

**EXAMINATION REPORT
of
ALIGN SENIOR CARE, INC.
Glen Allen, Virginia
as of
December 31, 2020**

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 Align Senior Care, Inc. as of December 31, 2020, 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 29th day of March 2022

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

Scott A. White
Commissioner of Insurance



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Richmond, Virginia
January 28, 2022

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

ALIGN SENIOR CARE, 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, 2020.

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.

The coordinated examination of the Innovative Long Term Care Management Group, of which the Company is a member, was led by the Michigan Department of Insurance. The examination of the Company was conducted concurrently with the examination of Align Senior Care MI, LLC, a Michigan domiciled company.

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 on February 8, 2019 and became licensed as a health maintenance organization (HMO) pursuant to Chapter 43 of Title 38.2 of the Code of Virginia on April 25, 2019. At December 31, 2020, Innovative Long Term Care Management, Inc. (ILTCM) is the 100% owner of the Company.

CAPITAL AND SURPLUS

At December 31, 2020, the Company's capital and surplus was \$1,145,965. Capital and surplus was comprised of Gross paid in and contributed surplus of \$1,235,765 and Unassigned funds of (\$89,800). Gross paid in and contributed surplus was provided to the Company by ILTCM.

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 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, 2020 was \$185,839, the Company's minimum net worth requirement at December 31, 2020 was \$600,000.

MANAGEMENT AND CONTROL

The bylaws of the Company provide that the Board of Directors shall be responsible for the business and affairs of the Company. After election, Directors shall hold office until a successor is elected and qualified or until such Director's resignation or removal. The Board shall consist of not less than two and no more than twelve Directors. A majority of the Board of Directors shall constitute a quorum for the transaction of business.

The officers of the Company shall consist of a President, a Secretary, and a Treasurer, and may also have a Chairman of the Board, one or more Vice Presidents and one or more Assistant Secretaries or Treasurers. Each such officer shall hold office at the pleasure of the Board of Directors and until their successors are elected.

At December 31, 2020, the Board and Officers were as follows:

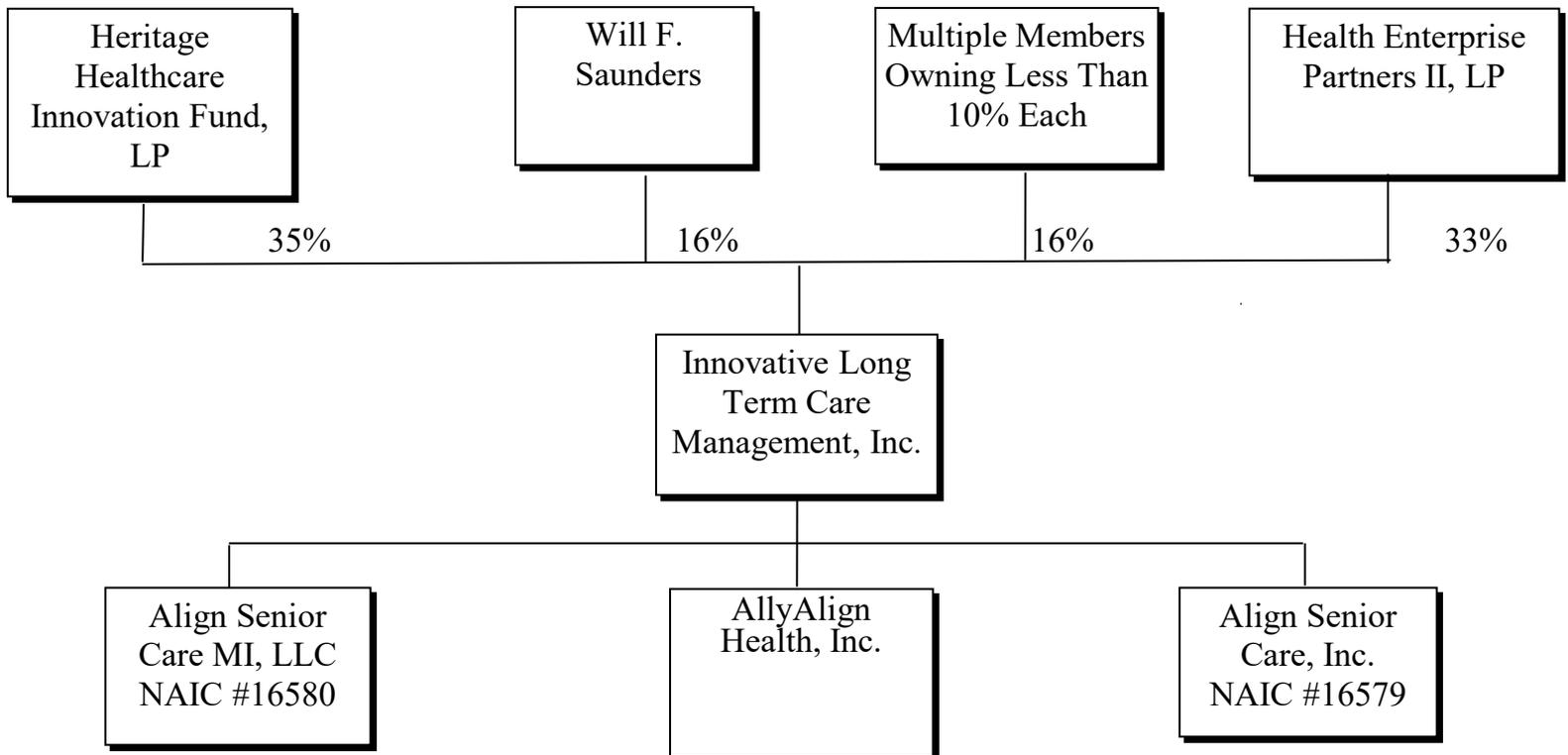
<u>Directors</u>	<u>Principal Occupation</u>
Richard J. Gilson	Senior Vice President, Market Development AllyAlign Health, Inc. Glen Allen, Virginia
Julianne C. Hug	Chief Financial Officer AllyAlign Health, Inc. Glen Allen, Virginia
Will F. Saunders	Chief Executive Officer AllyAlign Health, Inc. Glen Allen, Virginia

Officers

Will F. Saunders	President
Julianne C. Hug	Secretary/Treasurer

AFFILIATED COMPANIES

At December 31, 2020, the Company is a wholly owned subsidiary of ILTCM. 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 February 12, 2019, the Company entered into a Management Services Agreement with AllyAlign Health, Inc. (AAH). Pursuant to the provisions of the agreement, AAH shall provide the Company management services that include information systems, financial systems and services, claims administration and premium collection, 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 AAH 11% of Company health plan revenues. The Company paid AAH \$36,091 in fees related to this agreement in 2020.

Medical Director Agreement

Effective January 28, 2019, the Company entered into a Medical Director Agreement with AAH. According to the provisions of the agreement, AAH shall provide the Company with medical director services through a physician licensed to practice medicine in the Commonwealth of Virginia. As compensation, the Company reimburses AAH \$200 per hour for services performed by the Medical Director. The Company paid AAH \$16,800 in fees related to this agreement in 2020.

TERRITORY AND PLAN OF OPERATION

At December 31, 2020, the Company's service area included the cities of Charlottesville, Chesapeake, Norfolk, Richmond, and Virginia Beach and the counties of Albemarle, Chesterfield, and Henrico. The Company contracts 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) or a Chronic Condition Special Needs Plan (C-SNP). 100% of the Company's members are Medicare Advantage enrollees in the I-SNP or C-SNP and are residents in a long-term care facility. The Company is paid a monthly capitation from CMS based on each member's area of residence and risk classification.

Medical services are provided by physicians in independent practice within the Company's service area. Each member is required to choose a primary care physician (PCP) at enrollment and is assigned a nurse practitioner to facilitate care coordination within the long-term care facility.

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

The 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
3. Inpatient Hospital Services
4. Diagnostic, Imaging and Lab Services
5. Vision and Hearing Services
6. Skilled Nursing Facility Services
7. Rehabilitation Services
8. Ambulance Services
9. Emergency Services
10. Mental Health Services
11. Durable Medical Equipment and Supplies

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; acupuncture; and chiropractic 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 two-year period ending December 31, 2020. The data is compiled from the Company's filed Annual Statements and the current examination report.

<u>Year</u>	<u>Total Admitted Assets</u>	<u>Total Liabilities</u>	<u>Total Capital & Surplus</u>		
2019	\$1,242,168	\$960	\$1,241,208		
2020	1,309,117	163,152	1,145,965		

<u>Year</u>	<u>Total Revenue</u>	<u>Net Investment Gains</u>	<u>Medical & Hospital Expenses</u>	<u>Administrative Expenses</u>	<u>Pre-Tax Income (Loss)</u>
2019	\$0	\$10,676	\$0	\$4,273	\$6,403
2020	304,796	3,763	218,211	185,839	(95,491)

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

<u>Year</u>	<u>Number of Members</u>
2019	0
2020	14

EXCESS LOSS INSURANCE

Effective January 1, 2020, the Company entered into a Specific Excess Loss Reinsurance Agreement with PartnerRe America Insurance Company (PartnerRe). For eligible expenses in each agreement year, the deductible is \$200,000 per member. Once the deductible has been reached in the agreement year, PartnerRe will reimburse the Company 100% of eligible expenses if the claim is received by PartnerRe by October 1, 2021. If the claim is received after October 1, 2021 PartnerRe will reimburse the Company 50% of eligible expenses. There is no maximum payable by PartnerRe per member per agreement year.

SPECIAL RESERVES AND DEPOSITS

At December 31, 2020, the Bureau required the Company to maintain a minimum deposit of \$625,000 with the Treasurer of Virginia.

FINANCIAL STATEMENTS

The following financial statements present the financial condition of the Company for the period ending December 31, 2020. No examination adjustments were made to the statutory financial statements filed by the Company with the Bureau for the period ending December 31, 2020.

ASSETS

	<u>Assets</u>	Nonadmitted <u>Assets</u>	Net Admitted <u>Assets</u>
Cash, cash equivalents and short-term investments	<u>\$1,306,387</u>	<u> </u>	<u>\$1,306,387</u>
Subtotals, cash and invested assets	\$1,306,387	\$0	\$1,306,387
Health care and other amounts receivable	3,209	479	2,730
Aggregate write-ins for other than invested assets	<u>233</u>	<u>233</u>	<u>0</u>
Total assets	<u><u>\$1,309,829</u></u>	<u><u>\$712</u></u>	<u><u>\$1,309,117</u></u>

LIABILITIES, CAPITAL AND SURPLUS

	<u>Covered</u>	<u>Uncovered</u>	<u>Total</u>
Claims unpaid	\$97,277	\$0	\$97,277
Accrued medical incentive pool and bonus amounts	12,405		12,405
Unpaid claims adjustment expenses	3,257		3,257
Aggregate health policy reserves	1,248		1,248
Premiums received in advance	9,272		9,272
General expenses due or accrued		11,255	11,255
Amounts due to parent, subsidiaries and affiliates	1,380		1,380
Liability for amounts held under uninsured plans	<u>27,058</u>		<u>27,058</u>
Total liabilities	<u>\$151,897</u>	<u>\$11,255</u>	<u>\$163,152</u>
Gross paid in and contributed surplus			\$1,235,765
Unassigned funds (surplus)			<u>(89,800)</u>
Total capital and surplus			<u>\$1,145,965</u>
Total liabilities, capital and surplus			<u><u>\$1,309,117</u></u>

STATEMENT OF REVENUE AND EXPENSES

	<u>Uncovered</u>	<u>Total</u>
Net premium income	XXX	<u>\$304,796</u>
Total revenues	<u>XXX</u>	<u>\$304,796</u>
Hospital and Medical		
Hospital/medical benefits		\$165,216
Other professional services		12,358
Emergency room and out-of-area		3,195
Prescription drugs		14,842
Aggregate write-ins for other hospital and medical		1,870
Incentive pool, withhold adjustments and bonus amounts		<u>20,730</u>
Subtotal		<u>\$218,211</u>
Total hospital and medical		\$218,211
Claims adjustment expenses	42,903	42,903
General administrative expenses	<u>142,936</u>	<u>142,936</u>
Total underwriting deductions	<u>\$185,839</u>	<u>\$404,050</u>
Net underwriting loss	<u>XXX</u>	<u>(\$99,254)</u>
Net investment income earned		<u>\$3,763</u>
Net investment gains		<u>\$3,763</u>
Net loss before federal income taxes	XXX	(\$95,491)
Federal income taxes incurred	<u>XXX</u>	<u>(960)</u>
Net loss	<u>XXX</u>	<u>(\$94,531)</u>

RECONCILIATION OF CAPITAL AND SURPLUS

	<u>2019</u>	<u>2020</u>
Capital and surplus prior reporting year	<u>\$0</u>	<u>\$1,241,208</u>
GAINS AND LOSSES TO CAPITAL AND SURPLUS		
Net income (loss)	\$5,443	(\$94,531)
Change in nonadmitted assets		(712)
Surplus adjustments:		
Paid in	<u>1,235,765</u>	
Net change in capital and surplus	<u>\$1,241,208</u>	<u>(\$95,243)</u>
Capital and surplus end of reporting year	<u><u>\$1,241,208</u></u>	<u><u>\$1,145,965</u></u>

CASH FLOW**Cash from Operations**

Premiums collected net of reinsurance	\$342,339
Net investment income	<u>3,763</u>
Total	<u>\$346,102</u>
Benefit and loss related payments	\$111,738
Commissions, expenses paid and aggregate write-ins for deductions	<u>170,145</u>
Total	<u>\$281,883</u>
Net cash from operations	<u>\$64,219</u>

RECONCILIATION OF CASH AND SHORT-TERM INVESTMENTS

Net change in cash and short-term investments	\$64,219
Cash, cash equivalents and short-term investments:	
Beginning of the year	<u>1,242,168</u>
End of the year	<u><u>\$1,306,387</u></u>

SUBSEQUENT EVENTS

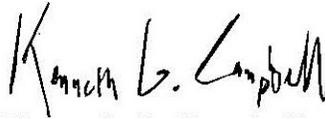
On May 17, 2021, the Bureau approved the acquisition of ILTCM by New Enterprise Associates 17, L.P., a Delaware limited partnership. The Company will continue to be a wholly owned subsidiary of ILTCM.

The Company received capital contributions of \$250,000 on September 21, 2021 and \$2,050,000 on December 30, 2021 from AAH.

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, AFE, and Ben MacKercher, CFE, participated in the work of the examination.

Respectfully submitted,



Kenneth G. Campbell, CFE
Assistant Chief Examiner



March 22, 2022

David H. Smith
Chief Examiner
Virginia Bureau of Insurance

We acknowledge receipt of the draft version of the December 31, 2020 examination report for Align Senior Care, Inc.

Sincerely,

DocuSigned by:

Anne Rote

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Anne Rote, President

Date 3/23/2022 | 5:15 PM EDT