



Government of the District of Columbia  
Vincent C. Gray, Mayor  
Department of Insurance, Securities and Banking



William P. White  
Commissioner

**BEFORE THE  
INSURANCE COMMISSIONER OF  
THE DISTRICT OF COLUMBIA**

Re: Report on Organization Examination – **Thrive Health Plans, Inc.**, as of January 31, 2012

**ORDER**

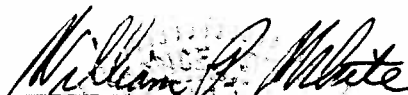
Pursuant to Examination Warrant 2012-1, an Organization Examination of **Thrive Health Plans Inc.**, as of January 31, 2012 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

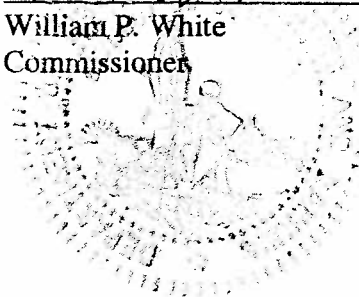
It is hereby ordered on this 8th day of March, 2012, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Association shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.

  
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William P. White  
Commissioner



GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND  
BANKING



REPORT ON ORGANIZATION EXAMINATION

THRIVE HEALTH PLANS, INC.

AS OF

JANUARY 31, 2012

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Washington, D.C.  
February 16, 2012

Honorable William White  
Commissioner  
Department of Insurance, Securities and Banking  
Government of the District of Columbia  
810 First Street, NE, Suite 701  
Washington, D.C. 20002

Dear Sir:

In accordance with Section 31-1402 of the D.C. Official Code, we have examined the financial condition and activities of

**THRIVE HEALTH PLANS, INC.**

(hereinafter called the "Company") and the following Report on Examination is submitted.

**SCOPE OF EXAMINATION**

This was an organization examination as of January 31, 2012 conducted by examiners of the District of Columbia Department of Insurance, Securities and Banking. The Company has made application for an original certificate of authority to establish and operate a health maintenance organization.

Our examination was conducted in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking and procedures recommended by the National Association of Insurance Commissioners and, accordingly, included such tests of the accounting records and such other procedures as we considered necessary in the circumstances.

The purpose of our examination was to determine if the Company meets the minimum financial requirements to qualify for an original certificate of authority to transact business as a health maintenance organization. In this regard, our examination included a review of the Company's business policies and practices, management and corporate matters, a verification and evaluation of assets and a determination of the existence of liabilities. In addition, our examination included tests to provide reasonable assurance that the Company, if licensed, would be in compliance with applicable laws, rules, and regulations. In planning and conducting our examination, we gave consideration to the concepts of materiality and risk, and our examination efforts were directed accordingly.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**HISTORY**

General:

The Company was incorporated as Thrive Health Plans, Inc., under the laws of the District of Columbia on May 16, 2011. According to its Articles of Incorporation which were reviewed by the Department, the primary purpose for which the Company was formed is to operate a health maintenance organization to arrange for and coordinate the delivery of health care services for Medicaid recipients.

Capital Stock:

The Company's Articles of Incorporation authorize the Company to issue 100,000 shares of common capital stock with a par value of \$0.01 US dollars per share. As of January 31, 2012, the Company has issued all 100,000 of its authorized shares to two of its Directors, Thomas Duncan and Dennis Ellis, in equal ownership amounts of 50,000 shares each.

Management:

The following persons were serving as the Company's Directors as of January 31, 2012:

<u>Name and Address</u>	<u>Principal Occupation</u>
Thomas Michael Duncan, II Bloomfield Hills, MI	President, Frost BPO, LLC
Dennis Sean Ellis Los Angeles, CA	President T.C. Mosby Investments, LLC
Guy Anthony Williams Ozawkie, KS	Physician Emergency Medical Services
Marullus Ajidike Williams Accokeek, MD	Vice President Limbic Systems
Eddie Leon Hall, Jr. Bloomfield Hills, MI	President, Owner Briarwood Ford Dealership

Officer:

The following person was serving as the Company's Officer as of January 31, 2012:

Thomas Duncan	President and Chief Executive Officer
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**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012

Committees:

The Company's Bylaws allow for the designation of one or more of committees of the Board. The Bylaws have established an Audit Committee to be comprised of three or more directors who shall have no relationship with the Company that may interfere with the exercise of his or her independence from management and the Company. The Audit Committee's primary duties and responsibilities are to:

- a) Appoint, determine the compensation of, and oversee the work of the Company's independent auditor,
- b) Monitor the integrity of the Company's financial statements and accounting and financial reporting processes,
- c) Review the adequacy and effectiveness of the Company's systems of internal accounting and financial controls,
- d) Review the annual independent audit of the Company's financial statements, and
- e) Provide an avenue for open communication among the independent auditor, management, and the Board of Directors.

Conflicts of Interest:

Directors and Officers of the Company have completed conflict of interest questionnaires. Our review of the questionnaires disclosed no reported conflicts. Furthermore, our examination did not disclose any conflicts of interest that would adversely affect the Company.

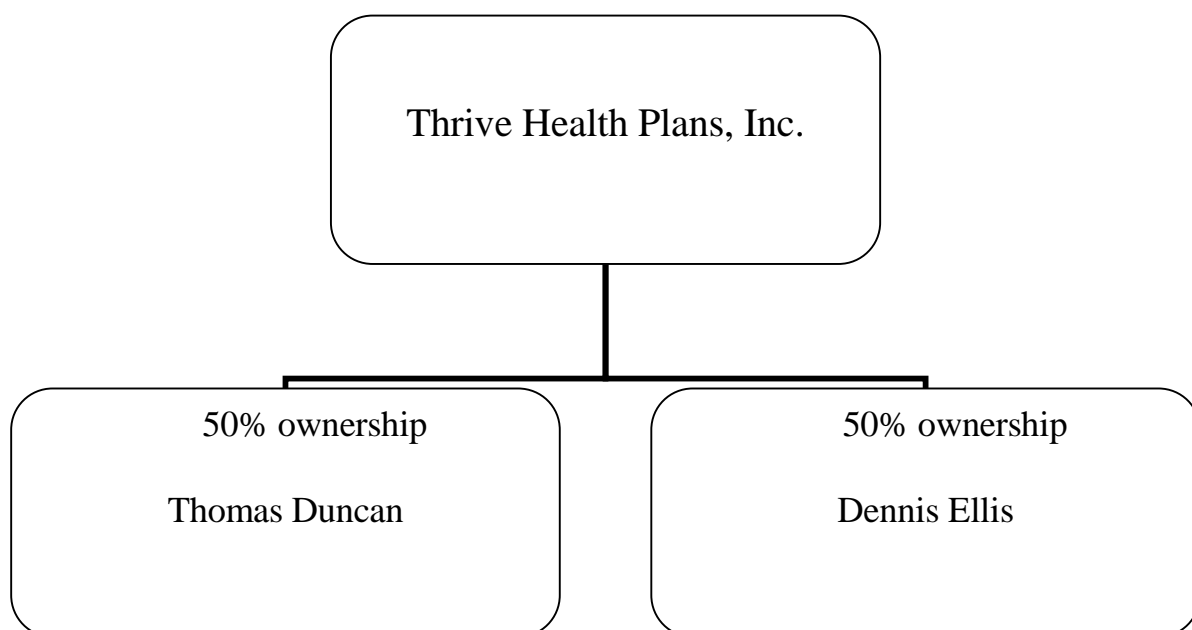
Corporate Records:

The Company's Board of Directors has not held any meetings. There are five initial directors listed in the Articles of Incorporation. One of the directors has since resigned and a replacement has been named. These Directors will serve until the first annual meeting of shareholders or until their successors are elected and qualified.

**AFFILIATED COMPANIES/INTER-COMPANY AGREEMENTS**

The Company's is not part of a holding company system and therefore, there are no affiliated companies and no inter-company agreements.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**ORGANIZATIONAL CHART**



**FIDELITY BOND AND OTHER INSURANCE**

Upon execution of a signed contract with the District of Columbia to transact business as a health maintenance organization, the Company's insurance intermediary will give the order to bind coverage with an A rated insurer on behalf of the Company for the following lines of coverage and limits:

<u>Lines</u>	<u>Limits</u>
Workers Compensation	\$ 500,000
Crime EPLI & Cyber Liability	10,000,000
Umbrella	5,000,000
Directors and Officers	4,000,000
Professional Liability (E&O)	3,000,000

The proposed policy limits of the crime (fidelity) coverage would satisfy the amount recommended by the National Association of Insurance Commissioners.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**STATUTORY DEPOSIT**

Pursuant to District of Columbia Code 31-3412(b), the Company is required to maintain a deposit of \$300,000 with the District of Columbia Insurance Commissioner, as trustee, in trust for the subscribers and creditors of the Company, for the purposes of paying the obligations related to the Company in the District of Columbia. The Company must satisfy this requirement prior to commencing business. See the Comments and Recommendations Section of this Report for further discussions.

**TERRITORY AND PLAN OF OPERATION**

Once licensed, the Company intends on providing a managed care delivery system to the Department of Health, Medical Assistance Administration (MAA) Medicaid eligible population enrolled in the District of Columbia Healthy Families Program (DCHFP) and to its District of Columbia Health Care Safety Net Program (Alliance). With the foregoing in mind, the Company does not employ sales techniques; rather its members shall be enrolled through the DCHFP and Alliance programs.

The Company's staff will include at least the Plan President, Medical Director, Director of Provider Relations and community relations staff at its home office. Currently the Company has no staff and will have to recruit for all positions.

**REINSURANCE**

The Company has a Letter of Intent from Presidio Excess Insurance Services, Inc., to provide a quotation of reinsurance coverage to the Company for Medicaid HMO members in the District of Columbia. The proposed effective date is January 1, 2013, subject to negotiation of rates and terms. The offer of coverage by Presidio is contingent upon the Company receiving regulatory approval to operate in the District of Columbia. The letter states that coverage may include provisions such as: retention of \$150,000 and a maximum per member per year of \$2,000,000.

The Company does not anticipate entering into assumption reinsurance agreements.

**ACCOUNTS AND RECORDS**

The Company intends to purchase and utilize two primary management information systems: Plexis Claims Management software ("PCM") and Great Plains financial software. PCM will be utilized for electronic data interfacing with the District, membership enrollment, member and customer service, referrals and authorizations, pharmacy benefit management, provider contract management, premium billing (when required), and claims adjudication and payment. Great Plains financial software will be utilized for financial reporting, day-to-day accounting, payroll processing, and quarterly financial statements.



**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012

**FINANCIAL STATEMENTS**

The following financial statements reflect the financial condition of the Company as of January 31, 2012, as determined by this organizational examination (**NOTE 1**):

<u>STATEMENT</u>	<u>PAGE</u>
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Liabilities, Surplus and Other Funds	7
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The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS**

**ASSETS**

Assets

Cash	\$ <u>1,725,723</u>
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<b><u>Total Assets</u></b>	<b><u>\$1,725,723</u></b>
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**LIABILITIES, CAPITAL AND SURPLUS**

Liabilities

Total Liabilities	\$ <u>0</u>
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Capital and Surplus

Common Capital Stock	1,000
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Paid-In and Contributed Surplus	1,749,000
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Unassigned Surplus	<u>(24,277)</u>
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Total Capital and Surplus	<u>1,725,723</u>
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<b><u>Total Liabilities, Capital and Surplus</u></b>	<b><u>\$1,725,723</u></b>
------------------------------------------------------	---------------------------

**Thrive Health Plans, Inc.**  
 Report on Organization Examination  
 January 31, 2012  
**SUMMARY OF OPERATIONS**  
**FOR THE ORGANIZATIONAL DATE ENDED JANUARY 31, 2012**

**Income**

Interest Earned		<u>\$1,930</u>
Total Income		1,930
Expenses		
Consulting fees	\$17,500	
Website design	4,870	
Travel	2,479	
Other miscellaneous	<u>1,358</u>	
Total Expenses		<u>26,207</u>
Net Income		<u>(\$24,277)</u>

**RECONCILIATION OF CAPITAL AND SURPLUS**  
**ENDED JANUARY 31, 2012**

Balance at June 30, 2011	<u>\$1,750,000</u>
Income June 30, 2011 to January 31, 2012	<u>1,930</u>
Operating expenses June 30, 2011 to January 31, 2012	<u>26,207</u>
Capital and Surplus, January 31, 2012	<u>\$1,725,723</u>

**ANALYSIS OF EXAMINATION CHANGES TO SURPLUS**

There were no changes to the Company's surplus as a result of the examination.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**NOTES TO FINANCIAL STATEMENTS**

Net Worth, Feasibility and Risk-Based Capital Standards:

Chapter 34 (“HEALTH MAINTENANCE ORGANIZATIONS”) of Title 31 (“Insurance and Securities”) of the District of Columbia Official Code requires the Company to have an initial net worth of \$1,500,000.

Chapter 34 of Title 31 of the District of Columbia Code requires that the Company submit to the Department a financial feasibility plan which includes detailed enrollment projections, the methodology for determining dues to be charged during the first 12 months of operations certified by an actuary, a projection of balance sheets, cash flow statements, income and expense statements anticipated from the start of operation until the Company has had net income for at least 1 year, and a statement as to the sources of working capital as well as any other sources of funding.

In addition, Chapter 38b (“RISK-BASED CAPITAL”) of Title 31 of the District of Columbia Official Code requires the Company to maintain statutory capital and surplus levels as determined in accordance with the applicable risk-based capital formulas.

As of the date of our organizational examination, the Company meets the requirements of the aforementioned provisions of the District of Columbia Official Code.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**COMMENTS AND RECOMMENDATIONS**

Statutory Deposits:

District of Columbia Official Code 31-3412(b) requires the Company to deposit with the Commissioner, or any organization or trustee acceptable to the Commissioner, cash, securities, or any combination of these that shall have a value of not less than \$300,000. As of the date of this report the Company had not established the required deposit. **The Company is required to take the necessary steps to establish the statutory deposit prior to commencing business.**

Grievance Procedures and Quality Assurance Program

District of Columbia Official Code 31-3402(d)(11) requires that the Company provide a description of the internal grievance procedures to be utilized for the investigation and resolution of enrollee complaints and grievances and Official Code 31-3402(d)(12) requires that the Company provide a description of the proposed quality assurance program, including the formal organizational structure, methods for developing criteria, procedures for comprehensive evaluation of the quality of care rendered to enrollees, and processes to initiate corrective action and reevaluation when deficiencies in provider or organizational performance are identified. As of the date of the examination, the Company had not submitted the aforementioned information to the Department. District of Columbia Official Code 31-3402(e)(1) allows for the Company to submit the proposed internal grievance procedures and proposed quality assurance program subsequent to receiving its certificate of authority. **However, the Company is advised that the Company is required to submit the information for review by the Department at the time of the Department's next succeeding site visit.**

Additional Comments and Recommendations:

The Company must meet the following additional conditions and requirements:

1. Must file Quarterly Financial Statements.
2. Must file reports on D.C. Escheatable Property, as required by Chapter 2 of Title 42 of the District of Columbia Related Laws to the Insurance Code.
3. Must prepare an Annual Audited Report in accordance with the statutory accounting practices as required by the District of Columbia Code, § 31-303.
4. Must file an Annual Actuarial Opinion on the Company's reserves.
5. Must maintain its principal office, books, records and files within the District in accordance with §31-3431, and shall not remove from the District either its principal office, books, records, or files without the permission of the Commissioner.

The above stated requirements are not all inclusive and the Company will have additional regulatory and compliance requirements, which must also be satisfied.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012

**CONCLUSION**

Our organizational examination disclosed that as of January 31, 2012, the Company had:

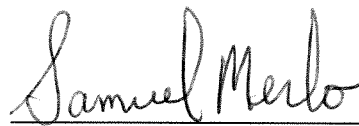
Admitted Assets	<u>\$ 1,725,723</u>
Liabilities	<u>\$ 0</u>
Common Capital Stock	1,000
Gross Paid In and Contributed Surplus	1,749,000
Unassigned Funds (Surplus)	<u>(24,277)</u>
Surplus as regards policyholders	\$ 1,725,723
Total Liabilities and Surplus	<u>\$ 1,725,723</u>

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company at January 31, 2012. The Company has requested an original certificate of authority to establish and operate a health maintenance organization in accordance with Title 31, Chapter 34 ("Health Maintenance Organizations") of the District of Columbia Official Code. Based on our examination, the Company meets the minimum net worth requirements of Section 31-3412 of the District of Columbia Official Code and is entitled to the issuance of a certificate of authority to establish and operate a health maintenance organization.

**Thrive Health Plans, Inc.**  
Report on Organization Examination  
January 31, 2012  
**SIGNATURES**

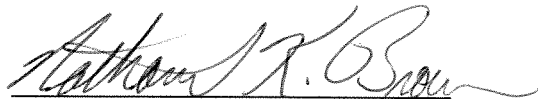
The following undersigned from the District of Columbia Department of Insurance, Securities and Banking participated in certain phases of this examination.

Respectfully submitted,



Samuel Merlo, AFE, CPA  
Examiner-In-Charge  
District of Columbia Department of  
Insurance, Securities and Banking

Under the Supervision of,



Nathaniel Kevin Brown, CFE, CPA  
Chief Financial Examiner  
District of Columbia Department of  
Insurance, Securities and Banking