



South Carolina
Department of Insurance
Financial Regulation and Solvency Division
1201 Main Street, Suite 1000
Columbia, S.C. 29201

NIKKI R. HALEY
Governor

RAYMOND G. FARMER
Director

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**General Qualifying Requirements and Application Procedures
For a Foreign 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. Medicare Advantage).
3. One copy of the application should be directed to the attention of Mary Alice Floyd, Administrative Coordinator, South Carolina Department of Insurance, 1201 Main Street, Suite 1000, Columbia, SC 29201 or Post Office Box 100105, Columbia, SC 29202-3105. Phone: (803) 737-6221. E-mail: mafloyd@doi.sc.gov. **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 by the Committee on Applications and the Director of Insurance, the organization will then be notified:
 - A. To deposit acceptable securities pursuant to S.C. Code Ann. Section 38-33-130(A) (2002).
 - B. When to furnish rules, rates, forms, etc., which the organization intends to use in this State.
 - C. Of the required procedure for appointment of agents.

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 REQUIREMENTS

Outlined below are the general requirements to be met by a foreign 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 be licensed as HMOs in the state of South Carolina. This application is to be used by PSOs seeking licensure in South Carolina.

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. Medicare Advantage

1. Do you plan to offer health care services through Medicare Advantage?

If yes, do you plan to offer any other products? Please explain.

2. Are you structured as a PSO?

B. 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.

C. 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 (NAIC Health blank) must be valued by the NAIC Valuations of Securities Manual, 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 before the application is submitted to this Department. The HMO must provide a statement indicating that securities have been valued, submitted for valuation, or are exempt from valuation by the SVO with supporting documentation.

D. Organizational Examination

The HMO must have been examined as recently as December 31 of the second year preceding the most recent annual statement using the guidelines outlined in the NAIC Examiners' Handbook, the NAIC Accounting Practices and Procedures Manual. The examination must cover a period of operation of not less than one (1) full calendar year. A certified copy of the Report on

Examination must be submitted with the application along with a letter from a responsible officer of the HMO, which addresses any criticisms or recommendations contained in the Report on Examination

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 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).

C. Certificate of Compliance

A Certificate of Compliance from the HMO's state of domicile showing the line(s) of authority for which it is licensed in that 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. Retaliatory Statement
A copy of the requirements to be met by an organization domiciled in South Carolina to obtain a license in the HMO's home state. This Retaliatory Statement must enumerate capital and surplus requirements as well as application fees, licensing fees and deposits. The HMO is subject to retaliatory provisions based on the requirements of its state of domicile.
- J. 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 attached SCID Form 1000B or NAIC Form: http://www.naic.org/documents/industry_ucaa_form11.doc
- K. Regulation of Financial Condition
A statement which affirms that the HMO's financial condition is subject to regulation by authorities (include name of agency) in its state of domicile, including a regular financial examination not less than once every three (3) years.
- L. Annual Financial Statements
Annual financial statements, including Actuarial Certifications, for the last two preceding calendar years. These statements should be prepared on the NAIC Health Blank (9x14 only) bearing original signatures and notarization. The statements should be prepared in accordance with the NAIC Annual Statement Instructions - Health and the NAIC Accounting Practices and Procedures Manual.

Quarterly financial statements (9x14 only) prepared on the NAIC Health Blank must be submitted until the application is approved or disapproved.
- M. Audited Financial Report
An audited financial report, as of the most recent December 31, prepared by a Certified Public Accountant for the controlling entity or individual.
- N. 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 state.
- O. Working Capital
A statement as to its sources of working capital as well as any other sources of funding.
- P. Pro Formas
A three-year Plan of Operation and pro formas. Use NAIC UCAA Form 13 - Pro Forma

- Q. 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. In addition, the policy must provide that the insurer will issue an individual conversion policy to any enrollee upon termination of the health maintenance organization or the enrollee's ineligibility for further coverage in the health maintenance organization.
- R. Counties to be Served
A statement reasonably describing the counties to be served.
- S. Provider Access Map and Travel Time to Providers
The HMO should provide a map of the entire service area, and show the location of hospital, emergency room, specialist and primary care providers. This should be accompanied by estimated maximum travel time and distance for each county of operation.
- T. Membership/Provider Estimates and Ratios
Projected membership and projected member/provider ratios in each county as of December 31 for each of the next three years.
- U. List of Providers
List names and addresses of each provider by county and type, including hospital, primary care, specialist and emergency room. The HMO must submit letters of intent for all proposed participating providers, including any individual members of a group practice who will participate in the HMO.
- V. Form SCID 505
A statement which affirms that the HMO will receive an executed Form SCID 505 (copy attached) 1) from each provider listed in U. above with whom the HMO enters into a contract, 2) from an "employing entity" on behalf of all the employing entity's providers [See S.C. Code Ann. Section 38-33-20(4) (2002)], or 3) in the case of a group agreement (IPA, hospital, clinic, etc.), from the administrator or other authorized individual authorized to execute the provider contract, which must contain language which clearly states that the group's participating providers are prohibited from billing members (enrollees) in the event of insolvency of the HMO.
- W. Authorization and Referral
Description of how services will be authorized and coordinated; and proposed referral authorization form.
- X. Personnel and Office Space
A breakdown of personnel and office space sufficient to handle the administration of the HMO's business in the counties it is to serve.
- Y. Marketing - Commercial
A description of the HMO's proposed method of marketing; a description of its proposed method of training and supervising its marketing representatives; and an example of its proposed marketing brochure.

- Z. Marketing - Medicare
A description of the HMO's proposed method of marketing; a description of its proposed method of training and supervising its marketing representatives; and an example of its proposed marketing brochure.
- AA. 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.
- AB. Enrollment Forms and Process - Commercial
Proposed commercial member enrollment forms and procedures.
- AC. Enrollment Forms and Process - Medicare
Proposed commercial member enrollment forms and procedures.
- AD. Evidence of Coverage - Commercial
A copy of the form of evidence of coverage to be issued to the enrollees.
- AE. Evidence of Coverage - Medicare
A copy of the form of evidence of coverage to be issued to the enrollees.
- AF. Disenrollment Forms and Process - Commercial
Proposed commercial member disenrollment form and procedures.
- AG. Disenrollment Forms and Process - Medicare
Proposed commercial member disenrollment form and procedures.
- AH. Disenrollment Letter - Commercial
Proposed letter informing member of disenrollment.
- AI. Disenrollment Letter - Medicare
Proposed letter informing member of disenrollment.
- AJ. Complaint Procedures
A description of the complaint procedures to be utilized as required under S.C. Code Ann. Section 38-33-110.
- AK. Quality of Health Care
A description of the procedures and programs to be implemented to meet the quality of health care requirements in S.C. Code Ann. Section 38-33-40.
- AL. Record Keeping
Description of the record keeping system, including retention of records.
- AM. Reporting
Example of the type of reports to be maintained for internal and external use, including reports for providers.
- AN. Member Participation in Policy and Operation
A description of the mechanism by which enrollees have an opportunity to participate in matters of policy and operation under S.C. Code Ann. Section 38-33-60(B).

III. SUPPLEMENTAL INFORMATION

Does the HMO have any plans for economic development in South Carolina, such as purchase or lease of real estate and/or any other significant capital investments in South Carolina? If so, please indicate.

Attachments

1. Form SCID No. 1008
2. Form SCID No. 1027 HMO
3. Form SCID No. 1000B or NAIC Biographical Affidavit which can be accessed at:
http://www.naic.org/documents/industry_ucaa_form11.doc
4. Form SCID No. 505



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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)



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Form SCID 505

Hold Harmless Agreement

In accordance with the requirements of S.C. Code Ann. Section 38-33-130 (B) (1976, as amended), and as a condition of participation as a health care provider in _____

_____ (hereinafter the "HMO"), the undersigned
(Name of HMO)

Provider (hereinafter "Provider") hereby agrees not to bill, charge, collect a deposit from, seek compensation, remuneration or reimbursement from, or have recourse against, enrollees of the HMO or persons acting on their behalf, for health care services which are rendered to such enrollees by Provider, and which are covered benefits under enrollees' evidence of coverage. This agreement extends to all covered health care services furnished to the enrollee during the time he is enrolled in, or otherwise entitled to benefits promised by the HMO. This agreement further applies in all circumstances including, but not limited to, non-payment by the HMO and insolvency of the HMO.

This agreement shall not prohibit collection of copayments from enrollees by Provider in accordance with the terms of the evidence of coverage issued by the HMO. The Provider further agrees that this agreement shall be construed to be for the benefit of enrollees of the HMO and that this agreement supersedes any oral or written contrary agreement now existing or hereafter entered into between the Provider and such enrollees, or persons acting on their behalf.

Provider's Name: _____
(Please type)

Signature: _____

Title (if applicable):

Date: _____