

REPORT OF FINANCIAL EXAMINATION
AS TO THE CONDITION OF
HEALTHIER NEW JERSEY INSURANCE COMPANY
D/B/A BRAVEN HEALTH
AT DECEMBER 31, 2020
NAIC COMPANY CODE 16714

FILED

October 6, 2022

COMMISSIONER

NEW JERSEY DEPARTMENT

OF

BANKING AND INSURANCE

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PHIL MURPHY
Governor

State of New Jersey
DEPARTMENT OF BANKING AND INSURANCE
OFFICE OF SOLVENCY REGULATION

SHEILA OLIVER
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MARLENE CARIDE
Commissioner

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September 26, 2022

Honorable Marlene Caride Commissioner
State of New Jersey
Department of Banking And Insurance
20 West State Street
Trenton, New Jersey 08625

Commissioner:

Pursuant to your instructions and in conformity with the provisions of the Insurance Laws and Rules of the State of New Jersey, an examination, as of December 31, 2020, has been made of the financial condition and business affairs of:

**HEALTHIER NEW JERSEY INSURANCE COMPANY,
D/B/A BRAVEN HEALTH**
3 Penn Plaza East, Suite PP-15D
Newark, New Jersey 07105-2248

hereinafter referred to in this report as the "Company" or "HNJIC" and the following report of examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

This comprehensive financial condition examination was called by the Commissioner of the New Jersey Department of Banking and Insurance (hereafter "NJDOBI" or "the Department") pursuant to the authority granted by Section 17:48D-11.a of the New Jersey Annotated Revised Statutes.

The examination covers the period from the Company's inception through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of the examination. Due to precautionary health measures in effect during the Covid-19 pandemic, the examination was conducted remotely.

This is the Company's first examination. The examination was conducted concurrent with a financial condition examination of the Company's parent, Horizon Healthcare Services, Inc., and affiliates Horizon Healthcare of New Jersey, Inc., Horizon Healthcare Dental, Inc., and the Horizon Insurance Company, Inc.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook. The Handbook requires that the examination be planned and performed to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identification, and assessment of inherent risks within the company and evaluation of system controls and procedures used to mitigate those risks. An examination also includes assessment of inherent risks within the Company and evaluation of systems controls and procedures used to mitigate those risks. An examination also includes assessment of the principles used and significant estimates made by management, as well as evaluation of the overall financial statement presentation, management's compliance with statutory Accounting Principles and annual statement instructions when applicable to domestic state regulations. The general procedure of the examination followed the rules established by the Financial Condition, Examination and Reporting Committee of the NAIC, and included such other examination procedures as were deemed necessary.

During the course of this examination, consideration was given to work performed by both the Company's Internal Audit Department as regards to its oversight of compliance with the Annual Financial Reporting Model Regulation (the Model Audit Rule), risk analysis, documentation, test work, remediation efforts over weaknesses identified and by the Company's external accounting firm. Certain auditor work papers have been incorporated into the work papers of the examiners and have been utilized in determining the scope and areas of emphasis in conducting the examination.

All accounts and activities of the Company were considered in accordance with the risk-Focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. However, the 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 following the Company's financial statements. In addition, a review was made of the following matters to develop an understanding of the Company's operations and its conformity with the insurance laws of the various jurisdictions in which it operates:

- History and Kind of Business
- Corporate Records
- Parent, Subsidiaries and Affiliates
- Management and Control
- Policy on Conflict of Interest
- Fidelity Bond and Other Insurance Coverages
- Territory and Plan of Operation
- Reinsurance
- Accounts and Records

HISTORY AND KIND OF BUSINESS

Healthier New Jersey Insurance Company d/b/a Braven Health ("HNJIC" or the "Company") is a wholly-owned subsidiary of NJ Collaborative Care, LLC ("NJCC"), which is a joint venture among Horizon Healthcare Services, Inc. d/b/a Horizon Blue Cross Blue Shield of New Jersey ("HHSI"), Hackensack Meridian Health, Inc. ("HMH") and Barnabas Health, Inc. d/b/a RWJBH Corporate Services, Inc. ("RWJBH") HNJIC is an independent licensee of the Blue Cross Blue Shield Association. HNJIC began offering its Medicare Advantage products to the residents of eight counties in New Jersey beginning on January 1, 2021.

In 2020, HMH sold 99 of its membership units in NJCC to RWJBH. As a result of this sale, HHSI owned a 50% membership interest, HMH owned a 40.1% membership interest and RWJBH owned a 9.9% membership interest in NJCC. During 2020, HHSI, HMH and RWJBH contributed \$21.6 million of capital to Braven through NJCC.

The Company, along with HHSI and certain other affiliates, is an independent licensee of the Blue Cross and Blue Shield Association, an association of independent Blue Cross Blue Shield Plans, which licenses the right to use the Blue Cross and Blue Shield names and marks.

Per its certificate of incorporation, the amount of capital stock authorized and held is \$700,000 divided into 100 shares of common stock having a par value of \$7,000 per share. The Company has no preferred stock.

CORPORATE RECORDS

A review of the minutes of the Board of Directors' meetings revealed conformity with the requirements of the Articles of Incorporation and Bylaws concerning matters covered and authorizations made. The minutes of the Board of Directors' meetings are detailed and

comprehensive and appear to fully reflect the acts, decisions and approvals of the Board, though it is noted that the Board regularly meets in “Executive Session” and these minutes are not included with those of the Board.

The Company’s Certificate of Incorporation was last amended February 26, 2020 and filed with and approved by the NJDOBI on March 18, 2020. The Bylaws of the Company as last amended on October 22, 2021 were relied upon for this examination.

PARENT, SUBSIDIARIES AND AFFILIATES

The Company is a member of an insurance holding company system as defined by N.J.A.C §11:1-35.2 and N.J.S.A. 17:27A-1. Through common ownership, management or control, the Company is affiliated with numerous entities within the holding company system. The holding company structure as of December 31, 2020, is depicted in the following organizational chart:

Horizon Healthcare Services, Inc. (HHSI) d/b/a Horizon Blue Cross Blue Shield of New Jersey

- Horizon Healthcare Plan Holding Company Inc.
- Horizon Healthcare of New Jersey (HHNJ)
- Horizon Healthcare Dental (HHD)
- Horizon Casualty Services, Inc.
- Horizon Insurance Company (HIC)

Horizon Charitable Foundation, Inc d/b/a the Horizon Foundation for New Jersey

Multistate Investment Services, Inc.

Multistate Professional Services, Inc.

Enterprise Property Holdings, LLC

Three Penn Plaza Holding LLC

NJ Collaborative Care, LLC. (50%) *

- Healthier New Jersey Insurance Company d/b/a Braven Health (HNJIC)

*Horizon owns 50% of NJ Collaborative Care, LLC, Hackensack Meridian Health owns 40.1%, and Robert Wood Johnson Barnabas Health (RWJBH) owns 9.9%.

During the period under examination, the Company filed annual holding company registration statements as required by N.J.A.C. §11:1-35.3 and N.J.S.A. 17:27A-3.

Management Agreements

The Company is party to the following intercompany agreements:

Management Services Agreements

A master services agreement has been entered into between HHSI and the Company for the Company to delegate to HHSI the responsibility to provide, inter alia, executive and general managerial services, actuarial services, rating and underwriting services, IT services, plan development services, member and provider support services, claims process an adjudication, quality assurance and quality improvement programs, accounting and cash management services, human resources, real estate, risk adjustment, tax, regulatory reporting and payroll services.

A master service agreement also has been entered into between Hackensack Meridian Health Partners, LLC (“HMH- P”) and the Company, delegating responsibility from the Company to HMH-P for utilization management and care management of certain of the Company’s plan members attributed to HMH.

MANAGEMENT AND CONTROL

Directors

The Bylaws of the Company, as last amended in October 2021, provide that “The Board of Directors of the Corporation shall consist of six (6) members (each a “Director”). . . . Pursuant to N.J.S.A. 17:27A-4(d), not less than one-third of the Directors of the Corporation shall be persons who are not officers or employees of the Corporation or of any entity controlling, controlled by, or under common control with the Corporation, and who are not beneficial owners of a controlling interest in the voting securities of the Corporation or any such entity (“Independent Directors”).” At least one Independent Director shall be included in any quorum for the transaction of business at any meeting of the Board of Directors or any committee thereof. In addition, at least one Horizon-nominated Director, and one HMH-nominated Director shall be required in any quorum for the transaction of business at any meeting of the Board of Directors or any committee thereof (except a committee that includes only Independent Directors).

Directors serving as of December 31, 2020, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Patrick R. Young (Chair)	President, Population Health Hackensack Meridian Health
Keith Peifer	Vice President and Chief Medicare Officer Horizon Blue Cross Blue Shield of New Jersey
Jacqueline Duddy	Director Product Administration Horizon Blue Cross Blue Shield of New Jersey
Philip Turner	Senior Vice President, Commercial Markets & Value Based Care

Hackensack Meridian Health

Annette Catino

Independent

Kyle C. Stern

Independent

Officers

The Bylaws provide that the officers of the Company “shall be elected by the Board of Directors and shall include the Chairperson of the Board of Directors, Vice Chairperson of the Board of Directors, President and Chief Executive Officer, the Secretary, and the Treasurer.” If the Board of Directors wishes, it may also elect as an officer of the Corporation one or more Assistant Treasurers and one or more Assistant Secretaries as may be necessary or desirable for the business of the Corporation. Any two or more offices may be held by the same person, except the offices of President and Chief Executive Officer and Secretary. More than one person may hold a particular office as determined by the Board of Directors.

Officers of the Company as of December 31, 2020, were as follows:

<u>Name</u>	<u>Principal Occupation</u>
Luisa Y. Charbonneau	CEO & President
Frank A. Melaccio	CFO & Assistant Treasurer
Philip J. Turner	Secretary & Treasurer
Patrick R. Young	Chair
Allen J. Karp	Vice Chair
Daniel Perez	Assistant Treasurer

N.J.S.A. 17:27A-4d (3) states as follows: "Not less than one-third of the directors of a 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 as follows: "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 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 and any internal audit, nominating candidates for director for election by shareholders or policyholders, evaluating the performance of officers deemed to be the principal officers of the insurer and recommending to the board of directors the selections and compensation, including bonuses or other special payments, of the principal officer."

N.J.S.A. 17:27 A-4d (5) states as follows: "The provisions of paragraphs (3) and (4) of this subsection 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."

Committees

As of December 31, 2020, the Company's Board of Directors had established the following committee:

Audit Committee

Annette Catino, Chair
Kyle Stern

The Audit Committee satisfies the statutory provisions of N.J.S.A. 17:27A-4d, paragraph 4, which requires the establishment of at least one committee to be composed entirely of outside directors who are not officers, employees, or beneficial owners of a controlling interest in the voting securities of the Company or its affiliates.

POLICY ON CONFLICT OF INTEREST

The Company had an established written procedure for disclosure to its Board of Directors of any material interest or affiliation on the part of any of its officers, directors, or responsible employees which was in or was likely to conflict with the official duties of such person. Written disclosures made during the period of examination were reviewed without exception.

FIDELITY BOND AND OTHER INSURANCE COVERAGES

The Company's parent, on behalf of itself and its affiliated subsidiaries, is protected against loss or damage by various insurance coverages in amounts deemed sufficient to protect the interests of the Company. Coverages are obtained in the commercial insurance market.

As of December 31, 2020, the Company's parent had in effect a Financial Institution Bond in the amount of \$15,000,000 with an aggregate limit of \$30,000,000."

All policies cover the covered Horizon group entities (except as otherwise provided below).

The major insurance coverages on December 31, 2020, were as follows:

- Cyber Insurance
- Managed Care Errors and Omissions
- Directors and Officers
- Property Coverage
- General Liability and Excess Liability Programs
- Fiduciary Liability
- Fidelity and Electronic Crime Coverage

TERRITORY AND PLAN OF OPERATION

The Company offers Medicare Advantage products to the residents of eight counties in New Jersey, with a broad provider network anchored by Hackensack Meridian Health and Horizon Blue Cross Blue Shield of New Jersey's managed care network.

The Company contracts with Hackensack Meridian Health Partners, LLC ("HMHP"), an Organized Delivery System ("ODS"), to delegate responsibility from the Company to HMHP for utilization management and care management of certain of the Company's plan members attributed to HMH.

ACCOUNTS AND RECORDS

General

The Company is headquartered in Newark, New Jersey, where the corporate records are maintained. The accounting system consists of a general ledger, journals, registers, and statistical records normally maintained by a health insurance company. Most of the records are maintained on a network server-based environment. Data from the network servers is used by the Company to prepare annual and quarterly statement exhibits, schedules, and other financial statements.

The Company retained the services of a certified public accounting firm, Ernst & Young LLP (EY), to audit its financial records from its inception in 2020. An unqualified opinion was rendered for that year by EY. The firm allowed the examiners access to requested work papers prepared in connection with its audits. The external audit work papers were relied upon when deemed applicable.

Evaluation of Controls in Information Technology (IT)

The IT review for this examination was performed in accordance with the NAIC Handbook which recommends a five-step process:

1. Gather Necessary Information Technology (IT) Planning Information
2. Review Information Gathered
3. Request Insurer Control Information and Complete IT Review Planning

4. Conduct IT Review Fieldwork
5. Document Results of IT Review

The examination IT work program was categorized into four sections which follows the guidance in the Financial Condition Examiner's Handbook and has been modeled after the Control Objectives for Information and Related Technology (COBIT) framework:

1. Plan and Organize (PO)
2. Acquire and Implement (AI)
3. Deliver and Support (DS)
4. Monitor and Evaluate (ME)

As part of the IT review, the examiners reviewed the Evaluation of Controls in-Information Systems Questionnaire (ISQ) as completed by the Company for the examination. The ISQ contains questions about the Company's IT controls which were mapped back to the detailed risk areas within the generic IT work program provided in Exhibit C – Part Two, the Information Technology Planning Questionnaire (ITPQ), of the current Handbook.

The review of IT controls included IT management and organizational controls; application and operating system software change controls; system and program development controls; overall systems documentation; logical and physical security controls; contingency planning; local and wide area networks, and mainframe controls.

As a result of the procedures performed, the IT examiners obtained reasonable assurance that an effective system of IT controls is in place and conducive to the accuracy and reliability of financial information processed and maintained by the Company, and that such controls are functioning as management intended. There are no items related to our review of IT controls reportable for examination purposes.

STATUTORY DEPOSITS

The Company had statutory deposits at December 31, 2020 with a fair value of \$118,056.

FINANCIAL STATEMENTS AND OTHER EXHIBITS

Exhibit A

Statement of Financial Position
as of December 31, 2020

Exhibit B

Summary of Operating Results
for the Five-Year Period ended December 31, 2020

Exhibit C

Capital and Surplus Account
for the Five-Year Period Ended December 31, 2020

EXHIBIT A: Statement of Financial Position

As of December 31, 2020

	<u>Balance Per</u> <u>Examination</u> <u>12/31/20</u>	<u>Balance Per</u> <u>Company</u> <u>12/31/20</u>	<u>Examination</u> <u>Change</u>	<u>Note</u>
<u>Assets</u>				
Bonds	\$ 109,090	\$ 109,090	\$ -	
Cash and cash equivalents	17,164,731	17,164,731	\$ -	
Subtotal, cash and invested assets	\$ 17,273,821	\$ 17,273,821	\$ -	1
Investment income due and accrued	554	554	\$ -	
Total Assets	\$ 17,274,375	\$ 17,274,375	\$ -	
<u>Liabilities</u>				
Premiums received in advance	4,318	4,318	\$ -	
Amount due to parent, subsidiaries and affiliates	2,173,121	2,173,121	\$ -	
Total Liabilities	\$ 2,177,439	\$ 2,177,439	\$ -	
<u>Capital and Surplus</u>				
Common capital stock	700,000	700,000	\$ -	
Gross paid in and contributed surplus	24,410,000	24,410,000	\$ -	
Unassigned funds (surplus)	(10,013,064)	(10,013,064)	\$ -	
Total Capital and Surplus	\$ 15,096,936	\$ 15,096,936	\$ -	2
Total Liabilities, Capital and Surplus	\$ 17,274,375	\$ 17,274,375	\$ -	

EXHIBIT B: Statement of Operating Results

For the Two-Year Period Ended December 31, 2020

	<u>2020</u>		<u>2019</u>
Net premium income	\$ -	\$	-
Change in unearned premium reserves	0		0
Total Revenues	\$ -	\$	-
Hospital and Medical			
Hospital/medical benefits	0		0
Other professional services	0		0
Outside referrals			
Emergency room and out-of-area	0		0
Prescription drugs			
Incentive pool, withhold adjustments	0		0
Subtotal, Hospital and Medical	0		0
Less:			
Net reinsurance recoveries	0		0
Total Hospital and Medical	\$ -	\$	-
Claims adjustment expenses			
General administrative expenses	8,826,551		0
Total underwriting deductions	8,826,551		0
Net underwriting gain (loss)	(8,826,551)		0
Net investment income earned	7,645		0
Net income before federal income tax	(8,818,906)		0
Federal income taxes incurred	11		0
Net Income	\$ (8,818,917)	\$	-

EXHIBIT C: Capital and Surplus Account
For the Two-Year Period Ended December 31, 2020

	<u>2020</u>	<u>2019</u>
Net Income	(8,818,917)	_____
Change in nonadmitted assets	(1,194,207)	
Capital changes		
Paid In	700,000	
Surplus Adjustments		
Paid in	24,410,000	
Aggregate write-ins for gains or (losses)	60	
Change in Surplus as Regards Policyholders for the Year	15,096,936	\$ -
Surplus as Regards Policyholders December 31, Previous Year	\$ -	_____
Surplus as Regards Policyholders December 31, Current Year	<u>\$ 15,096,936</u>	<u>\$ -</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 – Invested Assets

At December 31, 2020, HNJIC reported assets for bonds, cash, cash equivalents and short-term investments of \$17,273,821, which was accepted for purposes of this examination.

Note 2 – Capital and Surplus

Common Capital Stock

As of December 31, 2020, the capital stock of \$700,000. Per its certificate of incorporation, the amount of capital stock authorized and held is \$700,000 divided into 100 shares of common stock having a par value of \$7,000 per share. The Company has no preferred stock.

Gross Paid In and Contributed Surplus

The Company reported gross paid in and contributed surplus in the amount of \$24,410,000 at December 31, 2020.

Unassigned Funds (Surplus)

The Company reported an amount of unassigned funds at December 31, 2020 of \$(10,013,064).

The Company's reported annual statement capital and surplus for year end 2020 was \$15,096,936, therefore, the Company is in compliance with N.J.S.A. 17B:18-68(b) for year-end 2020.

SUMMARY OF RECOMMENDATIONS

There were no recommendations as a result of this examination.

SUBSEQUENT EVENTS

There were no material subsequent events noted.

CONCLUSION

A regular statutory condition examination was conducted by the undersigned with the assistance of contract examiners of Baker Tilly US, LLP.

The examination and audit was conducted remotely. The courteous assistance and cooperation of the Company's officers and employees is acknowledged.

Respectfully Submitted,



James B. Morris, CPA, CFE, CGMA, CICA
Examiner-in-Charge
Representing the State of New Jersey Department of Banking and Insurance
Office of Solvency Regulation



Nancy Lee Chice, CFE
CFE Reviewer - Supervisor
New Jersey Department of Banking and Insurance

HEALTHIER NEW JERSEY INSURANCE COMPANY

The undersigned hereby certifies that an examination has been made of Healthier New Jersey Insurance Company and the foregoing report is true to the best of my knowledge and belief.

Respectfully submitted,




James B. Morris, CPA, CFE, CGMA, CICA
Examiner-In-Charge
Baker Tilly US LLP



Nancy Lee Chice, CFE
CFE Reviewer - Supervisor
New Jersey Department of Banking and Insurance

State of New Jersey
County of Mercer

Subscribed and sworn to before me, on this 28th day of September 2022.



Notary Public of New Jersey

My commission expires: July 2025