REPORT ON EXAMINATION

OF

HEALTHNOW NEW YORK INC.

AS OF

DECEMBER 31, 2013

DATE OF REPORT AUGUST 23, 2016

EXAMINER TOMMY KONG, CFE

TABLE OF CONTENTS

NEW YORK STATE
DEPARTMENT of
FINANCIAL SERVICES

Andrew M. Cuomo
Governor

Maria T. Vullo
Superintendent

August 23, 2016

Honorable Maria T. Vullo
Superintendent of Financial Services
Albany, New York 12257

Madam:

Pursuant to the requirements of the New York Insurance Law, and acting in accordance with the instructions contained in Appointment Number 31077, dated November 19, 2013, attached hereto, I have made an examination into the condition and affairs of HealthNow New York Inc., a not-for-profit health service corporation licensed pursuant to the provisions of Article 43 of the New York Insurance Law, as of December 31, 2013, and respectfully submit the following report thereon.

The examination was conducted at the home office of HealthNow New York Inc. located at 257 West Genesee Street, Buffalo, New York.

Wherever the designations the “Plan” or “HealthNow” appear herein, without qualification, they should be understood to indicate HealthNow New York Inc.

Wherever the designation the “Department” appears herein, without qualification, it should be understood to indicate the New York State Department of Financial Services.

1. SCOPE OF THE EXAMINATION

The previous examination of HealthNow was conducted as of December 31, 2008. This examination of the Plan was a financial examination as defined in the National Association of Insurance Commissioners ("NAIC") *Financial Condition Examiners Handbook, 2014 Edition* (the "Handbook") and covered the five-year period from January 1, 2009 through December 31, 2013. The examination was conducted observing the guidelines and procedures in the Handbook, and transactions occurring subsequent to December 31, 2013 were reviewed where deemed appropriate by the examiner.

The examination was conducted on a risk-focused basis in accordance with the provisions of the Handbook, which provides guidance for the establishment of an examination plan based on the examiner's assessment of risk in the Plan's operations and utilizes that evaluation in formulating the nature and extent of the examination. The examiner planned and performed the examination to evaluate the Plan's current financial condition, as well as to identify prospective risks that may threaten the future solvency of the Plan.

The examiner identified key processes, assessed the risks within those processes and assessed the internal control systems and procedures used to mitigate those risks. The examination also included an assessment of the principles used and significant estimates made by management, an evaluation of the overall financial statement presentation, and determined management's compliance with the Department's statutes and guidelines, Statutory Accounting Principles, as adopted by the Department, and NAIC annual statement instructions.

Information concerning the Plan's organizational structure, business approach and control environment were utilized to develop the examination approach. The examination evaluated the Plan's risks and management activities in accordance with the NAIC's nine branded risk categories. These categories are as follows:

- Pricing/Underwriting
- Reserving
- Operational
- Strategic
- Credit
- Market
- Liquidity
- Legal
- Reputational

The examination also evaluated the Plan's critical risk categories in accordance with the NAIC's ten critical risk categories. These categories are as follows:

- Valuation/Impairment of Complex or Subjectively Valued Invested Assets
- Liquidity Considerations
- Appropriateness of Investment Portfolio and Strategy
- Appropriateness/Adequacy of Reinsurance Program
- Reinsurance Reporting and Collectability
- Underwriting and Pricing Strategy/Quality
- Reserve Data
- Reserve Adequacy
- Related Party/Holding Company Considerations
- Capital Management

The Plan was audited annually, for the years 2009 through 2013, by the accounting firm Deloitte & Touché LLP ("D&T"). The Plan received an unmodified opinion in each of those years. Certain audit workpapers of D&T were reviewed and relied upon in conjunction with this examination. Effective June 21, 2011, the Plan outsourced its internal audit to Freed Maxick CPAs, P.C., which has the task of assessing the Plan's internal control structure. A review was also made of the Plan's Enterprise Risk Management program.

The examiner reviewed the corrective actions taken by the Plan with respect to the recommendations concerning financial issues contained in the prior report on examination. The results of the examiner's review are contained in Item No. 6 of this report.

This report on examination is confined to financial statements and comments on those matters which involve departures from laws, regulations or rules, or which are deemed to require an explanation or description.

A separate market conduct examination was conducted as of December 31, 2013 to review the manner in which the Plan conducted its business practices and fulfilled its contractual obligations to policyholders and claimants. A separate report on examination was issued thereon.

2. DESCRIPTION OF THE PLAN

HealthNow New York Inc. is a not-for-profit health service corporation organized under the provisions of the Membership Corporation Law and Article 43 of the New York Insurance Law. The Plan was incorporated in the State of New York on September 9, 1939 and commenced business on March 15, 1940. The Plan is a 100% controlled subsidiary of HealthNow Systems, Inc. ("HNS"), a New York non-profit corporation and a non-operating holding company. HNS is the sole member of the Plan.

The Plan established operations in the Albany, New York area as a separate division pursuant to its merger with Whole Health Insurance Network Inc. on December 30, 1992. Concurrent with the date of the merger, through May 1, 1996, the Plan operated under the corporate name, Blue Cross and Blue Shield of Western New York, Inc. The Plan subsequently effected name changes to New York Care Plus Insurance Company and its present name of HealthNow New York Inc., on May 2, 1996 and October 1, 1998, respectively.

The Plan, as of December 31, 2008, operated under the names of BlueCross and BlueShield of Western New York, within its Western New York division, HealthNow New York Inc., within its Central New York division, and BlueShield of Northeastern New York, within its Eastern New York division. On August 1, 1985, the Plan began the operations of Community Blue, a health maintenance organization authorized pursuant to Article 44 of the New York Public Health Law. Community Blue, an independent practice association model health maintenance organization, functions as a line of business of the Plan. The Plan's health maintenance operations are marketed under the name "Community Blue" in the Buffalo, New York area and under the name "HealthNow" in the Albany, New York area.

A. Corporate Governance

Pursuant to the Plan's by-laws, management of the Plan is to be vested in a board of directors consisting of not less than ten (10) members and no more than twenty-one (21) members. As of December 31, 2013, the Plan's board of directors consisted of twelve (12) members, as follows:

Name and Address	Principal Business Affiliation
Officer-Employee	
David W. Anderson Buffalo, New York	President and Chief Executive Officer, HealthNow New York Inc.
Provider Representatives	
Wesley L. Hicks, Jr., M.D., F.A.C.S. Angola, New York	Chairman, Department of Head & Neck/Plastic and Reconstructive Surgery, Roswell Park Cancer Institute
James K. Reed, M.D. Cohoes, New York	President and Chief Executive Officer, St. Peter's Health Partners

Name and Address	Principal Business Affiliation
Subscriber Representatives	
Donald K. Boswell Williamsville, New York	President and Chief Executive Officer, WNY Public Broadcasting Association
Jon J. Cooper East Aurora, New York	Retired
June W. Hoeflich Williamsville, New York	Retired
Thomas J. Hook * Frisco, Texas	President and Chief Executive Officer, Greatbatch, Inc.
Public Representatives	
Gwen O. Arcara Buffalo, New York	President, Executive Dimensions, Inc.
Gene E. Burleson Atlanta, Georgia	Retired
John J. Canavan Ellicottville, New York	Principal, Strategic Growth Advisors, LLC
Craig A. Duncan Averill Park, New York	Retired
Dennis M. Penman Orchard Park, New York	Executive Vice President and Principal, Ciminelli Real Estate Corporation

* Thomas J. Hook is Chairman of HealthNow's board of directors

The Plan's board of directors is elected at its annual membership meeting, which is held on the third Thursday of March of each year. Per an agreement with the Department, the Plan's board of directors is the same as those who are elected to the board of directors of HealthNow Systems, Inc.

The Plan's by-law requires the board to meet at least four (4) times a year. The minutes of all meetings of the board of directors and committees thereof held during the examination period were reviewed. All such meetings were well attended, with all board members attending at least one-half of the meetings for which they were eligible to attend.

Section 4301(k)(1)(A) of the New York Insurance Law states in part:

> "(k)(1) Of the directors not included in the classification set forth in the preceding sentences…
>
> (A) one-half in number, as nearly as possible, shall be persons covered under a contract or contracts issued by such health service, hospital service or medical expense indemnity corporation, and who are generally representative of broad segments of such covered persons…"

Article IV, Section 2(c)(i) of HealthNow's by-laws states in part:

> "(c) Of the Directors that are not either Providers or Officer/Employees;…
>
> (i) one-half in number, as nearly as possible, shall be persons covered under a contract or contracts issued by the Corporation and who are generally representative of broad segments of such covered persons…"

It was noted that one of the Plan's board members included in the above listing of board members was categorized as a "Subscriber Representative", as of December 31, 2013, Such board member was an employee under one of the Plan's Administrative Services Only ("ASO") agreements with an employer group.

It is the Department's position, pursuant to Section 4301(k)(1)(A) of the New York Insurance Law, that a board member categorized as a Subscriber Representative, be covered under an insured benefits contract.

The benefits provided under a self-funded contract are determined by the employer, may vary among employers, and do not necessarily coincide with the benefits provided under a HealthNow insured contract. Thus, there is not a unity of interest between employees covered as subscribers covered under an insured contract and employees under a self-funded agreement.

It is recommended that the Plan classify only those board members who are covered under an insured contract as Subscriber Representatives in compliance with Section 4301(k)(1)(A) of the New York Insurance Law and Article IV, Section 2(c)(i) of its by-laws.

Article IV, Section 2(c)(ii) of HealthNow's by-laws further states in part:

> "…provided, that if the Corporation's combined premium volume exceeds two billion dollars annually, the Community Representatives shall also adequately represent the several geographic regions served by the Corporation."

As of December 31, 2013, the Plan reported $2.5 billion in combined premium and served the following geographic regions: Western New York, Central New York and Eastern New York. The board members noted as "Public Representatives" represent the Western and Eastern New York regions but not the Central New York region, served by the Plan.

It is recommended that the Plan comply with Article IV, Section 2(c)(ii) of its by-laws by having board members noted as "Public Representatives" represent all of the geographic regions served by the Plan.

The principal officers of the Plan as of December 31, 2013 were as follows:

Name	Title
David W. Anderson [1]	President and Chief Executive Officer
Stephen T. Swift, CPA	Executive Vice President and Chief Financial Officer
Christopher M. Leardini	Senior Vice President, Operations
Gretchen Fierle	Senior Vice President, Marketing and Communications
Kenneth J. Sodaro, Esq.	Senior Vice President, General Counsel and Corporate Secretary

Jerry Toscano [2]	Vice President and Chief Information Officer
Raghu Ram, MD [3]	Vice President and Chief Medical Officer
Jared M. Gross, FSA, MAAA [4]	Vice President, Healthcare Economics
Kerri L. Garrison	Vice President, Venture Growth
Jeffrey Martin	Vice President, Underwriting
Michael G. Conroy [5]	Vice President, Western New York Commercial Group Accounts
Brian O'Grady [6]	Vice President, Northeastern New York Commercial Group Accounts
Margaret Anderson [7]	Vice President, HealthNow Administrative Services and Government Program Sales
Donald R. Ingalls	Vice President, State and Federal Relations
Karen Blount, RN, PNP [8]	Vice President, Healthcare Services
Melissa S. Tucker, SPHR	Vice President, Human Resources

1. David W. Anderson joined HealthNow as Chief Executive Officer on July 31, 2013.

2. Jerry Toscano resigned effective September 19, 2014. The responsibilities of his role as Chief Information Officer were divided among two newly created positions, Chief Technology Officer and Chief Data Officer, both of which have not yet been filled as of the date of this report.

3. Rahgu Ram, MD resigned effective July 31, 2014. Thomas Schenk, MD, who joined HealthNow on June 30, 2014, became the new Chief Medical Officer. Dr. Schenk is also Senior Vice President.

4. Effective October 8, 2014, Jared M. Gross, FSA, MAAA became Senior Vice President, Enterprise Initiatives & Analytics.

5. Michael G. Conroy resigned effective October 8, 2014. The responsibilities of his role were assumed by David Busch, Senior Vice President & Chief Sales Officer, who joined HealthNow on July 28, 2014.

6. Brian O'Grady resigned effective February 28, 2014. The responsibilities of his role were assumed between Kirk Panneton, MD, Regional Executive & Medical Director of Blue Shield of Northeastern New York, who joined HealthNow on February 23, 2014, and Shelly Marcantonio, Director, New Sales and Account Retention of Blue Shield of Northeastern New York, who joined HealthNow on March 23, 2014.

7. Margaret Anderson resigned effective August 18, 2014 and was replaced by Christopher M. Moyer on October 19, 2014. Mr. Moyer assumed the responsibilities of HealthNow Administrative Services, while the responsibilities of Government Program Sales were assumed by David Busch, Senior Vice President & Chief Sales Officer.

8. Karen Blount resigned effective May 2, 2014, and her department, Healthcare Services, was divided into two separate units based on function, where 69% of the employees of the former Healthcare Services department were moved to the Chief Medical Office, headed by Thomas Schenk, MD, Senior Vice President & Chief Medical Officer, and 31% of the remaining employees were moved to Network Operations, headed by Ronald Mornelli, who joined HealthNow on April 10, 2014 as Senior Vice President & Chief Network Officer.

B. Territory and Plan of Operation

At December 31, 2013, the Plan was authorized to transact business in thirty-two (32) upstate counties of New York State. The Plan currently operates four divisions as follows:

Buffalo Division

The Buffalo division, doing business as BlueCross and BlueShield of Western New York, conducted business within the following eight (8) counties of New York State:

Allegany	Cattaraugus	Chautauqua	Erie
Genesee	Niagara	Orleans	Wyoming

Albany Division

The Albany division, doing business as BlueShield of Northeastern New York, conducted business within the following thirteen (13) counties of New York State:

Albany	Clinton	Columbia	Essex	Fulton
Greene	Montgomery	Rensselaer	Saratoga	Schenectady
Schoharie	Warren	Washington		

The Albany division was acquired by the Plan through the merger with Whole Health Insurance Network Inc. on December 30, 1992.

Central New York Division

The Central New York division, doing business as HealthNow, operates in the following eleven (11) counties of New York State:

Cayuga	Chemung	Cortland	Livingston	Monroe
Onondaga	Ontario	Oswego	Schuyler	Tompkins
Wayne				

Binghamton Division

The Plan operates the Upstate Medical Division in Binghamton, New York. This division, acquired through the merger with Whole Health Insurance Network Inc., is used solely for the administration of the Plan's Medicare Part B contract. In accordance with a contract with the Centers for Medicare & Medicaid Services, the Plan processes Medicare Part B claims for Medicare recipients in forty-five (45) counties of New York State. The Plan is reimbursed for all administrative costs, in accordance with certain guidelines, in connection with this program.

The following table displays HealthNow's net admitted assets, surplus, net premium income and net income during the period under examination:

	Net Admitted Assets	Surplus	Net Premium Income	Net Income
2009	$ 896,604	$546,244	$2,444,886	$62,034
2010	$ 945,559	$567,555	$2,403,102	$52,693
2011	$ 982,962	$528,908	$2,408,987	$ 3,942 *
2012	$1,010,305	$556,755	$2,471,169	$22,983
2013	$1,009,521	$591,700	$2,479,438	$31,729

Note: in thousands

* The Plan's net income decreased significantly from $52.7 million in 2010 to $3.9 million in 2011, a $48.8 million or 92.6% decrease. This was primarily due to decreases in comprehensive, prescription drugs and government programs line of business related to the Albany and Buffalo divisions.

Effective October 1, 2012, BlueShield of Northeastern New York discontinued two (2) small group indemnity products, affecting 20 small groups and 76 insureds in the following counties of New York State: Albany, Clinton, Columbia, Essex, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Warren and Washington.

Effective December 1, 2012, HealthNow discontinued two (2) small group indemnity products, affecting 3 small groups and 8 insureds in the following counties of New York State: Duchess, Orange, Putnam, Sullivan and Ulster.

Effective January 1, 2013, BlueCross BlueShield of Western New York discontinued one (1) small group product, affecting 32 small groups and 149 insureds in the following counties in New York State: Allegany, Cattaraugus, Chautauqua, Erie, Genesee, Niagara, Orleans and Wyoming.

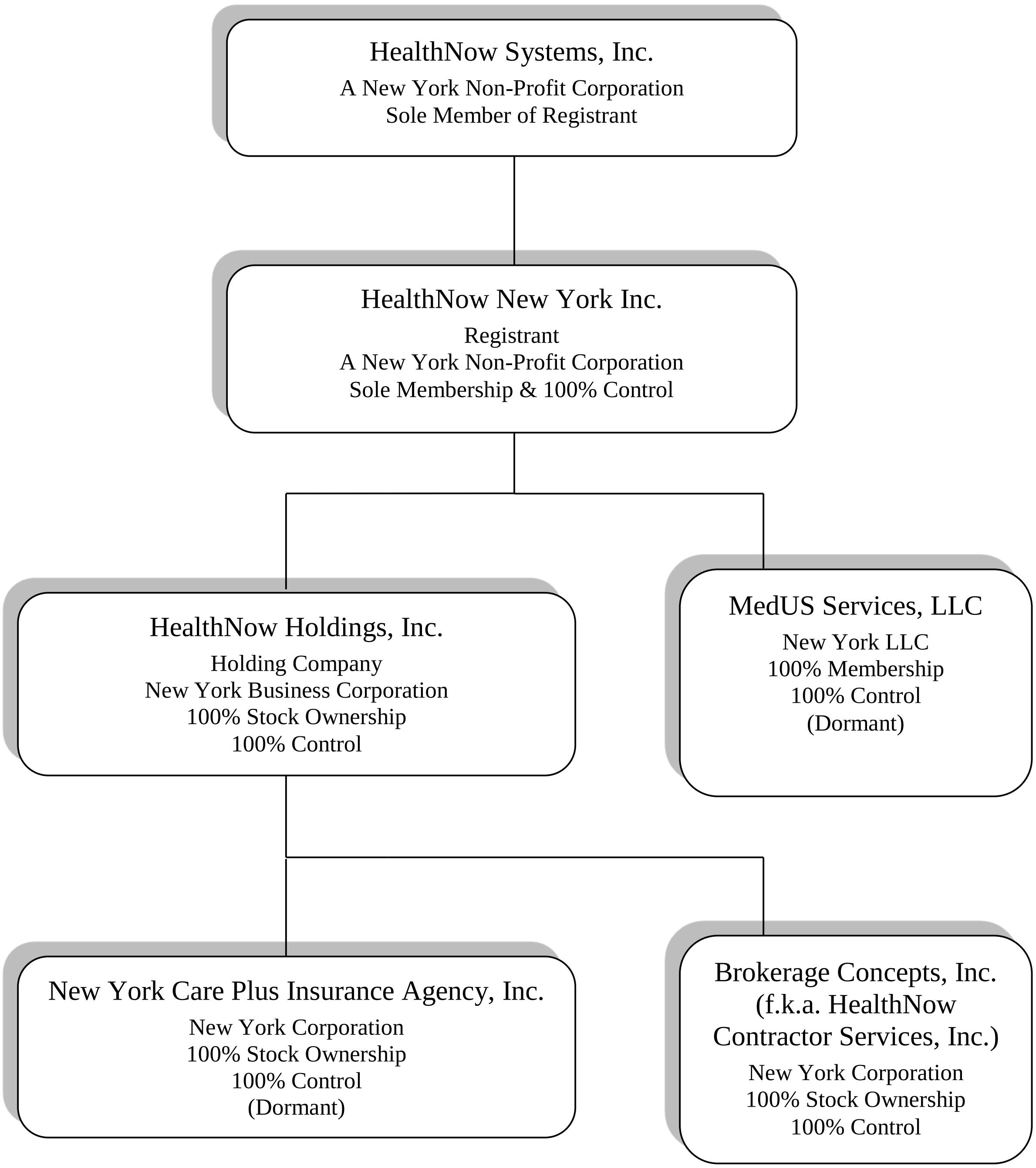
Effective January 1, 2013, BlueShield of Northeastern New York discontinued six (6) small group products, affecting 1,202 small groups and 8,126 insureds in the following counties of New York State: Albany, Clinton, Columbia, Essex, Fulton, Greene, Montgomery, Rensselaer, Saratoga, Schenectady, Warren and Washington.

Policyholders were supplied with information regarding available replacement coverage.

Effective July 1, 2013, the New York State Department of Health amended HealthNow's Health Maintenance Organization Certificate of Authority, whereby Child Health Plus, Family Health Plus, and Medicaid Managed Care Programs were removed from two (2) New York State counties, Genesee and Niagara.

C. Holding Company System

The structure of the Plan's holding company system, as of December 31, 2013, was as follows:



Note: In the prior report on examination, the HealthNow Foundation, d/b/a the Foundation for Healthy Living (the "Foundation"), was a wholly-owned subsidiary of HealthNow Holdings, Inc. The Foundation, a New York non-profit corporation organized exclusively for charitable purposes, was dissolved effective January 24, 2012.

As a member of a holding company system, HealthNow is required to file registration statements pursuant to the requirements of Section 1503 of the New York Insurance Law and Insurance Regulation No. 52 (11 NYCRR 80). All pertinent filings made regarding the aforementioned statutes during the examination period were reviewed and no problem areas were encountered.

The following is a description of the Plan's affiliations as of December 31, 2013:

HealthNow Systems, Inc. (formerly New York Care Plus Holding Company, Inc.)

On March 15, 1996, the Plan received approval from the Department to form a holding company pursuant to Section 1506 of the New York Insurance Law. The corporation was formed under Section 102(a)(5) of the New York Not-for-Profit Corporation Law for the purpose of acting as a holding company. HealthNow Systems, Inc., through amendments of the by-laws of HealthNow New York Inc. (formerly New York Care Plus Insurance Company, Inc.), became the sole member of the Plan.

In accordance with Article IV, Section 2(b) of the Plan's by-laws, the members of the board of directors of HealthNow New York Inc. are identical to the board of directors of HealthNow Systems, Inc.

HealthNow Holdings, Inc. ("HHI")

HHI is a holding company operating pursuant to Section 1704(a) of the New York Business Corporation Law. It is a wholly-owned subsidiary of the Plan and operates as a holding company for New York Care Plus Insurance Agency, Inc. and Brokerage Concepts, Inc.

MedUS Services, LLC ("MedUS")

MedUS, a wholly-owned subsidiary of HHI, was formed to administer Medicare Part B fee-for-service business within forty-five (45) upstate counties of New York State. Effective September 1, 2008, MedUS began administering the fee-for-service business as a subcontractor for National Government Services ("NGS"). On September 1, 2009, MedUS's contract with NGS terminated. That same year, HealthNow made the business decision to discontinue the operations of this subsidiary. As of December 31, 2013, MedUS remained dormant.

New York Care Plus Insurance Agency, Inc. ("NYCPIA")

This wholly-owned subsidiary previously solicited business for HealthNow and other products and services, such as health and life insurance, long-term care and disability insurance, other consumer-oriented insurance or healthcare financing lines, and stop-loss offerings. In 2005, HealthNow made the business decision to cease business operations of this subsidiary. As of December 31, 2013, NYCPIA remained dormant.

Brokerage Concepts, Inc. ("BCI")

BCI, located in Bluebell, Pennsylvania, was acquired by HealthNow, on December 1, 2006, for the total price of $38,066,608, consisting of an initial purchase price of $23,999,524, plus additional subsequent payments of $6,500,000 and $7,567,084, during 2007 and 2008 respectively, based upon the achievement of certain revenue targets achieved by BCI. BCI recognized these additional purchase price considerations as additional goodwill and as additional paid-in capital. Such acquisition was approved by the Department on October 30, 2006.

BCI provides benefit consulting for fully insured and self-funded benefit plans, third-party claims processing of medical and related claims processes and administration of self-funded plans, and operates as a broker with regard to health, life, dental, vision, disability and annuity products, as well as providing other managed care services, including utilization services to self-funded groups. BCI also provides HealthNow with administrative and operational services relative to HealthNow's self-insured (ASO) business.

In HealthNow's 2013 Annual Statement, Schedule D, Part 2 – Section 2 showed the *Book/Adjusted Carrying Value* and *Fair Value* of BCI's common stock as $7,234,919 (*Actual Cost* $23,998,524), and an *Unrealized Valuation Increase* of $1,794,232, when compared to the prior year *Book/Adjusted Carrying Value* and *Fair Value* of $5,440,687. In 2013, HealthNow made no capital contributions to BCI. From 2009 through 2013, more than 20% of BCI's revenue came from HealthNow, as payment for processing services. As of December 31, 2013, BCI reported a net gain of $1,879,535.

The Plan engaged Deloitte & Touché LLP, their external auditor, to review the methodology and underlying assumptions used to valuate BCI and determine whether the current valuation methodology provides the most accurate results. Based on Statement of Statutory Accounting Principles No. 97, paragraph 8(b)(iii) of the NAIC *Accounting Practices and Procedures Manual*, Deloitte & Touché LLP determined that the Plan's valuation of BCI, the GAAP equity method, was appropriately reported as of December 31, 2013.

The following is a description of the inter-company agreements in effect as of the examination date:

Tax Allocation Agreement

This agreement, made between HealthNow Systems, Inc., HealthNow New York Inc., HealthNow Holdings, Inc., Brokerage Concepts, Inc. and MedUS Services, LLC, provided for a federal income tax allocation methodology, which was in compliance with Department Circular Letter No. 33 (1979). This agreement was approved by the Department.

Administrative Services Agreement between HealthNow and Brokerage Concepts, Inc.

This agreement, made between HealthNow New York Inc. and Brokerage Concepts, Inc., provided for HealthNow to provide specified administrative services, including legal, internal audit, office space, and human resources to Brokerage Concepts, Inc., and for Brokerage Concepts, Inc. to provide third-party administration services relative to HealthNow's ASO business.

Fees relative to services provided by HealthNow to Brokerage Concepts, Inc. were made on a cost basis, which included an allocation methodology for shared expenses. Such payment methodology was based on a "no-gain" and "no-loss" basis. For services provided by Brokerage Concepts, Inc. to HealthNow, such payments were made according to agreed upon fees for individual tasks. This agreement was approved by the Department on April 11, 2013.

Employee Lease Agreement between HealthNow and Brokerage Concepts, Inc.

This agreement, made between HealthNow New York Inc. and Brokerage Concepts, Inc., provided for HealthNow New York Inc. to lease twelve (12) of its employees, qualified to provide comprehensive care management services, to Brokerage Concepts, Inc. This agreement was approved by the Department on July 2, 2014.

Administrative Services Agreement between HealthNow and MedUS Services, LLC

This agreement, made between HealthNow New York Inc. and MedUS Services, LLC, provided for HealthNow to provide certain data processing, purchasing, finance, legal, accounting, payroll, human resources, and other similar administrative services to MedUS Services, LLC, and for MedUS Services, LLC to accept and assume portions of HealthNow's government contracting business, which includes certain contracts with the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services to act as a durable medical equipment regional carrier and a Medicare Part B services carrier for Upstate New York.

Fees relative to services provided by HealthNow to MedUS Services, LLC were made on a cost basis, which included an allocation methodology for shared expenses. Such payment methodology was based on a "no-gain" and "no-loss" basis. For services provided by MedUS Services, LLC to HealthNow, such payments were made according to agreed upon fees for individual tasks. This agreement was approved by the Department on September 20, 2005.

D. Reinsurance

The Plan did not assume or cede any reinsurance during the examination period.

E. Significant Operating Ratios

The underwriting ratios presented below are on an earned-incurred basis and encompass the five-year period covered by this examination:

	Amounts	Ratios
Total hospital and medical expenses	$10,875,750,048	89.39%
Claim adjustment expenses	277,391,746	2.28%
General administrative expenses	956,623,617	7.86%
Net underwriting gain	56,589,005	0.47%
Premiums earned	$12,166,354,416	100.00%

As of December 31, 2013, the Plan's total adjusted surplus was $591,700,002. This amount was well above the Plan's authorized control level risk-based capital of $88,904,417. The 2013 risk-based capital ratio was 665.5%.

F. Internal Audit Department ("IAD")

Effective June 21, 2011, the Plan outsourced its internal audit function to Freed Maxick CPAs, P.C. ("Freed Maxick"), which has the task of assessing the internal control structure and reviewing and testing financial and operational controls and processes established by HealthNow's management. In addition, the Plan has an audit committee to assist the board of directors in fulfilling its oversight responsibilities relative to the Plan's financial reporting, internal controls, and audit process.

A review of the Plan's IAD procedures by the Department's Internal Controls and Audit Examinations Unit noted certain opportunities for improvement relative to updating the internal audit charter and manual, the development of the annual audit plan, the documentation of audit work, the reporting of audit findings and the tracking of outstanding issues.

Independence of the Internal Audit function – Organization Structure

Through review of the organization charts, charters, audit committee materials and discussion with Freed Maxick, it was noted that the IAD was aligned under the direct supervision of the Chief Risk Officer , who in turn reported to the President and Chief Executive Officer and simultaneously reported on an informal basis to the audit committee. Freed Maxick acted in the role of chief audit executive leading the internal audit function and interacted directly with the audit committee.

The importance of both independence and an audit committee's active involvement within the internal audit function are a widely supported position (best practice) throughout the audit industry, including the Institute of Internal Auditors ("IIA"). Below is the relevant guidance, as listed on the website of the IIA:

> *"The internal auditor occupies a unique position, he or she is employed by management but is also expected to review the conduct of management which can create significant tension since the internal auditor's independence from management is necessary for the auditor to objectively assess management's action, but the internal auditor's dependence on management for employment is very clear; and to maintain objectivity, internal auditors should have no personal or professional involvement with or allegiance to the area being audited; and should maintain an un-biased and impartial mindset in regard to all engagements.*
>
> *A critical activity of the audit committee is to be involved in the hiring of the Chief Audit Executive ("CAE") of the organization. Because the CAE reports to the audit committee, the committee should be responsible for ensuring that the CAE receives fair and timely performance reviews. The audit committee should have an active role in determining the annual salary adjustment for the CAE. The audit committee should be the decision-making party in any decision to terminate the CAE."*

The IIA's guidance on the standard of independence of the internal audit function recommends that the chief audit executive be aligned under the direct supervision of the audit committee, with administrative reporting to the management of the Plan.

It is recommended that the Plan adhere to the guidance promulgated under the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing by ensuring that its internal audit department is aligned under the direct supervision of the audit committee, with administrative reporting to the Plan's management.

It is recommended that the Plan update its relevant charters to reflect the direct functional reporting line to the audit committee and administrative reporting line to management.

It should also be noted that the contract with Freed Maxick was signed by the Chief Risk Officer. While the selection of Freed Maxick was properly vetted through the audit committee, it is recommended, and the Plan has acknowledged, that a best practice would be for such contracts to be signed by the chair of the audit committee.

Oversight Over the Internal Audit Function

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2070 – External Service Provider and Organizational Responsibility for Internal Auditing states:

> *"When an external service provider serves as the internal audit activity, the provider must make the organization aware that the organization has the responsibility for maintaining an effective internal audit activity."*

Although the Plan may outsource internal audit, management is aware that the Plan is responsible for overseeing and maintaining the internal audit function.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2040 – Policies and Procedures states:

> *"The chief audit executive must establish policies and procedures to guide the internal audit activity."*

While HealthNow does have an internal audit manual, the procedures contained therein were not always followed by Freed Maxick. The Plan acknowledged that the manual needs to be updated. Taken together, the internal audit manual and internal audit charter should facilitate the audit committee's understanding of the following:

- The risk assessment methodology used in the development of the audit plan.
- The process for documenting internal audit work for individual engagements.
- The process employed for reporting the results of audit work.
- The process for tracking, monitoring and periodic reporting of open issues.

Further, the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 1300 – Quality Assurance and Improvement Program states:

> *"The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity."*

It is recommended that the Plan review the work performed by Freed Maxick and on an annual basis prepare a report on the results of the audit work for the audit committee's review.

As a best practice, it is further recommended that the Plan perform, on at least an annual basis, a quality assurance and improvement program review of the internal audit function and use such a review to assist the audit committee in assessing the quality and effectiveness of the work performed by Freed Maxick.

<u>Internal Audit Independence – Objectivity</u>

The Rules of Conduct of The Institute of Internal Auditors' Code of Ethics, Section 2.1 states that internal auditors:

> *"shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment."*

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 1120 – Individual Objectivity states:

> *"Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest."*

Furthermore, IIA's Standard 1130.A1 – Impairment to Independence or Objectivity states:

> *"Internal auditors must refrain from assessing specific operations for which they were previously responsible."*

The examiner noted that Freed Maxick, engaged to act as the internal audit function for the Plan, was also engaged to provide consulting services relating to enterprise risk management ("ERM"). Furthermore, it was noted that certain internal audit activities performed by internal audit were business advisory engagements intended to add value and improve the Plan's processes and controls, without assuming management responsibilities.

It is recommended that, if it is the intention of the Plan to continue to use an outside firm to provide consulting services relating to ERM, that such outside firm be independent of an outside firm that provides internal audit functions on behalf of the Plan.

Internal Audit Charter

The examiner reviewed the Plan's internal audit department charter and audit committee charter and noted the following:

- The Plan's audit committee's charter did not clearly state that one of the main purposes of the audit committee is the oversight of the internal audit function.
- The Plan's internal audit department charter indicated that all reports, submissions and communications to the board of directors shall be through the Chief Risk Officer, which could have the potential to restrict the independence of the internal audit function.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 1000 – Purpose, Authority, and Responsibility states:

> *"The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards."*

Furthermore, IIA's Standard 1111 – Direct Interaction with the Board states:

> *"The chief audit executive must communicate and interact directly with the board."*

It is recommended that the Plan revise its audit committee and internal audit charters in accordance with the guidance promulgated under Standards 1000 and 1111 of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, respectively, to clarify that internal audit maintain a direct reporting line to the audit committee.

<u>Audit Committee Membership</u>

The audit committee should be comprised of independent directors of the board. The audit committee consists of six individuals, of which two are ex-officio members and the Chief Executive Officer. While it was indicated to the examiner that the Chief Executive Officer was also an ex-officio member, did not have voting rights and was excused from meetings during executive sessions or private sessions with Deloitte & Touché LLP, Freed Maxick, or with the Chief Risk Officer, such practices may convey the impression that independence may be compromised.

As a best practice, it is recommended that the audit committee membership be restricted to independent directors of the board.

<u>Risk Assessment Methodology</u>

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2010 – Planning states:

> *"The chief audit executive must establish risk-based plans to determine the priorities of the internal audit activity, consistent with the organization goals."*

IIA's Standard 2010.A1 further states:

> *"The internal audit activity's plan of engagements must be based on a documented risk assessment undertaken at least annually."*

While Freed Maxick had provided documents regarding a risk assessment methodology, which was utilized in the development of the annual audit plan that was presented to the audit committee for their review and approval, the risk assessment methodology and results were not condensed, on a consistent basis, into a unified document for the audit committee to review and approve over the examination and subsequent periods. It was also noted that the Chief Risk Officer had identified risk areas for the audit plan based on the strategic direction of the Plan.

It is recommended that the Chief Audit Executive establish a risk assessment methodology for development of the audit plan that measures the relative risk of all units in the Plan's audit universe.

It is recommended that the internal audit plan presented to the audit committee be clear on the risk assessment methodology used and how the results of the risk assessment have been considered in the development of the annual audit plan and that such audit assessment methodology be reviewed and approved by the audit committee.

<u>Quality of Audit Work</u>

The examiner reviewed workpapers of four (4) internal audits performed during the period of January 1, 2012 through December 31, 2013. All four internal audits were consultative engagements where Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing are less prescriptive regarding documentation. However, the audit workpapers which supported these engagements were deficient and could be improved with regard to a number of attributes as follows:

- Three of the four audits consisted solely of flowcharts describing the flow of operations, but limited analysis or detailed test work was evident. It was also noted that there was no evidence of a statement of work memo or a work program for these audits.
- The one audit that was inclusive of the key elements of an audit as described above still exhibited deficiencies such as the following:

  a. The work program was not referenced to the workpapers where test work was performed.
  b. The work program did not reveal the identity of the auditor who performed the specific program step.
  c. Audit test work appeared to rely on the work of others (Control Self Assessments prepared by management and testing performed by Deloitte & Touché LLP for SSAE 16 purposes), and no further testing was performed during the engagement.

The audit work was primarily consultative in nature and the related documentation to support the projects and results was inconsistent and limited. There were resource transitions during the examination period which resulted in variation in practice, form and content of audit documentation. The Plan recognizes the opportunity for improvement The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2300 – Performing the Engagement states:

> *"The internal auditors must identify, analyze, evaluate, and document sufficient information to achieve the engagement's objectives."*

It is recommended that the Plan ensure that its internal auditors comply on a consistent basis with the guidance promulgated under Standard 2300 of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Audit Reports

The examiner selected four (4) audit reports and reviewed the quality of the audit work. As noted previously, these audit reports related to consultative engagements where deliverables can take on different forms depending upon scope and objectives. It was noted that during the period from October 2012 to July 2013 the audit report structure was not consistent, leading to incomplete data being provided as follows:

- Two reports did not express an overall conclusion on the adequacy of the controls; and for one report the conclusion was not in line with the grading scale prescribed by Freed Maxick.
- Two reports did not reflect the party issuing the report or the party to which the report was being issued.
- One report revealed that it was issued by Enterprise Risk Management; and for two reports the audit was led by the Director of Enterprise Risk Management, and staffed by individuals from Freed Maxick engaged to perform both enterprise risk management and internal audit duties.
- Two reports did not indicate the date of issuance.

The audit reports related primarily to consultative engagements and the related deliverables to support the projects and results were inconsistent. There were resource transitions during the examination period which resulted in variation in practice, and content of audit deliverables. The Plan recognizes the opportunity for improvement in this area.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2410 – Criteria for Communicating states:

> *"Communications must include the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans."*

It is recommended that the Plan consistently follow a formal audit report structure that adheres to the guidance promulgated under Standard 2410 of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing.

Issue Tracking

During the examination period, audit issues were reported to the audit committee at most meetings and issue tracking was periodically summarized and included in audit committee reports. However, there was some variation in the frequency and level of detail of issue tracking over the exam period.

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing, Standard 2500 – Monitoring Progress states:

> *"The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management."*

It is recommended that the Plan adhere to the guidance promulgated under Standard 2500 of The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing by ensuring that a report of open issues be kept current, in consistent format, and be presented to the audit committee on a quarterly basis.

G. Enterprise Risk Management

On December 19, 2011, the Department issued Insurance Circular Letter No. 14 (2011) to encourage insurers to adopt a formal enterprise risk management ("ERM") function to identify, measure, aggregate and manage risk exposures within predetermined tolerance levels across all activities of the enterprise of which the insurer is part, or at the company level when the insurer is a stand-alone entity.

On June 2, 2010, the Plan created an independent ERM function, led by the Chief Risk Officer, to aggregate risk activities across market, credit, liquidity, IT, operational, strategic, reputational, and business continuity categories of risk.

The Chief Risk Officer ("CRO") reports directly to the Chief Executive Officer and the audit committee. The Plan has developed an ERM maturation framework that incorporated five key governance and risk management disciplines for its operational and strategic planning functions. These disciplines helped to frame governance practices to ensure resident risk elicitation mechanisms and risk management ownership within the Plan.

HealthNow has established two risk-focused internal committees, the ERM Steering Committee and the Operational Committee, that consist of management personnel, risk champions, and subject matter experts representing diverse business units and risk management functions. The ERM steering and operational committees' mission is to be the corporate forum that pro-actively enables the exchange of ideas, information, education and decisions surrounding the Plan's enterprise-wide risk issues and management protocols in a collaborative, non-punitive, consensus focused and culturally progressive environment. The ERM steering committee function has been integrated within the monthly officers meeting agenda led by the Chief Executive Officer.

The ERM office is comprised of the enterprise risk assessment, compliance and privacy, internal audit, performance audit, business continuity and insurance functions. The group's overarching policy mandate is to assist the Plan in the growth and development of risk management practices through the establishment, implementation and maintenance of the ERM framework and policies, and to oversee governance and risk management practices throughout the Plan. HealthNow has institutionalized an enterprise-wide risk elicitation process. This process included economic and investment risk and included a five step risk management model that was aimed at understanding what material risk events could compromise HealthNow's ability to achieve its goals, assess the best risk response and monitor for the response effectiveness. Goals assessed include financial goals, operational goals, project goals and strategic longer term goals. These material risks are logged along with their proposed risk responses within an enterprise risk management information system. This risk register functions as the central repository for HealthNow's risks to enable routine risk reporting and proactive management of risk response plans.

From July 2013 to March 1, 2015, the Chief Financial Officer was also the acting CRO. Subsequent to the examination date, the Plan hired James Bartolomucci, CPA to be the new CRO, effective March 2, 2015.

H. Employment Procedures

During the period from 2004 to May 2015, the Plan employed an individual who was a convicted felon, without obtaining the Superintendent's written consent for the individual to engage in the business of insurance pursuant to United States Code, Title 18, Part 1, Chapter 47, Section 1033. The individual had disclosed the felony conviction at the time of the application for employment.

United States Code, Title 18, Part 1, Chapter 47, Section 1033(e)(1)(A) states in part:

> "Any individual who has been convicted of any criminal felony involving dishonesty or breach of trust…who willfully engages in the business of insurance…shall be fined…or imprisoned not more than 5 years, or both."

United States Code, Title 18, Part 1, Chapter 47, Section 1033(e)(2) further states in part:

> "Any person described in paragraph (1)(A) may engage in the business of insurance or participate in such business if such person has the written consent of any insurance regulatory official authorized to regulate the insurer…"

The Plan acknowledges and agrees that it is required to comply with the provisions of the United States Code referenced above, and the employee in question has since obtained a waiver from the Superintendent. Subsequent to the audit period, the Plan has implemented an automated review and escalation process intended to avoid such oversights in the future.

It is recommended that the Plan comply with the provisions of United States Code, Title 18, Part 1, Chapter 47, Section 1033 by requesting and obtaining the consent of the Superintendent, prior to the employment of any individual who has been convicted of a felony.

3. FINANCIAL STATEMENTS

A. Balance Sheet

The following statements show the assets, liabilities, and surplus as of December 31, 2013, as contained in the Plan's 2013 filed annual statement, a condensed summary of operations and a reconciliation of the surplus account for each of the years under review.

Deloitte & Touché LLP ("D&T") was retained by the Plan to audit the Plan's combined statutory basis statements of financial position as of December 31st of each year in the examination period, and the related statutory-basis statements of operations, surplus, and cash flows for the year then ended.

D&T concluded that the statutory financial statements presented fairly, in all material respects, the financial position of the Plan at the respective audit dates. Balances reported in these audited financial statements were reconciled to the corresponding years' annual statements with no discrepancies noted.

Assets	
Bonds	$ 616,464,603
Preferred stocks	13,940,494
Common stocks	159,507,542
Cash and short-term investments	9,313,072
Aggregate write-ins for invested assets	10,551,504
Investment income due and accrued	3,805,703
Uncollected premiums in course of collection	73,603,783
Amounts receivable relating to uninsured plans	10,600,751
Net deferred tax asset	49,862,245
Guaranty funds receivable or on deposit	5,649,267
Electronic data processing equipment and software	192,709
Receivables from parent, subsidiaries and affiliates	1,221,528
Health care and other amounts receivable	48,591,110
Aggregate write-ins for other than invested assets	6,217,167
Total assets	$1,009,521,478

Liabilities

Claims unpaid	$ 173,866,578
Accrued medical incentive pool and bonus amounts	43,626,767
Unpaid claims adjustment expenses	10,116,982
Aggregate health policy reserves	21,461,853
Premiums received in advance	15,408,877
General expenses due or accrued	32,218,689
Current federal and foreign income tax payable and interest thereon	(304,115)
Amounts withheld or retained for the account of others	15,179
Aggregate write-ins for other liabilities	121,410,666
Total liabilities	$ 417,821,476

Surplus

Aggregate write-ins for other than special surplus funds	$ 309,929,774
Unassigned funds	281,770,228
Total surplus	$ 591,700,002
Total liabilities and surplus	$1,009,521,478

Note: The Internal Revenue Service has not conducted any audits of the federal income tax return filed on behalf of the Plan through tax year 2013. The examiner is unaware of any potential exposure of the Plan to any tax assessments, and no liability has been established herein relative to such contingency.

B. Statement of Revenue and Expenses and Surplus

Surplus increased $146,142,806 during the five-year examination period, January 1, 2009 through December 31, 2013, detailed as follows:

Revenue		
Premium	$12,207,582,779	
Change in unearned premium reserves and reserve for rate credits	41,228,361	
Total revenue		$12,166,354,418
Expenses		
Claims	$10,875,750,048	
Claims adjustment expenses	277,391,746	
General administrative expenses	956,623,617	
Aggregate write-ins for other expenses	11,988,193	
Total expenses		$12,121,753,604
Net underwriting gain		$ 44,600,814
Investments		
Net investment income earned	$ 85,559,192	
Net realized capital gains	83,097,126	
Net investment gain		$ 168,656,318
Net income before federal income taxes		$ 213,257,132
Federal income taxes incurred		$ 39,877,000
Net income		$ 173,380,132

Change in Surplus

	Gains in Surplus	Losses in Surplus	
Surplus, per report on examination, as of December 31, 2008			$445,557,196
Net income	$173,380,132		
Change in net unrealized capital gains	16,153,270		
Change in net deferred income tax	42,852,255		
Change in non-admitted assets		$80,097,199	
Aggregate write-ins for losses in surplus		6,145,652	
Net change in surplus			$146,142,806
Surplus, per report on examination, as of December 31, 2013			$591,700,002

4. SUBSEQUENT EVENTS

As of December 31, 2014, the Plan reported a net loss of $53,204,297, a decrease of $84,932,860 or 267.7% when compared to year-end 2013. According to HealthNow, the net loss resulted from Medicare revenue shortfalls, medical trend exceeding budget, and the cost of SOVALDI, an antiviral drug used to treat chronic Hepatitis C, driving unanticipated prescription drug spending. However, after a review of HealthNow's 2014 Annual Statement, it was noted that the net loss was mainly the result of a significant increase of $55,654,454 or 473.4% in regulatory authority licenses and fees, reported under general administrative expenses ("GAE") in the Underwriting and Investment Exhibit, Part 3 – Analysis of Expenses. The increase in regulatory authority licenses and fees was mainly due to an annual assessment fee pursuant to the United States Code of Federal Regulations, Title 26, Chapter I, Subchapter D, Part 57, Section 57.4 in the amount of $54,814,982. As such, total GAE, as of December 31, 2014, increased $48,609,171 or 24.7% when compared to year-end 2013.

In 2015, HealthNow is subject to an annual assessment fee under the Affordable Care Act ("ACA"). The ACA annual assessment fee is allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that was written during the preceding calendar year. A health insurance entity's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2014, the Plan had written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2015, and estimated their portion of the annual health insurance industry assessment fee to be $45,758,715, payable on September 30, 2015. This assessment is expected to negatively impact risk based capital by 52.3%.

As of December 31, 2014, HealthNow reported a liability of $51,000,000 in borrowed money. According to HealthNow, the Plan obtained a short-term unsecured line of credit, from First Niagara Bank, to help cover claims payment at year-end. This debt was repaid, in full, on January 2, 2015.

As of December 31, 2014, the Plan's total adjusted capital was $486,538,550, a decrease of $105,161,452 or 17.8% when compared to year-end 2013. This decrease in surplus was mainly the result of a net loss of $53,204,297 and additional minimum pension liability and other post-retirement benefits of $38,457,473. The total adjusted capital of $486,538,550 was well above the Plan's authorized control level risk-based capital of $87,471,531, as of December 31, 2014.

5. COMPLIANCE WITH PRIOR REPORT ON EXAMINATION

The prior report on examination, as of December 31, 2008, contained the following five (5) financial related comments and recommendations (page number refers to the prior report on examination):

ITEM NO.		PAGE NO.
	Management and Controls	
1.	It is recommended that the Plan comply with the provisions of Section 4301(k)(1) of the New York Insurance Law by maintaining the required board of directors' composition.	9
	The Plan has complied with this recommendation.	
	Holding Company System	
2.	It is recommended that the Plan implement appropriate improvements to its policies, procedures, controls and training concerning related party transactions, to comply with the mandates of Statement of Statutory Accounting Principles No. 25 of the NAIC Accounting Practices and Procedures Manual and the NAIC Annual Statement Instructions – Health.	17
	The Plan has complied with this recommendation.	
3.	It is recommended that HealthNow review the methodology and underlying assumptions used for its valuation of BCI and determine whether its current valuation methodology provides the most accurate results.	19
	Subsequent to the examination date, the Plan engaged a consultant to determine the fair value of BCI as of October 31, 2011, in connection with its annual goodwill impairment assessment.	
	The Plan has complied with this recommendation.	
4.	It is recommended that HealthNow conduct an assessment of prospective risks with respect to the BCI transformation.	19
	The Plan has complied with this recommendation.	
	Information Systems	
5.	It is recommended that the review of the risk and control environment applicable to the Plan's Information Systems be incorporated within the Plan's Enterprise Risk Management function.	24
	The Plan has complied with this recommendation.	

6. SUMMARY OF COMMENTS AND RECOMMENDATIONS

ITEM			PAGE NO.
A.		Corporate Governance	
	i.	It is recommended that the Plan classify only those board members who are covered under an insured contract as Subscriber Representatives in compliance with Section 4301(k)(1)(A) of the New York Insurance Law and Article IV, Section 2(c)(i) of its by-laws.	8
	ii.	It is recommended that the Plan comply with Article IV, Section 2(c)(ii) of its by-laws by having board members noted as “Public Representatives” represent all of the geographic regions served by the Plan.	8
B.		Internal Audit Department	
	i.	It is recommended that the Plan adhere to the guidance promulgated under the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing by ensuring that its internal audit department is aligned under the direct supervision of the audit committee, with administrative reporting to the Plan’s management.	20
	ii.	It is recommended that the Plan update its relevant charters to reflect the direct functional reporting line to the audit committee and administrative reporting line to management.	20
	iii.	It should also be noted that the contract with Freed Maxick was signed by the Chief Risk Officer. While the selection of Freed Maxick was properly vetted through the audit committee, it is recommended, and the Plan acknowledged, that a best practice would be for such contracts to be signed by the chair of the audit committee.	21
	iv.	It is recommended that the Plan review the work performed by Freed Maxick and on an annual basis prepare a report on the results of the audit work for the audit committee’s review.	22
	v.	As a best practice, it is further recommended that the Plan perform, on at least an annual basis, a quality assurance and improvement program review of the internal audit function and use such a review to assist the audit committee in assessing the quality and effectiveness of the work performed by Freed Maxick.	22

Respectfully submitted,

____

Tommy Kong, CFE
Senior Examiner

STATE OF NEW YORK)
)SS.
)
COUNTY OF NEW YORK)

Tommy Kong, being duly sworn, deposes and says that the foregoing report submitted by him is true to the best of his knowledge and belief.

____

Tommy Kong, CFE

Subscribed and sworn to before me
this _____ day of __________ 2016

APPOINTMENT NO. **31077**

NEW YORK STATE

DEPARTMENT OF FINANCIAL SERVICES

I, ***BENJAMIN M. LAWSKY****, Superintendent of Financial Services of the State of New York, pursuant to the provisions of the Financial Services Law and the Insurance Law, do hereby appoint:*

Tommy Kong

as a proper person to examine the affairs of

HealthNow New York Inc.

and to make a report to me in writing of the condition of said

Plan

with such other information as he shall deem requisite.

In Witness Whereof, I have hereunto subscribed my name
and affixed the official Seal of the Department
at the City of New York

this 19th day of November, 2013

BENJAMIN M. LAWSKY
Superintendent of Financial Services

By:

Lisette Johnson
Bureau Chief
Health Bureau

NEW YORK STATE
EXCELSIOR
DEPARTMENT OF FINANCIAL SERVICES