



**Government of the District of Columbia
Department of Insurance, Securities and Banking**

**Stephen C. Taylor
Commissioner**

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

**Re: Report on Organization Examination – WellCentric Health Group DC Company as of
December 19, 2018**

ORDER

An Organization Examination of **WellCentric Health Group DC Company** as of December 19, 2018 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 30th day of January 2019, 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 Company 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.



Stephen C. Taylor
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND
BANKING



REPORT ON ORGANIZATION EXAMINATION

WELLCENTRIC HEALTH GROUP DC COMPANY
DBA WELLCENTRIC D.C.

AS OF

DECEMBER 19, 2018

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WellCentric Health Group DC Company
Report on Organization Examination
December 19, 2018

Washington, D.C.
December 19, 2018

Honorable Stephen C. Taylor
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
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

WELLCENTRIC HEALTH GROUP DC COMPANY

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

SCOPE OF EXAMINATION

This was an organization examination as of December 19, 2018 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.

WellCentric Health Group DC Company

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December 19, 2018

HISTORY

General:

The Company was incorporated as WellCentric Health Group DC Company, under the laws of the District of Columbia on September 18, 2018. 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, as defined under D.C. Official Code § 31-3401(21), to arrange for and coordinate the delivery of health care services.

Capital Stock:

The Company's Articles of Incorporation authorized the Company to issue 1,500 shares of common capital stock with a par value of \$50.00 per share. As of December 19, 2018, the number of shares outstanding was 1,500. These shares had an aggregate par value of \$50, and were all issued to the Company's parent, WellCentric Health Group, Inc. The amount of gross paid in and contributed surplus is \$1,425,000.

Management:

The following persons were serving as the Company's Directors as of December 19, 2018:

<u>Name and Address</u>	<u>Principal Occupation</u>
Christopher Pirtle Silver Spring, MD	Managing Director, Registered Agent Peake Financial Wealth Management
Robin Pirtle Silver Spring, MD	Secretary and Chief Quality Officer WellCentric Health Group DC Company
Ghebre E. Tzeghai Wyoming, OH	Chief Executive Officer Summit Innovation Labs
Aida T. Asmelash Chevy Chase, MD	Medical Doctor Harvard School of Public Health

Officers:

The following person was serving as the Company's Officer as of December 19, 2018:

Felicia Y. Benjamin	President and Chief
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	Executive Officer
Margaretia L. Jackson	Chief Medical Officer and Senior Vice President of Medical Services
Robin A. Preston	Chief Operating Officer
Robin L. Pirtle	Secretary and Chief Quality Officer
Christopher M. Pirtle	Treasurer
Khalil J. Bouharoun	Chief Information Officer
Stella E. Dadson	Senior Vice President – Administrative Services

Committees:

The Company's Bylaws allow for the Board of Directors to create an Executive Committee and other committees of the board and appoint members of the Board of Directors to serve on them. The creation of a committee of the board and appointment of members to it must be approved by a majority of all the Directors in office when the resolution is adopted.

The Company's holding company, WellCentric Health Group, Inc., established an Audit Committee to be comprised of three or more Directors and at least one third of the Directors 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 did not disclose any conflicts of interest that would adversely affect the Company.

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Corporate Records:

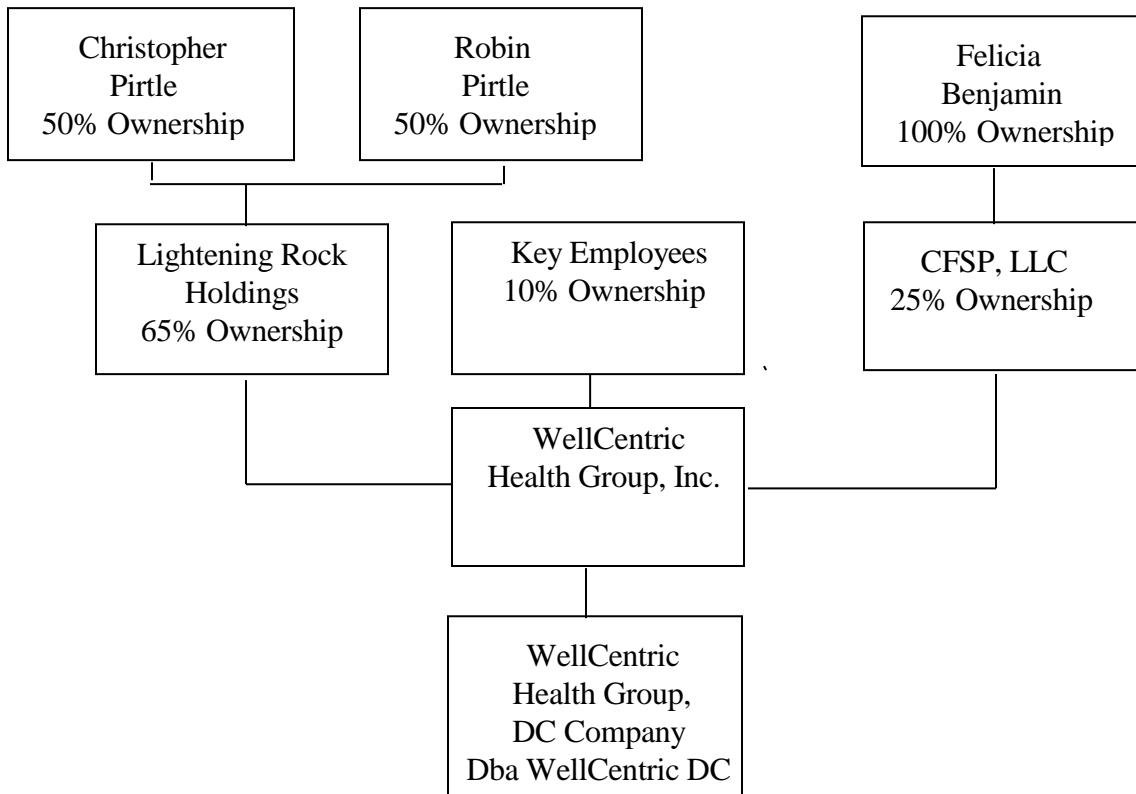
We reviewed the minutes of the organizational meeting of Board of Directors for the period under examination. Based on our review, it appeared that the minutes documented the Company's significant transactions and events, and that the directors approved those transactions and events.

AFFILIATED COMPANIES/INTER-COMPANY AGREEMENTS

The Company is part of a holding company system and there are affiliated companies and there are no inter-company agreements with the Company.

The Company is a wholly-owned subsidiary of WellCentric Health Group, Inc. WellCentric Health Group, Inc. is a holding company domiciled in Delaware. WellCentric Health Group, Inc. is owned by Lightning Rock Holdings with 65% of ownership and CFSP, LLC has 25% of ownership. The other 10% of ownership will be held by individual employees of the Company contingent upon fulfilling vesting requirements. Christopher and Robin Pirtle have 100% ownership of Lightning Rock Holdings, and Felicia Benjamin has 100% ownership of CFSP, LLC.

ORGANIZATIONAL CHART



WellCentric Health Group DC Company

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STATUTORY DEPOSIT

Pursuant to D.C. Code § 31-3412(b), the Company maintains 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 deposit was confirmed from the records of Eagle Bank on January 29, 2019.

TERRITORY AND PLAN OF OPERATION

Once licensed, the Company intends on providing a managed care delivery system to the Department of Health Care Finance Medicaid Managed Care market, 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), and the immigrant Children's Program (ICP). With the foregoing in mind, the Company does not employ sales techniques; rather its members shall be enrolled through the DCHFP, Alliance programs, and immigrant Children's Programs.

The Company intends to commence operations consistent with an office within the District of Columbia staffed to provide, among other managed care activities: Community Relations, Provider Relations, Quality Improvement and Utilization Management. The Company's staff will include at least the President, Medical Director, Chief Operating Officer, Chief Quality Officer, Chief Information Officer, community relations staff, managers, and administrative staff.

REINSURANCE

Once licensed, WellCentric Health Group DC Company will utilize reinsurance to limit its financial risk for low incidence, high cost admission cases, such as high cost transplants and other high cost admissions.

The Company does not anticipate entering into assumption reinsurance agreements.

ACCOUNTS AND RECORDS

The Company's general accounting records will consist of an automated general ledger and various subsidiary ledgers (e.g. cash receipts, cash disbursements). A review did not disclose any significant deficiencies in these records.

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FINANCIAL STATEMENTS

The following financial statements reflect the financial condition of the Company as of December 19, 2018, as determined by this organizational examination (**NOTE 1**):

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The accompanying Notes to Financial Statements are an integral part of these Financial Statements.

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STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS

ASSETS

Assets

Cash	\$ 1,500,000
Investment income due and accrued	<u>-0-</u>
<u>Total Assets</u>	<u>\$ 1,500,000</u>

LIABILITIES, CAPITAL AND SURPLUS

Liabilities

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

Common Capital Stock	75,000
Paid-In and Contributed Surplus	1,425,000
Unassigned Surplus	<u>0</u>
Total Capital and Surplus	<u>1,500,000</u>
<u>Total Liabilities, Capital and Surplus</u>	<u>\$1,500,000</u>

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SUMMARY OF OPERATIONS
FOR THE ORGANIZATIONAL DATE ENDED DECEMBER 19, 2018

Income

Interest Earned	\$ 0
Total Income	0
Expenses	
Total Expenses	<u>0</u>
Net Income	<u>\$ 0</u>

RECONCILIATION OF CAPITAL AND SURPLUS
ENDED DECEMBER 19, 2018

Balance at December 1, 2018	\$ <u>0</u>
Net Income (Loss)	0
Capital Contributions	<u>1,500,000</u>
Net Change in Capital and Surplus	<u>1,500,000</u>
Capital and Surplus, December 19, 2018	<u>\$ 1,500,000</u>

ANALYSIS OF EXAMINATION CHANGES TO SURPLUS

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

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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 DC Official 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 requirement of the aforementioned provisions of the District of Columbia Official Code.

COMMENTS AND RECOMMENDATIONS

Letter of Commitment:

The Company has obtained a letter of commitment to secure \$3 million under a senior secured credit facility with an interest rate of 10% with a one-year term renewable at borrower’s option.

Additional Comments and Recommendations:

The following additional requirements are not a condition of receiving a certificate of authority but are statutory requirements that must be followed by health maintenance organizations operating in the District of Columbia:

1. Pursuant to DC Code § 31-3405(b), the Company must obtain fidelity bond or fidelity insurance on such employees and officers, directors and partners in an amount not less than \$250,000 and not more than \$5,000,000.
2. Pursuant to DC Code § 31-3408.01.1 the Company must file Quarterly/Annual Financial Statements beginning with the quarter the Company is licensed.
3. 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.
4. Must prepare an Annual Audited Report in accordance with the statutory accounting practices as required by the District of Columbia Code, § 31-303.

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5. Must file an Annual Actuarial Opinion on the Company's reserves.
6. Must comply with the Health Organizations RBC requirements of DC Official Code § 31 Chapter 34A.

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

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CONCLUSION

Our organizational examination disclosed that as of December 19, 2018, the Company had:

Admitted Assets	<u>\$ 1,500,000</u>
Liabilities	<u>\$ 0</u>
Common Capital Stock	75,000
Gross Paid In and Contributed Surplus	1,425,000
Unassigned Funds (Surplus)	<u>0</u>
Surplus as regards policyholders	\$ 1,500,000
Total Liabilities and Surplus	<u>\$ 1,500,000</u>

Based on our examination, the accompanying balance sheet properly presents the statutory financial position of the Company at December 19, 2018. 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 requirement 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.

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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