

GROWTH OF THE COMPANY

The following data is representative of the growth of the Company for the three-year period ending December 31, 2021. The data is compiled from the Company's filed Annual Statements and the current examination report.

<u>Year</u>	Total Admitted <u>Assets</u>	Total <u>Liabilities</u>	Capital And <u>Surplus</u>
2019	\$13,373,679	\$6,867,503	\$6,506,176
2020	13,902,389	12,510,450	1,391,939
2021	20,958,862	15,959,784	4,999,078

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gains</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
2019	\$0	\$79,573	\$0	\$6,273,547	(\$6,193,974)
2020	12,757,923	133,789	13,363,090	4,473,286	(4,944,664)
2021	20,384,567	118,848	29,129,173	5,183,382	(10,809,140)

The Company's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2019	0
2020	1,616
2021	2,297

EXCESS RISK AGREEMENT

Effective January 1, 2021, the Company entered into an Excess Risk Reinsurance Agreement with RGA Reinsurance Company (RGA). Per the agreement, RGA will indemnify the Company for 90% of losses within reinsurance limits for Inpatient Hospital Services, Inpatient Rehabilitation Services, Skilled Nursing Facility Services, Outpatient Health Services, Physician Services, Drug Related Services, Medical Transportation, Durable Medical Equipment and Regenerative or Advanced Therapies. RGA's reinsurance limits are \$5 million per member per year.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2021, the Bureau required the Company to maintain a minimum deposit of \$1,250,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following statutory financial statements present the financial condition of the Company for the period ending December 31, 2021. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2021.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$7,703,594		\$7,703,594
Cash and short-term investments	<u>11,634,396</u>	<u> </u>	<u>11,634,396</u>
Subtotals, cash and invested assets	\$19,337,990		\$19,337,990
Investment income due and accrued	25,693		25,693
Uncollected premiums and agents' balances in the course of collection	16,309	13,988	2,321
Accrued retrospective premiums	71,397		71,397
Amounts recoverable from reinsurers	4,907		4,907
Amounts receivable relating to uninsured plans	349,991		349,991
Furniture and equipment	16,822	16,822	0
Receivables from parent, subsidiaries and affiliates	750,000		750,000
Health care and other amounts receivable	834,078	417,515	416,563
Aggregate write-ins for other-than-invested assets	<u>5,919</u>	<u>5,919</u>	<u>0</u>
Total assets	<u><u>\$21,413,106</u></u>	<u><u>\$454,244</u></u>	<u><u>\$20,958,862</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$1,595,154	\$245,137	\$1,840,291
Accrued medical incentive pool and bonus amounts	272,130		272,130
Unpaid claims adjustment expenses		51,083	51,083
Aggregate health policy reserves	5,924,154	48,925	5,973,079
Premiums received in advance	825		825
General expenses due or accrued		463,812	463,812
Amounts due to parent, subsidiaries and affiliates		5,628,266	5,628,266
Liability for amounts held under uninsured plans		869,298	869,298
Aggregate write-ins for other liabilities		<u>861,000</u>	<u>861,000</u>
Total liabilities	<u>\$7,792,263</u>	<u>\$8,167,521</u>	<u>\$15,959,784</u>
Gross paid in and contributed surplus			\$28,000,000
Unassigned funds (surplus)			<u>(23,000,922)</u>
Total capital and surplus			<u>\$4,999,078</u>
Total liabilities, capital and surplus			<u><u>\$20,958,862</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	<u>\$20,384,567</u>
Total revenues	<u>XXX</u>	<u>\$20,384,567</u>
Hospital and Medical		
Hospital/medical benefits	\$2,637,749	\$19,802,119
Other professional services		417,349
Prescription drugs		3,023,672
Aggregate write-ins for other than hospital and medical		19,638
Incentive pool, withhold adjustments and bonus amounts		<u>182,230</u>
Subtotal	\$2,637,749	\$23,445,008
Less		
Net reinsurance recoveries	<u>136,623</u>	<u>136,623</u>
Total hospital and medical	\$2,501,126	\$23,308,385
Claims adjustment expenses	1,059,356	1,059,356
General administrative expenses	4,114,824	4,114,824
Increase in reserves for life and accident and health contracts		<u>2,820,788</u>
Total underwriting deductions	<u>\$7,675,306</u>	<u>\$31,303,353</u>
Net underwriting (loss)	<u>XXX</u>	<u>(\$10,918,786)</u>
Net investment income earned		\$66,567
Net realized capital gain		<u>52,281</u>
Net investment gains		<u>\$118,848</u>
Net (loss) from agents' or premium balances charged off		<u>(\$9,202)</u>
Net (loss)	<u>XXX</u>	<u>(\$10,809,140)</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus prior reporting year	<u>(\$598,900)</u>	<u>\$6,506,176</u>	<u>\$1,391,939</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS:			
Net loss	(\$6,193,974)	(\$4,944,664)	(\$10,809,140)
Change in net deferred income tax	1,436,273	(1,436,273)	0
Change in nonadmitted assets	(137,223)	(233,300)	(83,721)
Paid in capital	<u>12,000,000</u>	<u>1,500,000</u>	<u>14,500,000</u>
Net change in capital and surplus	<u>\$7,105,076</u>	<u>(\$5,114,237)</u>	<u>\$3,607,139</u>
Capital and surplus end of reporting year	<u><u>\$6,506,176</u></u>	<u><u>\$1,391,939</u></u>	<u><u>\$4,999,078</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$20,307,293
Net investment income	106,240
	<hr/>
Total	\$20,413,533
Benefit and loss related payments	\$22,710,841
Commissions, expenses paid and aggregate write-ins for deductions	4,957,869
	<hr/>
Total	\$27,668,710
Net cash used in operations	<u><u>(\$7,255,177)</u></u>

Cash from Investments

Proceeds from investments sold, matured or repaid:	
Bonds	\$4,500,482
	<hr/>
Total investment proceeds	\$4,500,482
	<hr/>
Cost of investments acquired (long-term only)	
Bonds	\$3,305,520
	<hr/>
Total investments acquired	\$3,305,520
Net cash from investments	<u><u>\$1,194,962</u></u>

Cash from Financing and Miscellaneous Sources

Cash provided:	
Capital and paid in surplus, less treasury stock	\$13,750,000
Other cash provided	943,670
	<hr/>
Net cash from financing and miscellaneous sources	<u><u>\$14,693,670</u></u>

Reconciliation of Cash, Cash Equivalents and Short-Term Investments

Net change in cash and short-term investments	\$8,633,455
Cash and short-term investments:	
Beginning of the year	3,000,941
	<hr/>
End of the year	<u><u>\$11,634,396</u></u>

SUBSEQUENT EVENT

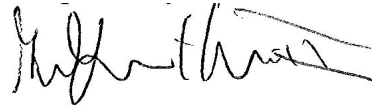
On June 30, 2022, the Company received a \$2,000,000 capital contribution from MWHC.

On November 12, 2021 the Company submitted a Form A filing for Riverside Advantage Inc. to acquire a 10% ownership in MWHP. The filing was not approved by the Virginia BOI as of the exam report date.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Ken Campbell, CFE, and Chris Collins, CFE, participated in the work of the examination.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Gerald Hicks II", with a long horizontal flourish extending to the right.

Gerald Hicks II, AFE
Senior Insurance Examiner



September 14, 2022

Re: Draft Financial Examination report for Mary Washington Health Plan

Via Email: David.Smith@scc.virginia.gov

Thank you for your communication. Please accept this letter as confirmation of receipt and acknowledgement of the report.

Thank you,

A handwritten signature in blue ink, appearing to read "M. McDermott", is written over a light blue rectangular background.

Mike McDermott, MD
President and Chief Executive Officer, Mary Washington Health Plan