

EXAMINATION REPORT
of
LifeWorks Advantage, LLC
Glen Allen, Virginia
as of
December 31, 2021

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of LifeWorks Advantage, LLC as of December 31, 2021, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 21st day of December 2022

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
October 14, 2022

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

LIFEWORKS ADVANTAGE, LLC

Glen Allen, Virginia

hereinafter referred to as the Company, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The last examination of the Company was made by representatives of the State Corporation Commission's Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the four-year period from January 1, 2018 through December 31, 2021.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An 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 the Company 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.

The examination report includes significant findings of fact 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 the Company.

HISTORY

The Company was issued a certificate of organization as a limited liability company in the Commonwealth of Virginia on September 1, 2015 and became licensed as a health maintenance organization (HMO) pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on April 27, 2016. On May 17, 2021, the Bureau approved the purchase of Innovative Long Term Care Management, Inc. (ILTCM) by New Enterprise Associates 17, L.P. (NEA 17), a Delaware limited partnership. ILTCM owns 100% of Dominion Care Management Services, LLC (DCMS) which owns 40% of the Company. At December 31, 2021, MFA LifeWorks, LLC (MFA) and DCMS are the sole members of the Company with MFA and DCMS owning 60% and 40%, respectively.

CAPITAL AND SURPLUS

At December 31, 2021, the Company's capital and surplus was \$4,110,384. Capital and surplus was comprised of Gross paid in and contributed surplus of \$3,880,000 and Unassigned funds of \$230,384. Gross paid in and contributed surplus was provided to the Company by MFA and DCMS.

CAPITAL AND SURPLUS REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that an HMO licensed in Virginia shall maintain a minimum net worth in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30 or September 30. Because the sum of the Company's uncovered expenses for the three-month period ending December 31, 2021 was \$753,087 the Company's minimum net worth requirement at December 31, 2021 was \$753,087.

MANAGEMENT AND CONTROL

As of December 31, 2021, the Operating Agreement of the Company provides that MFA and DCMS shall be the sole members and that the business and affairs of the Company will be managed by the Board of Members (the Board). The Board will be comprised of three board members with one appointed by DCMS and two appointed by MFA. Each board member shall serve until they resign, die, become permanently disabled or is removed. The Board may appoint one or more officers as they determine to be necessary or appropriate.

At December 31, 2021, the Board and Officers were as follows:

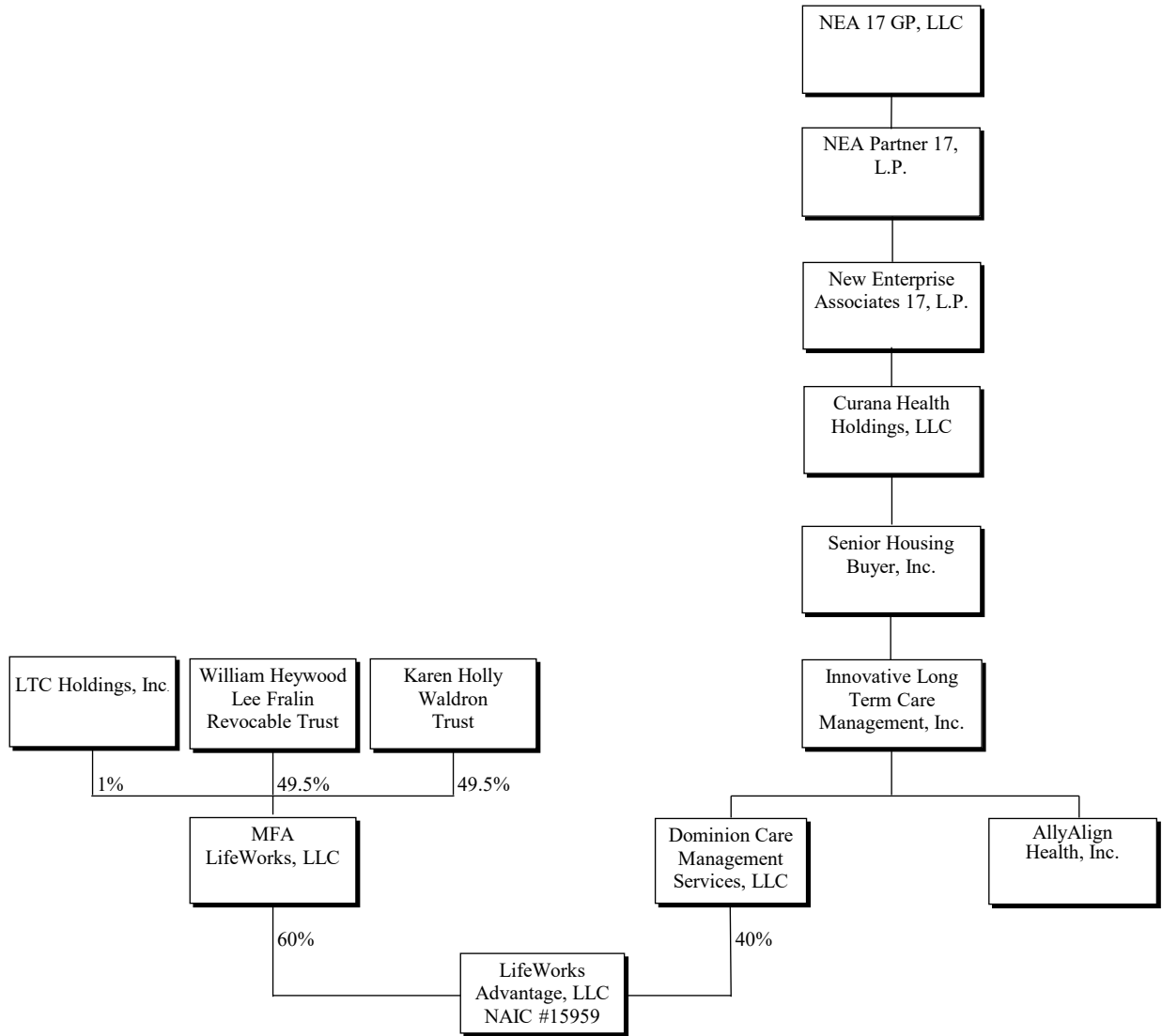
<u>Directors</u>	<u>Principal Occupation</u>
William H. Fralin, Jr.	Chief Executive Officer Medical Facilities of America, Inc. Roanoke, Virginia
Cleopatra Kitt	Senior Operator Medical Facilities of America, Inc. Roanoke, Virginia
Anne P. Rote	President AllyAlign Health, Inc. Richmond, Virginia

Officers

Cleopatra Kitt	Chief Executive Officer
William H. Fralin, Jr.	President
Anne P. Rote	Treasurer
Quinn F. Graeff	Secretary

AFFILIATED COMPANIES

At December 31, 2021, MFA and DCMS are the sole members of the Company with MFA and DCMS owning 60% and 40%, respectively. By virtue of this ownership, the Company is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following chart summarizes the Company's relationship within the holding company system:



TRANSACTIONS WITH AFFILIATES

Management Services Agreement

Effective July 1, 2015, the Company entered into a Management Services Agreement with DCMS. Pursuant to the provisions of the agreement, DCMS shall provide the Company management services that include information systems, financial systems and services, claims administration and premium collection, underwriting and rating, prompt payment of claims, member services, utilization review, quality assurance and improvement, provider network development and management, plan development and administration, and administrative personnel. As compensation for these services, the Company shall monthly pay DCMS 11% of the Company's health plan revenues, exclusive of revenues from the prescription drug benefit, which the Company reimburses DCMS \$25 per member per month. The Company paid DCMS \$2,170,256 in fees related to this agreement in 2021.

Administrative Services Agreement

Effective September 1, 2016, the Company entered into an Administrative Services Agreement with MFA. According to the provisions of the agreement, MFA shall provide certain administrative and consulting services to the Company not included within the scope of the Management Services Agreement. Those services include appointing a Compliance Officer and providing introductory materials to network providers. As compensation, the Company reimburses MFA \$25 per member per month. Beginning September 1, 2020, the Company compensates MFA \$75,000 and \$52,000 annually for the staffing of a Compliance Office and a Member Advocate, respectively. The Company paid MFA \$295,800 in fees related to this agreement in 2021.

Provider Agreements

The Company contracts with several affiliates of Medical Facilities of America, Inc. to provide covered services to its members.

TERRITORY AND PLAN OF OPERATION

At December 31, 2021, the Company's service area included 17 cities and counties in Virginia. The Company contracts with the Centers of Medicare and Medicaid Services (CMS) to provide medical coverage to members who qualify for an Institutional Special Needs Plan (I-SNP). All of the Company's members are Medicare Advantage enrollees in the I-SNP who are residents in a long-term care facility owned and operated by Medical Facilities of America, Inc. The Company receives a monthly capitation fee from CMS based on each member's area of residence and risk classification.

Medical services are provided by physicians in independent practice within the Company's service area. Each member is assigned a primary care physician (PCP) and a nurse practitioner to facilitate care coordination within the long-term care facility.

PROVIDER AGREEMENTS

Medical Services and Hospital Care

The Company has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Company compensates participating physicians in accordance with current Medicare fee-for-service rates. Nurse practitioners are compensated through a capitated rate. Additionally, the Company has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. The Company compensates these hospitals in accordance with current Medicare fee-for-service rates. Facilities where members reside are compensated through a capitated rate.

Other Health Care Services

The Company has entered into various ancillary service agreements to address the health needs of a nursing facility population. These agreements include cardiology, pulmonology, endocrinology, neurology, nephrology, ophthalmology, urology, and gastroenterology.

BENEFITS

The general benefits available to the Company's Medicare Advantage members when provided by PCPs, specialist physicians and other professional providers and approved by the Company are as follows:

1. Physician Services
2. Preventive Care
3. Inpatient Hospital Services
4. Diagnostic, Imaging and Lab Services
5. Vision and Hearing Services
6. Skilled Nursing Facility Services
7. Rehabilitation Services
8. Ambulance Services
9. Emergency Services
10. Mental Health Services
11. Medical Equipment and Supplies

Exclusions generally include any services considered not reasonable and necessary according to the standards of Original Medicare; experimental medical and surgical procedures, equipment and medications; private hospital rooms; private duty nurses; cosmetic surgery; routine dental care; acupuncture; and chiropractic care. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

GROWTH OF THE COMPANY

The following data is representative of the growth of the Company for the seven-year period ending December 31, 2021. The data is compiled from the Company's filed Annual Statements, the previous examination report, and the current examination report.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Total Capital & Surplus</u>		
2015	\$798,000	\$0	\$798,000		
2016	1,883,458	16,516	1,866,942		
2017	3,116,097	1,650,791	1,465,306		
2018	3,893,533	2,041,532	1,852,001		
2019	5,953,238	3,545,862	2,407,376		
2020	7,934,179	4,839,232	3,094,947		
2021	8,838,575	4,728,191	4,110,384		

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gains</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
2015	\$0	\$0	\$0	\$350,000	(\$350,000)
2016	0	0	0	913,058	(913,058)
2017	13,916,699	11,242	11,789,139	2,460,149	(321,347)
2018	17,804,429	18,571	15,292,880	2,924,273	(394,153)
2019	20,072,508	40,700	16,125,150	3,318,031	670,027
2020	21,097,330	31,958	16,976,481	3,205,030	947,777
2021	18,644,471	207	14,438,928	2,980,770	1,224,980

The Company's enrollment data at year-end is illustrated as follows:

<u>Year</u>	<u>Number of Members</u>
2015	0
2016	0
2017	565
2018	754
2019	744
2020	695
2021	605

EXCESS LOSS INSURANCE

Effective January 1, 2021, the Company entered into a Specific Excess Loss Reinsurance Agreement with PartnerRe America Insurance Company (PartnerRe). For eligible expenses in each agreement year, the deductible is \$200,000 per member. Once the deductible has been reached in the agreement year, PartnerRe will reimburse the Company 100% of eligible expenses if the claim is received by PartnerRe by October 1, 2022. If the claim is received after October 1, 2022, PartnerRe will reimburse the Company 50% of eligible expenses. There is no reimbursement maximum per member per agreement year.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2021, the Bureau required the Company to maintain a minimum deposit of \$750,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Company for the period ending December 31, 2021. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2021.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash, cash equivalents and short-term investments	<u>\$6,015,478</u>	<u> </u>	<u>\$6,015,478</u>
Subtotals, cash and invested assets	\$6,015,478	\$0	\$6,015,478
Premiums and considerations:			
Uncollected premiums and agents' balances in the course of collection	329		329
Accrued retrospective premiums and contracts subject to redetermination	1,378,092		1,378,092
Amounts receivable related to uninsured plans	896,541		896,541
Net deferred tax asset	271,388	121,129	150,259
Health care and other amounts receivable	768,915	371,039	397,876
Aggregate write-ins for other than invested assets	<u>44,063</u>	<u>44,063</u>	<u>0</u>
Total assets	<u><u>\$9,374,806</u></u>	<u><u>\$536,231</u></u>	<u><u>\$8,838,575</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$2,740,931	\$0	\$2,740,931
Accrued medical incentive pool and bonus amounts	1,025,273		1,025,273
Unpaid claims adjustment expenses	85,738		85,738
Premiums received in advance	55,445		55,445
General expenses due or accrued		14,602	14,602
Current federal and foreign income tax payable and interest thereon	201,999		201,999
Amounts due to parent, subsidiaries, and affiliates	197,148		197,148
Liability for amounts held under uninsured plans	407,055		407,055
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>\$4,713,589</u>	<u>\$14,602</u>	<u>\$4,728,191</u>
Gross paid in and contributed surplus			\$3,880,000
Unassigned funds (surplus)			<u>230,384</u>
Total capital and surplus			<u>\$4,110,384</u>
Total liabilities, capital and surplus			<u><u>\$8,838,575</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	<u>XXX</u>	<u>\$18,644,471</u>
Total revenues	<u>XXX</u>	<u>\$18,644,471</u>
Hospital and Medical		
Hospital/medical benefits		\$11,785,725
Other professional services		450,631
Emergency room and out-of-area		198,406
Prescription drugs		962,018
Aggregate write-ins for other hospital and medical		176,778
Incentive pool, withhold adjustments and bonus amounts		<u>865,370</u>
Total hospital and medical		\$14,438,928
Claims adjustment expenses	1,035,089	1,035,089
General administrative expenses	<u>1,945,681</u>	<u>1,945,681</u>
Total underwriting deductions	<u>\$2,980,770</u>	<u>\$17,419,698</u>
Net underwriting gain	<u>XXX</u>	<u>\$1,224,773</u>
Net investment income earned		<u>\$207</u>
Net investment gains		<u>\$207</u>
Net income before federal income taxes	XXX	\$1,224,980
Federal income taxes incurred	<u>XXX</u>	<u>235,844</u>
Net income	<u>XXX</u>	<u>\$989,136</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Capital and surplus prior reporting year	<u>\$1,465,306</u>	<u>\$1,852,001</u>	<u>\$2,407,376</u>	<u>\$3,094,947</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS				
Net income (loss)	(\$394,153)	\$670,027	\$814,622	\$989,136
Change in net deferred income tax	0	0	0	271,388
Change in nonadmitted assets	30,848	(114,652)	(127,051)	(245,087)
Surplus adjustments:				
Paid in	<u>750,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net change in capital and surplus	<u>\$386,695</u>	<u>\$555,375</u>	<u>\$687,571</u>	<u>\$1,015,437</u>
Capital and surplus end of reporting year	<u><u>\$1,852,001</u></u>	<u><u>\$2,407,376</u></u>	<u><u>\$3,094,947</u></u>	<u><u>\$4,110,384</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$18,961,102
Net investment income	634
Total	<u>\$18,961,736</u>
Benefit and loss related payments	\$15,142,679
Commissions, expenses paid and aggregate write-ins for deductions	3,081,822
Federal and foreign income taxes paid	167,000
Total	<u>\$18,391,501</u>
Net cash from operations	<u>\$570,235</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$570,235
Cash, cash equivalents and short-term investments:	
Beginning of the year	<u>5,445,243</u>
End of the year	<u><u>\$6,015,478</u></u>

SUBSEQUENT EVENTS

On March 25, 2022, the Bureau approved the purchase of MFA's 60% ownership share in the Company by DCMS. As a result, DCMS will own 100% of the Company. On August 26, 2022, the Bureau approved a \$1,500,000 extraordinary dividend payable to DCMS. The extraordinary dividend was paid on August 31, 2022.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Gerald Hicks, AFE, and Ben MacKercher, CFE, participated in the work of the examination.

Respectfully submitted,

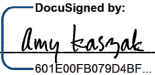
Kenneth G. Campbell

Kenneth G. Campbell, CFE
Assistant Chief Examiner

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I acknowledge receipt of the LifeWorks Advantage, LLC Examination December 31, 201 report received on December 8, 2022.

Name: Amy Kaszak **Signature:**  Chief Executive Officer (CEO) **Date:** 12/20/2022

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