

BEFORE JAMES A. DODRILL, INSURANCE COMMISSIONER
OF THE STATE OF WEST VIRGINIA

In the Matter of:

WEST VIRGINIA SENIOR ADVANTAGE, INC. (NAIC #15955)

Administrative Proceeding No. 20-FINCON-02038

ORDER ADOPTING REPORT OF FINANCIAL EXAMINATION
AND DIRECTING ACTION

NOW COMES, James A. Dodrill, Insurance Commissioner of the State of West Virginia (hereinafter, "Commissioner"), who, after consideration of the *Report of Financial Examination* (hereinafter, the "*Examination Report*") of West Virginia Senior Advantage, Inc. (hereinafter referred to as "Company" or "WVSA"), as of December 31, 2019, made the following findings of fact, conclusions of law and order.

FINDINGS OF FACT

1. The Company was incorporated on January 8, 2016, and commenced business on April 19, 2016, and is a for-profit, stock health maintenance organization (HMO) licensed under *West Virginia Code* §33-25-A-1 et seq.
2. WVSA was formed as part of a joint venture between Stonerise Senior Advantage Holdings LLC ("Holdings") and West Virginia ILTCM doing business as AllyAlign Health ("AllyAlign").
3. Effective June 30, 2019, AllyAlign terminated its business relationship with Holdings and sold its 30% interest in WVSA to Holdings, which resulted in Holdings having no (0%) ownership of WVSA.
4. Most administrative functions previously provided by AllyAlign were transitioned

to LifePrint Health, Inc., doing business as Optum, a third-party administrator (TPA) (Optum is one of the United Healthcare Group of companies).

5. An examination of the financial condition and operational affairs of the Company for the period beginning January 8, 2016 and ending December 31, 2019, was conducted in accordance with *West Virginia Code* §33-2-9(c) by the Insurance Commissioner.

6. On September 11, 2020, the examiner filed a Report of Financial Examination with the Insurance Commissioner pursuant to *West Virginia Code* §33-2-9(j)(2). A copy of the Report of Financial Examination is attached hereto as Exhibit A and incorporated herein as if set forth in full.

7. On or about October 5, 2020, a true and accurate copy of the Report of Financial Examination was mailed to and received by Lawrence Pack. A copy of the letter dated October 5, 2020, is attached hereto as Exhibit B.

8. Pursuant to *West Virginia Code* §33-2-9(j)(2), the Company was notified and afforded a period of thirty (30) days, after receipt of the Report of Financial Examination, to make a submission, rebuttal, or objection concerning any matter contained in the Report.

9. By letter dated October 12, 2020, management of the Company acknowledged that they had reviewed the Report of Financial Examination and did not materially dispute the findings of the examination. A copy of the Company's letter of October 12, 2020, is attached hereto as Exhibit C.

CONCLUSIONS OF LAW

1. The Insurance Commissioner is charged with the duty of administering and enforcing the provisions of Chapter 33, of the West Virginia Code of 1931, as amended.

2. The Company is organized pursuant to provisions of Article 25A, Chapter 33 of the

West Virginia Code.

3. *West Virginia Code* §33-2-9(j)(2) provides that no later than sixty (60) days following completion of the examination, the examiner in charge shall file with the Insurance Commissioner a verified, written Report of Financial Examination under oath and, upon receipt of the verified report, the Insurance Commissioner shall transmit the Report of Financial Examination to the Company with a notice that shall afford the Company a reasonable opportunity of not more than thirty (30) days, to make a written submission or rebuttal.

4. *West Virginia Code* §33-2-9(j)(3) provides that within thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals the Insurance Commissioner shall fully consider and review the Report of Financial Examination, together with any written submissions or rebuttals, and shall enter an order adopting the Report of Financial Examination as filed, or with modifications or corrections, enter an order rejecting the Report of Financial Examination with directions to the examiners to reopen the examination or call for an investigatory hearing.

ORDER

It is, therefore, **ORDERED** as follows:

1. The Report of Financial Examination of the Company, attached hereto as Exhibit A, is hereby **ADOPTED** and **APPROVED**.

2. A copy of this *Order Adopting Report of Financial Examination and Directing Action* and the Report of Financial Examination shall be mailed to the Company via certified mail, return receipt requested, upon entry by the Insurance Commissioner.

3. The Company shall file with the Insurance Commissioner, within thirty (30) days of the issuance of this Order, affidavits executed by each of its directors stating under oath that

they have received a copy of the Report of Financial Examination and a copy of this *Order Adopting Report of Financial Examination and Directing Action* in accordance with *West Virginia Code §33-2-9(j)(4)*.

4. The Company shall take whatever actions are required to comply with the recommendations set forth in the Report of Financial Examination, if any, and shall demonstrate compliance to the satisfaction of the Insurance Commissioner, if necessary.

5. Inasmuch as orders entered by the Insurance Commissioner are subject to judicial review as set forth in *West Virginia Code §33-2-14*, any person aggrieved by any this order may, within 30 days after the order has been mailed or delivered to the persons entitled to receive the same, file an appeal in and with the Circuit Court of Kanawha County, West Virginia.

ENTERED this 6th day of November, 2020.



JAMES A. DODRILL
Insurance Commissioner

REPORT OF EXAMINATION
OF
WEST VIRGINIA SENIOR ADVANTAGE, INC.
CHARLESTON, WV

NAIC #15955

AS OF DECEMBER 31, 2019



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SALUTATION

September 11, 2020
Charleston, West Virginia

The Honorable James A. Dodrill
West Virginia Insurance Commissioner
900 Pennsylvania Ave.
Charleston, West Virginia 25302

Pursuant to the authority vested in the West Virginia Offices of the Insurance Commissioner (“WVOIC”), as well as rules, regulations and procedures promulgated by the National Association of Insurance Commissioners (“NAIC”), an examination has been made of the administrative affairs, books, records, and financial condition of:

West Virginia Senior Advantage, Inc.
700 Chappell Road
Charleston, West Virginia 25303

hereinafter referred to as the “Company” or “WVSA”. The following Report of Examination is respectfully submitted.

SCOPE OF EXAMINATION

This is the first examination of the Company which commenced on August 6, 2019, and is a full scope, four-year examination pursuant to W.Va. Code §33-2-9(a), as amended, covering the period from January 8, 2016 through December 31, 2019, including any material transactions or events occurring subsequent to the examination date and noted during the course of the examination.

The purpose of this examination is to assess the financial condition of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

The general procedures of the examination followed rules and standards as set forth in the NAIC Financial Condition Examiners Handbook (“Handbook”) and West Virginia Laws, Regulations, and Directives of the WVOIC. The examination was conducted to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company including corporate governance, identifying, and assessing inherent risk within the Company and evaluating system controls and procedures used to mitigate those risks. In addition, the principles used, and significant estimates made by management, as well as evaluating the overall financial statement presentation, management’s compliance with Statements of Statutory Accounting Principles (“SSAP”) and annual statement instructions were assessed.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. Accordingly, planning materiality and tolerable error thresholds were based on professional judgment after considering the nature of the business written by the Company, operating results, and the Company’s financial position as of December 31, 2019.

The report is presented on an exception basis. It is designed to set forth the facts with regard to any material adverse findings disclosed during the examination. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were discussed with responsible Company officials during the course of the examination.

SUMMARY OF SIGNIFICANT FINDINGS

As a result of the current examination period and review of the subsequent events, the following findings were noted:

- 1) The Company did not comply with section 6.1 of its Bylaws which require an annual meeting and election of officers. The Board of Directors meeting minutes do not reflect any of the officers listed on its Annual Statement filings were elected during the examination period.

- 2) An audit committee was not established, or a resolution adopted for the entire Board of Directors to serve as the audit committee as required by W. Va. Code §33-33-12 (2). There is no evidence the Board of Directors appointed, negotiated compensation, or provided oversight over the work of its independent auditors during the examination period as required by W. Va. Code §33-33-12 (1). In addition, the auditor did not directly report to the Board of Directors.

HISTORY

The Company was incorporated on January 8, 2016 and commenced business on April 19, 2016. The Company is a for-profit, stock health maintenance organization (HMO) licensed under W. Va. Code §33-25A-1 et seq. WVSA was formed as part of a joint venture between Stonerise Senior Advantage Holdings LLC (“Holdings”) and West Virginia ILTCM doing business as AllyAlign Health (“AllyAlign”). Effective June 30, 2019, AllyAlign terminated their business relationship with Holdings and sold their 30% interest in WVSA to Holdings: giving Holdings 100% ownership of WVSA. Most administrative functions previously provided by AllyAlign were transitioned to LifePrint Health, Inc., doing business as Optum, a third-party administrator (TPA). Optum is one of the United Healthcare Group of companies.

Capitalization

As of December 31, 2019, the Company had 2,370,000 common stock shares authorized, and 1,000,000 issued and outstanding with a par value of \$1 per share for paid in capital of \$1,000,000. At December 31, 2019, the Company’s reported total capitalization was \$3,384,204 consisting of common stock of \$1,000,000, \$3,025,000 of gross paid in and contributed surplus, and (\$640,796) of unassigned funds.

According to W. Va. Code §33-25A-4(2)(c)(ii) the Company must maintain a minimum of \$1,000,000 in capital and \$1,000,000 in surplus to engage in the business for which they are licensed. The Company has met this requirement.

Dividends to Stockholder

No dividends to stockholders were paid during the examination period.

Significant changes in key trends

Admitted assets, surplus, member months, total revenues and net income have increased since 2017, the year the Company commenced providing insurance, as outlined below:

Year	Admitted Assets	Surplus	Member Months	Total Revenues	Net Income
2016	\$2,093,978	\$2,061,281	0	\$0	(\$1,238,719)
2017	4,786,520	2,191,979	5,912	11,878,017	(495,658)
2018	5,021,802	2,712,334	6,006	10,346,470	316,285
2019	6,940,383	3,384,204	15,445	13,852,139	859,215
% change 2017-2019	45.00%	54.39%	161.25%	16.62%	

MANAGEMENT AND CONTROL

BOARD OF DIRECTORS

The corporate powers of the Company are vested in the Board of Directors consisting of not less than three (3) nor more than five (5) members in compliance with section 4.2 of the Company's Bylaws. The individuals serving as members of the Board of Directors on December 31, 2019 were as follows:

Name and Address	Business Affiliation	Board Member Since
Lawrence A. Pack Charleston, West Virginia	President, WVSA	January 8, 2016
Steven F. White Charleston, West Virginia	Vice President, WVSA Attorney, White Law Offices, LLC	January 8, 2016
David H. Gardner Charleston, West Virginia	Stonerise Healthcare, LLC Administrator	January 8, 2016

OFFICERS

The Board of Directors at each annual meeting or any regular or special meeting, may elect or appoint a President, Secretary, and a Treasurer as noted in section 6.1 of the Bylaws. The Board of Directors meeting minutes do not reflect the election or appointment of any of the following officers listed in the 2019 Annual Statement. Mr. Clark, Mr. Machel, and Steven White are noted as new officers in 2019. See "Summary of Examination Recommendations" below on page 12.

Name	Title
Lawrence A. Pack	President
J. Thomas Clark	Secretary
David B. Machel	Treasurer
Steven F. White	Vice President

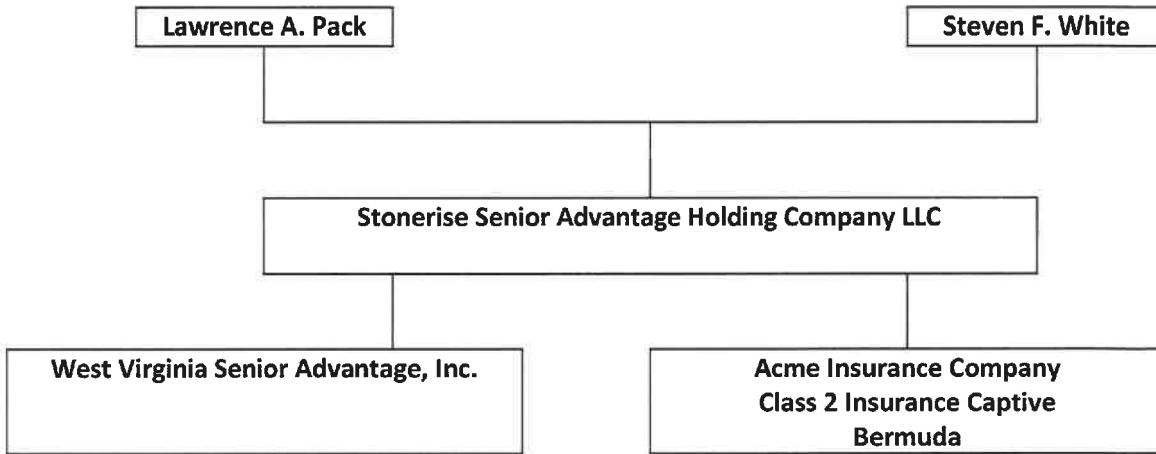
COMMITTEES

The Bylaws require no formal committees except for an Executive Committee. The Company has not established an audit committee; therefore, not met the requirements of W. Va. Code §33-33-12. See “Summary of Examination Recommendations” below on page 12.

ORGANIZATIONAL CHART

In June 2019, AllyAlign sold all of its interest in WVSA to Holdings.

At December 31, 2019, the following entities were the members of the holding company group:



Holdings is jointly owned in equal percentages by two individuals: Lawrence Pack and Steven White. These two individuals are considered the joint-ultimate controlling persons of the insurer.

Holdings is also the parent company of Acme Insurance Company (Acme). Acme is a Class 2 Insurance Captive domiciled in Bermuda. Acme provides reimbursement for deductibles to the Company’s worker’s compensation, general liability, and professional liability risks of related parties and other health care entities. These policies are reinsured by the Liberty Mutual Group.

Stonerise Healthcare, LLC (“Stonerise”) is an administrative services and peer review consultant serving client healthcare firms providing senior care across West Virginia and beyond. Mr. Pack and Mr. White jointly own this entity.

AGREEMENTS

The Company had a Management Services Agreement with AllyAlign to provide management and administrative services until the business relationship with Holdings was terminated effective June 30, 2019.

Care Management and Administrative Services Agreement

Under this agreement, Medicare Advantage Part C medical risk is delegated to Optum for eighty-seven percent (87%) of Medicare revenue plus an additional one and 6/10th percent (1.6%) for agreed upon administrative services with an implementation date of July 1, 2019.

In 2019, the Company had the following affiliated (or related party) agreements in effect:

Facility Provider Services Agreement

This agreement became effective October 1, 2019 under which 17 affiliated Special Needs Facilities provide healthcare services on a fee for services basis. The agreement includes a shared savings provision based upon achieving specific target amounts. The agreement replaced Provider and Facility Services Agreement between various Stonerise affiliated Special Needs Facilities.

Medication Therapy Management Agreement

Stonerise provides medication therapy management services to WWSA under this agreement. The effective date of this agreement is January 1, 2017 and the agreement is expected to be revised as no payments have occurred under this agreement since July 1, 2019.

Administrative Services Agreement

Stonerise provided administrative services to the Company. This agreement expired on December 31, 2019. Subsequently, the Company received approval from WVOIC, effective August 1, 2020, to enter into an Administrative Services Agreement with Stonerise, a related party to Holdings, which is the sole shareholder of the Company.

TERRITORY AND PLAN OF OPERATION

The Company was formed with the sole purpose of offering a full-service Medicare Advantage (MA) Institutional Special Needs Plan (I-SNP) in a limited geographic region in West Virginia, beginning in 2017. The Company's initial service area included the 16 counties in West Virginia where Stonerise has their 17 long-term care (LTC) facilities. Currently, the service area includes 23 counties with an additional 17 pending approval.

Their target population is the Medicare beneficiaries who reside in these contracted LTC facilities for 90 days or longer. Per Centers for Medicare and Medicaid Services (CMS), the Company is allowed to restrict enrollment to eligible individuals located at the 17 contracted LTC facilities owned by Stonerise. The Company began offering their I-SNP Plan on January 1, 2017.

The Company is only licensed in West Virginia.

REINSURANCE

Until June 30, 2019, the Company's ceded excess of loss reinsurance agreement with PartnerRe American Insurance Company ceded losses in excess of \$200,000 per risk with an unlimited maximum per risk per year.

The TPA agreement with Optum delegates Medicare Advantage Part C medical risk to Optum. In exchange for assuming the medical risk, WVSA pays Optum eighty-eight and 6/10ths percent (88.6%) of Medicare Advantage Part C premiums commencing July 1, 2019.

FINANCIAL STATEMENTS

The statements on the following pages present the financial condition and operations of the Company for the period under examination. The amounts shown on the balance sheet are those determined by this examination.

ASSETS
DECEMBER 31, 2019

	<u>Assets</u>	<u>Non-admitted Assets</u>	<u>Admitted Assets</u>
Cash	\$ 5,639,962		\$ 5,639,963
Contracts subject to redetermination	770,808		770,808
Amounts Receivable relating to uninsured plans	167,323		167,323
Net Deferred Tax Asset	263,635	204,578	59,057
Health Care Receivable	440,542	137,310	303,232
Prepaid Expenses	3,666	3,666	-
Total Assets	\$ 7,285,936	\$345,554	\$ 6,940,383

**LIABILITIES, CAPITAL AND SURPLUS
DECEMBER 31, 2019**

Claims Unpaid	\$1,251,918
Accrued Medical Incentive Pool and Bonus Amounts	899
Unpaid Claims Adjustment Expenses	4,208
Premiums Received in Advance	1,201,806
General Expenses Due or Accrued	112,001
Current Federal and Foreign Income Tax Payable	202,880
Amounts Due to Parent, Subsidiaries and Affiliates	9,176
Liability for amounts held under uninsured plans	<u>773,291</u>
Total Liabilities	<u>\$3,556,179</u>
Common Capital Stock	1,000,000
Gross Paid in and Contributed Surplus	3,025,000
Unassigned Funds	<u>(640,796)</u>
Total Capital and Surplus	<u>3,384,204</u>
TOTAL	<u>\$6,940,383</u>

**STATEMENT OF REVENUE AND EXPENSES
DECEMBER 31, 2019**

Member Months	15,445
Net Premium Income	\$13,852,139
Total Revenues	<u>\$13,852,139</u>
 Hospital and Medical:	
Hospital/medical Benefits	9,817,313
Other Professional Services	558,233
Emergency Room and Out-of-Area	149,767
Prescription Drugs	885,575
Durable Medical Equipment	23,328
Incentive Pool	40,568
Total Hospital and Medical	<u>11,474,784</u>
 Claims Adjustment Expenses	 215,014
General Administrative Expenses	1,132,866
Total Underwriting Deductions	<u>12,822,664</u>
 Net Underwriting Gain	 <u>1,029,475</u>
 Net Investment Income Earned	 32,529
Net Gain from Agents' or Premium Balances Charged Off	91
Net Investment Gains	<u>1,062,095</u>
 Federal and foreign income taxes incurred	 <u>202,880</u>
Net income (loss)	<u>\$859,215</u>

**RECONCILIATION OF SURPLUS
DECEMBER 31, 2019**

Surplus as of December 31, 2016	\$ 2,061,281
Net Income	(495,658)
Change in non-admitted assets	(98,644)
Surplus adjustment paid in	<u>725,000</u>
Net change in capital and surplus	<u>130,698</u>
Surplus at December 31, 2017	<u>\$2,191,979</u>
Net Income (Loss)	316,285
Change in net deferred income tax	303,336
Change in non-admitted assets	<u>(99,266)</u>
Net change in capital and surplus	<u>520,355</u>
Surplus at December 31, 2018	<u>\$2,712,334</u>
Net Income (Loss)	859,215
Change in net deferred income tax	(39,701)
Change in non-admitted assets	<u>(147,644)</u>
Net change in capital and surplus	<u>671,870</u>
Surplus at December 31, 2019	<u>\$3,384,204</u>

SUMMARY OF EXAMINATION CHANGES

No adjustments were made to the Company's financial statements as a result of this examination.

SUBSEQUENT EVENTS

The following finding was noted during the completion of the standard subsequent events procedures as part of the financial examination: On March 11, 2020, the World Health Organization declared the spreading coronavirus (COVID-19) outbreak a pandemic. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions all of which are uncertain and cannot be predicted. However, the financial impact is somewhat diminished as Medicare Part C risk is delegated to Optum as of July 1, 2019 under its Care Management and Administrative Services Agreement described above. In addition, the Company's investment portfolio consisting of cash has insulated the Company from volatility in the financial markets and preserved its surplus and liquidity positions. The territory in which the Company operates appears to be less negatively impacted than the United States in general. Although the extent to which COVID-19 may impact the Company's financial condition or results of operations is uncertain, given the uncertainty regarding the future of the pandemic, as of the date of this report, the Company has maintained largely stable operations and financial results.

SUMMARY OF EXAMINATION RECOMMENDATIONS

As a result of the traditional scope financial examination, the following recommendations are made:

- 1) We recommend the Company comply with Section 6.1 of its bylaws and elect officers annually.
- 2) We recommend the Board of Directors establish an audit committee to appoint, negotiate compensation, and oversee the work of its independent auditors as required by W. Va. Code §33-33-12 (1) (2).

ACKNOWLEDGEMENT AND SIGNATURE

This is to certify that the undersigned is a duly qualified Examiner appointed by the West Virginia Offices of the Insurance Commissioner. The undersigned, Kelly Willison, CPA, CFE, CFE (fraud), of INS Regulatory Insurance Services, Inc., Peggy Hermann, FSA, MAAA, of INS Consultants, Inc., David Gordon, MBA, CISA, CIA, CBA, CFE (Fraud), of INS Services, Inc., Lisa Bringmann, of INS Services, Inc., Deborah K. Zegeer, CPA, MBA, CGMA, of the West Virginia Offices of the Insurance Commissioner and by Jamie Taylor, CFE, of the West Virginia Offices of the Insurance Commissioner, performed an examination of West Virginia Senior Advantage, Inc. as of December 31, 2019.

The examination was performed in accordance with those procedures authorized by the NAIC Financial Condition Examiner's Handbook and other procedures appropriate for this examination. The attached report of examination is a true and complete report of the financial condition of West Virginia Senior Advantage, Inc. as of December 31, 2019, as determined by this examination.

Respectfully Submitted,



Pat Neesham, CFE
Examiner-in-charge
INS Regulatory Insurance Services, Inc.
Representing the WV Offices of the Insurance Commissioner



Jamie Taylor, CFE
Director / Chief Financial Examiner
Company Analysis and Examination Division
Financial Conditions
WV Offices of the Insurance Commissioner