



**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

***REPORT OF EXAMINATION OF THE***  
**FALLON COMMUNITY HEALTH PLAN, INC.**

**Worcester, Massachusetts**

**As of December 31, 2023**

**NAIC GROUP CODE 4741**

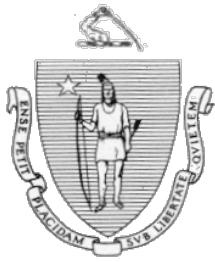
**NAIC COMPANY CODE 95541**

**EMPLOYERS ID NUMBER 23-7442369**

# FALLON COMMUNITY HEALTH PLAN, INC.

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# COMMONWEALTH OF MASSACHUSETTS

## Office of Consumer Affairs and Business Regulation

### DIVISION OF INSURANCE

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**MAURA T. HEALEY**  
GOVERNOR

**KIMBERLEY DRISCOLL**  
LIEUTENANT GOVERNOR

**MICHAEL T. CALJOUW**  
COMMISSIONER OF INSURANCE

May 29, 2025

The Honorable Michael T. Caljouw  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
One Federal Street, Suite 700  
Boston, MA 02110

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws Chapter 175, Section 4 and Chapter 176G, Section 10 and other applicable statutes, an examination has been made of the financial condition and affairs of

### **FALLON COMMUNITY HEALTH PLAN, INC.**

The Company's home office is located at One Mercantile Street, Suite 400, Worcester, Massachusetts, 01608. The examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Fallon Community Health Plan, Inc. (“Company” or “FCHP”) was last examined as of December 31, 2020, by the Massachusetts Division of Insurance (“Division”). The current examination was conducted by the Division and covers the three-year period from January 1, 2021, through December 31, 2023, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following insurance affiliate in the Fallon Group was also examined and a separate Report of Examination has been issued:

Fallon Health and Life Assurance Company, Inc.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners (“NAIC”) Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

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. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 175, Section 4, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.,) are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by PricewaterhouseCoopers LLP, an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2021 through 2023. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective. The Company is required to comply with the Model Audit Rule (“MAR”). All relevant control work papers associated with MAR compliance have been reviewed as a source of information and were tested and leveraged as deemed appropriate and effective.

KPMG LLP (“KPMG”) was engaged to perform certain agreed upon procedures, which are in compliance with the NAIC *Financial Condition Examiners’ Handbook*. KPMG’s Health Actuaries were involved in the performance of those procedures to the extent that such procedures related to

the Company's reserves for unpaid claims and loss adjustment expenses and provider risk sharing settlements as of December 31, 2023. KPMG's Information Technology Advisory Services personnel were engaged to review the adequacy and effectiveness of the Information Technology systems controls to determine the level of reliance to be placed on the information generated by the data processing systems. All procedures were performed under the management and control and general supervision of the examination staff of the Division.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report. There were no significant recommendations noted by the examination team in the previous report of examination.

### **COMPANY HISTORY**

FCHP is a not-for-profit health maintenance organization domiciled in Massachusetts. The Company has a wholly owned subsidiary, Fallon Health and Life Assurance Company, Inc. ("FHLAC"), which is a Massachusetts stock life and health insurance company and focuses on Medicare Plus Supplement insurance.

FHLAC had a wholly owned subsidiary, UltraBenefits, Inc., ("UltraBenefits") a third-party administrator in Massachusetts. UltraBenefits provided medical, dental, and disability claim processing, as well as claims management services, premium and fee-billing services and administration of Flexible Spending Accounts, Health Reimbursement Accounts, and COBRA.

On September 30, 2015, UltraBenefits acquired 100% ownership of GISC Insurance Agency, Inc., a licensed insurance agency, and Group Insurance Service Center, Inc., a licensed third-party administrator. Both companies are for profit entities located in Massachusetts. On November 30, 2020, the Secretary of the Commonwealth of Massachusetts approved the Articles of Voluntary Dissolution of GISC, effective November 30, 2020, which was preceded by a unanimous written consent of the GISC Board of Directors and approval by its sole shareholder, UltraBenefits, Inc. The Secretary of the Commonwealth of Massachusetts approved the Articles of Voluntary Dissolution of GISC effective December 8, 2023. On December 15, 2023, FHLAC entered into a securities purchase agreement to sell UltraBenefits, Inc. to Benefit Plan Administrators of Eau Claire, LLC.

FCHP and FCHP New York, LLC, a New York Limited Liability Company organized for charitable purposes, has partnered with Weinberg Campus, a New York based 501(c) (3) corporation to capitalize on their respective experience and expertise to provide high-quality healthcare to the most vulnerable residents of western New York State through government health insurance programs. Specifically, this joint venture, approved by the state of New York for June 1, 2014, seeks to expand the Medicaid Long Term Care services provided in Erie County in western New York State and introduce a Special Needs Medicare Advantage plan serving dual

## Fallon Community Health Plan, Inc.

eligible individuals as well as a Program of All Inclusive Care for the Elderly (“PACE”) program. On January 1, 2015, the Internal Revenue Service approved the name change from Total Aging in Place to Fallon Health Weinberg, Inc. (“FHW”). As of December 31, 2017, FHW no longer offers a Medicare Advantage plan to its members as the product was deemed to be financially unsustainable.

In June 2023, the New York State budget for fiscal year 2024-2023 changed Public Health Law (HMH Part I) to require that Managed Long-term Care (“MLTC”) plans certified under Article 4403-f must meet new criteria effective January 1, 2023. As a result of the state’s actions, FHW’s MLTC plan was fully discontinued prior to December 31, 2023, as it did not meet the new required criteria. As required by the New York State Department of Health, FCHP signed a capital support resolution agreeing to conduct an orderly wind-down of FHW’s MLTC line of business. In addition, FCHP pledged that all liabilities of FHW will be met, and MLTC members would continue to receive appropriate care until their termination from the plan on December 31, 2023. These legislative actions by the State of New York have no impact on the FHW’s PACE program. FHW continues to offer its PACE product.

The Company made a business decision to focus on its government sponsored programs which is a direction that is more strongly aligned with the Company’s mission and vision. As a result, the Company decided to discontinue selling its commercial products in the State of Massachusetts as of April 1, 2021. These actions resulted in the complete withdrawal from the commercial market of FCHP’s Select Care, Direct Care HMO products and FHLAC’s Preferred Care PPO, Medicare Plus Freedom (group retiree Medicare Supplement) products and all administrative services to self-funded groups by the end of 2022. The Company continues to sell its Community Care product on the Connector, and FHLAC continues to market its Medicare Plus Supplement (individual Medicare Supplement) product.

## **MANAGEMENT AND CONTROL**

### **Board of Directors**

According to the bylaws the Company shall have a Board of Directors (“the Board”) which shall consist of not less than five nor more than thirteen members. The President of the Company shall serve as an *ex officio* member with one vote and shall be counted as a member for the purpose of determining the total number of Directors. The terms of the Directors shall be staggered with approximately one-third of the total elected at each annual meeting, and each Director shall be elected to a three-year term. At any meeting of the Directors, a majority of Directors shall constitute a quorum and when present, a majority vote shall decide any question brought before the meeting.

At December 31, 2023, the Company’s Board of Directors consisted of the following eleven Directors, which include two new Directors: Wanda McClain and Victor Woolridge, appointed to the Board in 2022.

# Fallon Community Health Plan, Inc.

<u>Name of Director</u>	<u>Title</u>	<u>Business Affiliation</u>
Alice Bonner	Director	Senior Advisor for Aging at the Institute for Healthcare Improvement (IHI) and Chair of Moving Forward: Nursing Home Quality Coalition
James R. Buonomo	Clerk	Retired
Richard P. Burke	<i>Ex officio</i>	President and Chief Executive Officer, Fallon Community Health Plan
B. John Dill	Director	President and CEO, The Colebrook Realty Services, Inc. and Affiliates
Deborah C. Enos	Director	Retired
Wanda McClain	Director	Retired
Frederick M. Misilo, Jr., Esq.	Chair	Fletcher Tilton, P. C.
Janet S. Rico	Director	Nurse Practitioner in the Division of the Palliative Care and Geriatric Medicine at Mass. General Hospital
Joseph N. Stolberg	Treasurer	Partner & Co-Founder, Stolberg, Ebbeling & Blanchette, LLP
Peter Straley	Director	Retired
Victor Woolridge	Director	Retired

## Committees of the Board of Directors

In accordance with the bylaws, the Board of Directors shall have six standing committees including an Executive Committee; Audit & Compliance Committee; Finance Committee; Governance and Nominating Committee; Executive Evaluation and Compensation Committee; and the Service and Quality Oversight Committee. Each Committee operates under an approved Committee Charter and quorum and voting requirements shall be consistent with those applicable to the full Board.

The Board may appoint from within or without its own membership any committee it considers necessary to carry out the functions of the Company.

The following illustrates committee membership as of December 31, 2023.

### Executive Committee

Frederick Misilo, Jr. – Chair  
James Buonomo  
Richard Burke – *ex officio*  
B. John Dill  
Deborah Enos  
Janet Rico  
Joseph Stolberg

### Finance Committee

Joseph Stolberg – Chair  
James Buonomo  
Richard Burke – *ex officio*  
B. John Dill  
Wanda McClain  
Peter Straley  
Victor Woolridge

Fallon Community Health Plan, Inc.

Executive Evaluation and Compensation Committee

Deborah Enos – Chair  
Richard Burke – *ex officio*  
B. John Dill  
Joseph Stolberg

Audit and Compliance Committee

James Buonomo - Chair  
Alice Bonner  
Wanda McClain  
Peter Straley  
Richard Burke – *ex officio*

Governance and Nominating Committee

B. John Dill – Chair  
Deborah Enos  
Janet Rico  
Richard Burke – *ex officio*

Service and Quality Oversight Committee

Janet Rico – Chair  
Alice Bonner  
Victor Woolridge  
Richard Burke - *ex officio*  
Sharon Henderson  
Samuel Nordberg, Ph.D.  
Bruce Weinstein, MD  
Matilde Castiel, MD  
Sharon Levine, MD  
Michael Sheehy, MD

Officers

FCHP may have as its officers a Chair of the Board, an Immediate Past Chair of the Board, a Vice Chair, a President and Chief Executive Officer, a Treasurer, a Clerk, and may have such other officers, including but not limited to Division Presidents and Executive Vice Presidents, as the Board shall appoint. The Chair of the Board, the Vice Chair, the Treasurer, and the Clerk shall be elected annually by the Board at the annual meeting after the Directors' election.

The Company's officers and their respective titles at December 31, 2023 were as follows:

<u>Officer</u>	<u>Title</u>
James Buonomo	Clerk
Richard Burke	President and CEO*
Todd Bailey	CFO
Joseph N. Stolberg	Treasurer
David Brumley	Chief Medical Officer
Christine Cassidy	Senior VP and Chief Communications Officer
Mary Ritter	Senior VP and Chief Strategy and Government Programs Officer
Jill Green Lebow	Senior VP and Chief Human Resources Officer
Matthew Herndon	Senior VP and Chief State Programs Officer



## Fallon Community Health Plan, Inc.

James Gentile

Senior VP and Chief Compliance Officer

Emily West

Senior VP and Chief Operating Officer

Kristine Bostek

Senior VP, PACE Programs

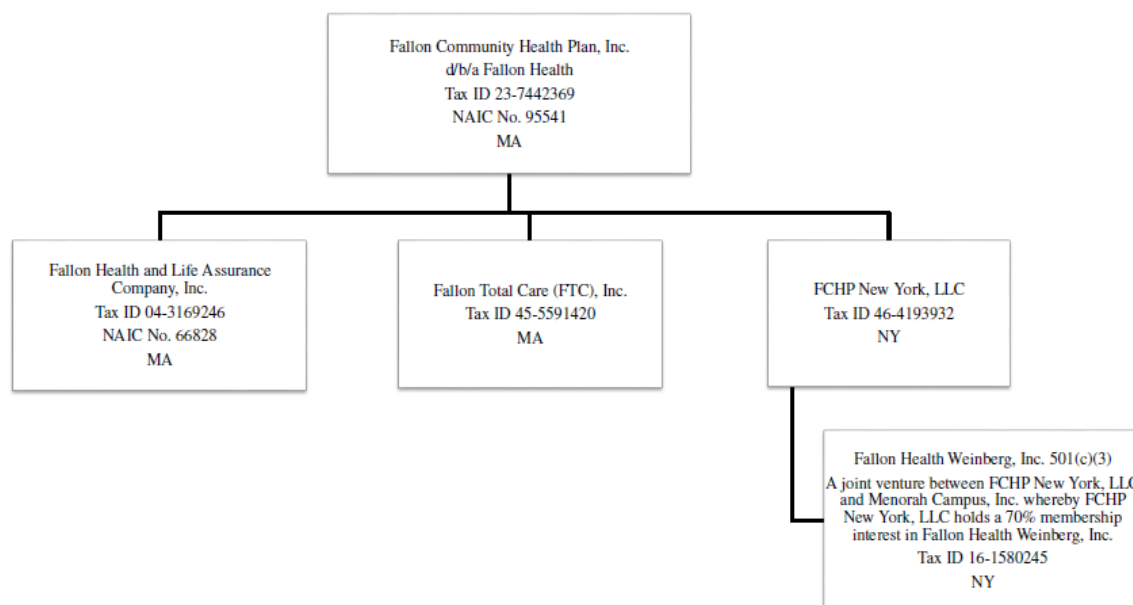
\* 2023 annual statements were signed by Mr. Bailey as interim President and CEO as a result of Mr. Burke's retirement in January 2024 as noted in the Subsequent Events section of this report.

### Holding Company

As stated in the Insurance Holding Company System Form B and Form C as filed with the Division, the Company is a member of a holding company system and is subject to the registration requirements of Massachusetts General Law, Chapter 176G, Section 28, and 211 Code of Massachusetts Regulation 7.00. FCHP is the "ultimate controlling person" of the Holding Company System.

### Organization Chart

A summary of ownership and relationship of the Company and its operating subsidiaries and affiliated companies as of December 31, 2023, is illustrated below:



### Transactions and Agreements with Subsidiaries and Affiliates

FHLAC is a wholly-owned subsidiary of FCHP. FHLAC has no employees and FCHP accordingly provides all administrative services to FHLAC, including premium collection, claims processing and operational management in return for an administrative fee based on a percentage of premium that is included as an offset to expense. Settlement of intercompany balances takes place monthly.

## Fallon Community Health Plan, Inc.

According to its holding company filings, during the period under there were no capital contributions made by the Company in 2023, 2022 and 2021.

FCHP provided certain accounting and administrative services to UltraBenefits in return for an annual administrative fee included as an offset to these expenses. The total fees for the years ended December 31, 2023, 2022 and 2021 amounted to \$138K, \$144K and \$144K, respectively. As of December 31, 2023, 2022 and 2021, FCHP owed UltraBenefits \$0, \$0, and \$0 and was due \$0, \$56K and \$50K, respectively, from UltraBenefits. The settlement of these balances takes place monthly, unless otherwise deemed appropriate by management. On December 15, 2023, FHLAC entered into a securities purchase agreement to sell UltraBenefits, Inc. to Benefit Plan Administrators of Eau Claire, LLC.

FCHP provided administrative services to FHW, including premium collection, claims processing and operational management in return for an administrative fee that is included as an offset to expense. The total fees for the years ended December 31, 2023, 2022 and 2021 amounted to \$1,440K, \$1,485K and \$1,497K, respectively. As of December 31, 2023, 2022, and 2021, the Company owed FHW \$0, \$0 and \$0 and was due \$20K, \$35K and \$102K, respectively. The settlement of these balance takes place monthly, unless otherwise deemed appropriate by management.

### **TERRITORY AND PLAN OF OPERATION**

The Company is headquartered in Worcester, Massachusetts and only licensed to transact business in Massachusetts. FCHP historically focused on its operations in Worcester County but has since expanded its service area to most of Massachusetts.

The Company does have provider arrangements in place to serve policyholders living in other contiguous states including Connecticut, New Hampshire, New York, and Rhode Island.

### **REINSURANCE**

FCHP carries reinsurance against excessive claims utilization on a per-member basis with PartnerRe America Insurance Company. This reinsurance company has a Standard & Poor's rating of A+ and a Moody's rating of A1. Under this policy, FCHP is reimbursed 90% of all claims over the policy deductible, which was \$1,000,000 for the years ended December 31, 2023, 2022, and 2021. For Commercial members, FCHP is reimbursed 40% of all claims over the policy deductible. FHLAC is a named insured under this agreement.

**FINANCIAL STATEMENTS**

The following financial statements have been prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ended December 31, 2023. These financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2023

Statement of Revenue and Expenses for the Year Ended December 31, 2023

Reconciliation of Capital and Surplus for Each Year in the Three-Year Period Ended December 31, 2023

Fallon Community Health Plan, Inc.

Statement of Assets, Liabilities, Capital and Surplus  
As of December 31, 2023

	Per Annual Statement
<b>Assets</b>	
Bonds	\$ 384,781,043
Common stocks	153,733,413
Cash, cash equivalents and short-term investments	75,074,095
Other invested assets	12,758,793
Subtotals, cash and invested assets	<u>626,347,344</u>
Investment income due and accrued	2,428,283
Premiums and considerations:	
Uncollected premiums and agents' balances	4,103,788
Accrued retrospective premiums and contracts subject to redetermination	77,605,939
Amounts receivable relating to uninsured plans	9,224,606
Furniture and equipment, including health care delivery assets	134,292
Receivables from parent, subsidiaries and affiliates	19,963
Health care and other amounts receivable	33,300,967
Total assets	<u><u>\$ 753,165,182</u></u>
<b>Liabilities</b>	
Claims unpaid	\$ 194,488,746
Accrued medical incentive pool and bonus amounts	26,583,159
Unpaid claims adjustment expenses	1,530,355
Aggregate health policy reserves	263,985,316
Premiums received in advance	3,959,834
General expenses due or accrued	25,516,872
Amounts withheld or retained for the account of others	7,106
Amounts due to parent, subsidiaries and affiliates	258,658
Payable for securities	1,042,985
Liability for amounts held under uninsured plans	1,425,636
Aggregate write-ins for other liabilities	5,449,057
Total liabilities	<u><u>524,247,724</u></u>
Unassigned funds (surplus)	<u>228,917,458</u>
Total capital and surplus	<u><u>228,917,458</u></u>
Total liabilities, capital and surplus	<u><u>\$ 753,165,182</u></u>

Fallon Community Health Plan, Inc.

Statement of Revenue and Expenses  
For the Year Ended December 31, 2023

	Per Annual Statement
<b>Member Months</b>	<u>1,694,696</u>
Net premium income	\$ 1,752,150,541
Change in unearned premium reserves and reserves for rate credits	<u>(43,452,700)</u>
Total revenues	<u>1,708,697,841</u>
<b>Deductions:</b>	
Hospital/medical benefits	1,095,444,836
Other professional services	240,338,287
Outside referrals	5,260,282
Emergency room and out-of-area	3,825,660
Prescription drugs	220,020,563
Incentive pool, withhold adjustments and bonus amounts	<u>12,076,871</u>
Subtotal	<u>1,576,966,499</u>
Total hospital and medical	<u>1,576,966,499</u>
Claims adjustment expenses	16,920,235
General administrative expenses	150,210,336
Increase in reserves for life and accident and health contracts	<u>49,900,000</u>
Total underwriting deductions	<u>1,793,997,070</u>
Net underwriting gain or (loss)	(85,299,229)
Net investment income earned	16,112,271
Net realized capital gains (losses) less capital gains tax	<u>(2,597,719)</u>
Net investment gain	13,514,552
Aggregate write-ins for other income or expenses	<u>170,252</u>
Net income or (loss), after capital gains tax and before all other federal income taxes	<u>(71,614,425)</u>
Net income (loss)	\$ <u>(71,614,425)</u>

Fallon Community Health Plan, Inc.

Reconciliation of Capital and Surplus  
For Each Year in the Three-Year Period Ended December 31, 2023

	2023	2022	2021
Capital and surplus prior reporting	\$ 278,052,000	\$ 278,233,072	\$ 232,267,697
Net income or (loss)	(71,614,425)	9,901,486	31,521,376
Change in net unrealized capital gains (losses)	22,170,682	(15,621,063)	19,035,495
Change in nonadmitted assets	309,201	(3,024,589)	(1,829,225)
Aggregate write-ins for gains or (losses) in surplus	-	8,563,094	(2,762,271)
Net change in capital and surplus	(49,134,542)	(181,072)	45,965,375
Capital and surplus end of reporting	\$ 228,917,458	\$ 278,052,000	\$ 278,233,072

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified. No material weaknesses were noted during 2023 audit. At the end of 2023, there was an open significant deficiency from 2021 related to system limitations and manual process around aging of receivables.

The Company uses estimates for determining its claims incurred but not yet reported, which are based on historical claim payment patterns, healthcare trends and membership, and includes a provision for adverse changes in claim frequency and severity. Amounts incurred related to prior years may vary from previously estimated liabilities as the claims are ultimately settled.

KPMG Health Actuaries prepared independent estimates of the Unpaid Claim Liabilities (“UCL”) as of December 31, 2023, for the key products/lines of business. KPMG performed calculations using historical claims data displaying claims paid by incurred month. Payments through June 30, 2024, were included providing six months of hindsight. KPMG developed completion factors for the projection of ultimate incurred claims using historical payment patterns and actuarial judgment. Based on this analysis, KPMG developed a range of estimated incurred claims based on its view of a range of assumptions that could be developed from a reasonable analysis of the factors that impact the Company’s reserves, such as claim trend and speed of claim completion. KPMG arrived at a range of estimates for the UCL by subtracting the claims paid-to-date from its range of incurred claims estimates. The results of the range tested are summarized below. These balances exclude \$52,472K which represent the amounts related to Miscellaneous Payables, Margin and immaterial IBNR lines not reviewed by the Actuaries.

<p><u>Fallon Community Health Plan, Inc.</u> (000’s omitted)</p>					
<p><u>KPMG Estimates</u></p>					
	<u>Low</u>	<u>Mid</u> <u>Estimate</u>	<u>High</u>	<u>Total</u> <u>Carried</u>	<u>Sufficiency</u> <u>Vs. KPMG</u> <u>Mid</u> <u>Estimate</u>
Unpaid Claim Liabilities	\$131,054	\$134,112	\$137,349	\$142,017	\$7,905

### **SUBSEQUENT EVENTS**

Richard Burke, President and CEO, retired effective January 31, 2024. Mr. Bailey served as Interim CEO following Mr. Burke's retirement through June 30, 2024. Manny Lopes was appointed to serve as Company's President and CEO effective July 1, 2024.

On September 6, 2024 FHLAC requested approval from the Division to declare an extraordinary dividend in the amount of \$8M to FCHP as required by Massachusetts state law. Approval was received on October 18, 2024 and the dividend was paid in cash from FHLAC to FCHP on October 22, 2024. This distribution was recorded as a return of capital by FCHP.

### **SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.



**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by KPMG LLP who participated in this examination is hereby acknowledged.

A handwritten signature in cursive script, reading "Michael Lewandowski", is written over a horizontal line.

Michael Lewandowski, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance