

**Florida Health Maintenance Organization Consumer Assistance Plan
Annual Board of Directors Meeting
Sept. 26, 2011**

Board Members Participating

Lisa Strunk Davies, Chairman
John Hogan, Vice Chairman
Craig Drablos, Secretary/Treasurer
T. David Lewis - via proxy Tia M. Dillow
Albert Arca
G. Valerie Beckles, M.D.

Others Participating

Sha'Ron James, Florida Department of Financial Services
Eric Scott, Florida Department of Financial Services
Toma Wilkerson, Florida Office of Insurance Regulation
Harry Spring, Humana
Bruce Platt, Akerman Senterfitt
LeShan Smith, Akerman Senterfitt
Sheryl Rosen, Akerman Senterfitt

I. Call to Order

Chairperson Davies noted the presence of a quorum and called the meeting to order.

II. Antitrust Preamble

Chairperson Davies noted the following antitrust preamble and directed the participants to review it:

We are here to discuss and act on matters relating to the business of the Florida Health Maintenance Organization Consumer Assistance Plan ("HMOCAP"). We are not here to discuss or pursue the business of our individual member companies. All of us should proceed with caution and awareness of the requirements and prohibitions of federal and state antitrust laws. We should not engage in discussions, either at this meeting or in private conversation, of our individual companies' plans or contemplated activities. We should concern ourselves only with the business of the HMOCAP as set forth in the agenda for this meeting. Only HMOCAP matters may be discussed at the meeting and each company's business plans cannot be discussed.

III. Approval of Minutes, April 14, 2011 Board Conference Call

Chairperson Davies directed the Board members to review the draft minutes of the April 14, 2011 conference call meeting of the Board of Directors. She asked if there were any suggested

revisions. There being none, Mr. Hogan moved to approve the minutes, and Ms. Dillow seconded the motion, which passed unanimously.

IV. Recommendation of New Board Members to Department of Financial Services for Appointment

Chairperson Davies asked HMOCAP Plan Manager Bruce Platt to address the process by which new board members are appointed. Mr. Platt explained that HMOCAP member HMOs nominate potential directors, and their names are forwarded to the Florida Department of Financial Services ("DFS") for an initial eligibility review. The DFS then contacts the Plan Manager and explains whether the potential nominees are initially acceptable. The Plan Manager then develops a slate of nominees and sends them back to the member HMOs for voting. The votes are tallied and results are provided to the Board. The Board then reviews and votes to recommend a person for each vacancy. The DFS then appoints or rejects the recommended person. Mr. Platt noted that Albert Arca was the only nominee for the one current Board vacancy.

Mr. Drablos moved to recommend Mr. Arca to DFS for appointment to the Board. Dr. Beckles seconded the motion, which passed unanimously.

V. Financial Statements

Mr. Drablos presented the HMOCAP's 2011 financial statements to the Board. He stated that 2011 expenditures were consistent with 2010. He said that revenues covered all expenditures, so no reserve funds were needed for administration of the HMOCAP. The HMOCAP has a balance of \$6.7 million in cash and other liquid investments. The only financial change of note in 2011 was the receipt of approximately \$2.8 Million in premiums from the Sunstar insolvency following the HMOCAP's settlement with DFS.

VI. Independent Auditor's Report

Mr. Drablos presented the independent auditor's report to the Board. The auditor found the HMOCAP's financials to be in compliance with generally accepted accounting principles and issued an unqualified opinion.

Ms. Dillow motioned to accept the financial statements and independent auditor's report into HMOCAP records. Mr. Arca seconded the motion, which passed unanimously.

VII. Proposed Budget

Mr. Drablos presented the proposed 2012 budget to the Board. He said the proposed budget is consistent with prior years except that the budget is now restricted to general administrative expenses and excludes the administrative expenses related to specific insolvencies.

Mr. Hogan motioned to accept the proposed budget as presented. Dr. Beckles seconded the motion, which passed unanimously.

VIII. Investment Report

Mr Drablos presented the 2011 investment report to the Board. He noted that about half of the HMOCAP assets are in the SPIA account, 40% is in money market accounts, and 10% is in CDs and other money market accounts. He said that the large amount in the money market account is because of the premiums received from the SunStar insolvency.

He said that keeping such a large amount in money market accounts exceeds the Board's investment recommendations. Therefore, Mr. Drablos raised the possibility of hiring an investment advisor to help the HMOCAP determine how best to invest those funds. Chairperson Davies suggested allowing the HMOCAP investment committee – consisting of the chairperson, vice chairperson, and secretary/treasurer – to meet and make a recommendation to the board.

Mr. Hogan inquired about the HMOCAP's current investment policy. Mr. Platt said the policy is to keep most funds in the SPIA account, a few hundred thousand dollars at various institutions below the FDIC threshold, and Thirty or Forty Thousand Dollars readily available in money market accounts.

Mr. Arca stated that he believes engaging an investment advisor is not warranted. The Board members agreed that the investment committee would make a recommendation to the board regarding investing the Sunstar funds.

IX. Selection of HMOCAP Auditor

Mr. Drablos noted that current auditor Chris Moran previously had submitted a two year proposal for HMOCAP auditing duties, and the proposal stated that the fees would not exceed \$6,500 for either year. Mr. Drablos said that Mr. Moran did a good job and recommended continuing his engagement. Mr. Platt added that he spoke to Mr. Moran recently and that Mr. Moran is interested in continuing his engagement with the HMOCAP.

Mr. Arca asked if the HMOCAP limits the amount of time for which it will hire the same auditor. Mr. Platt responded that it does not, but Chairperson Davies added that it is general corporate practice not to hire the same auditor for more than six years in a row - to avoid creating too close of a relationship.

Dr. Beckles asked if Mr. Moran's fees for the prior year were equal to or less than the budgeted cap of \$6,500. Ms. Smith responded that Mr. Moran's fees for 2010 were \$6,500. Mr. Arca asked if the \$6,500 fee covers any services other than auditing. Ms. Smith replied that the fee includes preparation of IRS filings as well.

Dr. Beckles moved to continue to engage Mr. Moran. Ms. Dillow seconded the motion, which passed unanimously.

X. Plan Manager Report

Mr. Platt presented proposed changes to the HMOCAP Plan of Operation. He noted that the only substantive changes are to Article X. He said these were at the suggestion of the Department of Financial Services auditor and were to align the Plan of Operation with the HMOCAP statutes to clarify that the HMOCAP will not be liable for more than \$300,000 in benefits per eligible subscriber.

Mr. Drablos moved to approve the revised Plan of Operation. Mr. Hogan seconded the motion, which passed unanimously. Mr. Platt stated that he will send the revised version to the Office of Insurance Regulation for final approval and adoption.

Mr. Platt next presented a draft HMOCAP policies and procedures manual to the Board. He said that he had worked with Chairperson Davies and Ms. Rosen to develop the manual. Chairperson Davies suggested that the Board take more time to review the manual and send suggestions for changes to Mr. Platt. Mr. Platt indicated he will set up a conference call before the end of the year to discuss the manual and any recommended changes.

Mr. Platt then addressed the HMOCAP's search for a third-party administrator ("TPA"). Because the HMOCAP is responsible for providing coverage for subscribers immediately after a plan is placed in receivership, Mr. Platt said that the HMOCAP should have a TPA approved and ready to take action when the next receivership occurs. Previously, the HMOCAP had solicited TPAs through advertisements in the Florida Administrative Weekly. He noted that, pursuant to the last solicitation, the HMOCAP received responses from three companies. He and Ms. Davies noted that two of the companies did not respond to requests for additional information. They also noted that the third company had been reviewed by employees of one of the Board member's HMOs, and they were concerned that it may not have the ability to provide appropriate administrative services with a large HMO insolvency.

Mr. Platt also stated that the Office of Insurance Regulation had explained to him that an HMO cannot serve as the TPA for the HMOCAP unless it also holds a TPA Certificate of Authority. Ms. Wilkerson added that the TPA must hold a Florida license, so the HMOCAP cannot use a TPA from another state.

Ms. James stated that DFS also has had difficulty contracting with an appropriately licensed TPA to administer the plans for which it is responsible.

Dr. Beckles asked whether a TPA would earn a retainer fee from the HMOCAP while no receivership exists. Chairperson Davies and Mr. Platt responded that the HMOCAP had not used such a retainer approach in the past and that they did not recommend that the HMOCAP enter into such a relationship at this time.

Mr. Arca suggested sending a letter from the HMOCAP board to various TPAs might increase the number of responses. Mr. Platt stated that he will work directly with Ms. Davies, and potentially Ms. James, to determine an appropriate way to communicate with and attract potential TPAs. He said that they will bring a proposal to the Board for action.

XI. Review of Plan Manager

The Board discussed the Akerman Senterfitt law firm's performance as HMOCAP plan manager. The Board voted unanimously to renew this contract.

XII. Office of Insurance Regulation Updates and Issues

Ms. Wilkerson updated the Board on recent activity by the Office of Insurance Regulation ("OIR"). She said there are now 38 HMOs licensed in Florida. That includes one new HMO, but it is Medicare only. Physicians Health Choice and First Medical Health Plan of Florida are in wind down/runoff. Physicians' Health Choice and Citrus Healthcare were acquired by United Healthcare. Citrus Health Care is continuing to close its commercial line of business. Also, Simply Healthcare Plans paid \$3 million to acquire certain business from Total Health Choice. She said the remainder is all commercial membership that is in run-off mode, and OIR feels a solvent runoff is likely.

There have not been any liquidations of HMOs since 2008. She said that there soon will be a show cause hearing for an HMO, but that is a Medicare-only plan and will not cause the HMOCAP to be activated.

OIR has determined that an HMO doesn't qualify as a health care co-op.

OIR will continue to monitor Medicaid reform to determine how it will affect plans that offer Medicaid and commercial products.

XIII. Department of Financial Services Update and Issues

Ms. James reminded the Board that the DFS is administering six liquidated HMO estates, and she said the DFS is making an effort to make distributions to close the estates. She also noted that the 2011 Florida Legislature enacted legislation that provides immunity to receivers from certain personal liability, and, therefore, it should be easier to make distributions and close the estates.

Mr. Platt asked Ms. James if she anticipates that any of the distributions from the six estates will be due to the HMOCAP. Ms. James said there probably will be no more distributions.

Ms. James also informed the Board that she has become director of the Division of Rehabilitation and Liquidation. Al Willis of OIR will be joining DFS as assistant division director.

XIV. Other Business

None raised.

XV. Adjourn

There being no further business, Mr. Drablos moved to adjourn. Mr. Arca seconded the motion, and the meeting was adjourned.

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