In the Matter of ) No. 15-144
) ) FINDINGS, CONCLUSIONS,
) ) AND ORDER ADOPTING REPORT
) ) OF FINANCIAL EXAMINATION
)

A Domestic Health Care Service Contractor (HCSC).

BACKGROUND

An examination of the financial condition of AMERIGROUP Washington, Inc., (the Company) as of December 31, 2013, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor (HCSC). This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings (See Exhibit A) was transmitted to the Company for its comments on June 3, 2015. The Company’s response to the report is attached to this order (See Exhibit B) only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners’ work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 11 of the report.
CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of AMERIGROUP WASHINGTON, INC., and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-2.

1. The Company is ordered to comply with RCW 48.13.051 by having its Board of Directors (BOD) review and approve the Company's investment policy at least annually. Instruction 1, Examination Report, page 1.

2. The Company is ordered to comply with RCW 48.13.051(4) by revising its investment policy so that investments are required to be managed in an ethical and capable manner. Instruction 2, Examination Report, page 2.

3. The Company is ordered pursuant to RCW 48.05.250 and with WAC 284-07-050(2), which requires adherence to the NAIC Annual Statement Instructions, by completing its MD&A with sufficient and adequate discussion of the reasons for, and drivers of, material account changes. Instruction 3, Examination Report, page 2.

4. The Company is ordered to comply with WAC 284-07-050(2) and the NAIC Annual Statement Instructions by including all elements required in the technical component of the actuarial memorandum. Specifically, the Company should include the analysis from the basic data, (e.g., claim lags) to the conclusions; include an exhibit which ties to the NAIC Annual Statement and compares the actuary's conclusions to the carried amounts; and organize the technical appendices in a manner such that the analysis can be followed from the data to the conclusions. Instruction 4, Examination Report, page 2.
IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 30th day of June, 2015.

MIKE KREIDLER
Insurance Commissioner
June 30, 2015

James T. Odiorne
Chief Deputy Insurance Commissioner
State of Washington Office of Insurance Commissioner
PO Box 40255
Olympia, WA 98504-0255


Dear Chief Deputy Commissioner Odiorne:

This letter is in regards to the draft financial examination report of AMERIGROUP Washington, Inc. as of December 31, 2013. The company has reviewed the report and believes that it to be factually correct and the financial statements have been compared to the 2013 annual statement submitted by the company without exception.

We are including a pdf copy of a few formatting corrections that we believe will make the financial statements easier to follow.

If you have any questions, please do not hesitate to contact me at (206) 695-7081.

Sincerely,

Daryl W. Edmonds
President and CEO
AMERIGROUP Washington, Inc.
### AMERIGROUP Washington, Inc.
**Statement of Revenue and Expenses**
**For the Year Ended December 31, 2013**

**BALANCE PER EXAMINATION ADJUSTMENTS BALANCE PER EXAMINATION**

<table>
<thead>
<tr>
<th>Member months</th>
<th>354,131</th>
<th></th>
<th>354,131</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net premium income</td>
<td>$143,033,340</td>
<td>$0</td>
<td>$143,033,340</td>
</tr>
<tr>
<td>Change in unearned premium reserves and reserve for rate credits</td>
<td>($5,105,737)</td>
<td>0</td>
<td>($5,105,737)</td>
</tr>
<tr>
<td>Total revenues</td>
<td>139,928,603</td>
<td>0</td>
<td>139,928,603</td>
</tr>
</tbody>
</table>

**Hospital and Medical:**
- Hospital/medical benefits: $69,631,126
- Other professional services: $2,150,814
- Aggregate write-ins for other hospital and medical: $1,490,742
- Emergency room and out-of-area: $14,027,875
- Prescription drugs: $21,988,363
- Incentive pool, withhold adjustments and bonus amounts: $689,265
- Subtotal: 109,978,184

**Total hospital and medical:** $109,978,184

**Claims adjustment expenses:** $0
**General administrative expenses:** $0
**Total underwriting deductions:** $129,931,682
**Net underwriting gain or (loss):** $3,993,921
**Net investment income earned:** $960,264
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**Capital and Surplus Account**

| Capital and surplus prior reporting year | $335,710,722 | $0 | $335,710,722 |
| Net income or (loss): | 2,512,131 | | 2,512,131 |
| Change in net unrealized capital gains (losses): | $120,400 | | $120,400 |
| Change in net deferred income tax: | 711,188 | | 711,188 |
| Change in nonadmitted assets: | 2,169,761 | | 2,169,761 |
| Net change in capital & surplus: | 5,513,488 | 0 | 5,513,488 |
| Capital and surplus end of reporting period: | $341,224,210 | $0 | $341,224,210 |

**Net income or (loss) after capital gains tax and before all other federal income taxes:** $4,884,975
**Federal and foreign income taxes incurred:** $2,372,844
**Net income or (loss):** $2,512,131
### AMERIGROUP Washington, Inc.
#### Two Year Reconciliation of Surplus
For the Years Ended December 31,

<table>
<thead>
<tr>
<th>Description</th>
<th>2013</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital and surplus prior reporting year</td>
<td>$30,197,234</td>
<td>$30,053,115</td>
</tr>
<tr>
<td>Net Income or (loss)</td>
<td>2,517,131</td>
<td>(4,882,711)</td>
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<tr>
<td>Change in net unrealized capital gains (losses)</td>
<td>120,408</td>
<td>0</td>
</tr>
<tr>
<td>Change in net deferred income tax</td>
<td>711,188</td>
<td>2,629,373</td>
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<tr>
<td>Change in nonadmitted assets</td>
<td>2,169,761</td>
<td>(4,102,314)</td>
</tr>
<tr>
<td>Surplus adjustments:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Paid in</td>
<td>0</td>
<td>33,501,771</td>
</tr>
<tr>
<td>Net change in capital &amp; surplus</td>
<td>5,518,488</td>
<td>27,146,319</td>
</tr>
<tr>
<td>Capital and surplus end of reporting year</td>
<td>$35,715,722</td>
<td>$30,197,234</td>
</tr>
</tbody>
</table>