



Gavin Newsom, Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
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December 19, 2023

Via eFile

Dr. Richard Merkin, President
Heritage Provider Network, Inc.
8510 Balboa Boulevard, Suite 285
Northridge, CA 91325

FINAL REPORT OF A ROUTINE EXAMINATION OF HERITAGE PROVIDER NETWORK, INC.

Dear Dr. Merkin:

Enclosed is the final report (Final Report) of a routine examination for the quarter ended June 30, 2023, of the fiscal and administrative affairs of Heritage Provider Network, Inc. (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹

Section 1382(d) states, "If requested in writing by the plan, the director shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within 10 days from the date of the Plan's receipt of this letter whether the Plan would like to submit an addendum to the Final Report. If so, please file the addendum electronically via the corrective action plan (CAP) system within the Department's eFiling web portal at <https://wps0.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling."
- From the eFiling menu, select "Online Forms."
- From the Online Forms menu, select "Details" for "CAP #L24-R-357."
- Go to the "Messages" tab, then:

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq.

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- Select “Addendum to Final Report” (note this option will only be available for 10 days after the issuance of the Final Report).
- Select the deficiency(ies) that are applicable.
- Create a message for the Department.
- Attach and upload all documents with the name “Addendum to Final Report.”
- Select “Send Message.”

Questions or problems related to the electronic transmission of the response should be directed to the Office of Financial Review administrative support team at 916-255-2345 or by e-mail at ofr_admin@dmhc.ca.gov.

The Department will make the Final Report available to the public in 10 days from the Plan’s receipt of this letter. The Final Report will be located at the Department’s web site at <http://www.dmhc.ca.gov/LicensingReporting/ViewFinancialExaminationReports.aspx>.

If there are any questions regarding the Final Report, please contact me at 213-620-2057 or by e-mail at Suhag.Patel@dmhc.ca.gov.

Sincerely,

SIGNED BY

Suhag Patel
Corporation Examiner IV, Supervisor
Office of Financial Review
Division of Financial Oversight

cc: Jaya Kurian, Senior Vice President and Chief Financial Officer,
Heritage Provider Network, Inc.
Pritika Dutt, CPA, Deputy Director, Office of Financial Review
Ned Gennaoui, Supervising Examiner, Division of Financial Oversight
Sebas Alex, Examiner, Division of Financial Oversight
Lorena Meza, Examiner, Division of Financial Oversight
Cassidy Draeger, Attorney III, Office of Plan Licensing
Chris Wordlaw, Staff Services Manager III, Office of Plan Monitoring
Chad Bartlett, Staff Services Manager II, Help Center

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

**OFFICE OF FINANCIAL REVIEW
DIVISION OF FINANCIAL OVERSIGHT**

FINAL REPORT OF A ROUTINE EXAMINATION

**OF
HERITAGE PROVIDER NETWORK, INC.**

FILE NO. 933 0357

DATE OF FINAL REPORT: DECEMBER 19, 2023

SUPERVISING EXAMINER: NED GENNAOUI

OVERSIGHT EXAMINER: SUHAG PATEL

EXAMINER-IN-CHARGE: SEBAS ALEX

**FINANCIAL EXAMINERS:
JULIANA ASABOR
JOHN ATAMIAN
DANIELA CAMARENA
LINDSAY GONZALES**

BACKGROUND INFORMATION FOR HERITAGE PROVIDER NETWORK, INC.

Date Plan Licensed:	February 7, 1997
Organizational Structure:	<p>Heritage Provider Network, Inc. (Plan) is a for-profit entity owned by a sole shareholder.</p> <p>The Plan is affiliated with Heritage California Medical Groups (HCMG) through common ownership. HCMG are comprised of nine entities:</p> <ul style="list-style-type: none">• High Desert Medical Corporation, A Medical Group• Bakersfield Family Medical Group, Inc.• Desert Medical Group, Inc./Oasis Independent Medical Associates, Inc.• Regal Medical Group, Inc.• Sierra Medical Group, Inc.• Lakeside Medical Organization, A Medical Group, Inc.• ADOC Acquisition Co., A Medical Group, Inc.• Coastal Communities Physician Network, Inc. and• VVIPA Medical Group, Inc.
Type of Plan:	<p>The Plan is a full-service health care service plan. The Plan is restricted to contracting with other Knox-Keene licensed plans. The Plan is not licensed to enter into plan contracts directly with employer groups or members of the general public.</p>
Provider Network:	<p>The Plan provides medical services through its affiliated HCMG and contracts with specialists and hospitals for health care services. Professional services are compensated on a capitated basis, and inpatient services are reimbursed on a discounted fee-for-service or per diem basis.</p>
Plan Enrollment:	<p>At June 30, 2023, the Plan reported 697,738 enrollees contracted from other health care service plans.</p>
Service Area:	<p>The Plan operates in Kern, Los Angeles, Orange, Riverside, San Bernardino, San Luis Obispo, Tulare, and Ventura Counties.</p>
Date of Prior Final Routine Examination Report:	November 6, 2020

FINAL REPORT OF A ROUTINE EXAMINATION OF HERITAGE PROVIDER NETWORK, INC.

This is the final report (Final Report) for the quarter ended June 30, 2023, of a routine examination of the fiscal and administrative affairs of Heritage Provider Network, Inc. (Plan). The examination was conducted by the Department of Managed Health Care (Department) pursuant to Section 1382 of the Knox-Keene Health Care Service Plan Act of 1975.¹

The Department examined the Plan's financial report filed with the Department for the quarter ended June 30, 2023, as well as other selected accounting records and controls related to the Plan's various fiscal and administrative transactions.

The Department's findings are presented in this Final Report as follows:

- Part I. Financial Statements
- Part II. Calculation of Tangible Net Equity

The Department found no deficiencies with respect to compliance with the requirements of the Sections and Rules. Therefore, no further response is required from the Plan regarding this Final Report.

¹ References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in California Health and Safety Code section 1340 et seq. References to "Rule" are to regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act of 1975 contained within title 28 of the California Code of Regulations.

PART I. FINANCIAL STATEMENTS

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the for the quarter ended June 30, 2023, as filed with the Department. A copy of the Plan's financial statements can be viewed by selecting "Heritage Provider Network, Inc." on the second drop-down menu of the Department's financial statement database available at <http://wps0.dmhc.ca.gov/fe/search/#top>.

No response is required to this Part.

PART II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

Net Worth as reported by the Plan as of quarter ended June 30, 2023	\$187,198,059
Less: Intangible Assets and Goodwill – Net	<u>26,252,190</u>
TNE	\$160,945,869
Required TNE	<u>92,547,178</u>
TNE Excess per Examination	<u>\$68,398,691</u>

The Plan was in compliance with the TNE requirements of Rule 1300.76 as of June 30, 2023.

No response is required to this Part.