

EXAMINATION REPORT
of
Spartan Plan VA, Inc.
Glen Allen, Virginia
as of
December 31, 2017

COMMONWEALTH OF VIRGINIA



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

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I, Scott A. White, Commissioner of Insurance of the Commonwealth of Virginia, do hereby certify that the annexed copy of the Examination Report of Spartan Plan VA, Inc. as of December 31, 2017, 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 11th day of January 2019

Scott A. White
Commissioner of Insurance

(SEAL)

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Richmond, Virginia
October 16, 2018

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

SPARTAN PLAN VA, INC.

Glen Allen, Virginia

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

SCOPE OF THE EXAMINATION

This is the first examination of the Company by representatives of the State Corporation Commission's Bureau of Insurance (Bureau). This examination covers the period from the date of initial licensing through December 31, 2017.

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 Company's 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.

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 Company.

HISTORY

The Company was incorporated in the Commonwealth of Virginia effective May 27, 2016. 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 April 26, 2017.

CAPITAL AND SURPLUS

At December 31, 2017, the Company's capital and surplus was \$1,485,155. Capital and surplus was comprised of Gross paid in and contributed surplus of \$2,211,000 and Unassigned funds of (\$725,845).

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 Company's uncovered expenses for the three-month period ending December 31, 2017 was \$661,000 the Company's minimum net worth requirement at December 31, 2017 was \$661,000.

MANAGEMENT AND CONTROL

The Company's bylaws provide that the business and affairs of the Company 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 Company shall consist of a President and a Secretary. The Company 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, 2017, the Board of Directors and the Officers of the Company were as follows:

At December 31, 2017, the Board and Officers were as follows:

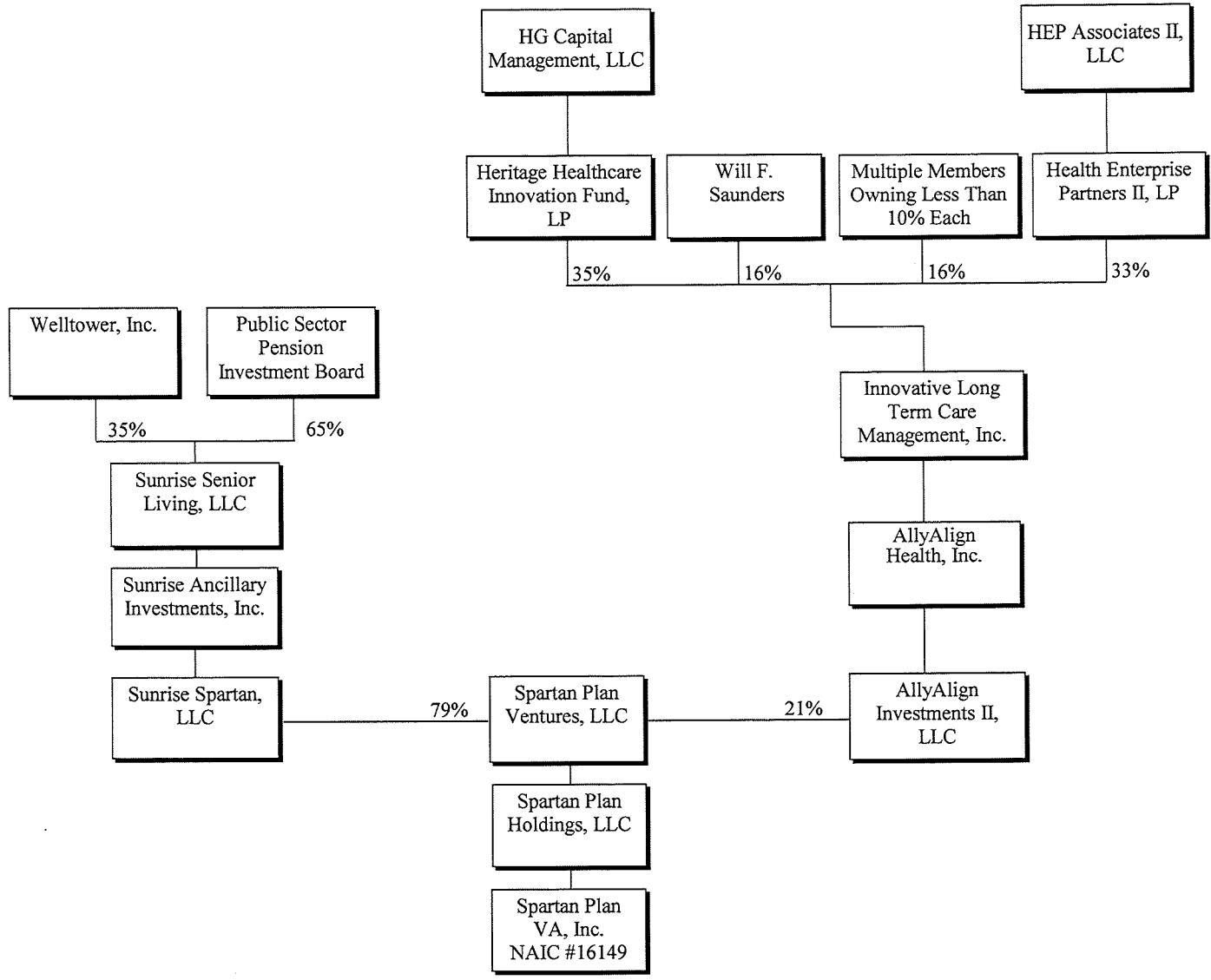
<u>Directors</u>	<u>Principal Occupation</u>
Benjamin P. Adams	Senior Vice President of Investments Sunrise Senior Living, Inc. McLean, Virginia
Marcus E. Roder	Chief Accounting Officer Sunrise Senior Living, Inc. McLean, Virginia

Officers

Benjamin P. Adams	President
Marcus E. Roder	Vice President
David W. Painter	Treasurer
Edward A. Frantz	Secretary
Michael J. Stein	Assistant Secretary

AFFILIATED COMPANIES

At December 31, 2017, the Company is a wholly-owned subsidiary of Spartan Plan Holdings, LLC which is a wholly-owned subsidiary of Spartan Plan Ventures, LLC. Spartan Plan Ventures, LLC is 79% owned by Sunrise Spartan, LLC and 21% owned by AllyAlign Investments II, LLC. By virtue of this ownership, the Company is a member of an insurance holding company system as defined in Section 38.2-1322 of the Code of Virginia. The following chart summarizes the Company's relationship within the holding company system:



TRANSACTIONS WITH AFFILIATES

Management Services Agreement

Effective March 28, 2017, the Company entered into an Administrative Services Agreement with Sunrise Senior Living, LLC (Sunrise Senior). Pursuant to the provisions of the agreement, Sunrise Senior shall provide the Company administrative services that include certain administration and compliance employees, marketing, legal services, contracting and vendor oversight and information technology. As compensation for these services, the Company shall pay Sunrise Senior 1% of total revenues. Since the Company did not have any revenue in 2017, there were no fees related to this agreement in 2017.

Provider Agreements

The Company contracts with several affiliates of Sunrise Senior to provide covered services to its members.

TERRITORY AND PLAN OF OPERATION

At December 31, 2017, the Company's service area included the cities of Alexandria and Falls Church and the counties of Arlington, Fairfax and Loudoun. Upon commencing operations, the Company will contract with the Center of Medicare and Medicaid Services (CMS) to provide medical coverage to members who qualify for an Institutional Special Needs Plan (I-SNP). All of the Company's members will be Medicare Advantage enrollees in the I-SNP who are residents in Assisted Living, Alzheimer's and Memory Care, Independent Living and Skilled Nursing facilities owned and operated by Sunrise Senior. The Company will receive a monthly capitation fee from CMS based on each member's area of residence and risk classification.

Medical services will be provided by physicians in independent practice within the Company'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 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 in accordance with current Medicare fee-for-service rates. Nurse practitioners are compensated through a capitated rate. Additionally, 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 these hospitals in accordance with current Medicare fee-for-service rates.

Other Health Care Services

The Company 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.

BENEFITS

Upon commencing operations, general benefits available to the Company's Medicare Advantage members when provided by PCPs, specialist physicians and other professional providers and approved by the Company 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.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2017, the Bureau required the Company 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 Company for the period ending December 31, 2017. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2017.

ASSETS

	<u>Assets</u>	<u>Nonadmitted Assets</u>	<u>Net Admitted Assets</u>
Cash and short-term investments	<u>\$1,497,146</u>	<u> </u>	<u>\$1,497,146</u>
Subtotals, cash and invested assets	\$1,497,146	\$0	\$1,497,146
Aggregate write-ins for other than invested assets	<u>14,545</u>	<u>14,545</u>	<u>0</u>
Total assets	<u><u>\$1,511,691</u></u>	<u><u>\$14,545</u></u>	<u><u>\$1,497,146</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
General expenses due or accrued	\$11,142	\$0	\$11,142
Current federal income tax payable	849		849
	<hr/>	<hr/>	<hr/>
Total liabilities	\$11,991	\$0	\$11,991
			<hr/>
Gross paid in and contributed surplus			\$2,211,000
Unassigned funds (surplus)			(725,845)
			<hr/>
Total capital and surplus			\$1,485,155
			<hr/>
Total liabilities, capital and surplus			\$1,497,146
			<hr/> <hr/>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	<u>XXX</u>	<u>\$0</u>
Total revenues	<u>XXX</u>	<u>\$0</u>
General administrative expenses	<u>\$716,108</u>	<u>\$716,108</u>
Total underwriting deductions	<u>\$716,108</u>	<u>\$716,108</u>
Net underwriting loss	<u>XXX</u>	<u>(\$716,108)</u>
Net investment income earned		<u>\$5,657</u>
Net investment gains		<u>\$5,657</u>
Net loss before federal income taxes	XXX	(\$710,451)
Federal income taxes incurred	<u>XXX</u>	<u>849</u>
Net loss	<u>XXX</u>	<u>(\$711,300)</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2017</u>
Capital and surplus prior reporting year	<u>\$0</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS	
Net income (loss)	(\$711,300)
Change in nonadmitted assets	(14,545)
Surplus adjustments:	
Paid in	<u>2,211,000</u>
Net change in capital and surplus	<u>\$1,485,155</u>
Capital and surplus end of reporting year	<u><u>\$1,485,155</u></u>

CASH FLOW**Cash from Operations**

Net investment income	\$5,657
Total	<u>\$5,657</u>
Commissions, expenses paid and aggregate write-ins for deductions	<u>\$704,967</u>
Total	<u>\$704,967</u>
Net cash from operations	<u>(\$699,310)</u>

Cash from Financing and Miscellaneous Sources

Cash provided (applied):	
Capital and paid in surplus	\$2,211,000
Other cash applied	<u>(14,544)</u>
Net cash from investments	<u>\$2,196,456</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$1,497,146
Cash, cash equivalents and short-term investments:	
Beginning of the year	<u>0</u>
End of the year	<u><u>\$1,497,146</u></u>

SUBSEQUENT EVENTS

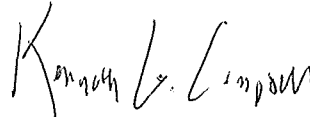
Effective January 1, 2018, the Company commenced writing I-SNP Medicare Advantage coverage.

Effective January 1, 2018, the Company entered into a Management Services Agreement with AllyAlign Health, Inc. (AllyAlign) to provide additional services not included within the scope of the Administrative Services Agreement. Pursuant to the provisions of the agreement, AllyAlign shall provide the Company management services that include information systems, financial systems and services, claims administration and premium collection, underwriting and rating, prompt payment of claims, member services, utilization review, quality assurance and improvement, provider network development and management, plan development and administration, and administrative personnel. As compensation for these services, the Company shall pay AllyAlign a percentage of premium revenues ranging from 9% to 10% depending on the number of enrolled members.

ACKNOWLEDGEMENT

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, Gerald Hicks, Kevin Knight, CFE, and Ben MacKercher participated in the work of the examination.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner



STATE CORP. COMMISSION
2018 DEC 26 AM 9:50
BUREAU OF INSURANCE

December 14, 2018

David H. Smith
Bureau of Insurance
State Corporation Commission
Post Office Box 1157
Richmond, VA 23218

We are in receipt of the Examination Report of Spatan Plan VA, Inc. for the period ending December 31, 2017. We acknowledge there are no corrective actions included in the report.

We appreciate your review and look forward to working with your team in the future.

Best regards,

A handwritten signature in black ink, appearing to read "Ben Adams", written in a cursive style.

Benjamin P. Adams, President