



**Government of the District of Columbia  
Department of Insurance, Securities and Banking**

**Stephen C. Taylor  
Commissioner**

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

Re: Report on Examination – AmeriHealth Caritas District of Columbia as of December 31, 2016

**ORDER**

An Examination of AmeriHealth Caritas District of Columbia as of December 31, 2016, has been conducted by the District of Columbia Department of Insurance, Securities and Banking (“the Department”).

It is hereby ordered on this 19<sup>th</sup> day of March, 2018, 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.



Stephen C. Taylor  
Commissioner

GOVERNMENT OF THE DISTRICT OF COLUMBIA

DEPARTMENT OF INSURANCE, SECURITIES AND  
BANKING



REPORT ON EXAMINATION

AMERIHEALTH CARITAS DISTRICT OF COLUMBIA, INC.

AS OF

DECEMBER 31, 2016

NAIC COMPANY CODE; 15088

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**AmeriHealth Caritas District of Columbia, Inc.**

Report on Examination

December 31, 2016

Washington, D.C.

January 9, 2018

Honorable Stephen C. Taylor  
Commissioner  
Department of Insurance, Securities and Banking  
Government of the District of Columbia  
810 First Street, NE, Suite 701  
Washington, D.C. 20002

Dear Sir:

In accordance with Section 31-1402 of the District of Columbia Official Code, we have examined the financial condition and activities of

**AMERIHEALTH CARITAS DISTRICT OF COLUMBIA, INC.**

(hereinafter referred to as the “Company”) with its statutory Home Office located at 1120 Vermont Avenue, Suite 200, Washington, DC, and the following Report on Examination is submitted.

**SCOPE OF EXAMINATION**

We have performed our single-state examination of AmeriHealth Caritas District of Columbia, Inc. The last examination was an Organizational Examination as of February 26, 2013. This examination covers the period of February 27, 2013 through December 31, 2016.

We conducted our examination in accordance with examination policies and standards established by the District of Columbia Department of Insurance, Securities and Banking (Department) and procedures recommended by the NAIC’s *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate 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 and evaluating management’s compliance with Statutory Accounting Principles. 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 documented separately following the Company’s financial statements.

This examination report includes significant findings of fact, as mentioned in Section 31-1402 of the D.C. Official 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

**AmeriHealth Caritas District of Columbia, Inc.**

Report on Examination

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information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

**COMPANY HISTORY**

**General**

The Company was incorporated as AmeriHealth District of Columbia, Inc., under the laws of the District of Columbia (District) on November 30, 2012. On May 1, 2013, the Company acquired certain tangible and intangible assets from DC Chartered Health Plan (DC Chartered) and assumed responsibility for medical coverage of the acquired Medicaid membership on that date. The Company filed Articles of Amendment with the District changing its name to AmeriHealth Caritas District of Columbia, Inc. with an approved effective date of June 10, 2015. The primary purpose for which the Company was formed is to operate a health maintenance organization (HMO) to arrange for and coordinate the delivery of health care services for Medicaid recipients and Medicare Dual Eligible Special Needs Plan.

The Company was a wholly owned subsidiary of AmeriHealth Caritas Health Plan (ACHP). ACHP is a Pennsylvania general partnership owned through subsidiaries by BMH LLC (BMH). BMH is owned 61.26% by IBC MH, LLC and 38.74% by Blue Cross Blue Shield of Michigan. Subsequent to the examination period and effective July 1, 2017, the Company became a wholly owned subsidiary of AMHP Holdings Corp, which is itself wholly owned by ACHP. ACHP contributed the stock of the Company and certain of the Company's affiliates to AMHP Holdings Corp. The Company requested permission to proceed with the contribution and reorganization transaction without the necessity of an acquisition of control filing which was approved by the Department on May 11, 2017.

The Company operates under a managed care organization contract entered with the District of Columbia Department of Health Care Finance (DHCf) and license issued by the Department.

**Dividends**

The Company paid an ordinary dividend in the amount of \$5,600,000 to ACHP during 2016. Additional Extraordinary dividends were declared subsequent to the examination period. See Page 10 for additional information under the caption "Subsequent events".

**Capital Stock**

The Company's Articles of Incorporation authorize the Company to issue 100 shares of common capital stock with a \$1.00 par value. As of December 31, 2016, the Company has issued 100 of its authorized shares to AmeriHealth Caritas Health Plan.

**AmeriHealth Caritas District of Columbia, Inc.**  
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**MANAGEMENT AND CONTROL**

The Articles of Incorporation and Bylaws vest the management and control of Company's business affairs with the Board of Directors. At December 31, 2016, the members of the Board of Directors were as follows:

<u>Name and Address</u>	<u>Principal Business Affiliation</u>
Stephen H. Bohner Garnet Valley, PA	Senior Vice President, Finance and Chief Financial Officer AmeriHealth Caritas Family of Companies
Eileen M. Coggins Philadelphia, PA	General Counsel and Senior Vice President, LTSS and Medicare Solutions AmeriHealth Caritas Family of Companies
Russell R. Gianforcaro Broomall, PA	Regional President AmeriHealth Caritas Family of Companies

The Officers elected by the Board of Directors and holding office at December 31, 2016 were as follow:

<u>Name</u>	<u>Title</u>
Russell R. Gianforcaro	President
Steven H. Bohner	Treasurer
Robert E. Tootle, Esquire	Secretary

**Committees**

The Company's Bylaws allow for the designation of one or more committees of the Board by resolution adopted by a majority of the directors in office. At December 31, 2016, the Board did not have any Committees at the entity level. Pursuant to D.C. Official Code § 31-311.01, the Audit Committee of BMH, LLC serves as the Audit Committee for the Company.

**Conflicts of Interest**

Directors and Officers of the Company have completed conflict of interest questionnaires. Our review of the questionnaires disclosed no reported conflicts. Furthermore, our examination did not disclose any conflicts of interest that would adversely affect the Company.

**Corporate Records**

The Company's Board of Directors held regular meetings during the examination period. A review of the meeting minutes did not show that the appointments and resignations of Officers were done in accordance with the Company's bylaws. Subsequent to the examination period, the appointments and resignations were documented appropriately.

**AmeriHealth Caritas District of Columbia, Inc.**

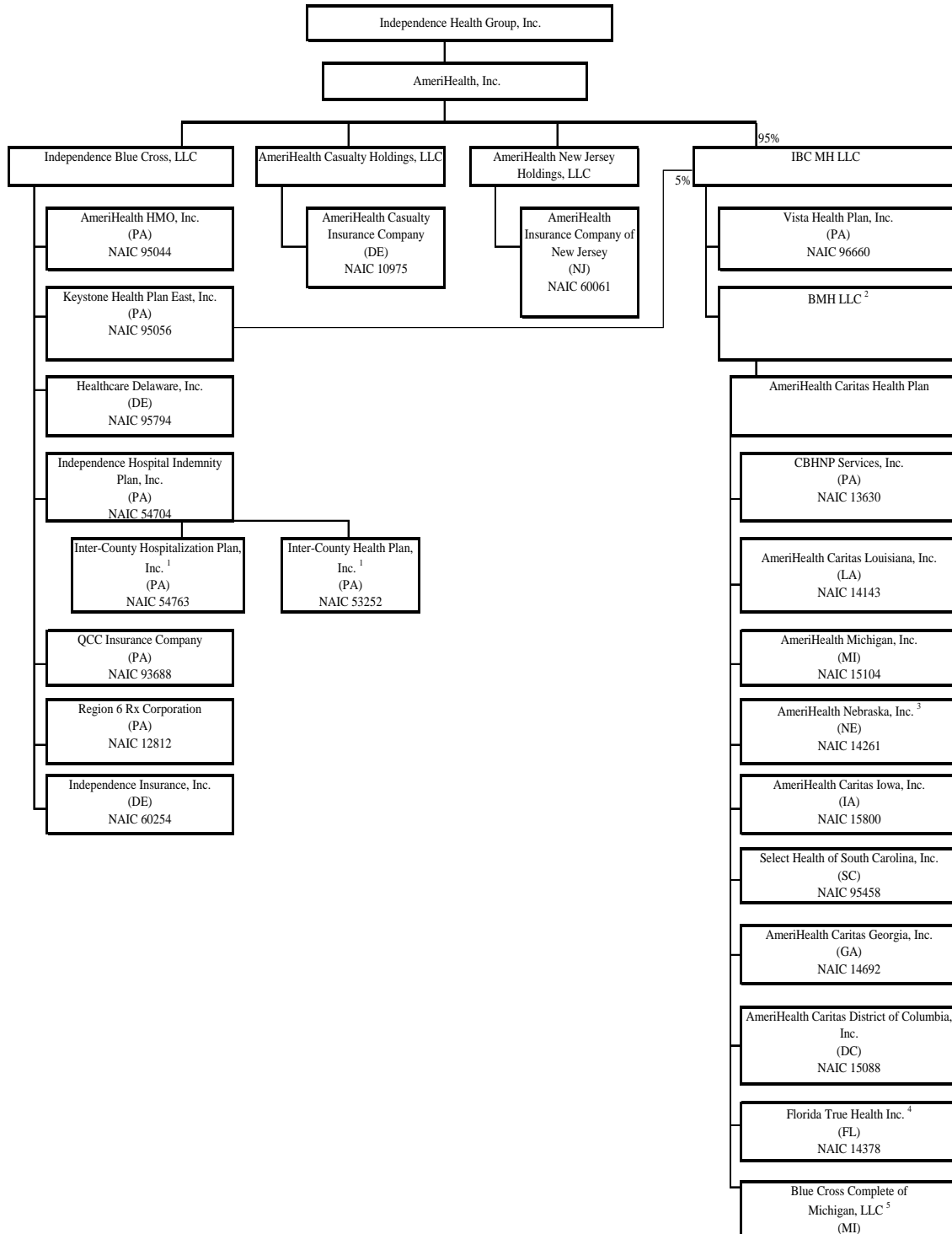
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**HOLDING COMPANY SYSTEM**

The Company was a member of an insurance holding company system and a wholly owned, first tier subsidiary of AmeriHealth Caritas Health Plan, a Pennsylvania general partnership (ACHP). Its latest holding company registration statement was filed with the District of Columbia on April 26, 2017. There were two (2) “ultimate controlling persons” in this insurance holding company system. Independence Health Group, Inc. (IHG) indirectly owns a 61.26% interest in BMH LLC, the downstream holding company which in turn indirectly owns and controls 100% of ACHP. BlueCross and BlueShield of Michigan indirectly owns the other 38.74% of BMH LLC. An abbreviated organizational chart reflecting the holding company system is shown on the following page.

**AmeriHealth Caritas District of Columbia, Inc.**  
**Report on Examination**  
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<sup>1</sup> These affiliates are non-stock, non-profit entities managed and controlled by Highmark, Inc. and IHIP thru 50% Board Representation.

<sup>2</sup> IHG owns 61.26% of BMH LLC with the remainder owned by Blue Cross and Blue Shield of Michigan

<sup>3</sup> AmeriHealth Caritas Health Plan owns 70% of AmeriHealth Nebraska, Inc.

<sup>4</sup> AmeriHealth Caritas Health Plan owns 50% of Florida True Health, Inc.

<sup>5</sup> AmeriHealth Caritas Health Plan owns 50% of Blue Cross Complete of Michigan, LLC.



**AmeriHealth Caritas District of Columbia, Inc.**

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The above Holding Company System structure was reorganized subsequent to the examination period for Federal Income Tax reporting purposes. For further discussion see “Subsequent Events” section of this Report on page 10.

**AFFILIATED COMPANIES/INTER-COMPANY AGREEMENTS**

The Company has entered into numerous agreements and cost sharing arrangements with affiliated companies. We reviewed these agreements and the significant ones are described below:

**Administrative Services Agreements**

The Company was a party to an Administrative Services Agreement (ASA) with its parent, AmeriHealth Caritas Health Plan (ACHP) in which ACHP provides certain corporate and operational administrative support services, such as claims processing.

Subsequent to the examination period and effective December 1, 2017, ACHP assigned its obligations under the ASA to affiliate AmeriHealth Caritas Services LLC. For further discussion, see “Subsequent Events” section on Page 10.

The Company was a party to an ASA with its affiliated company, Community Behavioral Health Network of Pennsylvania, Inc., a Pennsylvania corporation doing business as PerformCare. Under the agreement, PerformCare provided certain behavioral health management and administrative services to the Company. The agreement ended during 2016 as PerformCare’s activities were integrated into overall plan operations.

**Pharmacy Benefit Management Services Agreement**

The Company is a party to a Pharmacy Benefit Management Services Agreement (PBM) by and between its affiliated company, PerformRx, LLC (PerformRx). Under the terms of the PBM, PerformRx arranges or provides certain pharmacy benefit management services for the Company.

**Staffing Services Agreement**

The Company entered into a Staffing Services Agreement with AmeriHealth Caritas Services, LLC (ACS) for an initial term of five years, with an automatic annual renewal thereafter unless terminated by either party. Pursuant to the agreement, ACS furnishes employees necessary to carry out the business operations of the Company.

**Tax Allocation Agreement**

Subsequent to the examination period, the Company became a party to a Tax Allocation Agreement in which the Company will be included in the filing of a consolidated tax return with a number of other affiliates in the holding company system. For further discussion, see “Subsequent Events” section on Page 10.

**AmeriHealth Caritas District of Columbia, Inc.**

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**FIDELITY BOND AND OTHER INSURANCE**

The Company is insured under a fidelity crime policy that provides coverage in the amount of \$10,000,000 with a deductible of \$100,000. The limits of the crime (fidelity) coverage satisfies the amount recommended by the National Association of Insurance Commissioners.

In addition, the Company is insured for other risks (e.g. workers compensation, crime, umbrella, directors and officers liability, professional liability, commercial general liability, property and automobile). Based upon our review, the Company's insurance coverage for these risks appears adequate.

**STATUTORY DEPOSIT**

Pursuant to District of Columbia Official Code 31-3412(b), the Company maintains 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**

The Company is a Health Maintenance Organization licensed by the Department and 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 that is responsible for administering the District of Columbia's Healthy Family Program (DCHFP) and its DC Health Care Alliance Program (Alliance). The contract requires the Company to provide comprehensive health care services to the residents of the District 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 (CMS), a federal agency that provides approximately 70% of the funding for the program.

At December 31, 2016, the Company facilitated healthcare services to approximately 96,914 members enrolled in the Medicaid program and approximately 7,134 members enrolled in the Alliance program. DHCF makes capitation payments to the Company on a per-member-per-month ("PMPM") 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. In that same year, the Company's premiums from the DHCF contract was approximately \$493.9 million.

**FINANCIAL STATEMENTS**

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment was identified, the impact of such adjustment would be documented separately following the Company's financial statements. Financial statements, as reported and filed by the Company, are reflected in the following pages.

**AmeriHealth Caritas District of Columbia, Inc.**

Report on Examination

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**STATEMENT OF ASSETS AND LIABILITIES**

**Assets**

Cash, cash equivalents and short-term investments	148,334,333
	<u>148,334,333</u>
Uncollected premiums and agents' balances	5,472,113
Current federal and foreign income tax recoverable and interest thereon	345,828
Net deferred tax asset	1,829,998
Electronic data processing equipment and software	28,112
Health care and other amounts receivable	806,693
Aggregate write-ins for other than invested assets	(1,723,982)
Total assets	<u><u>\$ 155,093,095</u></u>

**Liabilities, Capital and Surplus**

Claims unpaid	\$ 66,741,008
Unpaid claims adjustment expenses	490,679
General expenses due or accrued	338,666
Amounts due to parent, subsidiaries and affiliates	4,917,504
Aggregate write-ins for other liabilities	10,406,639
Total liabilities	<u>82,894,496</u>
Common capital stock	100
Gross paid in and contributed surplus	41,999,900
Unassigned funds (surplus)	30,198,599
Total surplus and other funds	<u>72,198,599</u>
Total liabilities, surplus and other funds	<u><u>\$ 155,093,095</u></u>

**AmeriHealth Caritas District of Columbia, Inc.**  
 Report on Examination  
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**SUMMARY OF OPERATIONS**  
**(As reported by the Company)**  
**For The Year Ended December 31, 2016**

Member months	1,258,632
Net Premium Income	\$ 493,917,405
Total revenues	<u>493,917,405</u>
Hospital/Medical benefits	184,327,564
Other professional services	102,118,298
Outside referrals	29,622
Emergency room and out-of-area	53,207,502
Prescription drugs	38,251,555
Aggregate write-ins for other hospital and medical	<u>9,412,279</u>
	<u>387,346,820</u>
Total hospital and medical	387,346,820
Claims adjustment expense including \$12,318,510 cost containment expenses	18,234,558
General administrative expenses	<u>54,282,490</u>
	<u>459,863,868</u>
Net underwriting gain	34,053,537
Net investment income earned	<u>235,388</u>
Net income after capital gains tax and before all other federal income taxes	34,288,925
Federal and foreign income taxes incurred	<u>15,095,000</u>
Net gain from operations before capital gains and losses	<u>19,193,925</u>
Net income	<u><u>\$ 19,193,925</u></u>

**COMPARATIVE ANALYSIS OF CHANGES IN CAPITAL & SURPLUS**  
**December 31, 2016**

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

<b>Capital &amp; surplus, December 31, 2016 - per annual statement</b>		<b>\$ 72,198,599</b>												
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;"></th> <th style="width: 33%; text-align: center;"><u>Per Company</u></th> <th style="width: 33%; text-align: center;"><u>Per Examination</u></th> <th style="width: 33%; text-align: center;"><b>Increase (Decrease) In Capital &amp; Surplus</b></th> </tr> </thead> <tbody> <tr> <td>Total Assets</td> <td style="text-align: right;">\$ 155,093,095</td> <td style="text-align: right;">\$ 155,093,095</td> <td style="text-align: center;">\$ -</td> </tr> <tr> <td>Total Liabilities</td> <td style="text-align: right;">\$ 82,894,496</td> <td style="text-align: right;">\$ 82,894,496</td> <td style="text-align: center;">\$ -</td> </tr> </tbody> </table>		<u>Per Company</u>	<u>Per Examination</u>	<b>Increase (Decrease) In Capital &amp; Surplus</b>	Total Assets	\$ 155,093,095	\$ 155,093,095	\$ -	Total Liabilities	\$ 82,894,496	\$ 82,894,496	\$ -	
	<u>Per Company</u>	<u>Per Examination</u>	<b>Increase (Decrease) In Capital &amp; Surplus</b>											
Total Assets	\$ 155,093,095	\$ 155,093,095	\$ -											
Total Liabilities	\$ 82,894,496	\$ 82,894,496	\$ -											
<b>Capital &amp; surplus, December 31, 2016 - per examination</b>		<u><u>\$ 72,198,599</u></u>												

**AmeriHealth Caritas District of Columbia, Inc.**

Report on Examination

December 31, 2016

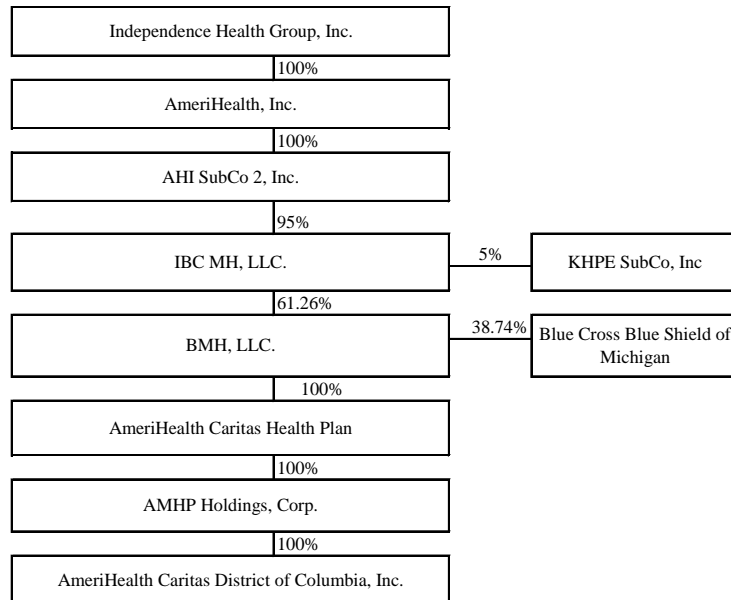
**SUBSEQUENT EVENTS**

The Company declared an extraordinary dividend in the amount of \$34,000,000, which was paid in the third quarter of 2017.

Subsequent to the examination period, the holding company structure was reorganized to simplify its taxing structure. Effective July 1, 2017, the Company is a wholly owned subsidiary of AMHP Holdings Corp. ACHP contributed the stock of the Company and certain of the Company's affiliates to AMHP Holdings Corp. The Company requested permission to proceed with the contribution and reorganization transaction without the necessity of an acquisition of control filing which was approved on May 11, 2017. Concurrent to the restructuring, the Company became a party to a Tax Allocation Agreement in which the Company will be included in the filing of a consolidated tax return with a number of other affiliates in the holding company system. An abbreviated updated organizational chart is shown below.

In December 2017, AmeriHealth, Inc. formed two new subsidiaries, AHI SubCo 1, Inc. and AHI SubCo 2, Inc. AHI SubCo 1, Inc. is wholly-owned by AmeriHealth, Inc. and AHI SubCo 2, Inc. is wholly-owned by AHI SubCo 1, Inc. Following this formation, AmeriHealth, Inc. contributed its ownership interest in IBC MH LLC to AHI SubCo 1, Inc., which in turn contributed the interest to AHI SubCo 2, Inc. Also in December 2017, Kyestone Health Plan East, Inc. (KHPE) formed a new wholly-owned subsidiary, KHPE SubCo Inc., and then contributed its ownership interest in IBC MH LLC to KHPE SubCo, Inc. As a result of the transactions described above, the ownership interests in IBC MH LLC are held 95% by AHI SubCo 2, Inc. and 5% by KHPE SubCo, Inc. as of December 31, 2017.

**Abbreviated Organizational Chart  
December 31, 2017**



Effective October 1, 2017, DHCF has awarded the Company a new Managed Care Organization contract covering an initial term of 1 year and 4 optional 1-year renewal terms through September 30, 2022.

**AmeriHealth Caritas District of Columbia, Inc.**  
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As noted on page 6, effective December 1, 2017, ACHP assigned its obligations under the ASA AmeriHealth Caritas Health Plan to affiliate AmeriHealth Caritas Services LLC (ACS). Pursuant to a Form D filed with the Department dated October 13, 2017, ACS functions as the service company for AmeriHealth Caritas, and is the accounting vehicle through which enterprise-wide services are procured and through which the associated charges are incurred on behalf of the members of AmeriHealth Caritas. The purpose of the Assignment Amendment was to improve efficiencies by reducing and/or eliminating administrative redundancy across the AmeriHealth Caritas enterprise, and streamlining the financial processes associated with billing expenses for services and resources that are shared by multiple members of AmeriHealth Caritas.

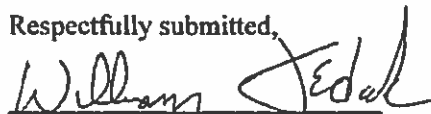
**CONCLUSION**

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

Chapter 34A ("RISK-BASED CAPITAL") of Title 31 of the D.C. Official Code requires the Company to maintain statutory capital and surplus levels as determined in accordance with the applicable risk-based capital formulas. At December 31, 2016, the Company's capital and surplus was \$72,198,599 and the Company was in compliance with the minimum capital and surplus requirement.

In addition to the undersigned, April Spevak, CFE, Participating Examiner of The INS Companies, also participated in the examination.

Respectfully submitted,



William Fedak, CFE  
Examiner in Charge  
The INS Companies



Yohannes Negash, CFE  
Examination Manager  
District of Columbia Department of  
Insurance, Securities and Banking