

REPORT ON EXAMINATION
OF THE
CHRISTIANA CARE HEALTH PLANS, INC.
AS OF
DECEMBER 31, 2011

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

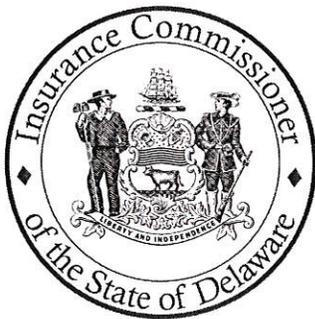
I, Karen Weldin Stewart, Insurance Commissioner of the State of Delaware, do hereby certify that the attached REPORT ON EXAMINATION, made as of December 31, 2011 of the

CHRISTIANA CARE HEALTH PLANS, INC.

is a true and correct copy of the document filed with this Department.

Attest By: Brandi Biddle

Date: June 17, 2013



In Witness Whereof, I have hereunto set my hand and affixed the official seal of this Department at the City of Dover, this 17th day of June, 2013.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart".

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Karen Weldin Stewart, CIR-ML
Commissioner



Delaware Department of Insurance

REPORT ON EXAMINATION
OF THE
CHRISTIANA CARE HEALTH PLANS, INC.
AS OF
DECEMBER 31, 2011

The above-captioned report was completed by examiners of the Delaware Department of Insurance.

Consideration has been duly given to the comments, conclusions and recommendations of the examiners regarding the status of the company as reflected in the report.

This report is hereby accepted, adopted and filed as an official record of this Department.

A handwritten signature in black ink, appearing to read "Karen Weldin Stewart", is written over a horizontal line.

Karen Weldin Stewart, CIR-ML
Insurance Commissioner

Dated this 17th day of June, 2013

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SALUTATION

April 30, 2013

Honorable Karen Weldin Stewart
Delaware Insurance Commissioner
Rodney Building
841 Silver Lake Boulevard
Dover, DE 19901

Dear Commissioner:

In compliance with instructions contained in Certificate of Authority 12.038, an examination has been made of the affairs, financial condition and management of the

CHRISTIANA CARE HEALTH PLANS, INC.

hereinafter referred to as "CCHP" or "Company", incorporated under the laws of the State of Delaware. The examination was conducted at 200 Hygeia Drive, Newark, DE.

The report of such examination is respectfully submitted herewith.

SCOPE OF EXAMINATION

The last examination was conducted as of December 31, 2006. This examination covers the period January 1, 2007 to December 31, 2011. Due to the run-off status of the Company, the examination placed increased emphasis on the current year end (2011).

The format of this report is designed to explain the procedures employed on examination and the text will explain changes wherever made. If necessary, comments and recommendations have been made in those areas in need of correction or improvement. In such cases, these matters were thoroughly discussed with responsible officials during the course of the examination.

The general procedures of the examination followed the rules established by the

National Association of Insurance Commissioners' (NAIC) Financial Condition Examiners Handbook (Handbook), and generally accepted statutory insurance examination standards.

As noted in the History section of this report, in 2005, the Company sold its existing business to Blue Cross Blue Shield of Delaware (BCBSD). The Company's business has been run-off as of the December 31, 2011 examination date and now effectively remains a shell.

In addition to items noted in this report, the topics below were reviewed without material exception and are included in the work papers of this examination:

- Corporate Records
- Fidelity Bond and Other Insurance
- Pensions, Stock Ownership and Insurance Plans
- Loss Experience
- Accounts and Records
- Statutory Deposits

SUMMARY OF SIGNIFICANT EVENTS

The examination noted no significant events that would negatively impact the financial position of the Company.

SUBSEQUENT EVENTS

The examination noted no significant events subsequent to the December 31, 2011 examination date.

HISTORY

The Company was formed in January 1994 as MCD Health Services Corporation, which was established as a membership corporation. The Company commenced operations on January 1, 1996 and operated as a non-profit Limited Health Services Corporation. CCHP files a tax return under Section 501c (4) of the Internal Revenue Code. The Company's current name was adopted in 1997. As per the 2006 Annual Statement,

Christiana Care Health Plans, Inc.

CCHP's sole member is Christiana Care Health System.

In 1996, CCHP took control of the Delaware Health Plan Consortium, Inc. (DHPC). Effective December 31, 1998 DHPC discontinued offering health benefit plans in the State of Delaware and in 2005 DHPC was dissolved.

While CCHP was in operation, the Company consisted of Mid-Atlantic Health Plan (MAHP) and First State Health Plan (FSHP). MAHP provided health care coverage to employer groups and third party administrative services to self-insured employer groups. FSHP provided health care coverage to Medicaid recipients in the State of Delaware under a contract with the Delaware Department of Health and Social Services. Effective July 1, 2002, CCHP became the sole Medicaid managed care underwriter in the State of Delaware, which resulted in total membership of approximately 88,000.

In February, 2004, CCHP decided not to submit a proposal to the State of Delaware to renew the Medicaid contract. The Company continued to insure the Medicaid population through June 30, 2004.

On February 5, 2005, CCHP and Blue Cross Blue Shield of Delaware (BCBSD) entered into an Asset Purchase Agreement to sell all member health insured plans and contracts issued and administered by CCHP, all physical electronic records, claims data and all intellectual property. CCHP received a consideration of \$3,000,000 under this agreement. The Delaware Insurance Department approved the sale on May 4, 2005 and the agreement was executed May 15, 2005.

Concurrent with the Asset Purchase Agreement, the Company and BCBSD entered into an Assumption Reinsurance Treaty whereby, effective May 16, 2005, BCBSD assumed 100% of the Company's obligations and liabilities for the business noted above. CCHP

provided support to BCBSD for the processing and transition of members converting to BCBSD; this support ended December 31, 2006.

On a quarterly basis following the close of the Asset Purchase Agreement, BCBSD paid CCHP \$125.00 for each risk member that transitioned to or renewed with BCBSD prior to or upon such member's first renewal date. Additionally, as part of the Asset Purchase Agreement, CCHP received a bonus based on the Medical Loss Ratio, excluding Administrative Service Contracts, through June 30, 2006. In August 2006, CCHP received the maximum bonus, \$1,000,000, stipulated in the Agreement.

There were no significant changes noted during the current examination period.

MANAGEMENT AND CONTROL

The Company's Sole Member was reported as Christiana Care Corporation until 2005. During 2005, the Company's Sole Member changed its legal name to Christiana Care Health System (CCHS) and the Company reported the Sole Member as such beginning with the March 31, 2006 Quarterly Statement. No changes were noted during the current examination period.

At December 31, 2011, the Company reported the following members of the Board of Directors:

<u>Name</u>	<u>Principal Occupation</u>
Thomas L. Corrigan, Chairman	SR. VP and CFO of Christiana Care
Richard B. Ellis, Jr.	Treasurer of Christiana Care (1)
Brenda K. Pierce, Esquire	Corporate Counsel for Christina Care

(1)- Mr. Ellis is since deceased. Mr. Ellis was replaced with Robert W. McMurray as Treasurer subsequent to the examination date.

The Company's Sole Member, in its board meeting held on November 30, 2011, re-appointed the three existing directors of the Company to the Board of CCHP for a one-year term ending November, 2012.

The Board of Directors, elected the officers of the Company during its November 30, 2011 meeting. The following were the duly qualified and elected officers of the Company as of the December 31, 2011 examination date:

Thomas L. Corrigan, Chairman
Brenda K. Piece, Esquire, Secretary
Robert W. McMurray, Treasurer

GROWTH OF COMPANY

The following information was obtained from the Company's filed Annual Statements:

<u>Year</u>	<u>Assets</u>	<u>Capital & Surplus</u>	<u>Revenue</u>	<u>Net Income</u>	<u>Member Months</u>
2006	\$6,194,982	\$4,838,870	\$0	\$1,985,045	0
2007	355,923	332,789	0	989,701	0
2008	352,509	342,078	0	6,574	0
2009	485,892	476,619	0	134,541	0
2010	6,631	2,935	0	5,564	0
2011	4,750	1,054	0	(1,881)	0

As noted previously, CCHP sold its business in 2005 and was placed in run-off. In both 2006 and 2007, the Company made payments constituting return of capital of \$6,000,000 to Christiana Care Health System. Both payments were approved by the Delaware Insurance Department. This explains the significant decrease in assets and capital & surplus shown above.

The Company was inactive during the entire examination period, which resulted in modest net income or loss in each of the five years under review. Capital and surplus decreased significantly from 2009 through 2011. Capital and surplus continued to decrease subsequent to the examination period and during 2012, Christiana Care Health Systems contributed \$25,000 of paid in capital. This was necessary to bring the Company's capital and surplus to a positive position.

As of the December 31, 2011 examination date, Christiana Care Health Systems has

contributed \$59,000,000 in gross paid in surplus.

TERRITORY AND PLAN OF OPERATION

Effective May 15, 2005, CCHP ceased operations and became responsible only for claims that had occurred at or prior to that date. Claims occurring after May 15, 2005 became the responsibility of Blue Cross Blue Shield of Delaware.

CCHP reported the following amounts for Claims Unpaid;

December 31, 2011-	\$	0
December 31, 2010-	\$	0
December 31, 2009-	\$	630
December 31, 2008-	\$	630
December 31, 2007-	\$	630
December 31, 2006*-	\$	101,861

* = Prior examination date

The Company intends to maintain its Certificate of Authority with the Delaware Insurance Department for the possibility of re-entering the insurance market at some point. Currently management has no plans to reactivate the Company.

REINSURANCE

As noted in the History section of this report, effective May 16, 2005, BCBSD assumed all of the Company's obligations for the Mid-Atlantic Health Systems business going forward from that date.

The Company did not participate in any assumed or ceded reinsurance arrangements during the current examination period or subsequent thereto.

FINANCIAL STATEMENTS

The following pages contain a statement of assets, liabilities, surplus and other funds as of December 31, 2011, as determined by this examination, along with supporting exhibits as detailed below:

Assets
 Liabilities, Capital and Surplus
 Statement of Revenue and Expenses
 Capital and Surplus Account
 Reconciliation of Capital and Surplus from Prior Exam

Assets

As of December 31, 2011

	<u>Assets</u>	Non Admitted <u>Assets</u>	Admitted <u>Assets</u>
Cash	\$ 4,750	-	\$ 4,750
Total	<u>\$ 4,750</u>	<u>-</u>	<u>\$ 4,750</u>

LIABILITIES, CAPITAL AND SURPLUS

As of DECEMBER 31, 2011

General expenses due and accrued	\$ 3,696	Note 1
Total liabilities	<u>3,696</u>	
Gross paid and contributed capital	\$ 59,000,000	
Unassigned funds	<u>(58,998,946)</u>	
Total Capital and surplus	<u>1,054</u>	
Total Liabilities, Capital and surplus	<u>\$ 4,750</u>	

STATEMENT OF REVENUE AND EXPENSES

As of December 31, 2011

Premium Income	\$ <u> -</u>
Hospital/medical benefits	\$ (6,788)
Total Hospital/medical Benefits	\$ (6,788)
General administrative expenses	\$ 8,669
Total underwriting deductions	\$ 1,881
Total underwriting loss	\$ (1,881)
Net income before federal taxes	\$ (1,881)
Federal taxes	\$ <u> -</u>
Net income	<u><u>\$ (1,881)</u></u>

CAPITAL AND SURPLUS ACCOUNT

As of December 31, 2011

Capital and Surplus, December 31, 2010	\$ 2,935
Net income	<u>\$ (1,881)</u>
Net change in Capital and Surplus	<u>\$ (1,881)</u>
Capital and Surplus, December 31, 2011	<u><u>\$ 1,054</u></u>

CAPITAL AND SURPLUS RECONCILIATION

Capital and Surplus, December 31, 2006		\$ 4,838,870
Net income	\$ 1,137,214	
Change in Net Deferred Income Tax	\$ 222,719	
Change in Non-Admitted Assets	\$ 281,499	
Capital- Paid In	\$ (6,000,000)	
Transferred from Capital	\$ (479,248)	
Net change in Capital and Surplus		<u>\$ (4,837,816)</u>
Capital and Surplus, December 31, 2011		<u>\$ 1,054</u>

NOTES TO FINANCIAL STATEMENTS

Note 1. Aggregate Health Policy Reserves.

As previously described in this report, during 2005 the Company sold its entire book of business to BCBSD. The Company's Aggregate Health Policy Reserves have been \$0 since 2007.

RECOMMENDATIONS

The examination will offer no recommendations.

SUMMARY COMMENTS

No significant items were noted during the current examination period. However the following Summary Comments have been carried forward from the December 31, 2006 Report on Examination and as they are still relevant:

- On February 5, 2005, CCHP and Blue Cross Blue Shield of Delaware (BCBSD) entered into an Asset Purchase Agreement to sell all member health insured plans and contracts issued and administered by CCHP, all physical electronic records, claims data and all intellectual property. CCHP received a consideration of \$3,000,000 under this agreement. The Delaware Insurance Department approved the sale on May 4, 2005 and the agreement was executed May 15, 2005.
- Concurrent with the Asset Purchase Agreement, the Company and BCBSD entered into an Assumption Reinsurance Treaty whereby effective May 16, 2005, BCBSD assumed 100% of the Company's obligations and liabilities for the Mid-Atlantic Health Plan business. CCHP provided support to BCBSD for the processing and transition of members converting to BCBSD; this support ended December 31, 2006.
- In both 2006 and 2007, the Company made payments constituting return of capital,

of \$6,000,000 to Christiana Care Health System. Both payments were approved by the Delaware Insurance Department.

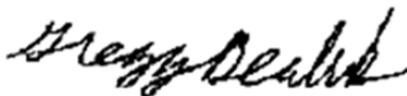
- The immediate future plans for the Company involve maintaining the Certificate of Authority with the Delaware Insurance Department for the possibility of re-entering the insurance market at some point, and the utilization of cumulative operating loss carryforwards. Management has indicated there are no plans to activate the Company in the foreseeable future.

- CONCLUSION

The following schedule shows the results of this examination and the results of the prior examination with changes between the examination periods:

Description	12/31/2011 Examination	12/31/2006 Examination	Changes Increases (Decreases)
Assets	\$ 4,750	\$ 6,194,982	\$ (6,190,232)
Liabilities	\$ 3,696	\$ 1,356,112	\$ (1,352,416)
Capital and Surplus	\$ 1,054	\$ 4,838,870	\$ (4,837,816)

Respectfully submitted,



Gregg S. Bealuk, CFE
Examiner-in-Charge
Insurance Department
State of Delaware