

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

IN THE MATTER OF:)
)
American Health Network of Indiana, LLC)
10689 N. Pennsylvania Street, Suite 200)
Indianapolis, Indiana 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 2, 2014, 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.

June 19, 2014
Date

Cynthia D. Donovan
Cynthia D. Donovan
Chief Financial Examiner

CERTIFIED MAIL NUMBER: 9214 8901 0661 5400 0033 8655 66

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

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

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, 2010 through December 31, 2012.

The Verified Report of Examination was filed with the Commissioner of the Department of Insurance (hereinafter "Commissioner") by the Examiner on April 10, 2014.

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 2, 2014 and was received by the Company on May 24, 2014.

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, 2012.
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 and Sealed this 19 day of

June, 2014.



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.

A handwritten signature in dark ink, appearing to read "Michael J. [unclear]". The signature is written in a cursive style with a large initial "M" and a long horizontal stroke.

STATE OF INDIANA
Department of Insurance
REPORT OF EXAMINATION
OF

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

As of

December 31, 2012

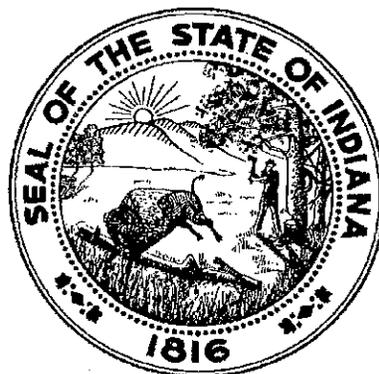


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STATE OF INDIANA

IDOI

MICHAEL R. PENCE, Governor

Indiana Department of Insurance
311 W. Washington Street, Suite 300
Indianapolis, Indiana 46204-2787
Telephone: (317) 232-2385
Fax: (317) 232-5251
Stephen W. Robertson, Commissioner

April 10, 2014

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 3774 an examination has been made of the affairs and financial condition of:

American Health Network of Indiana, LLC
10689 North 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 Company's corporate office 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, 2012, is hereby respectfully submitted.

ACCREDITED BY THE
NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

AGENCY SERVICES (317) 232-2413 COMPANY COMPLIANCE (317) 233-0697 CONSUMER SERVICES (317) 232-2395 EXAMINATIONS/FINANCIAL SERVICES (317) 232-2390 MEDICAL MALPRACTICE (317) 232-2402 SECURITIES/COMPANY RECORDS (317) 232-1991 STATE HEALTH INSURANCE PRO 1-800-332-4674
1-800-622-4461

SCOPE OF EXAMINATION

The Company was last examined by representatives of the Indiana Department of Insurance (INDOI) as of the period ending December 31, 2009. The present risk-focused examination was conducted by Noble Consulting Services, Inc., (Noble) and covered the period from January 1, 2010 through December 31, 2012, 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 and identify prospective risks of AHN by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within AHN, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and Annual Statement instructions, when applicable to domestic state regulations.

All accounts and activities of AHN were considered in accordance with the risk-focused examination process.

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 health care 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 health care costs are controlled through community-based providers in a system of managed competition. Revenues are derived principally from fees the 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 under 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 a new approach to healthcare delivery aimed at providing better care, improving population health, and lowering growth in expenditures by 1) promoting accountability for the care of Medicare beneficiaries, 2) requiring coordination of care for services provided under Medicare Parts A and B, and 3) encouraging investment in infrastructure and redesigned care processes.

GROWTH OF THE COMPANY

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

<u>Year</u>	<u>Admitted Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Total Revenues</u>	<u>Net Income (Loss)</u>
2012	\$ 35,828,701	\$ 25,923,192	\$ 9,905,509	\$ 185,825,141	\$ 429,251
2011	32,533,151	23,233,268	9,299,883	166,955,347	1,645,569
2010	26,623,802	18,401,411	*8,222,391	158,676,601	(825,439)

*Amounts reported on pages 2 and 4.1 of the 2010 Annual Statement were different by \$1 due to rounding.

AHN experienced growth in assets, liabilities, capital and surplus, and total revenues over the examination period. This growth is due to expansion of services into new markets, improvements in current facilities, and further deployment of the electronic health records system. In 2011 and 2012, the Company added more specialists and specialty practices and also continued adding providers to its existing practices.

While the Company experienced a net loss in 2010, it rebounded with net income in both of the subsequent years because of significant increases in revenues from existing and new physician members only partially offset by the costs relating to management and administrative support, as well as start-up costs related to the Company's expansion of services.

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 members.

The following is a listing of persons serving as managers at December 31, 2012, and their principal occupations as of that date:

<u>Name and Address</u>	<u>Principal Occupation</u>
Dana H. Andrews, M.D. Mansfield, Ohio	Physician
Walter P. Beaver, M.D. Noblesville, Indiana	Physician
Ben H. 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, 2012:

<u>Name</u>	<u>Office</u>
Ben H. Park, M.D.	President and Chief Executive Officer
Michael P. Kirschner	Chief Financial Officer
Kristie L. Hill	Secretary and General Counsel

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, 2012.

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

Indiana Code (IC) 27-1-7-7(b) states an annual meeting of Shareholders, Members, or Policyholders shall be held within five (5) months after the close of each fiscal year of the Company and at such time within that period as the Bylaws may provide. For each year under review, the annual meeting of members was held within five (5) months following the close of each fiscal year.

The Company's committee meeting minutes for the examination period, and through the fieldwork date, were reviewed for the following committees: Compensation Committee and Governance Committee.

AFFILIATED COMPANIES

Organizational Structure

The following abbreviated organizational chart shows the Company's upstream affiliates* as of December 31, 2012:

	<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
American Health Network of Indiana, LLC	52623	IN

* Companies are owned 100% except American Health Network of Indiana, LLC is owned 99% by American Health Network of Indiana, Inc. and 1% by American Health Network, 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

This 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 \$10,000,000 for general operating expenses. The current cash management policy 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 payroll, 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 approved by the INDOI and effective August 1, 2000. The Company had a receivable of \$6,520,561 at December 31, 2012, 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 approved by the INDOI in August, 2000. In 2012, the Company was charged \$6,416,644 for management services support.

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. In 2012, the Company paid estimated federal income taxes in the amount of \$834,699.

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 the Travelers Casualty and Surety Company of America. The bond has blanket coverage of \$500,000. The amount meets the prescribed minimum coverage specified by the NAIC.

The Company had additional types of coverage in-force at December 31, 2012, 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 non-qualified deferred compensation plan. The plan was terminated at the end of 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.

STATUTORY DEPOSITS

The Company reported a statutory deposit as of December 31, 2012. 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, 2011 and 2012, were agreed to the respective Annual Statements. The Annual Statements for the years ended December 31, 2010 through December 31, 2012, 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, 2012

	<u>Per Examination*</u>
Bonds	\$ 500,000
Cash, cash equivalents, and short-term investments	45,796
Other invested assets	<u>2,820,422</u>
Subtotals, cash and invested assets	3,366,218
Investment income due and accrued	14,062
Electronic data processing equipment and software	257,639
Furniture and equipment, including health care delivery assets	784,311
Receivables from parent, subsidiaries and affiliates	6,520,561
Health care and other amounts receivable	14,241,136
Aggregate write-ins for other than invested assets	<u>10,644,774</u>
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	35,828,701
Total	<u>\$ 35,828,701</u>

* 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, Capital and Surplus
As of December 31, 2012

	<u>Per Examination*</u>
General expenses due or accrued	\$ 700
Current federal and foreign income tax payable and interest thereon	456,444
Net deferred tax liability	769,537
Borrowed money and interest thereon	105,993
Aggregate write-ins for other liabilities	24,590,518
Total liabilities	<u>25,923,192</u>
Gross paid in and contributed surplus	2,263,211
Unassigned funds (surplus)	7,642,298
Total capital and surplus	<u>9,905,509</u>
Total liabilities, capital and surplus	<u>\$ 35,828,701</u>

* 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, 2012

	Per Examination*
Fee-for-service	\$ 128,586,682
Risk revenue	345,861
Aggregate write-ins for other health care related revenues	56,892,598
Total revenues	185,825,141
Hospital and Medical:	
Other professional services	95,055,601
Outside referrals	3,419,758
Aggregate write-ins for other hospital and medical	50,463,228
Subtotal	148,938,587
Total hospital and medical	148,938,587
General administrative expenses	36,125,867
Total underwriting deductions	185,064,454
Net underwriting gain	760,687
Net investment income earned	111,395
Net realized capital gains less capital gains tax	13,613
Net investment gains	125,008
Net income after capital gains tax and before all other federal income taxes	885,695
Federal and foreign income taxes incurred	456,444
Net income	\$ 429,251

* 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

	2012	2011	2010
Capital and surplus prior reporting year	\$ 9,299,883	\$ 8,222,392	\$ 8,785,558
Net income	429,251	1,645,569	(825,439)
Change in net unrealized capital gains (losses) less capital gains tax	527,360	(493,358)	316,784
Change in net deferred income tax	(70,043)	(105,443)	-
Change in nonadmitted assets	(280,942)	30,723	(54,511)
Net change in capital and surplus	605,626	1,077,491	(563,166)
Capital and surplus end of reporting year	<u>\$ 9,905,509</u>	<u>\$ 9,299,883</u>	<u>\$ 8,222,392*</u>

* Amounts reported on pages 2 and 4.1 of the 2010 Annual Statement were different by \$1 due to rounding.

COMMENTS ON THE FINANCIAL STATEMENTS

There were no recommended adjustments to the financial statements as of December 31, 2012, based on the results of this examination.

OTHER SIGNIFICANT ISSUES

There were no other significant issues identified as a result of this examination.

SUBSEQUENT EVENTS

There were no events subsequent to the examination date and prior to the completion of field work which were considered material events requiring disclosure in this Report of Examination.

AFFIDAVIT

This is to certify that the undersigned is a duly qualified Examiner-in-Charge appointed by the Indiana Department of Insurance and that he, in coordination with staff assistance from Noble Consulting Services, Inc., hereinafter collectively referred to as the "Examiners", performed an examination of American Health Network of Indiana, LLC as of December 31, 2012.

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, 2012, as determined by the undersigned.



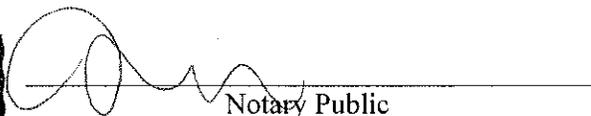
Roy Eft, CFE
Noble Consulting Services, Inc.

State of: Indiana
County of: Marion

On this 5 day of May, 2014, before me personally appeared, Roy Eft, 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