

# **Report on the Examination**

**As of January 31, 2020**

**of**

**Vermont Blue Advantage, Inc.**

**by the**





**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](http://www.dfr.vermont.gov)

Pamela Getsie, President  
Vermont Blue Advantage, Inc.  
445 Industrial Lane  
Berlin, VT 05641

Dear Ms. Getsie:

#### ORDER OF ADOPTION

Pursuant to and in accordance with the provisions of Title 8, Chapter 101, § 3304, § 3308, § 3573 and § 3574 and Chapter 139, § 5105 of the Vermont Statutes Annotated, and other applicable laws, I do hereby adopt the Report on the Organizational Examination of Vermont Blue Advantage, Inc.

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

Michael S. Pieciak, Commissioner

A handwritten date "3/18/2020" in blue ink, written over a horizontal line.

Date



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January 31, 2020

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

Dear Commissioner Pieciak:

Pursuant to Title 8 V.S.A. § 3308 and the examination order, the Insurance Division's financial examination team has conducted an examination of:

**Vermont Blue Advantage, Inc.**  
with their offices located at  
445 Industrial Lane  
Berlin, VT 05641

The organizational examination was performed to establish whether the Company's capitalization complies with pertinent provisions of Vermont law.



## **SCOPE OF EXAMINATION**

The examination was conducted by the Department of Financial Regulation (the Department) in order to determine that Vermont Blue Advantage, Inc. (hereafter referred to as the Company or VBA) is properly capitalized in accordance with 8 V.S.A. § 3304, § 3308, and §5102b.

## **BACKGROUND & PLAN OF OPERATION**

On October 21, 2019, VBA, a for-profit joint venture of Blue Cross and Blue Shield of Vermont (BCBSVT), a Vermont nonprofit hospital service corporation under 8 V.S.A. chapter 123, and Covantage Health Partners (CHP), a Michigan corporation and wholly owned subsidiary of Blue Cross Blue Shield of Michigan Mutual Insurance Company (BCBCM), filed a petition with the Commissioner for a Certificate of General Good (CGG) to apply for a Certificate of Authority (COA) authorizing it to conduct the business of insurance under 8 V.S.A. § 3301(a) and 8 V.S.A. § 5101. A public hearing was held on December 16, 2019, consistent with the requirements of 8 V.S.A. § 3305. On January 10, 2020 the Commissioner entered an Order granting a Certificate of General Good to the Company. On January 16, 2020 the Company received a Certificate of Incorporation from the Vermont Secretary of State.

VBA will be a wholly owned subsidiary of Vermont Blue Advantage, LLC which, in turn, will be owned by CHP and BCBSVT. VBA intends to focus on providing Medicare Advantage products in Vermont through an HMO and PPO distribution. Since Medicare regulations allow new entities offering Medicare Advantage plans to maintain the star rating of their majority owner, CHP will own 51% of VBA while BCBSVT will own 49%. VBA will offer plan designs tailored to meet the needs of Vermont seniors, and hopes to offer hearing, dental, vision, and meal-delivery services in addition to standard Medicare Benefits. VBA submitted an application to CMS on February 11, 2020 to request approval to offer a Medicare Advantage Organization product to plan members in Vermont effective January 1, 2021. The Company will go through the application process and readiness review by CMS prior to being approved to offer the Medicare Advantage products.

**STOCK ISSUANCE AND CAPITALIZATION**

The Company's Articles of Incorporation authorize the issuance of 2,000,000 shares of common stock with par value of \$1. CHP and BCBSVT contributed \$12,972,000 in paid in capital to capitalize the Company, in proportion to their respective shares. Total Shareholder's equity at January 31, 2020 was \$12,972,000.

Per § 5102b(c)(1) the Company is required to place a statutory deposit with the State that shall have a value of not less than the greater of \$300,000 or 50 percent in an amount calculated in § 5102b(b)(4). The Company is required to make this deposit within 30 days of receiving their COA.

**CONCLUSION**

As a result of this examination, the Department has concluded that the stock issuance and initial capitalization and security deposit of VBA complies with 8 V.S.A. § 3304, § 3308, and § 5102b and the requirements for the issuance of a Certificate of Authority have been met.

Respectfully submitted,

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

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 16<sup>th</sup> day of March, 2020

  
Notary Public  
*my commission expires: 1/31/21*