

Examination Warrant Number 18-00671-16339-01

**Report of Organizational Examination of**

**Amerigroup Pennsylvania, Inc.  
Scranton, Pennsylvania**

**As of April 19, 2018**

*For Informational Purposes Only*

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For Informational Purposes Only

Harrisburg, Pennsylvania  
April 27, 2018

Honorable Joseph DiMemmo, CPA  
Deputy Insurance Commissioner  
Commonwealth of Pennsylvania  
Insurance Department  
Harrisburg, Pennsylvania

Dear Sir:

In accordance with instructions contained in Examination Warrant Number 18-00671-16339-O1, dated April 20, 2018, an organizational examination was made of

**Amerigroup Pennsylvania, Inc.: NAIC Code 16339**

which has applied to become a Pennsylvania health maintenance organization (“HMO”), hereinafter referred to as the “Applicant.” The examination was conducted at the offices of the Pennsylvania Insurance Department (“Department”).

A report of this examination is hereby respectfully submitted.

**SCOPE OF EXAMINATION**

An organizational examination of the Applicant was conducted to determine compliance with 15 P.S. § 21207, for granting of a Certificate of Authority (“CoA”) by the Department.

The organizational examination was conducted as of April 19, 2018, and consisted of a general survey of the Applicant’s business policies, practices, management, and any corporate matters incident thereto; verification of assets and a determination of liabilities.

**HISTORY**

Christina M. Carry, Esquire, of Saul Ewing Arnstein & Lehr LLP., incorporated the entity as the sole incorporator (“Incorporator”) on December 4, 2017. Also at that time, Amerigroup Corporation (“Corporation”), purchased 1,000 shares of the Applicant and became the sole shareholder.

**MANAGEMENT AND CONTROL**

**CAPITALIZATION**

As of the examination date, April 19, 2018, the Applicant’s total capitalization was \$6,500,000, consisting of 1,000 capital shares of issued and outstanding common stock with \$0.01 par value and \$6,499,990 in gross paid-in and contributed surplus.

## Amerigroup Pennsylvania, Inc.

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The minimum net worth for the types of business for which the Applicant seeks pursuant to 31 Pa. Code § 301.121(b)(1) is \$1,500,000. The Applicant meets the initial minimum capitalization requirements.

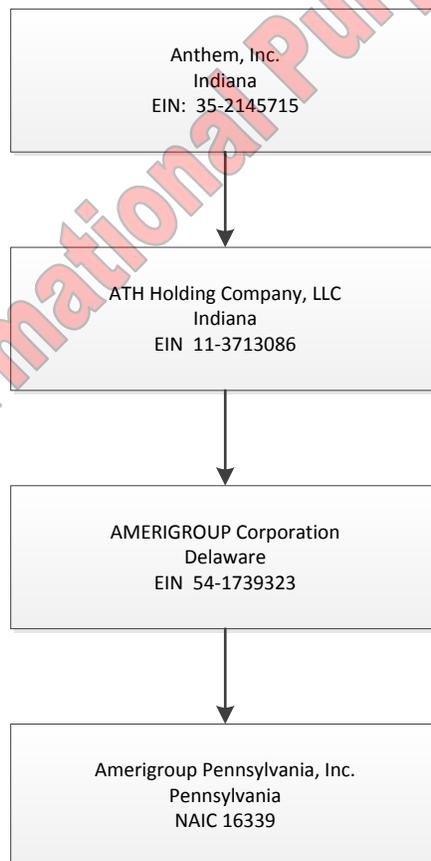
### STOCKHOLDER

All one thousand shares of the Applicant's common stock are owned by the Corporation.

### INSURANCE HOLDING COMPANY SYSTEM

Upon authorization to act as an HMO in the Commonwealth of Pennsylvania ("Commonwealth"), the Applicant will become part of an insurance holding company system that includes Anthem, Inc. ("Anthem") as the ultimate parent company.

The organizational chart below depicts the Company's direct and indirect ownership within its holding company system as of April 19, 2018. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of the business operations within the holding company system.



## BOARD OF DIRECTORS

Management of the Applicant is vested in its Board of Directors (“Board”), which was comprised of the following members as of the examination date, April 19, 2018:

<b>Name and Address</b>	<b>Principal Occupation</b>
Tomas I. Orozco Miami, FL	President Medicare East Region Anthem, Inc.
Daniele Ruskin New York, NY	Vice President & Counsel Anthem, Inc.
Jack L. Young Virginia Beach, VA	Attorney/Managed Care Executive Anthem, Inc.

The by-laws of the Applicant provide that the number of directors shall not be less than three with at least one-third of the members of the Board being subscribers of the plan. At the time of this report, the Applicant has no subscribers to fulfill this requirement, but has presented documentation of how it plans to meet this requirement. Directors need not be stockholders.

Each director shall hold office until the expiration of the term for which he/she was selected and until his/her successor has been selected and qualified or until his/her earlier death, resignation or removal. A majority of directors constitutes a quorum. The Board may designate from among its members one or more committees. As of the examination date, there were no committees established. The Applicant is in compliance with its by-laws.

## OFFICERS

As of the examination date, the examiners confirmed that the officers named below were serving in the following roles:

<b>Name</b>	<b>Title</b>
Tomas I. Orozco	President
Kathleen S. Kiefer	Secretary
Jack L. Young	Assistant Secretary
Eric K. Noble	Assistant Treasurer

## CORPORATE RECORDS

### MINUTES

On December 4, 2017, by written consent of the Incorporator and in lieu of a meeting, the directors were elected.

## **ARTICLES OF INCORPORATION**

Articles of Incorporation were filed with the Department of State and accepted on December 4, 2017.

## **BY-LAWS**

The Applicant's by-laws were adopted and executed by the unanimous written consent in lieu of meeting of the Board on December 4, 2017. There have been no changes since the original approval of the by-laws.

## **SERVICE AND OPERATING AGREEMENTS**

The Applicant has a proposed administrative services agreement in place with Anthem, the ultimate parent of the Applicant, that will be executed and take effect once the Applicant has received a CoA from the Department. The proposed agreement is to secure certain administrative, consulting and other support services from Anthem.

The Applicant has a proposed business associate agreement in place with Anthem, the ultimate parent of the Applicant, that will be executed and take effect once the Applicant has received a CoA from the Department. The proposed agreement is to comply with the requirements of the Health Insurance Portability and Accountability Act of 1996 and its implement regulations.

The Applicant has a proposed consolidated federal income tax agreement in place with Anthem, the ultimate parent of the Applicant, that will be executed and take effect once the Applicant has received a CoA from the Department.

## **REINSURANCE**

The Applicant is not party to any reinsurance agreements.

## **TERRITORY AND PLAN OF OPERATION**

The Applicant intends to operate Medicare Advantage HMO plans under contract with the Centers for Medicare and Medicaid Services ("CMS") to serve Medicare beneficiaries in the following counties in the Commonwealth: Berks, Chester and Philadelphia. The Applicant's anticipated provider network will consist of primary care physicians, specialists, ancillary providers, acute care hospitals and skilled nursing facilities, assisted living facilities, and other post-acute providers, pharmacies, and potentially large academic institutions.

## **ACCOUNTS AND RECORDS**

The Applicant's home office is located at 201 Lackawanna Avenue, Suite 217, Scranton, Pennsylvania. Accounts and record management will be contracted through the proposed

administrative services agreement with Anthem, with its principal office at 120 Monument Circle, Indianapolis, Indiana.

### FINANCIAL STATEMENT

The financial condition of the Applicant is reflected in the following financial statement submitted by the Applicant:

#### Statement of Assets, Liabilities, Surplus and Other Funds As of April 19, 2018:

	<b>Amount</b>
Cash	\$ 6,500,000
Total Assets	<u>\$ 6,500,000</u>
Total Liabilities	<u>\$ -</u>
Capital Common Stock	\$ 10
Gross Paid-in Capital Contributions	<u>\$ 6,499,990</u>
Surplus as regards to policyholders	<u>\$ 6,500,000</u>
Totals (Liabilities and Surplus)	<u>\$ 6,500,000</u>

### RECOMMENDATIONS

The custodial agreement submitted by the Company was reviewed for compliance with PA Code § 148a.3. The agreement was missing certain requirements of this regulation.

**It is recommended that the Company obtain a custodial agreement fully compliant with PA Code § 148a.3 prior to purchasing any investments.**

### ORGANIZATIONAL EXAMINATION

As a result of the organizational examination, it is recommended that the Applicant be granted a Certificate of Authority.

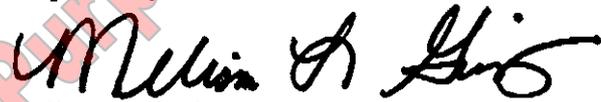
**CONCLUSION**

As a result of this examination, the financial condition of Amerigroup Pennsylvania, Inc., as of April 19, 2018, was determined to be as follows:

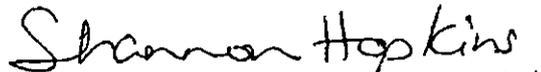
Admitted Assets	\$ 6,500,000
Liabilities	-
Surplus as regards to policyholders	\$ 6,500,000
Total Liabilities and Surplus	\$ 6,500,000

This examination was conducted by Ryan Monahan, AFE.

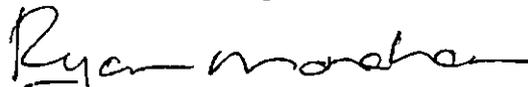
Respectfully,



Melissa L. Greiner  
Director, Bureau of Financial Examinations



Shannon Hopkins, CFE - cdd  
Examination Manager



Ryan Monahan, AFE - cdd  
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.