

**EXAMINATION REPORT
of
INTOTAL HEALTH, LLC
Falls Church, Virginia
as of
December 31, 2014**

**COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE**

COMMONWEALTH OF VIRGINIA

JACQUELINE K. CUNNINGHAM
COMMISSIONER OF INSURANCE
STATE CORPORATION COMMISSION
BUREAU OF INSURANCE



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I, Jacqueline K. Cunningham, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of INTotal Health, LLC as of December 31, 2014, 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 10th day of August, 2015

Jacqueline K. Cunningham
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
May 7, 2015

Honorable Jacqueline K. Cunningham
Commissioner of Insurance
Richmond, Virginia

Dear Madam:

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

INTOTAL HEALTH, LLC

Falls Church, Virginia

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

DESCRIPTION

The Company became licensed in Virginia as a health maintenance organization ("HMO") pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on May 24, 2005. The Company was last examined by representatives of the State Corporation Commission's Bureau of Insurance (the "Bureau") as of December 31, 2011. This examination covers the period from January 1, 2012 through December 31, 2014.

HISTORY

The Company was incorporated in the Commonwealth of Virginia on August 30, 2004. Prior to November 30, 2012, the Company operated as AMERIGROUP Virginia, Inc. AMERIGROUP Virginia, Inc. was a wholly owned subsidiary of AMERIGROUP Corporation. On November 30, 2012, Inova Health System Foundation ("IHSF"), a tax-exempt, nonstock corporation that operates an integrated health care delivery system in Northern Virginia, acquired the Company and the Company became a wholly owned subsidiary of IHSF. On December 1, 2012, AMERIGROUP Virginia, Inc. was converted to a Virginia limited liability company, AMERIGROUP Virginia, LLC. On July 1, 2013, the Company's name was changed to INTotal Health, LLC. At December 31, 2014, IHSF is the sole member of the Company.

In August 2014, the Internal Revenue Service approved the Company's application for tax exempt status effective November 30, 2012.

CAPITAL AND SURPLUS

At December 31, 2014, the Company's capital and surplus was \$25,481,533. Capital and surplus was comprised of Gross paid in and contributed surplus of \$40,157,057 and Unassigned funds of (\$14,675,524). Gross paid in and contributed surplus was provided to the Company by IHSF separately and through its purchase of AMERIGROUP Virginia, Inc.

NET WORTH REQUIREMENT

Section 38.2-4302 of the Code of Virginia states that a HMO licensed in Virginia shall maintain a minimum net worth 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 5-211-30 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. Section 38.2-4307.1 C states that a statement of covered and uncovered expenses shall not be required for any HMO that reports capital and surplus of at least \$4,500,000 on its most recent annual or quarterly financial statement. At December 31, 2014, the Company reported capital and surplus greater than \$4,500,000 and was not required to file a statement of covered and uncovered expenses.

MANAGEMENT AND CONTROL

As of December 31, 2014, the operating agreement provides that IHSF shall be the sole member. The operating agreement provides that the management, operation, and control of the Company and its business shall be vested in the Board of Directors (the "Board"). The number of directors on the Board shall be at least three but no more than fifteen. The directors shall be appointed by IHSF and comprised of executive or senior management of IHSF or an affiliate of IHSF. Each director shall serve until they are no longer part of the executive or senior management team of IHSF or an affiliate of IHSF or until a successor is elected.

The Board shall have the power and authority to designate from among the members of the Board officers to represent and act on behalf of the Company. The officers of the Company shall be a President, a Secretary, a Treasurer and any other officers or assistant officers the Board deems necessary.

At December 31, 2014, the Board and Officers were as follows:

DirectorsPrincipal Occupation

Richard C. Magenheimer

Chief Financial Officer
 Inova Health System Foundation
 Falls Church, Virginia

Russell F. Mohawk

Senior Vice President and Chief Executive Officer,
 Inova Health Plans and Population Health Services
 Inova Health System Foundation
 Falls Church, Virginia

James J. Santry

Executive Vice President of Premium, Retail and
 Corporate Services
 Inova Health System Foundation
 Falls Church, Virginia

Mark S. Stauder

President and Chief Operating Officer
 Inova Health System Foundation
 Falls Church, Virginia

Officers

Russell F. Mohawk

President and Chief Executive Officer

James J. Santry

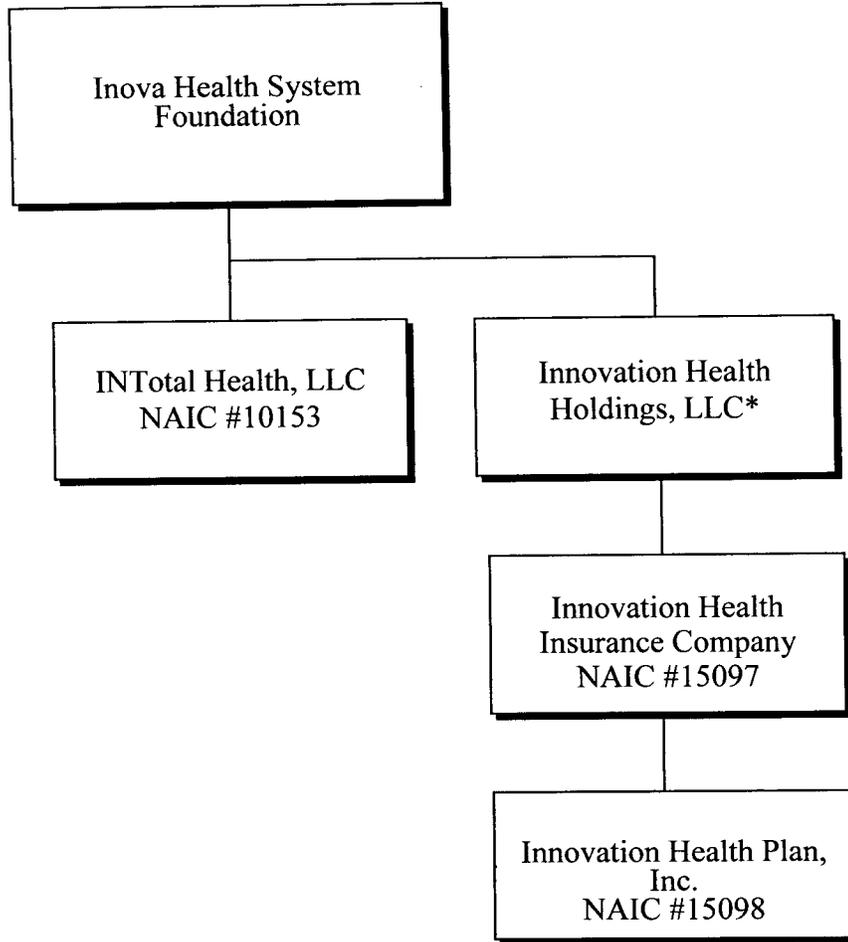
Secretary and Chief Operating Officer

Richard C. Magenheimer

Treasurer and Chief Financial Officer

AFFILIATED COMPANIES

At December 31, 2014, IHSF was the sole member of the Company. The chart on the following page illustrates the organizational structure of the Company and affiliated entities at December 31, 2014.



*Innovation Health Holdings, LLC is 50% owned by Aetna ACO Holdings, Inc. and 50% owned by Inova Health System Foundation

TRANSACTIONS WITH AFFILIATES

Management Services Agreement

Effective December 1, 2012, the Company entered into a Management Services Agreement with IHSF. Pursuant to the agreement, IHSF shall provide administrative and management services to include executive oversight and governance support, human resources, legal, payroll, accounting and accounts payable, budgeting and financial analysis, information technology network and support, regulatory compliance, internal audit and corporate insurance. As compensation, the Company reimburses IHSF its actual expense in performing such services in accordance with accepted cost allocation models. The Company incurred \$615,899 and \$2,067,674 in fees related to this agreement in 2014 and 2013, respectively.

Provider Agreements

The Company contracts with several subsidiaries of IHSF to provide hospital, physician and other medical services to its members.

Capital Contributions

IHSF contributed capital of \$4,000,000 and \$6,000,000, in the form of cash, to the Company in March 2013 and December 2013, respectively.

ADMINISTRATIVE SERVICES AGREEMENT

Effective December 5, 2012, the Company entered into an Administrative Services Agreement with Virginia Premier Health Plan, Inc. ("Premier"). According to the provisions of the agreement, Premier shall provide administrative services necessary for the Company to provide managed care services pursuant to its Medicaid agreements with the Virginia Department of Medical Assistance Services ("DMAS"). These services shall include, but are not limited to, member customer services, premium billing and collection, claims processing, regulatory compliance and reporting, and managed care information systems to support the preceding services. As compensation, the Company pays Premier 4.9% of the monthly premiums received from the DMAS agreements. In addition, upon meeting certain performance standards, the Company, on a quarterly basis, pays Premier .5% of the premiums received by the Company during the quarter. The Company paid \$8,770,867 and \$10,285,362 in fees related to this agreement in 2014 and 2013, respectively.

TERRITORY AND PLAN OF OPERATION

At December 31, 2014, the Company's service area, as reported in its 2014 Annual Statement, included the Virginia cities of Alexandria, Arlington, Bedford, Bristol, Covington, Fairfax, Falls Church, Lexington, Manassas, Manassas Park, Radford, Roanoke, and Salem, and the Virginia counties of Alleghany, Bath, Bedford, Bland, Botetourt, Buchanan, Buena Vista, Carroll, Clarke, Craig, Culpepper, Dickenson, Fairfax, Fauquier, Floyd, Franklin, Frederick, Galax, Giles, Grayson, Henry, Highland, Lee, Loudoun, Madison, Martinsville, Montgomery, Norton, Orange, Page, Patrick, Pulaski, Prince William, Rappahanock, Roanoke, Rockbridge, Russell, Scott, Shenandoah, Smythe, Tazewell, Warren, Washington, Winchester, Wise, and Wythe.

Physician services are provided by physicians in independent practice in the Company's service area. Each member selects a Primary Care Physician ("PCP") from the list of the Company's primary providers. The PCP is the coordinator for all of the member's health care needs. All specialty services and all hospital admissions and outpatient surgery require a prior written referral (except in emergencies) from a PCP.

DEPARTMENT OF MEDICAL ASSISTANCE SERVICES AGREEMENTS

At December 31, 2014, the Company had entered into a Medallion 3.0 Medicaid Managed Care Agreement and a Family Access to Medical Security Insurance ("FAMIS") Agreement with DMAS. Pursuant to these agreements, the Company is responsible for directly providing, arranging, purchasing, or otherwise making available the full scope of services to which enrollees are entitled under the respective programs. As compensation for these services, DMAS pays the Company a monthly capitation fee based on each enrollee's age and sex. These agreements limit the Company to a maximum underwriting gain of 8% as determined by the ratio of Medicaid underwriting gain to Medicaid premium income. These agreements with DMAS represented 100% of the Company's premium revenue in 2014.

CONFLICT OF INTEREST

The Company has adopted IHSF's conflict of interest policy. The policy requires that every member of the board, member of a board committee, officers, or employees covered under the policy must disclose any actual or potential conflict of interest. These disclosures are required upon becoming a person covered under the policy and the disclosure is verified annually.

FIDELITY BOND AND OTHER INSURANCE

At December 31, 2014, the Company was listed as a named insured on a commercial crime policy with a \$10,000,000 limit of liability, subject to a \$150,000 deductible, to insure against losses arising from dishonest acts of its officers and employees. Additionally, the Company was listed as a named insured on a general liability policy, a commercial business automobile policy, a workers' compensation and employers liability policy, a directors and officers liability policy, a fiduciary liability policy, a property insurance policy, an environmental liability policy, and an employment practices liability policy.

PROVIDER AGREEMENTS

Medical Services

The Company 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 Company compensates participating physicians on capitated and fee-for-service arrangements as set forth in each agreement.

Hospital Care

The Company has entered into agreements with a number of hospitals in its service area to provide covered hospital services to its members. The Company compensates participating hospitals on either a case/admission rate basis or a per diem rate basis in accordance with compensation schedules attached to each individual agreement.

Other Health Care Services

The Company has entered into various ancillary service agreements. These agreements provide vision services, pharmacy services, laboratory services, and transportation services. Compensation is based on arrangements set forth in each agreement.

BENEFITS

The general benefits available to the Company's Medicaid enrollees when provided by PCPs, specialist physicians and other professional providers and approved by the Company are as follows:

1. Inpatient Hospital Services
2. Outpatient Medical Care
3. Physician Services
4. Maternity Care
5. Maternal and Infant Care Coordination
6. Women's Health Care Services
7. Well Child Program
8. Rehabilitation Services
9. Home Health Services
10. Family Planning Services and Supplies
11. Vision Services
12. Mental Health Services
13. Physical and Occupational Therapy
14. Prescription Drugs
15. Durable Medical Equipment and Prosthetic Devices
16. Transportation Services
17. Hearing Aids and Supplies
18. Immunizations
19. Laboratory and X-ray Services

Exclusions include experimental or investigational procedures; hospice services; skilled nursing facilities; and inpatient mental health services provided in a state psychiatric hospital. The above are general summaries of coverages and exclusions and are not intended to be all inclusive.

GROWTH OF THE COMPANY

The following data represents the growth of the Company since its inception. The data is compiled from the Company's filed Annual Statements, the previous examination report, and the current examination report.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Capital And Surplus</u>
2005	\$15,272,168	\$11,761,857	\$3,510,311
2006	21,769,613	11,067,558	10,702,055
2007	19,022,339	10,161,855	8,860,484
2008	21,078,450	8,700,416	12,378,034
2009	21,356,069	8,629,920	12,726,149
2010	31,742,209	13,607,362	18,134,847
2011	27,998,454	9,839,574	18,158,880
2012	39,853,168	15,897,367	23,955,801
2013	54,426,639	22,340,724	32,085,915
2014	50,697,388	25,215,855	25,481,533

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gain</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
2005	\$19,287,332	\$160,263	\$19,299,114	\$2,147,578	(\$1,999,097)
2006	60,226,398	1,027,062	42,247,610	7,786,158	11,219,692
2007	61,633,187	1,179,387	50,387,057	7,676,665	4,748,852
2008	62,426,270	646,258	48,876,182	8,483,056	5,713,290
2009	75,570,732	217,237	60,048,244	9,439,177	6,300,548
2010	94,965,648	95,759	75,295,911	11,534,549	8,230,947
2011	106,365,901	103,008	82,960,917	15,793,854	7,714,138
2012	147,412,586	105,954	119,132,413	20,233,769	8,152,338
2013	178,197,091	201,432	151,697,570	26,253,496	447,457
2014	176,669,288	42,284	157,770,632	23,028,995	(4,088,055)

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

<u>Year</u>	<u>Number of Members</u>
2005	18,661
2006	21,856
2007	23,449
2008	24,875
2009	35,024
2010	39,492
2011	41,330
2012	56,614
2013	55,497
2014	57,911

EXCESS LOSS INSURANCE

At December 31, 2014, the Company had an Excess HMO Reinsurance Agreement in force with Westport Insurance Company ("Westport"). Under the terms of the agreement, the deductible is \$500,000 per member per agreement year. Once the deductible has been reached, Westport will indemnify the Company 90% of all eligible expenses up to a maximum of \$5,000,000 per member per agreement year. The agreement includes a continuation of coverage endorsement in the event of the Company's insolvency. In addition, DMAS provides a stop-loss reinsurance program in which it reimburses the Company 90% of a members prescription drug costs above a \$150,000 attachment point per contract year. The cost to DMAS for providing the stop-loss coverage is offset by a reduction to the capitation rate, per member, paid during the contract year.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2014, the Bureau required that the Company maintain a \$500,000 minimum deposit with the Treasurer of Virginia.

SCOPE

This is a full scope financial condition examination initiated and conducted under the provisions of Article 4, Chapter 13 of Title 38.2 of the Code of Virginia. The examination covers the period from January 1, 2012 through December 31, 2014. Assets were verified and liabilities established at December 31, 2014.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the Bureau plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company, assess corporate governance, identify and assess inherent risks within the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process.

FINANCIAL STATEMENTS

There follows a statement of financial condition as of December 31, 2014; a statement of revenue and expenses for the year ending December 31, 2014; a reconciliation of capital and surplus for the period under review; a statement of cash flow for the year ending December 31, 2014; and a statement of examiners' changes in capital and surplus. The financial statements are presented in accordance with Statutory Accounting Principles.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Bonds	\$10,992,597		\$10,992,597
Cash and short-term investments	<u>22,827,874</u>	<u> </u>	<u>22,827,874</u>
Subtotals, cash and invested assets	\$33,820,471	\$0	\$33,820,471
Investment income due and accrued	26,117		26,117
Uncollected premiums and agents' balances in the course of collection	15,864,394		15,864,394
Furniture and equipment, including health care delivery assets	496,923	496,923	0
Health care and other amounts receivable	1,226,186	412,368	813,818
Aggregate write-ins for other than invested assets	<u>332,034</u>	<u>159,446</u>	<u>172,588</u>
Total assets	<u><u>\$51,766,125</u></u>	<u><u>\$1,068,737</u></u>	<u><u>\$50,697,388</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$21,619,857		\$21,619,857
Accrued medical incentive pool and bonus amounts	108,000		108,000
Unpaid claims adjustment expenses	390,258		390,258
General expenses due or accrued		2,279,345	2,279,345
Amounts due to parent, subsidiaries and affiliates		818,395	818,395
Total liabilities	<u>\$22,118,115</u>	<u>\$3,097,740</u>	<u>\$25,215,855</u>
Gross paid in and contributed surplus			\$40,157,057
Unassigned funds (surplus)			<u>(14,675,524)</u>
Total capital and surplus			<u>\$25,481,533</u>
Total liabilities, capital and surplus			<u><u>\$50,697,388</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	\$176,669,288
Total revenues	XXX	\$176,669,288
Hospital and Medical		
Hospital/medical benefits		\$107,157,288
Other professional services		3,640,635
Emergency room and out-of-area		11,122,247
Prescription drugs		35,914,587
Incentive pool, withhold adjustments and bonus amounts		(64,125)
Total hospital and medical	\$0	\$157,770,632
Claims adjustment expenses	13,559,126	13,559,126
General administrative expenses	9,469,869	9,469,869
Total underwriting deductions	\$23,028,995	\$180,799,627
Net underwriting gain or (loss)	XXX	(\$4,130,339)
Net investment income earned		\$42,284
Net investment gains or (losses)		\$42,284
Net income before federal income taxes	XXX	(\$4,088,055)
Federal income taxes incurred	XXX	(28,734)
Net income (loss)	XXX	(\$4,059,321)

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2012</u>	<u>2013</u>	<u>2014</u>
Capital and surplus prior reporting year	<u>\$18,158,880</u>	<u>\$23,955,801</u>	<u>\$32,085,915</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS			
Net income (or loss)	(\$18,814,719)	\$447,457	(\$4,059,321)
Change in net unrealized capital gains	95,451	(95,451)	
Change in net deferred income tax	24,451,655	701,451	(25,486,326)
Change in nonadmitted assets	(20,221,927)	(2,923,343)	22,941,265
Surplus adjustments: Paid in	24,286,461	10,000,000	
Dividends to stockholders	<u>(4,000,000)</u>		
Net change in capital and surplus	<u>\$5,796,921</u>	<u>\$8,130,114</u>	<u>(\$6,604,382)</u>
Capital and surplus end of reporting year	<u><u>\$23,955,801</u></u>	<u><u>\$32,085,915</u></u>	<u><u>\$25,481,533</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$176,073,963
Net investment income	<u>106,447</u>
Total	<u>\$176,180,410</u>
Benefit and loss related payments	\$154,484,844
Commissions, expenses paid and aggregate write-ins for deductions	22,888,620
Federal income taxes paid	<u>2</u>
Total	<u>\$177,373,466</u>
Net cash from operations	<u>(\$1,193,056)</u>

Cash from Investments

Proceeds from investments sold, matured or repaid	
Bonds	<u>\$6,490,000</u>
Total investment proceeds	<u>\$6,490,000</u>
Cost of investments acquired (long-term only)	
Bonds	<u>\$6,074,673</u>
Total investment acquired	<u>\$6,074,673</u>
Net cash from investments	<u>\$415,327</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Other cash applied	<u>(\$97,207)</u>
Net cash from financing and miscellaneous sources	<u>(\$97,207)</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	(\$874,936)
Cash and short-term investments:	
Beginning of the year	<u>23,702,810</u>
End of the year	<u><u>\$22,827,874</u></u>

EXAMINERS' CHANGES IN CAPITAL AND SURPLUS

	<u>Company</u>	<u>Examiners</u>	Increase (Decrease)
<u>Capital:</u>			
Common capital stock	\$1,000	\$0	(\$1,000)
Gross paid in and contributed surplus	<u>40,156,057</u>	<u>40,157,057</u>	<u>1,000</u>
Examiners' change in capital and surplus			<u><u>\$0</u></u>
Total capital and surplus per the Company			\$25,481,533
Total capital and surplus per the Examiners			<u>25,481,533</u>
Net change in capital and surplus			<u><u>\$0</u></u>

RECOMMENDATIONS FOR CORRECTIVE ACTION

Accounts and Records

1. Common capital stock

\$0

The above capital account is \$1,000 less than the amount reported by the Company in its 2014 Annual Statement. The decrease is a result of the Company erroneously reporting IHSF as owning 100% of the Company's outstanding shares of common stock and reporting these shares as Common capital stock. Upon conversion to a Virginia limited liability company on December 1, 2012, IHSF became the sole member of the Company and, as such, no longer owned shares of common stock.

2. Gross paid in and contributed surplus

\$40,157,057

The above capital account is \$1,000 more than the amount reported by the Company in its 2014 Annual Statement. The increase is a result of the reclassification of the amount reported as Common capital stock to Gross paid in and contributed surplus.

CONCLUSION

The courteous cooperation extended by the Company's officers and employees during the course of the examination is gratefully acknowledged. In addition to the undersigned, Darrin Bailey, CFE, participated in the work of the examination.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner



STATE CORP COMMISSION
BUREAU OF INSURANCE
15 JUL 27 AM 8:36

July 15, 2015

Mr. David H. Smith
Chief Examiner
State Corporation Commission
Bureau of Insurance
Commonwealth of Virginia
1300 East Main Street
Richmond, VA 23219

RE: INTotal Health, LLC – Examination Report as of December 31, 2014

Dear Mr. Smith:

We are in receipt of your examination report as of December 31, 2014. In response to the two recommendations, which are related to the same issue, we agree with your recommendation to reclassify the \$1,000 previously reported as common stock to gross paid in and contributed surplus given INTotal's legal status as a limited liability company. We have already adjusted our financial reporting beginning with INTotal's 1st quarter 2015 BOI filing submitted in May 2015.

Please feel free to contact me with any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "R. F. Mohawk".

Russell F. Mohawk
Chief Executive Officer

