

STATE OF INDIANA )  
 ) SS: BEFORE THE INDIANA  
COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
 )  
American Health Network of Indiana, LLC )  
10689 North Pennsylvania Street, Suite 200 )  
Indianapolis, IN 46280 )

Examination of: **American Health Network of Indiana, LLC**

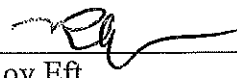
**NOTICE OF ENTRY OF ORDER**

Enclosed is the Final Order entered by Stephen W. Robertson, Commissioner of the Indiana Department of Insurance, after fully considering and reviewing the Verified Report of Examination of American Health Network of Indiana, LLC, any relevant examination work papers, and any written submissions or rebuttals. The Verified Report of Examination, as sent to you on May 30, 2017, has been adopted by the Commissioner.

Pursuant to Ind. Code § 27-1-3.1-12(b), within thirty (30) days of receipt of the Final Order, each director of American Health Network of Indiana, LLC shall file an affidavit with the Indiana Department of Insurance stating that he/she has received a copy of the Verified Report of Examination and the Final Order.

The Final Order is a final administrative decision that may be appealed pursuant to Ind. Code § 4-21.5-5.

7/7/2017  
Date

  
Roy Eft  
Chief Financial Examiner

**CERTIFIED MAIL NUMBER: 7016 2070 0001 1479 8797**

STATE OF INDIANA ) BEFORE THE INDIANA  
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COUNTY OF MARION ) COMMISSIONER OF INSURANCE

IN THE MATTER OF: )  
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American Health Network of Indiana, LLC )  
10689 North Pennsylvania Street, Suite 200 )  
Indianapolis, IN 46280 )

Examination of: **American Health Network of Indiana, LLC**

### FINDINGS AND FINAL ORDER

The Indiana Department of Insurance conducted an examination into the affairs of the American Health Network of Indiana, LLC (hereinafter "Company") for the time period January 1, 2013 through December 31, 2015.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on March 17, 2017.

A copy of the Verified Report of Examination, along with a Notice of Opportunity to Make Written Submission or Rebuttal, was mailed to the Company via Certified Mail on May 30, 2017 and was received by the Company on June 5, 2017.

The Company did not file any objections.

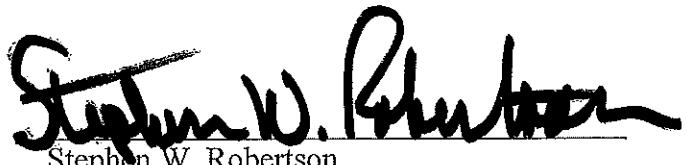
NOW THEREFORE, based on the Verified Report of Examination, I hereby make the following **FINDINGS**:

1. That the Verified Report of Examination is a true and accurate report of the financial condition and affairs of the American Health Network of Indiana, LLC as of December 31, 2015.
2. That the Examiner's Recommendations are reasonable and necessary in order for the American Health Network of Indiana, LLC to comply with the laws of the State of Indiana.

Based on the FINDINGS, the Commissioner does hereby ORDER:

1. Pursuant to Ind. Code § 27-1-3.1-11(a)(1), the Verified Report of Examination is adopted and shall be filed. Hereafter the Verified Report of Examination, may constitute prima facie evidence of the facts contained therein in any action or proceeding taken by the Indiana Department of Insurance against the Company, its officers, directors, or agents.
2. The Company shall comply with the Examiner's Recommendations enumerated in summary form and throughout the text of the Verified Report of Examination. A written response to these recommendations should be provided to the Department within 30 days of receipt of this order.
3. Compliance with the Examiner's recommendations shall be completed on or before the filing of the subsequent annual statement. In the event it is not feasible to comply with a recommendation before the filing of the subsequent annual statement, the Company shall submit a written explanation as to why it was not feasible with the filing of the annual statement.

Signed this 7<sup>th</sup> day of  
July, 2017.

  
Stephen W. Robertson  
Insurance Commissioner  
Indiana Department of Insurance

## ABOUT AFFIRMATIONS

The following pages for affirmations need to be signed by each Board Member and returned to the Indiana Department of Insurance within thirty (30) days in accordance with I.C. §27-1-3.1-12(b).

If your affirmations list individuals that are no longer on your Board of Directors, you may simply retype the form on plain white paper with the correct names and a line to the right for signature. If the names are misspelled, you may do the same, simply re-type the corrected form with a line to the right for signature.

Should you have any questions or difficulties with these forms or you require additional time past the thirty (30) day requirement, please do not hesitate to contact this department at (317) 232-2390.

*Michael J. Vandergriff*

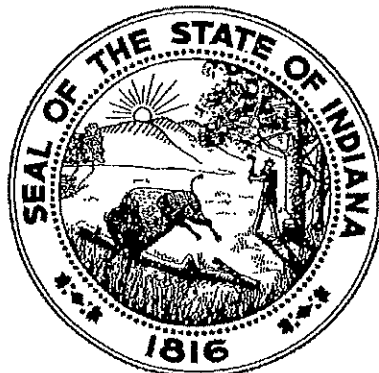
**STATE OF INDIANA**  
**Department of Insurance**  
**REPORT OF EXAMINATION**

**OF**

**AMERICAN HEALTH NETWORK OF INDIANA, LLC**  
NAIC Co. CODE 52623

As of

December 31, 2015



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# STATE OF INDIANA

ERIC J. HOLCOMB, GOVERNOR

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## Indiana Department of Insurance

Stephen W. Robertson, Commissioner  
311 W. Washington Street, Suite 103  
Indianapolis, Indiana 46204-2787  
Telephone: 317-232-2385  
Fax: 317-232-5251  
Website: [in.gov/idoi](http://in.gov/idoi)

March 17, 2017

Honorable Stephen W. Robertson, Commissioner  
Indiana Department of Insurance  
311 West Washington Street, Suite 300  
Indianapolis, Indiana 46204-2787

Dear Commissioner:

Pursuant to the authority vested in Appointment Number 3914 an examination has been made of the affairs and financial condition of:

**American Health Network of Indiana, LLC**  
**10689 N. Pennsylvania Street, Suite 200**  
**Indianapolis, Indiana 46280**

hereinafter referred to as the "Company", or "AHN", an Indiana domestic health maintenance organization. The examination was conducted at the corporate offices of the Company and at the offices of Noble Consulting Services, Inc., in Indianapolis, Indiana

The Report of Examination, reflecting the status of the Company as of December 31, 2015, is hereby respectfully submitted.

ACCREDITED BY THE NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES 317-232-2413    COMPANY COMPLIANCE 317-232-3495    CONSUMER SERVICES 317-232-2395/1-800-622-4461    FINANCIAL SERVICES 317-232-2390    MEDICAL MALPRACTICE 317-232-2402    COMPANY RECORDS 317-232-5692    STATE HEALTH INSURANCE PROGRAM 1-800-452-4800

## SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI), and covered the period from January 1, 2010 through December 31, 2012. The present risk-focused examination was conducted by Noble Consulting Services, Inc., and covered the period from January 1, 2013 through December 31, 2015, and included any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with the NAIC *Financial Condition Examiners Handbook* (Handbook). The Handbook requires that we plan and perform the examination to evaluate the 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. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as in the Indiana Code (IC) 27-1-3.1-10 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

AHN is an Indiana licensed and domiciled health maintenance organization (HMO). The Company is a subsidiary of American Health Network of Indiana, Inc. (99%) and American Health Network, Inc. (AHN, Inc.) (1%). The ultimate controlling entity is AHN Acquisition, LLC. The Company began operations as AHN on August 10, 2000, by acquiring all the assets and liabilities and employing all the personnel of American Health Network of Indiana, Inc.

## CAPITAL AND SURPLUS

The Company has no outstanding shares of stock.

## TERRITORY AND PLAN OF OPERATION

The Company is an integrated healthcare delivery system operating a comprehensive, statewide network of primary care providers with corresponding contractual arrangements with specialty physicians, as well as hospitals. The network delivers service predominantly through agreements with other licensed HMOs, preferred provider organizations, and insurance companies. Financing and delivery of healthcare costs are controlled through community-based providers in a system of managed competition. Revenues are derived principally from fees that physicians charge their patients for medical services.



As a result, the Company has no members, premiums, claims, or claim reserves and operates as a group practice that has incorporated ancillary services such as radiology and lab services for its patients and bills and collects user fee-for-service contracts to insurance companies. There have been no full risk agreements since 2000 and no such products have been developed.

In 2012, the Company began its transformation into a Medicare Accountable Care Organization (ACO). ACOs are an approach to healthcare delivery aimed at providing better care, improving population health, and lowering growth in expenditures by promoting accountability for the care of Medicare beneficiaries, requiring coordination of care for services provided under Medicare Parts A and B, and encouraging investment in infrastructure and redesigned care processes. The Company operates only in the state of Indiana.

**GROWTH OF THE COMPANY**

The following exhibit summarizes the financial results, of the Company during the examination period:

Year	Admitted Assets	Liabilities	Capital and Surplus	Total Revenues	Net Income (Loss)
2015	\$ 49,316,104	\$ 37,515,289	\$ 11,800,815	\$ 228,771,220	\$ (1,716,435)
2014	43,614,450	33,031,498	10,582,952	213,848,671	999,021
2013	39,024,711	28,549,178	10,475,533	194,473,303	(209,548)

In 2015, Surplus of \$11.8 million increased \$1.2 million or 11.5% since December 31, 2014, and is comprised of gross paid-in surplus of \$2.3 million and unassigned surplus of \$9.5 million. The increase is due to \$209 thousand change in non-admitted assets, change in deferred income tax of \$1.4 million, and unrealized capital gains of \$1.3 million, partially offset by a net loss of \$1.7 million.

In 2015, net loss of \$1.7 million compares to net income of \$999 thousand at year-end 2014, representing a deterioration of \$2.7 million or 271.8%, and 14.5% of capital and surplus. For 2015, the net loss is comprised of \$6.0 million net income relating to physician practices less \$7.7 million expenses relating to administrative and management support. Sixty-two percent of the annual 2015 revenue of \$228.8 million was derived from fee-for-service activity and 25% was derived from Oncology drug revenue. The remainder was derived from partial risk capitated contracts and investment / miscellaneous income.

**MANAGEMENT AND CONTROL**

**Board of Managers**

The Company is managed and controlled by a Board of Managers (Board). The Company’s Bylaws state that the Board shall consist of at least three (3) managers, which number may be increased or decreased from time to time by a majority-in-interest of the members. Each manager shall serve indefinite terms on the Board until he or she resigns or is removed by a majority-in-interest of the managers.

The following is a listing of persons serving as managers at December 31, 2015, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Walter Phillip Beaver, M.D. Noblesville, Indiana	Physician
Mark Alan Buddie, M.D. Columbus, Ohio	Geriatric and Family Medicine Practitioner
Ben Harris Park, M.D. Zionsville, Indiana	President and Chief Executive Officer American Health Network of Indiana, LLC

Officers

The Company’s Bylaws state the officers of the Company, who shall be chosen by the Board, shall consist of a President, Chief Financial Officer, General Counsel, and Secretary.

The following is a list of key officers and their respective titles as of December 31, 2015

<u>Name</u>	<u>Office</u>
Ben Harris Park, M.D.	President and Chief Executive Officer
Sarah Dansker Cotterill	General Counsel and Secretary
Linda Jean Sundin	Chief Financial Officer
Jennie Kho-Duffin, M.D.	Vice President of Laboratory Services
Walter Phillip Beaver, M.D.	Vice President, Medical Director

**CONFLICT OF INTEREST**

Managers and officers are required to review and sign Conflict of Interest statements annually. It was determined that all managers and officers listed in the Management and Control section of this Report of Examination have reviewed and signed their statements as of December 31, 2015.

**CORPORATE RECORDS**

Articles of Incorporation

There were no amendments made to the Articles of Incorporation during the examination period.

Bylaws

There were no amendments made to the Bylaws during the examination period.

Minutes

The Board meeting minutes were reviewed for the period under examination through the fieldwork date. Significant actions taken during each meeting were noted.

## AFFILIATED COMPANIES

### Organizational Structure

The following organizational chart shows the Company's parent and affiliates as of December 31, 2015:

	<u>NAIC Co. Code</u>	<u>Domiciliary State/Country</u>
AHN Acquisition, LLC		IN
American Health Network, Inc.*		DE
American Health Network of Indiana, Inc.**		IN
<b>American Health Network of Indiana, LLC</b>	<b>52623</b>	<b>IN</b>
AHN Central Services, LLC		IN

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\*AHN is 1% owned by American Health Network, Inc.

\*\*AHN is 99% owned by American Health Network of Indiana, Inc.

### Affiliated Agreements

The following affiliated agreements and transactions were disclosed as part of the Form B – Holding Company Registration Statement and were filed with the INDOI, as required, in accordance with IC 27-1-23-4.

#### *Borrowing and Investment Agreement*

The Borrowing and Investment Agreement is between AHN, Inc. and the Company. AHN, Inc. agrees to make available to the Company, through a revolving line of credit, an aggregate amount up to \$10.0 million for general operating expenses. The current cash management agreement between AHN, Inc. and the Company was enacted to maximize investment income and minimize bank fees. AHN, Inc. has guaranteed all the obligations of the Company.

AHN, Inc. disburses all payments for accounts payable, payroll, and purchases of assets, and accounts payable out of its bank accounts. To fund these activities, AHN, Inc. sweeps the cash collections from the Company's practices and invests the funds. This agreement was effective August 1, 2000. The Company had a receivable of \$6.9 million at December 31, 2015, as a result of the agreement.

#### *Inter-Company Services Agreement*

The Inter-Company Services Agreement is between the Company and AHN Central Services, LLC (Central Services). Central Services agrees to provide management services and support to the Company including accounts payable, executive management, financial reporting, human resources, information system support, legal support, operations support, and payroll. The Company agrees to pay for services provided to them by Central Services. This agreement was effective August 1, 2000. In 2015, the Company was charged \$7.7 million for these services.

#### *Consolidated State and Federal Income Tax Agreements*

The Company is party to Consolidated State and Federal Income Tax Agreements. These agreements are between the Company and AHN, Inc. They were approved in August, 2000 when the HMO license was issued.

### **FIDELITY BOND AND OTHER INSURANCE**

The Company protects itself against loss from any fraudulent or dishonest acts by any employees through a fidelity bond issued by Federal Insurance Company. The bond has a blanket coverage limit of \$500,000. The fidelity bond is adequate to meet the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2015, including but not limited to building, business personal property, commercial general liability, directors' and officers' liability, earthquake, electronic data processing, employment practices liability, flood, and property.

### **PENSION, STOCK OWNERSHIP, AND INSURANCE PLANS**

All employees meeting certain eligibility requirements are eligible to participate in a 401(k) plan provided by Central Services.

Highly compensated employees who were restricted in 401(k) participation were eligible to participate in a nonqualified deferred compensation plan. The plan was terminated at the end of the calendar year 2006. All active accounts have been maintained according to the plan document. All account balances will be paid according to participants' elections and the plan document.

### **SPECIAL AND STATUTORY DEPOSITS**

The Company reported a statutory deposit as of December 31, 2015. The deposit was held with the state of Indiana and had a book value and fair value of \$500,000.

### **ACCOUNTS AND RECORDS**

The Company's accounting procedures, practices, account records, and supporting data were reviewed and tested to the extent deemed necessary. The trial balances prepared from the Company's general ledger for the years ended December 31, 2014 and December 31, 2015, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2013 through December 31, 2015, were agreed to each year's independent audit report without material exception. The Company's accounting procedures, practices, and account records were deemed satisfactory.

AMERICAN HEALTH NETWORK OF INDIANA, LLC

Assets

As of December 31, 2015

	<u>Per Examination*</u>
Bonds	\$ 500,000
Cash, cash equivalents, and short-term investments	70,583
Other invested assets	5,534,388
Subtotals, cash and invested assets	<u>6,104,971</u>
Investment income due and accrued	47,813
Net deferred tax asset	51,868
Electronic data processing equipment and software	304,637
Furniture and equipment, including health care delivery assets	522,368
Receivables from parent, subsidiaries and affiliates	6,932,931
Health care and other amounts receivable	20,481,662
Aggregate write-ins for other-than-invested assets	<u>14,869,854</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	<u>49,316,104</u>
Total	<u>\$ 49,316,104</u>

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

AMERICAN HEALTH NETWORK OF INDIANA, LLC  
Liabilities, Surplus and Other Funds  
As of December 31, 2015

	<u>Per Examination*</u>
Borrowed money and interest thereon	\$ 320,220
Aggregate write-ins for other liabilities	37,195,069
Total liabilities	<u>37,515,289</u>
Gross paid in and contributed surplus	2,263,211
Unassigned funds	9,537,604
Total capital and surplus	<u>11,800,815</u>
Total liabilities, capital and surplus	<u>\$ 49,316,104</u>

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

AMERICAN HEALTH NETWORK OF INDIANA, LLC  
Statement of Revenue and Expenses  
For the Year Ended December 31, 2015

	Per Examination*
Fee-for-service	\$ 142,197,725
Aggregate write-ins for other health care related revenues	<u>86,573,495</u>
Total revenues	228,771,220
<b>Hospital and Medical:</b>	
Other professional services	117,489,414
Outside referrals	2,806,462
Aggregate write-ins for other hospital and medical	<u>70,427,445</u>
Subtotal	190,723,321
<b>Less:</b>	
Total hospital and medical	190,723,321
General administrative expenses	<u>37,387,460</u>
Total underwriting deductions	228,110,781
Net underwriting gain or (loss)	660,439
Net investment income earned	143,312
Net realized capital gains (losses)	<u>30,932</u>
Net investment gains (losses)	174,244
Net income or (loss) after capital gains tax and before all federal income taxes	834,683
Federal and foreign income taxes incurred	<u>2,551,118</u>
Net income (loss)	<u>\$ (1,716,435)</u>

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\* There were no adjustments to the as-filed financial statements, therefore the Annual Statement amounts agree to the examination amounts.

AMERICAN HEALTH NETWORK OF INDIANA, LLC  
Capital and Surplus Account Reconciliation

	2015	2014	2013
Capital and surplus prior reporting year	\$10,582,952	\$10,475,533	\$9,905,509
Net income or (loss)	(1,716,435)	999,021	(209,548)
Change in net unrealized capital gains (losses)			
less capital gains tax	1,279,590	(757,769)	1,148,488
Change in net deferred income tax	1,445,643	(257,946)	(366,291)
Change in nonadmitted assets	209,064	124,113	(2,625)
Net change in capital and surplus	<u>1,217,862</u>	<u>107,419</u>	<u>570,024</u>
Capital and surplus end of reporting year	<u>\$11,800,814</u>	<u>\$10,582,952</u>	<u>\$10,475,533</u>



## COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2015, based on the results of this examination.

## SUBSEQUENT EVENTS

Form A's were filed with the INDOI regarding a change in ownership of the Company. Under the Equity Purchase Agreement signed December 22, 2016, the current principals of the Company will retain a minority ownership interest.




**AFFIDAVIT**

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that she, in coordination with staff assistance from Noble Consulting Services, Inc., performed an examination of American Health Network of Indiana, LLC, as of December 31, 2015.

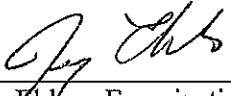
The Indiana Department of Insurance is accredited under the National Association of Insurance Commissioners Financial Regulation Accreditation Standards.

This examination was performed in accordance with those procedures required by the NAIC Financial Condition Examiners Handbook and other procedures tailored for this examination. Such procedures performed on this examination do not constitute an audit made in accordance with generally accepted auditing standards and no audit opinion is expressed on the financial statements contained in this report.

The attached Report of Examination is a true and complete report of condition of American Health Network of Indiana, LLC as of December 31, 2015, as determined by the undersigned.

  
\_\_\_\_\_  
Lisa Warrum, CPA, CFE  
Noble Consulting Services, Inc.


Under the supervision of,

  
\_\_\_\_\_  
Jerry Ehlers, Examinations Manager  
Indiana Department of Insurance

State of: Indiana  
County of: Marion

On this 17 day of March, 2017, before me personally appeared, Lisa Warrum, to sign this document.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal in said County and State, the day and year last above written.

My commission expires \_\_\_\_\_  
  
\_\_\_\_\_  
Notary Public

