



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
LANSING

ANITA G. FOX  
DIRECTOR

January 5, 2024

Mr. Craig Start, President  
MDA Health Plan Trust  
3657 Okemos Road, Suite 100  
Okemos, MI 48864

Dear Mr. Start:

We received your plan of compliance relating to our report of examination and management letter. Based on our review, it appears as though all of our findings have been addressed. We will verify the Trust's compliance with our findings and recommendations and the plan of compliance during our next on-site examination or sooner if necessary.

In order to close our file on this examination we will need a board resolution or copy of the board minutes indicating the report of examination, management letter and plan of compliance were presented and reviewed by the board of directors. Please provide this resolution within thirty days after the next board meeting. Thank you for your cooperation in finalizing this examination.

Sincerely,

A handwritten signature in black ink, reading "Robert C. Lamberjack".

Robert C. Lamberjack, CFE  
Chief Examiner



GRETCHEN WHITMER  
GOVERNOR

STATE OF MICHIGAN  
DEPARTMENT OF INSURANCE AND FINANCIAL SERVICES  
LANSING

ANITA G. FOX  
DIRECTOR

November 22, 2023

Mr. Craig Start, President  
MDA Health Plan Trust  
3657 Okemos Rd, Ste 100  
Okemos, MI 48864-3927

Dear Mr. Start:

We have conducted an examination of MDA Health Plan Trust, herein referred to as the "Trust," as of December 31, 2022. In planning and performing our examination of the Trust's financial statements, we considered its internal control structure in order to determine our examination procedures for the purposes of evaluating the Trust's financial statements.

During our examination we discovered certain matters regarding the financial reporting, internal control structure and other administrative and operational matters that merit your attention. The following comments and recommendations are intended to improve the Trust's statutory financial reporting, internal control structure, or result in other operating efficiencies.

Our examination disclosed the following:

1. The Trust didn't review the SOC reports for SMART I.T. Services or Pershing LLC and did not present these to the Board. Good internal controls dictate the Trust review all SOC reports for compliance with internal controls pertaining to the Trust and present to the Board on an annual basis. We suggest the Trust begin reviewing all SOC reports and presenting these to the board on an annual basis.
2. The examination team made observations regarding unlocked computers at unattended workstations. This appears to be in violation of the Trust's IFG IT Security Plan, under Internal Risks to Private Information & Agency Security - Item #5. Good internal controls dictate employees lock their computers when unattended. We suggest the Trust begin enforcing its policy regarding the locking of computers.

3. The Trust did not file its 2022 Unclaimed Property (Escheats filing) by the July 1, 2023 deadline as required by the Michigan Department of Treasury. As of August 16, 2023, we identified two outstanding checks that should be escheated to the State. We suggest the Trust establish policies and procedures to ensure appropriate review of outstanding checks requiring unclaimed property submission on an annual basis in accordance with Department of Treasury requirements.
4. Per our consulting actuary, the medical claims liability held as of December 31, 2022 was deficient. Given the relatively small size of the business and historical volatility in claims patterns, the current 5% margin assumption appears insufficient. The deficiency is currently immaterial but could become material in the future. We suggest the Trust consider increasing its assumption to 8-10% at a minimum.

Please review the attached draft report of examination and let me know within the next two weeks if any corrections or amendments are necessary. If the report is accurate as written, please let me know so we can finalize the report as a public document. If you feel a meeting is necessary to discuss anything in the report, please let me know right away so we can promptly schedule such a meeting. Finally, please prepare a written plan of compliance that addresses the findings contained in the attached report of examination and this management letter. This plan will be due shortly after the report of examination is finalized.

Sincerely,

Abigail L. Perry, CFE, PIR  
Examiner-in-Charge

January 3, 2024

Abigail L. Perry, CFE, PIR  
Examiner-in-Charge  
State of Michigan  
Department of Insurance and Financial Services

Dear Ms. Perry,

We have reviewed the final Financial Examination of MDA Health Plan Trust (the Trust) and have provided the following responses.

1. SOC reports were not reviewed for SMART IT Services or Pershing LLC or presented to the board.
  - a. The Trust has received and reviewed the reports as well and will share them with the board during the February 2024 board meeting.
  - b. The Trust maintains a log of all needed SOC reports that includes the coverage dates, date of review and date of board review. Bridge letters will continue to be obtained for any periods necessary through the Trust year end. Reports currently include:
    - i. Priority Health
    - ii. Ameriprise
    - iii. Pershing LLC
    - iv. ESI
    - v. Comerica
    - vi. SMART IT Services
  - c. The board will be presented with all SOC reports as well as the log at least annually.
2. The IT Security Plan was observed to not be enforced related specifically to the locking of computers when unattended.
  - a. The Trust has had additional training and communication with all staff.
  - b. Directors have spoken to their teams directly to reiterate the policy as well as the importance of adherence.
  - c. On an ongoing basis, annual staff training and monthly HIPPA and IT emails are sent from the compliance officer as reminders to staff.
  - d. The building, as well as the Trust offices within the building, is locked at all times and secured with employee key access only.
3. The Trust did not file the 2022 Unclaimed Property by the July 1, 2023 deadline.
  - a. As of the date of this letter additional efforts were made following up on all checks outstanding for over 3 months to contact the recipient and reissue.
  - b. During the fiscal year-end review an additional review will be done to ensure compliance with the Department of Treasury requirements, as necessary with any applicable checks.
  - c. See attached written policy on the reconciliation and escheats process.

4. The actuary consulting with the Department suggested increasing the medical claims liability.
  - a. As had been communicated, we followed the guidance of our actuaries for all assumptions.
  - b. We have been in communication with our actuaries on the suggestion to increase the margin from 5% to 8-10% and will continue to consider and evaluate the assumption.

These responses will be shared with our board at the February board meeting and those minutes will be shared with you once final.

We appreciate the work of the Department and the opportunity to respond to and address the concerns brought forward.

Sincerely,

A handwritten signature in black ink, appearing to read "Craig A. Start". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Craig Start, President

August 29, 2023

Abigail Perry, CFE  
Examiner-In-Charge  
MI Department of Insurance & Financial Services  
530 W. Allegan, 7<sup>th</sup> Floor  
Lansing, MI 48909

We are providing this letter in connection with your examination of the statutory financial statements and financial condition of the Michigan Dental Association Health Plan Trust as of December 31, 2022 and for the period from January 1, 2019 to December 31, 2022. We are responsible for the fair presentation of the statutory statements of financial position, results of operations and changes in statutory financial position in conformity with the accounting practices prescribed or permitted by the Michigan Department of Insurance & Financial Services. We are also responsible for the completeness and accuracy of qualitative assertions made to you during the course of the examination.

Certain representations in this letter are described as being limited to those matters that are material. Solely for the purpose of preparing this letter, the term “material,” when used in this letter, means any item or group of similar items involving potential amounts of more than \$10,000. These amounts are not intended to represent the materiality threshold for financial reporting and disclosure purposes. Notwithstanding this, an item is considered material, regardless of size, if it involves an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the examination.

1. Access to Documents and Company Personnel

- We have responded fully to all inquiries made to us by you during the examination.
- We have made available to you all:
  - Statutory financial records and related data.
  - Minutes of meetings of stockholders/policyholders, directors and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - Access to individuals within the company from whom you have requested examination evidence.
  - Risk assessment documentation.

2. Corporate Governance Practices

The corporate governance practices and policies that the company has in place are adequate and appropriate in relation to the size and complexity of the company and the systems and processes used are adequate and appropriate to address risk inherent within the company.

3. Significant Risk Areas



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We confirm the completeness of the information provided to you in relation to the significant risks identified by the company, the risk mitigation processes/strategies utilized by the company, supporting documentation and other evidence for all of following:

- The investment strategy of the company, the listing of complex or subjectively valued investment holdings, existing or potential impairments of invested assets and the near-term cash flow needs of the company.
- The reinsurance strategy of the company, listing of all reinsurance agreements, types of coverage in place, associated limits, net retentions, transfer of risk, any concentration of reinsurance assumed or ceded, coverage periods and the accounting/disclosure of reinsurance balances reported.
- The underwriting, pricing and marketing practices of the company, underwriting guidelines, risk exposure limits, rates and expense structure, distribution channels and the underlying data on all policies in force.
- The reserve assumptions and methodologies utilized by the company, calculations of significant reserves, underlying claims data for all reserves and related expenses reported and incurred but not reported, and the accounting/disclosure of reserve balances reported.
- The identification of all related parties and any relationships, agreements (either written or oral) and transactions with related parties. We confirm that there are no side agreements or other arrangements (either written or oral) that have not been disclosed to you.
- The capital management practices utilized by the company and the accounting/disclosure of capital and surplus balances reported.

4. Financial Statements/Reporting

- The financial statements filed with your Department are free of material misstatements.
- We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- There are no material transactions that have not been properly recorded in the accounting records underlying the statutory financial statements.
- All required returns and statutory reporting requirements have been filed on a timely basis with the appropriate regulatory bodies.
- The company has recorded and disclosed subsequent events in accordance with SSAP No. 9— Subsequent Events.

5. Fraud

There have been no:

- Fraud or other irregularities involving management or employees who have significant roles in the risk management process or internal control structure.
- Fraud or other irregularities involving other employees that have, or may have, a material effect on the statutory financial statements.
- Fraud or other irregularities involving agents, MGAs, third-party administrators, independent contractors, holding companies or other individuals or parties that have, or may have, a material effect on the statutory financial position of the company.
- Communications from regulatory agencies concerning noncompliance with, or deficiencies in, statutory financial reporting practices since the last examination.

6. Information Systems



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- Regarding the corporate information systems (IS) function, we have made available to you all information and documentation responsive to your review of the IS function; and we have, to the best of our knowledge and belief, answered all questions and inquires fully and accurately.
- Except as already disclosed to you, the corporate IS function has established and maintains adequate policies, procedures and guidelines concerning systems security, systems back-up, systems design, change controls, testing of systems changes, configuration of transaction controls, documentation and error or exception reporting.
- All corporate IS policies, guidelines and systems that could have a material impact on the financial solvency of the company are monitored and have been complied with, and no breaches, whether perpetrated by external or internal parties, are known to have occurred.
- There were no significant deficiencies or material weaknesses with new systems, system modifications or new site locations implemented during the period that could have a material impact on the financial solvency of the company.
- None of the company's third-party service providers, upon which the company relies, has known problems that would be likely to threaten the reliability of the company's information systems and/or the systems' internal controls, or that could have a material impact on the company's financial solvency.

#### 7. Contingent Liabilities

- We have properly disclosed all pending changes in the organization structure, financing arrangements or other matters that could have a material effect on the statutory financial statements or negatively impact the financial solvency of the company.
- There are no other liabilities or gain or loss contingencies that are required to be accrued or disclosed by SSAP No. 5—*Liabilities, Contingencies and Impairments of Assets*.
- There is no litigation against the company that is considered material in relation to the statutory financial position of the company. For purposes of this section, the company has excluded litigation for which the only amounts sought relate to benefits within the normal terms of coverage under contracts of insurance issued by the company, and which are otherwise considered in the actuarial determination of the company's unpaid claim reserves.
- Except for the contingent liability disclosed in Note X of the financial statements, there are no contingent liabilities that require disclosure in the financial statements or notes thereto.
- The Wilderness Therapy litigation by Mark Z. et al has not been settled. No other claims in connection with litigation have been, or are expected to be, received.
- The plan has disclosed the ongoing DOL audit and VC letter. At this time negotiations continue for a settlement. We do not expect any liability for the plan.

#### 8. Compliance

- There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure in the statutory financial statements or as a basis for recording a loss contingency.
- The company is not aware of the employment of or a business relationship with a "prohibited person" as defined in The Violent Crime Control and Law Enforcement Act of 1994: United States Code, Section 1033 (e)(1)(A).
- We have complied with all regulatory requirements, federal and state laws, applicable Statements of Statutory Accounting Principles, and Annual Statement Instructions which could materially affect the statutory financial statements in the event of non-compliance.





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- We have complied with all provisions of contractual agreements that could have a material effect on the statutory financial statements or negatively impact the financial solvency of the company in the event of non-compliance.
- We have disclosed to you any events of non-compliance that could negatively impact the financial solvency of the company.

We understand that your examination was made in accordance with standards established by the Michigan Department of Insurance & Financial Services, and procedures established by the National Association of Insurance Commissioners, and accordingly included review and testing of the accounting records and other procedures as considered necessary under the circumstances.

Michigan Dental Association Health Plan Trust

A handwritten signature in black ink, reading 'Craig A. Start'.

Craig Start, President

8-29-23

Date

A handwritten signature in black ink, reading 'D. Winn'.

Don Winn, Chief Financial Officer

8-29-2023

Date