

REPORT ON EXAMINATION AS TO CONDITION OF

HEALTH NETWORK ONE OF NEW JERSEY, LLC

2001 SOUTH ANDREWS AVENUE

FORT LAUDERDALE, FL 33316

AS OF DECEMBER 31, 2023

NAIC COMPANY CODE 15014

FILED

JUN 27 2025

**COMMISSIONER
NJ DEPT OF BANKING & INSURANCE**

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State of New Jersey

DEPARTMENT OF BANKING AND INSURANCE

DIVISION OF INSURANCE

OFFICE OF SOLVENCY REGULATION

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JUSTIN ZIMMERMAN

Commissioner

May 28, 2025

Honorable Justin Zimmerman
Commissioner of Banking & Insurance
State of New Jersey
20 West State Street
P.O. Box 325
Trenton, New Jersey 08625

Commissioner:

In accordance with the authority vested in you by N.J.S.A. 17:48H-17, an examination has been made relative to the affairs of the:

Health Network One of New Jersey, LLC.
2001 South Andrews Avenue
Fort Lauderdale, FL 33316
NAIC Company Code 15014

A licensed organized delivery system (LODS) duly authorized to transact business of insurance in the State of New Jersey. Hereinafter, Health Network One of New Jersey, LLC. will be referred to in this report "the Company" or "HNONJ".

SCOPE OF EXAMINATION

This risk-focused examination was called in accordance with by N.J.S.A. Section 17:48H-17 to evaluate the business, affairs and operations of HNONJ. The Department of Banking and Insurance (“NJDOBI” or “Department”) will conduct this examination under the authority granted by N.J.S.A. Section 17:48H-17.

The examination was made as of December 31, 2023, and addressed the five-year period from January 1, 2019, to December 31, 2023. The examination was conducted remotely. During this five-year period under examination the Company’s assets increased by \$506,622 to \$3,062,654 from \$2,556,032. Liabilities increased by \$403,952 to \$621,268 from \$217,316. Capital and surplus increased by \$102,670 to \$2,441,386 from \$2,338,716.

The examination was conducted in accordance with the 2023 edition of the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook) and followed regulatory procedures prescribed or permitted by the NJDOBI. The scope of this examination was based upon the focus of certain specific key risk areas as determined by a risk assessment analysis. Risks were assessed based upon its impact to the Company’s present and future financial condition. An assessment of the Company’s management, corporate governance and information systems was utilized to identify, control, assess and manage its business and financial reporting risks.

HISTORY

HN1 Therapy Network of New Jersey, LLC. (TNNJ) was organized on June 17, 2011 as a Florida Limited Liability Company to provide therapy services (occupational, speech and physical) to members enrolled in health plans who contracted with TNNJ to provide such services. On October 12, 2012, TNNJ was granted a license by the NJDOBI to provide ODS services in accordance with N.J.S.A. 17:48H-2, with no restrictions on the service area in which it could operate.

On August 18, 2023, TNNJ requested approval to execute a name change to HNONJ. The name change was filed with the Department of Treasury, State of New Jersey on October 25, 2023. On September 13, 2023, the Office of Managed Care approved the name change. On September 19, 2023, the Company filed Articles of Amendment to the Articles of Organization of TNNJ with the Division of Corporations at the Centre of Tallahassee. A Certificate of Amendment was filed with the New Jersey Division of Revenue & Enterprises Services in accordance with N.J.S.A. 42:2C-10 filed on October 25, 2023, and the business name was amended.

On August 24, 2023, Form A Change in Control Order No. A23-06 approved the proposal by H.I.G. Health Network One, L.P., H.I.G. Capital Partners VI, L.P., H.I.G. Advisors VI, LLC, H.I.G. GP II, Inc., Dorado GP, LLC, Anthony Tamer, Sami Mnaymneh, (collectively, the “H.I.G. Applicants”), Dorado Health Holdings, LLC, Dorado Parent Holdings, L.P., Dorado Intermediate, Inc., Dorado Acquisition, Inc. and Dorado Health Intermediate Holdings, LLC. (collectively, the “Dorado Applicants” and together with the H.I.G. Applicants, the “Applicants”) to acquire control of HNONJ, by acquiring its direct parent, HN1 Therapy Network, LLC, (“TN” or “Sole Member”, subject to stated conditions. The acquisition transaction closed on December 30, 2023.

STATUTORY DEPOSITS

As of December 31, 2023 the Company, reported a deposit held with TD Bank with a market value of \$861,376, satisfying its regulatory Deposit, requirement for LODS under N.J.A.C. 11:22-4.8 (e). (See NOTES TO FINANCIAL STATEMENTS Note 1)

TERRITORY AND PLAN OF OPERATION

HNONJ's business relies on a direct sales approach to market and produce business. The Company targets large financially sound health insurance carriers for which it provides occupational, speech and physical therapy services to the carrier's members and relies on the number of members within each of the Company's provider plans. HNONJ is licensed to operate throughout the entirety of the State of New Jersey. The Company's sole contract to provide such services is with Wellpoint New Jersey, Inc. (Wellpoint NJ), formerly known as Amerigroup New Jersey (Amerigroup NJ), a health maintenance organization (HMO) regulated by the NJDOBI. Amerigroup NJ became Wellpoint NJ effective January 1, 2024.

Services are provided through an independent network of contractual providers which are located throughout the State of New Jersey.

REINSURANCE

The Company does not assume or cede business under any type of reinsurance arrangement.

CORPORATE RECORDS

A validation of the Company's Articles of Organization was completed without exception.

The Company's accounting books and records are maintained at its statutory home and administrative office located at 2001 South Andrews Avenue Fort Lauderdale, Florida 33316. Financial information needed in conjunction with the controls established for certain risks and the verification of assets and the determination of liabilities were made available in detail and summary form.

The registered agent upon whom process may be served is Alberto Rodriguez.

The Company produces its general ledger by utilizing Microsoft Dynamics 365 application on the Microsoft Azure platform. The general ledger was reviewed, tested, and reconciled to the 2023 annual statement.

The Company utilizes Global Delivery System (GDS), HS1 Medical Management, Inc. (HS1) d.b.a. Health System One, and third party software application proprietary systems to provide enrollment processing for business applications, member services, provider administration, utilization management, claims processing, and other core medical management functions.

MANAGEMENT AND CONTROL

The business, property and affairs of the Company are under the direction of its management and its Board of Managers (Board) Members. The Company complied with the provisions of its Operating Agreement. The Board met at least quarterly to discuss administrative functions, strategies and other pertinent executive decisions and documented those meetings.

In each year of the examination period, the Company filed requests to be exempted from the requirements of N.J.S.A. 17:27A-4(d)(3) and N.J.S.A. 17:27A-4(d)(4). N.J.S.A. 17:27A-4(d)(3) requires that the Company's board of directors otherwise consist of at least 1/3 independent directors, while N.J.S.A. 17:27A-4(d)(4) requires that the Company's board of directors otherwise have at least one committee comprised of independent members to select and review the work performed by the Company's CPA firm, nominate candidates for director, and evaluate the performance and determine the compensation of Company officers. For each year of the examination period, the Company ultimately received the Department's non-disapproval for exemption from N.J.S.A. 17:27A-4(d)(3) and N.J.S.A. 17:27A-4(d)(4); the exemptions were granted by the Department on the grounds that the Company satisfied criteria set forth under N.J.S.A. 17:27A-4(d)(6), namely the Company's risk revenue was less than \$300,000,000 in each year considered.

Officers and Board Members serving the Company as of December 31, 2023, are as follows:

<u>Board Member</u>	<u>Office Held</u>
Luis Mosquera	Chief Executive Officer
Martin Bilowich	President
Alberto Rodriguez	Chief Financial Officer, Treasurer, Secretary
Robert Leahy	Assistant Treasurer and Secretary

CORPORATE GOVERNANCE

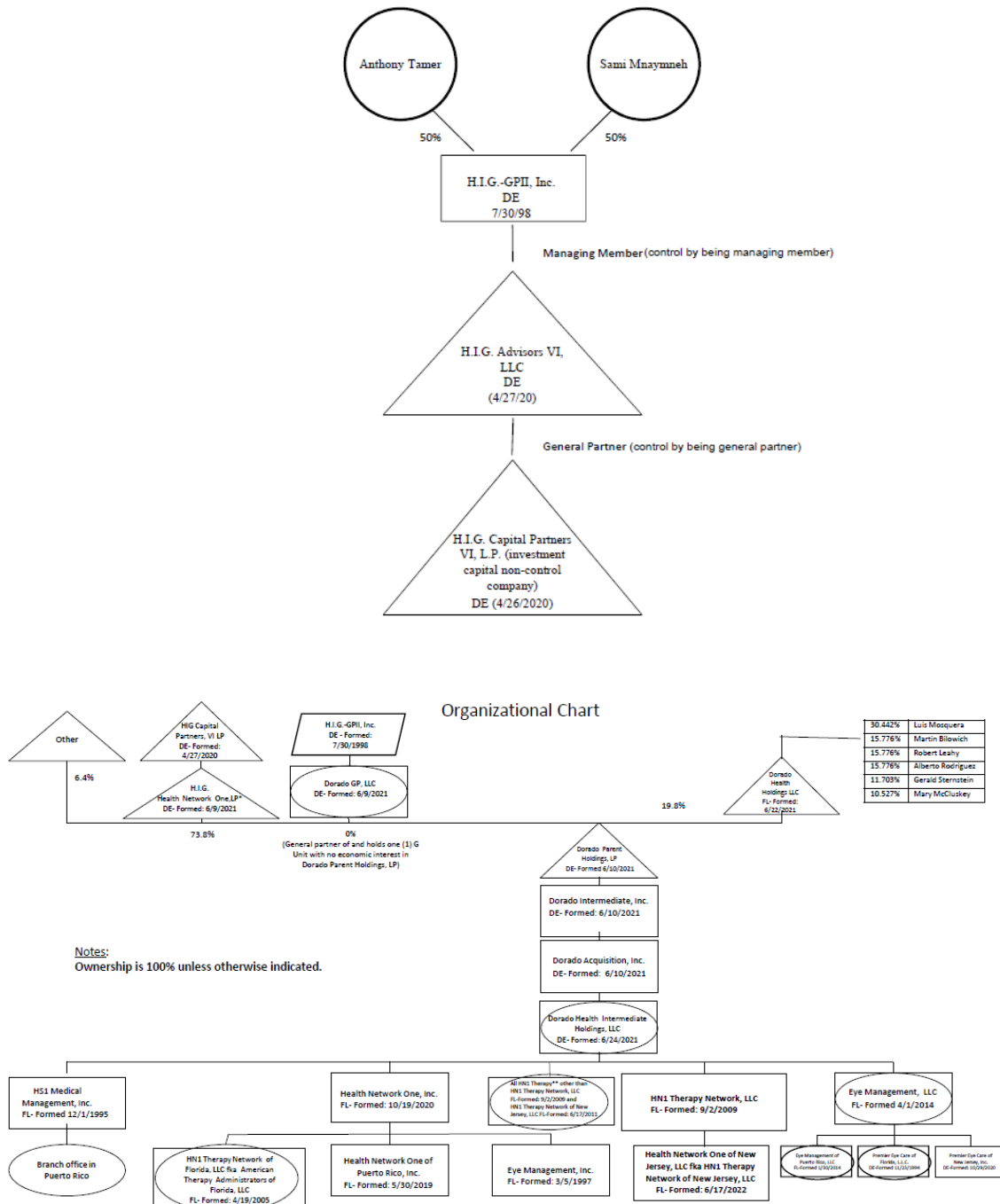
A review was performed of the Company's Corporate Governance structure, utilizing Exhibit M of the Handbook as guidance. The review included an assessment of the Board and executive management. Overall, it was determined that the Company's Corporate Governance structure was found to be effective. The Board appears to provide effective oversight of the Company. Numerous members of the management team were interviewed. Management appears committed to the long-term strategic initiatives.

REGULATION ON INSURANCE HOLDING COMPANY SYSTEMS

The Company is a member of a holding company system, as such systems are defined by N.J.S.A. 17:27A-1. Accordingly, the Company has filed with the State of New Jersey an insurance holding company registration, as is required under N.J.S.A. 17:27A-3. HNONJ is wholly owned by TN, and the Company is listed as an affiliate with a number of other affiliates as indicated in the following abbreviated organizational chart:

Included below is a partial organizational chart.

Upstream Organizational Chart Structure



Notes:
Ownership is 100% unless otherwise indicated.

*Means that no entity or individual holds 10% or more
**See page 3 for HN1 Therapy entities held by Dorado Health Intermediate Holdings, LLC

INTERCOMPANY AGREEMENTS

The Sole Member was organized on September 2, 2009, as a Limited Liability Company under the Florida Limited Liability Company Act (the Act). TN and HNONJ (collectively “the Group”) are operated by its individual members and Sole Member, respectively, in a manner consistent with the default provisions included in the Act. TN is presently a holding company and an administrative services company.

Administrative Agreement

Effective October 1, 2015, the Company entered an Administrative Agreement with TN to provide operational oversight, document filings, and other administrative services to support its network (Wellpoint NJ) business. In exchange for services provided, the Company will pay 1% of the capitation revenue earned on the WellPoint NJ contract to TN. The management fees incurred by the Company aggregated to \$42,292 for the twelve months ended December 31, 2023.

Administrative Services Agreement

HS1 Medical Management, Inc. (HS1), a licensed third-party administrator (TPA) performs certain services on HNONJ’s behalf, including but not limited to those related to: claims processing, information systems, quality controls, credentialing, utilization management, employee salaries (connected with the services provided within the contract), office rent and leasing, liability and property office insurance, telephone and communication, equipment, supplies and other miscellaneous office expenses. The Company pays HS1 \$0.27 per member per month in exchange for the services HS1 provides, based on the enrollment and capitation revenue received from the WellPoint NJ Plan. The fees for the TPA services incurred by the Company aggregated to \$906,195 for the twelve months ended December 31, 2023.

Federal income tax obligations and deductions are borne by the Company’s parent, TN. As a single member limited liability company, the Company is considered a *disregarded entity* for federal income tax purposes.

The Company did not pay distributions to its Sole Member during the period under examination, other than a \$1,031,000 distribution made to such Sole Member on May 17, 2022.

POLICY ON CONFLICTS OF INTEREST

The Company has adopted a policy statement on conflicts of interest. All employees are required to disclose all potential or actual conflicts of interests and to promptly act to eliminate the conflict based on the Company’s determination. The Company annually monitors and provides the Conflict of Interests Policy/Procedure, its Code of Conduct and the Acknowledgment of Training Compliance Plan. This is also provided to new employees at the time of hire who must review and sign them upon hire and annually thereafter.

CONTINUITY OF OPERATIONS

The Company maintains a continuity of operations and disaster plan which encompasses all critical business processes under Information Technology (IT) Services. The Company utilizes offsite remote access for its processing functions in the case of a system shut down. The Company replicates data through a backup facility in Atlanta, Georgia to ensure remote access through encryption methods. The Company tests its disaster recovery plan at least annually.

INFORMATION SYSTEMS

Information systems were reviewed. The IT examination team's procedures considered a customized range of IT risks contained within the NAIC Exhibit C Part 2 Work Program, focusing on both IT governance and IT operational controls. Overall, the IT examination team concluded the Company's IT General Controls (ITGCs) are Effective, resulting in the conclusion that ITGCs are reliable for the purposes of this financial examination.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company maintains a \$1,000,000 group crime policy contained within the Management Liability policy referenced below. This fidelity coverage is deemed adequate to satisfy the minimum amounts of fidelity insurance coverage as suggested by the NAIC exposure index. The Company also maintains additional insurance coverages in effect as of December 31, 2023, for the following:

- Managed Care E&O
- Management Liability
- Excess D&O
- General Liability
- Umbrella Liability
- Property
- Cyber Liability Primary
- Cyber Liability Excess

FINANCIAL STATEMENTS AND OTHER EXHIBITS

<u>Exhibit - A</u>	Statement of Assets, Liabilities and Unassigned Funds as of December 31, 2023
<u>Exhibit - B</u>	Summary of Operations for the Five-Year Period Ended December 31, 2023
<u>Exhibit - C</u>	Surplus Account for the Five-Year Period Ended December 31, 2023

Health Network One of New Jersey, LLC
Balance Sheet as of December 31, 2023
Exhibit A

	Current Examination <u>12/31/2023</u>	Balance per Company <u>12/31/2023</u>	Examination Change	Notes
<u>Assets</u>				
Cash, cash equivalents, and short-term investments	\$ 3,037,734	\$ 3,037,734	\$ -	1
Receivables from parent, subsidiaries and affiliates	24,920	24,920		
Total admitted assets	<u>\$ 3,062,654</u>	<u>\$ 3,062,654</u>	<u>\$ -</u>	
<u>Liabilities and Surplus</u>				
Claims unpaid	\$ 449,314	\$ 449,314	\$ -	2
Accrued medical incentive pool and bonus amounts	120,141	120,141	-	
Unpaid claims adjustment expense		-	-	
Aggregate health policy reserves		-	-	
Aggregate health claims reserves		-	-	
General expenses due and accrued	46,545	46,545	-	
Amounts due to parent, subsidiaries, and affiliates	5,269	5,269	-	
Rounding	<u>(1)</u>	<u>(1)</u>	-	
Total liabilities	<u>\$ 621,268</u>	<u>\$ 621,268</u>	<u>\$ -</u>	
Gross paid-in and contributed surplus	129,754	129,754	-	
Unassigned funds	<u>2,311,632</u>	<u>2,311,632</u>	-	
Total capital and surplus	<u>\$ 2,441,386</u>	<u>\$ 2,441,386</u>	<u>\$ -</u>	3
Total liabilities, capital and surplus	<u>\$ 3,062,654</u>	<u>\$ 3,062,654</u>	<u>\$ -</u>	

Health Network One of New Jersey, LLC
Summary of Revenue and Expenses for the Five-Year Period Ending December 31, 2023
Exhibit B

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
<u>Total Revenues:</u>					
Risk Revenue	\$ 4,229,231	\$ 4,245,568	\$ 4,010,646	\$ 3,372,225	\$ 2,664,631
Total Revenue:	<u>4,229,231</u>	<u>4,245,568</u>	<u>4,010,646</u>	<u>3,372,225</u>	<u>2,664,631</u>
<u>Underwriting deductions:</u>					
Other professional services	2,857,626	2,515,400	2,026,831	1,343,110	1,383,068
Incentive pool, withhold adjustments and bonus payments	133,333	158,332	200,000	268,167	98,492
Claims adjustment expenses	199,898	150,223	133,485	54,443	192,323
General administrative expenses	1,142,295	1,255,589	1,303,920	1,179,067	852,703
Rounding				(1)	
Total underwriting deductions	<u>4,333,152</u>	<u>4,079,544</u>	<u>3,664,236</u>	<u>2,844,786</u>	<u>2,526,586</u>
Net underwriting gain (loss)	(103,921)	166,024	346,410	527,439	138,046
Net investment income earned	24,929	251	249	4,927	1,474
Roudning	-	-	-	-	(1)
Net investment gains (losses)	<u>24,929</u>	<u>251</u>	<u>249</u>	<u>4,927</u>	<u>1,473</u>
Aggregate write-ins for other income or expenses	-	-	-	-	-
Net gain (loss) after capital gains tax and before all other federal income taxes	(78,992)	166,275	346,659	532,366	139,519
Federal and foreign income taxes incurred					
<u>Net income (loss)</u>	<u>\$ (78,992)</u>	<u>\$ 166,275</u>	<u>\$ 346,659</u>	<u>\$ 532,366</u>	<u>\$ 139,519</u>

Health Network One of New Jersey, LLC
Capital and Surplus Account for the Five-Year Period Ending December 31, 2023
Exhibit C

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus prior reporting	\$ <u>2,520,377</u>	\$ <u>3,362,015</u>	\$ <u>3,010,602</u>	\$ <u>2,478,235</u>	\$ <u>2,338,716</u>
Net income	(78,992)	166,275	346,659	532,366	139,519
Change in paid-in capital			4,754		
Dividends to stockholders		(1,031,000)			
Aggregate write-ins - Adjustment -		23,087	-	-	
Capital Prior Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in capital and surplus for	<u>(78,992)</u>	<u>(841,638)</u>	<u>351,413</u>	<u>532,366</u>	<u>139,519</u>
Rounding	1			1	
Capital and surplus end of reporting	\$ <u><u>2,441,386</u></u>	\$ <u><u>2,520,377</u></u>	\$ <u><u>3,362,015</u></u>	\$ <u><u>3,010,602</u></u>	\$ <u><u>2,478,235</u></u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Cash and Short-Term Investments

The following securities were held on special deposit by the State of New Jersey on behalf of the Company at December 31, 2023:

<u>Deposit Description</u>	<u>Statement Value</u>	<u>Market Value</u>
Savings Account-TD Bank	\$ 863,542	\$ 861,376

Note 2 – Claims Unpaid and Unpaid Claims Adjustment Expenses

The Company reported a total of \$449,314 at December 31, 2023, for claims unpaid and unpaid claims adjustment expenses as of December 31, 2023.

Thomas Grivakis, F.S.A, M.A.A.A., of Wakely Consulting Group, LLC, appointed by the Board, rendered an unqualified opinion on the reasonable provision for the claims unpaid liability including estimates of claim payments related to claims incurred on or before December 31, 2023, for the Company.

NJDOBI contracted with Margaret R. Hermann, FSA, MAAA, Life/Health Actuary, of The INS Companies, to review the HNONJ 2023 Actuarial Report who agreed the HNONJ's loss reserves and actuarial liabilities were reasonably stated.

Summarized below are the recorded estimates which were included in the Examination Actuary's review:

Claims unpaid	\$449,314
Accrued medical incentive pool and bonus amount	<u>120,141</u>
Total	<u>\$569,455</u>

Actuaries from The Department's Office of Life and Health performed a review and evaluation of the outstanding gross and net loss and loss adjustment expense reserves. This review determined the year-end loss provisions established by the Company were reasonably stated.

Note 3 – Capital and Surplus

The Company reported capital and surplus at December 31, 2023, of \$2,441,386 which consisted of \$129,754 of Gross paid in and contributed surplus and unassigned funds (surplus) of \$2,311,632. As such and pursuant to N.J.A.C. 11:22-4.8(a), HNONJ's met the required minimum capital and surplus level of \$227,199 as of December 31, 2023.

SUMMARY OF EXAMINATION RECOMMENDATIONS

The Company did not comply with N.J.A.C. 11:2-26.7(c) when it changed external auditors from Palacio, Palacio, Zimmerman, LLP to Crowe LLP beginning with the audit as of December 31, 2021. Going forward, the Company should comply with the provisions of when changing external auditors N.J.A.C. § 11:2-26.7(c).

SUBSEQUENT EVENTS

On January 25, 2024, NJDOBI approved the application to expand the network to include limited scope vision providers in all 21 counties. The Department determined that HNONJ's network of vision providers satisfies network adequacy standards. Pursuant to N.J.S.A. 17:48H-6 and N.J.A.C. 11:24B-2.6, under New Jersey law, changes in operations are subject to prior review and approval, therefore, the Department must be notified of any additions or terminations of contractual arrangements with carriers.

CONCLUSION

The undersigned hereby certifies that an examination has been made of HNONJ and the foregoing report is true to the best of my knowledge and belief.

Respectfully Submitted,

Colette M. Hogan

Colette M. Hogan, CFE, MCM
Examiner-in-Charge
The INS Companies
Representing the New Jersey Department of
Banking and Insurance

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

HEALTH NETWORK ONE OF NEW JERSEY, LLC

I, Colette M. Hogan, do solemnly swear that the foregoing report of examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2023, to the best of my knowledge and belief.

Respectfully Submitted,

Colette M. Hogan

Colette M. Hogan, CFE, MCM
Examiner-in-Charge
The INS Companies

Under the supervision of:

Nancy Lee Chice

Nancy Lee Chice, CFE
CFE Reviewer – Supervising Examiner
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, Sheila M. Tkacs on
this 28th day of May, 2025.

Sheila M. Tkacs
Notary Public of New Jersey

My commission expires: July 2025