



**REPORT ON EXAMINATION  
AS TO CONDITION OF  
VALUEOPTIONS OF NEW JERSEY, INC.  
CHESAPEAKE, VIRGINIA  
AT DECEMBER 31, 2022  
NAIC COMPANY CODE #15448  
NAIC GROUP CODE #0671**

FILED  
June 24, 2024  
COMMISSIONER  
NEW JERSEY DEPARTMENT  
OF  
BANKING AND INSURANCE

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**State of New Jersey**  
**DEPARTMENT OF BANKING AND INSURANCE**  
**OFFICE OF SOLVENCY REGULATION**  
**PO Box 325**  
**TRENTON, NJ 08628-0325**

**PHIL MURPHY**  
*Governor*

**JUSTIN ZIMMERMAN**  
*Acting Commissioner*

**TAHESHA L. WAY**  
*Lt. Governor*

**Tel (609) 292-7272**  
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May 30, 2024

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

Commissioner:

In accordance with the authority vested in you by the provisions of N.J.S.A. 17:48H-17, a financial examination has been made of the assets and liabilities, methods of conducting business, and all other affairs of:

**ValueOptions of New Jersey, Inc.**  
**1400 Crossways Blvd., Suite 101**  
**Chesapeake, VA 23320**  
**NAIC Code 15448**  
**NAIC Group Code 0671**

a managed behavioral healthcare organized delivery system ("ODS") authorized to transact business in the State of New Jersey only, and herein referred to in this report as "VO-NJ" or the "Company."

The Company is a wholly owned subsidiary of Beacon Health Options, Inc. ("BHO"), which is an indirect wholly owned subsidiary of Elevance Health, Inc. ("Elevance Health"). The respective office addresses of the ultimate parent and the Company are as follows:

**National Headquarters**  
Elevance Health, Inc.  
220 Virginia Avenue  
Indianapolis, Indiana 46204

**New Jersey Healthplan**  
ValueOptions of New Jersey, Inc.  
1400 Crossways Blvd., Suite 101  
Chesapeake, VA 23320

The examination was conducted remotely.

## **SCOPE OF EXAMINATION**

The New Jersey Department of Banking and Insurance (“NJDOBI”) conducted a financial condition examination of the Company for the five-year period ending December 31, 2022, which included a review of material transactions and/or events occurring subsequent to the examination date and prior to the conclusion of fieldwork.

The NJDOBI conducted the examination in accordance with the 2022 edition of the National Association of Insurance Commissioners (“NAIC”) Financial Condition Examiners Handbook (the “NAIC Handbook”). The NAIC Handbook requires NJDOBI to plan and perform the examination in order to evaluate the financial condition and identify prospective risks of the Company. To meet these objectives, NJDOBI obtained information regarding the Company’s corporate governance environment, identified and assessed inherent risks to which it is exposed and evaluated the Company’s system of internal controls and procedures used to mitigate identified risks. The examination also included assessing the principles used and significant estimates made by management, as well as, evaluating the overall Financial Statement presentation, and management’s compliance with Statutory Accounting Principles and Annual Statement instructions when applicable to domestic state regulations.

According to the NAIC 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 enhanced approach, the examiner 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.

During this period, the admitted assets of the Company decreased by \$11,933,130 to \$4,952,212 from \$16,885,342, liabilities decreased by \$9,831,273 to \$8,790 from \$9,840,063, and total capital and surplus decreased by \$2,101,857 to \$4,943,422 from \$7,045,279.

**Balance Sheet**

	2022	2021	2020	2019	2018
Admitted assets	\$4,952,212	\$4,880,753	\$4,958,355	\$8,143,802	\$18,977,726
Liabilities	8,790	31,566	167,251	952,430	9,731,532
Capital	1,000	1,000	1,000	1,000	1,000
Surplus	4,942,422	4,848,187	4,790,104	7,190,372	9,245,194
Total capital and surplus	4,943,422	4,849,187	4,791,104	7,191,372	9,246,194
Total liabilities, capital and surplus	\$4,952,212	\$4,880,753	\$4,958,355	\$8,143,802	\$18,977,726

The Company's Risk Based Capital ("RBC") to capital and surplus ratios were as follows:

Year	Admitted Assets	Liabilities	Net Worth	RBC Ratio
2022	\$4,952,212	\$8,790	\$4,943,422	0%
2021	\$4,880,753	\$31,566	\$4,849,187	0%
2020	\$4,958,355	\$167,251	\$4,791,104	1%
2019	\$8,143,802	\$952,430	\$7,191,372	(1%)
2018	\$18,977,726	\$9,731,532	\$9,246,194	75%

The examination was completed on a coordinated basis with the jurisdictions of Arizona, Arkansas, California, Colorado, Connecticut, District of Columbia, Indiana, Iowa, Kentucky, Louisiana, Maine, Maryland, Mississippi, Missouri, Nebraska, New Jersey, New York, Ohio, Pennsylvania, Texas, Virginia, Washington, West Virginia, and Wisconsin. Indiana acted as the lead state, while the other twenty-three jurisdictions acted as participating states. The conduct of the examination was governed by the procedures outlined in the NAIC Handbook. In determining emphasis to be placed on specific accounts, consideration was given to the Company's accounting methods and system of internal control, the nature and size of each account, its relative importance to solvency, and the annual audit work performed by the Company's certified public accountants for the period under examination.

The coordinated examination officially commenced in the fall of 2022. The Kick-Off Meeting was held remotely in October 2022.

The following key functional activities, related to the Company, were examined on a coordinated basis:

- Capital and Surplus
- Claims and Reserves
- Investments
- Premiums and Underwriting
- Related Parties

The following areas were also examined on a coordinated basis:

- Actuarial Review
- Corporate Governance Review
- Fraud
- Information Systems Review

Additional areas reviewed during this examination, not on a coordinated basis, were as follows:

- Accounts and Records
- Compliance with Prior Report on Examination Recommendations
- Conflict of Interest
- Fidelity Bond and Other Insurance

The examination report, contained herein, is presented using the format in accordance with the NAIC Handbook. The report will address significant balance sheet accounts and, if necessary, comments on those accounts which involve departures from laws, regulations or rules, or which are deemed to require special explanation or description.

## **HISTORY AND KIND OF BUSINESS**

Elevance Health is a publicly traded company and one of the largest health benefits companies in terms of membership in the United States, serving approximately 47.5 million medical members as of December 31, 2022.

As previously mentioned, the Company is a managed behavioral healthcare services company licensed on January 27, 2014, as an ODS in the State of New Jersey only. The Company no longer has any active insurance contracts.

## **TERRITORY AND PLAN OF OPERATION**

The Company's Vendor Services Agreement with Horizon Blue Cross Blue Shield of New Jersey terminated as of March 29, 2020. The Company's Managed Long Term Services and Supports contract with Horizon New Jersey Health ("HNJH") was terminated as of December 31, 2019. The Company's Dual Eligible Special Needs Plan contract with HNJH terminated as of March 31, 2020.

## **HOLDING COMPANY SYSTEM**

The Company is a member of an Insurance Holding Company as defined in N.J.S.A. 17:27A-1, and as such has registered with the Commissioner of Banking and Insurance of the state of New Jersey under N.J.S.A. 17:27A-3. As previously noted, the ultimate parent of the Company is Elevance Health, a large health insurance holding company currently listed on the New York Stock Exchange. An abbreviated organizational chart showing the relationships between the Company, its parent and affiliated companies is shown below:

	NAIC Co. Code	Domiciliary State/Country
Elevance Health, Inc.		IN
BVO Holdings, LLC		DE
Beacon Health Options Holdco, Inc.		DE
Beacon Health Vista Parent, Inc.		DE
FHC Health Systems, Inc.		VA
Beacon Health Options, Inc.		VA
Beacon Health Options of California, Inc.		CA
Beacon Health Options of Pennsylvania, Inc.	47025	PA
CHCS IPA, Inc.		NY
Living Complete Technologies, Inc.		MD
OPTIONS Health Care, Inc.		DE
ValueOptions Federal Services, Inc..		VA
<b>ValueOptions of New Jersey, Inc.</b>	<b>15448</b>	<b>NJ</b>
ValueOptions of Texas, Inc.	95799	TX

## **INTERCOMPANY AGREEMENTS**

### **Administrative Services Agreements**

The Company has entered into Administrative Services Agreements with its affiliated companies. Pursuant to these Agreements, various administrative, management and support services are provided to or provided by the Company. The costs and expenses related to these administrative management and support services are allocated to or allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. Costs include expenses such as salaries, employee benefits, information technology, pharmacy benefits administration, communications, advertising, consulting services, rent, utilities, billing, accounting, underwriting, and product development, which support the Company's operations. These costs are allocated based on various utilization statistics.

### **Consolidated Tax Sharing Agreement**

The Company is a party to the Consolidated Federal Income Tax Sharing Agreement ("Agreement") amongst Elevance Health and substantially all of its subsidiary companies. Allocation of federal income taxes with affiliates subject to the Agreement is based upon separate income tax return calculations with credit for net losses that can be used on a consolidated basis. Pursuant to the Agreement, the Company has the enforceable right to recoup federal income taxes paid in prior years in the event of future losses, which it may occur, or to recoup its net losses carried forward as an offset to future net income subject to federal income taxes. Intercompany income tax balances are settled based on the Internal Revenue Service due dates.

## **CORPORATE RECORDS**

The corporate records of the Company are maintained at the Elevance Health offices in Indianapolis, Indiana. A review was made of the Board of Directors ("Board") minutes and committee minutes for the period under examination. The review determined that the minutes adequately approve and support the Company's transactions and events.

The examiners reviewed the Bylaws for compliance. It was noted that the Company did not have a Vice President during the exam period or an Assistant Secretary as of December 31, 2022, as required by the Bylaws. Subsequently, the Bylaws were amended, and the Company is now in compliance.

### **MANAGEMENT AND CONTROL**

The Company's Bylaws provide that the business affairs of the corporation shall be managed by its Board. The Board shall elect the officers of the corporation which shall include a President, a Vice President, a Secretary, a Treasurer, an Assistant Secretary and other officers deemed necessary.

The Board of the Company as of December 31, 2022, was comprised of the following individuals:

<u>Name</u>	<u>Business Affiliation, Title</u>
Nancy Ann Armatas	Elevance Health, Inc. General Counsel - Carelon
Glenn Andrew MacFarlane	Elevance Health, Inc. President – Carelon Behavioral Health
Ronald William Penczek	Elevance Health, Inc. Chief Accounting Officer

The officers and key employees of the Company as of December 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Glenn Andrew MacFarlane	President
Kathleen Susan Kiefer	Secretary
Vincent Edward Scher	Treasurer
Eric Kenneth Noble	Assistant Treasurer
Robert Jacob Mandel	Medical Director

### **POLICY ON CONFLICT OF INTEREST**

Elevance Health's Conflict of Interest Policy requires each associate, including independent directors of wholly owned subsidiaries, to complete a Conflict of Interest statement annually. It was determined that all directors and officers listed in the Management and Control section of this Report on Examination reviewed and signed their Conflict of Interest statements as of December 31, 2022. The relationships reported



in the Conflict of Interest statements received were reviewed and were not considered to have a material effect on the Company.

### **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

The Company, through its parent, maintains a Financial Institution Bond issued by Fidelity and Deposit Company of Maryland. This bond has a range of coverages including fidelity bond, forgery or alteration, securities, computer systems fraud, data processing and trading loss. The coverage for this policy for Elevance Health and its affiliates has an aggregate loss liability of \$20,000,000, a single loss limit of liability of \$10,000,000 and a single loss deductible of \$5,000,000.

In addition to the coverage provided under the fidelity bond, the Company, through its parent, carries several insurance policies to cover the hazards to which it is exposed including workers' compensation coverage and the following liability coverages: managed care errors and omissions, commercial property, cyber, general, auto, umbrella, directors and officers and fiduciary.

### **CONTINUITY OF OPERATIONS**

An information systems review was conducted by the IT examiners from Noble Consulting Services, Inc. As a part of their information systems review, the IT Specialists reviewed Elevance Health's disaster recovery plan and cybersecurity risks. The results of this review were provided to the Company.

### **TREATMENT OF POLICYHOLDERS**

N.J.S.A. 17:29B-4(10) requires the maintenance of a complete record of all written complaints. The Company did not have any complaints during the exam period.

### **ACCOUNTS AND RECORDS**

The Connections Administrative System is an internally developed system and the Company's main business processing application, including eligibility and claims processes, which is maintained at the Carelon Data Center. The Oracle Financials system is used to maintain the Company's billing and accounts receivable function. The general ledger, accounts payable, fixed assets, and financial consolidation data are maintained through Elevance Health's Peoplesoft ERP. The Company's Automated Clearing House payments, investments and cash forecasting is maintained by Elevance Health Treasury on cloud hosted applications. Elevance Health also provides IT support to the Company, and other behavioral health affiliated entities.

## **FINANCIAL EXHIBITS**

The financial statements consist of the following exhibits and notes to financial statements showing the financial condition as of December 31, 2022, as shown in the Annual Statement:

Exhibit A - Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2022

Exhibit B – Statement of Revenue and Expenses for the Five-Year Period Ended December 31, 2022

Exhibit C - Capital and Surplus for the Five-Year Period Ended December 31, 2022

**VALUEOPTIONS OF NEW JERSEY, INC.**  
**EXHIBIT A**  
**STATEMENT OF ASSETS, LIABILITIES, CAPITAL AND SURPLUS**  
**DECEMBER 31, 2022**

	Balance Per Examination	Balance Per Company	Examination Change	Note Number
<b><u>Assets</u></b>				
Bonds	\$ 63,867	\$ 63,867	-	<b>1</b>
Cash, Cash Equivalents, and Short-Term Investments	4,855,396	4,855,396	-	
Subtotals, Cash and Invested Assets	4,919,263	4,919,263	-	
Investment Income Due and Accrued	1,875	1,875	-	
Aggregate Write-Ins for Other Than Invested Assets	31,074	31,074	-	
<b>Total Admitted Assets</b>	<b>\$ 4,952,212</b>	<b>\$ 4,952,212</b>	<b>-</b>	
<b><u>Liabilities</u></b>				
General Expenses Due or Accrued	\$ 78	\$ 78	-	
Current Federal and Foreign Income Tax Payable	8,439	8,439	-	
Net Deferred Tax Liability	1	1	-	
Amounts Due to Parent, Subsidiaries and Affiliates	272	272	-	
<b>Total Liabilities</b>	<b>\$ 8,790</b>	<b>\$ 8,790</b>	<b>-</b>	
<b><u>Surplus</u></b>				
Common Capital Stock	1,000	1,000	-	<b>2</b>
Gross Paid In and Contributed Surplus	5,151,750	5,151,750	-	<b>2</b>
Unassigned Funds (Surplus)	(209,328)	(209,328)	-	<b>2</b>
<b>Total Capital and Surplus</b>	<b>4,943,422</b>	<b>4,943,422</b>	<b>-</b>	
<b>Total Liabilities, Capital, and Surplus</b>	<b>\$ 4,952,212</b>	<b>\$ 4,952,212</b>	<b>-</b>	

**VALUEOPTIONS OF NEW JERSEY, INC.**  
**EXHIBIT B**  
**STATEMENT OF REVENUE AND EXPENSES**  
**FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2022**

	2022	2021	2020	2019	2018
MEMBER MONTHS	-	-	-	-	10,765,883
<b>Revenues</b>					
Risk Revenue	\$-	\$-	\$-	\$371,657	\$149,719,903
Aggregate Write-Ins for Other Health Care Related Revenues	-	-	10,051,369	46,474,080	30,605,296
Aggregate Write-Ins for Other Non-Health Revenues	-	-	94,500	378,000	1,036,044
<b>Total Revenues</b>	<b>\$-</b>	<b>\$-</b>	<b>\$10,145,869</b>	<b>\$47,223,737</b>	<b>\$181,361,243</b>
<b>Expenses</b>					
Hospital and Medical: Other Professional Services	-	-	71,153	(359,292)	135,981,558
<b>Total Hospital and Medical</b>	<b>\$-</b>	<b>\$-</b>	<b>\$71,153</b>	<b>\$(359,292)</b>	<b>\$135,981,558</b>
Claims Adjustment Expenses	-	-	-	-	-
General Administrative Expenses	16,011	35,977	9,298,042	42,950,327	35,237,104
<b>Total Underwriting Deductions</b>	<b>\$16,011</b>	<b>\$35,977</b>	<b>\$9,369,195</b>	<b>\$42,591,035</b>	<b>\$171,218,662</b>
<b>Net Underwriting Gain or (Loss)</b>	<b>(16,011)</b>	<b>(35,977)</b>	<b>776,674</b>	<b>4,632,702</b>	<b>10,142,581</b>
Net Investment Income Earned	44,457	(2,019)	16,657	44,738	83,210
Net Realized Capital Gains Less Capital Gains Tax	-	-	-	-	-
<b>Net Investment Gains</b>	<b>\$44,457</b>	<b>\$(2,019)</b>	<b>\$16,657</b>	<b>\$44,738</b>	<b>\$83,210</b>
Aggregate Write-Ins for Other Income or Expenses	60,000	100,000	-	-	-
Net Income After Capital Gains Tax and Before All Other Federal Income Taxes	88,446	62,004	793,331	4,677,440	10,225,791
Federal and Foreign Income Taxes Incurred	(1,101)	22,931	194,771	911,231	2,027,420
<b>Net Income</b>	<b>\$89,547</b>	<b>\$39,073</b>	<b>\$598,560</b>	<b>\$3,766,209</b>	<b>\$8,198,371</b>

**VALUEOPTIONS OF NEW JERSEY, INC.**  
**EXHIBIT C**  
**CAPITAL AND SURPLUS ACCOUNT**  
**FOR THE FIVE-YEAR PERIOD ENDED DECEMBER 31, 2022**

	2022	2021	2020	2019	2018
<b>Capital and Surplus</b>					
<b>Prior Reporting Year</b>	<b>\$4,849,187</b>	<b>\$4,791,104</b>	<b>\$7,191,372</b>	<b>\$9,246,194</b>	<b>\$7,045,279</b>
Net Income	89,547	39,073	598,560	3,766,209	8,198,371
Change in Net					
Unrealized Capital					
Gains (Losses) Less					
Capital Gains Tax	-	17,838	-	-	-
Change in Net					
Deferred Income Tax	4,689	1,172	1,172	(71,031)	2,544
Surplus Adjustments:					
Paid In	(1)	-	(2,143,406)	-	-
Dividends to					
Stockholders	-	-	(856,594)	(5,750,000)	(6,000,000)
Net Change in Capital	94,235	58,083	(2,400,268)	(2,054,822)	2,200,915
and Surplus					
<b>Capital and Surplus</b>					
<b>End of Reporting</b>					
<b>Period</b>	<b>\$4,943,422</b>	<b>\$4,849,187</b>	<b>\$4,791,104</b>	<b>\$7,191,372</b>	<b>\$9,246,194</b>

## **NOTES TO FINANCIAL STATEMENTS**

### **Note 1 – Securities on Deposit**

VO-NJ had the following securities held on deposit on behalf of the Company.

<u>State</u>	<u>Par Value</u>	<u>Fair Value</u>
New Jersey	\$50,000	\$57,469

### **Note 2 – Surplus as Regards Policyholders**

The Company reported surplus as regards to policyholders at December 31, 2022 of \$4,943,422 which consisted of common capital stock of \$1,000, gross paid in and contributed surplus of \$5,151,750 and unassigned funds of (\$209,328).

## **SUBSEQUENT EVENTS**

Effective February 23, 2023, BVO Holdings, LLC changed its name to Carelon Behavioral Health Holdings, LLC.

The Company's parent changed its name to Carelon Behavioral Health, Inc. from Beacon Health Options, Inc. effective March 1, 2023.

Effective March 1, 2023, ValueOptions Federal Services, Inc. changed its name to Carelon Health Federal Services, Inc.

Effective March 6, 2023, CHCS IPA, Inc. changed its name to Carelon Behavioral Health IPA, Inc.

Effective March 8, 2023, Beacon Health Options of California, Inc. changed its name to Carelon Behavioral Health of California, Inc.

The Company changed its name to Carelon Health of New Jersey, Inc. from Value Options of New Jersey, Inc. on May 1, 2023.

Effective May 1, 2023, Beacon Health Options of Pennsylvania, Inc. changed its name to Carelon Health of Pennsylvania, Inc.

Effective November 1, 2023, ValueOptions of Texas, Inc. was dissolved.

## **CONCLUSION**

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

Respectfully submitted,



Dan Schoettle, CFE, CPA  
Examiner-In-Charge  
Representing the State of New Jersey

Under the supervision of,



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



## AFFIDAVIT

I, Dan Schoettle, the undersigned, hereby certify that the foregoing Report of Examination accurately discloses, to the best of my knowledge, all material and relevant information related to the financial condition of VO-NJ in accordance with the NAIC Handbook and New Jersey State Regulations.

Respectfully submitted,

Dan Schoettle

Dan Schoettle, CFE, CPA, Examiner-in-Charge  
Noble Consulting Services, Inc.  
Representing the State of New Jersey  
Department of Banking and Insurance

Under the supervision of:

Nancy Lee Chice

\_\_\_\_\_  
Nancy Lee Chice, CFE Reviewer  
New Jersey Department of Banking and Insurance

State of New Jersey

County of Mercer

Subscribed and sworn to before me, Margaret M. Greco, on  
this 19th day of June, 2024.

[Signature]  
\_\_\_\_\_  
Notary Public of New Jersey

My commission expires: 3/17/2028

