

EXAMINATION REPORT
of
Alignment Health Plan of Virginia, Inc.
Orange, California
as of
December 31, 2022

COMMONWEALTH OF VIRGINIA



SCOTT A. WHITE
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE

P.O. BOX 1157
RICHMOND, VIRGINIA 23218
1300 E. MAIN STREET
RICHMOND, VIRGINIA 23219
TELEPHONE: (804) 371-9741
www.scc.virginia.gov/boi

I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Alignment Health Plan of Virginia, Inc. as of December 31, 2022, is a true copy of the original report on file with this Bureau.

IN WITNESS WHEREOF, I have hereunto set my hand
and affixed to the original the seal of the Bureau at the City
of Richmond, Virginia this 21st day of June 2024

A handwritten signature in black ink, appearing to read 'Scott A. White', written over a horizontal line.

Scott A. White
Commissioner of Insurance



TABLE OF CONTENTS

| | |
|--|-----------|
| Scope of the Examination | 1 |
| History | 2 |
| Capital and Surplus..... | 2 |
| Capital and Surplus Requirement | 2 |
| Management and Control..... | 3 |
| Affiliated Companies..... | 4 |
| Transactions with Affiliates..... | 6 |
| Territory and Plan of Operation..... | 6 |
| Provider Agreements | 6 |
| Contract Forms..... | 7 |
| Growth of the Corporation | 8 |
| Special Reserves and Deposits..... | 9 |
| Financial Statements | 9 |
| Subsequent Event | 15 |
| Acknowledgement | 15 |

Richmond, Virginia
May 15, 2024

Honorable Scott A. White
Commissioner of Insurance
Richmond, Virginia

Dear Sir:

Pursuant to your instructions and by authority of Section 38.2-4315 of the Code of Virginia, an examination of the records and affairs of

ALIGNMENT HEALTH PLAN OF VIRGINIA, INC.

Orange, California

hereinafter referred to as the Corporation, has been completed. The report thereon is submitted for your consideration.

SCOPE OF THE EXAMINATION

The Corporation was last examined by representatives of the State Corporation Commission Bureau of Insurance (Bureau) as of December 31, 2017. This examination covers the period from January 1, 2018, through December 31, 2022.

This examination was conducted in accordance with the NAIC Financial Condition Examiners' Handbook (Handbook). The Handbook requires that the Bureau plan and perform the examination to evaluate the Corporation's financial condition, assess corporate governance, identify current and prospective risks of the Corporation, 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 Corporation 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.

The examination report includes significant findings of fact 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 within the examination report but separately communicated to other regulators and/or the Corporation.

HISTORY

Prior to June 1, 2021, Spartan Plan VA, Inc. was a wholly owned subsidiary of Spartan Plan Holdings LLC, which is owned 100% by Spartan Investments LLC. Spartan Investments LLC is owned 90% by Spartan Plan Ventures LLC and 10% by Sunrise Senior Ventures, Inc. Prior to June 1, 2021, the principal owner of the Plan was Sunrise Senior Living, LLC (Sunrise), the owner/operator of senior living communities in Virginia and across the United States. Ally Align is the contracted Manager for Spartan Plan VA, Inc. and supports the Plan with the infrastructure, personnel, and IT platforms required to successfully manage risk and improve quality. In October 2020, Ally Align's share of Spartan Plan Ventures was acquired by Sunrise.

During first quarter 2020, the Plan was merged with Spartan IL and Spartan PA, with Spartan VA being the surviving entity. All assets and liabilities were transferred to Spartan VA effective February 28, 2020.

On June 1, 2021, Spartan Plan VA, Inc. was acquired by Alignment Healthcare USA, LLC, as approved by the Bureau, and the Plan's name was changed to Alignment Health Plan of Virginia, Inc.

CAPITAL AND SURPLUS

At December 31, 2022, the Corporation's capital and surplus was \$3,337,292. Capital and surplus was comprised of Gross paid in and contributed surplus of \$3,662,319 and Unassigned funds of (\$325,037).

CAPITAL AND SURPLUS REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that an HMO licensed in Virginia shall maintain a minimum net worth requirement in an amount at least equal to the sum of uncovered expenses, but not less than \$600,000, up to a maximum of \$4,000,000. 14 VAC 5-210-60 A requires that an HMO report the sum of its uncovered expenses for each three-month period ending December 31, March 31, June 30, or September 30. Because the sum of the Corporation's uncovered expenses for the three-month period ending December 31, 2022, was (\$2,504), the Corporation's minimum net worth requirement at December 31, 2022, was \$600,000.

MANAGEMENT AND CONTROL

The Corporation's bylaws provide that the business and affairs of the Corporation shall be managed by and under the direction of the Board of Directors (Board). The number of directors shall be not less than two and no more than twelve. The number of directors constituting the Board may be changed at any time by resolution of a majority of the Board. Each director will hold office until a successor is elected and qualified or until such director's resignation or removal.

The officers of the Corporation shall consist of a President and a Secretary. The Corporation may also have a Chairman of the Board, one or more Vice Presidents, a Treasurer, one or more Assistant Secretaries and one or more Assistant Treasurers. The officers shall be elected annually by the Board.

At December 31, 2022, the Board and Officers were as follows:

Directors

Principal Occupation

Thomas Freeman

Chief Financial Officer
Alignment Healthcare USA, LLC
Orange, California

Don S. Furman

Chief Clinical Officer
Alignment Healthcare USA, LLC
Orange, California

John E. Kao

Chief Executive Officer
Alignment Healthcare USA, LLC
Orange, California

Officers

John E. Kao

Chief Executive Officer

Thomas Freeman

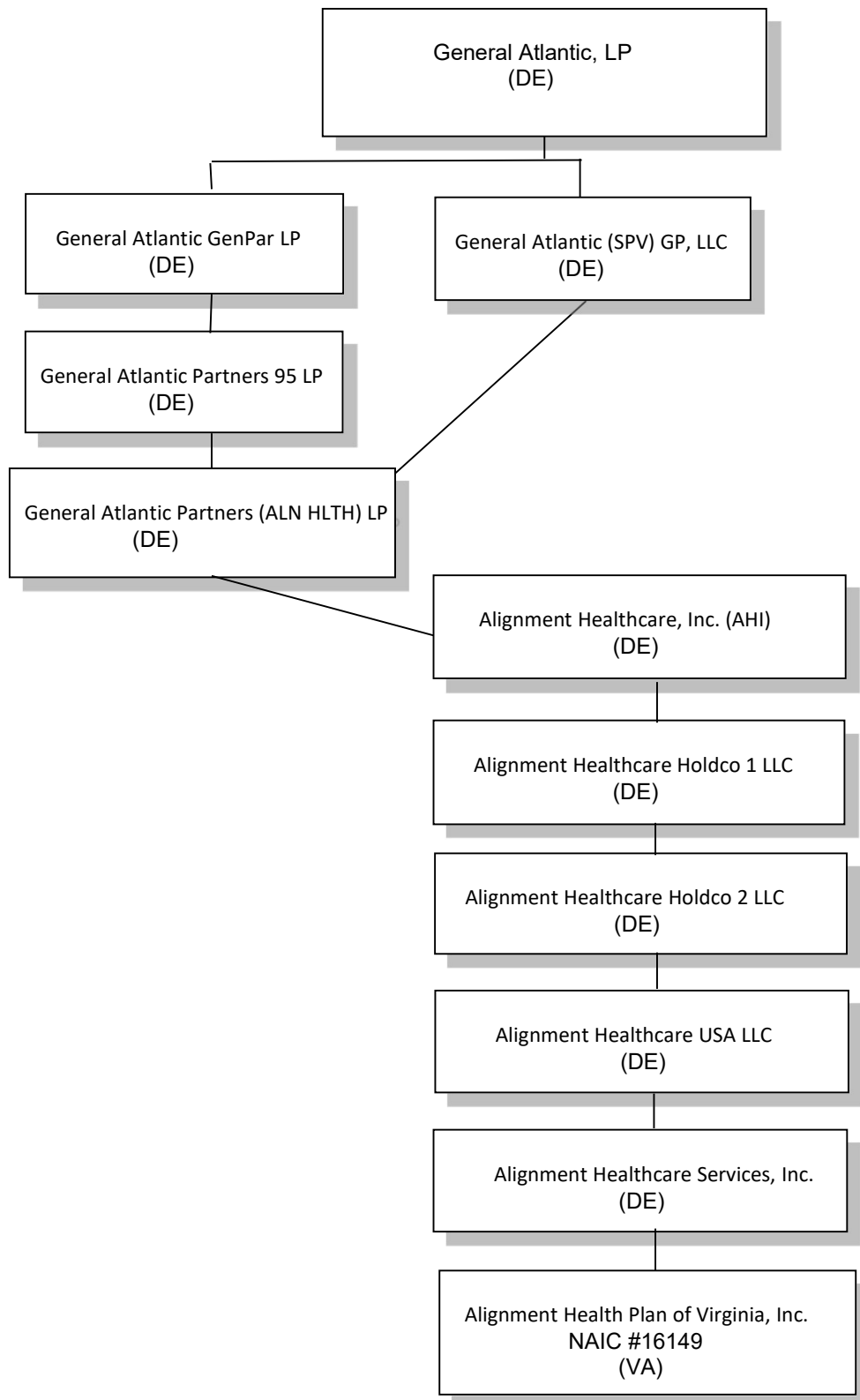
Treasurer

Richard A. Cross

Secretary

AFFILIATED COMPANIES

At December 31, 2022, the Corporation was a wholly owned subsidiary of Alignment Healthcare, Inc. The chart on the following page illustrates the organizational structure of the Corporation and affiliated entities at December 31, 2022:



TRANSACTIONS WITH AFFILIATES

Management and Administrative Services Agreement

Effective September 1, 2022, the Corporation entered into a Management and Administrative Services Agreement with Alignment Healthcare USA, LLC (AHCUSA). Pursuant to the provisions of the agreement, AHCUSA shall provide the Corporation administrative services that include certain administration and compliance services, marketing, legal services, contracting and vendor oversight and information technology. Since the Corporation did not have any revenue in 2022, there were no fees related to this agreement in 2022.

TERRITORY AND PLAN OF OPERATION

At December 31, 2022, the Corporation's service area included the cities of Alexandria and Falls Church and the counties of Arlington, Fairfax, and Loudoun. The Corporation is a Medicare HMO that seeks to operate health care plans focused exclusively on serving the health care needs of Medicare beneficiaries who elect to enroll in Medicare Advantage health plans to be offered by the plan.

Medical services will be provided by physicians in independent practice within the Corporation's service area. Each member will be assigned a primary care physician (PCP) and a nurse practitioner to facilitate care coordination.

PROVIDER AGREEMENTS

Medical Services and Hospital Care

The Corporation has entered into agreements with numerous PCPs and specialist physicians to render, provide or arrange for the provision of covered health care services to members. The Corporation compensates participating physicians in accordance with current Medicare fee-for-service rates. Nurse practitioners are compensated through a capitated rate. Additionally, the Corporation has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. The Corporation compensates these hospitals in accordance with current Medicare fee-for-service rates.

Other Health Care Services

The Corporation has entered into various ancillary service agreements to address the health needs of a nursing facility population. These agreements include cardiology, pulmonology, endocrinology, neurology, nephrology, ophthalmology, urology, and gastroenterology.

CONTRACT FORMS

General benefits available to the Corporation's Medicare Advantage members when provided by PCPs, specialist physicians and other professional providers and approved by the Corporation are as follows:

1. Physician Services
2. Preventive Care and Screening Tests
3. Hospital Services
4. Hospice Care
5. Vision and Hearing Services
6. Skilled Nursing Facility Services
7. Home Health Care Skilled Services
8. Orthopedic and Prosthetic Devices
9. Ambulance Services
10. Emergency Services
11. Mental Health Services
12. Durable Medical Equipment

Exclusions generally include any services considered not reasonable and necessary according to the standards of original Medicare; experimental medical and surgical procedures, equipment, and medications; private hospital rooms; private duty nurses; cosmetic surgery; non-routine dental care; eyeglasses and routine eye examinations; chiropractic care; and routine foot care. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

GROWTH OF THE COMPANY

The following data is representative of the growth of the Company for the six-year period ending December 31, 2022. The data is compiled from the Company's filed Annual Statements and the current examination report.

| <u>Year</u> | Total Admitted <u>Assets</u> | Total <u>Liabilities</u> | Total Capital & <u>Surplus</u> |
|-------------|------------------------------------|-----------------------------|--------------------------------------|
| 2017 | \$1,497,146 | \$11,991 | \$1,485,155 |
| 2018 | 3,612,593 | 230,665 | 3,381,928 |
| 2019 | 3,462,084 | 1,114,864 | 2,347,220 |
| 2020 | 5,573,025 | 2,423,985 | 3,149,040 |
| 2021 | 4,185,233 | 777,844 | 3,407,389 |
| 2022 | 3,338,753 | 1,461 | 3,337,292 |

| <u>Year</u> | Total <u>Revenue</u> | Net Investment <u>Gains</u> | Medical & Hospital <u>Expenses</u> | Administrative <u>Expenses</u> | Pre-Tax Income <u>(Loss)</u> |
|-------------|-------------------------|-----------------------------------|--|-----------------------------------|------------------------------------|
| 2017 | \$0 | \$5,657 | \$0 | \$716,109 | (\$710,452) |
| 2018 | 409,842 | 11,203 | 660,699 | 343,666 | (583,320) |
| 2019 | 1,964,422 | 15,548 | 2,263,071 | 995,295 | (1,278,396) |
| 2020 | 8,781,551 | 29,105 | 7,472,904 | 1,165,326 | 172,426 |
| 2021 | (37,619) | 96 | (300,865) | 102,000 | 161,342 |
| 2022 | (65,557) | 9,296 | 18,271 | 4,879 | (79,411) |

The Corporation's enrollment data at year-end is illustrated as follows:

| <u>Year</u> | <u>Number of Members</u> |
|-------------|------------------------------|
| 2017 | 0 |
| 2018 | 93 |
| 2019 | 118 |
| 2020 | 368 |
| 2021 | 0 |
| 2022 | 0 |

SPECIAL RESERVES AND DEPOSITS

At December 31, 2022, the Bureau required the Corporation to maintain a minimum deposit of \$800,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Corporation for the period ending December 31, 2022. No examination adjustments were made to the statutory financial statements filed by the Corporation with the Bureau for the period ending December 31, 2022.

ASSETS

| | <u>Assets</u> | <u>Nonadmitted Assets</u> | <u>Net Admitted Assets</u> |
|---------------------------------|---------------------------|-------------------------------|------------------------------------|
| Cash and short-term investments | <u>\$3,338,753</u> | <u></u> | <u>\$3,338,753</u> |
| Totals | <u><u>\$3,338,753</u></u> | <u><u>\$0</u></u> | <u><u>\$3,338,753</u></u> |

LIABILITIES, SURPLUS AND OTHER FUNDS

| | <u>Covered</u> | <u>Uncovered</u> | <u>Total</u> |
|---|----------------|------------------|---------------------------|
| Amounts due to parent, subsidiaries and affiliates | <u>\$1,461</u> | <u>\$0</u> | <u>\$1,461</u> |
| Total liabilities | <u>\$1,461</u> | <u>\$0</u> | <u>\$1,461</u> |
| Common capital stock | | | \$10 |
| Gross paid in and contributed surplus | | | 3,662,319 |
| Unassigned funds (surplus) | | | <u>(325,037)</u> |
| Total capital and surplus | | | <u>\$3,337,292</u> |
| Total liabilities, capital and surplus | | | <u><u>\$3,338,753</u></u> |

STATEMENT OF REVENUE AND EXPENSES

| | <u>Uncovered</u> | <u>Total</u> |
|---|------------------|-------------------|
| Net premium income | <u>XXX</u> | <u>(\$67,027)</u> |
| Total revenues | <u>XXX</u> | <u>(\$67,027)</u> |
| Hospital and Medical | | |
| Hospital/medical benefits | | \$36,019 |
| Other professional services | | (15,928) |
| Prescription drugs | | (1,536) |
| Aggregate writs-ins for other hopital and medical | | <u>(284)</u> |
| Subtotal | \$0 | \$18,271 |
| Less: | | |
| Total hospital and medical | <u>\$0</u> | <u>\$18,271</u> |
| General administrative expenses | <u>4,879</u> | <u>4,879</u> |
| Total underwriting deductions | <u>\$4,879</u> | <u>\$23,150</u> |
| Net underwriting gain | <u>XXX</u> | <u>(\$90,177)</u> |
| Net investment income earned | | \$9,296 |
| Net realized capital losses | | <u>0</u> |
| Net investment gains | | <u>\$9,296</u> |
| Net gain from agents' or premium balances charged off | | 1,470 |
| Net income before federal income taxes | XXX | (\$79,411) |
| Federal income taxes incurred | <u>XXX</u> | <u>0</u> |
| Net income | <u>XXX</u> | <u>(\$79,411)</u> |

RECONCILIATION OF CAPITAL AND SURPLUS
FOR PERIOD UNDER REVIEW

| | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|-----------------------------|-----------------------------|---------------------------|-----------------------------|-----------------------------|
| Capital and surplus prior reporting year | <u>\$1,485,155</u> | <u>\$3,381,928</u> | <u>\$2,347,220</u> | <u>\$3,149,040</u> | <u>\$3,407,389</u> |
| GAINS AND LOSSES TO CAPITAL AND SURPLUS | | | | | |
| Net income | (\$582,471) | (\$1,278,396) | \$172,426 | \$161,342 | (\$79,411) |
| Change in net unrealize capital gains less capital gains tax | 2,481,063 | (542,271) | | | |
| Change in nonadmitted assets | (1,819) | (14,041) | (75,916) | 97,007 | 9,314 |
| Surplus adjustments: paid in | | 800,000 | 651,329 | | |
| Aggregate write ins for gains in surplus | <u> </u> | <u> </u> | <u>53,981</u> | <u> </u> | <u> </u> |
| Net change in capital and surplus | <u>\$1,896,773</u> | <u>(\$1,034,708)</u> | <u>\$801,820</u> | <u>\$258,349</u> | <u>(\$70,097)</u> |
| Capital and surplus end of reporting year | <u><u>\$3,381,928</u></u> | <u><u>\$2,347,220</u></u> | <u><u>\$3,149,040</u></u> | <u><u>\$3,407,389</u></u> | <u><u>\$3,337,292</u></u> |

CASH FLOW**Cash From Operations**

| | |
|--|-------------------------|
| Premiums collected net of reinsurance | \$580,309 |
| Net investment income | 9,296 |
| Total | <u>\$589,605</u> |
| Benefit and loss related payments | \$45,411 |
| Commissions, expenses paid and aggregate write-ins for deductions | 209,927 |
| Total | <u>\$255,338</u> |
| Net cash from operations | <u><u>\$334,267</u></u> |

Cash From Financing and Miscellaneous Sources

| | |
|---|-------------------------|
| Cash provided (applied): | |
| Other cash applied | <u>\$10,775</u> |
| Net cash from financing and miscellaneous sources | <u>\$10,775</u> |
| Net change in cash and short-term investments | <u><u>\$345,042</u></u> |

Reconciliation of Cash and Short-Term Investments

| | |
|---|-------------------------|
| Cash and short-term investments: | |
| Beginning of year | \$2,993,711 |
| End of year | <u>3,338,753</u> |
| Net change in cash and short-term investments | <u><u>\$345,042</u></u> |

SUBSEQUENT EVENT

In a letter dated April 18, 2024, the Corporation informed the Bureau that they are voluntarily surrendering its certificate of authority in the State of Virginia and dissolving the Virginia Corporation.

ACKNOWLEDGEMENT

The courteous cooperation extended by the Corporation's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Chris J. Collins, CFE and Chamelle C. Macon, APIR participated in the work of the examination.

Respectfully submitted,

William K. Knight

William K. Knight, CFE
Assistant Chief Examiner

2023 NAIC Alignment Combined Financial Examination (of CY 2022)

Record Request #: AHPVA2022 Draft Examination Report Acknowledgement

| | |
|--------------------------------|----------------------------|
| Date of Issuance | 06/3/2024 |
| Date Response Requested | Prior to 06/30/2024 |

Ms. Blizzard, Chief Examiner, Virginia Bureau of Insurance:

I hereby attest that the cover letter and CY2022 Virginia Bureau of Insurance draft financial examination report of **Alignment Health of Virginia, Inc.** received on June 3, 2024, was reviewed by Legal Counsel and Accounting leads from Alignment Health. Edits were provided and a revised version was received from you on June 12, 2024. We have no further edits and approve the June 12, 2024, version.

I understand that my approval today of the revised draft final examination report will be used officially as part of the NAIC Combined Financial Exam report (of CY 2022).

Thank you for your patience.



GLENN HERTEL
AVP, Compliance and Regulatory Affairs, Lead Audit Coordinator
Alignment Health
P: 702-622-0148
M: 818-424-1561
E: GHertel@ahcusa.com