



NC DEPARTMENT
of **INSURANCE**
MIKE CAUSEY, COMMISSIONER

COMPANY SERVICES GROUP
FINANCIAL EXAMINATION DIVISION

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I, Mike Causey, Commissioner of Insurance in and for the State of North Carolina do hereby certify that: I have caused Experience Health, Inc. as of December 31, 2022 with the original on file at this Department and find the same to be a correct copy of the whole said original.

IN TESTIMONY WHEREOF, I have hereunto set my hand and affixed my official seal at the City of Raleigh, this the 20th day of December, 2023.



Mike Causey
Commissioner of Insurance

Monique D. Smith, CPA, CFE
Deputy Commissioner
Financial Examination Division

Experience Health, Inc.

Durham, North Carolina

Report on Examination

As of December 31, 2022

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December 14, 2023

Honorable Mike Causey
Commissioner of Insurance
State of North Carolina
Raleigh, North Carolina

Sir:

Pursuant to your instructions and in accordance with Section (“§”) 58-67-100 and 58-2-131 of the General Statutes of North Carolina (“GS”), the North Carolina Department of Insurance (“Department”) conducted an examination of the records, business affairs and financial condition of

Experience Health, Inc.

(hereinafter referred to as the “Company”). The Company’s main administrative office is located at 4705 University Drive, Durham, North Carolina, and its statutory office is located at 4613 University Drive, Durham, North Carolina. The following report on examination is respectfully submitted.

SCOPE OF THE EXAMINATION

We performed a full-scope statutory examination of the Company. This examination covers the period from February 14, 2018, to December 31, 2022, including any material transactions and events occurring subsequent to the examination date and noted during the course of this examination. This is the Department’s first examination of the Company.

The purpose of this examination is to assess the financial condition and controls of the Company and set forth findings of fact (together with citations of pertinent laws, regulations, and rules) with regard to any material adverse findings disclosed by the examination.

We conducted our examination in accordance with auditing standards established by the Department and the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (“Handbook”). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process and the following key functional activities were identified:

Pricing and Underwriting
Claims Handling
Reserving
Related Parties
Investing and Capital

This may include assessing significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with GS Chapter 58 and evaluating management's compliance with statutory accounting principles. This examination does not attest to the fair presentation of the financial statements included herein. If during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately from the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to the Company.

The Company's Annual Statements, work papers, and the independent audit work papers were reviewed and relied upon whenever possible. A trial balance reconciliation of the Annual Statement was performed, as were a verification of ownership and valuation of assets, determination of liabilities and reserves, and an analysis and review of such accounts and records as deemed necessary by the examination team. A management representation letter attesting to the Company's ownership of assets, the nonexistence of unrecorded liabilities and contingent liabilities was received from Company management.

The books and records of the Company are audited annually by independent certified public accountants in accordance with GS § 58-10-185(a) pursuant to GS § 58-67-171. Forvis, LLP of High Point, North Carolina, the designated independent public accountant of the Company, issued an unmodified opinion for the year ending December 31, 2022. Cherry Bekaert, LLP, the prior designated independent public accountant, issued an unmodified opinion each year from the Company's inception through, and including, the year ending December 31, 2021.

REPORT ACRONYMS

General Statutes of North Carolina	“GS”
North Carolina Department of Insurance	“Department”
National Association of Insurance Commissioners	“NAIC”
Financial Condition Examiners Handbook	“Handbook”
Board of Directors	“Board”
Beacon Health Holdings	“Beacon”
Blue Cross Blue Shield of NC	“BCBSNC”
Duke University Health System	“DUHS”
Experience Health, Inc.	“Company”
Centers for Medicare and Medicaid Services	“CMS”
Health Maintenance Organization	“HMO”
Medicare Advantage	“MA”
Transition Services Agreement	“TSA”

SUMMARY OF SIGNIFICANT FINDINGS

COMMENTS, RECOMMENDATIONS AND DIRECTIVES

1. The Company did not comply with several requirements set forth in its bylaws during the examination period. The following violations were noted:
 - a) The Company’s bylaws, Article II, Section 2.7 state that “the members shall hold an annual meeting to appoint Directors.” The Department noted no evidence of the Board of Directors’ (“Board”) appointment/selection of corporate officers for all years under examination.
 - b) The Company’s bylaws, Article IV, Section 4.7 state “the Board shall hold at least four meetings per year.” The Department noted that the Board did not hold the minimum number of meetings in 2018 and 2019.
 - c) The Company’s bylaws, Article 5, Section 5.3 state that “minutes shall be kept of each meeting of any committee and shall be filed with the Corporation’s record.” The Department noted that the Board did not maintain meeting minutes for the Finance & Business Committee during the years 2018 through 2022.
 - d) The Company’s bylaws, Article V, Section 5.3 state that “all committees shall be governed by their Board-approved charter.” The Department noted that the Board’s Clinical Committee does not have a charter.

The Company is directed to comply with its bylaws or amend the bylaws to reflect current practices.

2. The Company reported a Premium Deficiency Reserve (“PDR”), which was deficient by approximately \$6.4 million and \$7.5 million, for the years ended December 31, 2022, and 2021, respectively. The PDR deficiency was primarily due to the Company’s significant claims costs being greater than originally projected. The Company is directed to ensure its reported PDR estimates are adequate pursuant to the Statutory Statement Accounting Principle 54.

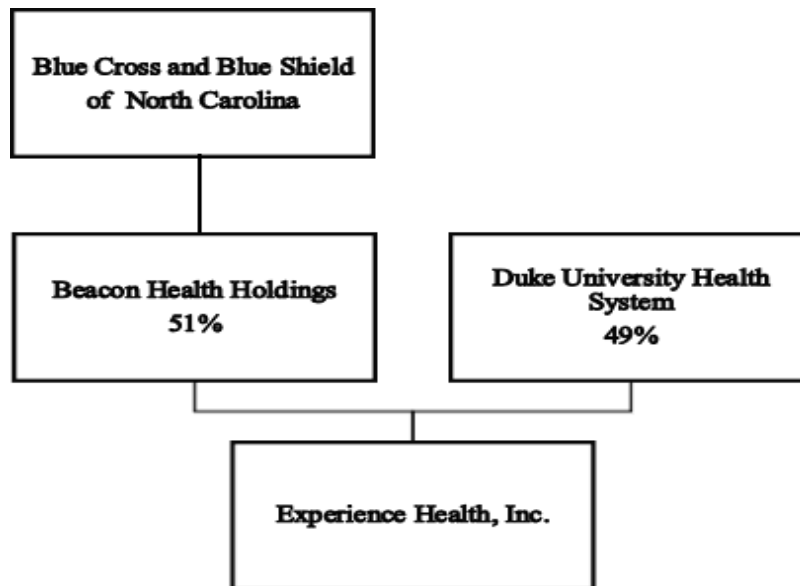
ORGANIZATIONAL STRUCTURE

The Company is not part of a holding company system. The Company is owned by two North Carolina nonprofit corporations: Beacon Health Holdings (“Beacon”), which owns 51%, and Duke University Health System (“DUHS”), which owns 49%. Beacon is wholly owned by Blue Cross Blue Shield of North Carolina (“BCBSNC”).

BCBSNC and DUHS have each disclaimed control of the Company, and the disclaimers have been approved by the Department. The Company has agreements with BCBSNC and DUHS, whereby BCBSNC provides a majority of the health plan administrative services and DUHS provides population health management services.

ORGANIZATIONAL CHART

The following is a summarized organizational chart as of December 31, 2022:



COMPANY HISTORY

The Company was incorporated on August 18, 2017, as a nonprofit organization domiciled in the state of North Carolina and does not issue capital stock to its two members. The Company was initially funded in 2018 with a capital contribution totaling \$6,676,925 from Beacon and DUHS, whereby each entity held a 50% ownership interest and contributed \$3,338,463. On July 16, 2021, the Company’s ownership changed such that Beacon held a 51% ownership interest and DUHS held a 49% ownership interest.

The Company is a Health Maintenance Organization (“HMO”) which offers health plan services to members through Medicare Advantage (“MA”) Plans. The Company’s members have an agreement to provide additional capital funding, when necessary, to ensure all contractual obligations are satisfied.

The Company is approved to use the Blue Cross and Blue Shield trademarks and is therefore subject to certain licensing requirements of the Blue Cross and Blue Shield Association.

MANAGEMENT AND CONTROL

CORPORATE GOVERNANCE

Members

The bylaws of the Company provide that the corporation shall have two members, DUHS and Beacon. All actions of the members shall require the approval of both members. The members shall hold an annual meeting to appoint directors, consider any reports, and transact such other business as may be brought before the meeting, on such time and place as may be designated by the members.

Board of Directors

The business of the Company is conducted under the direction of the Board. The bylaws specify that the Board shall consist of six directors. The Board shall hold at least four meetings of its directors each calendar year and shall specify one such meeting as its annual meeting. Special meetings of the Board may be called at any time by a Member Representative, the Chief Executive Officer/ President, Chairperson or Vice-Chairperson, or any director.

In carrying out the fiduciary duties as directors, each director shall act in the interest of the Company. Directors shall serve terms staggered for twelve, twenty-four, and thirty-six months in such a manner as to allow approximately one-third of such directors (representing each member) to have their terms of office expire in any twelve-month period.

The following individuals served as directors as of December 31, 2022:

Name	Location	Principal Occupation
Thomas A. Owens, MD	Durham, NC	DUHS-Physician Administrator
Devdutta G. Sangvai	Durham, NC	DUHS- Chief Executive Officer/ Physician
Sameet Y. Goyal	Durham, NC	BCBSNC- Senior Vice President, Diversified Grp & Strategy Officer
John Stuart Smith	Durham, NC	DUHS- Vice President, Finance
Anuradha R. Patel, MD	Durham, NC	BCBSNC- Senior Medical Director
Alicia Ann L. Stokes	Durham, NC	BCBSNC- Vice President, Government Strategy Planning and Performance

The Board has established four standing committees including a Compliance and Audit Committee, a Finance Committee, a Clinical Committee, and a Joint Operating Committee to act on behalf of the Company.

The following individuals served on committees as of December 31, 2022:

Compliance and Audit Committee

Thomas Owens, Chair
Alicia Stokes
Amber Dreyer
Collen Shannon

Finance Committee

Sameet Goyal, Chair
John Stuart Smith
Lauren O'Brien
Robert Willis

Clinical Committee

Anuradha Rao-Patel, Chair
Devdutta Sangvai
Joe Oleniacz
Chet Patel

Joint Operating Committee

John Stuart Smith, Chair
Alicia Stokes
Bruce Allen
Momen Wahidi

Officers

The bylaws provide that the Board will elect the officers of the Company. The officers of the Company consist of a President, a Secretary, a Treasurer, and Chief Compliance Officer. The initial officers may be individuals serving as directors until such time as the Board elects to appoint other individuals to serve in such capacity. Board officers shall have a term of one year.

The following individuals served as officers of the Company as of December 31, 2022:

Name	Title
Devdutta G. Sangvai	Interim President and Chief Executive Officer
Bruce E. Sickel	Treasurer
Laura M. Lockamy	Secretary
Marcia Z. Harrison	Chief Compliance Officer

CODE OF CONDUCT AND CONFLICT OF INTEREST

The Company has an established policy and procedure to identify existing or potential conflicts of interest and to report the same to the Board. Annually, the Company requires a signed statement from each director and officer disclosing any conflict of interest. A review of the signed conflict of interest statements for the examination period revealed that the Company acted in accordance with its policies and procedures for disclosure for conflicts of interest.

CORPORATE RECORDS

We reviewed the minutes of the meetings of the Board and its committees for the period under examination. Based on our review, it appears that the minutes documented the Company's significant transactions and events, and that the directors approved these transactions and events.

The Company's articles of incorporation and bylaws were reviewed for any changes during the period under examination. On July 16, 2021, the Company amended its bylaws to 1) reflect the transfer of one percent of ownership in the Company from DUHS to Beacon; 2) to revise language with respect to certain powers,

duties, and responsibilities of the Board as it relates to an agreement for Population Health Management Services; and 3) to establish a standing Joint Operating Committee to carry out certain duties and responsibilities delegated by the Board.

STATUTORY DEPOSITS

Statutory deposits are maintained as required by insurance regulatory agencies for doing business in such jurisdictions. The Company's 2022 Annual Statement Schedule E, Part 3 indicates that the Company maintains a statutory deposit in the state of North Carolina only.

FIDELITY BONDS

The Company has fidelity bond coverage totaling \$1,500,000 in aggregate, which exceeds the minimum amount of fidelity bond coverage recommended by the Handbook.

EMPLOYEE BENEFITS AND PENSION PLANS

The Company sponsors a 401(k) plan, which allows its employees to defer a portion of their compensation on a tax deferred basis to plan. Plan participants may contribute up to 50% of their pre-tax compensation up to a maximum of \$20,500 in 2022 and \$19,500 in 2021, respectively, subject to certain limitations and regulations, and participants who have attained age 50 before the end of the plan year are allowed additional catch-up contributions of up to \$6,500 in 2022 and 2021. The Company matches 100% of employee pretax 401(k) salary deferrals on the first 3% of eligible compensation and 50% of employee deferrals on the next 3% of eligible compensation. The Company made contributions totaling \$24,195 and \$42,065 to the plan for the year ended December 31, 2022, and 2021, respectively.

RELATED PARTY AGREEMENTS

The Company has a Capital Management Agreement with Beacon and DUHS, effective February 13, 2018, whereby Beacon and DUHS unconditionally guarantee their ownership portion of the capital obligations of the Company to maintain 1) compliance with GS § 58-67-110 for the protection against insolvency; 2) the initial statutory minimum net worth of \$1.5 million; and 3) a 300% risk-based capital ratio. The Company received the following capital contributions during the examination period:

Year	Beacon	DUHS	Total Capital Contributions
2022	\$10,276,500	\$9,873,500	\$20,150,000
2021	2,601,000	2,499,000	5,100,000
2020	3,241,500	3,241,500	6,483,000
2019	8,936,271	8,936,271	17,872,541
2018	\$ 3,338,463	\$ 3,338,463	\$ 6,676,925
	\$ 28,393,733	\$ 27,888,733	\$ 56,282,466

The Company has a Master Service Agreement with BCBSNC, effective February 6, 2019, and amended on June 1, 2022, whereby, BCBSNC provides various operating and administrative services to the Company. Under this agreement, the Company incurred management fees totaling \$4,546,462 and \$2,516,532 in 2022 and 2021, respectively.

The Company has a Population Health Management Services Agreement with DUHS, effective February 6, 2019, whereby DUHS provides various health management services to the Company. Under this agreement, the Company incurred management fees totaling \$1,044,709 and \$660,539 in 2022 and 2021, respectively.

TERRITORY AND PLAN OF OPERATION

The Company became a licensed HMO on February 14, 2018, with its license restricted to writing only Medicare business in certain North Carolina counties. The Company began writing Medicare business on January 1, 2020, offering Medicare Part C Plans with Part D prescription drug benefits under a contract with the Center for Medicare and Medicaid Services (“CMS”). At December 31, 2022, the Company served 3,941 members and was authorized to write in the following counties: Alamance, Caswell, Chatham, Durham, Franklin, Granville, Johnston, Lee, Nash, Orange, Person, Vance, Wake, and Wilson.

TRENDS OF THE COMPANY

The following data, obtained from annual statements filed with the Department, illustrates the trends of the Company for the five-year period ended December 31, 2022:

Year	Net Admitted Assets	Capital and Surplus	Gross Premiums Written	Net Earned Premiums	Net Loss
2022	\$22,632,711	\$8,951,423	\$39,510,604	\$39,510,604	(\$14,234,224)
2021	\$10,919,214	\$3,260,606	\$19,688,698	\$19,688,698	(\$5,514,926)
2020	\$11,432,913	\$4,181,848	\$10,226,822	\$10,226,822	(\$9,390,588)
2019	\$10,568,424	\$7,697,392	\$0	\$0	(\$11,882,559)
2018	\$0	\$0	\$0	\$0	\$0

ACTUARIAL OPINION

Every health insurance company doing business in this State, unless otherwise exempted by the Commissioner, shall annually submit the opinion of an appointed actuary and an actuarial opinion summary in accordance with GS § 58-67-100(a) and GS § 58-2-165(c).

Pursuant to GS § 58-67-100(a) and GS § 58-2-165(c), the statutory reserves and related items for 2022 were reviewed and certified by the Company’s Appointed Actuary, Ryland Pigg, FSA, MAAA of BCBSNC. Actuarial opinions regarding the Company’s reserves for losses and loss adjustment expenses were issued by an appointed actuary for all years in the examination period. The appointed actuary evaluated the data provided by the Company for reasonableness and consistency of the losses and loss adjustment expense reserves. According to the actuarial opinions, the Company’s reserve on the losses and loss adjustment expenses met the requirements of the insurance laws of North Carolina; were consistent with reserves

computed in accordance with accepted actuarial standards and principles; and made a reasonable provision for all unpaid losses and loss expense obligations of the Company.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2022. The supporting exhibits present the information required to be included, in conformity with reporting practices prescribed by the Department. The financial statements and supporting schedules as of December 31, 2021, are unexamined and are presented for comparative purposes only.

Experience Health, Inc.
Statutory Statement of Admitted Assets
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Bonds	\$ -	\$3,813,750
Cash and short-term investments	17,571,593	5,699,594
Total cash and invested assets	17,571,593	9,513,344
Investment income due and accrued	19,795	-
Premiums and agents' balances in course of collection	2,658	885
Accrued retrospective premiums and contracts subject to redetermination	1,900,912	417,951
Amounts receivable relating to uninsured plans	2,194,238	538,116
Healthcare and other amounts receivable	943,515	442,618
Total Admitted Assets	\$22,632,711	\$10,919,214

Experience Health, Inc.
Statutory Statement of Liabilities, Capital, and Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Claims unpaid	\$5,139,339	\$2,233,244
Accrued medical incentive pool and bonus amounts	607,740	405,740
Unpaid claims adjustment expenses	112,954	49,883
Aggregate health policy reserves	6,743,520	3,765,376
Premiums received in advance	9,818	1,761
General expenses due or accrued	661,834	633,366
Amounts due to parent, subsidiaries, and affiliates	406,083	569,238
Total liabilities	13,681,288	7,658,608
Gross paid in and contributed surplus	56,282,466	36,132,466
Unassigned funds	(47,331,043)	(32,871,860)
Total surplus	8,951,423	3,260,606
Total Liabilities and Surplus	\$22,632,711	\$10,919,214

Experience Health, Inc.
Statutory Statement of Revenue and Expenses
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Underwriting Income		
Net premium income	\$39,510,604	\$19,688,698
Deductions		
Hospital/medical benefits	30,086,479	8,645,422
Other professional services	3,519,491	4,538,344
Emergency room and out-of-area	1,407,797	3,025,563
Prescription drugs	3,210,295	2,389,098
Incentive pool, withhold adjustments, and bonus amounts	202,000	405,740
Total hospital and medical	38,426,062	19,004,167
Claim adjustment expenses	4,491,797	3,309,064
General administrative expenses	6,737,692	4,963,595
Increase in reserves for life and accident and health contracts	3,645,256	(2,011,346)
Total underwriting deductions	53,300,807	25,265,480
Net underwriting gain	(13,790,203)	(5,576,782)
Net investment income earned	\$127,184	78,803
Net realized capital gains (losses)	(571,205)	(16,947)
Net investment gains (losses)	(444,021)	61,856
Net income after capital gains tax and before all other federal income taxes	(14,234,224)	(5,514,926)
Net Income	(\$14,234,224)	(\$5,514,926)

Experience Health, Inc.
Statutory Statement of Changes in Surplus
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Surplus, beginning of year	\$3,260,606	\$4,181,848
Net loss	(14,234,224)	(5,514,926)
Change in net unrealized capital gains	143,359	(132,085)
Change in non-admitted assets	(368,318)	(374,231)
Surplus adjustments to paid-in capital	20,150,000	5,100,000
Net change in surplus	5,690,817	(921,242)
Surplus, end of year	\$8,951,423	\$3,260,606

Experience Health, Inc.
Statutory Statement of Cash Flow
December 31, 2022

	2022	2021 <i>(unexamined)</i>
Cash From (Used by) Operations		
Premiums collected net of reinsurance	\$41,012,071	\$18,304,153
Net investment income	107,389	78,803
Total	41,119,460	18,382,956
Benefit and loss related payments	39,814,503	15,771,396
Commissions, expenses paid and aggregate write-ins	12,794,072	8,966,394
Total	52,608,575	24,737,790
Net cash from (used by) operations	(11,489,115)	(6,354,834)
Cash From (Used by) Investments		
Proceeds from investments sold, matured, or repaid- Bonds	3,416,535	532,059
Proceeds from investments sold, matured, or repaid- Stocks	3,369,369	-
Total investment proceeds	6,785,904	532,059
Cost of investment acquired- Bonds	-	1,994,037
Cost of investments acquired- Stocks	3,400,000	-
Total Investments acquired	3,400,000	1,994,037
Net cash from (used by) investments	3,385,904	(1,461,978)
Cash From (Used by) Financing and Miscellaneous Sources		
Cash from capital and paid-in surplus	20,150,000	5,100,000
Other cash (applied)provided	(\$174,790)	\$432,406
Net cash from financing and miscellaneous sources	19,975,210	5,532,406
Reconciliation of Cash and Short-Term Investment		
Net change in cash and short-term investments	11,871,999	(2,284,406)
Cash and short-term investments, beginning of year	5,699,594	7,984,000
Cash and short-term investments, end of year	\$17,571,593	\$5,699,594

COMMENTS ON FINANCIAL STATEMENTS

Basis of Presentation and Summary of Significant Accounting Policies:

The accompanying financial statements have been prepared on the basis of the accounting practices prescribed or permitted by the Department.

The more significant accounting policies followed by the Company are as follows:

Bonds: Carried at amortized cost using the scientific method. Bonds with lower credit ratings are carried at the lower of amortized cost or NAIC market value. Bonds not backed by other loans are stated at amortized cost using the scientific method.

Cash and short-term investments: Carried at amortized cost (which approximates fair value) and includes money market instruments and debt securities with maturities of one year or less at the time of acquisition.

Premiums: Insurance premiums, net of premiums ceded to reinsurers, are earned over the terms of the policies. The portion of direct premiums written applicable to the unexpired terms of the policies is recorded as unearned premium. Premiums are earned on a pro rata basis. Premiums collected in advance are deferred and recorded as advance payments. Medicare Advantage premium revenue is subject to adjustment based on the health risk of its members. Estimated amounts are periodically updated as needed when additional information pertaining to diagnosis is reported to CMS and adjusted to actual amounts when the final settlements are received from CMS, or a notification is provided by CMS of such settlement amounts.

Business acquisition costs: Charged to income as incurred.

Non-admitted assets: Certain assets, such as premiums over 90 days past due, excess of book value over market value for securities, and prepaid expenses, are "non-admitted" and are charges against surplus.

Uncollected Premiums and Other Receivables: Uncollected premiums and other receivables include amounts due for uncollected premiums and estimates of receivables related to certain programs and rebates that are due from pharmacies and manufacturers related to Medicare Part D plans. Amounts are estimated in part based on actuarial data and final settlements received.

Premium Deficiency Reserve: A premium deficiency reserve is established in current operations to the extent that the sum of expected future costs, claim adjustment expenses, and maintenance costs exceeds related future premiums under contracts with consideration of investment income. For purposes of determining premium deficiencies, contracts are grouped in a manner consistent with the Company's method of acquiring, servicing, and measuring the profitability of such contracts.

Aggregate Health Policy Reserves: Includes unearned premium reserves, premium deficiency reserves and additional policy reserves. Additionally, includes estimated medical loss ratio rebates.

Unpaid loss & loss adjustment expense: Includes amounts determined from individual case estimates and loss reports and amounts, based on experience, for losses incurred but not reported. Estimated amounts of salvage and subrogation and reinsurance recoverable are deducted from the reserve for losses and loss adjustment expenses.

Analysis of Assets:

The following represents an analysis of the Company's net admitted assets at December 31, 2022:

	Assets	Assets Not Admitted	Net Admitted Assets
Cash and short-term investments	\$17,571,593	\$-	\$17,571,593
Total cash and invested assets	17,571,593	-	17,571,593
Investment income due and accrued	19,795	-	19,795
Uncollected premiums and agents' balances in the course collection	2,658	-	2,658
Accrued retrospective premium	1,900,912	-	1,900,912
Amounts receivable relating to uninsured plans	2,194,238	-	2,194,238
Healthcare and other amounts receivable	1,864,089	920,574	943,515
Prepaid expenses	67,528	67,528	-
Total admitted assets	\$23,620,813	\$988,102	\$22,632,711

Summary of Reserves:

The following provides a reconciliation of the Company's reserves for claims unpaid and unpaid claims adjustment expenses:

	2022	2021
Reserve for claims unpaid and unpaid claims adjustment expenses, beginning of year	\$2,233,244	\$845,774
Add:		
Provision for claims unpaid and unpaid claims adjustment expenses, current year	38,133,263	18,019,412
Change in estimated claims unpaid and unpaid claims adjustment expenses, prior years	942,079	579,015
Total incurred	39,075,342	18,598,427
Deduct:		
Claims unpaid and unpaid claims adjustment expenses paid, current year	(35,235,607)	(16,631,943)
Claims unpaid and unpaid claims adjustment expenses paid, prior year	(933,640)	(579,014)
Total paid	(36,169,247)	(17,210,957)
Reserve for claims unpaid and unpaid claims adjustment expenses, end of year	\$5,139,339	\$2,233,244
Increase (decrease) in reserve for claims unpaid and unpaid claims adjustment expenses	(\$2,906,095)	(\$1,387,470)

Capital and Surplus:

The following, in conjunction with the Statutory Statement of Changes Capital and Surplus, represents the changes in the Company's capital and surplus since January 1, 2018:

	2020	2019	2018
Surplus, beginning of year	\$7,697,392	\$1,711,151	\$-
Net loss	(9,390,588)	(11,882,559)	(4,965,774)
Change in net unrealized gains and (losses)	(3,688)	-	-
Change in non-admitted assets	(241,813)	(3,740)	-
Capital change in capital	6,483,000	-	-
Surplus adjustments to paid-in capital	-	17,872,540	6,676,925
Prior Year Correction	362,455	-	-
Change in surplus as regards policyholders for the year	(3,515,544)	5,986,241	1,711,151
Surplus, end of year	\$4,181,848	\$7,697,392	\$1,711,151

SUBSEQUENT EVENTS

On April 25, 2023, BCBSNC, DUHS, and the Company entered into a Transition Service Agreement (“TSA”) to facilitate the provision of additional administration plan functions by BCBSNC. Under the TSA, BCBSNC agreed to perform these additional functions at no additional expense to the Company.

On May 18, 2023, BCBSNC submitted a Form A filing to the Department. The Form pertained to a proposed acquisition by BCBSNC to obtain all ownership rights in the Company. By Order dated June 29, 2023, the Department approved the acquisition of the Company by BCBSNC.

Effective July 1, 2023, the Company has a Capital Maintenance Agreement with BCBSNC, whereby BCBSNC unconditionally guarantees 100% of the capital obligations of the Company to maintain 1) compliance with GS § 58-67-110 for the protection against insolvency; 2) the initial statutory minimum net worth of \$1.5 million; 3) a 300% risk-based capital ratio and 4) to fund any residual liabilities of the Company following the future novation of the Company's contract with CMS to BCBSNC. The Capital Maintenance Agreement was approved by the Department on June 30, 2023.

Effective July 1, 2023, the Company amended the bylaws to reflect the withdrawal of DUHS from the corporation. DUHS transferred its entire membership interest to BCBSNC which is the sole member of Beacon. As of the effective date, BCBSNC is the only member of the corporation.

On September 26, 2023, the Department approved the novation of CMS Contract H3777 (“CMS Contract”) from the Company to BCBSNC, pursuant to GS § 58-19-30(b)(1), as the transfer was deemed to be an exchange. The novation represented a transference of all of the rights, benefits, obligations, and liabilities related to the CMS Contract. Effective October 1, 2023, the novation agreement was approved by CMS.

On November 29, 2023, the Department approved the Company's Plan for Dissolution and Liquidation, subject to the following contingencies:

- Upon the final distribution of assets, the Company will be required to file a "Notice of Completed Dissolution and Liquidation" with the Department.
- Upon receipt of the certified Articles of Dissolution from the Secretary of State's Office, the Department will rescind the Company's license to operate as a North Carolina domiciled insurer.
- Upon receipt of an affidavit from the Company indicating that all current liabilities have been handled, and that unknown future liabilities will be satisfied, the Department will release the Company's statutory deposit currently held by the Department.

Experience Health, Inc.
DISTRIBUTION OF REPORT ON EXAMINATION
December 31, 2022

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CONCLUSION

The examination procedures, described, herein, revealed no material adverse findings or adjustments to surplus.

We conclude that the Company complies with the minimum net worth requirements of GS § 58-67-110(b) for the kinds of insurance that the Company has been authorized to write, which is \$1,000,000 or the amount required pursuant to the risk-based capital provisions of Article 12 of Chapter 58.

The courteous cooperation and assistance extended by the officers and employees of the Company during the examination is hereby acknowledged.

Respectfully submitted,



Monique Smith, CPA, CFE, CIA
Deputy Commissioner
North Carolina Department of Insurance

December 14, 2023

