



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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Licensed ODSs – Annual and Quarterly Financial Reporting Requirements

Summarized herein are the annual financial reporting requirements for Licensed Organized Delivery Systems (LODSs) licensed in New Jersey. The license holder is responsible to ensure that all required data is properly captured and that all required reports are submitted in order to comply with New Jersey statutes and regulations. The major reporting requirements are as follows:

All filings must be postmarked or submitted electronically no later than the indicated due date.

Reports due March 1	Pursuant to
Annual Statement for preceding year completed as prescribed by NAIC Annual Statement Instructions for LODSs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Annual Health Blank, incl. \$100 Filing Fee	N.J.A.C. 11:22-4.9(a)
Attachment A: Restricted Deposits	N.J.S.A. 17:48H-22(c)
Attachment B: Minimum Net Worth Requirement	N.J.S.A. 17:48H-22(c)
Attachment C: 3-Year Projections, incl. narrative on underlying assumptions and Business Plans	N.J.S.A. 17:48H-22(c)
Attachment D: Liquidity Worksheet	N.J.S.A. 17:48H-22(c)
Attachment E: Budget vs Actual	N.J.S.A. 17:48H-22(c)
Attachment F: List of Contracts	N.J.S.A. 17:48H-22(c)
Statement of Actuarial Opinion	N.J.A.C. 11:22-4.9(b)
Management Discussion & Analysis	NAIC Health Statement Instructions
Risk-Based Capital Report (if applicable)	N.J.A.C. 11:2-39A.3(a), Order No. A15-102
Reports due April 1	Pursuant to
NAIC April (4/1) Supplements, incl. but not limited to Investment Risk Interrogatories, Long-Term Care Insurance Experience Reporting Forms, and Supplemental Health Care Exhibit	NAIC Health Statement Instructions
Annual Forms B and C	N.J.A.C. 11:1-35.7
Annual Form F	N.J.A.C. 11:1-35.13
Risk Assessment Discussion	N.J.A.C. 11:22-4.9(a)

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Reports due May 15	Pursuant to
Quarterly Statement for current year completed as prescribed by NAIC Quarterly Statement Instructions for LODSs, on SAP basis in accordance with NAIC Accounting Practices and Procedures Manual, and via NAIC Quarterly Health Blank	N.J.A.C. 11:22-4.9(c)
Attachment A: Restricted Deposits	N.J.S.A. 17:48H-22(c)
Attachment B: Minimum Net Worth Requirement	N.J.S.A. 17:48H-22(c)
Attachment D: Liquidity Worksheet	N.J.S.A. 17:48H-22(c)
Attachment E: Budget vs Actual	N.J.S.A. 17:48H-22(c)
Attachment F: List of Contracts	N.J.S.A. 17:48H-22(c)
Management Discussion & Analysis	NAIC Health Statement Instructions
Reports due June 1	Pursuant to
Audited Annual Statement, incl. CPA Qualification Letter and Internal Control Letter	N.J.A.C. 11:22-4.9(b)
Corporate Governance Annual Disclosure	N.J.S.A. 17:23-42
Reports due August 15	Pursuant to
Quarterly Statement for current year completed as prescribed by NAIC Quarterly Statement Instructions for LODSs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Quarterly Health Blank	N.J.A.C. 11:22-4.9(c)
Attachment A: Restricted Deposits	N.J.S.A. 17:48H-22(c)
Attachment B: Minimum Net Worth Requirement	N.J.S.A. 17:48H-22(c)
Attachment D: Liquidity Worksheet	N.J.S.A. 17:48H-22(c)
Attachment E: Budget vs Actual	N.J.S.A. 17:48H-22(c)
Attachment F: List of Contracts	N.J.S.A. 17:48H-22(c)
Management Discussion & Analysis	NAIC Health Statement Instructions
Reports due November 15	Pursuant to
Quarterly Statement for current year completed as prescribed by NAIC Quarterly Statement Instructions for LODSs, on a SAP basis in accordance with the NAIC Accounting Practices and Procedures Manual, and via the NAIC Quarterly Health Blank	N.J.A.C. 11:22-4.9(c)
Attachment A: Restricted Deposits	N.J.S.A. 17:48H-22(c)
Attachment B: Minimum Net Worth Requirement	N.J.S.A. 17:48H-22(c)
Attachment D: Liquidity Worksheet	N.J.S.A. 17:48H-22(c)
Attachment E: Budget vs Actual	N.J.S.A. 17:48H-22(c)
Attachment F: List of Contracts	N.J.S.A. 17:48H-22(c)
Management Discussion & Analysis	NAIC Health Statement Instructions
Reports due as applicable to filer	Pursuant to
Forms A and E regarding change of control transaction	N.J.S.A. 17:27A-2
Forms D regarding transactions with affiliates	N.J.S.A. 17:27A-4, N.J.A.C. 11:1-35.10
Own Risk Self-Assessment (ORSA) if the Group's annual direct written and assumed premiums >\$1B, and/or if the Company's annual direct written and assumed premiums >\$500M	N.J.S.A. 17:23-31

Licensed ODSs – Annual and Quarterly Financial Reporting Requirements

General Information:

The annual filing fee of \$100.00 shall be made payable to the State of New Jersey – General Treasury and accompany the annual statement per N.J.A.C. 11:29-4.9(a).

All required forms must be completed in their entirety; if a specific field or schedule is not applicable to the LODS, the LODS should indicate this by responding “N/A” or “None.”

Original signatures are required on all filings; with respect to the Annual and Quarterly Statements in particular, these must be signed by the President and Secretary of the company or, in their absence, by two principal officers of the company.

Any and all requests for exemptions from the filing requirements above must be submitted in writing at least 30 days prior to the due date. Any deviation absent written permission of the Commissioner may be considered a violation of filing requirements and may cause the filing to be rejected and subject to penalties and enforcement measures as prescribed by the statute.

The commissioner may assess a civil administrative penalty of up to \$100 per day for each day a required report is late. The commissioner may require the submission of additional reports from time to time, as the commissioner deems necessary. A penalty may be recovered in a summary proceeding pursuant to "The Penalty Enforcement Law of 1999," P.L. 1999, c. 274 (C. 2A:58-10 et seq.). This letter shall serve as reasonable notice that any LODS that files late may be fined an amount not less than \$100.00 per day.

Within these instructions, references are made to the NAIC Health Blank, Health Annual and Quarterly Statement Instructions, and Accounting Policies and Procedures Manual. These forms may be purchased directly from the NAIC or through several independent insurance service companies throughout the United States. Should the LODS wish to procure the forms through the NAIC, please contact the following:

National Association of Insurance Commissioners
Insurance Products and Services Division
Telephone: (816) 783-8300
Facsimile: (816) 460-7593
Website: http://www.naic.org/prod_serv_publications.htm

It is the LODS’s responsibility to ensure all forms are current and up-to-date at all times.

Notes regarding the Annual Statement:

On or before March 1, every LODS shall submit an Annual Statement for the immediately preceding calendar year using the format established by the NAIC for LODSs.

In accordance with SAP, the LODS shall segregate assets into categories of “Admitted Assets” and “Non-Admitted Assets.” The Non-Admitted Assets shall be excluded by the Department in consideration of the LODS’s minimum statutory net worth, solvency, deposit, and reserve requirements.

All contract revenues should be included on Line 5 “Risk Revenues” of the Statement of Revenues and Expenses; they should **not** be included on Line 2 “Net Premium Income.”

All expenses paid to medical providers (including dentists) should be included on Line 10 “Other Professional Services” of the Statement of Revenue and Expenses; they should **not** be included on Line 9 “Hospital/Medical Benefits” or Line 29 “Aggregate Write-Ins for Other Income or Expenses.”

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Item # 3 on the General Interrogatories should state the date initiated or completed and the period covered for the latest financial examination of the LODS by New Jersey or any other state Department of Insurance. This is **not** referencing the audited annual statement.

The Annual Statement shall include a Statement of Actuarial Opinion. Please include a written statement from an actuary who is a member in good standing of the American Academy of Actuaries and who is familiar with the actuarial aspects of health plans setting forth his or her opinion relating to reserves and any other actuarial items. The Statement of Actuarial Opinion should be prepared in accordance to the NAIC Health Statement Instructions.

Notes regarding Projections preparation

Projections must be in electronic format and contain detailed Statutory Balance Sheet, Income Statement, and Cash Flow projections and include leverage, profitability, RBC, and liquidity ratios. In addition to such quantitative information, projections should contain a qualitative Business Plan narrative addressing the assumptions underlying the projections, including how the company plans to achieve its projections noting rate and territory changes, etc. as well as a discussion of the process in place to evaluate actual results to the projections. Projections can be submitted using UCAA Form 13 available on the NAIC website or in a substantially similar format of the Company's choosing, provided all required information is included.

Notes regarding the Risk Assessment Discussion

Below are the nine (9) categories of insurers' branded risks as identified by the NAIC. By April 1 of each year, every HMO shall submit a Risk Assessment Discussion identifying the Board of Directors' and Executive Management's assessment of the three (3) areas of risk that have most significantly affected the HMO over the past year, and a prospective narrative of all nine (9) risks on a going-forward basis.

1. Credit Risk
2. Market Risk
3. Pricing & Underwriting Risk
4. Reserving Risk
5. Liquidity Risk
6. Operational Risk
7. Legal Risk
8. Strategic Risk
9. Reputational Risk

More information concerning the Risk Assessment Discussion can be found under separate cover on the Department's website.

Notes regarding Audited Annual Statement

On or before June 1, every LODS shall submit, no later than June 1, audited annual financial reports for the immediately preceding calendar year for the segregated account established pursuant to 11:22-4.8(b), and shall also file a report with respect to all of its operations, completed on a generally accepted accounting principles basis, certified by an independent certified public accountant, in accordance with N.J.A.C. 11:2-26.

Notes regarding Management's Discussion and Analysis

A supplement to the annual and quarterly statements, entitled "Management's Discussion and Analysis" or "MD&A," must be submitted along with each statement filing. This supplement is primarily a

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narrative document setting forth information which enables the Department to enhance its understanding of the ODS's overall financial and operational condition, financial results, and changes in capital and surplus accounts and cash flow. Please see the NAIC's MD&A instructions within the Health Statement Instructions for specific format and detailed guidance.

Notes regarding Quarterly Statements

Every LODS shall file quarterly reports for the segregated account established pursuant to 11:22-4.8(b) with the Commissioner, no later than 45 days following the close of each of the first three calendar quarters (that is, May 15, August 15, and November 15, respectively), completed as prescribed by the NAIC Health Annual Statement Instructions, and completed on a statutory accounting principles basis, in accordance with the NAIC Accounting Practices and Procedures Manual, effective January 1, 2001, incorporated herein by reference, as amended and supplemented. The quarterly report shall be submitted using the NAIC health blank in effect at the time of the quarter submitted.

All filings can be sent to the following address:
Chief Insurance Examiner
NJ Department of Banking and Insurance
Office of Solvency Regulation – 8th Floor

BY US MAIL
P.O. Box 325
Trenton, NJ 08625-0325

BY OVERNIGHT MAIL
20 West State Street
Trenton, NJ 08608-120

Company filings should also be sent electronically in .pdf format to DomesticAnnual@dobi.nj.gov. Please include the Company Name, NAIC#, and Name of Filing in the subject.

Questions/Concerns

If you have any questions concerning this correspondence, please contact Tim Stroud at (609) 940-7452 or Tim.Stroud@dobi.nj.gov or Shail Mankad at (609) 940-7432 or Shail.Mankad@dobi.nj.gov.

**Licensed ODS
Attachment A**

RESTRICTED ASSETS ON DEPOSIT WITH THE DEPARTMENT OF BANKING AND INSURANCE

Worksheet calculation to determine Deposit Requirement pursuant to N.J.A.C. 11:22-4.8(e)

Name and NAIC # of Licensed ODS: _____
Date of ODS Licensure: _____
For the Period Ending: _____

	Most Recent Four (4) Quarters:			
	QE minus 3	QE minus 2	QE minus 1	Most Recent Quarter Ended ("QE")
1. Risk Revenue (Line 5 of Statement of Revenue and Expenses, NJ revenue only) of most recent 4 Quarters				
2. Highest Risk Revenue of most recent 4 Quarters				
3. Multiplied by .5				
4. Minimum deposit requirement at most recent quarter ended based on most recent annual CPI adjustment				
5. Deposit requirement (greater of 3 or 4)*				
6. Current Market Value of Deposit				

****Pursuant to N.J.A.C. 11:22-4.8(e):*** A licensed organized delivery system shall deposit with the Commissioner in accordance with the procedures set forth in N.J.A.C. 11:2-32, cash, securities, or any combination of these or other measures that is acceptable to the Commissioner in an amount equal to 50 percent of the highest calendar quarterly compensation of the most recent four quarters, but in no event less than \$25,000, which amount shall be adjusted annually in accordance with changes in the Consumer Price Index. The deposit shall be deemed an admitted asset of the system in the determination of net worth. The deposit amount, above the \$25,000 minimum, shall be payable over a two-year period, with 50 percent of the required amount above the minimum required amount payable at the end of the 12th month after it was issued a license.

**Licensed ODS
Attachment B**

Worksheet calculation to determine Minimum Net Worth requirement pursuant to N.J.A.C. 11:22-4.8(a)

Name and NAIC # of Licensed ODS: _____
 Date of ODS Licensure: _____
 For the Period Ending: _____

1. Risk Revenue as of December 31 of most recent Year Ended	\$
2. Multiplied by .02	\$
3. Greater or less than \$100,000?	
4. If "greater," enter amount from 2) above. If "less," enter \$100,000.	\$

5. 8% of the annual health care expenditures (not incl. those expenditures paid on a capitated basis and those made on a managed hospital payment basis) as reported for most recent 4 calendar quarters, <u>plus</u> 4% of the annual hospital expenditures paid on a managed hospital payment basis for most recent 4 calendar quarters	Most recent Quarter Ended ("QE"):	\$
	QE minus 1	\$
	QE minus 2	\$
	QE minus 3	\$
	Total:	\$

6. Greater of 4) or 5) - This is the Minimum Net Worth Requirement*	
Actual Net Worth	
Net Surplus / (Deficit**)	

***Pursuant to N.J.A.C. 11:22-4.8(a):** Except as provided in (i) below, a licensed organized delivery system shall, at all times, have and maintain a minimum net worth, determined on a statutory accounting basis, in an amount equal to the greater of:

1. Two percent of the annual compensation received by the organized delivery system for all of its contracts, but in no event less than \$ 100,000; or
2. An amount equal to the sum of eight percent of the annual health care expenditures (not including those expenditures paid on a capitated basis and those made on a managed hospital payment basis), as reported for the most recent four calendar quarters, plus four percent of the annual hospital expenditures paid on a managed hospital payment basis for the most recent four calendar quarters.
 - i. The amounts set forth in (a) above may be adjusted by the Commissioner to the extent the applicant demonstrates there is a limitation on its exposure to financial loss that results from a contract with a carrier that provides that any liabilities of the system may be satisfied by means of reductions or offsets against monies due to the system from the carrier, and which reductions or offsets the Commissioner finds will not adversely affect the system's ability to meet its contractual obligations.
 - ii. The minimum net worth requirements shall be phased-in over 48 months, so that an ODS shall maintain 25 percent of the minimum net worth required in (a) above at the end of the 12th month after it was issued a license; 50 percent of the minimum net worth required at the end of the 24th month following the month it was issued a license; 75 percent of the minimum net worth required at the end of the 36th month following the month it was issued a license; and 100 percent of the minimum net worth required at the end of the 48th month following the month it was issued a license.

**A deficit requires a detailed plan of action, subject to the review and approval of the Commissioner of Banking and Insurance, demonstrating how and when the minimum net worth will be re-established and maintained.

**ATTACHMENT C
PROJECTIONS
CONFIDENTIAL**

Name and NAIC # of Licensed ODS: _____
 Date of ODS Licensure: _____
 For the Period Ending: _____

This Attachment only required with Annual Statement submissions. All \$ amounts in 000s.

	Next-Year Projections				2nd-Year Projections	3rd-Year Projections
	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	Total Annual	Total Annual
	Budget	Budget	Budget	Budget	Budget	Budget
Total Risk Revenues						
Total Medical Expenses						
Medical Loss Ratio						
Total Administrative Expenses						
Administrative Expense Ratio						
Net Income/(Loss)						
Any Parental Contributions						
Any Dividend Requests						
Net Worth						
Net Worth Requirement						

**Licensed ODS
Attachment D
LIQUIDITY WORKSHEET**

Name and NAIC # of Licensed ODS: _____

Date of ODS Licensure: _____

For the Period Ending: _____

- 1. Total Liabilities _____
- 2. Minimum Net Worth requirement _____
- 3. Total of Lines (1) and (2) _____
- 4. Cash and Short-Term Investments _____
- 5. Bonds _____
- 6. Total of Lines (4) and (5) _____

Is Line (6) greater than Line (3)?* _____

If "Yes," the Company meets Liquidity requirements for the period. If "No," please utilize the space below to provide written explanation of why the Company failed to meet Liquidity requirements for the period.

****Pursuant to N.J.A.C. 11:22-4.8(b): [An LODS] shall, at all times, contain assets in an amount at least equal to the sum of its liabilities, including its reserve liabilities, plus the minimum net worth requirement.***

**ATTACHMENT E
BUDGET VS ACTUAL
CONFIDENTIAL**

Name and NAIC # of Licensed ODS: _____

Date of ODS Licensure: _____

For the Period Ending: _____

**Only complete up to the current period. All \$ amounts in 000s.*

	1st Qtr	1st Qtr	2nd Qtr	2nd Qtr	3rd Qtr	3rd Qtr	4th Qtr	4th Qtr
	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
Total Risk Revenues								
Total Medical Expenses								
Medical Loss Ratio								
Total Administrative Expenses								
Administrative Expense Ratio								
Net Income/(Loss)								
Parental Contributions (if any)								
Dividend Distributions (if any)								
Net Worth								
Net Worth Requirement								

For any differences greater than 5%, please provide an explanation using the space below:

ATTACHMENT F
List of Contracts
CONFIDENTIAL

Name and NAIC # of Licensed ODS: _____
Date of ODS Licensure: _____
For the Period Ending: _____

Please provide a listing of Insurance entities with whom the LODS maintains contracts, the services provided under such contracts, and percentage of the LODS's overall Risk Revenue for the period ended attributable to each Insurance entity. Please add additional sheets if necessary.

Name and NAIC # of Insurer (HMO, etc.)	
Description of Services Provided to Insurer, HMO, etc. by LODS	
% of LODS's Risk Revenue for period ended attributable to such contract	

Name and NAIC # of Insurer (HMO, etc.)	
Description of Services Provided to Insurer, HMO, etc. by LODS	
% of LODS's Risk Revenue for period ended attributable to such contract	

Name and NAIC # of Insurer (HMO, etc.)	
Description of Services Provided to Insurer, HMO, etc. by LODS	
% of LODS's Risk Revenue for period ended attributable to such contract	