

**REPORT OF EXAMINATION**

**OF**

**VIVA HEALTH, INC.**

**BIRMINGHAM, ALABAMA**

**AS OF**

**DECEMBER 31, 2016**

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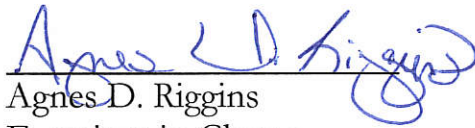
**EXAMINER'S AFFIDAVIT**

**STATE OF ALABAMA  
COUNTY OF JEFFERSON**

Agnes D. Riggins being duly sworn, states as follows:

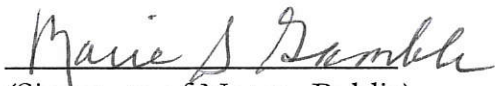
1. I have authority to represent Alabama in the examination of VIVA Health, Inc.
2. Alabama is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination workpapers and examination report, and the examination of VIVA Health, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.

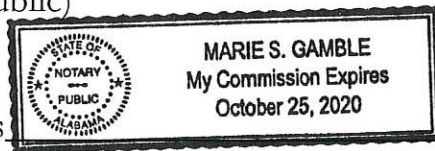
  
\_\_\_\_\_  
Agnes D. Riggins  
Examiner-in-Charge

Subscribed and sworn before me by Agnes D. Riggins on this 25th day of May 2018.

(SEAL)

  
\_\_\_\_\_  
(Signature of Notary Public)

My commission expires





KAY IVEY  
GOVERNOR

JIM L. RIDLING  
COMMISSIONER

STATE OF ALABAMA  
DEPARTMENT OF INSURANCE

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DEPUTY COMMISSIONERS  
CHARLES M. ANGELL  
JERRY WORKMAN

CHIEF OF STAFF  
MARK FOWLER

CHIEF EXAMINER  
RICHARD L. FORD

STATE FIRE MARSHAL  
SCOTT F. PILGREEN

GENERAL COUNSEL  
REYN NORMAN

May 25, 2018

Jim L. Ridling, Commissioner  
State of Alabama  
Department of Insurance  
201 Monroe Street, Suite 502  
Montgomery, Alabama 36104

Dear Commissioner Ridling:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and resolutions adopted by the National Association of Insurance Commissioners (NAIC), an examination has been made of the affairs and financial condition of

**VIVA Health, Inc.**  
**Birmingham, Alabama**

at its home office at 417 20<sup>th</sup> Street North, suite 1100, Birmingham, AL 35203, as of December 31, 2016. The report of examination is submitted herewith.

Where the description "Company" or "VIVA" appears herein, without qualification, it will be understood to indicate VIVA Health, Inc.

## SCOPE OF EXAMINATION

We have performed an examination of VIVA Health, Inc., a single state insurance company. The last examination covered the period of January 1, 2011 through December 31, 2013. The current examination covers the period of January 1, 2014 through December 31, 2016.

The examination was conducted in accordance with applicable statutory requirements of the Code of Alabama, 1975, as amended, the Alabama Insurance Department regulations, bulletins and directives, and in accordance with the procedures and guidelines promulgated by the NAIC, as deemed appropriate, and in accordance with generally accepted examination standards and practices.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the 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. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Code of Alabama, 1975, as amended, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature, are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company's annual statements for each year under examination were compared with or reconciled to the corresponding general ledger account balances.

An examination of the Company's information technology systems (IT) was conducted concurrently with the financial examination. The IT examination included

a review of management and organizational controls, logical and physical security controls, changes in applications controls, system and program development controls, contingency planning controls, service provider controls, operations controls, processing controls, e-commerce controls, and network and internet controls.

A market conduct examination was performed concurrently with the financial examination. The examination included reviews of the Company's territory, plan of operation, claims handling, advertising and marketing, underwriting and rating, policyholders' complaints, producers' licensing and privacy.

PricewaterhouseCoopers, LLP was the Company's certified public accountant (CPA) for all years under examination. The examiners reviewed the CPAs' workpapers, copies of which were incorporated into the examination as deemed appropriate.

A signed letter of representation was obtained at the conclusion of the examination. In this letter, management attested to having valid title to all assets and to the nonexistence of unrecorded liabilities as of December 31, 2016.

## **ORGANIZATION AND HISTORY**

The information contained in this section of the examination report was excerpted from the prior examination report as of December 31, 2013, and updated as appropriate.

The Company was organized as a for-profit stock corporation on February 27, 1995, and commenced business on February 8, 1996.

The Company was certified as a Health Maintenance Organization (HMO), as defined in ALA. CODE § 27-21A-1(7) (1975). The Company was originally incorporated as "HMO Inc." However, its Articles of Incorporation were amended on August 3, 1995, to change the name to current "VIVA Health, Inc."

The Company was formed as a wholly-owned subsidiary of Triton Enterprises, LLC (Triton). Triton was formed, simultaneously with the Company, by the University of Alabama at Birmingham (UAB) (75% owner) and JBL & Company (JBL) (25% owner). During 1996, JBL relinquished its ownership in Triton. Subsequently, the name of Triton was changed to Triton Health Systems, LLC; and it has since been owned 99% by UAB and 1% by the UAB Educational Foundation.

The Company was incorporated with \$100 in authorized capital, which consisted of 10,000 shares of common capital stock with par value of \$0.01 per share. On August 3, 1995, the Company increased its capitalization to \$100,000, which consisted of 10,000 shares of common capital stock with a par value of \$10 per share.

The Company received approval from the Alabama Department of Insurance on December 20, 2011 to convert to an Alabama non-profit corporation, effective January 1, 2012. At December 31, 2016, the Company had no stockholders. The Company's unassigned funds (surplus) was \$97,211,669.

### Line of Business/Operations

At December 31, 2016 the Company's Annual Statement reflected the following:

Line	Premiums Written	Percent of Business
Comprehensive (hospital and medical)	\$110,717,306	17.6%
Title XVIII Medicare	<u>\$517,915,482</u>	<u>82.4%</u>
Total	<u>\$628,632,788</u>	<u>100%</u>

As noted above, 82.4% of the 2016 premiums written was from the Title XVIII Medicare program. Comprehensive (hospital and medical) represented 17.6% of the written premiums.

## MANAGEMENT AND CONTROL

### Members

As of December 31, 2016, Triton Health Systems, L.L.C. (Triton) was the sole member of the Company. Triton is owned 99% by the University of Alabama at Birmingham and 1% by the University of Alabama Educational Foundation, both are not-for-profit entities.

### Board of Directors

Members elected to the Board of Directors of the Company by the sole member and serving at December 31, 2016 were as follows:

Director and Residence  
Arthur Bradford Rollow  
Birmingham, Alabama

Principle Occupation  
President/CEO, VIVA Health, Inc.



Dr. Isaac William Ferniany Birmingham, Alabama	CEO, UAB Health System
Dr. Ray Lannom Watts Birmingham, Alabama	President, University of Alabama at Birmingham
Dr. Selwyn M. Vickers Birmingham, Alabama	Senior VP/Dean, University of Alabama School of Medicine
Nelson Straub Bean Birmingham, Alabama	President/CEO, First Commercial Bank
Glenn Allen Bolton, Jr. Birmingham, Alabama	VP Financial Affairs and Administration University of Alabama at Birmingham
James Louie Cartee, Jr. Birmingham, Alabama	Retired Senior Account Manager, Corporate and Government Customers, Pfizer, Inc.
John Hobson Presley, Jr. Birmingham, Alabama	Partner, Balch & Bingham

### **Officers**

Officers of the Company elected by the Board of Directors and serving at December 31, 2016 were as follows:

<u>Officer</u>	<u>Title</u>
Arthur Bradford Rollow	President/Chief Executive Officer
Glenn Allen Bolton, Jr.	Secretary/Treasurer
Dr. Isaac William Ferniany	Chairman of the Board
Letitia Eubanks Watkins	Chief Financial Officer
Frank Cardwell Feagin, Jr.	Chief Operating Officer
Elizabeth Clayton Yates	Chief Administrative Officer
Tara Bryant, MD	Chief Medical Director
William Doug Cannon	Vice President, Information Systems
Terry Dane Knight	Vice President, Provider Services
Cindy Ryland-Holmes	Vice President, Human Resources
James Wesley Yeatman	Corporate Controller

### **Committees**

As of December 31, 2016, the Company had the following committees that reported to the Board of Directors:

- Audit Committee
- Utilization Management/Quality Improvement Committee

- Credentialing Committee
- Pharmacy & Therapeutics Committee
- Executive Compensation Committee

### **Audit Committee**

The Audit Committee is responsible for overseeing management’s conduct of the Company’s financial reporting process; the integrity of the financial statements and other financial information provided by the Company to regulatory authorities; the Company’s internal accounting and financial controls; the Company’s compliance with legal and regulatory requirements; the performance of the Company’s internal audit function; the independent auditor’s qualifications, performance and independence; and the annual independent audit of the Company’s financial statements.

The following were members of the Audit Committee as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Glenn Allen Bolton, Jr.	Secretary/Treasurer
Nelson Straub Bean	President & CEO, First Community Bank
James Louie Cartee, Jr.	Retired Senior Account Manager Corporate and Government Customers, Pfizer, Inc.
John Hobson Presley, Jr.	Partner, Balch & Bingham

### **Utilization Management/Quality Improvement Committee (UM/QI)**

The Quality Improvement Program serves as a comprehensive planned and systematic process for monitoring and evaluating the quality of care and services rendered within the health care delivery system. The UM/QI Committee serves as a formal mechanism for the health plan to consult with physicians who have agreed to provide services regarding VIVA’s medical policy, quality improvement programs, and medical management procedures. The UM/QI Committee also provides guidance related to performance standards and objectives for the practitioner network. The Committee membership consists of a minimum of three participating provider representatives of specialties relevant to the health plan’s Member demographics (such as family practice, internal medicine, pulmonary medicine, oncology, and behavioral health). Additional specialty or ancillary providers may be appointed as Ad Hoc Voting members as necessary for clinical or specialty issues (e.g., dentists, pharmacists, chiropractors, pharmacist, lab).

The following were members of the Utilization Management/Quality Improvement Committee as of December 31, 2016:

Tara Bryant, MD  
Douglas Alford, MD  
Andrew Duxbury, MD  
Kenneth Elmer, MD

Henry Froshin, MD  
Nathan Smith, MD  
Jefferson Underwood, III, MD

### **Provider Participation Committee**

The Provider Participation Committee, formerly known as the Credentialing Committee, was created as a standing committee of the Company by the Board of Directors and as a subcommittee of the UM/QI committee. The Credentialing Committee's name was changed to Provider Participation Committee in June 2016. This Committee is responsible for making physician and facility credentialing and re-credentialing recommendations to the Board of Directors.

The following were members of the Provider Participation Committee as of December 31, 2016:

<u>Name</u>	<u>Title</u>
Tara M. Bryant, MD	Chairman & Chief Medical Officer
Joshua Carden	Staff Attorney
Carol W. Davis	Executive Director, Provider Engagement & Risk Adjustment
Steve Edge	Supervisor of Provider Development
Susan Evans	Director Medicare Member Services & Enrollment
Teresa Evans	Director of Privacy & Compliance Audit
Lauren Duckworth	Manager of Utilization Review
Marquetter Gardner	Associate Director Member Appeals & Grievances
Terry Knight	VP, Provider Services
Tanya Maddox	Delegated Vendor Oversight Program Manager
Dee Mitchell	Director of Commercial Customer Service
Matthew Peterson	Manager of Compliance

Megan Schrimsher

Associate Director of Provider Network  
Development

Charles Cutcliffe

Director of Compliance

### **Pharmacy & Therapeutics Committee (P&T)**

The Pharmacy & Therapeutics is an advisory group that serves as an advisor and liaison between the health plan and health care providers with regard to the drug evaluation, selection, use and education matters. This Committee is a policy-recommending body for matters related to the therapeutic use of drugs.

The following were members of the Pharmacy & Therapeutics Committee as of December 31, 2016:

Tara Bryant, MD

Frank Malensek, MD

Walter Winn Chatham, MD

Cheryl Mokry, PhD

Kimberly Ferguson, PhD

Mark Todd, PhD

Amita Hazariwala, MD

Cynthia Brown, MD

### **Compensation Committee**

The following were members of the Compensation Committee at December 31, 2016:

<u>Name</u>	<u>Title</u>
Dr. Isaac William Ferniany	CEO, UAB Health System
Nelson Straub Bean	President & CEO, First Commercial Bank
James Louie Cartee, Jr.	Retired Senior Account Manager Corporate and Government Customers, Pfizer, Inc.

### **Conflict of Interest**

The conflict of interest statements filed by the officers, directors and key employees were reviewed for the examination period. There were no material conflicts noted.

### **Dividends to Policyholders**

The Company did not pay dividends to policyholders during the examination period.

### **CORPORATE RECORDS**

The Articles of Incorporation and *By-Laws*, as amended, were inspected during the course of the examination and were found to provide for the Company's operation in accordance with the usual corporate practices and applicable statutes and regulations.

Minutes of meetings of the Stockholders, Board of Directors and committees of the Company were reviewed for the period under examination. The minutes appeared to be complete with regard to recorded actions taken on matters before the respective bodies for deliberation and action.

## **HOLDING COMPANY & AFFILIATE MATTERS**

### **Holding Company Registration**

Effective January 1, 2016, the Company became subject to the Alabama Holding Company Regulation Act as defined by ALA. CODE § 27-29-1 (1975), as amended. The appropriate filings for year ended 2016 were reviewed. The filings included the appropriate disclosures.

### **Dividends to Stockholders**

The Company has no stockholders.

### **Management and Service Agreements**

The Company had no employees during the examination period. It operated under a Management Services Agreement with its parent, Triton Health Systems, LLC (Triton), which was approved by the Alabama Department of Insurance.

The Management Services Agreement was entered into on December 1, 2006 by VIVA Health, Inc. (VIVA) and Triton Health Systems, L.L.C. (Triton). In the Agreement, management services for VIVA including, but not limited to, general management, personnel management, human resources, facility management, purchasing, accounting, finance and legal services, as set forth in Attachment A of the Agreement will be performed by Triton. Notwithstanding the management services furnished by Triton, VIVA shall retain responsibility for ensuring that its activities comply with all applicable statutes and regulations.

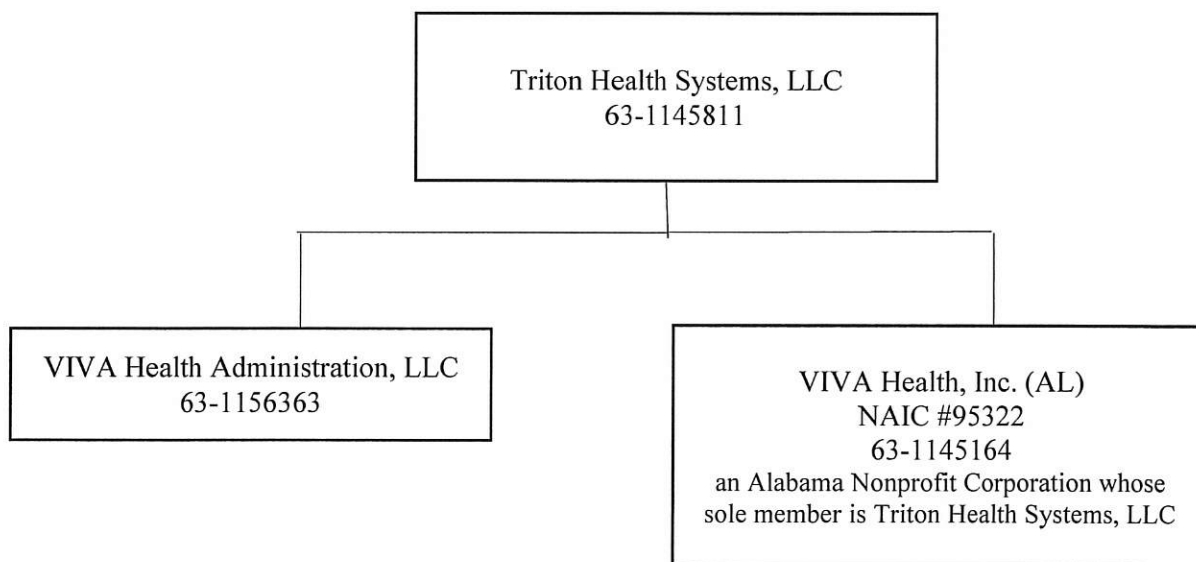
In return for the management services furnished by Triton to VIVA, VIVA shall pay Triton a monthly management fee. This management fee is intended to cover all direct expenses and indirect expenses paid by Triton on behalf of VIVA.

The Agreement may be terminated by either party upon thirty days advance written notice of termination of the Agreement. This Agreement is the sole agreement between Triton and VIVA for the purpose of management of VIVA and payment to Triton for management services. Any amendments or revisions to the Agreement

shall be effective only with the prior written consent of the Alabama Department of Insurance Commissioner, Triton Health Systems, LLC and VIVA Health, Inc.

### Organizational Chart

The following chart represents the corporate affiliations of the Company as of December 31, 2016:



### PENSION AND STOCK OWNERSHIP

The Company had no employees; therefore, it had no formal employee or agent welfare program. Its operations were conducted by the personnel of Triton under the terms of the “*Management and Service Agreement*” - page 9.

### COMPLIANCE WITH 18 U.S.C. 1033

ALA. ADMIN. CODE 482-1-146-.11 (2009), which states:

- (1) A Section 1033 insurer subject to the Commissioner’s examination authority shall have and apply the following:
  - (a) An internal procedure for determining, by means of background checks or investigations or otherwise, whether applicants for employment or individuals with whom the insurer intends to contract for activities in the

business of insurance, whether or not in a capacity requiring a license, have a felony conviction for a Section 1033 offense.

(b) An internal procedure after initial employment or contracting, applied on a periodic basis, to ascertain the existence of a felony conviction for a Section 1033 offense.

The Company had internal procedures in place for determining if applicants for employment had been convicted of a Section 1033 offense. There were procedures to periodically ascertain if existing employees had been convicted of a Section 1033 offense since the date of hire as well.

## SCHEDULE OF SPECIAL DEPOSITS

### Statutory Deposits

In order to comply with the statutory requirements for doing business in the State of Alabama, the Company had the following on deposit with the Alabama Department of Insurance as of December 31, 2016.

Description	Book/Adjusted Carrying Value	Fair Value
Certificate of Deposit*	\$ <u>100,000</u>	\$ <u>100,000</u>
<b>Total</b>	<b>\$ <u>100,000</u></b>	<b>\$ <u>100,000</u></b>

\*For the benefit of all Policyholders

## FINANCIAL CONDITION / GROWTH OF THE COMPANY

The following information presents significant items that reflect the growth of the Company for the period under review.

	Admitted Assets	Liabilities	Capital and Surplus	Net Premium Income
2016	\$ 180,984,409	\$ 83,772,740	\$ 97,211,669	\$ 625,207,409
2015	\$ 161,104,621	\$ 78,030,661	\$ 83,073,960	\$ 610,391,922
2014	\$ 153,810,934	\$ 59,647,656	\$ 94,163,278	\$ 603,271,948

## MARKET CONDUCT ACTIVITIES

### Plan of Operation

The Company is a health maintenance organization whose purpose is to provide a prescribed range of healthcare services through agreements with primary care physicians, specialty physicians, hospitals, and ancillary service providers to their enrolled population. The Company's principle lines of business are Comprehensive (Hospital and Medical) and Title XVIII Medicare insurance. The Company utilized independent producers to write business in the Alabama counties it is licensed to write.

### Territory

As of December 31, 2016, the Company was licensed to transact business in the State of Alabama. The Certificate of Authority was inspected for the period under review and found to be in order. The Company was licensed to write its products in the following counties:

Autauga*	Baldwin*	Barbour	Bibb	Blount*	Bullock*
Butler	Calhoun*	Chambers	Cherokee*	Chilton*	Clarke
Clay	Cleburne	Coffee	Colbert	Conecuh	Coosa
Covington	Crenshaw*	Cullman*	Dale	Dallas	Dekalb*
Elmore*	Etowah*	Fayette	Franklin	Geneva	Hale
Henry	Houston	Jefferson*	Lamar	Lauderdale	Lawrence
Lee*	Lowndes*	Macon*	Madison	Marion	Mobile*
Monroe	Montgomery*	Morgan	Perry	Pickens	Pike*
Randolph	Russell	Shelby*	St. Clair*	Talladega*	Tallapoosa*
Tuscaloosa	Walker*	Washington	Wilcox	Winston	

\*Medicare Licensed County

### Advertising and Marketing

Advertising materials for all years under examination were reviewed. The Company's advertising file contained specimen copies of all the Company's advertisements that were printed, published or prepared. The Company's advertising materials included the Company's name and address. None of the advertising reference a specific policy for the advertising reviewed. The advertising material did not misrepresent policy benefits, forms or conditions, make unfair or incomplete comparisons with other policies, or make false, deceptive or misleading statements or representations.



## **Claims Handling**

### *Paid Claims*

A sample of 109 Alabama paid claims were selected for the examination period (January 1, 2014 through December 31, 2016). The sample was reviewed for compliance with the Company's policy provisions, timeliness of payments, and adequacy of documentation.

The examination found that the claims were paid in compliance with ALA. ADMIN. CODE 482-1-079.18 (1987), which states:

All licensed HMO's shall consider claims made under their health care contracts and, if found to be valid and proper, shall pay such claims within forty-five (45) days after the receipt of proof of the fact and amount of loss sustained under such contracts.

### *Denied and Closed Claims*

A sample of Alabama denied and closed without payment was selected from a sample of 109 for the examination period (January 1, 2014 through December 31, 2016). The sample was reviewed for compliance with the Company's policy provisions and adequacy of documentation. The examiner determined that the Company was in compliance.

## **Policyholders Complaints**

The Company recorded all complaints, direct and those forwarded by the Department of Insurance. The examiner determined the Company had adequate complaint procedures in place. The examiner reviewed the complaints and determined that the complaints were responded to in a timely manner and addressed the issues raised.

## **Producers' Licensing**

### *Producer Appointments*

The examiner reviewed a sample of new business transactions during the examination period. The examiner selected a sample of 114 new business transactions from a population of 1,034 transactions during the examination period. The examiner used the NAIC's State Based System (NAIC SBS) to verify that the producers were appropriately licensed and appointed by the Company prior to writing the business.

### *Producer Terminations*

The examiner compared the listing of terminated producers provided by the Company with the NAIC SBS. The Company listing had eight producers whereas the NAIC SBS had thirty-four producers terminated. The examiner also determined that the Company did not maintain the producers' termination notifications to the Department. The Company did not have a complete listing of the terminated producers along with the termination notifications therefore, the Company was not in compliance with ALA. CODE § 27-21A-16 (f) (1975), which states:

All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.

The examiner determined that the Company did not send termination notifications to the thirty-four producers listed on the NAIC SBS and four producers listed on the Company's listing as required by ALA. CODE § 27-7-30.1 (e) (1975), which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.

### **Underwriting and Rating**

A sample of 114 new premium transactions was selected from a population of 1034 during the examination period. The examiners recalculated the policy premiums to determine that the members were charged the applicable rate for policy coverage selected based on the Company's rating plan. The Company's rating factors are based upon the Group as a whole and each member of the group is rated according to their age, sex and family status. There were no exceptions noted during the review.

The review of the cancellation/nonrenewed files determined the Company maintained proper documentation of the Company initiated and insured initiated cancellations. The Company provided all the cancellation/nonrenewed policies requested which complied with ALA. CODE § 27-21A-16 (f) (1975), which states:

All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.

### **Privacy**

The Company's Privacy Notice disclosed the types of information collected, the way the information is used, the manner in which information is collected and how the information is protected. The Privacy Notice also specifically stated the customers' rights, and the Company does not disclose any information to any nonaffiliated third parties unless permitted to do so by law. It was determined the Company's policies, practices and procedures regarding the protection and disclosure of non-public personal information of consumers and former customers were in compliance with ALA. ADMIN. CODE 482-1-122 (2001).

## **REINSURANCE**

### **Reinsurance Assumed**

The Company had no reinsurance assumed at December 31, 2016.

### **Reinsurance Ceded**

As of the examination date, the Company maintained two reinsurance treaties designed to protect the Company from large single-risk losses and losses from human organ and bone marrow transplant services. The treaty with American National Insurance Company, Galveston, Texas, was structured as a HMO Excess of Loss reinsurance treaty and the treaty with Maiden Reinsurance North America, Inc., Jefferson City, Missouri, was structured as a human organ and bone marrow transplant reinsurance agreement.

Schedule S - Part 3 - Section 2 of the Company's 2016 Annual Statement reported \$3,425,379 in ceded premiums. No reserve credit was taken at year-end 2016 for ceded reinsurance.

The reinsurance contracts in-force as of December 31, 2016 are summarized below:

### **American National Insurance Company:**

Type of contract	HMO Excess
Policy effective date	January 1, 2016 through December 31, 2016

Coverage	Subject to all of the terms in the agreement, American National Insurance Company will reimburse VIVA Health, Inc. the Percentage Payable of Eligible Expenses that exceeds the applicable Specific Retention up to any applicable maximums.
Lines of business covered	Commercial HMO
Annual deductible	\$2,200,000 per Member per Agreement Period
Reinsurance Maximum	\$2,000,000 per Member per Agreement Period
Coinsurance	90%

**Maiden Reinsurance North America, Inc.:**

Type of contract:	Human Organ and Bone Marrow Transplant
Policy effective date	October 1, 2015 through September 30, 2016
Coverage	Organ transplants which occurs during the term of the agreement, as outlined in Schedule 1.3, Item 1.1.4 of the agreement (liver, kidney, heart, lung, heart/lung, double lung, pancreas, or simultaneous pancreas/kidney transplant and digestive)
Lines of Business Covered	Commercial, Medicare
Deductible per transplant	\$25,000 per transplant
Individual Lifetime Maximum	\$2,000,000 for each covered transplant procedure

**ACCOUNTS AND RECORDS**

The Company's principal accounting records were maintained primarily on electronic data processing (EDP) equipment. Management and record-keeping functions were performed by the personnel of Triton Health Systems, L.L.C. under the terms of a Management and Operating Agreement.

## FINANCIAL STATEMENT INDEX

The following financial statements are based on the statutory financial statements filed by the Company with the State of Alabama Department of Insurance and present the financial condition of the Company for the period ending December 31, 2016. The accompanying comments on the financial statement reflect any examination adjustments to the amount reported in the annual statement and should be an integral part of the financial statements.

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Statement of Changes in Capital and Surplus.....	21

**VIVA HEALTH, INC.**  
**STATEMENT OF ASSETS**  
For the Year Ended December 31, 2016

	<u>Assets</u>	<u>Assets Not Admitted</u>	<u>Net Admitted Assets</u>	<u>Prior Year Net Admitted Assets</u>
<b>ASSETS</b>				
Bonds	\$ 13,996,242	\$ -0-	\$ 13,996,242	\$ 16,051,767
Common Stocks	62,212,703		62,212,703	62,212,703
Cash, cash equivalents and short-term investment	86,320,382		86,320,382	40,694,874
Investment income due and accrued	105,512		105,512	111,850
Uncollected premiums and agents' balance in the course of collection	3,696,901	137,053	3,559,848	8,441,539
Amounts receivable relating to uninsured plans				16,569,894
Current federal and foreign income tax recoverable and interest thereon	470,069		470,069	2,506,316
Net deferred tax asset	175,223		175,223	179,446
Guaranty funds receivable or on deposit	75,000		75,000	75,000
Receivables from parent, subsidiaries and affiliates	2,006,486	207,773	1,798,713	2,174,634
Health care and other amounts receivables	<u>23,744,991</u>	<u>11,474,274</u>	<u>12,270,717</u>	<u>12,086,598</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>192,803,509</u></b>	<b>\$ <u>11,819,100</u></b>	<b>\$ <u>180,984,409</u></b>	<b>\$ <u>161,104,621</u></b>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT  
ARE AN INTEGRAL PART THEREOF.

**VIVA HEALTH, INC.**  
**STATEMENT OF LIABILITIES, CAPITAL AND SURPLUS**  
**For the Year Ended December 31, 2016**

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>	<u>Prior Year Total</u>
<b>Liabilities:</b>				
Claims unpaid	\$ 38,201,556	\$ 1,181,492	\$ 39,383,048	\$ 40,683,883
Accrued medical incentive pool and bonus amounts	3,715,088		3,715,088	2,144,625
Unpaid claims adjustment expenses	1,459,701		1,459,701	1,398,665
Aggregate health policy reserves	7,131,879		7,131,879	9,137,735
Premiums received in advance	654,934		654,934	728,975
General expenses due or accrued	1,268,692		1,268,692	1,413,204
Amounts due to parent, subsidiaries and affiliates				23,574
Liability for amounts held under uninsured Plans	7,659,398		7,659,398	
Aggregate write-in for other liabilities	<u>22,500,000</u>	<u>0</u>	<u>22,500,000</u>	<u>22,500,000</u>
<b>Total Liabilities</b>	<b>\$ <u>82,591,248</u></b>	<b>\$ <u>1,181,492</u></b>	<b>\$ <u>83,772,740</u></b>	<b>\$ <u>78,030,661</u></b>
<b>Capital and Surplus:</b>				
Common capital stock				
Preferred capital stock				
Gross paid in and contributed surplus				
Unassigned funds (surplus)			97,211,669	83,073,960
<b>Total capital and surplus</b>			<b>\$ <u>97,211,669</u></b>	<b>\$ <u>83,073,960</u></b>
<b>Total liabilities, capital and surplus</b>	<b>XXX</b>	<b>XXX</b>	<b>\$ <u>180,984,409</u></b>	<b>\$ <u>161,104,621</u></b>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT  
ARE AN INTEGRAL PART THEREOF.

**VIVA HEALTH, INC.**  
**STATEMENT OF REVENUE AND EXPENSES**  
**For the Years Ended December 31, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>MEMBER MONTHS</b>	<b>877,018</b>	<b>892,005</b>	<b>849,112</b>
Net premium income	\$ 625,207,409	\$ 610,391,922	\$ 603,271,948
Aggregate write-ins for other health care related revenues	<u>3,295</u>	<u>583</u>	<u>780</u>
Total revenues	<b>\$ 625,210,704</b>	<b>\$ 610,392,505</b>	<b>\$ 603,272,728</b>
<b>Medical and Hospital:</b>			
Hospital/medical benefits	\$ 415,590,411	\$ 426,453,777	\$ 417,368,970
Other professional services	16,523,545	18,287,369	15,360,810
Emergency room and out-of-area	15,458,529	15,704,065	14,219,226
Prescription drugs	51,319,633	47,426,734	47,956,171
Aggregate write-ins for other hospital and medical	33,070,636	34,648,232	30,425,888
Incentive pool, withhold adjustments, and bonus amounts	<u>4,741,257</u>	<u>2,074,717</u>	<u>764,013</u>
Subtotal	<b>\$ 536,704,011</b>	<b>\$ 544,594,894</b>	<b>\$ 526,095,078</b>
<b>Less:</b>			
Net reinsurance recoveries			
<b>Total hospital and medical</b>	<b>\$ 536,704,011</b>	<b>\$ 544,594,894</b>	<b>\$ 526,095,078</b>
Claims adjustment expenses	18,175,964	17,768,832	16,962,563
General administration expenses	54,527,890	53,306,495	50,887,688
Increase in reserves for life and accident and health contracts	<u>0</u>	<u>0</u>	<u>0</u>
<b>Total underwriting deductions</b>	<b>\$ 609,407,865</b>	<b>\$ 615,670,221</b>	<b>\$ 593,945,329</b>
Net underwriting gain or (loss)	<b>\$ 15,802,839</b>	<b>\$ -5,277,716</b>	<b>\$ 9,327,399</b>
Net investment income earned	452,860	839,125	683,798
Net realized capital gains or (losses)	<u>0</u>	<u>-664,565</u>	<u>-252,944</u>
Net investment gains or (losses)	<b>\$ 452,860</b>	<b>\$ 174,560</b>	<b>\$ 430,854</b>
Net gain or (loss) from agents' or premium balance charged off	-42,495	-10,361	-23,960
Aggregate write-ins for other income or expenses			0
Net income or (loss)	<b>\$ 16,213,204</b>	<b>\$ -5,113,517</b>	<b>\$ 9,734,293</b>
Federal and foreign income taxes incurred	<b>\$ 5,616,564</b>	<b>\$ -1,550,980</b>	<b>\$ 3,382,914</b>
<b>Net income (loss)</b>	<b>\$ 10,596,640</b>	<b>\$ -3,562,537</b>	<b>\$ 6,351,379</b>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT  
ARE AN INTEGRAL PART THEREOF.**



**VIVA HEALTH, INC.**  
**STATEMENT OF CHANGES IN CAPITAL AND SURPLUS**  
**For the Years Ended December 31, 2016, 2015 and 2014**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Capital and surplus prior reporting year	\$ 83,073,960	\$ 94,163,278	\$ 87,929,223
<b>GAINS &amp; LOSSES TO CAPITAL &amp; SURPLUS:</b>			
Net income or (loss)	\$ 10,596,640	\$ -3,562,537	\$ 6,351,379
Change in net unrealized capital gains (losses)	-23,150	0	789,598
Change in net deferred income tax	- 4,223	11,364	-48,125
Change in nonadmitted assets	<u>3,568,442</u>	<u>-7,538,145</u>	<u>-858,797</u>
<b>Net change in capital and surplus</b>	<b>\$ <u>14,137,709</u></b>	<b>\$ <u>-11,089,318</u></b>	<b>\$ <u>6,234,055</u></b>
Capital and surplus end of reporting period (rounding)	\$ <u>97,211,669</u>	\$ <u>83,073,960</u>	\$ <u>94,163,278</u>

**THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN THIS REPORT  
ARE AN INTEGRAL PART THEREOF.**

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 - Analysis of Changes to Surplus**

There were no adjustments made to surplus.

### **CONTINGENT LIABILITIES AND PENDING LITIGATION**

The review of contingent liabilities and pending litigation included a review of the statutory financial statement disclosures, minutes of the corporate governing bodies, examination of the accounts and unrecorded items; and obtaining a letter of representation from management. The external auditor's legal letter summary at December 31, 2016 was reviewed as well. These reviews did not disclose any items that would have a material effect on the Company's financial condition.

### **SUBSEQUENT EVENTS**

A review of events subsequent to the December 31, 2016 examination date was completed. The review of subsequent events included an inspection of the general journal entries, minutes of meetings, interim financial statements and an inquiry of accounting matters. These reviews did not disclose any items that would have a material effect on the Company's financial condition in the event of an adverse outcome.

### **COMPLIANCE WITH PREVIOUS RECOMMENDATIONS**

A review was conducted during the current examination with regard to the Company's compliance with the recommendations made in the previous examination report. This review indicated that the Company had satisfactorily complied with prior examination recommendations.

### **COMMENTS AND RECOMMENDATIONS**

#### **Market Conduct – Page 14**

**It is recommended** that the Company keep a complete listing of producer terminations along with the producer termination notifications and comply with ALA. CODE § 27-21A-16 (f) (1975), which states:

All records necessary for the complete examination of a health maintenance organization domiciled in this state shall be maintained in a location approved by the commissioner.

**It is recommended** that the Company send termination notifications to its terminated producers' last known address in compliance with ALA. CODE § 27-7-30.1 (1975), which states:

Within 15 days after making the notification required by subsection (e) of Section 27-7-30, the insurer shall mail a copy of the notification to the producer at his or her last known address. If the producer is terminated for cause for any of the reasons listed in Section 27-7-19, the insurer shall provide a copy of the notification to the producer at his or her last known address by certified mail, return receipt requested, postage prepaid or by overnight delivery using a nationally recognized carrier.


## **CONCLUSION**

Acknowledgment is hereby made of the courteous cooperation extended by the officers and employees of the Company during the course of this examination.

The customary insurance examination procedures, as recommended by the NAIC, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Mabelle Thompkins, Theo Goodin, MCM, Charles Turner, CISA, and Harland Dyer, ASA, MAAA, actuarial examiner, all representing the Alabama Department of Insurance, participated in the examination.

Respectfully submitted,

  
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Agnes D. Riggins  
Examiner-in-Charge  
State of Alabama Department of Insurance