

STATE OF MINNESOTA
DEPARTMENT OF HEALTH
SAINT PAUL, MINNESOTA

REPORT OF EXAMINATION
OF
METROPOLITAN HEALTH PLAN

MINNEAPOLIS, MINNESOTA
NAIC #52627
AS OF
DECEMBER 31, 2014



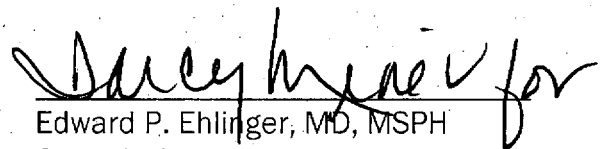
Protecting, maintaining and improving the health of all Minnesotans

The attached report of examination made of the condition and affairs as of December 31, 2014 of:

METROPOLITAN HEALTH PLAN
Minneapolis, Minnesota

was recently completed by duly qualified examiners of the State of Minnesota.

Due consideration has been given to the comments of the examiners regarding the operations of Metropolitan Health Plan and its financial condition, as reflected in this report. This report is hereby, as of this date, approved, adopted, filed and made an official record of this Department.


Edward P. Ehlinger, MD, MSPH
Commissioner

Dated: 3/16/16



85 7TH PLACE EAST, SUITE 500
SAINT PAUL, MN 55101-2198
MN.GOV/COMMERCE/
651.539.1500. FAX 651.539.1547
AN EQUAL OPPORTUNITY EMPLOYER

Pursuant to the authority vested in the Commissioner of Commerce of the State of Minnesota, Mike Rothman, being first duly sworn, upon his oath, deposes and says that a comprehensive examination was made of the affairs and financial condition of

**METROPOLITAN HEALTH PLAN
MINNEAPOLIS, MINNESOTA**

an insurance company authorized under the laws of the State of Minnesota. That, to the best of his information, knowledge and belief, the attached report of examination describes the affairs and financial condition of the above named company as of December 31, 2014 as determined by a comprehensive examination made in accordance with Minnesota Statutes Section 62D.14. The examination was completed by duly qualified examiners of the State of Minnesota representing the Midwestern Zone (III) of the National Association of Insurance Commissioners.

Due consideration has been given to the comments of the examiners regarding the operations of the above named company and its financial condition, as reflected in this report.

This report is hereby, as of this date, approved, adopted, filed and made an official record of this Department.

MIKE ROTHMAN
Commissioner

By: Frederick Andersen
Acting Deputy Commissioner and
Life Actuary

Dated: _____

3/2/16

SALUTATION.....	1
SCOPE OF EXAMINATION	2
FINDINGS AND RECOMMENDATIONS.....	3
COMPANY HISTORY.....	3
MANAGEMENT AND CONTROL	3
Commissioners and Officers	3
Conflict of Interest	3
AFFILIATED ENTITIES.....	4
Hennepin County	4
Hennepin County Medical Center	4
TERRITORY AND PLAN OF OPERATION.....	4
REINSURANCE	4
FINANCIAL STATEMENTS.....	5
Statements of Assets, Liabilities, Surplus and Other Funds.....	6
Statement of Income and Reconciliation of Surplus.....	7
Statement of Cash Flows.....	8
Analysis of Changes to Surplus.....	9
NO ADJUSTMENTS WERE MADE TO SURPLUS AS A RESULT OF THIS EXAMINATION.	9
SUBSEQUENT EVENTS	10
CONCLUSION.....	10



Protecting, maintaining and improving the health of all Minnesotans

SALUTATION

December 17, 2015

The Honorable Edward Ehlinger, M.D.
Commissioner of Health
State of Minnesota
Department of Health
85 7th Place East, Suite 400
St. Paul, Minnesota 55101

The Honorable Michael Rothman
Commissioner of Commerce
State of Minnesota
Department of Commerce
85 7th Place East, Suite 500
St. Paul, Minnesota 55101

Dear Honorable Commissioners:

In compliance with your instructions and pursuant to statutory provisions, a comprehensive examination has been made of the affairs and financial condition of

METROPOLITAN HEALTH PLAN

The home office of Metropolitan Health Plan is located at 400 South 4th Street, Suite 201, Minneapolis, Minnesota, 55415.

The report of examination is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our examination of Metropolitan Health Plan (hereinafter referred to as "MHP" or "the Plan"). This Risk-Focused Statutory Financial Condition Examination of the Plan was conducted pursuant to the Department of Commerce Examination order #15-008. The examination was conducted by representatives of the Minnesota Department of Commerce ("Commerce"), on behalf of the Minnesota Department of Health (Health). Pursuant to Minn. Stat. 62D.24 Health and Commerce have entered into an Interagency Agreement whereby Commerce conducts financial examinations of Health Maintenance Organizations on behalf of Health.

The last examination was completed of MHP as of December 31, 2011. This full-scope examination covers the period of January 1, 2012 through December 31, 2014, including any material transactions and/or events occurring subsequent to the examination date.

Key functional activities were identified, along with the specific risks and the impact of existing risk mitigation strategies within the Plan. The following key activities were identified by obtaining information during the planning process:

- Investments and Cash
- Capital and Surplus
- Reinsurance-ceded
- Related Party
- Reserving and Claims
- Underwriting and Premiums

The Company was audited annually, for the years 2012 through 2014 by the accounting firm of McGladrey LLP. An unqualified statutory opinion was rendered for all years under examination. Among the procedures incorporated into this examination was a review of the annual audit workpapers prepared by McGladrey LLP. Certain workpapers developed by the CPA were relied upon by the examiners and were incorporated into the examiners' workpapers.

We conducted our examination in accordance with the *NAIC Financial Condition Examiners Handbook* (Handbook), as adopted by the National Association of Insurance Commissioners (NAIC), and in conformity with Minnesota Statute Section 62D.14. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Plan 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 Plan 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. If, during the course of the examination, an adjustment is identified, the impact of such adjustment will be documented separately following the Plan's financial statements.

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 Plan.

FINDINGS AND RECOMMENDATIONS

The examination did not result in any reportable findings or recommendations.

COMPANY HISTORY

The Minnesota Department of Health issued Hennepin County, Minnesota (hereinafter referred to as the County) a certificate of authority on October 19, 1983, in accordance with Minnesota Statutes, section 62D, to operate a health maintenance organization (hereinafter referred to as an HMO). The County, a metropolitan governmental unit of the State of Minnesota, subsequently created MHP as an "enterprise fund" within its governmental system which commenced business as an HMO on June 1, 1984. There is no separate legal entity for the HMO except as part of Hennepin County.

MANAGEMENT AND CONTROL

Commissioners and Officers

MHP is governed by the Hennepin County Board of Commissioners, serving as MHP's governing board, which consisted of the following seven individuals at December 31, 2014:

<u>Director</u>	<u>First Elected</u>
Randy Johnson - Chair	1978
Jan Callison	2008
Marion Greene	2014
Jeff Johnson	2008
Peter McLaughlin	1991
Mike Opat	1992
Linda Higgins	2012

At December 31, 2014, the principal operating officers of MHP and their positions were as follows:

<u>Name</u>	<u>Position</u>
Shannon E. Mayer	Chief Executive Officer
Christopher J. Steffen *	Director of Operations
Brian J. Bergs	Chief Financial Officer
Scott A. Simmer	Business Information Officer - Health
Veronica L. Schultz	Director of Medical Administration
Tamiko R. Morgan	Medical Director

* Replaced by Mary G. Rowan on August 4, 2015.

Conflict of Interest

The County has a conflict of interest policy in place which requires annual completion of conflict of interest statements by all MHP personnel and statements of economic interest by certain management personnel. The statements completed by MHP personnel, for the period under examination, were reviewed and no material conflicts were noted.

AFFILIATED ENTITIES

Hennepin County

The County is an instrumentality of the State of Minnesota, which functions as a metropolitan governmental unit. MHP is an "enterprise fund" within the County. The County performs a number of administrative services for MHP with no add-on cost. In 2014 the County and MHP renewed the long standing Memorandum of Understanding (MOU) to cover these services.

The County acts as a guaranteeing organization for MHP. This guarantee provides that the County will fund any deficiencies in MHP's surplus in order to meet minimum regulatory surplus requirements. The County was not called on to fund any surplus deficiencies during the period under examination.

Hennepin County Medical Center

Hennepin Healthcare System, Inc. is the major health care provider utilized by MHP and also provides MHP with certain administrative services and is one of MHP's partners in MHP's Integrated Health System Medicaid Demonstration project (Hennepin Health). Other partners include the NorthPoint Health and Wellness clinic, an enterprise fund within the County, and the Hennepin County Behavior Health and Social Services department also within the County.

TERRITORY AND PLAN OF OPERATION

MHP is authorized in Minnesota as a health maintenance organization. Effective January 1, 2013, MHP's market service offers coverage only in Hennepin County. MHP contracts with the Minnesota Department of Human Services (DHS) and the Centers for Medicare and Medicaid Services (CMS) to provide health care services to qualified enrollees in certain DHS and CMS programs. Effective December 31, 2014, MHP terminated its contracts with CMS for all Medicare products. MHP receives monthly capitation payments from DHS and CMS for enrollees in the government sponsored plans. MHP contracts out to third-party administrators the pharmacy and dental aspects of the programs. The pharmacy and dental administrators also process and pay claims. Effective April 1, 2015, MHP also contracts out to a third-party administrator for all medical claims, maintaining its current in-house claims system until February 1, 2016, to pay all claims with a date-of-service prior to April 1, 2015. MHP does not market its products through traditional insurance sales channels. Coverage is available to enrollees only through that person's eligibility for one of the aforementioned public programs.

REINSURANCE

MHP reinsures on an excess of loss basis with a highly rated carrier that charges fees at fixed rates per member per month. MHP currently (for 2015) retains the first \$400,000 of eligible expense risk per member per year. The reinsurer's annual maximum risk per insured is \$2 million with an unlimited lifetime maximum risk. The provisions of the reinsurance contract were reviewed and were found to comply with all reinsurance requirements of Minnesota Statutes. MHP does not assume insured risk from any other company.

FINANCIAL STATEMENTS

The following are MHP's reported statutory statements of admitted assets, liabilities and unassigned funds as of December 31, 2014, and the related statutory statements of operations and cash flows for the year then ended, as reported by MHP. The examiners have incorporated these statements into this report without adjustments.

(Note: Failure of the columns to add to the totals reflected in this Report is due to rounding.)

Metropolitan Health Plan
 Financial Statements
 December 31, 2014

Statements of Assets, Liabilities, Surplus and Other Funds

2014

Admitted Assets

Cash and Short-Term Investments	\$74,660,685
Cash and Invested Assets	74,660,685
Uncollected Premiums & Agents' Balances in the Course of Collection	11,543,845
Health Care & Other Amounts Receivable	518,265
Total Admitted Assets	\$86,722,795

Liabilities

Claims Unpaid	\$15,598,612
Accrued Medical Incentive Pool & Bonus Amounts	2,419,758
Unpaid Claim Adjustment Expenses	635,000
Aggregate Health Policy Reserves	23,846,741
Premiums Received in Advance	11,634,396
General Expenses Due or Accrued	4,244,409
Liability for Amounts Held Under Uninsured Plans	(170,233)
Total Liabilities	\$58,208,683

Surplus

Unassigned Funds (Surplus)	\$28,514,112
Total Surplus	28,514,112
Total Liabilities and Surplus	\$86,722,795

Metropolitan Health Plan
Financial Statements
December 31, 2014

Statement of Income and Reconciliation of Surplus

	2014
Net Premium Income	\$158,222,031
Total Revenues:	\$158,222,031
Hospital/Medical Benefits	\$84,304,904
Other Professional Services	844,740
Emergency Room & Out-of-Area	8,140,011
Prescription Drugs	14,301,435
Aggregate Write-ins Other Hospital & Medical	16,676,885
Incentive Pool, Withhold Adjustments & Bonus Amounts	10,648,607
Subtotal	\$134,916,582
Less:	
Net Reinsurance Recoveries	153,615
Total Hospital and Medical	\$134,762,967
Claims Adjustment Expenses including \$1,582,059 Cost Containment Expenses	5,671,089
General Administrative Expenses	18,905,464
Total Underwriting Deductions:	\$159,339,520
Net Underwriting Gain or (Loss)	(\$1,117,489)
Net Investment Income Earned	827,512
Net Investment Gains (Losses)	\$827,512
Net Income or Loss after Capital Gains Tax and before all Other Federal Income Taxes	(289,977)
Net Income (Loss)	(\$289,977)
 <u>Surplus Account</u>	
Surplus Prior Reporting Year	\$28,266,576
Net Income (Loss)	(289,977)
Change in Nonadmitted Assets	537,514
Net Change in Surplus	247,537
Surplus End of Reporting Year	\$28,514,113

Metropolitan Health Plan
Financial Statements
December 31, 2014

Statement of Cash Flows

	2014
<u>Cash from Operations</u>	
Premiums Collected Net of Reinsurance	\$178,977,983
Net Investment Income	827,512
Total	179,805,495
Benefit and Loss Related Payments	139,297,615
Commissions & Expenses	24,290,860
Total	163,588,475
Net Cash from Operations	\$16,217,020
<u>Cash from Investments</u>	
Proceeds from Investments Sold, Matured or Repaid:	
Miscellaneous Proceeds	\$0
Total Investment Proceeds	\$0
Cost of Investments Acquired (Long-Term Only):	
Total Investments Acquired	\$0
Net Cash from Investments	\$0
<u>Cash from Financing and Miscellaneous Sources</u>	
Cash Provided (Applied):	
Other Cash Provided (Applied)	\$528,512
Net Cash from Financing & Miscellaneous Sources	\$528,512
<u>Reconciliation of Cash & Short-Term Investments</u>	
Net Change in Cash & Short-Term Investments	\$16,745,532
Cash & Short-Term Investments:	
Beginning of Year	\$57,915,152
End of Year	\$74,660,684

Metropolitan Health Plan
Financial Statements
Years ended December 31, 2014

Analysis of Changes to Surplus

No adjustments were made to surplus as a result of this examination.

SUBSEQUENT EVENTS

Effective April 1, 2015, the Plan has outsourced its claims processing to TMG, a third party service provider. Transition from the previous application to the vendor's system will be phased-in over the year with completion anticipated at December 31, 2015.

Effective January 1, 2016, MHP was one of three HMO's to gain a Medicaid contract in Hennepin County through the bidding process and is expecting an additional 20,000 Medicaid members.

No significant accounting or reporting issues were noted for the period under review.

CONCLUSION

As a result of this examination, the financial condition of **Metropolitan Health Plan** as of December 31, 2014, is summarized as follows:

Admitted Assets	<u>\$86,722,795</u>
Liabilities	\$58,208,683
Capital and Surplus	<u>28,514,112</u>
Total liabilities, capital and surplus	<u>\$86,722,795</u>

Per examination findings, the Company met the minimum surplus requirements pursuant to Minnesota Statutes, Section 60A.07 as of December 31, 2014.

In addition to the undersigned, other representatives of the State of Minnesota, and representatives of INS Regulatory Insurance Services, Inc., INS Consultants, Inc. and INS Services, Inc. all appointed to represent the State of Minnesota, participated in this examination.

Respectfully Submitted,

Alvin J. Burrell
Alvin J. Burrell, CFE, AIE, MCM
Examiner-in-Charge
INS Regulatory Insurance Services, Inc.
Representing the State of Minnesota
Department of Commerce