

STATE OF ALABAMA
DEPARTMENT OF INSURANCE
MONTGOMERY, ALABAMA

REPORT OF EXAMINATION

OF

DEVOTED HEALTH PLAN OF ALABAMA, INC.
WALTHAM, MASSACHUSETTS

AS OF
JUNE 28, 2021

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EXAMINER'S AFFIDAVIT

STATE OF ALABAMA

COUNTY OF MONTGOMERY

Jennifer A. Haskell, being duly sworn, states as follows:

I have authority to represent Alabama in the examination of Devoted Health Plan of Alabama, Inc.

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


I have reviewed the examination workpapers and examination report, and the examination of Devoted Health Plan of Alabama, Inc. was performed in a manner consistent with the standards and procedures required by the State of Alabama.

The affiant says nothing further.


Jennifer A. Haskell, CFE, CPM, PIR

Subscribed and sworn before me by Jennifer A. Haskell on this 15th day of December 2021.

(SEAL)


(Signature of Notary Public)

My commission expires 3-8-2025



KAY IVEY
GOVERNOR

JIM L. RIDLING
COMMISSIONER

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STATE FIRE MARSHAL
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GENERAL COUNSEL
REYN NORMAN

December 15, 2021

Honorable Jim L. Ridling, Commissioner
Alabama Department of Insurance
201 Monroe Street, Suite 502
Montgomery, Alabama 36104

Dear Commissioner:

Pursuant to your authorization and in compliance with the statutory requirements of the State of Alabama and the resolutions adopted by the National Association of Insurance Commissioners (NAIC), an organizational examination has been conducted of:

**Devoted Health Plan of Alabama, Inc.
Waltham, Massachusetts**

The examination was conducted remotely from the Alabama Department of Insurance office located in Montgomery, Alabama, with support from the Company's external counsel, Asher Kitchings, Esq., Balch & Bingham LLP, in Birmingham, Alabama. The Company's executive office is located at 221 Crescent Street, Suite 202, Waltham, Massachusetts, 02453. The Report of Examination is submitted herewith.

Where the description "Company" appears herein without qualification, it will be understood to indicate Devoted Health Plan of Alabama, Inc.

SCOPE OF EXAMINATION

An organizational examination was conducted pursuant to the instructions of the Alabama Insurance Commissioner and in accordance with the statutory requirements of the *Alabama Insurance Code* and the regulations and bulletins of the State of Alabama Department of Insurance, in accordance with the applicable guidelines and procedures promulgated by the National Association of Insurance Commissioners (NAIC), and in accordance with generally accepted examination standards.

This examination is made from the period beginning May 8, 2020, when the original Certificate of Formation was filed and processed by the Alabama Secretary of State, through June 28, 2021, the date of the Financial Statements. Where deemed appropriate, records and documents subsequent to the as of date, were reviewed.

The Company had not commenced business as of the date of this examination. The examination included an inspection of the Company's records, confirmation of the Company's assets, and obtaining a signed certificate of representation at the examination date.

ORGANIZATION AND HISTORY

Devoted Health Plan of Alabama, Inc. filed its Certificate of Formation (Certificate) with the Alabama Secretary of State (SOS) on May 8, 2020, under the laws of the state of Alabama.

Item 5 stated the Company's purpose as follows: "To operate as a domestic HMO in Alabama and for any other lawful business."

Item 6 stated that the Company was authorized to issue 1,000 shares of \$0.0001 par value stock.

ALA. CODE § 27-21A-12(h) (1975) states: "Each health maintenance organization shall have and maintain a capital account of at least \$100,000 in addition to any deposit requirements under this section. The capital account shall be net of any accrued liabilities and be in the form of cash, securities, or any combination of these or other measures acceptable to the commissioner."

In order to comply with Chapter 21A of the *Alabama Insurance Code*, the Company adopted a Certificate of Restatement of the Certificate (Restatement), on June 18, 2021. The Restatement was filed with the SOS on June 23, 2021.

Article II of the Restatement states: "The purpose for which this Corporation is organized is to serve as a healthcare maintenance organization ("HMO") in accordance with Title 27, Chapter 21A of the Code of Alabama, et seq., and to engage in the transaction of any lawful business for which corporations may be incorporated under the Alabama Business Corporation Law. ... "

Article III, Section 3.1, of the Restatement states: "The total number of shares of all classes of capital stock ("Shares") which the Corporation shall have the authority to issue is One Hundred Thousand (100,000) of common stock, par value \$1.00 per share." Section 3.2, provides that: "The amount of the Corporation's initial capital is One Hundred Thousand and 00/100 Dollars (\$100,000.00), and the amount of the Corporation's initial surplus is Six Hundred Fifty-Two Thousand, Five Hundred and 00/100 Dollars (\$652,500.00). ... "

The Company and its parent, Devoted Health Holdco, LLC, entered into a stock purchase agreement, effective May 8, 2020, for the sale of 100,000 shares of the Company's common stock to its parent for \$752,500. The stock certificate was issued June 28, 2021.

MANAGEMENT AND CONTROL

Stockholders

Devoted Health Plan of Alabama, Inc. is wholly owned by its sole shareholder, Devoted Health Holdco, LLC.

Article II, Section 2.1 of the Company's original Bylaws state:

Annual meetings of shareholders will be held at a place and time on any weekday that is not a holiday and that is not more than one hundred twenty (120) days after the end of the fiscal year of the Company as will be designated by the Board and stated in the notice of the meeting. At such meetings, the

shareholders will elect the Directors of the Company and transact such other business as may properly be brought before the meeting.

Article II, Section 2.1 of the Company's Amended and Restated Bylaws adopted by the Board by unanimous written consent on June 18, 2021, state the same as the original Bylaws dated May 8, 2020.

Directors

On May 8, 2020, by written consent of the incorporator, Paul Jernigan, Esq., the following initial Directors were elected:

<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
Edward Youngjoon Park Newton, MA	Devoted Health, Inc. Chief Executive Officer
Todd Youngsuh Park Los Altos Hills, California	Devoted Health, Inc. Executive Chairman
Jeremy Edward Delinsky Wellesley, Massachusetts	Devoted Health, Inc. Chief Operating Officer
Daniel Quintana Pembroke Pines, Florida	Devoted Health, Inc. Chief of Medicare Markets
Adam Thackery Morristown, New Jersey	Devoted Health, Inc. Chief Financial Officer

On June 18, 2021, the Company's sole shareholder, Devoted Health Holdco, LLC, elected the following to the Board:

<u>Class</u>	<u>Name and Place of Residence</u>	<u>Principal Occupation</u>
I	Sheffield Hoover Young Birmingham, Alabama	Devoted Health, Inc. Market President
II	Todd Youngsuh Park Los Altos Hills, California	Devoted Health, Inc. Executive Chairman
III	Edward Youngjoon Park Newton, Massachusetts	Devoted Health, Inc. CEO

On June 18, 2021, the Directors named above, by unanimous written consent, resolved that the Corporate Secretary should file a Certificate of Restatement of the Certificate of Formation to comply with the requirements of Title 27, Chapter 21A of the Code of Alabama, et seq. For further commentary, see *Organization and History*.

Article IV, Section 4.1 of the Company's Certificate of Restatement states:

The business and affairs of the Corporation shall be managed by, or under the direction of, the Board of Directors. The Board of Directors shall have a minimum of three (3) Directors, at least one-third of which shall always be a natural person of the age of at least nineteen (19) and a bona fide resident of the State of Alabama in accordance with Section 27-27-23 of the Alabama Code. The Corporation's initial Board of Directors shall consist of three (3) persons in three (3) separate classes of equal number designated: Class I, Class II and Class III. ...

The three Directors elected on June 18, 2021, were also listed with the classes as included in the list on the previous page.

Article IV, Section 4.3 provides:

Each director shall serve for a term ending on the date of the third annual meeting following the annual meeting at which such director was elected; provided, however, each director initially appointed to Class I shall serve for an initial term expiring at the Corporation's third annual meeting of shareholders following the effectiveness of this provision; each director initially appointed to Class II shall serve for an initial term expiring at the Corporation's fourth annual meeting of shareholders following the effectiveness of this provision; and each director initially appointed to Class III shall serve for an initial term expiring at the Corporation's fifth annual meeting of shareholders following the effectiveness of this provision; provided further, that the term of each Director shall (i) continue until the election and qualification of a successor, (ii) be subject to such Director's earlier death, resignation or removal and (iii) never be longer than five (5) years unless otherwise permitted by applicable law.

Officers

On May 8, 2020, by written consent of the Company's Board of Directors, the following Officers were elected:

<u>Name</u>	<u>Title</u>
Dariel Quintana	President & Chief Executive Officer
Jeremy Edward Delinsky	Chief Operating Officer & Treasurer
Adam Thackery	Chief Financial Officer
Paul David Jernigan, Esq.	Secretary

On June 18, 2021, by unanimous written consent, the Amended and Restated Bylaws were adopted, confirmed, and approved by the Board.

Article VI, Section 6.1 of the Company's Amended and Restated Bylaws states:

The Board will select a president, a treasurer, and a secretary (collectively, the "***Required Officers***") having the respective duties enumerated below and may select or delegate the power to select such other officers having the titles and duties set forth below that are not reserved for the Required Officers or such other titles and duties as the Board may by resolution from time to time establish (collectively, the "***Non-Required Officers***")...

The unanimous written consent of the Board on June 18, 2021, also resolved that the following were elected, effective immediately:

<u>Name</u>	<u>Title</u>
Dariel Quintana	President
Jeremy Edward Delinsky	Chief Operating Officer & Treasurer
Paul David Jernigan, Esq.	Secretary

See *Subsequent Events* for further details.

According to Section 6.2: “All officers of the Company will serve until their successors are duly selected and qualified or until their earlier death, resignation, or removal from office.”

CORPORATE RECORDS

The Certificate of Formation and Bylaws, both adopted and filed with the Alabama Secretary of State’s Office (SOS) on May 8, 2020, were reviewed as part of this exam. The Company’s Certificate of Restatement of the Certificate of Formation and the Amended and Restated Bylaws, which were adopted by the Company on June 18, 2021, and filed with the SOS on June 23, 2021, were inspected and appear to provide for the operation of the Company in accordance with usual corporate practices and applicable requirements of the *Alabama Insurance Code*.

FIDELITY BOND

ALA. CODE § 27-21A-6(b) (1975) states:

A health maintenance organization shall maintain in force a fidelity bond on employees and officers in an amount not less than \$25,000 or such other sum as may be prescribed by the commissioner. All such bonds shall be written with at least a one-year discovery period and if written with less than a three-year discovery period shall contain a provision that no cancellation or termination of the bond, whether by or at the request of the insured or by the underwriter, shall take effect prior to the expiration of 90 days after written notice of such cancellation or termination has been filed with the commissioner unless an earlier date of such cancellation or termination is approved by the commissioner.

In addition to complying with ALA. CODE § 27-21A-6(b) (1975), the Company should obtain fidelity bond coverage to protect against loss of money or other property sustained through fraudulent or dishonest act(s) that may be committed by its Officers, Directors, and employees, including indirect employees, acting alone or in collusion with others. The amount of the bond should be determined using the exposure index provided in the NAIC *Financial Condition Examiners Handbook*, but not less than the minimum required by with ALA. CODE § 27-21A-6(b).

SPECIAL DEPOSITS

ALA. CODE § 27-21A-12 (1975) states in pertinent part:

a) Unless otherwise provided below, each health maintenance organization shall deposit with the commissioner, or with any organization or trustee acceptable to him through which a custodial or controlled account is utilized, cash, securities, or any combination of these or other measures acceptable to him in the amount set forth in this section.

(b) The amount for an organization that is beginning operation shall be the greater of: (1) five percent of its estimated expenditures for health care services for its first year of operation, (2) twice its estimated average monthly uncovered expenditures for its first year of operation, or (3) \$100,000. At the beginning of each succeeding year, unless not applicable, the organization shall deposit with the commissioner, or organization, or trustee, cash, securities, or any combination of these or other measures acceptable to the commissioner, in an amount equal to four percent of its estimated annual uncovered expenditures for that year.

As of the date of this report, a Certificate of Authority to transact business had not been issued. Once issued, the Company must comply with ALA. CODE § 27-21A-12 (1975).

MINIMUM CAPITAL AND SURPLUS REQUIREMENTS

On May 8, 2020, Devoted Health Holdco, LLC, a wholly owned subsidiary of Devoted Health, Inc. entered into a stock purchase agreement with Devoted Health Plan of Alabama, Inc. On June 28, 2021, common stock consisting of 100,000 shares of one dollar (\$1) par value per share were sold to Devoted Health Holdco, LLC, for an initial purchase price of \$752,500. The transaction resulted in a capital account of \$100,000 and \$652,500 in paid-in surplus.

ALA. CODE § 27-21A-12(h) (1975) states: "Each health maintenance organization shall have and maintain a capital account of at least \$100,000 in addition to any deposit requirements under this section. ..." The Company's capital account complies

with this requirement. See “Note 1” of the *Notes to Financials Statements* for further details.

HOLDING COMPANY AND AFFILIATE MATTERS

Holding Company Registration

ALA. CODE § 27-29-1(6) (1975) states: “INSURANCE HOLDING COMPANY SYSTEM. A system which consists of two or more affiliated persons, one or more of which is an insurer.”

Devoted Health Plan of Alabama, Inc. is a member of the Devoted Health, Inc. Holding Company System and will be subject to the Alabama Holding Company System filing requirements set forth in ALA. CODE § 27-29-1 (1975) and ALA. ADMIN. CODE 482-1-055 (2016). It was noted that a Form B Registration Statement was included with the admission application submitted on the Company’s behalf.

Organizational Chart

The following details the identities of and interrelationships among all affiliated persons within the Devoted Health, Inc. Insurance Holding Company System at June 28, 2021.

Ownership is 100% unless otherwise noted

State law prohibits corporate practice of medicine, as such these entities aren't owned by the parent but operated by Devoted Health Services, Inc.

DMSC-TX is a TX not-profit (not 501(c)(3)) and certified as a not-profit health corporation by the Texas Medical Board. ToddCo is the sole corp member.

Ultimate Controlling Person: Todd Park (CA) (9.03% of shares, but voting control)

Ultimate Controlling Person: Ed Park (VA) (9.03% of shares, but voting control)

All Other Shareholders (81.94%)

Devoted Health, Inc. (DE)
NAIC Group 4924

Devoted Medical, PC (IL)

Devoted Medical Group, PC (FL)

Devoted Medical Group, PLLC (FL)

Devoted Medical Group of Texas, Inc. (TX not-profit)

Devoted Health Holdings, LLC (DE)

Devoted Health MSC, Inc. (DE)

Devoted Health Plan of Florida, Inc. (FL, FL, NAIC No. 16368)

Devoted Health Insurance Company (FL, FL, Life & Health Insurance) NAIC No. 16386

Devoted Health Plan of Texas, Inc. (TX, TX, NAIC No. 16487)

Devoted Health Plan of Arizona, Inc. (AZ, NAIC No. 16814)

Devoted Health Plan of Oklahoma, Inc. (OK, NAIC No. 16734)

Devoted Health Plan of Illinois, Inc. (IL, NAIC No. 16714)

Devoted Health Insurance Company of Illinois (IL, pending)

Devoted Health Plan of Pennsylvania, Inc. (PA)

Devoted Health Insurance Company of Pennsylvania, Inc. (PA pending)

Devoted Health Plan of Alabama, Inc. (AL)

Devoted Health Insurance Company of Alabama, Inc.

Devoted Health Insurance Company of Arizona, Inc. (AZ)

Devoted Health Plan of Hawaii, Inc. (HI pending)

Devoted Health Insurance Company of Hawaii (HI pending)

Devoted Health Plan of North Carolina (NC)

Devoted Health Insurance Company of Nevada (NV)

Devoted Health Plan of Nevada, Inc. (NV)

Devoted Health Insurance Company of Utah (UT)

Devoted Health Plan of Utah (UT)

Devoted Health Insurance Company of Oregon (OR pending)

Devoted Health Plan of Oregon (OR)

Devoted Health Plan of South Carolina, Inc. (SC)

Devoted Health Insurance Company of South Carolina (SC)

Devoted Health Plan of Tennessee (TN pending)

Devoted Health Insurance Company of Tennessee (TN pending)

Devoted Health Plan of Virginia (VA pending)

Devoted Health Insurance Company of Virginia (VA pending)

Devoted Health Insurance Company of Texas (TX pending)

Devoted Health Plan of Washington (WA pending)

Devoted Health Insurance Company of Washington (WA pending)

Devoted Health Plan of Colorado, Inc. (CO pending)

Devoted Health Insurance Company of Colorado (CO pending)

Devoted Health Services, Inc. (DE)

Devoted Medical Group, Inc. (VA)

DHP-FL: CMS contract # is H-1290 and commenced 1/1/16

DHIC (FL): CMS contract # is H6884 and will commence 1/1/22

D-PTX: CMS contract # is H7898 and commenced on 1/1/20.

DHP-AZ: CMS contract # is H8173 and commenced on 1/1/21

DHP-OK: CMS contract # is H6874 and commenced on 1/1/21

DHP-IL: CMS contract # is H7250 and commenced on 1/1/22

MANAGEMENT AND SERVICES AGREEMENTS

Administrative Services Agreement

The Company entered into the Amended and Restated Administrative Services Agreement (the Agreement) on July 19, 2021, under which an affiliate, Devoted Health Services, Inc. (DHSI) agrees to be responsible for performing certain administrative functions for the Company. DHSI will be responsible for managing the business operations and affairs of the Company including the following areas:

- Processing Services
- Reporting Services
- Mailing Services
- TPA Services
- Authorization and Utilization Management Services
- Credentialing Services
- Provider Relations
- Sales and Marketing Services
- Ownership and Use of Data and Database Retention
- Personnel and Facilities
- Costs of Administrative Services
- Initial Provision of Data
- Access to Data
- Service Standard
- Books and Records
- Audit
- Disaster Recovery
- Member Information
- Business Associate Addendum

The initial term of the Agreement shall continue through December 31, 2033, and thereafter renew successive periods of ten (10) years unless notice is provided, or it is terminated pursuant to the terms of the Agreement.

DHSI's compensation "shall be up to fourteen percent (14%) of the sum of (a) the monthly capitation compensation paid by CMS to Plan; and (b) the net amounts collected from or on behalf of Members." According to the terms of the Agreement, amounts are to be billed on or about the 15th of the month following the month for which services are provided and are due and payable upon receipt. Payment is considered delinquent after fifteen (15) days.

Tax Sharing Agreement

The Company became a party to the Tax Sharing Agreement with Devoted Health, Inc. and its affiliates effective May 8, 2020.

The Company is reminded that it must comply with the standards and approval requirements of ALA. CODE § 27-29-5(b) (1975), which states in pertinent part:

The following transactions involving a domestic insurer and any person in its insurance holding company system, including amendments or modifications of affiliate agreements ... may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period... All management agreements, service contracts, tax allocation agreements, guarantees and all cost-sharing arrangements.

The Company is also reminded to comply with the Form D filing requirements for transactions subject to prior notice that are provided in ALA. ADMIN. CODE 482-1-055-.18 (2016).

MARKET CONDUCT ACTIVITIES

Plan of Operation

The Company is seeking licensure as a risk-bearing Health Maintenance Organization (HMO) to provide individual Medicare Advantage HMO plans in the state of Alabama. Before doing so it must make application to and receive approval from the Centers for Medicare and Medicaid Services (CMS).

ALA. CODE § 27-21A-3(a) (1975) requires an application for a Certificate of Authority which is submitted by an HMO, be forwarded to the State Health Officer.

ALA. CODE § 27-21A-3(a)(3) (1975) states: "Within 90 days of receipt of the application for issuance of a certificate of authority, the State Health Officer shall certify to the commissioner that the proposed health maintenance organization meets the requirements of subdivision (a)(2) or notify the commissioner that the health

maintenance organization does not meet such requirements and specify in what respects it is deficient.”

See *Subsequent Events* for further report commentary.

Territory

According to the Company’s Plan of Operation, submitted with its Certificate of Authority Application, the Company intends to offer its individual Medicare Advantage PPO plans in the following Alabama counties:

Autauga	Elmore	Macon
Baldwin	Etowah	Madison
Bibb	Geneva	Marshall
Blount	Greene	Mobile
Bullock	Hale	Montgomery
Calhoun	Henry	Morgan
Chambers	Houston	Randolph
Chilton	Jackson	Russell
Coffee	Jefferson	St. Clair
Colbert	Lauderdale	Shelby
Cullman	Lawrence	Talladega
Dale	Lee	Tuscaloosa
Dallas	Limestone	Walker
Dekalb	Lowndes	

Prior to doing business in these counties, pursuant to ALA. ADMIN. CODE 420-5-6 (1987), the Alabama Department of Public Health (ADPH) must certify to the Insurance Commissioner that the proposed territory, including applications for expansion, meet the requirements of ADPH. In addition, the Company must receive approval from the Insurance Commissioner in accordance with ALA. CODE § 27-21A-3 (1975) and ALA. ADMIN. CODE 482-1-079-.17 (1987).

See *Subsequent Events* for further report commentary.

Marketing

Per the Company's filed Plan of Operation, it will only market individual Medicare Advantage HMO plans directly to Medicare-eligible consumers within its Alabama service area. Policies will cover all mandatory benefits as defined by CMS, along with any CMS-approved supplemental benefits.

The Company plans to market its individual Medicare Advantage HMO plans utilizing both employed and contracted sales representatives in addition to digital and telephonic enrollment. Prior to being appointed by the Company to sell its Medicare Advantage products, all sales representatives and independent insurance brokers will be required to comply with all applicable state licensing and continuing education requirements as well as all CMS requirements, including, but not limited to, scope of appointment and mandatory training and education components.

ALA. CODE § 27-21A-14(a) (1975) states, "Unless exempted pursuant to subsection (c), health maintenance organizations in this state shall only solicit enrollees or otherwise market their services through producers duly licensed in accordance with Chapters 7 and 8A of this title."

As noted above, the Company intends to offer its Medicare Advantage HMO plans pursuant to a contract with CMS. All advertising, sales, and marketing activities must be in accordance with the policies, procedures and regulations promulgated by CMS. CMS will be responsible for monitoring and regulating these activities.

Reinsurance

According to the Company's Plan of Operation, it plans to "obtain and maintain a reinsurance policy to limit Applicant's financial risk for certain claims in excess of a fixed-retention amount." Devoted Health, Inc. obtains reinsurance for its licensed, affiliated HMOs and insurance subsidiaries from American Fidelity Assurance (NAIC # 60410), domiciled in Oklahoma. The proposed reinsurer is authorized in Alabama.

ACCOUNTS AND RECORDS

ALA. ADMIN. CODE 482-1-079-.15 (1987) which states, in pertinent part:

An Alabama domiciled (domestic) HMO shall keep all necessary records in an Alabama location required for the efficient examination of its financial condition and health care delivery system. These records shall include but not be limited to the general ledger and subsidiary ledgers, management contracts, provider contracts, enrollment records, utilization records, group contract records, premium records, quality of care documentation records, and complaint records.

All original evidences of ownership of assets shall be maintained in a suitable Alabama depository and shall be promptly produced upon request by the Commissioner or his examiners. The HMO shall make reasonable arrangements for the safeguarding of its assets which may include safekeeping or trust arrangements with Alabama banks or trust companies. ...

Every domestic HMO shall have, and maintain, its principal place of business and home office in this state and shall keep therein complete records of its assets, transactions, and affairs in accordance with such methods and systems as are customary or suitable as to the kind, or kinds, of business transacted. With the written permission of the commissioner, a domestic insurer may maintain its executive offices outside the State of Alabama and keep there complete records of its assets, transactions, and affairs in accordance with the methods and systems as are customary or suitable for the kind or kinds of insurance transacted. All records kept at the executive offices outside Alabama shall be made available to the commissioner of Alabama upon reasonable notice by the commissioner.

The Corporate Office of ServisFirst Bank, the financial institution currently holding the funds received from the sale of the Company's stock, is located in Birmingham, Alabama. The Company is reminded that it must also comply with the requirements to maintain its records and office in Alabama, in accordance with ALA. ADMIN. CODE 482-1-079-.15 (1987), unless it should obtain written approval from the Commissioner to deviate from the requirements. For further commentary, see *Subsequent Events*.

FINANCIAL STATEMENT INDEX

The Financial Statements included in this report were prepared in conformity with those accounting practices prescribed or permitted by the Commissioner of Insurance for the State of Alabama utilizing Company records and is intended to depict the statutory financial condition of the Company as of June 28, 2021. The information reported therein has been verified by the examiner to the extent deemed necessary. The notes immediately following the Financial Statements in this report are an integral part thereof.

Statement of Assets, Liabilities, Surplus and Other Funds... ..	17
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DEVOTED HEALTH PLAN OF ALABAMA, INC.
Statement of Assets, Liabilities, Surplus and Other Funds
For the Period Ended June 28, 2021

<u>ASSETS</u>	<u>Assets</u>	<u>Non Admitted Assets</u>	<u>Net Admitted Assets</u>
Cash	\$752,500	\$0	\$752,500
Subtotals, cash and invested assets	<u>\$752,500</u>	<u>\$0</u>	<u>\$752,500</u>
 TOTAL ASSETS	 <u>\$752,500</u>	 <u>\$0</u>	 <u>\$752,500</u>
			 <u>\$2,000,000</u>
 <u>CAPITAL AND SURPLUS</u>			
Common capital stock, 100,000 shares of \$1 par value			\$100,000
Gross Paid In and Contributed Surplus			<u>\$652,500</u>
Total Capital and Surplus			\$752,500
 TOTAL LIABILITIES, CAPITAL AND SURPLUS			 <u>\$752,500</u>

THE NOTES IMMEDIATELY FOLLOWING THE FINANCIAL STATEMENTS IN
THIS REPORT ARE AN INTEGRAL PART THEREOF.

NOTES TO FINANCIAL STATEMENTS

Note 1 – Cash, cash equivalents, and short-term investments **\$752,500**

The above captioned amount was confirmed as of June 28, 2021 and determined to be held in an account at ServisFirst Bank. See the *Minimum Capital and Surplus* and *Accounts and Records* sections of this report for further commentary.

ALA. CODE § 27-21A-12(h) (1975) states: “Each health maintenance organization shall have and maintain a capital account of at least \$100,000 in addition to any deposit requirements under this section. The capital account shall be net of any accrued liabilities and be in the form of cash, securities, or any combination of these or other measures acceptable to the commissioner.”

The funds maintained, satisfy the minimum capital and additional surplus requirements pursuant to ALA. CODE § 27-21A-12 (1975).

CONTINGENT LIABILITIES

The corporate and accounting records including those filed for initial incorporation and organization were reviewed. There were no contingent liabilities identified. There were no other records to review as the Company had not commenced business at this time.

SUBSEQUENT EVENTS

The review of events subsequent to June 28, 2021, and up to the date of this report included a general review of the meeting minutes and inquiring of management regarding any significant subsequent events. There were no significant subsequent events identified other than those discussed below.

Appointment of Medical Director and Actuary

On July 1, 2021, by unanimous written consent, the Company’s Board engaged Daniel Quinn, FSA, MAAA as its senior actuary. In this capacity he is responsible for providing “actuarial certifications and other documents necessary for the Corporation to file with the Alabama Department of Insurance, the Centers for Medicare & Medicaid Services, of other regulatory agencies having authority over the Corporation

and shall serve as the appointed actuary for the Corporation until such time as determined by the Board.”

The Board also authorized and engaged, Jeffrey Rickert, MD, to serve as the Medical Director, providing clinical management and oversight services for the Company, “until such time as determined by the Board.” He is also responsible for producing “reports and other documents necessary for the Corporation to file with the Alabama Department of Insurance, Alabama Department of Health, the Centers for Medicare & Medicaid Services, or other regulatory agencies having authority over the Corporation.”

Appointment of Assistant Secretary

On December 2, 2021, by unanimous written consent, the Company’s Board appointed Sheffield Hoover Young, the Company’s resident director, as the Assistant Secretary of the Company.

Executive Office Location

The Company submitted a written request with its application for a Certificate of Authority to temporarily maintain its executive offices outside of Alabama, while maintaining an office in Alabama with a duplicate copy of its records. The office will be managed by Sheffield Hoover Young, the Company’s resident director, who was recently appointed the Company’s Assistant Secretary in order to comply with ALA. ADMIN. CODE 482-1-079-.15 (1987) which states, in pertinent part:

A domestic HMO, for good cause shown and with the written permission of the Commissioner, may maintain its executive offices outside the State of Alabama provided it keeps an office managed by one or more officers of the HMO and keeps a complete duplicate set of records in Alabama and further agrees to make all records at the executive offices outside Alabama available to the Commissioner upon reasonable notice by him.

The request was approved by the Commissioner on December 15, 2021, permitting the Company to maintain its executive office outside of Alabama until December 31, 2024, or such other time as approved by the Commissioner.

Certification of State Health Officer

On October 25, 2021, Felicia Williams-Smith, RN, MSM, Director of Managed Care

Compliance, on behalf of the State Health Officer, Scott Harris, MD, MPH, notified the Department of Insurance that the Company met its requirements for an FMO in the counties listed in "Territory" within the *Market Conduct Activities* section of this report.

COMMENTS AND RECOMMENDATIONS

Fidelity Bond – Page 7

It is recommended that the Company obtain a fidelity bond in an amount determined using the exposure index provided in the NAIC *Financial Condition Examiners Handbook* and which complies with ALA. CODE § 27-21A-6(b) (1975), which states:

A health maintenance organization shall maintain in force a fidelity bond on employees and officers in an amount not less than \$25,000 or such other sum as may be prescribed by the commissioner. All such bonds shall be written with at least a one-year discovery period and if written with less than a three-year discovery period shall contain a provision that no cancellation or termination of the bond, whether by or at the request of the insured or by the underwriter, shall take effect prior to the expiration of 90 days after written notice of such cancellation or termination has been filed with the commissioner unless an earlier date of such cancellation or termination is approved by the commissioner.

Special Deposits – Page 8

It is recommended that upon licensure, the Company deposit with the Commissioner cash and securities having a value of \$100,000 in accordance with ALA. CODE § 27-21A-12 (1975) states in pertinent part:

a) Unless otherwise provided below, each health maintenance organization shall deposit with the commissioner, or with any organization or trustee acceptable to him through which a custodial or controlled account is utilized, cash, securities, or any combination of these or other measures acceptable to him in the amount set forth in this section.

(b) The amount for an organization that is beginning operation shall be the greater of: (1) five percent of its estimated expenditures for health care services for its first year of operation, (2) twice its estimated average monthly uncovered expenditures for its first year of operation, or (3) \$100,000. At the beginning of each succeeding year, unless not applicable, the organization shall deposit with

the commissioner, or organization, or trustee, cash, securities, or any combination of these or other measures acceptable to the commissioner, in an amount equal to four percent of its estimated annual uncovered expenditures for that year.

It is further recommended that the Company make annual deposits in accordance with ALA. CODE § 27-21A-12 (1975), previously cited.

Management and Services Agreements – Page 11

It is recommended that the Company comply with the approval requirements of ALA. CODE § 27-29-5(b) (1975) which states in pertinent part:

The following transactions involving a domestic insurer and any person in its insurance holding company system, including amendments or modifications of affiliate agreements ... may not be entered into unless the insurer has notified the commissioner in writing of its intention to enter into the transaction at least 30 days prior thereto, or such shorter period as the commissioner may permit, and the commissioner has not disapproved it within that period... All management agreements, service contracts, tax allocation agreements, guarantees and all cost-sharing arrangements.

Territory – Page 13

It is recommended that the Company make the appropriate filings and receive necessary approvals for each Service Area before it launches operations or prior to further expansion. Application should be made pursuant to the requirements of ALA. CODE § 27-21A-3 (1975), ALA. ADMIN. CODE 420-5-6 (1987), and ALA. ADMIN. CODE 482-1-079-.17 (1987).

Marketing – Page 14

It is recommended that prior to soliciting business in Alabama, the Company comply with ALA. CODE § 27-21A-14(a) (1975) which states “Unless exempted pursuant to subsection (c), health maintenance organizations in this state shall only solicit enrollees or otherwise market their services through producers duly licensed in accordance with Chapters 7 and 8A of this title.”

It is recommended the Company familiarize itself with Chapters 7 and 8A of Title 27, Code of Alabama, 1975. While Alabama Law is preempted as it relates to Medicare products, this preemption does not extend to issues involving producer licensing, appointment, and conduct.

Accounts and Records – Page 14

It is recommended that the Company comply with the records and asset maintenance requirements of ALA. ADMIN. CODE 482-1-079-.15 (1987) which states in pertinent part:

An Alabama domiciled (domestic) HMO shall keep all necessary records in an Alabama location required for the efficient examination of its financial condition and health care delivery system. These records shall include but not be limited to the general ledger and subsidiary ledgers, management contracts, provider contracts, enrollment records, utilization records, group contract records, premium records, quality of care documentation records, and complaint records. ...

It is further recommended, that should the Company desire to maintain its executive offices outside of Alabama, it obtain written permission from the Commissioner prior to doing so in accordance with ALA. ADMIN. CODE 482-1-079-.15 (1987) which states, in pertinent part:

A domestic HMO, for good cause shown and with the written permission of the Commissioner, may maintain its executive offices outside the State of Alabama provided it keeps an office managed by one or more officers of the HMO and keeps a complete duplicate set of records in Alabama and further agrees to make all records at the executive offices outside Alabama available to the Commissioner upon reasonable notice by him.

CONCLUSION

Acknowledgement is hereby made of the courteous cooperation extended by the management of Devoted Health Plan of Alabama, Inc. and the Company's external counsel, Asher Kitchings, Esq., Balch & Bingham LLP, during the course of the examination.

The customary insurance examination procedures, as recommended by the National Association of Insurance Commissioners, have been followed to the extent appropriate in connection with the verification and valuation of assets and determination of liabilities set forth in this report.

In addition to the undersigned, Jennifer Li, MAAA, ASA, FCA, Senior Life and Health Actuary, representing the Alabama Department of Insurance, participated in the exam.

Respectfully submitted,



Jennifer A. Haskell, MBA, CFE, PIR
Examiner-in-Charge
State of Alabama
Department of Insurance