

**REPORT ON EXAMINATION AS TO CONDITION OF**

**AMERICHoice OF NEW JERSEY, INC.**

**ISELIN, NJ 08830**

**AS OF DECEMBER 31, 2023**

**NAIC GROUP CODE 707**

**NAIC COMPANY CODE 95497**

**FILED**

**May 9, 2025**

**Commissioner**

**New Jersey Department**

**Of**

**Banking and 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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*Commissioner*

May 1, 2025

Honorable Justin Zimmerman  
Commissioner of Banking and Insurance  
Department of Banking and Insurance  
State of New Jersey  
20 West State Street  
Trenton, New Jersey 08625

Commissioner:

Pursuant to the Revised Statutes of the State of New Jersey, an examination has been made of the condition and affairs of the assets and liabilities, method of conducting business and other affairs of:

**AMERICHoice OF NEW JERSEY, INC.**  
**ISELIN, NJ 08830**  
**GROUP CODE 707**  
**NAIC COMPANY CODE 95497**

A domestic health maintenance organization (HMO) duly authorized to transact business of insurance in the State of New Jersey. Hereinafter, AmeriChoice of New Jersey, Inc. will be referred to in this report as "the Company" or "AMCNJ".

## **SCOPE OF EXAMINATION**

This risk-focused examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter “NJDOBI” or “Department”) to the authority granted by N.J.S.A. Section 26:2J-18.1 of the New Jersey Revised Statutes.

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 admitted assets increased by \$195,317,282 to \$923,427,108 from \$728,109,826. Liabilities increased by \$79,780,798 to \$453,181,654 from \$373,400,856. Capital and surplus increased by \$115,536,484 to \$470,245,454 from \$354,708,970, per the examination as of December 31, 2023.

The examination was part of the coordinated examination of UnitedHealth Group (UHG) conducted by the Connecticut Insurance Department (CID) and facilitated by the Nebraska Department of Insurance (NEDOI). The examination was conducted in accordance with the 2023 edition of the National Association of Insurance Commissioners (NAIC) Financial Condition Examiners Handbook (Handbook). This examination for common subject matter, relied upon CID’s review of Information Technology (IT) General Controls (ITGCs) and Corporate Governance and NEDOI’s identification of risk classifications and inherent risks of key functional activities. NEDOI was also responsible for the preparation of risk matrices that identify controls and risk mitigation strategies. Finally, NEDOI determined residual risk and prepared substantive test procedures deemed necessary. The examination also included 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.

According to the Handbook, “One of the increased benefits of the enhanced risk focused approach is to include consideration of other than financial risks that could impact the insurer’s future solvency. By utilizing the risk focused approach, the examiners reviewed the “financial” and “enterprise” risks that existed at the examination “as of” date and will be positioned to assess “financial” and “enterprise” risks that extend or commence during the time the examination was conducted and “prospective” risks which are anticipated to arise or extend past the point of examination completion. Using this approach, examiners will be better positioned to make recommendations for appropriate future supervisory plans (i.e., earlier statutory exams, limited-scope exams, key areas for financial analysts to monitor, etc.) for each insurer.”

All accounts and activities of the Company were considered in accordance with the risk focused examination process. The examination report only addresses regulatory information revealed by the examination process in accordance with the NAIC Handbook. All other financial matters were reviewed and determined not to be material for discussion in this report.

## **COMPLIANCE WITH PRIOR REPORT ON EXAMINATION RECOMMENDATIONS**

A review was made to ascertain what actions were taken by the Company with regard to comments and recommendations in the prior report on examination.

The prior examination adjusted capital and surplus to \$262,014,790 which was \$21,252,580 less than the amount reported by the Company. The decrease was due to examination changes to certain asset and liability accounts, which ultimately affected the capital and surplus account. The Company reported an asset for Net Deferred Tax Assets in the amount of \$9,073,582 which was \$5,649,420 less than the amount determined by the examination of \$14,723,002. The Company reported a net liability for Aggregate Health Policy Reserves of \$15,609,000 at December 31, 2018, which was \$26,902,000 less than the amount determined by the examination of \$40,811,000.

The prior examination recommended the Company accurately report Premium Deficiency Reserves (PDR) for the liability account Aggregate Health Policy Reserves in future annual statements. The Company reported \$63,411,000 of PDR in 2019 as additional policy reserves, and no premium deficiency reserves were reported in 2020, 2021 and 2022. The Company reported PDR of \$7,651,206 at December 31, 2023. See NOTES TO FINANCIAL STATEMENTS Note 3 for the current examination assessment.

## **HISTORY**

The Company is domiciled in the State of New Jersey, possessing a Certificate of Authority from the Department allowing it to transact Medicaid business in all twenty-one counties of the State of New Jersey. The Company uses such authority to contract with the State of New Jersey, Division of Medical Assistance and Health Services (DMAHS) as a Managed Care Organization, whereby it provides comprehensive healthcare coverage to enrollees in the State's NJ FamilyCare, CHIP, and Fully Integrated DSNP programs.

The Company is a wholly owned subsidiary of AmeriChoice Corporation (AmeriChoice). It has no subsidiaries and its affiliates include UnitedHealthcare Community Plan of Georgia, Inc. (NAIC No. 13168 HMO), UnitedHealthcare Community Plan, Inc. (NAIC No. 95467 HMO), UnitedHealthcare of New York, Inc. (NAIC No. 95085 HMO), Three Rivers Holdings, Inc. (25-1825549), Unison Health Plan of Delaware, Inc. (20-5917714 MCO), UnitedHealthcare Community Plan of Ohio (NAIC No. 12323 HMO), and UnitedHealthcare of Pennsylvania, Inc. (NAIC No. 95220 HMO). AmeriChoice is a Delaware corporation with its principal executive offices and books and records located at 185 Asylum Street, Hartford, CT. The Company was incorporated in the State of New Jersey on October 17, 1994.

Effective September 30, 2002, the Company's parent was acquired by UHG. UHG issued 5.3 million shares of common stock with a fair value of approximately \$480 million in exchange for 93.5% of the outstanding common stock. UHG also issued vested stock options with a fair value of approximately \$15 million in exchange for outstanding options held by AmeriChoice employees and paid cash of approximately \$82 million. During 2007, UHG acquired the remaining minority interest for \$43.9 million.

## **STATUTORY DEPOSITS**

As of December 31, 2023, the Company reported Insolvency Claim Deposits and Administrative Expense Deposits with a combined book value of \$427,393,347; such deposits are required in accordance with N.J.A.C. 11:24-11.4(a), (b), and (d). (See NOTES TO FINANCIAL STATEMENTS Note 1)

## **TERRITORY AND PLAN OF OPERATION**

ACNJ was licensed as an HMO and became operational in October 1994. The Company's current service area encompasses all of New Jersey's 21 counties, and the Company does not operate in any state other than New Jersey. The Company reported a total of 399,545 members as of December 2023.

The Company membership during the examination period was:

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Medicaid	399,545	421,421	401,930	374,015	418,865

## **REINSURANCE**

The Company does not assume or cede any business under any reinsurance arrangements.

## **CORPORATE RECORDS**

As a member of a holding company group, the Company utilizes common systems for recording its transactions. The general ledger system is Oracle PeopleSoft with maintains GAAP, statutory and Medical Loss ratio (MLR) data. The Company uses Eagle Wings filing software to produce its statutory Annual Statements. The books and records of the Company are maintained in Hartford, Connecticut.

The UHG staff were able to respond to the vast majority of examiners' inquiries timely and professionally. Examiners executed procedures mandated by the Handbook including review of Board meeting minutes, articles of incorporation and other significant financial records such as quarterly and annual statement filings and the general ledger.

The minutes of the Board and the AmeriChoice Corporation Audit Committee meetings held during the period of examination were reviewed and found to be in accordance with their provisions in the Company's By-Laws. The review indicated that transactions and events of the Company were adequately approved and supported.

## **MANAGEMENT AND CONTROL**

The business and affairs of the Company shall be managed by or under the direction of the Board of Directors (Board).

### **Directors**

According to the Amended and Restated By-Laws of the Company effective July 1, 2014, the number of Directors of the Company shall be determined from time to time by the Board but in no case shall the number of directors be less than one. As of December 31, 2023, the Board consisted of four directors.

All transactions and actions taken by the officers of the Company on its behalf are ratified by the Board and by the Company shareholders at the Annual Shareholders Meeting.

Directors duly elected and serving at December 31, 2023, together with their principal business affiliations, are presented as follows:

<u>Name</u>	<u>Principal Occupation</u>
Michael Lester Cotton	Region Chief Executive Officer C&S Executive Administration
Samuel Thomas George	Health Plan Chief Executive Officer Community & State (C&S) East Region
Tameeka Lashell Smith	Health Plan Chief Executive Officer C&S East Region
Scott Douglas Waulters	Health Plan Chief Executive Officer C&S Central Region

### Officers

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

<u>Name</u>	<u>Office</u>
Samuel Thomas George	President
Bryn Searns	Secretary
Peter Marshall Gill	Treasurer
Jeffrey Brian Snelling	Jeffrey Brian Snelling
Heather Anastasia	Assistant Secretary
Nyle Brent Cottington	Vice President

### Committees

The Board may designate one or more committees, each committee to consist of one or more directors. The AmeriChoice Corporation Audit Committee is the designated audit committee for AMCNJ and five other controlled insurers as contemplated by the Charter of the Audit Committee and pursuant to the Annual Financial Reporting Regulations of the National Association of insurance Commissioners, as adopted by the relevant states (the Model Audit Rule). The AmeriChoice Audit Committee reviews the Company's financial statements, internal accounting procedures and reports to the Board with respect to other accounting and auditing matters, which includes the selection of independent auditors, the scope of annual audits, fees to be paid to the independent auditors and the performance of the independent auditors.

The UHG Audit Committee only reviews consolidated results and does not review local financial results unless specifically requested. However, should negative or adverse developments be noted by the AmeriChoice Audit Committee, these results are discussed during UHG Audit Committee meetings.

N.J.S.A. 17:27A-4d(3) states, "Not less than one-third of the domestic insurer, and not less than one-third of the members of each committee of the board of directors of any domestic insurer, shall be persons who are not officers or employees of that insurer or of any entity controlling, controlled by, or under common control with, that insurer and who are not beneficial owners of a controlling interest in the voting securities of that insurer or any such entity. At least one such person shall be included in any quorum for the transaction of business at any meeting of the board of directors or any committee thereof."

N.J.S.A. 17:27A-4d(4) states, “The board of directors of a domestic insurer shall establish one or more committees comprised solely of directors who are not officers or employees of the insurer or of any entity controlling, controlled by, or under common control with, the insurer and who are not beneficial owners of a controlling interest in the voting securities of the insurer or any such entity. The committee shall be responsible for recommending the selection of independent certified public accountants, reviewing the insurer’s financial condition, the scope and results of the independent audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be principal officers of the insurer and recommending to the board of directors the selection and compensation, including bonuses or other special payments, of the principal officers.”

N.J.S.A. 17:27A-4d(5) states, “The provisions of paragraphs (3) and (4) of this subsection d. shall not apply to a domestic insurer if the person controlling the insurer is an entity having a board of directors and committees thereof that substantially meet the requirements of those paragraphs.”

The Company satisfies the requirements of N.J.S.A. 17:27A-4d(5) since its ultimate parent, UHG meets the requirements of this statute.

## **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, Executive Management, Internal Audit function, and the Business Risk Management function. Overall it was determined that the Company’s Corporate Governance structure was found to be effective with the following observations:

Board of Directors – The United Healthcare Board of Directors appears to provide effective oversight of the organization. The Board is independent and has a number of subcommittees in place to address key strategic issues. There appears to be an appropriate “tone at the top”, and ethical standards are promoted throughout the Company.

Executive Management – Numerous members of the management team were interviewed. Management appears committed to the long-term strategic initiatives. In addition, management takes a conservative approach to accepting risks.

Internal Audit – Both internal and external resources are utilized to perform this function. Ernst & Young is contracted to provide the bulk of the annual internal audit hours. This provides the Company with a source of well-qualified personnel that are independent and has substantial expertise.

Enterprise Risk Management (ERM) – The Company has an ERM function which coordinates the identification and mitigation of risks across the entire organization. There are ERM owners embedded within the business segments responsible for identifying key risks and documenting mitigation strategies. The ERM team identifies gaps and works with management to ensure action plans are implemented.

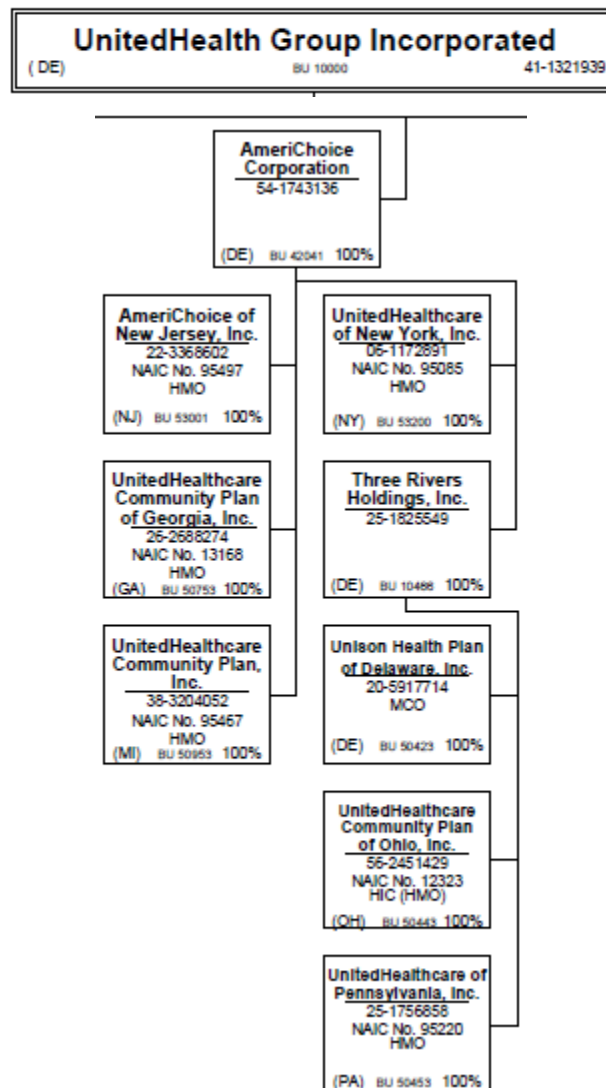


## **REGULATION ON INSURANCE HOLDING COMPANY SYSTEMS**

The Company is a member of an insurance holding company system as defined by N.J.S.A. 17:27A-1. The Company is a wholly owned subsidiary of AmeriChoice Corporation (AmeriChoice). AmeriChoice designs and operates health benefits systems with Medicare and Medicaid products. AmeriChoice serves more than 2 million individual consumers as members of its health service systems, across 21 states. AmeriChoice is a majority owned subsidiary of UnitedHealth Group, Inc. UHG is one of the largest publicly held stock companies providing health coverage in the United States. The Company's and AmeriChoice's stock are not actively traded.

A review of the Company's holding company registration statement indicated that the Company was in compliance with N.J.S.A. 17:27A-3, Sections a-j, requiring registration of those insurers who qualify as determined by N.J.S.A. 17:27A-1.

Included below is a partial organizational chart.



## **INTERCOMPANY AGREEMENTS**

### **Management Services Agreement**

Effective March 1, 2011, AMCNJ entered into a Management Services Agreement with United HealthCare Services, Inc. (UHS). This Management Services Agreement superseded and replaced the Management Services Agreement with AmeriChoice Health Services, Inc. effective January 12, 2006. Pursuant to the Management Services Agreement, UHS provides management and operational support to AMCNJ including but not limited to those services described in Exhibit A of the Management Services Agreement. This Management Services Agreement includes additional services as compared to the previous Management Services Agreement, such as disease management, health care decision support and wellness management. The Management Services Agreement was submitted for review and approval to the Department on January 28, 2011, and a letter of non-disapproval was issued on February 16, 2011.

Effective January 1, 2015, AMCNJ entered into the First Amendment to the Management Services Agreement with UHS. The Amendment reflects modifications in the Third-Party Administrator and Other Services Provisions, Medicare Provisions and Medicaid – Other State Program Provisions. The updates to the Agreement are being made to comply with AMCNJ's regulatory requirements. The First Amendment was submitted to the Department on November 13, 2014, and a letter of disapproval was issued on January 14, 2015.

Effective March 1, 2017, AMCNJ entered into the Second Amendment to the Management Services Agreement with UHS. The Amendment implements an updated methodology for calculating management fees, deletes and replaces Exhibit A, Exhibit B, and Addendum B-3 their entirety. The Second Amendment was submitted to the Department of Banking and Insurance on January 25, 2017, and a letter of non-disapproval was issued on February 15, 2017.

Pursuant to the terms of a Management Agreement, UHS will provide management services to the Company under a fee structure, which is based on a direct charge representing UHS' expenses for services or use of assets provided to the Company. Direct expenses not included in the management agreement, such as broker commissions, DOI examination fees, and premium taxes, are paid by UHS on behalf of the Company. UHS is reimbursed by the Company for these direct expenses. Management believes that its transactions with affiliates are fair and reasonable; however, operations of the Company may not be indicative of those that would have occurred if it had operated as an independent company. The Company has premium payments that are received and claim payments that are processed by an affiliated UHG entity. Both premiums and claims applicable to the Company are settled at regular intervals throughout the month via the intercompany settlement process and any amounts outstanding are reflected in amounts due to parent and affiliates in the accompanying statutory basis statements of admitted assets, liabilities, and capital and surplus.

The associated management fees for this agreement during the 2023 calendar year were \$169,236,647.

### Tax Sharing Agreement

The fully executed Mutual Termination Agreement, effective as of March 1, 2019, by and between UHG, AmeriChoice Corporation, AmeriChoice Health Services, Inc. (AHS) and AMCNJ and a letter withdrawing the original Amendment One to the First Restated Tax Sharing Agreement was filed on January 31, 2019.

On March 5, 2019, AMCNJ entered into the intercompany Tax Sharing Agreement with UHG, which established a formal method for the allocation and payment of federal, state and local income tax liabilities related to the consolidated federal tax returns of UHG and its subsidiaries filed each year. On March 25, 2019, the Department issued a non-disapproval letter pursuant to N.J.S.A. 17:27A-4.

The tax liability associated with the Agreement for the calendar year 2023 was \$31,731,551.

### Health Supplies Agreement

AMCNJ participates in a Health Supplies Agreement with UHS and OptumRx to provide access to the Personal Health Products catalogue for UHS and its affiliates.

On January 1, 2019, Amendment X was entered into between UHS and OptumRx. Amendment X deletes and replaces Exhibit B, Compensation and Exhibit D, Legal Entities. The Amendment XI and Participating Addendum were both submitted for review and approval to the Department on November 30, 2018, and a non-disapproval letter was issued on January 7, 2019.

On March 1, 2019, Amendment XI was entered into between UHS and OptumRx. Amendment XI deletes and replaces Exhibit B, Compensation, and adds language for clarification surrounding the discount correlating with the Health Products Benefit Debit Card. The amendment also revised the definition of “Covered Supplies” and removed language regarding a Year – End reconciliation. The Amendment XI and Participating Addendum were both submitted for review and approval to the Department on January 30, 2019, and a non-disapproval letter was issued on February 21, 2019.

Effective November 25, 2020, UHS and OptumRx entered into the First Amended and Restated Master Ancillary Health Services Agreement (“The Restated Agreement”). The Restated Agreement and Participating Addendum were both submitted for review and approval to the Department on November 25, 2020, and a non-disapproval letter was issued on April 9, 2021.

Effective January 1, 2022, UHS and OptumRx entered into the Second Amended and Restated Agreement. The Restated Agreement and Participating Addendum were both submitted for review and approval to the Department on November 8, 2021. A non-disapproval letter was issued by the Department on April 6, 2022.

During the calendar year ended December 31, 2023, AMCNJ paid \$43,331,498 for the services described in this agreement.

J.P. Morgan – Investment Manager Agreement for Short-Term Investment Pool The Northern Trust Company – Insurance Company Master Custody Agreement

The Investment Manager Agreement for Short-Term Investment Pool was entered into September 1, 2011, by and between AMCNJ and JP Morgan. While the Agreement obligation is between UHS and JP Morgan, it was filed because UHS and other affiliates of UHS and AMCNJ also choose to participate in this Agreement. The purpose of the Agreement is to allow UHS and other affiliates of UHS (Participants) including but not limited to AMCNJ to utilize a short-term investment pool account to invest cash on behalf of the Participants. JP Morgan will be managing the short-term investment pool.

Effective May 1, 2011, the Northern Trust Company will hold the assets of the short-term investment pool account in a custodial account on behalf of the Participants as described in the Insurance Company Master Custody Agreement (the “Custody Agreement”). The Agreement was submitted for review and approval to the Department on July 15, 2011, and a non-disapproval letter was issued on August 2, 2011. The Custody Agreement was submitted at the same time for informational purposes only.

Prescription Drug Benefit Administration Agreement (Medicaid)

Effective November 1, 2016, OptumRx, Inc. (OptumRx) and UHS entered into the Third Amended and Restated Prescription Drug Benefit Administration acting on behalf of its affiliates including but not limited to AMCNJ. AMCNJ was added as a participant by signing a Participating Addendum effective November 1, 2016.

UHS and its affiliates as identified on Exhibit B, collectively known as (“United”), negotiated the Agreement with OptumRx, pursuant to which OptumRx is responsible for establishing and maintaining a network participating pharmacies, prescription drug claims processing services and general administrative support as to the prescription drug benefit covered for Members enrolled with the various managed care organizations under contract with United, including Members enrolled with the AMCNJ. The Agreement applies to Registrants’ Medicaid and CHIP members. AMCNJ remains ultimately responsible for assuring coverage of all prescription drug benefit services to its members. The Agreement and the Participating Addendum were submitted for review and approval to the Department on September 28, 2016, and a non-disapproval letter was issued on October 24, 2016.

Effective August 1, 2019, UHS and OptumRx entered into the Eighth Amendment to the Agreement. AMCNJ began participating in the Eighth Amendment by entering a Participating Addendum effective August 1, 2019. The Eighth amendment has updated information and rates regarding the Bundle Clinical Programs, Enhanced Clinical Programs and Clinical Prior Authorization Services and added information regarding the Medication Therapy Management Program and Monthly Medicaid Machine Readable (JSON) Files and URL’s, along with some other minor updates. Furthermore, Prior Authorization Services previously provided by UHS is now performed by OptumRx. The Eighth Amendment and Participating Addendum were filed with the Department of Banking and Insurance for review and approval on June 4, 2019, and was a non-disapproval on July 3, 2019.

The Ninth Amendment did not impact AMCNJ. Effective November 1, 2019, UHS and OptumRx entered into the Tenth Amendment to the Agreement. The Tenth Amendment

and Participating Addendum were filed with the Department for review and approval on September 25, 2019, and were subsequently non-disapproved on May 29, 2020.

The Eleventh and Twelfth Amendments did not impact AMCNJ. Effective February 1, 2020, UHS and OptumRx entered into the Thirteenth Amendment to the Agreement. The Thirteenth Amendment and Participating Addendum were filed with the Department of Banking and Insurance for review and approval on December 30, 2019, and were subsequently non-disapproved on November 17, 2020.

Effective September 1, 2020, AMCNJ entered into UHS and OptumRx entered into the Fourteenth Amendment to the Agreement (the “Fourteenth Amendment”). The Fourteenth Amendment and Participating Addendum were filed with the Department of Banking and Insurance for review and approval on July 27, 2020, and were subsequently non-disapproved on January 8, 2021. The Fifteenth Amendment through the Twentieth Amendments did not impact AMCNJ. Effective January 1, 2021, AMCNJ entered in with UHS and OptumRx into the Twenty First Amendment to the Agreement (the “Twenty First Amendment”). The Twenty First Amendment deleted and replaced Exhibit B and Exhibit C and replaced C-21 for New Jersey Medicaid. The Twenty First Amendment and Participating Addendum were filed with the Department of Banking and Insurance for review and approval on November 25, 2020, and were subsequently non-disapproved on October 26, 2021.

The Twenty Second Amendment through the Twenty Nineth Amendment did not affect AMCNJ. Effective January 1, 2022, AMCNJ entered into Thirtieth Amendment with United HealthCare Services, Inc. and OptumRx, Inc. The Thirtieth Amendment to the Third and Amended and Restated Prescription Drug Benefit Agreement (the “Thirtieth Amendment”). The Thirtieth Amendment and Participating Addendum were filed with the Department for review and approval on December 1, 2021, and was approved on April 18, 2022, by the Department.

The Twenty Third Amendment did not affect AMCNJ. Effective January 1, 2023, AMCNJ entered into Thirty - Fourth Amendment with United HealthCare Services, Inc. and OptumRx, Inc. The Thirty - Fourth Amendment to the Third and Amended and Restated Prescription Drug Benefit Agreement. The Thirty-Fourth Amendment deleted and replaced Exhibit B, Exhibit C-21 for New Jersey, and Exhibit G. The Thirty- Fourth Amendment and Participating Addendum were filed with the Department for review on November 21, 2022, and a letter of non-disapproval was issued on December 16, 2022.

During the calendar year ended December 31, 2023, AMCNJ paid \$414,826,927 for the services described in this Agreement.

Effective January 1, 2024, the Agreement was replaced and superseded with the Fourth Amended and Restated Drug Benefit Administration Agreement listed below.

Effective January 1, 2024, OptumRx and UHS entered into the Fourth Amended and Restated Prescription Drug Benefit Administration Agreement. AMCNJ became a participant to the Agreement via the execution of the Participating Addendum effective January 1, 2024. Pursuant to the terms of the Agreement, the Agreement is for pharmacy benefit management and administrative services for pharmacy related services to AMCNJ’s Medicaid members. The Agreement was filed with the Department for review and approval on November 13, 2023. The Fourth Amended and Restated (Medicaid)

Prescription Drug Benefit Administration Agreement by and between OptumRx, UHS, and AMCNJ was non-disapproved by the Department on November 4, 2024.

#### Facility Participation Agreement – Specialty for the Pharmacy Benefit

Effective July 1, 2018, AMCNJ entered into the Facility Participation Agreement (FP Agreement). Pursuant to the FP Agreement, OptumRx is acting as a specialty pharmacy provider. OptumRx is providing the specialty pharmacy medications covered under the member's pharmacy benefits. The Department non-disapproved the FP Agreement on June 29, 2018. The FP Agreement is an FFS arrangement.

#### Accountable Care Organization Agreement

Effective April 1, 2022, AMCNJ entered into an Accountable Care Organization Agreement (ACO Agreement) for Incentive Programs with Riverside Pediatric Group, P.C. d/b/a Riverside Medical Group to compensate the medical group for achieving specific objective measures in the delivery of care to AMCNJ's Medicaid members who reside and receive services in New Jersey. The Department non-disapproved the ACO Agreement on August 2, 2022.

Effective April 1, 2023, AMCNJ entered into the First Amendment Agreement to the ACO Agreement for Incentive Programs and to compensate the medical group for achieving specific objective measures in the delivery of care. The Department non-disapproved the First Amendment on March 24, 2023.

During the calendar year ended December 31, 2023, AMCNJ paid \$9,723,602 for the services described in the ACO Agreement.

#### Behavioral Health Services Agreement

On May 18, 2021, AMCNJ submitted a request for prior approval of the Second Amendment to Behavioral Health Services Agreement (BHS Agreement) with United Behavioral Health (UBH) for the provision of mental health and substance abuse services for AMCNJ's members. The filing was made pursuant to N.J.S.A. 17:27A-4 and supplemented per N.J.A.C. 11:1-35. The Department issued a non-disapproval letter on April 6, 2022.

Effective July 1, 2021, AMCNJ entered into the Second Amendment to the BHS Agreement. The Department non-disapproved the Second Amendment on April 6, 2022.

During the calendar year ended December 31, 2023, AMCNJ paid \$5,457,098 for the services described in the BHS Agreement.

#### Administrative Services Agreement

Effective June 1, 2011, AMCNJ entered into an Administrative Services Agreement with March Vision Group Incorporated (March Vision). Pursuant to the Agreement March is responsible for claims processing and other administrative functions related to its vision services, as well as managing a network of vision providers to provide vision services to AMCNJ's members.

The Administrative Services Agreement and the subsequent seven amendments were entered prior to AMCNJ and OHPNJ and March becoming affiliates and therefore were not submitted to the Department. There were no amendments to the Administrative Services Agreement during the examination period.

During the calendar year ended December 31, 2023, AMCNJ paid \$12,209,745 for the services described in this agreement.

#### Retrospective Fraud and Abuse Services Agreement

Effective April 1, 2009, AMCNJ entered into a Retrospective Fraud and Abuse Services Agreement with Ingenix, Inc. (now known as OptumInsight). Pursuant to the Agreement; OptumInsight provides AMCNJ retrospective investigations and recovery for overpayments. The Agreement was submitted for review and approval to the Department on March 5, 2009, and a letter of non-disapproval was issued on March 20, 2009.

During the calendar year ended December 31, 2023, AMCNJ paid \$4,546,866 for the services described in this agreement.

#### Network Services Agreement

Effective November 1, 2022, AMCNJ entered into a Third Amendment to the Network Services Agreement with OptumHealth Care Solutions, LLC. The transaction is the Third Amendment to the Physical Health Services Agreement for the provision of physical health services for AMCNJ's Medicaid members. The Third Amendment was submitted for review and approval to the Department on September 14, 2021, and a non-disapproval letter on August 30, 2022. The filing was made pursuant to N.J.S.A. 17:27A-4 and supplemented per N.J.A.C. 11:1-35.10.

During the calendar year-end December 31, 2023, AMCNJ paid \$664,146 for the services described in this agreement.

#### Dental Services Agreement

Effective August 1, 2013, AMCNJ entered into a Dental Services Agreement (DS Agreement) with Dental Benefit Providers, Inc. (DBP), that superseded and replaced the Claims Services Agreement effective July 31, 2023. DBP is responsible for managing a network of dental providers, claims processing and other administrative functions to provide dental services for AMCNJ's Medicaid and Medicare members. On May 16, 2013, the Division of Medical Assistance and Health Services approved the DS Agreement, and it was resubmitted to the Department and non-disapproved on October 23, 2023.

Effective January 1, 2014, AMCNJ entered into the First Amendment to the DS Agreement. The Department non-disapproved the DS Agreement on November 20, 2013.

Effective January 1, 2015, AMCNJ entered into a Second Amendment to the DS Agreement. The Department non-disapproved the DS Agreement on January 5, 2015.

Effective January 1, 2016, AMCNJ entered into a Third Amendment to the DS Agreement. The Department non-disapproved the DS Agreement on December 9, 2015.

Effective May 1, 2017, AMCNJ entered into a Fourth Amendment to the DS Agreement. The Department non-disapprove the DS Agreement on March 20, 2017.

During the calendar year ended December 31, 2023, AMCNJ paid \$4,802,024 for the services described in the DS Agreement.

#### Promissory Note

On January 30, 2023, AMCNJ submitted a request for approval of a Promissory Note Agreement between United HealthCare Services, Inc. and AMCNJ under which AMCNJ (Borrower) and United HealthCare Services, Inc. (Lender) the aggregate principle amounts that may be outstanding at any time shall not exceed \$250 million. The filing was made pursuant to N.J.S.A. 17:27A-4 and supplemented per N.J.A.C. 11:1-35.10. The Department issued a non-disapproval letter on March 16, 2023, and AMCNJ may proceed with the transaction effective as of April 1, 2023.

#### Capital and Surplus Guaranty

Effective November 5, 2002, a Guaranty was made by UHG on behalf of AMCNJ. This Guaranty was created at the request of the Department in their letter dated September 24, 2002.

#### Dividends

On November 19, 2020, AMCNJ submitted a request for approval to pay an ordinary dividend of \$35,000,000 to its parent, AmeriChoice, on or about December 21, 2020. On January 26, 2021, the Department issued a non-disapproval letter for AMCNJ to pay the ordinary dividend with an effective date of November 19, 2020.

On August 18, 2021, AMCNJ submitted a request for approval to pay an ordinary dividend of \$76,000,000 to its parent, AmeriChoice. On October 25, 2021, the Department issued a non-disapproval letter for AMCNJ to pay the ordinary dividend effective October 25, 2021.

On August 18, 2022, AMCNJ submitted a request for approval to pay an extraordinary dividend of \$75,000,000 to its parent, AmeriChoice. On October 20, 2022, the Department issued a non-disapproval letter for AMCNJ to pay the extraordinary dividend with an effective date of or after October 20, 2022.

On November 28, 2023, AMCNJ submitted a request for approval to pay an ordinary dividend of \$42,000,000 to its parent, AmeriChoice. On December 13, 2023, the Department issued a non-disapproval letter for AMCNJ to pay the ordinary dividend with an effective date on or after December 13, 2023. The ordinary dividend of \$42,000,000 was paid by AMCNJ to AmeriChoice on December 29, 2023.

#### **POLICY ON CONFLICTS OF INTEREST**

UHG Code of Conduct Principles of Ethics & Integrity includes conflict of interest considerations applicable to all employees and officers of the Company. UHG has a formal Director Conflict of Interest Policy applicable to its Board. There are established procedures to report actual or potential conflicts of interests and to assess the disclosed conflicts to determine the appropriate course of action.



## **INFORMATION SYSTEMS**

Information systems were reviewed at the Group level and results were presented to all participating examination teams. 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 that the UHG'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 is covered by several insurance policies which were obtained by its ultimate parent, UHG. UHG maintains a blanket crime policy with \$25,000,000 of coverage, covering all of its employees. This exceeds the NAIC suggested minimum for fidelity bond coverage. General property, directors and officers and general liability coverage also appear adequate to protect the Company's interests.

## **FINANCIAL STATEMENTS AND OTHER EXHIBITS**

Exhibit - A                      Statement of Assets, Liabilities and Unassigned Funds as of  
December 31, 2023

Exhibit - B                      Summary of Operations for the Five-Year Period Ended  
December 31, 2023

Exhibit - C                      Surplus Account for the Five-Year Period Ended December  
31, 2023

**AmeriChoice of New Jersey, Inc.**  
**Balance Sheet as of December 31, 2023**  
**Exhibit A**

	Current Examination 12/31/2023	Balance per Company 12/31/2023	Examination Change	Notes
<u>Assets</u>				
Bonds	\$688,693,268	\$688,693,268	\$ -	1
Cash, cash equivalents, and short-term investments	154,930,336	154,930,336	-	
Investment income due and accrued	5,559,731	5,559,731	-	
Uncollected premiums and agents' balances in the course of	18,327,351	18,327,351	-	
Accrued retrospective premiums and contracts subject to	35,965,636	35,965,636	-	
Current federal and foreign income tax recoverable and interest	7,687,449	7,687,449	-	
Net deferred tax asset	5,022,727	5,022,727	-	
Health care and other amounts receivable	7,240,610	7,240,610	-	
Total admitted assets	<u>\$923,427,108</u>	<u>\$923,427,108</u>	<u>\$ -</u>	
<u>Liabilities and Surplus</u>				
Claims unpaid	\$304,645,096	\$304,645,096	\$ -	2
Accrued medical incentive pool and bonus amounts	9,635,185	9,635,185	-	2
Unpaid claims adjustment expense	2,379,603	2,379,603	-	2
Aggregate health policy reserves	19,373,735	19,373,735	-	3
Aggregate health claims reserves	3,120,768	3,120,768	-	3
Premiums received in advance	2,669,262	2,669,262	-	
General expenses due and accrued	99,112,067	99,112,067	-	
Current federal and foreign income tax payable and interest thereon	-	-	-	
Amounts due to parent, subsidiaries, and affiliates	12,242,848	12,242,848	-	
Liability for amounts held under uninsured plans			-	
Aggregate write-ins for other liabilities	<u>3,090</u>	<u>3,090</u>	-	
Total liabilities	<u>\$453,181,654</u>	<u>\$453,181,654</u>	<u>\$ -</u>	
Gross paid-in and contributed surplus	278,069,150	278,069,150	-	4
Unassigned funds	<u>192,176,304</u>	<u>192,176,304</u>	-	4
Total capital and surplus	<u>\$470,245,454</u>	<u>\$470,245,454</u>	<u>\$ -</u>	4
Total liabilities, capital and surplus	<u>\$923,427,108</u>	<u>\$923,427,108</u>	<u>\$ -</u>	

**AmeriChoice of New Jersey, Inc.**  
**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>					
Net premium income	\$ 3,153,145,692	\$ 3,092,519,138	\$ 2,512,231,268	\$ 2,494,691,835	\$ 2,650,150,963
Change in unearned premium reserves and reserve for rate credits	<u>179,221,157</u>	<u>32,500,536</u>	<u>(88,346,352)</u>	<u>(97,918,393)</u>	<u>(397,754)</u>
Total Revenue:	<u>3,332,366,849</u>	<u>3,125,019,674</u>	<u>2,423,884,916</u>	<u>2,396,773,442</u>	<u>2,649,753,209</u>
<u>Underwriting deductions:</u>					
Hospital/medical benefits	2,277,233,418	2,108,639,353	1,604,731,217	1,571,172,200	1,918,683,317
Other professional services	114,437,018	104,625,536	92,946,261	77,012,171	121,394,609
Prescription drugs	402,615,322	373,688,966	338,664,455	327,507,539	373,607,858
Incentive pool, withhold adjustments and bonus payments	10,184,554	4,042,979	8,291,983	9,457,738	1,304,321
Claims adjustment expense	126,373,024	110,632,303	100,949,710	99,263,391	109,073,170
General administrative expenses	282,630,780	276,453,246	209,373,830	252,686,913	190,397,949
Increase in reserves for life and accident health contracts	<u>7,651,206</u>	<u>-</u>	<u>-</u>	<u>(61,411,000)</u>	<u>47,502,000</u>
Total underwriting deductions	<u>3,221,125,322</u>	<u>2,978,082,383</u>	<u>2,354,957,456</u>	<u>2,275,688,952</u>	<u>2,761,963,224</u>
Net underwriting gain (loss)	111,241,527	146,937,291	68,924,460	121,084,490	(112,210,015)
Net investment income earned	31,629,976	19,664,460	11,838,738	12,741,501	13,721,869
Net realized capital gains (losses) less capital gains tax	<u>2,403,301</u>	<u>(6,973,134)</u>	<u>535,453</u>	<u>1,807,039</u>	<u>1,198,505</u>
Net investment gains (losses)	34,033,277	12,691,326	12,374,191	14,548,540	14,920,374
Aggregate write-ins for other income or expenses	-	(128,511)	-	-	-
Net gain (loss) after capital gains tax and before all other federal income taxes	145,274,804	159,500,106	81,298,651	135,633,030	(97,289,641)
Federal and foreign income taxes incurred	<u>31,077,241</u>	<u>34,385,558</u>	<u>16,422,800</u>	<u>22,726,416</u>	<u>(11,371,421)</u>
<u>Net income (loss)</u>	<u>\$ 114,197,563</u>	<u>\$ 125,114,548</u>	<u>\$ 64,875,851</u>	<u>\$ 112,906,614</u>	<u>\$ (85,918,220)</u>

**AmeriChoice of New Jersey, Inc.**  
**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 year	\$ 397,611,164	\$ 417,829,545	\$ 430,400,820	\$ 354,708,970	\$ 283,267,370
Net income	114,197,563	125,114,548	64,875,851	112,906,614	(85,918,220)
Change in net deferred income tax	2,009,882	(1,198,913)	320,730	(1,318,395)	(3,864,160)
Dividends to stockholders	(42,000,000)	(150,000,000)	(76,000,000)	(35,000,000)	
Change in non-admitted assets	(1,573,155)	5,865,984	(1,767,856)	(896,369)	11,223,980
Change in paid-in surplus	-	-	-	-	150,000,000
Net change in capital and surplus for the year	<u>72,634,290</u>	<u>(20,218,381)</u>	<u>(12,571,275)</u>	<u>75,691,850</u>	<u>71,441,600</u>
Capital and surplus end of reporting period	<u>\$ 470,245,454</u>	<u>\$ 397,611,164</u>	<u>\$ 417,829,545</u>	<u>\$ 430,400,820</u>	<u>\$ 354,708,970</u>

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 – Statutory Deposits**

As of December 31, 2023, the Company was required to maintain an Insolvency Claim Deposit in accordance with N.J.A.C. 11:24-11.4(d), and an Administrative Expense Deposit in accordance with N.J.A.C. 11:24-11.4(a, b). As of December 31, 2023, the examination team noted the following:

	<b>DOBI Requirement</b>	<b>Company Actual</b>	<b>Excess (Deficiency)</b>
Insolvency Claim Deposit	\$386,163,421	\$424,652,536	\$38,489,115
Administrative Expense Deposit	2,516,237	2,740,811	224,574
Total	<u>\$388,679,658</u>	<u>\$427,393,347</u>	<u>\$38,713,689</u>

As of December 31, 2023, the Company was in compliance with N.J.A.C. 11:24-11.4(d) and N.J.A.C. 11:24-11.4(a, b).

### **Note: 2 Incurred But Not Reported (IBNR) and Other Reserves**

The Company's reported liabilities at December 31, 2023, for unpaid losses and unpaid loss adjustment expenses, net of reinsurance, amounted to \$38,284,125 and \$9,179,694, respectively.

Kevin P. Donnelly, F.S.A, F.C.A.S., M.A.A.A., Vice President of Actuarial Services for United Healthcare Services, Inc., an affiliate of the Company, appointed by the Board, rendered an unqualified opinion on the reasonable provision for all unpaid loss and loss adjustment expense obligations recorded as of December 31, 2023.

NEDOI contracted with Jason R. Dunavin, FSA, MAAA of Lewis & Ellis, LLC Actuaries and Consultants to review the UHG's loss reserves and actuarial liabilities and the NEDOI Examination Actuary determined the recorded amounts other than Aggregate Health Policy Reserves were reasonably stated. Please see Note 3 – Aggregate Health Policy Reserves.

NJDOBI contracted with Margaret R. Hermann, FSA, MAAA of The INS Companies' Life/Health Actuary, to review the 2023 UHG Actuarial Report who agreed the UHG'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	\$ 304,645,096
Accrued medical incentive pool and bonus amounts	9,635,185
Unpaid claims adjustment expense	2,379,603
Aggregate health policy reserves	19,373,735
Aggregate health claim reserves	3,120,768
Total	<u>\$ 339,154,387</u>

The Life and Health Actuarial Unit of the NJDOBI, Office of Solvency Regulation 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 – Premium Deficiency Reserve**

The Report on the Actuarial Examination of UHG as of December 31, 2023, stated that based on the NDOI Examination Actuary's review of the premium deficiency reserve (PDR) reported by the Company, projections for 2024 as well as subsequent third-quarter 2024 financial results, the assumptions and methodologies used by the Company were reasonable based on the information known at the time of the analysis. The Company reported a PDR of \$7,651,206 as of December 31, 2023. A deficiency was noted related to the Company's Medicaid business, and it continues to hold a PDR at year-end 2024 in recognition of continued adverse experience. The established year-end 2023 PDR appears to be deficient by \$50.2 million, as losses through June 30, 2024, were significantly more adverse than expected. The Company reported a PDR of \$59,468,000 related to its current Medicaid contract that runs through June 30, 2025. Thus, the Company is recognizing its adverse experience and updating PDR calculations to reflect it. Despite this apparent deficiency, the NDOI Examination Actuary did not recommend restatement of 2023 financials. The INS Examination Actuary reviewed the 2023 UHG Actuarial Report and agreed the 2023 financial need not be restated. The Life and Health Actuarial Unit of the NJDOBI, Office of Actuarial Unit reviewed both the NDOI Exam Actuary's review and the INS' Actuary's review of the 2023 UHG Actuarial Report and concurred with their findings.

### **Note 4 – Capital and Surplus**

The Company reported capital and surplus at December 31, 2023, of \$470,245,454 which consisted of \$278,069,150 of Gross paid in and contributed surplus and Unassigned funds (surplus) of \$192,176,304.

Pursuant to the state of New Jersey, the Company is required to maintain minimum capital and surplus levels of \$177,096,293 as of December 31, 2023, which is based on 125% of the state minimum. The Company's statutory net worth, as determined by this examination, of \$470,245,454 exceeds the net worth and NJDOBI internal monitoring requirements according to N.J.A.C. 11:24-11.1(b).

## **SUMMARY OF EXAMINATION RECOMMENDATIONS**

There were no recommendations.

## **SUBSEQUENT EVENTS**

No material subsequent events occurred after December 31, 2023.



## **CONCLUSION**

The undersigned hereby certifies that an examination has been made of AmeriChoice of New Jersey, Inc. 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 State of New Jersey  
Department of Banking and Insurance

Under the supervision of:

*Nancy Lee Chice*

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

**AMERICHoice OF NEW JERSEY, INC.**

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  
Representing the State of 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

State of New Jersey  
County of Mercer

Subscribed and sworn to before me, Sheila Tkacs, on  
this 7<sup>th</sup> day of May, 2025.

Sheila Tkacs

Notary Public of New Jersey

My commission expires: July 2025