

**Report on the Examination**

**As of December 31, 2020**

**Of**

**The Vermont Health Plan, LLC**

**by the**





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**State of Vermont**  
**Department of Financial Regulation**  
89 Main Street  
Montpelier, VT 05620-3101

For consumer assistance:  
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**www.dfr.vermont.gov**

Don George  
President and Chief Executive Officer  
The Vermont Health Plan, LLC  
445 Industrial Lane  
Berlin, VT 05602

#### ORDER OF ADOPTION

In accordance with 8 V.S.A. § 3574 (c), I order that the Report on the Examination of The Vermont Health Plan, LLC for the year ending December 31, 2020 is adopted.

The Company may appeal this order within 30 days of its adoption in accordance with the Vermont Administrative Procedure Act and Department of Financial Regulation Rule 82-1.

A handwritten signature in blue ink, appearing to read "Michael S. Pieciak", written over a horizontal line.

Michael S. Pieciak, Commissioner

3/30/2022

Date



**THE VERMONT HEALTH PLAN, LLC**  
**EXAMINATION REPORT**  
**AS OF DECEMBER 31, 2020**

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February 10, 2022

Michael S. Pieciak, Commissioner  
Department of Financial Regulation  
89 Main Street  
Montpelier, VT 05620-3101

Dear Commissioner Pieciak:

Pursuant to the December 18, 2020 examination order, the Insurance Division's financial examination team has conducted an examination of:

**The Vermont Health Plan, LLC**  
with their statutory home offices located at  
445 Industrial Lane  
Berlin, VT 05602

The examination was performed pursuant to 8 V.S.A. §3563 in order to ascertain the Company's financial condition, ability to fulfill its obligations and compliance with the provisions of Vermont law.



## **SCOPE OF EXAMINATION**

As of December 31, 2020, the financial examination of The Vermont Health Plan, LLC (the Company or TVHP) was performed. The Company's last financial condition examination was as of December 31, 2015 for the previous five-year period.

The examination was conducted pursuant to 8 V.S.A. §3563 and guidance provided by the National Association of Insurance Commissioners (NAIC). The examination covered the period from January 1, 2016 through December 31, 2020. The Department conducted the examination in accordance with NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of TVHP and evaluate system controls and procedures used to mitigate those risks. The examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of TVHP were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following TVHP's financial statements.

This examination report includes significant findings of fact, as mentioned in 8 V.S.A. §3574 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or TVHP.

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**SUMMARY OF SIGNIFICANT FINDINGS**

There were no findings in the prior exam report or the current exam report. There were no adjustments made to the annual statement based on this examination.

**HISTORY**

TVHP was formed in 1996 as a joint venture of the health care delivery system and the health industry in Vermont. The design of the Company's structure was a joint venture limited liability company (LLC) that provided for a mutual reliance on the owner partners, with the hospitals and physicians providing medical delivery and the insurance carrier providing the administrative functions. As part of the transaction in 1996, Blue Cross and Blue Shield of Vermont (BCBS), the insurer, entered into an agreement with two Vermont health care institutions, Fletcher Allen Health Care, Inc. (FAHC), and Comprehensive Health Resources, Inc. (CHRI) (the parent organization of Rutland Regional Medical Center), to jointly establish the Company in order to provide and market managed care products and services. The Hitchcock Partnership (THP) joined as an equity partner in 1998. In 2008, the Company redeemed the full membership interest of the other members (FAHC, CHRI, and THP), leaving BCBS as the sole member owner.

**MANAGEMENT AND CONTROL**

Corporate Records

The Company's headquarters and administrative offices are located in Berlin, Vermont, and the Company maintains its corporate records at this location. The examiners reviewed the Minutes of the Board of Directors of BCBS (where effective corporate oversight is conducted) and determined that the minutes adequately support Company transactions and events.

Board of Managers

Effective corporate oversight for the Company is performed by the Board of Directors of BCBS. A separate Board of Managers is maintained by the Company in order to perform certain

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functions required by statute. The Board of Managers consists of members of management, as shown below.

The following were elected to the Board of Managers of the Company in accordance with the By-Laws and serving as of December 31, 2020:

<u>Name</u>	<u>Residence</u>
Don C. George Blue Cross Blue Shield of Vermont	Vermont
Ruthellen K. Greene Blue Cross Blue Shield of Vermont	Vermont
Dawn A. Schneiderman Blue Cross Blue Shield of Vermont	Vermont

Officers

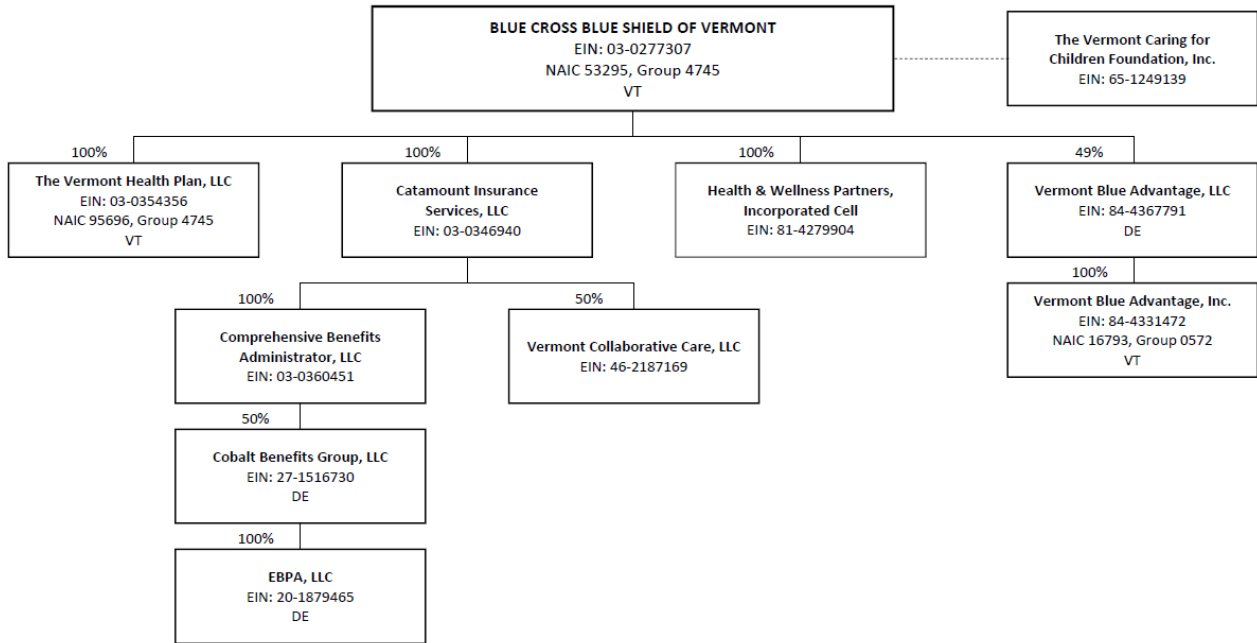
The Officers of the Company as of December 31, 2020 were as follows:

<u>Name</u>	<u>Title</u>
Don C. George	President
Ruthellen K. Greene	Treasurer
Dawn A. Schneiderman	Vice President
Rebecca C. Heintz	Secretary
Alexa McGrath	Assistant Secretary

Organizational Chart

The corporate structure as of December 31, 2020 is as follows:

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Affiliated Companies

- Blue Cross Blue Shield of Vermont (BCBS) – TVHP has no employees and participates in a services agreement with BCBS, where BCBS performs all core services for the Company including all information technology support and systems, all regulatory filings and all compliance requirements to which the Company is subject. In consideration for these services TVHP reimburses BCBS and agreed upon fee based upon the actual direct and indirect costs calculated by BCBS’ accounting system.
- Health & Wellness Partners (HWP) – an incorporated cell of BCS Re, Inc. (a Vermont captive insurance company) of which BCBS has a 100% interest. HWP reinsures certain medical stop loss risks of BCBS as BCBS provides this coverage for its customers as a group rather than the current partially self-funded or fully insured arrangements. HWP also cedes certain risks to TVHP under an Aggregate Reinsurance treaty, see “Reinsurance” section.



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**TERRITORY AND PLAN OF OPERATIONS**

The Company is licensed only in the State of Vermont and offers Health Maintenance Organization (HMO) and Point of Service (POS) products to large group customers, as well as Medicare Supplemental products to qualified individual customers.

**REINSURANCE**

The Company has excess of loss reinsurance in place to provide protection against large losses from any one member.

In addition, the Company has issued a reinsurance policy to Health and Wellness Partners, I.C. (HWP) whereby TVHP agrees to reinsure HWP for losses in excess of 125% of its expected claims. In this instance, expected claims refers to the stop loss risk ceded from BCBS for amounts above the employer groups' stop loss levels up to \$250,000 per individual. There is no reimbursement limit to the policy.

**FINANCIAL STATEMENTS**

The following statements are based on the statutory financial statements filed by TVHP with the Vermont Department of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2020.

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Statement of Admitted Assets

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Bonds	\$ 20,370,303	\$ -	\$ 20,370,303
Stocks			
Common stocks	1,005,473	-	1,005,473
Cash, cash equivalents and short-term investments	18,435,655	-	18,435,655
Investment income due and accrued	103,512	-	103,512
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	40,767	9,574	31,193
Reinsurance:			
Other amounts receivable under reinsurance contracts	16,955	-	16,955
Totals	<u>\$ 39,972,665</u>	<u>\$ 9,574</u>	<u>\$ 39,963,091</u>

Statement of Liabilities

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$ 3,016,800	\$ 303,400	\$ 3,320,200
Unpaid claims adjustment expenses	340,400	34,600	375,000
Aggregate health policy reserves	864,000	-	864,000
Premiums received in advance	140,588	-	140,588
General expenses due or accrued	179,244	-	179,244
Amounts due to parent, subsidiaries and affiliates	2,316,781	-	2,316,781
Total liabilities	<u>\$ 6,857,813</u>	<u>\$ 338,000</u>	<u>7,195,813</u>
Gross paid in and contributed surplus	XXX	XXX	1,538,687
Unassigned funds (surplus)	XXX	XXX	<u>31,228,591</u>
Total capital and surplus	XXX	XXX	<u>32,767,278</u>
Total liabilities, capital and surplus	XXX	XXX	<u>\$ 39,963,091</u>

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Statement of Revenues and Expenses

	<u>Uncovered</u>	<u>Total</u>
Member months	XXX	129,048
Total revenues	XXX	\$ 28,970,646
<b>Hospital and Medical:</b>		
Hospital/medical benefits	\$ -	15,148,501
Outside referrals	39,100	39,100
Emergency room and out-of-area	1,781,069	4,762,787
Prescription drugs	-	917,991
Subtotals	1,820,169	20,868,379
<b>Less:</b>		
Net reinsurance recoveries	-	(10,990)
Total hospital and medical	1,820,169	20,879,369
Claims adjustment expenses	-	3,024,188
General administrative expenses	-	3,341,763
Increase in reserves for life and accident and health contracts	-	864,000
Total underwriting deductions	<u>\$ 1,820,169</u>	<u>28,109,320</u>
Net underwriting gain	XXX	861,326
Net investment income earned	-	642,206
Net realized capital losses less capital gains tax of \$0	-	(5,064)
Net investment gains	-	637,142
Net income	XXX	<u>\$ 1,498,468</u>

Surplus Account

Capital and surplus prior reporting year	\$ 31,265,521
Net income or (loss)	1,498,468
Change in net unrealized capital gains less capital gains tax of \$0	12,863
Change in nonadmitted assets	(9,574)
Net change in capital and surplus	1,501,757
Capital and surplus end of reporting year	<u>\$ 32,767,278</u>

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**SUBSEQUENT EVENTS**

On March 11, 2020, the World Health Organization declared a worldwide pandemic due to a novel coronavirus outbreak, known as COVID 19. The direct and indirect effects of the pandemic on the financial health and operations of the Company may be material, however, the ultimate impact is not determinable at this time.

**COMMENTS AND RECOMMENDATIONS**

There are no significant findings or financial adjustments as a result of this examination. A Management Letter will be issued to the Board as a result of this exam addressing opportunities for improvement and other items that did not reach a level of significance to warrant inclusion in this report. In such cases, these matters were thoroughly discussed with responsible personnel during the examination.

**CONCLUSION**

In addition to the undersigned Miranda Cloutier, AFE, Robert Crawford, CFE, Adrienne Sulaiman, CFE, Justin Parr, CFE-A, Derek Petersen, CFE, Joanna Latham, AES and Jenny Jeffers, AES also participated in this examination. We wish to express our appreciation to the Officers, Directors, and employees of the Company for the courteous cooperation extended during the course of the examination.

Respectfully submitted,



Karen Ducharme, CPA, CFE  
Director of Company Licensing and Examinations  
Division of Insurance  
Vermont Department of Financial Regulation

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STATE OF VERMONT  
COUNTY OF WASHINGTON

Karen Ducharme, being duly sworn, deposes and says that the foregoing report submitted by her is true to the best of her knowledge and belief.

Subscribed and sworn to before me

This 29<sup>th</sup> day of March, 2022

*Elizabeth R. Sides*

Notary Public

