



Janet T. Mills  
Governor

STATE OF MAINE  
DEPARTMENT OF PROFESSIONAL & FINANCIAL REGULATION  
BUREAU OF INSURANCE

Anne L. Head  
DPFR Commissioner



Robert L. Carey  
Superintendent

July 3, 2024

Robert L. Carey, Superintendent  
Maine Bureau of Insurance  
34 State House Station  
Augusta, ME 04333-0034

Dear Superintendent:

Pursuant to the provisions of 24-A M.R.S. §4215 (1), and in conformity with your instructions, a financial examination has been made of the

**MARTIN'S POINT GENERATIONS ADVANTAGE, INC.**

as of December 31, 2022. The following report is respectfully submitted.

Office Location: 76 Northern Avenue, Gardiner, Maine 04345  
Mailing Address: 34 State House Station, Augusta, Maine 04333  
[www.maine.gov/insurance](http://www.maine.gov/insurance)

Phone: (207) 624-8475

TTY: Please Call Maine Relay 711

Consumer Assistance: 1-800-300-5000

Fax: (207) 624-8599



**STATE OF MAINE  
BUREAU OF INSURANCE**

**REPORT OF FINANCIAL EXAMINATION**

**MARTIN'S POINT GENERATIONS ADVANTAGE, INC.  
PORTLAND, MAINE**

**AS OF DECEMBER 31, 2022**

**NAIC COMPANY CODE: 15850**

**ACCEPTANCE OF REPORT OF EXAMINATION**

WHEREAS a verified Report of Examination of Martin’s Point Generations Advantage, Inc. dated July 3, 2024, was delivered to that insurer on July 12, 2024; and

WHEREAS no hearing with respect to the Report of Examination has been requested by Martin’s Point Generations Advantage, Inc.;

NOW THEREFORE, I accept the Report of Examination and hereby order it placed on file in the Bureau of Insurance as provided for by 24-A M.R.S. §226 (3).

Dated: July 24, 2024

  
\_\_\_\_\_  
Robert L. Carey, Superintendent

## TABLE OF CONTENTS

<b>SCOPE OF EXAMINATION .....</b>	<b>1</b>
<b>SUMMARY OF SIGNIFICANT FINDINGS .....</b>	<b>1</b>
<b>PRIOR EXAMINATION .....</b>	<b>1</b>
<b>CURRENT EXAMINATION.....</b>	<b>1</b>
<b>THE COMPANY.....</b>	<b>2</b>
<b>HISTORY.....</b>	<b>2</b>
<b>MANAGEMENT AND CONTROL .....</b>	<b>2</b>
<b>CORPORATE RECORDS .....</b>	<b>2</b>
<b>CORPORATE GOVERNANCE.....</b>	<b>3</b>
<b>TRANSACTIONS WITH AFFILIATES.....</b>	<b>3</b>
<b>TERRITORY AND PLAN OF OPERATION.....</b>	<b>4</b>
<b>REINSURANCE .....</b>	<b>4</b>
<b>FINANCIAL STATEMENTS .....</b>	<b>4</b>
<b>STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS .....</b>	<b>5</b>
<b>STATEMENT OF REVENUE AND EXPENSES .....</b>	<b>6</b>
<b>STATEMENT OF CAPITAL AND SURPLUS .....</b>	<b>7</b>
<b>COMMENTS ON THE FINANCIAL STATEMENTS .....</b>	<b>8</b>
<b>SUBSEQUENT EVENTS .....</b>	<b>9</b>
<b>SUMMARY OF RECOMMENDATIONS .....</b>	<b>9</b>

## **SCOPE OF EXAMINATION**

Martin's Point Generations Advantage, Inc. (MPGA or the "Company") was last examined as of December 31, 2018, by the state of Maine Bureau of Insurance (MBOI). This examination covered the period from January 1, 2019, to December 31, 2022.

This examination was performed pursuant to the risk-focused approach promulgated by the National Association of Insurance Commissioners (NAIC), in conformity with the 2023 NAIC Financial Condition Examiners Handbook ("the Handbook") and the laws, rules, and regulations prescribed or permitted by the State of Maine. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks and evaluate systems controls and procedures used to mitigate those risks. The examination also included the identification and evaluation of significant risks that could cause the Company's surplus to be materially misstated both currently and prospectively. The external auditors' work papers were utilized for this examination to the extent deemed appropriate in order to enhance the effectiveness and efficiency of this examination.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. Comments on various financial statement items, for the purposes of this report, may be limited to examination adjustments, matters requiring clarification, departures from laws, rules and regulations, and/or significant changes in amounts. To the extent deemed necessary, transactions occurring subsequent to the examination date were reviewed.

This examination report includes significant findings of fact, pursuant to 24-A M.R.S. §225 (1), and general information about the Company and its financial condition. There may be other items identified during the examination that, due to their nature, are not included herein, and are instead separately reported to other regulators and/or the Company.

## **SUMMARY OF SIGNIFICANT FINDINGS**

### **PRIOR EXAMINATION**

**Comment 1:** The Company's Anti-Fraud Plan does not outline specific procedures to prevent, detect and investigate all forms of insurance fraud in accordance with 24-A M.R.S. §2186 (5).

#### **Status:**

The Company has adequately responded to this comment.

### **CURRENT EXAMINATION**

The Company recorded a Premium Deficiency Reserve (PDR) of \$0 as of December 31, 2022. Based on a review of financial results for the year ending December 31, 2023, the PDR established at year-end 2022 was deficient by \$55,624,888. The understatement of PDR occurred because the Company did not have adequate processes for monitoring and estimating risk adjustment revenue

at year-end 2022 and throughout 2023. Additionally, this issue caused the Company's 2022 plan year Medicare settlement assets (risk adjustment and Part D settlements) to be overstated in comparison to actual settlements received in 2023. The total overstatement of Medicare settlement assets as of December 31, 2022, is \$17,946,222. An adjustment due to the settlement of the assets is included within the 2023 financial results on which the PDR deficiency of \$55,624,888 is based. See Note 1 in the Comments on Financial Statements within this examination report for further discussion.

## **THE COMPANY**

### **HISTORY**

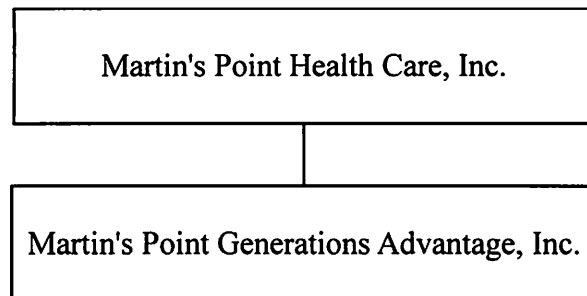
The Company is a wholly-owned subsidiary of Martin's Point Health Care, Inc. (MPHC), a Maine 501(c)(3) non-profit organization. The Company was organized as a non-profit corporation under section 501(c)(4) on July 31, 2015, for the purpose of continuing the operations of Martin's Point Generations, LLC (MPG), a for-profit company that operated as a health maintenance organization (HMO) since 2006.

On December 7, 2015, the Company was granted a limited HMO Certificate of Authority ("license") to write Medicare Advantage (MA) plans in Maine. Effective January 1, 2016, pursuant to the Asset and Liability Transfer Agreement executed by and between MPG and the Company, MPG transferred all of its assets and liabilities to the Company. Also, effective January 1, 2016, the Company assumed the responsibility of MPG's MA business. Subsequent to this transaction, MPG's license was terminated and MPG was later dissolved.

The Company is also licensed to write MA business in New Hampshire and effective January 29, 2021, became licensed to write MA business in Vermont.

### **MANAGEMENT AND CONTROL**

The Company is a wholly-owned subsidiary of MPHC. A corporate ownership diagram follows:



### **CORPORATE RECORDS**

The Company's articles of incorporation, bylaws, and minutes of the Board of Directors ("Board") meetings held during the period under examination were reviewed.

## **CORPORATE GOVERNANCE**

The Company is governed and overseen by its Board and management team.

As of December 31, 2022, the Board of the Company consisted of the following members:

<b><u>Name</u></b>	<b><u>Title</u></b>
Edward Stewart McKersie	Chair
Kathryn Jean Rand	Vice Chair
Bradford Adams Hunter	Director
Stephen Paul deCastro	Director
Ronald Fitzjohn Dixon, M.D.	Director
John Edward Fitzsimmons	Director
George John Isham, M.D.	Director
Paul Francis Kasuba, M.D.	Director
Cathleen Elizabeth Morrow, M.D.	Director
Barbara Elizabeth Tretheway, J.D.	Director

The following changes to the Board occurred subsequent to December 31, 2022:

- Ronald Fitzjohn Dixon, M.D. retired from the Board effective September 15, 2023.

As of December 31, 2022, the officers of the Company consisted of the following individuals:

<b><u>Name</u></b>	<b><u>Title</u></b>
Paul Francis Kasuba, M.D.	President
Edward Stewart McKersie	Chair
Kathryn Jean Rand	Vice Chair
Bradford Adams Hunter	Treasurer
David Emery Currier	Secretary
Amanda LeAnna Jackson	Chief Financial Officer
Bernadette Marie Di Re	Chief Operating Officer

The following changes to the officers of the Company occurred subsequent to December 31, 2022:

- Megan Connell Dockendorf was appointed as Chief Actuary Officer effective September 14, 2023.

## **TRANSACTIONS WITH AFFILIATES**

The Company operates under a Management Services Agreement whereby MPHC provides certain marketing, administrative and management services to the Company.

The Company is party to a Physician Agreement with MPHC. Pursuant to the Agreement, the Company pays MPHC for covered services. The Agreement contains an incentive and risk sharing arrangement with respect to members who receive primary care from providers employed by MPHC.

The Company has an Unconditional Financial Guaranty, under which MPHC guarantees that MPGA will maintain capital and surplus at a level no less than the greater of the product of its authorized control level risk-based capital and 3.0 (300% RBC) or the minimum requirements for capital and surplus.

During the examination period, MPHC made capital contributions totaling \$35,000,000 to the Company.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed in the states of Maine, New Hampshire, and Vermont to write MA business. The Company did not write any business in Vermont during the examination period.

**REINSURANCE**

The Company maintains no reinsurance agreements as of December 31, 2022.

**FINANCIAL STATEMENTS**

The Statement of Admitted Assets, Liabilities and Surplus, the Statement of Revenue and Expenses, and the Statement of Capital and Surplus are as presented by management and audited by the Company's external auditors. It should be noted that these financial statements have not been audited by the MBOI and thus the MBOI does not express an opinion on the financial statements as a whole.



**STATEMENT OF ADMITTED ASSETS, LIABILITIES AND SURPLUS  
AS OF DECEMBER 31, 2022**

Assets

Bonds	\$ 40,737,411
Common stocks	30,134,659
Cash, cash equivalents, and short-term investments	41,094,800
Receivable for securities	29,821
Investment income due and accrued	171,392
Uncollected premiums and agents' balances	70,336
Accrued retrospective premiums	44,589,500
Amounts receivable relating to uninsured plans	5,809,127
Receivables from parent, subsidiaries and affiliates	20,015,697
Healthcare and other amounts receivable	<u>12,537,544</u>
Total assets	<u>\$ 195,190,287</u>

Liabilities

Claims unpaid	\$ 78,886,325
Accrued medical incentive pool and bonus amounts	2,601,233
Unpaid claims adjustment expenses	1,902,629
Aggregate health policy reserves	1,094,929
Premiums received in advance	1,243,060
General expenses due or accrued	3,312,825
Aggregate write-ins for other liabilities	<u>20,000,000</u>
Total liabilities	<u>\$ 109,041,001</u>

Capital and Surplus

Gross paid in and contributed surplus	185,100,000
Unassigned funds (surplus)	<u>(98,950,712)</u>
Total capital and surplus	<u>86,149,288</u>
Total liabilities, capital and surplus	<u>\$ 195,190,289</u>

**STATEMENT OF REVENUE AND EXPENSES  
YEAR ENDED DECEMBER 31, 2022**

Member Months	789,627
Net premium income	<u>\$ 657,548,288</u>
Total revenues	657,548,288
Hospital and Medical:	
Hospital/medical benefits	530,254,611
Prescription drugs	55,740,420
Incentive pool, withhold adjustments and bonus amounts	<u>4,423,286</u>
Total hospital and medical	590,418,317
Claims adjustment expenses	20,560,092
General administrative expenses	50,925,765
Increase in reserves for accident and health contracts	<u>(5,698,680)</u>
Total underwriting deductions	<u>656,205,494</u>
Net underwriting gain	<u>1,342,794</u>
Net investment income earned	1,581,269
Net realized capital losses	<u>(453,124)</u>
Net investment gains	<u>1,128,145</u>
Aggregate write-ins for other expenses	<u>(20,000,000)</u>
Net loss	<u>\$ (17,529,061)</u>

**STATEMENT OF CAPITAL AND SURPLUS  
YEAR ENDED DECEMBER 31, 2022**

Capital and surplus, December 31, 2021	\$ 78,764,756
Net loss	(17,529,061)
Change in net unrealized capital gains (losses)	(4,971,921)
Change in nonadmitted assets	4,885,512
Surplus Adjustments – Paid In	<u>25,000,000</u>
Net change in capital and surplus	<u>7,384,530</u>
Capital and surplus, December 31, 2022	<u>\$ 86,149,286</u>

## **COMMENTS ON THE FINANCIAL STATEMENTS**

### **NOTE 1 – RESERVES**

Lewis & Ellis, Inc. (“consulting actuary”) was engaged to provide actuarial assistance for the financial examination of the Company as of December 31, 2022. The consulting actuary’s review included: participation in interviews and discussions with key personnel, including the Appointed Actuary, to gain an understanding of the processes to develop and report reserves and liabilities and appropriately price products; review of controls to mitigate certain reserving and pricing risks; review of the Appointed Actuary’s 2022 Actuarial Opinion and Memorandum; and testing to verify that the assumptions and methodologies used by the Company to determine liabilities and reserves are reasonable, appropriate, and in line with established actuarial practice. Based on the review performed by the consulting actuary, the reserves as reported by the Company were determined to be reasonable, with the exception of PDR and Medicare settlement assets.

The Company recorded a PDR of \$0 as of December 31, 2022. Based on a review of financial results for the year ending December 31, 2023, the PDR established at year-end 2022 was deficient by \$55,624,888. The understatement of PDR occurred because the Company did not have adequate processes for monitoring and estimating risk adjustment revenue at year-end 2022 and throughout 2023. Additionally, this issue caused the Company’s 2022 plan year Medicare settlement assets (risk adjustment and Part D settlements) to be overstated in comparison to actual settlements received in 2023. The total overstatement of Medicare settlement assets as of December 31, 2022, is \$17,946,222. An adjustment due to the settlement of the assets is included within the 2023 financial results on which the PDR deficiency of \$55,624,888 is based.

No adjustment to surplus was made as a result of this examination. The Company was party to a guaranty agreement with MPHC, wherein MPHC agrees to maintain minimum capital and surplus as required by Maine law. Throughout the examination period, MPHC has made capital contributions to the Company to ensure adequate capital and surplus levels are maintained.

### **NOTE 2 – LEGAL MATTERS**

The Company received a Civil Investigative Demand (CID) issued by the United States Department of Justice (DOJ) in 2019 seeking information about the Company’s MA risk adjustment process. As a result of the investigation, the Company was engaged in discussions with the DOJ to explore the possibility of a settlement that would resolve this matter. Based on management’s best estimate of amounts that may be due relative to this matter, the Company accrued \$20,000,000 within other liabilities and recorded a charge in the same amount to other expenses in the financial statements as of December 31, 2022. As discussed in further detail in the Subsequent Events section of this report, this matter was resolved in 2023.

**NOTE 3 – CAPITAL AND SURPLUS**

The following table describes the capital and surplus changes for the four-year period since the MBOI's last examination of the Company, dated December 31, 2018:

Capital and surplus, December 31, 2018	\$ 66,688,174
Net income (loss)	(4,325,243)
Change in net unrealized capital gains (losses), net of capital gains tax	(5,555,153)
Change in nonadmitted assets	(5,658,491)
Surplus Adjustments – Paid In	35,000,000
Net change in capital and surplus	19,461,113
Capital and surplus, December 31, 2022	<u>\$ 86,149,286</u>

**SUBSEQUENT EVENTS**

Effective July 24, 2023, the Company entered into a settlement agreement with the DOJ and agreed to pay \$22,485,000 to resolve allegations that it violated the False Claims Act by submitting inaccurate diagnosis codes for its MA plan enrollees in order to increase reimbursements from Medicare during the period of 2016 to 2019.

During 2023, MPHIC made additional contributions totaling \$45,000,000 to the Company.

**SUMMARY OF RECOMMENDATIONS**

It is recommended that the Company develop adequate processes to monitor and estimate risk adjustment revenue due to the importance of this assumption in determining the PDR. In addition, the Company should periodically re-evaluate the PDR as actual experience develops throughout the year.

**STATE OF MAINE  
COUNTY OF KENNEBEC, SS**

Vanessa J. Sullivan, being duly sworn according to law deposes and says that, in accordance with authority vested in her by Robert L. Carey, Superintendent of Insurance, pursuant to the Insurance Laws of the State of Maine, she has made an examination of the condition and affairs of the

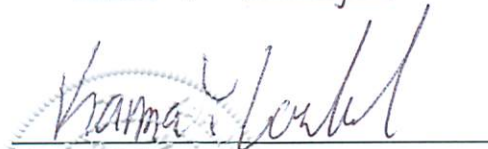
**MARTIN'S POINT GENERATIONS ADVANTAGE, INC.**

located in Portland, Maine as of December 31, 2022, and that the foregoing report of examination subscribed to by her is true to the best of her knowledge and belief. Noble Consulting Services, Inc. performed the examination. The following examiners from the Bureau of Insurance assisted:

Arias Wan, CPA, CFE  
Colin J. Greeley

  
\_\_\_\_\_  
Vanessa J. Sullivan, CFE

Subscribed and sworn to before me  
This 24 day of July, 2024

  
\_\_\_\_\_

Notary Public  
My Commission Expires:

**Karma Y. Lombard**  
Notary Public, State of Maine  
My Commission Expires June 12, 2030