



State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

PO Box 325

TRENTON, NJ 08625-0325

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PHIL MURPHY
Governor

SHEILA OLIVER
Lt. Governor

MARLENE CARIDE
Commissioner

August 29, 2019

XXX
XXXX
XXXXX

Re: 3rd Quarter Organized Delivery System (ODS) Report Filings

XXX,

The purpose of this correspondence is to standardize financial reporting for Organized Delivery Systems (ODS) licensed in New Jersey, and to ensure that data is properly captured in order to be in compliance with statute and regulations. All filings are due no later than the indicated due date. **If the due date falls on a Saturday, a Sunday, or a holiday, then the deadline is the Friday before.** The filing shall be in accordance with Statutory Accounting Practices using the most current format for the NAIC Health blank, and in accordance with the NAIC quarter instructions for the Health blank. Contact the NAIC directly at (816) 842-3600 if you require copies of the instructions. These instructions implement the requirements of the Accounting Practices, and Procedures effective January 1, 2018. The NAIC Health blank forms are available for purchase through several independent insurance service companies throughout the United States. **Please note that items outlined in “bold” are new and/or changes in requirements from last year’s guidelines.**

Please note that the Commissioner of Banking and Insurance has the regulatory authority per N.J.S.A. 17:48H-1 et seq. to impose enforcement remedies against an ODS for violations of any statutory requirements including the late filing of quarterly reports. The commissioner may, “...levy an administrative penalty in an amount up to \$100.00 for each day a required report is late.”

This letter is reasonable notice and any ODS that files late will be fined \$100.00 per day.

- (1) The following manuals should be obtained and maintained current:
 - (a) ANNUAL AND QUARTERLY STATEMENT INSTRUCTIONS - HEALTH
 - (b) ACCOUNTING POLICIES AND PROCEDURES MANUAL EFFECTIVE JANUARY 1, 2019 (AS OF MARCH 2019).

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THIS VALUABLE RESOURCE CONTAINS THE STATEMENT OF STATUTORY ACCOUNTING PRINCIPLES (SSAP), EXTRACTS FROM NAIC MODEL LAWS, INTERPRETATIONS OF SSAP, ISSUE PAPERS AND POLICY STATEMENTS OF THE NAIC

- (c) PURPOSES AND PROCEDURES MANUAL OF THE NAIC SECURITIES VALUATION OFFICE (SVO)

These may be obtained from:

National Association of Insurance Commissioners
Publications Department
2301 McGee Street
Suite 800
Kansas City, MO 64108-2604
Telephone (816) 783-8300
Facsimile (816) 460-7593
Email: www.naic.org/1pubcat/

- (2) Original signatures are required on all filings. The President and Secretary, or in their absence, two principal officers must sign the quarterly statement. All requests for exceptions from normal filings must be submitted at least 30 days prior to the due date.
- (3) All ODSs are required to complete the blanks and supplemental schedules in their entirety. If a specific schedule is not applicable, it should be so indicated using “N/A” or “None”. Any deviations from the instructions in this announcement, without the permission of the Commissioner of Banking and Insurance will be considered a violation of filing requirements and cause the entire statement filing to be rejected. Accordingly, per N.J.A.C. 11:22-4:14, the Department may also impose the maximum penalties and enforcement measures available under statute for failure to file proper or timely financial statements.
- (4) See SSAP #4 “Assets and Nonadmitted Assets” for further guidance. Assets not specifically identified as an admitted asset within the Accounting Policies and Procedures Manual shall be considered Nonadmitted.
- SSAP #84 “Health Care Receivables” should be reviewed for further guidance.
- Guidance on allowable Goodwill can be found in SSAP #68.
- (5) All ODSs are required to comply with the requirements of N.J.S.A.17:B20-1 regarding Investments.
- (6) The Quarterly financial information must also include the following Supplements and schedules:
- (a) A Management Discussion and Analysis letter. This letter is primarily a narrative document setting forth information, which enables the Department to enhance its understanding of the Life and Health Insurer’s financial position, results of operations, changes in capital and surplus accounts and cash flow. (See NAIC MD&A instructions for the specific format and detailed guidance.)

- (b) Deposit of Restricted Assets (see Attachment "A"). Also, see attached notice increasing the minimum deposit requirements from \$39,068 to \$40,357 effective July 1, 2019.
 - (c) Analysis of Minimum Net Worth Requirements (see Attachment "B").
 - (d) 2019 - 2020 Projections (see Attachment "C").
 - (e) ODS' Liquidity Ratio Worksheet (see attached).
- (7) All items must be identified. If you use the "other" category, please identify what is included in "other."
 - (8) 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"
 - (9) 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."
 - (10) MAILING ADDRESS

Every ODS shall submit four (4) signed copies of the Quarterly Report:

Kwame Asare
NJ Department of Banking and Insurance
Office of Solvency Regulation

BY US MAIL
PO Box 325
Trenton, NJ 08625-0325

BY OVER NIGHT MAIL
20 West State Street
Trenton, NJ 08608-1206

Please contact me at (609) 940-7455 or e-mail me at mariam.awad@dobi.nj.gov if you have any questions concerning this correspondence.

Questions concerning those parts which address quality of care, network access, complaints or utilization appeals should be directed to the Department of Banking and Insurance, Office of Managed Care at (609) 940-7510.

Sincerely,

Mariam Awad
Insurance Examiner
Office of Solvency Regulations

**INSURANCE
DEPARTMENT OF BANKING AND INSURANCE
DIVISION OF INSURANCE
OFFICE OF THE COMMISSIONER**

Minimum Deposit Requirements for Organized Delivery Systems

Notice of Increase in Medical Component of Consumer Price Index

Take Notice that the Commissioner of Banking and Insurance, in compliance with N.J.A.C. 11:22-4.8(e), hereby provides notice that an average 3.3 percent increase from December 2017 to December 2018 in medical component of the Consumer Price Index for all urban consumers in the New York-Northern New Jersey-Long Island region and the Philadelphia-Wilmington-Atlantic City region as reported by the United States Department of Labor, Bureau of Labor Statistics.

The required deposits shall be made read as including an increase of 3.3 percent effective July 1, 2019 as follows:

\$39,068.03 specified at N.J.A.C. 11:22-4.8(e) shall be \$40,357.27

Date

Marlene Caride,
Commissioner

ODS
Attachment A
Restricted Deposits

RESTRICTED ASSETS ON DEPOSIT WITH THE DEPARTMENT OF BANKING AND INSURANCE

DEPOSIT AT
REQUIRED 9/30/2019
DEPOSIT (Market Value)

Worksheet Calculation to Determine Minimum Deposit Requirement in accordance with N.J.A.C. 11:22-4.8(e)

SAMPLE #1 (The highest quarterly premium is **below** the minimum deposit requirement)

For the Quarter Ending
9/30/2019

12/31/2018 3/31/2019 6/30/2019 9/30/2019

- | | | | | |
|--|--|--|--|--------|
| 1. Total Premium from Line #2 of the Statement of Revenue and Expenses
(based on New Jersey Premium Only) | | | | |
| 2. Highest Quarterly Premium | | | | |
| 3. Multiply by .5 | | | | |
| 4. Subtotal | | | | |
| 5. The minimum deposit requirement at 06/30/19 based on the CPI annual adjustment as of 12/31/18. | | | | 40,357 |
| 6. Deposit requirement (greater of 4 or 5) | | | | |

SAMPLE #2 (The highest quarterly premium is **above** the minimum deposit requirement **during** the **1st two years of licensure**)

- | | | | | |
|--|--|--|--|--------|
| 1. Total Premium from Line #2 of the Statement of Revenue and Expenses
(based on New Jersey Premium Only) | | | | |
| 2. Highest Quarterly Premium | | | | |
| 3. Multiply by .5 | | | | |
| 4. Subtotal | | | | |
| 5. The minimum deposit requirement at 06/30/19 based on the CPI annual adjustment as of 12/31/18. | | | | 40,357 |
| 6. Amount greater than the minimum deposit requirement (Subtract 4 from 5) | | | | |
| 7. Multiply 6 by 50% | | | | |
| 8. Deposit requirement (Add 5 plus 7) | | | | |

SAMPLE #3 (The highest quarterly premium is **above** the minimum deposit requirement **after** the **1st two years of licensure**)

- | | | | | |
|--|--|--|--|--------|
| 1. Total Premium from Line #2 of the Statement of Revenue and Expenses
(based on New Jersey Premium Only) | | | | |
| 2. Highest Quarterly Premium | | | | |
| 3. Multiply by .5 | | | | |
| 4. Subtotal | | | | |
| 5. The minimum deposit requirement at 6/30/19 based on the CPI annual adjustment as of 12/31/18. | | | | 40,357 |
| 6. Deposit requirement (greater of 4 or 5) | | | | |

ODS
Attachment B
Minimum Net Worth Requirement

Name of ODS:	For the Period Ending 9/30/2019
Date of Licensure:	

ANALYSIS OF MINIMUM NET WORTH REQUIREMENTS

	Prior Quarter 4 12/31/2018	Prior Quarter 3 3/31/2019	Prior Quarter 2 6/30/2019	Latest Quarter 9/30/2019	Total
(a) 2% annual compensation received but no less than \$100,000	\$	\$	\$	\$	\$
(b) i 8% of annual expenditures (not including those paid on capitated basis or managed hospital payment basis)					
(c) ii 4% hospital expenditures paid on a managed hospital payment basis					
Total of (i) and (ii)					

Minimum Net Worth Requirement -Maximum of Total Column (a) or (b)**	_____
Actual Net Worth as of the period ending date	_____
Net Surplus / (Deficit***)	_____

* Mnnual Compensation is that as reported on Page #4 Line #2 Col. #2

** Minimum Net Worth Requirement is to be Phased-in over 48 month. 25% of minimum net worth required above at the of the 12th month after it was issued a license, 50% after the 24th month; 75% after the 36th month and 100% 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

		ODS		
		Attachment C		
		2019-2020 Projections		
Name of ODS:				
	4th Qtr	1st Qtr	2nd Qtr	3rd Qtr
(All Cost in 000's)	2019	2020	2020	2020
	Budget	Budget	Budget	Budget
Total Revenues				
TOTAL Medical Expenses				
Medical Loss Ratio				
TOTAL Administrative Expenses				
Administrative Expense Ratio				
Net Income/(Loss)				
Net Worth				
Net Worth Requirement				

ODS
LIQUIDITY WORKSHEET

COMPANY:
NAIC #
DATE ENDED:

1 TOTAL LIABILITIES	XXX	
2 MINIMUM NET WORTH REQUIREMENT	<u>XXX</u>	
3 TOTAL LINES #1 & #2		#VALUE!
4 CASH & SHORT-TERM INVESTMENTS	XXX	
5 Bonds	<u>XXX</u>	
6 Total Line #4 & #5		#VALUE!

IS LINE #6 GREATER THAN LINE #3?

DOES THE COMPANY MEET LIQUIDITY REQUIREMENTS?

Per NJAC 11:22-4.8(b), an ODS is to, at all times contain cash & cash equivalents in the amount at least equal to the sum of liabilities, including reserve liabilities, plus minimum net worth requirement.