

BEFORE THE
**INSURANCE COMMISSIONER OF
THE DISTRICT OF COLUMBIA**

Re: Report on Examination – **AMERIGROUP District of Columbia, Inc.**
as of December 31, 2022

ORDER

An Examination of **AMERIGROUP District of Columbia, Inc.** as of December 31, 2022 has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 8th day of July 2024, that the attached financial condition examination report be adopted and filed as an official record of this Department.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, this Order is considered a final administrative decision and may be appealed pursuant to Section 31-4332 of the D.C. Official Code.

Pursuant to Section 31-1404(d)(1) of the D.C. Official Code, within 30 days of the issuance of the adopted report, the Company shall file affidavits executed by each of its directors stating under oath that they have received a copy of the adopted report and related order.

Pursuant to Section 31-1404(e)(1) of the D.C. Official Code, the Department will continue to hold the content of the report as private and confidential information for a period of 10 days from the date of this Order.



Philip Barlow
Associate Commissioner

REPORT ON EXAMINATION
AMERIGROUP District of Columbia, Inc.
AS OF
DECEMBER 31, 2022

TABLE OF CONTENT

SCOPE OF EXAMINATION	1
SUMMARY OF SIGNIFICANT FINDINGS	2
COMPANY HISTORY	2
General	2
Capitalization	3
Dividends to Stockholder	3
MANAGEMENT AND CONTROL	3
Board of Directors	3
Officers	4
Committees	4
Conflict of Interest	4
Corporate Records	5
Pension and Stock Ownership Plans	5
HOLDING COMPANY SYSTEM	6
Organizational Chart	6
AGREEMENTS AND TRANSACTIONS WITH AFFILIATES	6
FIDELITY BOND AND OTHER INSURANCE	7
STATUTORY DEPOSIT	7
TERRITORY AND PLAN OF OPERATION	7
REINSURANCE	8
ACCOUNTS AND RECORDS	8
FINANCIAL STATEMENTS	8
Statement of Assets, Liabilities, Capital and Surplus	9
Statement of Revenue and Expenses	10
Statement of Changes in Capital and Surplus	11
Comparative Analysis of Changes in Capital and Surplus	12
COMMENTS ON FINANCIAL STATEMENT ITEMS	12
SUMMARY OF RECOMMENDATIONS	12
SUBSEQUENT EVENTS	12
CONCLUSION	13

Washington, D.C.
May 30, 2024

The Honorable Karima M. Woods
Commissioner
Department of Insurance, Securities and Banking
Government of the District of Columbia
1050 First Street, NE, Suite 801
Washington, D.C. 20002

Dear Commissioner Woods,

In accordance with Section 31-1402 of the District of Columbia Official Code (“D.C. Code”), we have examined the financial condition and activities of

AMERIGROUP District of Columbia, Inc.

hereinafter referred to in this report as the “Company.” The examination was conducted remotely. The Company’s statutory home office is located at 609 H Street NE, STE 200, Washington, D.C. 20002, and the following Report on Examination is submitted.

SCOPE OF EXAMINATION

We have performed our full-scope risk-focused financial examination of the Company. This examination covered the period from January 1, 2018, through December 31, 2022, including any material relevant transactions and/or events occurring subsequent to the examination date, was conducted by examiners representing the District of Columbia Department of Insurance, Securities and Banking (the “Department”). The previous examination of the Company covered the period from January 1, 2017, through December 31, 2017.

The examination was conducted by representatives of the Department and Noble Consulting Services, Inc. (“Noble”). The examination was completed as part of a multi-state examination on a coordinated basis with the jurisdictions of Arkansas, Arizona, California, Colorado, Connecticut, District of Columbia, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, West Virginia, and Wisconsin. Indiana acted as the lead state, while the other twenty-three jurisdictions acted as participating states.

We conducted our examination by observing the guidelines and procedures in the *National Association of Insurance Commissioners* (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”) and generally accepted statutory insurance examination standards consistent with the insurance laws and regulations of the Department. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within

the Company, and evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management, an evaluation of the overall financial statement presentation, management's compliance with the Department's statutes and guidelines, and evaluating management's compliance with Statutory Accounting Principles, as adopted by the Department. The examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination, an adjustment is identified, the impact of such adjustment will be commented upon separately following the Company's financial statements that are contained in this report.

This examination report includes significant findings of fact, as mentioned in Section 31-1404 of the D.C. Code, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included in the examination report but were separately communicated to other regulators and/or the Company.

The Company was audited annually for the years 2018 through 2022 by the accounting firm Ernst and Young, LLP ("EY") and received an unmodified opinion. Certain audit work papers for EY relating to their audit for the year ended December 31, 2022, were reviewed and relied upon whenever possible and applicable to assist in the completion of examination procedures.

SUMMARY OF SIGNIFICANT FINDINGS

The Examination did not result in any material adverse findings or adjustments that impact the Company's reported capital and surplus.

COMPANY HISTORY

General

The Company was incorporated on October 7, 2016. The Company is a wholly-owned subsidiary of Anthem Partnership Holding Company, LLC ("APHC"), which is an indirect wholly-owned subsidiary of Elevance Health, Inc. ("Elevance Health"), a publicly traded company. The Company began operations on October 1, 2017, as a licensed provider of health insurance, offering Health Maintenance Organization ("HMO") health insurance to Medicaid enrollees in all regions of the District of Columbia. The Company participates in the District of Columbia Managed Care Program through its full risk-based contract with the Department of Health Care Finance ("DHCF"). The program has three populations covered by the Company: DC Healthy Families Program ("DCHFP"), Immigrant Children Population ("ICP"), and the Alliance Program ("Alliance"). Under the contract, the Company coordinates medical, behavioral, dental, and vision health benefits for managed care enrollees in varying coverage plans across the three populations.

The Company exited the managed care program upon the nonrenewal of its contract with DHCF on October 1, 2020. The Company was then decommissioned and ceased all local operations on September 30, 2020.

Effective April 1, 2023, DHCF executed a new Medicaid Managed Care Organization (MCO) contract with the Company to resume writing business in D.C.

Capitalization

The Company’s original Articles of Incorporation authorized the Company to issue one thousand (1,000) shares of common stock, with a par value of one cent (\$.01) per share. The minimum amount of capital stock the health maintenance organization (“HMO”) must maintain is one thousand (1,000) shares. As of December 31, 2022, the Company had 1,000 shares of common capital stock worth \$.01 par value authorized, issued, and outstanding. APHC owns all outstanding shares of the Company.

During 2018, the Company’s parent contributed capital to the Company in the amount of \$20,000,000 authorized on March 29 and paid on March 30.

Dividends to Stockholder

During the exam period, the only dividend paid was an ordinary dividend of \$10,300,000 paid to APHC, declared on October 12, 2020, and paid on October 27, 2020.

MANAGEMENT AND CONTROL

The Company’s bylaws provide that the authorized number of directors which shall constitute the whole Board of Directors (“Board”) shall be fixed from time to time by resolutions of the Board or Shareholders but shall not be less than three (3) nor more than twelve (12). The bylaws provide that the officers of the Company shall consist of a president, secretary, treasurer, and such other officers as may from time to time be elected or appointed by the Board. The Board shall appoint the officers of the Company upon death, resignation, or removal.

The Company’s directors and their principal business affiliations as of December 31, 2022, were as follows:

Board of Directors

Name and Residence

Vincent Michael Ancona*
Columbia, MD

Principal Business Affiliation

President, Medicaid Health Plan – Maryland
Elevance Health, Inc.

Jennifer Ann Dewane
Wixom, MI

Vice President & Counsel Government Health Benefits
Elevance Health, Inc.

Adrian Thomas Jordan
Washington, DC

Regional Vice President II & President Medicaid
Health Plans
Elevance Health, Inc.

Ronald William Penczek
Indianapolis, IN

Chief Accounting Officer
Elevance Health, Inc.

*A change to the Board subsequent to the examination period was noted. Vincent Michael Ancona is no longer a director of the Company. His resignation was effective June 30, 2023.

D.C. Code § 31-706(c)(3) requires 1/3 of the directors of domestic insurer and not less than 1/3 of the members of each committee of the board of directors of any domestic insurer shall be persons who are not officers or employees of the insurer or any entity controlling, controlled by or under common control with the Company, and who are not beneficial owners of a controlling interest in the voting stock of the insurer or such an entity. D.C. Code § 31-706(c)(5) allows an exception to the aforementioned statute if the parent has a board of directors and committees that meet the requirements of paragraphs (3) and (4) of this subsection. The parent company's board and committees are in compliance with D.C. Code § 31-706(c)(5).

Officers

The principal officers appointed by the Board and holding office at the Company as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Adrian Thomas Jordan	Chairperson/President & CEO
Kathleen Susan Kiefer	Secretary
Vincent Edward Scher	Treasurer
Jennifer Ann Dewane	Assistant Secretary
Eric Kenneth Noble	Assistant Treasurer

Committees

The Company's bylaws allow for the designation of one (1) or more committees of the Board. As of December 31, 2022, the Company did not have any standing committees at the entity level. Pursuant to D.C. Code §31-311.01(e), the audit committee of Elevance Health serves as the audit committee of the Company.

Conflict of Interest

The Company maintains a formal written Code of Conduct, which sets out the standards of ethical conduct that apply to all employees, officers, and directors. The Code of Conduct is incorporated into a Conflict-of-Interest Policy. On an annual basis, all officers and directors of the Company are required to complete a Conflict-of-Interest Disclosure Statement. A review of the Company's annual disclosure certifications for officers, directors, and key employees was performed, with no concerns or issues identified.

Corporate Records

The recorded minutes of the shareholder(s), Board, and certain internal committees were reviewed for the period under examination as well as for the subsequent period through the date of the report. The recorded minutes of the Board and shareholder meetings clearly documented its meetings and approval of company transactions and events, including the designation of the independent auditor, the appointment of the valuation actuary, and the election of directors and officers.

Pension and Stock Ownership Plans

The Company participates in a deferred compensation plan sponsored by Elevance Health which covers certain employees. The deferred amounts are payable according to the terms and subject to the conditions of said deferred compensation agreements. Elevance Health allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation agreements. The Company has no legal obligation for benefits under this plan.

The Company participates in the Elevance Health 401(k) Retirement Savings Plan, a defined contribution plan, sponsored by ATH Holding Company, LLC (“ATH Holding”) and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding subject to certain limitations. ATH Holding allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a stock incentive compensation plan, sponsored by Elevance Health, providing incentive awards to non-employee directors and employees, consisting of Elevance Health stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, and performance units. Elevance Health allocates a share of the total share-based compensation expense of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

HOLDING COMPANY SYSTEM

As of December 31, 2022, the Company was a member of an insurance holding company system and is subject to the registration requirements of Section 31-705 of the D.C. Code. As of the examination date, there were numerous companies within the holding company system, which we did not include in the organizational chart. The following abbreviated organizational chart shows the subsidiaries that are wholly owned:

Organizational Chart

	NAIC Co. Code	Domiciliary State
Elevance Health, Inc.		IN
Anthem Partnership Holding Company, LLC.		IN
AMERIGROUP District of Columbia, Inc.	16168	DC
Amerigroup Mississippi, Inc.	16145	MS
Amerigroup Delaware		DE

AGREEMENTS AND TRANSACTIONS WITH AFFILIATES

The Company has entered into numerous agreements and cost-sharing arrangements with affiliated companies. We performed a review, and the significant agreements are described below:

Management and Administrative Services Agreement (“MASA”)

Effective May 31, 2017, the Company became a party to a MASA whereby Elevance Health subsidiaries may provide certain administrative, consulting, and other support services to one another from time-to-time. These services are intended to enhance the organizational and administrative capacity and augment the abilities of one another. The agreement provides that services are to be set forth in attachments to the agreement as may be executed from time-to-time and that each attachment shall be deemed to be part of the master agreement with respect to the entities that are parties to the attachment.

Fair Market Value (“FMV”) Services Attachment

The Company is party to the FMV Services Attachment to the MASA with affiliates, the costs and expenses related to certain services including behavioral health, palliative care, utilization management, payment integrity services, subrogation services as well as health and wellness programs are allocated to or allocated by the Company in an amount equal to the fair market value of the services provided. This attachment was effective July 1, 2018.

Consolidated Tax Allocation Agreement

Effective April 24, 2017, the Company is party to an agreement to establish a method for allocating the consolidated tax liability of the Elevance Health Group among its members, for reimbursing Elevance Health for payment such as tax liability, for compensating any party for use of its tax losses or tax

credits, and to provide for the allocation and payment of any refund arising from a carryback of losses or tax credits for subsequent taxable years.

FIDELITY BOND AND OTHER INSURANCE

Pursuant to Section 31-3405(b) of the D.C. Code, as of December 31, 2022, the Company, along with its Parent, was included as a named insured in the Parent’s blanket fidelity insurance policy. The amount of the fidelity insurance coverage was \$10,000,000 with a \$5,000,000 deductible.

In addition to the coverage provided under the fidelity bond, the Company carries several insurance policies to cover the hazards to which it is exposed. Liability coverages include workers’ compensation and employer’s liability, managed care errors & omissions, commercial property, cyber, general, auto, umbrella, directors and officers, and fiduciary.

STATUTORY DEPOSIT

Pursuant to Section 31-3412(b) of the D.C. Code, the Company maintained a deposit of \$300,000 with the District of Columbia Insurance Commissioner, as trustee, in trust for the subscribers and creditors of the Company, for the purposes of paying the obligations related to the Company in the District of Columbia.

TERRITORY AND PLAN OF OPERATION

As previously noted in the “Company History” section of this report, the Company is an HMO licensed by the Department. It operates exclusively in the District of Columbia, providing a managed care delivery system by arranging and coordinating the delivery of health care services to Medicaid recipients in the District through a contract with DHCF. DHCF is the District agency responsible for administering the DCHFP and its Alliance Program. This program has three (3) populations covered by the Company: the DCHFP, the ICP, and the Alliance Program. Covered services include physical and behavioral health as well as pharmacy, vision, and dental services in varying coverage plans across the three (3) populations.

The contract requires the Company to provide comprehensive health care services to the District’s residents who qualify under the Medicaid or Alliance programs operated by the District. Furthermore, the contract is also subject to annual reviews by the Centers for Medicare and Medicaid Services, a federal agency that provides approximately 70% of the funding for the program. DHCF makes capitation payments to the Company on a per-member-per-month basis, based on negotiated rates determined to be actuarially sound by an independent actuary contracted with DHCF. The capitation payments by DHCF are insurance premiums paid to a health insurance company for insuring Medicaid and Alliance members.

REINSURANCE

The Company did not assume or cede reinsurance and was not a party to any reinsurance agreement during the examination period.

ACCOUNTS AND RECORDS

The Company's statutory home office is located at 609 H Street NE, Ste 200, Washington, D.C. 20002. The main administrative office is located at 5800 Northampton Blvd, Norfolk, VA 23502. This location also serves as the primary location of the Company's books and records. Pursuant to the requirements of Section 31-3431 of the D.C. Code, the principal office of the Company shall be within the district and shall keep its books, records, and files therein or at a location approved by the Commissioner. The Company made a request and received permission from the Department to have the books and records held at an alternate location.

The Company's general accounting records consisted of enterprise-wide general ledger, accounts payable, accounts receivable, and billing systems maintained by Elevance Health and housed in Richmond, Virginia. Consistent with Elevance Health's other Government Business Division ("GBD") subsidiaries, the Company's premiums and claims are processed on GBD Facets, which is based in Virginia Beach, VA.

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. A review of the Company's Information Technology General Controls and General Application Controls was also performed as required by the Handbook. The review did not disclose any significant deficiencies in these records.

FINANCIAL STATEMENTS

The examination does not attest to the fair presentation of the financial statements included herein. The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition and results of operations as reported by the Company for the period ending December 31, 2022:

- Admitted Assets, Liabilities, Capital and Surplus
- Statement of Revenue and Expenses
- Statement of Changes in Capital and Surplus
- Comparative Analysis of Changes in Capital and Surplus
- Comments on Financial Statement Items

Financial statements are the responsibility of the Company's management. The accompanying "Comments on Financial Statement Items" (if any) should be considered an integral part of the financial statements.

Statement of Assets, Liabilities, Capital and Surplus

December 31, 2022

Bonds	\$	100,571,229
Cash, cash equivalents and short-term investments		4,904,572
Securities lending reinvested collateral assets		3,228,917
Subtotals, cash and invested assets		108,704,718
Investment income due and accrued		768,396
Current federal and foreign income tax recoverable and interest thereon		680,738
Net deferred tax asset		250,857
Aggregate write-ins for other than invested assets		1,391,607
Total assets		111,796,316
Liabilities		
Claims unpaid		2,549
General expenses due or accrued		57,691
Amounts due to parent, subsidiaries and affiliates		941,761
Payable for securities lending		3,228,917
Aggregate write-ins for other liabilities		209,266
Total liabilities		4,440,184
Capital and Surplus		
Common capital stock		10
Gross paid in and contributed surplus		36,499,990
Unassigned funds (surplus)		70,856,132
Total capital and surplus		107,356,132
Total liabilities, capital and surplus	\$	111,796,316

Statement of Revenue and Expenses
For the Year Ended December 31, 2022

Net premium income	\$	0
Hospital/medical benefits		(401,425)
Other professional services		(105,262)
Emergency room and out-of-area		17,246
Prescription drugs		3,143
Subtotal hospital and medical expenses		<u>(486,298)</u>
Claims adjustment expenses		102,366
General administrative expenses		2,080,416
Total underwriting deductions		<u>1,696,484</u>
Net underwriting gain or (loss)		<u>(1,696,484)</u>
Net investment income earned		3,474,618
Net realized capital gains (losses) less capital gains tax		<u>(2,951,980)</u>
Net investment gains		<u>522,638</u>
Aggregate write-ins for other income or expenses		<u>(6)</u>
Net income or (loss) after capital gains tax and before all other federal income taxes		(1,173,852)
Federal and foreign income taxes incurred		249,784
Net income (loss)	\$	<u><u>(1,423,636)</u></u>

Statement of Changes in Capital and Surplus

	2022	2021	2020	2019	2018
Capital and surplus, December 31, prior year	\$108,584,907	\$102,560,274	\$103,333,107	\$ 80,559,139	\$11,754,485
Net income or (loss)	(1,423,636)	6,062,072	8,700,277	22,493,775	50,720,258
Change in net deferred income tax	(44,922)	(92,649)	(408,602)	208,955	662,258
Change in nonadmitted assets	239,783	55,210	1,235,492	71,238	(2,577,862)
Paid in surplus	-	-	-	-	20,000,000
Dividends to stockholder	-	-	(10,300,000)	-	-
Capital and surplus, December 31, current year	\$107,356,132	\$108,584,907	\$102,560,274	\$103,333,107	\$80,559,139
Exam adjustments	-	-	-	-	-
Capital and surplus, December 31, current year	\$107,356,132	\$108,584,907	\$102,560,274	\$103,333,107	\$80,559,139

Comparative Analysis of Changes in Capital and Surplus

The following is a reconciliation of capital and surplus between what was reported by the Company and as determined by the examination.

Capital and surplus, December 31, 2022 – per Annual Statement			\$107,356,132
			Increase (Decrease)
	Per	Per	In Capital and
	Company	Examination	Surplus
Total assets	\$111,796,316	\$111,796,316	\$ -
Total liabilities	\$ 4,440,184	\$ 4,440,184	\$ -
Capital and surplus, December 31, 2022 – per examination			\$107,356,132

COMMENTS ON FINANCIAL STATEMENT ITEMS

As a result of the examination, no adverse findings affecting the financial statements, or material changes to the financial statements were identified.

SUMMARY OF RECOMMENDATIONS

As a result of the financial examination, no report findings or recommendations were made.

SUBSEQUENT EVENTS

On October 18, 2022, the D.C. City Council voted to approve the D.C. Managed Care Organization Medicaid Contract awards to MedStar Family Choice, AmeriHealth Caritas, and AMERIGROUP District of Columbia, Inc. The contracts have an aggregate maximum value of \$8.8 billion for the period from February 1, 2023, through January 31, 2028. Under this contract, the Company began writing business in D.C. on April 1, 2023.

The Board of Directors of the Company declared an extraordinary dividend in the amount of \$45 million on August 29, 2023. Upon approval by the Department, the Company paid the dividend to its parent company, APHC, on September 22, 2023.

Effective April 1, 2023, the Company entered into a reinsurance agreement with Anthem Insurance Companies, Inc., an affiliated and Indiana-domiciled insurance company. Under an excess of loss agreement, the Company cedes 80% in excess of \$200 thousand per member per agreement period, up to a maximum of \$5 million per member per agreement period.

CONCLUSION

The insurance examination practices and procedures as promulgated by the NAIC have been followed in ascertaining the financial condition of AMERIGROUP District of Columbia, Inc., consistent with the insurance laws of the District of Columbia.

In addition to the undersigned, Chelle Atkins of Noble also participated in the examination. The information technology review portion of this examination was completed by the IT examiners from Noble. Winthrop Capital Management was engaged as the investment specialist. The actuarial firm of Davies North America (“Davies”) was engaged to certify the accuracy and reasonableness of the Company’s booked reserves as of the examination date.

Acknowledgment is made of the cooperation and assistance extended by the Company’s employees and contract employees during the course of the examination.

Respectfully submitted,



Dan Schoettle, CFE, CPA
Examiner-In-Charge
Noble Consulting Services, Inc.



Yohaness Negash, CFE, CFE (Fraud), PIR, CIA, CISA
Examination Manager
District of Columbia, Department of
Insurance, Securities and Banking