South Carolina
Department of Insurance
Financial Regulation and Solvency Division
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Columbia, S.C. 29201

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Governor

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General Qualifying Requirements and Application Procedures For a Domestic Medicaid or Medicare Advantage Health Maintenance Organization (HMO)

Instructions:

1. The HMO should address all sections and subsections outlined below. If any section or subsection does not apply, a clear explanation of why it does not apply should be provided.

2. All sections and subsections should be tabbed and clearly labeled to correspond to the titles of the sections and subsections of this document (e.g., I. General Qualifying Requirements, A. Net Worth).

3. One copy of the application should be directed to the attention of Lee Hill, Chief Financial Analyst at the address shown above. Note: Do not send a partial or incomplete application as it will be returned.

4. After an analysis of the application is completed and the application is approved for licensure by the Director of Insurance, the HMO will then be notified:

   A. To deposit acceptable securities pursuant to S.C. Code Ann. Section 38-33-130(A) (2002).

   B. That it must inform the Department once its Medicaid contract has been approved by the South Carolina Department of Health and Human Services.

   C. That it must not commence business until an on-site examination of its processes and procedures has been conducted by the Department's Office of Financial Examinations.

S.C. Code Ann. Section 38-33-170(B) provides for the Director to make an examination concerning the quality of health care services of an HMO as often as reasonably necessary for the protection of the citizens of this State, but not less frequently than once every three years. To comply with the provisions of the Code, each HMO licensed in South Carolina must comply with the following:

> The HMO must have a "Quality Assurance Review" performed within three years of the issuance of a certificate of authority from the Department and at least once every three years thereafter. The "Quality Assurance Review" must be performed by a qualified organization performing audits based upon criteria similar to those set forth in the National Committee for Quality Assurance (NCQA) guidelines. The HMO will

be responsible for the selection of a qualified organization to perform the review and the costs associated with the review as provided for in S.C. Code Ann. Section 38-33-170(D). All "Quality Assurance Review" reports must be submitted to the Department upon completion. Records supporting the findings in the report must be maintained at the HMO's principal place of business.

I. General Qualifying Requirement

Outlined below are the general requirements to be met by a domestic Medicaid health maintenance organization to qualify for a license to transact business in South Carolina. Reference should be made to Title 38, Chapter 33 and Regulation 69-22 of the South Carolina Code of Laws.

Provider-Sponsored Organizations (PSOs) seeking to contract with the Health Care Financing Administration (HCFA) for the provision of health care services through Medicare Advantage are required to seek licensure as HMOs in the State of South Carolina. This application is to be used by PSOs for that purpose.

NOTE: Pursuant to S.C. Code Ann. Section 38-33-250, all applications and filings required under S.C. Code Ann. Section 38-33-30 and any annual and quarterly financial reports required under S.C. Code Ann. Section 38-33-90 must be treated as public documents. Nothing herein may be construed to require disclosure of trade secrets, privileged or confidential commercial information, or replies to a specific request for information made by the Director. Information deemed by the HMO to be confidential pursuant to this section should be stamped **"CONFIDENTIAL,"** and reasons for doing so provided at the front of the application. The Department of Insurance will make the final determination as to which information, if any, may be exempt from disclosure.

Please address all sections.

A. Net Worth

No health maintenance organization may be issued a certificate of authority unless it is possessed of net worth of at least one million two hundred thousand dollars, six hundred thousand dollars of which must be capital if it is a stock health maintenance organization. The Director may require a health maintenance organization to meet greater initial net worth requirements based on the health maintenance organization's plan of operation. See S.C. Code Ann. Section 38-33-100. The HMO must provide a current balance sheet.

B. Securities Valuation

Pursuant to Title 38, Chapter 12 of the South Carolina Code of Laws, securities appearing in Schedule D of the HMO's most recent annual statement must be valued by the NAIC Securities Valuation Office, or proper evidence must be provided to this Department to indicate that those securities not listed have been submitted to the NAIC Securities Valuation Office for valuation or that they are exempt from filing with the NAIC Securities Valuation Office before the application is submitted to this Department. The HMO must provide a statement indicating that the securities have been valued by, submitted for valuation to, or are exempt from valuation by the NAIC Securities Valuation Office with supporting documentation.

C. Organizational Examination

An organizational examination conducted by the Office of Financial Examinations of the Department will be conducted prior to the HMO commencing business.

D. Place Of Business

No health maintenance organization organized, chartered and existing under the laws of this State will be licensed by the Director unless it maintains its principal place of business and primary executive, administrative, and home offices and all original books and records of the organization in this State. See S.C. Code Ann. Section 38-5-80(k).

The HMO must provide a statement indicating that it will comply with all the requirements of S.C. Code Ann. Section 38-5-80(k). Provide the name of the city in South Carolina where the home office will be located. Describe the space leased or purchased, or plans to build office space. Describe any plans for economic development in South Carolina, such as satellite offices, claims processing, office buildings, etc. Describe the positions to be located at the home office and the functions to be performed there (typically CEO, CFO, member services, marketing, claims processing, support, etc.). Describe how claims will be processed; if processed "on line," explain who at the home office will be able to access the data immediately and print hard copies. Indicate if all books and records will be maintained, as required, at the home office. Indicate if the original claims register will be maintained at the home office, as required. An HMO desiring to move business records or operations outside of the State, or to initially keep business records or operations outside of the State, shall apply to the director or his designee for approval to do so. The application process has been set out in the Department's Bulletin 2002-08. Please review the Bulletin at: https://www.doi.sc.gov/Eng/Public/bulletins/Bulletin2002-08.pdf and file the required information with the application.

E. Use Of Name

The HMO's use of a name which is similar to that of any active health maintenance organization previously licensed in this State could be contrary to the public interest. See S.C. Code Ann. Section 38-33-40(A)(6). The HMO must provide a statement indicating that the HMO is aware of and meets the requirements of S.C. Code Ann. Section 38-33-40(A)(6).

If the HMO meets all general qualifying requirements, please continue with this application.

II. Specific Requirements

A. COVER LETTER

A cover letter containing the following language:

_____, President and _____, Chief Financial Officer being duly sworn, each deposes and says that they are the above described officers of the HMO, and that the information and statements accompanying this application are true and correct according to the best of their information, knowledge and belief, respectively.

By:_____ _____

President Date

By:_____ _____

Chief Financial Officer Date

_____

Name of HMO

SUBSCRIBED AND SWORN TO BEFORE ME THIS
_____DAY OF _____, 20____.
NOTARY PUBLIC, STATE OF_____.
MY COMMISSION EXPIRES_____.

B. Application Fee
A check made payable to the South Carolina Department of Insurance in the amount of two thousand dollars ($2,000.00) for filing an application for a certificate of authority as required by S.C. Code Ann. Section 38-33-220(A)(1). The fee is non-refundable.

C. Registration Of Business
Evidence that the HMO is registered with the Secretary of State of South Carolina to do business in this State. The Articles of Incorporation must be reviewed and approved by the Department prior to being filed by the HMO with the South Carolina Office of Secretary of State.

D. Affidavit of Compliance
Please use attached Form No. 1008.

E. Appointment to Accept Service
Appointment of the Director of Insurance of South Carolina as its Attorney to Accept Service. Use attached Form SCID Number 1027 HMO.

F. Disclosure of Ownership
The HMO must disclose the names of all principal owners, including a parent corporation, if any.

G. Organizational Documents
A copy of the organizational documents of the HMO, such as the articles of incorporation, articles of association, partnership agreement, trust agreement, or other applicable documents and all amendments.

H. Bylaws and Charter
Copies of the HMO's original Bylaws and Charter and all subsequent amendments to either.

I. Biographical Affidavit
A biographical affidavit for each person who is to be responsible for the management and conduct of the affairs of the HMO including, but not limited to, all members of the board of directors, board of trustees, executive committee or other governing board or committee. Use NAIC UCAA Form 11 at: http://www.naic.org/documents/industry_ucaa_form11.doc.

J. Forms 10K and 10Q
Copies of Forms 10K and 10Q if the ultimate parent is required to file these reports with the Federal Securities and Exchange Commission. If not required, please explain.

K. Working Capital
A statement as to its sources of working capital as well as any other sources of funding.

L. Pro Formas

A three-year Plan of Operation and pro formas. Use NAIC UCAA Form 13 - Pro Forma Financial Statements (Life/Health Companies) which can be accessed at: http://www.naic.org/documents/industry_ucaa_form13L.xls.

M. Reinsurance And Stop-Loss

All contracts of reinsurance or a summary of the plan of self-insurance as required by S.C. Code Ann. Section 38-33-30(D) and a copy of a policy of individual excess stop-loss coverage provided by an insurance company licensed in this State as required by S.C. Code Ann. Section 38-33-130(C). The policy must include provisions to cover all incurred, unpaid claim liability in the event of the HMO's termination due to insolvency or otherwise.

N. Claims Processing

A detailed description of the claims processing and payment procedures, including the capacity to file claims and track referrals for out of plan services.

Attachments

1. Form SCID No. 1008
2. Form SCID Number 1027 HMO

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Form 1008

AFFIDAVIT OF COMPLIANCE

STATE OF_____

Personally appeared _____

who being duly sworn, says he is the _____
(President or Chief Executive Officer)

of (Name of Company) _____

that the said Company has not violated any of the laws of the State of South Carolina and that it accepts the terms and obligations imposed by the laws of the State as a part of the consideration for the issuance to it by the Director of Insurance of said State of a license to do business in said State.

_____
(Signature of President or Chief Executive Officer)

Sworn to before me this the _____

day of _____, 20 _____

_____ (SEAL)

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SCID Form 1027 HMO

APPOINTMENT OF ATTORNEY TO ACCEPT SERVICE

The _____, a Health Maintenance Organization (HMO) duly organized under the laws of the State of _____, appoints the Director of Insurance of the State of South Carolina, and his or her successors in office, to be its lawful attorney upon whom all legal process in any action or proceeding against it shall be served and further agrees that any lawful process against it which is served upon this attorney shall have the same legal validity as if served personally upon the HMO.

The HMO gives the Director of Insurance and his or her successors, full authority to do every act necessary to be done under this appointment as fully as the HMO could do if personally present, and ratifies all that the Director of Insurance shall lawfully do under the power granted by this appointment. This authority may be withdrawn only upon a written notice of revocation and in any case shall continue in effect so long as any liability arising out of this appointment remains outstanding in the State.
The HMO designates _____whose address is

_____ as the person to whom process against the HMO served upon the Director shall be forwarded.

IN WITNESS OF THIS APPOINTMENT, the HMO, pursuant to a resolution duly adopted by its Board of Directors, has caused this instrument to be executed in its name by its President and Secretary, and its corporate seal to be affixed to it at the City of _____, State of _____, this _____ day of _____, 20____.

Attest:

_____	_____
President	Name of HMO
_____	_____
Secretary	Name of HMO

STATE OF _____)

COUNTY OF _____)

This certifies that on the _____ day of _____, 20_____, before the undersigned Notary Public in and for the said County and State, personally appeared the above-named _____ _____, known to me to be the President, and _____ _____, known to me to be the Secretary of _____, the HMO mentioned in and which executed the foregoing power of attorney, and severally acknowledged that they executed the same by authority and in behalf of said HMO, pursuant to a resolution of the Board of Directors of said HMO duly adopted on the _____ day of_____, 20_____; and _____, the Secretary of said HMO, further acknowledged that the corporate seal thereto attached and impressed therein is the corporate seal of said HMO and was affixed thereto by him.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affix my seal this _____ day of _____, 20_____.

Notary Public _____ (L.S.)

State of _____

My Commission Expires:_____(Seal)