

LICENSED HEALTH ORGANIZATION (“LHO”) REQUEST TO ADD PREPAID HEALTH PLAN (“PHP”) LICENSE

For insurers licensed in North Carolina that meet the definition of a LHO pursuant to North Carolina General Statute (“NCGS”) § 58-93-2(7), the following information must be provided to the North Carolina Department of Insurance (the “Department” or “NCDOI”) with the LHO’s request to add a Prepaid Health Plan (“PHP”) license to the LHO’s current license:

1. Name and address of the LHO.
2. Documentation of Board of Director approval for the addition of the PHP license being requested.
3. Changes made to the Articles of Incorporation or Bylaws of the LHO, if any.
4. Detailed description of future plans for the LHO, including the following:
 - Summary of LHO’s current operations and its anticipated operations assuming the PHP license request is granted.
 - Summary of anticipated gross writings that include the PHP license being requested; the percentage of total writings under the PHP license; and geographic territory of operations for the PHP license.
 - Summary of marketing, underwriting, claims adjustment and accounting functions of the LHO, and how these functions will be administered, assuming the PHP license is granted. For each function, summarize the experience of the LHO’s management relative to the PHP license being requested, and whether there will be a need to employ outside personnel to perform any of these functions. If outside personnel are going to be used, provide an example of the contract between the LHO and the outside personnel.
 - A detailed description of the procedures to be implemented to meet the protection against insolvency requirements of NCGS § 58-93-50. If a reinsurance agreement is to be used to satisfy the provisions of NCGS § 58-93-50, a draft of that agreement must be filed with the application. Reinsurance agreements require the prior approval of the Department before execution.
 - A detailed plan for handling an insolvency as required by NCGS § 58-93-55.
5. Three-year financial forecasts for the LHO assuming the PHP license is approved.

Note: Such forecasts should be prepared on a statutory basis in the format of the NAIC Annual Statement and include a balance sheet, income statement, and cash flow statement. Documentation of all assumptions used in preparing the forecasts must be provided AND must align with the documentation, such as capitation rates, provided in the North Carolina Department of Health and Human Services PHP RFP.

6. The risk-based capital calculation for the LHO, as well as three-year risk-based capital projections, assuming the PHP license is approved.

General:

Pursuant to NCGS § 58-93-4, the Commissioner may contract with consultants and other professionals, as needed, to expedite and complete the review of a LHO's request to add a PHP license, the cost of which shall be reimbursed by the applicant. Along with the application, please submit an executed acknowledgement and agreement to pay the consultant's fees and expenses.

Please be advised that upon consideration of the information provided, questions or concerns may arise that could require additional information. In such instances, the LHO will be notified of any additional information required. Responses are requested within 10 days of receiving correspondence from the Department or any contracted consultant or professional.

Pursuant to NCGS § 58-93-15, LHOs are required to make an additional deposit with the Commissioner for the protection of enrollees. The additional deposit requirement must be met within 5 days of the LHO obtaining a PHP license from the Department.