

Report of Examination of

Mount Carmel Health Plan, Inc.
Columbus, Ohio

As of December 31, 2013

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Columbus, Ohio

February 27, 2015

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
Suite 300
Columbus, Ohio 43215

Dear Madam:

In accordance with Section 3901.07 of the Ohio Revised Code (“ORC”), the Ohio Department of Insurance (“Department”) conducted an examination of

Mount Carmel Health Plan, Inc.

an Ohio domiciled, non-profit, health insuring corporation, hereinafter referred to as the “Company.”

Scope of Examination

The Department last examined the Company as of December 31, 2008. The Department’s current examination covers the period of January 1, 2009 to and including December 31, 2013.

The examination was conducted in accordance with the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that the Department plan and perform the examination to evaluate the Company’s financial condition and identify prospective risks including corporate governance, identify and assess inherent risks and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

For all years under examination, the Certified Public Accounting firm of Deloitte & Touche, LLP provided an unqualified opinion on the Company’s financial statements

based on Statutory Accounting Principles. The audited financial statements were reviewed during the examination.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

<u>Name</u>	<u>Principal Occupation</u>
Claus von Zychlin	President & Chief Executive Officer, Mount Carmel Health System
Robert Paskowski	President and Chief Executive Officer, The Company
Keith Coleman	Sr. Vice President of Finance & Chief Financial Officer, Mount Carmel Health System
Sister Barbara Hahl	Sr. Vice President of Mission Services, Mount Carmel Health System
Hugh Jones	Sr. Vice President of Strategy & System Development, Mount Carmel Health System
Daniel Wendorff, M.D.	Physician, Mount Carmel Health System
Robert Griffith, M.D.	Physician, Private Practice

Officers

As of the examination date, the following officers were serving in the designated positions:

<u>Name</u>	<u>Title</u>
Keith Coleman	Chairperson
Robert Paskowski	President
Hugh Jones	Treasurer
Sister Barbara Hahl	Secretary

Insurance Holding Company System

The Company is a member of a holding company system as defined under Section 3901.32 of the ORC and is a wholly owned subsidiary of Mount Carmel Health System (“MCHS”). Trinity Health is the sole member of MCHS and is the ultimate controlling entity within the holding company system.

Territory and Plan of Operations

The Company offers Medicare Advantage products in 26 counties in the State of Ohio through a contract with the Centers for Medicare and Medicaid Services (“CMS”). Products are marketed by the Company under the MediGold brand name to eligible residents of those counties.

Reinsurance

The Company did not have any ceded or assumed reinsurance.

Significant Operating Results

The Company reported the following net underwriting results during the examination period, reported in thousands.

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Total Revenues	<u>\$ 424,839</u>	<u>\$ 359,279</u>	<u>\$ 340,864</u>	<u>\$ 310,249</u>	<u>\$ 312,635</u>
Total Hospital and Medical Expenses	358,773	290,443	283,858	260,931	262,529
Claims Adjustment Expenses	9,187	6,842	6,215	5,505	5,256
General Administrative Expenses	<u>34,158</u>	<u>23,525</u>	<u>19,622</u>	<u>17,672</u>	<u>18,602</u>
Net Underwriting Gain	<u>\$ 22,721</u>	<u>\$ 38,469</u>	<u>\$ 31,169</u>	<u>\$ 26,141</u>	<u>\$ 26,248</u>

Financial Statements

The financial condition and the results of its operations for the year ending December 31, 2013 as reported and filed by the Company with the Department and audited by the Company's external auditors are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Revenue and Expenses

Statement of Changes in the Capital and Surplus Account

**Statement of Assets, Liabilities, Capital and Surplus
As of December 31, 2013**

Bonds	\$ 129,712,727
Common stocks	67,598,791
Cash, cash equivalents and short-term investments	<u>106,949,587</u>
Subtotal, cash and invested assets	<u>304,261,105</u>
Investment income due and accrued	955,960
Uncollected premiums	17,026,945
Amounts receivable relating to uninsured plans	1,951,926
Electronic data processing equipment and software	2,605
Receivables from parent, subsidiaries and affiliates	81,876
Healthcare and other amounts receivable	1,899,242
Miscellaneous Receivable	589,503
QCP Receivable	<u>330,875</u>
Total assets	<u>\$ 327,100,037</u>
Claims unpaid	25,161,978
Unpaid claims adjustment expenses	262,655
Premiums received in advance	164,336
General expenses due or accrued	6,380,967
Amounts due to parent, subsidiaries and affiliates	<u>3,707,876</u>
Total liabilities	<u>35,677,812</u>
Common capital stock	100
Gross paid in and contributed surplus	42,422,434
Unassigned funds (surplus)	<u>248,999,691</u>
Total capital and surplus	<u>291,422,225</u>
Total liabilities, capital and surplus	<u>\$ 327,100,037</u>

**Statement of Revenue and Expenses
For the Year Ending December 31, 2013**

Net premium income	\$405,202,597
Change in unearned premium reserves	<u>19,636,564</u>
Total revenues	424,839,161
Hospital/medical benefits	190,902,088
Other professional services	108,874,156
Prescription drugs	<u>58,996,802</u>
Subtotal	358,773,046
Total hospital and medical	358,773,046
Claims adjustment expenses	9,186,816
General administrative expenses	<u>34,158,431</u>
Total underwriting deductions	<u>402,118,293</u>
Net underwriting gain	<u>22,720,868</u>
Net investment income earned	4,329,181
Net realized capital gains	<u>15,172,449</u>
Net investment gains	19,501,630
Other contractual revenue	724,224
Other income	<u>430,658</u>
Total other income	1,154,882
Net income	<u>\$ 43,377,380</u>

**Statement of Changes in the Capital and Surplus Account
(in thousands)**

	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Capital and surplus, beginning of the year	\$ 264,742	\$ 229,072	\$ 195,553	\$ 166,492	\$ 128,045
Net income	43,377	49,601	36,680	34,650	30,618
Net unrealized capital gains (losses)	4,196	1,127	(2,647)	2,873	7,629
Change in non-admitted assets	(893)	(58)	(514)	(2,562)	200
Dividends to stockholders	<u>(20,000)</u>	<u>(15,000)</u>	<u>0</u>	<u>(5,900)</u>	<u>0</u>
Net change in capital and surplus	<u>26,680</u>	<u>35,670</u>	<u>33,519</u>	<u>29,061</u>	<u>38,447</u>
Capital and surplus, end of the year	<u>\$ 291,422</u>	<u>\$ 264,742</u>	<u>\$ 229,072</u>	<u>\$ 195,553</u>	<u>\$ 166,492</u>

Notes to Financial Statements

Investments

The Company's investments were in compliance with ORC Section 1751.25 and valued in accordance with the relevant Statements of Statutory Accounting Principles and the NAIC Securities Valuation Office.

Claims Unpaid and Unpaid Claims Adjustment Expenses

The Company's Board of Directors appointed Timothy D. Gustafson, FSA, MAAA of Deloitte Consulting LLP to render the Company's Statement of Actuarial Opinion ("Opinion"). Mr. Gustafson prepared an actuarial report supporting the Opinion in connection with the preparation of the Company's December 31, 2013 Annual Statement.

Thomas S. Botsko, ACAS, MAAA, Chief Property & Casualty Actuary of the Department, reviewed the actuarial report provided by Deloitte Consulting LLP. Based on his review, Mr. Botsko determined that the claims unpaid and unpaid claims adjustment expense reserves presented in the Company's 2013 Annual Statement were reasonably stated.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2013, and is summarized as follows:

Total Admitted Assets	<u>\$ 327,100,037</u>
Liabilities	\$ 35,677,812
Surplus	<u>291,422,225</u>
Total Liabilities and Surplus	<u>\$ 327,100,037</u>

Acknowledgement

In addition to the aforementioned and undersigned, Aaron Hibbs, CPA, CFE and Richard Morris, CPA of the Department participated in this examination.

Respectfully,



David T. Finkler, CFE
Examiner-In-Charge
Ohio Department of Insurance



David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2013.

David T. Finkler
Examiner-In-Charge

3/9/15
Date

Elizabeth Chase
Assistant Chief Examiner

3/9/15
Date

State of Ohio

County of Franklin

Personally appeared before me the above named David T. Finkler personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 9 day of March, 2015.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires

State of Ohio

County of Franklin

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his knowledge and belief.

Subscribed and sworn to before me this 9 day of March, 2015.

Elizabeth Chase
(Notary Public)
ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017
My Commission Expires