

EXAMINATION REPORT OF  
HARVESTPLAINS HEALTH OF IOWA  
DES MOINES, IOWA  
AS OF DECEMBER 31, 2017

Des Moines, Iowa  
April 17, 2019

HONORABLE DOUG OMMEN  
Commissioner of Insurance  
State of Iowa  
Des Moines, Iowa

Commissioner Ommen:

In accordance with your authorization and pursuant to Iowa statutory provisions, an examination has been made of the records, business affairs and financial condition of

HARVESTPLAINS HEALTH OF IOWA

DES MOINES, IOWA

AS OF DECEMBER 31, 2017

with the Home Office located at 33820 Weyerhaeuser Way South, Federal Way, Washington, 98001.

INTRODUCTION

HarvestPlains Health of Iowa, hereinafter the "Company", was incorporated in March 2015 and not subject to any prior financial examination. The examination reported herein was conducted solely on behalf of the Iowa Insurance Division.

SCOPE OF EXAMINATION

This is the regular comprehensive examination of the Company covering the period from March 18, 2015 to the close of business on December 31, 2017, including any material transactions and/or events occurring and noted subsequent to the examination period up to and including the date of this report.

The examination was conducted in accordance with the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (the Handbook). The Handbook requires the examination to be planned and performed 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 risks within the organization, and evaluating operational and system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions, as well as applicable domestic state regulations.

All accounts and activities of the organization were considered in accordance with the risk-focused examination process. The Company's assets were examined and evaluated and the liabilities determined to reflect herein a statement of its financial condition as of December 31, 2017.

HISTORY

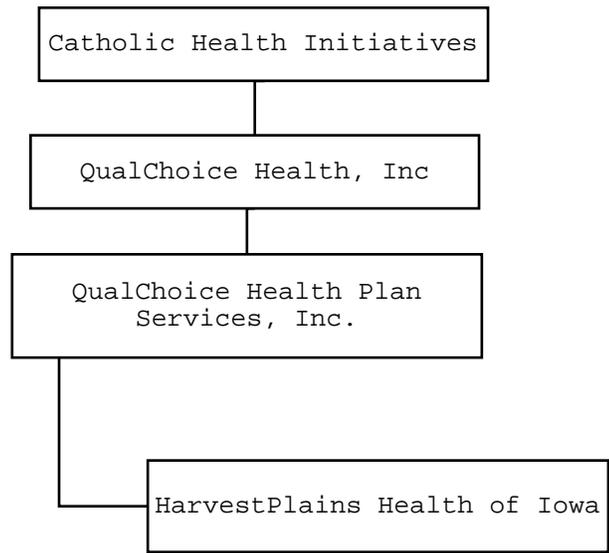
The Company was incorporated on March 18, 2015 as a health maintenance organization under Code Chapters 490 and 514B. On January 1, 2016, the Company contracted with the Centers for Medicare and Medicaid Services to provide Medicare Advantage benefits to eligible individuals in the Company's service area. Effective January 1, 2017, the Company ceased writing insurance business.

CAPITAL STOCK

The Company did not report any capital stock as of December 31, 2017.

INSURANCE HOLDING COMPANY SYSTEM

The Company is a member of a Holding Company System as defined by Chapter 521A, Code of Iowa. The Company's ultimate parent company is Catholic Health Initiatives ("CHI"). CHI is a nation-wide Catholic sponsored non-profit organization that operates healthcare and provider entities. An abbreviated organizational chart is as follows:



MANAGEMENT AND CONTROL

MEMBERSHIP

The Bylaws state that the sole member of the Corporation shall be QualChoice Health Plan Services, Inc. The time, place, and frequency of meetings of the Corporate Member and notice thereof shall be determined by the Corporate Member in accordance with the Revised Iowa Nonprofit Corporation Act. The Corporate Member may appoint directors of the Corporation at the annual meeting of the Corporate Member.

BOARD OF DIRECTORS

The Bylaws state that the business, property, affairs, and funds of the Company shall be managed, supervised, and controlled by the Board of Directors.

The number of directors of the corporation shall be not less than three, with the exact number to be determined from time to time by the Board. No director may serve on the Board for more than a total of five years. The directors shall be appointed by the Corporate Member at the annual meeting of the Corporate Member.

An annual meeting of the Board shall be held in each year and at such time and place as shall be determined by the Board. The annual meeting shall be held for the purpose of nominating and electing officers, recommending individuals for appointment by the Corporate Member to the Board, and the transaction of such other business as may come before the meeting.

The Board shall meet at least four times annually. The Board shall provide, by resolution, the time and place, either within or outside the State of Iowa, for the holding of such regular meetings.

Duly elected and qualified directors serving at December 31, 2017 were:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
Mark Fred Bjornson Salem, OR	CEO, QualChoice Health Plan Services
Charles William Hanson Minneapolis, MN	VP and CFO, QualChoice Health Plan Services
Jennifer Jean Boeff Denver, CO	VP of Customer Business Solutions, Catholic Health Initiatives
Michael Edward Stock Little Rock, AR	President, QualChoice Health Plan Services
David Allen Sorenson Minneapolis, MN	VP of Finance, QualChoice Health Plan Services

#### COMMITTEES

The Bylaws provide that the Board of Directors by resolution may establish committees which shall have the authority of the directors in the management of the business of the Company. The Company established an Audit Committee and the members serving at December 31, 2017 were:

Name  
Charles W. Hanson, Chair  
Mark F. Bjornson  
Christine C. Mullheran  
Jennifer J. Boeff

#### OFFICERS

The officers of the Company shall be a Chairperson of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Treasurer, and a Secretary and such other officers as the Board or the President may from time to time determine. Any two or more offices may be held by the same person, except that the Secretary shall not serve concurrently as the President and the President shall not also serve as Vice President (if any). The election of the officers elected by the Board shall require a majority vote of the Board.

Elected officers serving at December 31, 2017 are as follows:

<u>Name</u>	<u>Title</u>
Steven Charles Schramm	President, Chief Financial Officer, & Treasurer
Mark Fred Bjornson	Chief Executive Officer
David Allen Sorenson	Secretary
William Nathan Young, MD	Chief Medical Officer

The Company's officers are also employees of QCHPS where all of management and administrative functions of the Company are performed through an Administrative Services Agreement.

#### CONFLICT OF INTEREST

The Company has an established procedure for the disclosure to its Board of Directors of any material interest or affiliation on the part of directors, officers and key employees, which is in, or likely to, conflict with the official duties of such person. As of December 31, 2017, all directors and officers have signed conflict of interest disclosures.

#### CORPORATE RECORDS

The amendments made to the Bylaws during the examination period were approved by the board of directors. The recorded minutes of the meetings of the shareholders and the board of directors were read and noted.

The Company did not conduct the required number of Board meetings as set forth in section 5.9.

#### AGREEMENTS

The Company maintained the following agreements during the examination period.

The Company and QHPS entered into an Administrative Services Agreement effective January 1, 2016. Pursuant to the agreement, QHPS provides substantially all of the management and administrative functions of the Company for a fixed rate of total revenue earned by the Company in the current year.

The Company and Mercy Health Network ("MHN") entered into a Physician Hospital Organization Participation Agreement, effective January 1, 2016. Pursuant to the agreement, MHN will provide professional health care services to the Company's Medicare Advantage ("MA") plans' enrollees ("Enrollees") and is reimbursed a percentage of the Medicare fee schedule. Mercy is affiliated with the Company through the ultimate corporate parent, CHI, CHI controls and indirectly owns 50 percent of MHN.

In addition, a Delegation Agreement between the Company and Catholic Health Initiatives - Iowa, Corp. dba Mercy Medical Center - Des Moines (fka Mercy Hospital Medical Center, Des Moines, Iowa) ("Mercy"), was entered into, effective January 1, 2016, pursuant to which Mercy will provide delegated activities/retained activities/reports credentialing/re-credentialing to the Company. Mercy is affiliated with Registrant through the ultimate corporate parent, CHI.

The Company and Dallas County Hospital, a health care system, on behalf of its affiliated physician groups ("DCH"), entered into a Hospital Participation Agreement, effective January 1, 2016. Pursuant to the agreement, DCH provides health care services to Enrollees and is reimbursed a percentage of the Medicare fee schedule. DCH is affiliated with Registrant through the ultimate parent, CHI. DCH is a subsidiary of a joint-venture, MHN, which CHI controls and indirectly owns 50 percent of. CHI does not control or operate DCH.

The Company and West Lakes Surgery Center ("WLSC") entered into an Ancillary Provider Participation Agreement effective January 1, 2016 pursuant to which WLSC provides health care services to Enrollees and is reimbursed a percentage of the Medicare fee schedule. WLSC is affiliated with Registrant through the ultimate parent, CHI. WLSC is a 50 percent joint-venture of Catholic Health Initiatives Iowa, Corp. dba Mercy Medical Center - Des Moines, which is a direct affiliate of CHI.

#### FIDELITY BOND AND OTHER INSURANCE

The Company is protected by a crime coverage policy up to \$25,000,000. The other interests of the Company are adequately protected through coverages with policies in force with admitted insurers.

#### EMPLOYEE WELFARE

The Company does not have any employees. All employees are part of the Management and Administrative Services Agreement with QCHPS.

#### CONTRACTUAL DEPOSIT

The Company held no restricted assets at December 31, 2017.

#### TERRITORY AND PLAN OF OPERATION

On January 1, 2016, the Company contracted with the Centers for Medicare and Medicaid Services ("CMS") to provide Medicare Advantage benefits to eligible individuals in the Company's service area. The Company entered the Medicare Advantage market in Dallas, Polk, and Warren counties. The Company provides preventative care, disease management, and wellness programs for its Medicare Advantage participants. The Company manages health care costs through a combination of contracting for care with selected providers and medical management processes. The Company's contracts with providers include hospital agreements in which hospitals or health care systems provide medical and related health care items and services to its Medicare Advantage members. The Company has ancillary agreements where organizations provide durable medical equipment, clinical laboratory, physical therapy, or other ancillary health services and supplies and possessing all necessary licenses, permits, and certifications required by law. The Company has physician group agreements which provide and/or arrange for the provision of medical and related health care services to its Medicare Advantage members. The Company receives all of its premium revenue from either CMS or its members under the CMS contract. Effective January 1, 2017, the Company ceased writing insurance business.

#### GROWTH OF COMPANY

The following comparative data reflects the growth of the Company during the previous two-year period based on the Company's filed annual statements:

	<u>Admitted Assets</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Membership</u>
2015	\$ 3,011,214	\$ 3,006,965	\$	
2016	3,405,918	3,008,753	2,675,374	390
2017	3,244,070	3,078,485	209	

ACCOUNTS AND RECORDS

The figures contained in the Company's annual statement for the years 2015, 2016 and 2017 were found to be in agreement with or reconciled to those recorded in the general ledger for assets, liabilities, income, and disbursement accounts.

SUBSEQUENT EVENTS

Effective January 1, 2017, the Company ceased operations and a dissolution plan was approved by the Board of Directors. During 2018, the Company began working with the Iowa Insurance Division on its dissolution process.

F I N A N C I A L   S T A T E M E N T S

A N D   C O M M E N T S   T H E R E O N

Note: Except as otherwise stated, the financial statements immediately following reflect only the transactions for the period ending December 31, 2017 and the assets and liabilities as of that date.

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

	<u>Assets</u>	<u>Not Admitted</u>	<u>Admitted</u>
Bonds	\$ 3,035,065	\$	\$ 3,035,065
Cash, cash equivalents and short-term investments	113,568		113,568
Investment income due and accrued	13,383		13,348
Net deferred tax asset	4,785		4,785
Health care and other amounts receivable	<u>100,056</u>	<u>22,786</u>	<u>77,270</u>
Total assets	<u>\$ 3,266,857</u>	<u>\$ 22,786</u>	<u>\$ 3,244,070</u>

LIABILITIES, CAPITAL AND SURPLUS

Claims unpaid		\$	0
Unpaid claims adjustment expenses			0
Current federal and foreign income tax payable			50,789
Liability for amounts held under uninsured plans			<u>114,796</u>
Total liabilities		<u>\$</u>	<u>165,585</u>
Common capital stock		\$	0
Gross paid in and contributed surplus			3,000,000
Unassigned funds			<u>78,485</u>
Total capital and surplus		<u>\$</u>	<u>3,078,485</u>
Total liabilities, capital and surplus		<u>\$</u>	<u>3,244,070</u>

STATEMENT OF REVENUE AND EXPENSES

<u>Member months</u>		<u>0</u>
<u>Revenues</u>		
Net premium income	\$ 209	
Total revenues		\$ 209
<u>Hospital and Medical</u>		
Hospital/medical benefits	\$ (89,422)	
Other professional services	(38)	
Emergency room and out-of-area	0	
Prescription drugs	<u>(5,067)</u>	
Total hospital and medical		\$ (94,527)
<u>Administration</u>		
Net reinsurance recoveries		9,920
General administrative expenses		7,047
Total underwriting deductions		(97,400)
Net underwriting gain		\$ 97,610
<u>Investment Income</u>		
Net investment income earned	44,909	
Net realized capital gains or losses	<u>(8,216)</u>	
Net investment gains		<u>36,694</u>
Net gain or loss from agents or premium balances charged off		(1,090)
Net income before federal income taxes		\$ 133,214
Federal and foreign income taxes incurred		<u>45,800</u>
Net income		\$ <u>87,413</u>
<u>CAPITAL AND SURPLUS ACCOUNT</u>		
Capital and surplus, December 31, 2017		\$ <u>3,008,753</u>
<u>Gains and losses to capital and surplus</u>		
Net income		\$ 87,413
Change in net deferred income tax		3,519
Change in nonadmitted assets		<u>21,199</u>
Net change in capital and surplus		\$ <u>69,732</u>
Capital and surplus, December 31, 2017		<u>\$ 3,078,485</u>

CASH FLOW

Cash from operations

Premiums collected net of reinsurance	\$ 1,456	
Net investment income	<u>55,379</u>	
Total		\$ 56,835
Benefits and loss related payments	\$ 185,544	
Commissions and expenses paid	<u>(10,266)</u>	
Total		<u>175,278</u>
Net cash from operations		\$ <u>(118,443)</u>

Cash from Investments

Net cash from investments		\$ <u>(92,273)</u>
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Cash from Financing and Miscellaneous Sources

Cash provided:		
Other cash provided (applied)	<u>(33,139)</u>	
Net cash from financing and miscellaneous sources		\$ <u>(33,139)</u>

Reconciliation of Cash, Cash Equivalents and Short-Term Investments

Net change in cash and short-term investments		\$ (243,855)
Cash and short-term investments:		
Beginning of year		<u>357,423</u>
End of year		<u><u>\$ 113,568</u></u>

CONCLUSION

The cooperation and assistance extended by the officers and employees of the Company during the course of this examination is hereby acknowledged.

In addition to the undersigned, David Palmer, CFE of Lewis & Ellis, Inc. representing the Iowa Insurance Division, participated in the examination and the preparation of this report.

Respectfully submitted,

/s/ Ryne Davison\_\_\_\_\_  
Ryne Davison, CFE  
Examiner in Charge  
Lewis & Ellis, Inc.  
Representing the Iowa Insurance Division

/s/ Daniel Mathis\_\_\_\_\_  
Daniel Mathis, CFE  
Supervisor and Assistant Chief Examiner  
Iowa Insurance Division