EXAMINATION REPORT
of
LifeWorks Advantage, LLC
Glen Allen, Virginia
as of
December 31, 2017

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

COMMONWEALTH OF VIRGINIA

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

P.O. BOX 1157
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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, 2017, 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 11th day of January 2019

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
October 16, 2018

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

This is the first examination of the Company by representatives of the State Corporation Commission's Bureau of Insurance (Bureau). This examination covers the period from the date of initial licensing through December 31, 2017.

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, 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. At December 31, 2017, MFA LifeWorks, LLC (MFA) and Dominion Care Management Services, LLC. (DCMS) are the sole members of the Company with MFA and DCMS owning 60% and 40%, respectively.

CAPITAL AND SURPLUS

At December 31, 2017, the Company's capital and surplus was $1,465,306. Capital and surplus was comprised of Gross paid in and contributed surplus of $3,130,000 and Unassigned funds of ($1,664,694). 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, 2017 was $501,107 the Company's minimum net worth requirement at December 31, 2017 was $600,000.

MANAGEMENT AND CONTROL

As of December 31, 2017, 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, 2017, the Board and Officers were as follows:

Directors	Principal Occupation
William H. Fralin, Jr.	Chief Executive Officer Medical Facilities of America, Inc. Roanoke, Virginia
Claude Novel Martin, III	Chief Financial Officer Medical Facilities of America, Inc. Roanoke, Virginia
Will F. Saunders	Chief Executive Officer AllyAlign Health, Inc. Richmond, Virginia

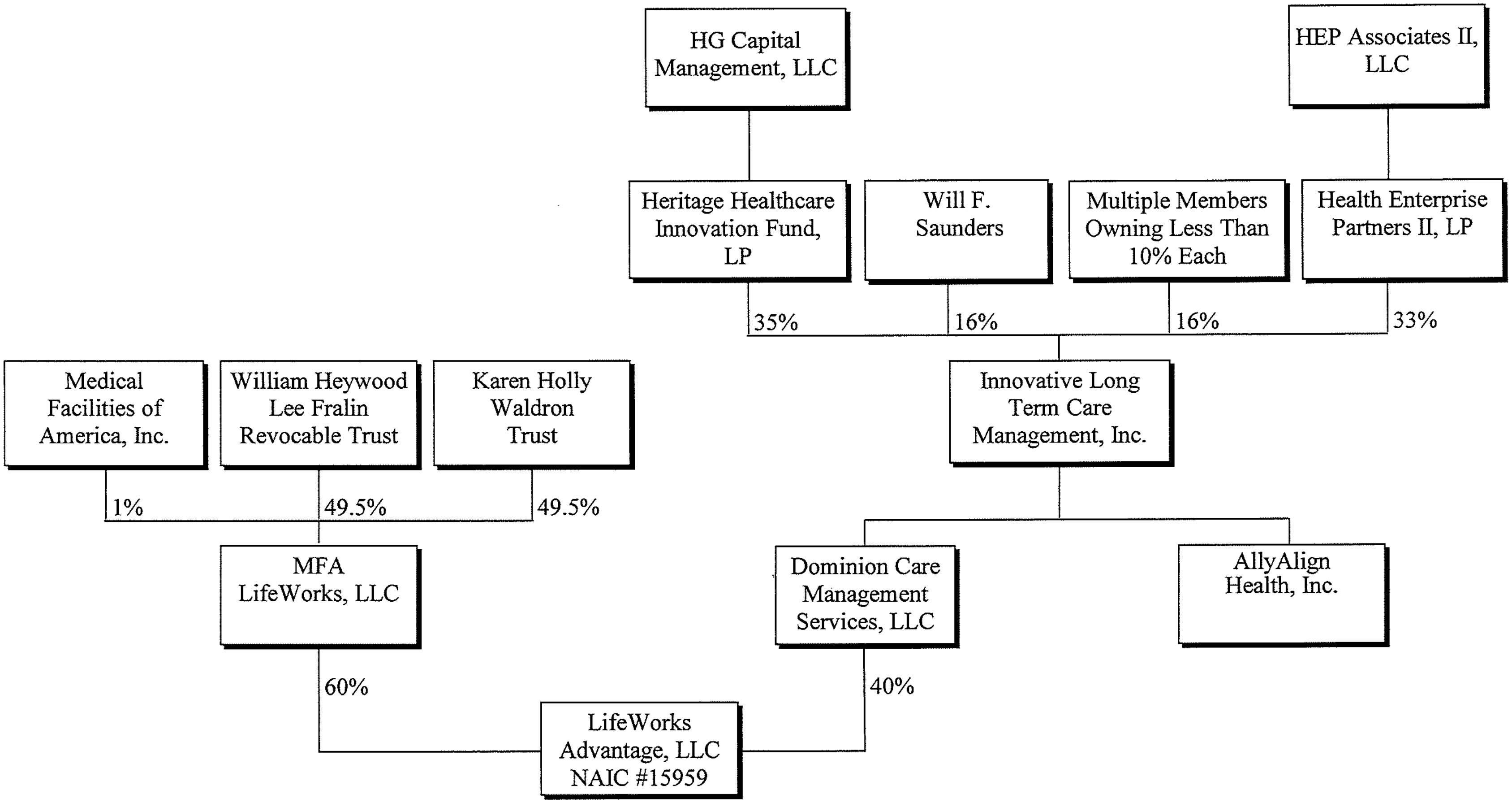
Officers

William H. Fralin, Jr.	President
Will F. Saunders	Treasurer
Quinn F. Graeff	Secretary

AFFILIATED COMPANIES

At December 31, 2017, 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:

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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 pay DCMS 11% of the Company's health plan revenues. The Company paid DCMS $1,821,220 in fees related to this agreement in 2017.

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 Executive Director for the Company and providing introductory materials to network providers. As compensation, the Company reimburses MFA 1% of the Company's health plan revenues. The Company paid MFA $165,613 in fees related to this agreement in 2017.

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, 2017, the Company's service area included 28 cities and counties in Virginia. The Company contracts with the Center 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 three-year period ending December 31, 2017. The data is compiled from the Company's filed Annual Statements and the current examination report.

Year	Total Admitted Assets	Total Liabilities	Total Capital & Surplus
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

Year	Total Revenue	Net Investment Gains	Medical & Hospital Expenses	Administrative Expenses	Pre-Tax Income (Loss)
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)

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

Year	Number of Members
2015	0
2016	0
2017	565

EXCESS LOSS INSURANCE

Effective January 1, 2017, 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 $100,000 per member. Once the deductible has been reached in the agreement year, PartnerRe will reimburse the Company 90% of eligible expenses if the claim is received by PartnerRe by October 1, 2018. If the claim is received after October 1, 2018 PartnerRe will reimburse the Company 50% of eligible expenses up to a maximum of $2,000,000 per member per agreement year.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2017, 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, 2017. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2017.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Cash, cash equivalents and short-term investments	$2,197,339		$2,197,339
Subtotals, cash and invested assets	$2,197,339	$0	$2,197,339
Premiums and considerations:			
Accrued retrospective premiums and contracts subject to redetermination	293,314		293,314
Amounts recoverable from reinsurers	1,795	1,795	0
Amounts receivable related to uninsured plans	310,857		310,857
Receivables from parent, subsidiaries and affiliates	37,600		37,600
Health care and other amounts receivable	329,412	52,425	276,987
Aggregate write-ins for other than invested assets	26,069	26,069	0
Total assets	$3,196,386	$80,289	$3,116,097

LIABILITIES, CAPITAL AND SURPLUS

	Covered	Uncovered	Total
Claims unpaid	$1,256,277	$0	$1,256,277
Accrued medical incentive pool and bonus amounts	59,551		59,551
Unpaid claims adjustment expenses	45,982		45,982
Premiums received in advance	5,423		5,423
General expenses due or accrued	49,090		49,090
Liability for amounts held under uninsured plans	234,468		234,468
Total liabilities	$1,650,791	$0	$1,650,791
Gross paid in and contributed surplus			$3,130,000
Unassigned funds (surplus)			(1,664,694)
Total capital and surplus			$1,465,306
Total liabilities, capital and surplus			$3,116,097

STATEMENT OF REVENUE AND EXPENSES

	Uncovered	Total
Net premium income	XXX	$13,884,357
Change in unearned premium reserves and reserve for rate credits	XXX	32,342
Total revenues	XXX	$13,916,699
Hospital and Medical		
Hospital/medical benefits		$5,515,276
Other professional services		600,809
Emergency room and out-of-area		189,971
Prescription drugs		1,025,305
Aggregate write-ins for other hospital and medical		67,890
Incentive pool, withhold adjustments and bonus amounts		4,391,683
Subtotal		$11,790,934
Less:		
Net reinsurance recoveries		1,795
Total hospital and medical		$11,789,139
Claims adjustment expenses	628,056	628,056
General administrative expenses	1,832,093	1,832,093
Total underwriting deductions	$2,460,149	$14,249,288
Net underwriting loss	XXX	($332,589)
Net investment income earned		$11,242
Net investment gains		$11,242
Net loss before federal income taxes	XXX	($321,347)
Federal income taxes incurred	XXX	0
Net loss	XXX	($321,347)

RECONCILIATION OF CAPITAL AND SURPLUS

	2016	2017
Capital and surplus prior reporting year	$798,000	$1,866,942
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
Net income (loss)	($913,058)	($321,347)
Change in nonadmitted assets		(80,289)
Surplus adjustments:		
Paid in	1,982,000	
Net change in capital and surplus	$1,068,942	($401,636)
Capital and surplus end of reporting year	$1,866,942	$1,465,306

CASH FLOW

Cash from Operations

Premiums collected net of reinsurance	$13,863,276
Net investment income	15,092
Total	$13,878,368
Benefit and loss related payments	$10,804,518
Commissions, expenses paid and aggregate write-ins for deductions	2,756,119
Total	$13,560,637
Net cash from operations	$317,731

Cash from Investments

Proceeds from investments sold, matured or repaid	
Bonds	$770,000
Total investment proceeds	$770,000
Net cash from investments	$770,000

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	$1,087,731
Cash, cash equivalents and short-term investments:	
Beginning of the year	1,109,608
End of the year	$2,197,339

SUBSEQUENT EVENTS

In its June 30, 2018 Quarterly Statement, the Company reported a cumulative year-to-date net loss of $524,450. To fund these losses, on August 14, 2018, MFA contributed capital of $450,000 and on August 16, 2018 DCMS contributed $300,000. These contributions were reported as capital contributions receivable and an admitted asset in the June 30, 2018 Quarterly Statement in accordance with SSAP No. 72, paragraph 8, of the NAIC's Accounting Practices and Procedures Manual.

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, Kevin Knight, CFE, and Ben MacKercher participated in the work of the examination.

Respectfully submitted,

Kenneth G. Campbell

Kenneth G. Campbell, CFE
Assistant Chief Examiner

LifeWorks®
ADVANTAGE

December 7, 2018

David H. Smith
Bureau of Insurance
State Corporation Commission
Post Office Box 1157
Richmond, VA 23218

We are in receipt of the Examination Report of Lifeworks Advantage, LLC for the period ending December 31, 2017. We acknowledge there are no corrective actions included in the report.

We appreciate your review and look forward to working with your team in the future.

Best regards,

Julianne Hug