

# **EXHIBIT A**



**STATE OF TENNESSEE**  
**DEPARTMENT OF COMMERCE AND INSURANCE**

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**REPORT ON ORGANIZATIONAL EXAMINATION**  
**OF THE**  
**AMERICAN HEALTH PLAN, INC.**  
**FRANKLIN, TENNESSEE**

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**AS OF**  
**APRIL 4, 2017**

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Franklin, Tennessee  
April 25, 2017

Honorable Julie Mix McPeak  
Commissioner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. § 56-32-103, an organizational examination was made of the financial condition and affairs of the

**AMERICAN HEALTH PLAN, INC.**  
201 Jordan Road, Suite 200  
Franklin, Tennessee 37067

hereinafter and generally referred to as the “Company” or “AHP”, and a report thereon is submitted as follows:

## **INTRODUCTION**

This examination was arranged by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on April 11, 2017. The examination was an “organizational examination” and was conducted by duly authorized representatives of the TDCI.

## **SCOPE OF EXAMINATION**

This examination was conducted as of April 4, 2017, to determine if the Company has complied with the statutory and regulatory requirements to be issued a Certificate of Authority to establish and operate a “Health Maintenance Organization” (HMO) according to the provisions of Tenn. Code Ann. §§ 56-32-103 and 56-32-104. The examination included the verification of assets and liabilities, and review of organizational documents and plan of operation. The following documents and records of the Company were reviewed:

- Amended and Restated Charter for American Health Plan, Inc.;
- AHP’s Application Filing;
- Written Consents and Resolutions of the Board of Directors (“Board”);

- Biographical affidavits of all directors and officers;
- AHP's proposed Plan of Operation;
- Investment statements; and
- Tri-party Depository Agreement between the Company, the Commissioner of the TDCI, and First Bank.

## **COMPANY HISTORY AND ORGANIZATION**

AHP is a for-profit corporation that was formed in May 2016 and is organized under the laws of the State of Tennessee. It is applying for a certificate of authority to transact business as a HMO in Tennessee, as provided for in the Tennessee Health Maintenance Organization Act of 1986, as amended. It is not licensed as a HMO in any other jurisdiction and has no other licensure application pending.

AHP is a wholly-owned subsidiary of American Health Companies, Inc. (AHC). AHC was organized in February 1984 for the purpose of providing diversified health care services. AHC, through its subsidiaries, owns and operates twenty-nine (29) skilled nursing facilities (SNF), five (5) behavioral health facilities, as well as rehabilitation, nurse practitioner, home health, hospice providers, and a pharmacy. System-wide, AHC provides health care services annually to more than thirteen thousand (13,000) patients in Tennessee. All facilities and services are domiciled and provided in the State of Tennessee, with the exception of one (1) SNF and one (1) behavioral health facility located in Alabama.

The Company filed its Uniform Certificate of Authority Application (UCAA) for licensure with the TDCI on February 10, 2017, and paid the required application fee of \$1,300 prescribed by Tenn. Code Ann. § 56-32-119(1).

Funds in the amount of \$1,500,000 were provided by AHC for capital and surplus, prior to the granting of a Certificate of Authority to write health insurance. Therefore, the minimum surplus requirements of Tenn. Code Ann. § 56-32-112(a) are satisfied.

## **MANAGEMENT AND CONTROL**

### **MANAGEMENT**

#### **Directors**

As provided for in AHP's Bylaws, the Company's business and affairs will be managed under the direction of the Board.

On February 8, 2017, the sole shareholder, AHC, elected the following persons as initial members of AHP's Board:

**Name**

Michael D. Bailey  
Jeffrey Bogle  
Kelly R. Thomas

**Officers**

On February 8, 2017, the Board elected the following persons as initial officers of the Company:

**Name**

Michael D. Bailey  
Jeffrey Bogle  
Robin Bradley

**Office**

Chief Executive Officer and President  
Chief Financial Officer  
Chief Operating Officer and Secretary

Biographical affidavits of all directors and officers were reviewed.

**CONTROL**

AHP is a wholly-owned subsidiary of AHC. The authorized capital stock of the Company shall be comprised of one hundred thousand (100,000) shares of \$.0001 par value per share, for a total of \$10.00 in authorized capital stock.

**CONFLICTS OF INTEREST AND PECUNIARY INTEREST**

The Company has a formal conflict of interest policy to govern the actions of all directors and officers to ensure compliance with Tenn. Code Ann. § 56-3-103. No conflicts of interest had been disclosed at the time of this examination.

## **AFFILIATED COMPANIES**

The following abbreviated organizational chart shows the relationship between the Company's parent, AHC, and its affiliated companies:

### **American Health Companies, Inc.**

American Group Surety, Ltd.

American Health Aviation, Inc.

American Health Fulfillment, Inc.

- AmMed Direct, LLC.

American Health Management Services, Inc.

American Health Partners, Inc.

American Health Pharmacies, Inc.

American Health Plan, Inc.

American Health Properties, Inc.

American Home Care, Inc.

- Homecare, Inc.
  - Carriage Crossing, LLC
  - Quality Home Health, Inc.
  - Tennessee Valley Home Care, Inc.
  - Tri-County Home Health & Hospice, Inc.

AmMed, Inc.

AmPharm Properties, Inc.

AmPharm, Inc.

Applingwood Healthcare Center, Inc.

Applingwood Long Term Facility, Inc.

Behavioral Healthcare Center at Clarksville, Inc.

Behavioral Healthcare Center at Columbia, Inc.

Behavioral Healthcare Center at Huntsville, Inc.

Behavioral Healthcare Center at Martin, LLC.

Behavioral Healthcare Center at Memphis, Inc.

Bethesda Health Care Center, Inc.

Bright Glade Health and Rehabilitation Center, Inc.

Bright Glade Long Term Facility, Inc.

CKT Properties, Inc.

Clarksville Behavioral Facility, Inc.

Clarksville Long Term Facility, Inc.

Clarksville Nursing and Rehabilitation Center, Inc.

Cookeville Long Term Facility, Inc.

Covington Care Nursing and Rehabilitation Center, Inc.

Covington Care Long Term Facility, Inc.

Covington Long Term Facility, Inc.

Covington Health Care and Rehabilitation Center, Inc.

Crestview Health Care and Rehabilitation Center, Inc.  
Crestview Long Term Facility, Inc.  
Cumberland Long Term Facility, Inc.  
Cumberland Health Care and Rehabilitation, Inc.  
Decatur County Health Care and Rehabilitation, Inc.  
Decatur County Long Term Facility, LLC.  
Dyersburg Long Term Facility, Inc.  
Dyersburg Nursing and Rehabilitation, Inc.  
East Tennessee Health Care, Inc.  
East Tennessee Long Term Facility, Inc.  
Forest Cove Long Term Facility, Inc.  
Forest Cove Nursing and Rehab Center, Inc.  
Harbor View Nursing and Rehabilitation Center, Inc.  
Harbor View Properties, Inc.  
Hickory Woods Retirement Center, Inc.  
Humboldt Healthcare and Rehab Center, Inc.  
Huntsville Behavioral Facility, Inc.  
Huntsville Long Term Facility, Inc.  
Jackson Long Term Facility, Inc.  
Lewis County Long Term Facility, Inc.  
Lewis County Nursing and Rehabilitation Center, Inc.  
Lexington Long Term Facility, Inc.  
Lexington Health Care and Rehabilitation, Inc.  
McKenzie Healthcare and Rehabilitation Center, Inc.  
McKenzie Long Term Facility, Inc.  
McNairy County Health Care Center, Inc.  
McNairy County Long Term Facility, Inc.  
Meadowbrook Health and Rehabilitation Center, Inc.  
Meadowbrook Long Term Facility, Inc.  
Millennium Nursing and Rehab Center, Inc.  
Mt. Juliet Health Care Center, Inc.  
Mt. Juliet Long Term Facility, Inc.  
Northbrooke Healthcare and Rehab Center, Inc.  
Northbrooke Long Term Facility, Inc.  
Northside Health Care Nursing and Rehabilitation Center, Inc.  
Northside Long Term Facility, Inc.  
Paris Health Care Nursing and Rehabilitation Center, Inc.  
Paris Long Term Facility, Inc.  
PharmAssist Healthcare, LLC.  
Rehab America, Inc.  
Rosewood Long Term Facility, Inc.  
Rosewood Manor, Inc.

Savannah Health Care and Rehabilitation Center, Inc.  
Savannah Long Term Facility, Inc.  
Senior Living Centers, Inc.  
Spring Hill Long Term Facility, Inc.  
Tennessee Health Management, Inc.  
Tennessee Health Properties, Inc.  
TruHealth, Inc.  
Union City Long Term Facility, Inc.  
Union City Nursing and Rehabilitation Center, Inc.  
VanAyer Healthcare and Rehab Center, Inc.  
VanAyer Long Term Facility, Inc.  
Vanco Long Term Facility, Inc.  
Vanco Health Care and Rehabilitation, Inc.  
Waverly Health Care and Rehabilitation Center, Inc.  
Waverly Long Term Facility, Inc.  
West Tennessee Transitional Care, Inc.  
Westwood Health Care and Rehabilitation Center, Inc.  
Westwood Long Term Facility, Inc.

The Company is a wholly-owned subsidiary of AHC, which provides health care services in Tennessee and Alabama through its direct and indirect subsidiaries. AHC's operations include SNFs, rehabilitation therapy services, pharmacy services, durable medical equipment sales, insurance, geropsych hospitals, home health care, hospice, and assisted living centers.

The Company receives certain management services through a Management Services Agreement with American Health Management Services, Inc., (AHMS) also a wholly-owned subsidiary of AHC. AHMS will provide services including, but not limited to, accounting records and reports, billing and collections, financial and claims administration, legal services, marketing services, rate filings, and regulatory compliance. The Management Services Agreement was approved by the TDCI on April 25, 2017.

## **CORPORATE RECORDS**

### **Charter**

The Amended and Restated Charter of AHP includes amendments to the charter requiring shareholder approval, including but not limited to, changing the name from Transition Health Partners, Inc. to American Health Plan, Inc. Amendments also include adoption of Articles related to the nature of the business of the Company, to engage in the business of operating a HMO, to conduct any other business enterprise not contrary to law, to exercise all of the powers enumerated in the Tennessee

Business Corporation Act, and to exercise all of the powers of a HMO enumerated in Tenn. Code Ann. § 56-32-105. The Amended and Restated Charter was approved by the sole shareholder of the Company on February 3, 2017.

### **Bylaws**

All corporate powers of the Company shall be exercised by and under the authority of, and the business and affairs of the Company shall be managed under the direction of, the Board. All Directors must be natural persons and shall be at least eighteen (18) years of age. The Board shall initially consist of three (3) directors. The exact number of directors, the range for the size of the Board, or whether the size of the Board shall be fixed or variable-range may be set, changed or determined from time to time by the Board. Directors shall be elected by the shareholders at each annual meeting of the shareholders, and each Director shall be elected to serve for a term of one (1) year, or until his or her successor is elected and qualifies; subject, however, to the removal of any Director by the shareholders as provided in the Bylaws.

The annual meeting of the Board shall be each year on the first business day in February, if not a legal holiday, and if a legal holiday, then on the next succeeding business day that is not a legal holiday. Regular meetings of the Board may be held without notice at such time and place as the Board shall determine from time to time, but no less frequently than once a year.

### **Meeting Minutes**

Written consents of the Board were reviewed and found to provide a summary of the actions approved.

## **PROPOSED PLAN OF OPERATION**

Contemporaneous with the filing of an application for licensing with the State of Tennessee, AHP filed an application with the Centers for Medicare and Medicaid Services (CMS) to be approved to offer a Medicare Advantage Institutional Special Needs Plan (I-SNP) in Tennessee for the 2018 plan year.

The I-SNP will offer Medicare Advantage benefits to persons who are patients residing in a SNF and meet the conditions of participation in an I-SNP, including at least ninety (90) days of a continual SNF residence. The I-SNP model of care will allow AHP to provide its members with customized benefit plans and provide for coordinated care across the continuum of their health care service requirements, with the member's SNF at its base. Currently, over one thousand seven hundred (1,700) Tennesseans are patients in SNFs owned indirectly by AHP's parent corporation, AHC.

CMS sets forth the requirements for AHP's marketing materials and activities as a Medicare Advantage plan. CMS has stated in its Marketing Guidelines that producers who sell, solicit or negotiate in relation to Medicare Advantage products must be licensed in accordance with state laws. AHP will only contract with producers who are appropriately licensed under appropriate state laws, including agents doing business in Tennessee. AHP will market only the Medicare Advantage I-SNP plan.

The I-SNP plan will be marketed by fully appointed, licensed, and trained agents employed by the company, as well as independent and licensed insurance brokers. Employed agents are both trained and tested through appropriate industry sales training and testing methodology. Independent brokers are trained by the organization and oversight is provided for both employed and independent agents in accordance with CMS guidelines.

All advertising and marketing activities are conducted in full compliance of Chapter 3 of the Managed Care Manual, revised annually by CMS. Other state requirements for Medicaid-eligible persons may apply.

## STATUTORY DEPOSIT

The Company executed a depository agreement and placed a deposit with the Commissioner of the TDCI pursuant to Tenn. Code Ann. § 56-32-112, on February 24, 2017. The securities are held pursuant to a tri-party Depository Agreement – General Deposit between the Company, the Commissioner of the TDCI, and First Bank. The Company signed the agreement on February 24, 2017, First Bank signed the agreement on February 21, 2017, and the Commissioner signed the agreement on April 5, 2017.

The following table reflects the securities that comprise the Company's statutory deposit held by First Bank in accordance with Tenn. Code Ann. § 56-32-112, confirmed as of April 21, 2017.

<u>Jurisdiction</u>	<u>Description</u>	<u>Par Value</u>	<u>Statement Value</u>	<u>Market Value</u>
Tennessee	Certificate of Deposit, 0.50%, issued 2/21/2017, due 2/21/2019, Certificate # 10301117	\$1,500,000	\$1,500,000	\$1,500,000
Total		<u>\$1,500,000</u>	<u>\$1,500,000</u>	<u>\$1,500,000</u>

## FINANCIAL STATEMENTS

Here follows a statement of assets and liabilities, as of April 4, 2017, based upon the Company's unaudited financial statements, which are prepared according to Generally Accepted Accounting Principles (GAAP).

### ASSETS

Prepaid expenses	\$1,385
Cash	250,000
Statutory Deposit (certificate of deposit)	<u>1,500,000</u>
<b>Total Admitted Assets</b>	<b><u>\$1,751,385</u></b>

### LIABILITIES, SURPLUS, AND OTHER FUNDS

Liabilities	\$71,965
Additional paid-in capital	1,750,000
Retained earnings	<u>(70,580)</u>
Capital and surplus	<u>1,679,420</u>
<b>Total Liabilities, Capital, and Surplus</b>	<b><u>\$1,751,385</u></b>

### Surplus

The Company's surplus is in the form of cash and a long-term certificate of deposit held by First Bank. The certificate of deposit is pledged to the Commissioner of the TDCI, as noted in the "Statutory Deposit" section of this report.

## SUBSEQUENT EVENTS

The statutory deposit noted in the "Statutory Deposit" section of this report was confirmed as of April 21, 2017.

## COMMENTS AND RECOMMENDATIONS

### Comments

None.

### Recommendations

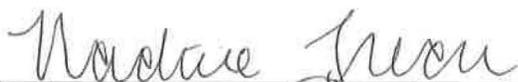
The Company does not have a fidelity bond and other insurance coverage in effect at the date of this examination. It is recommended that the Company obtain and maintain fidelity bond coverage in accordance with Tenn. Code Ann. § 56-32-106. The Company is required to obtain coverage acceptable to the Department prior to their offering the sale of insurance plans.

## CONCLUSION

Through this examination, it was determined that, as of April 4, 2017, the Company had admitted assets of \$1,751,385 and liabilities of \$71,965. Thus, there existed capital and surplus funds of \$1,679,420, which exceeds the \$1,500,000 amount required by Tenn. Code Ann. § 56-32-112(a).

The courteous cooperation of the officers, directors, and employees of the Company and representatives of American Health Companies, Inc. extended during the course of the examination is hereby acknowledged.

Respectfully submitted,



Nadine Treon, CFE  
Examiner-in-Charge  
Noble Consulting Services, Inc.  
Representing the State of Tennessee



Leah Thomas, CFE, AIE, FLMI, MCM  
Insurance Examiner, CFE  
Tennessee Department of Commerce  
and Insurance

## AFFIDAVIT

The undersigned deposes and states that she has duly executed the attached examination report of American Health Plan, Inc. located in Franklin, Tennessee, dated April 25, 2017, and made as of April 4, 2017, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information, and belief.

Nadine Treon

Nadine Treon, CFE  
Examiner-in-Charge  
Noble Consulting Services, Inc.  
Representing the State of Tennessee

State Indiana

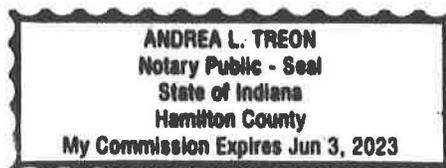
County Hamilton

Subscribed to and sworn before me

this 1 day of June, 2017

Andrea L. Treon  
(NOTARY)

My Commission Expires: June 3, 2023



# AFFIDAVIT

The undersigned deposes and states that she has duly executed the attached examination report of American Health Plan, Inc. located in Franklin, Tennessee, dated April 25, 2017, and made as of April 4, 2017, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further states she is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of her knowledge, information, and belief.



Leah Thomas, CFE, AIE, FLMI, MCM  
Insurance Examiner, CFE  
Tennessee Department of  
Commerce and Insurance

State Tennessee

County Davidson

Subscribed to and sworn before me

this 2nd day of June, 2017



(NOTARY)

My Commission Expires: 6/19/18



# **EXHIBIT B**



June 2, 2017

E. Joy Little  
Director of Financial Examinations/Chief Examiner  
Tennessee Department of Commerce and Insurance  
500 James Robertson Parkway  
Nashville, TN 37243

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**RE: Report of Examination – American Health Plan, Inc.**

Dear Ms. Little:

We hereby acknowledge receipt of the final Report of Examination for **American Health Plan, Inc.** By signing below, we indicate acceptance of the report, as transmitted, and without rebuttal.

Sincerely,

A handwritten signature in cursive script that reads "Michael Bailey".

**Michael Bailey**  
**President and Chief Executive Officer**