STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

ATRIO HEALTH PLANS, INC.
SALEM, OREGON

AS OF

DECEMBER 31, 2018

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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SALEM, OREGON

NAIC COMPANY CODE 10123

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SALUTATION

April 1, 2020

Honorable Andrew J. Stolfi, Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Director:

In accordance with your instructions and guidelines in the National Association of Insurance Commissioners (NAIC) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

ATRIO HEALTH PLANS, INC.
2965 Ryan Drive SE
Salem, Oregon 97301

NAIC Company Code 10123

hereinafter referred to as the "Company" or the "Plan." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, single-state, full-scope examination of ATRIO Health Plans, Inc. The last examination of this health care service contractor was completed as of December 31, 2015. This examination covers the period of January 1, 2016, to December 31, 2018.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners 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 Plan 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. 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.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 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 other regulators and the Company.

COMPANY HISTORY

The Plan was incorporated under the laws of the State of Oregon on December 23, 2004, as a for-profit stock corporation. It was formed by three provider sponsored health plans servicing rural Medicaid enrollees in Southern Oregon; Doctors of the Oregon Coast South (DOCS) in Coos County, Douglas County Individual Practice Association (DCIPA) in Douglas County (now known as Umpqua Health, LLC), and Cascade Comprehensive Care, Inc. (CCC) in Klamath County. Each health partner owned one-third of the issued preferred voting stock of the Plan. The Plan was granted a Certificate of Authority in Oregon on March 31, 2005, as a health care service contractor pursuant to ORS Chapter 750. DOCS subsequently sold its shares to the Plan. In 2011, Marion Polk Community Health Plan Advantage, Inc. (MPCHPA) acquired a 33.3% share of the Series A Voting stock of the Plan.

On April 29, 2016, CCC purchased an additional 300 shares of Series B Preferred Stock in the amount of $1,564,197, which brought its ownership percentage to 33.33%. Consequently, both Umpqua Health and MPCHPA's ownership percentage changed to 33.33%.

Capitalization

At December 31, 2018, the Plan reported the following ownership:

Company	Series A Shares	Par Value	Series B Shares	Par Value	% of Total Ownership
Umpqua Health, LLC	500	$ 1,500,000	1,579	$ 5,130,494	33.33%
CCC	500	1,500,000	1,579	5,737,910	33.33%
MPCHPA	500	1,500,000	1,579	5,130,494	33.33%
Total	1,500	$ 4,500,000	4,737	$ 15,998,898	99.99%

Shares are not actively traded and management has no ownership interest. Each share of Series A Voting stock had a value of $3,000 and the Plan reported total capital stock value of $20,498,899 in the 2018 Annual Statement.

Dividends to Stockholders and Other Distributions

During the period under examination, the Plan did not declare or pay any dividends or made any distributions to its shareholders.

However, the Plan made an extraordinary cash dividend in the amount of $2,584,036 on June 20, 2019, as part of a Form A filing with the Division to adjust the purchase price due to a Stock Purchase Agreement dated December 6, 2018. The Plan believed no additional notice or approval was needed. Thus, the Plan did not declare the extraordinary cash dividend nor did it notify the Director to obtain approval prior to payment of the dividend. The Plan's failure to do so was not intentional. Upon the Director notifying the Plan of its failure to seek approval, it requested approval on August 27, 2019, to retroactively approve the extraordinary cash dividend payment. The Division of Financial Regulation approved the extraordinary cash dividend payment on October 1, 2019.

CORPORATE RECORDS

Board Minutes

In general, the review of Board meeting minutes of the Plan indicated that the minutes support the transactions of the Plan and clearly describe the actions taken by its directors. A quorum as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Company's Bylaws authorize an Executive Committee and a Finance Committee, and give the Board the power to create additional committees as needed. The minutes for both standing committees were reviewed. An Audit and Compliance Committee was also created by the Board, and those minutes were also reviewed.

A review of the meeting minutes indicated the Board directly approves the CEO's compensation and indirectly approves the compensation of senior executives through approval of an annual budget. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan's Articles of Incorporation were last restated effective December 15, 2017, to reflect the Plan's change to a benefit company as defined in ORS 60.750(1) and to be subject to ORS 60.750 to ORS 60.770, as amended. The restated Articles require a one hundred percent (100%) approval of the holders of outstanding shares of Series A Voting Stock to increase the size of the Board of Directors above 24 members or decrease the size of the Board of Directors below three members.

Bylaws

The Plan's Bylaws were last amended effective November 1, 2016. A new Article 7 was added to the Bylaws to state the Board of Directors shall serve as the Board of Governors as provided in ORS 60.750(4). Consequently, each member of the Board of Directors may be referred to as a "governor" or "director" of the Corporation. A "Benefit Governor" shall be appointed by the Board of Directors and shall be a member of the Board of Directors for the appointment of a Benefit Governor as defined in ORS 60.750.(2). Russell F. Noah was appointed as Benefit Governor to serve at the discretion of the Board of Governors. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article II, state the business and affairs of the Corporation shall be managed and controlled by the Board of Directors. The Board of Directors shall consist of not less than three (3) and no more than twenty-four (24) directors, the specific number within such range to be set by resolution of the Board. As of December 31, 2018, the Plan was governed by a nine member Board of Directors as follows:

Name and Address	Principal Affiliation	Representative	Member Since
Tayo Akins Klamath Falls, Oregon	President and CEO Cascade Comprehensive Care, Inc.	Ownership	2015
Dean Gage Andretta Salem, Oregon	CFO WVP Health Authority	Ownership	2018
Jan Leslie Baldwin Lake Oswego, Oregon	CEO WVP Health Authority	Ownership	2011
Bart J. Bruns, MD Roseburg, Oregon	President Roseburg Anesthesiology Spec, PC	Practicing Doctor	2014
Kimberly Renae Hanson Monmouth, Oregon	Compliance Officer WVP Health Authority	Ownership	2018
James Eldon Hurst Klamath Falls, Oregon	Chief Information Officer Rife Foundation	Public	2018
Dhyan D. Lal Sammamish, Washington	VP Prayer Strategy & Accountable Care CHI Franciscan Health	Public	2018
Raul Ari Mirande, MD Klamath Falls, Oregon	Physician Surgeon	Practicing Doctor	2016
Russell Francis Noah * Roseburg, Oregon	Retired Former President, RE Noah & Co.	Public	2006

* Chairman

Jan L. Baldwin resigned from the Board effective August 1, 2019. Subsequent to the examination date, Chicago Pacific Founders acquired ownership of the Plan through a stock purchase agreement and subsequent change in ownership on June 20, 2019. Since that time, the Plan is now governed by an eight member Board of Directors as follows:

Name and Address	Principal Affiliation	Representative	Member Since
Eyitayo Akins Klamath Falls, Oregon	President and CEO Cascade Comprehensive Care, Inc.	Ownership	2015
Mary Ann Tolan Chicago, Illinois	Managing Partner Chicago Pacific Founders	Ownership	2019
Vance Kiernan Vanier San Francisco, California	Physician Stanford Hospital	Practicing Doctor	2019
Kenneth Brian Stoll Chicago, Illinois	Operating Partner Chicago Pacific Founders	Ownership	2019
Russell Francis Noah * Roseburg, Oregon	Retired Former President, RE Noah & Co.	Public	2006
Sameer Mathur Chicago, Illinois	Vice-President Chicago Pacific Founders	Ownership	2019
Etienne Henri Deffarges San Francisco, California	Operating Partner Chicago Pacific Founders	Ownership	2019
Samuel Nussbaum Clayton, Missouri	Strategic Consultant EBG Advisors	Public	2019

* Chairman

The Directors as a group has experience in law, insurance, accounting and management, in accordance with the provisions of ORS 731.386. ORS 750.015(1) requires not less than one-third of the group of persons vested with the management of the affairs of a health care service contractor be representatives of the public who are not practicing doctors, employees, or trustees

of a participant hospital. The new board of directors only identified two of the nine members who would qualify as representative of the public. Subsequent to the fieldwork, and just prior to the publication of this Report, the Plan's Board of Directors passed a resolution to remove Mr. Stoll and Mr. Mathur from the Board to comply with ORS 750.015.

Officers

Principal officers serving at December 31, 2018, were as follows:

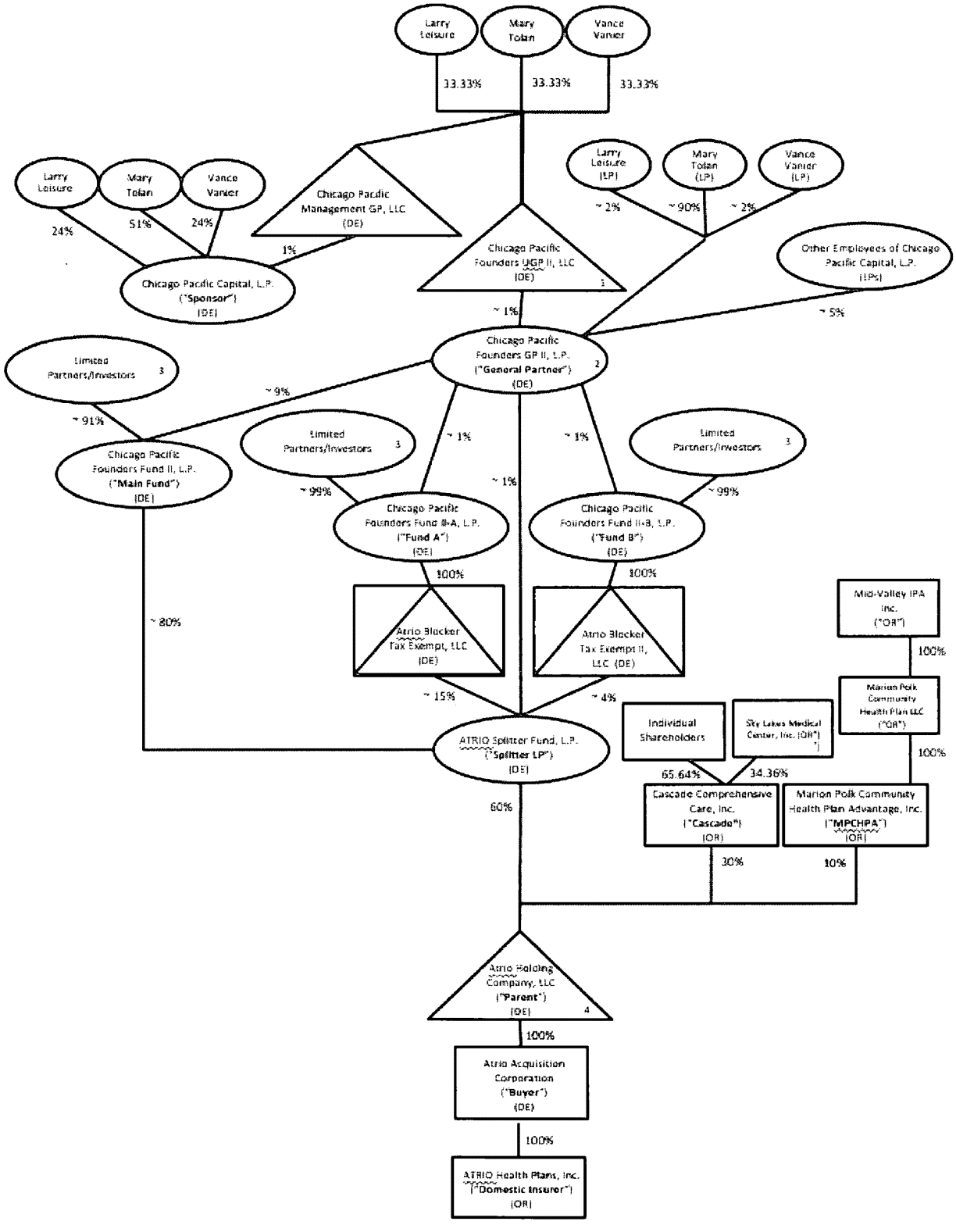
Name	Title
Wendy J. Edwards	President
Bart J. Bruns	Secretary & Treasurer

Conflict of Interest

The Plan's Board adopted a formal Conflict of Interest Policy for all Directors, officers and employees of the Plan. All are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Plan's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

An insurance holding company registration statement was filed by the Company in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1). The following organizational chart depicts the relationship between the related entities of the Plan:



A description of the direct entities above is as follows:

Chicago Pacific Founders UGP II, LLC is Delaware limited liability corporation and a holding company. Three individuals are each a managing partner and 1/3 owner of CFP and each would be considered the ultimate controlling entity. These individuals are Larry Leisure, Mary Tolan and Vance Vanier, MD.

Chicago Pacific Founders GP II, LP is a Delaware limited partnership and the General Partner of CPF, which makes investments in a variety of businesses. It is 90% owned and controlled by Mary Tolan, with the other investors holding less than 5% ownership.

Chicago Pacific Founders Fund II, LP (CPF) is a limited partnership acting as an investment advisor to manages private funds, focusing exclusively on healthcare services. The fund has indicated it will invest up to $75 million of equity capital per opportunity in buyout and growth transactions for cash flow positive businesses.

Limited Partners/Investors (3) are made up of the three individuals, Larry Leisure, Mary Tolan, and Vance Vanier. The three have a ninety-nine percent ownership interest in two limited partnerships; Chicago Pacific Founders Fund II-A, LP and in Fund II-B, LP. These are two private equity funds established for making investments in healthcare companies across North America.

Atrio Blocker Tax Exempt, LLC is a Delaware limited liability company.

ATRIO Splitter Fund, LP is a Delaware limited liability company formed as a holding company to hold 60% of Atrio Holding Company, LLC.

Atrio Holding Company, LLC is a Delaware limited liability company formed to be the indirect holding company as a result of the Stock Purchase Agreement with Chicago Pacific Founders. It is 60% owned by ATRIO Splitter Fund, LP, 30% by CCC, and 10% by MPCHPA.

Atrio Acquisition Corporation (Buyer) a Delaware corporation created as a mid-level holding company for the purpose of acquiring 100% equity interest in the Plan as a result of the Stock Purchase Agreement with Chicago Pacific Founders.

Mid Valley IPA, Inc. (MVIPA) is an Oregon corporation incorporated in 1976 as a mutual benefit corporation. MVIPA's membership consists of independent physicians in the Mid-Willamette Valley. With the passage of Coordinated Care Organizations (CCO) legislation, MVIPA and nine other entities developed a new organization, Willamette Valley Community Health LLC (WVCH). WVCH contracted with the State of Oregon to provide capitated health care services to enrollees of OHA in Marion County and Polk County. Mid Valley IPA, dba WVP Health Authority (WVP) owns all of the issued and outstanding membership interest in Marion Polk Community Health Plan Advantage, Inc., which in turn owns all of the issued & outstanding capital stock of MPCHPA. Shares are not actively traded and management has no ownership interest.

Marion Polk Community Health Plan, LLC. is an Oregon limited liability corporation, organized in February 2001, which is wholly owned by MVIPA. The LLC is a one-hundred percent owner of Marion Polk Community Health Plan Advantage, Inc.

Marion Polk Community Health Plan Advantage, Inc. (MPCHPA) is an Oregon corporation formed to write the Oregon Medicaid business under the OHP, through the DMAP. MPCHPA was organized in April 2005, and is a wholly owned subsidiary of Marion Polk Community Health

Plan, LLC (MPCHP). On November 1, 2011, at the same time that MPCHPA purchased a stock ownership interest in the Plan, under a Novation Agreement, it transferred and assigned all of its rights in its Medicare Advantage contracts to the Plan.

Sky Lakes Medical Center, Inc. is a not-for-profit, community owned, acute care teaching hospital affiliated with Oregon Health & Science University Medical School through the Cascades East Rural Family Medicine Residency Program. The hospital is located in Klamath Falls, Oregon.

Cascade Comprehensive Care Inc. (CCC) is an Oregon domiciled corporation and a managed health care company, started operations January 1996. CCC is owned by individual shareholders comprised of local health care providers, primary care physicians and specialists (65.64%) and Sky Lakes Medical Center (34.36%).

INTERCOMPANY AGREEMENTS

The following agreements are in place between the Plan and entities within the insurance company holding system:

Medicare Advantage Services Agreement (MASA)

The Plan has a separate agreement with each of its owners/health providers, designated in the contracts as "service area contractors," (SAC) to provide all services required of a Medicare contractor, including provider contracting, marketing, enrollee services, information systems and data processing, quality and performance improvements, credentialing, accounting and financial information, and other related services. Each SAC agrees to arrange for providing covered services to enrollees as part of its MASA. The Plan will collect all revenues from the Center for Medicare and Medicaid Studies (CMS) and reimburse the providers directly for covered services rendered

at the Medicare fee for service rate plus 10% (less a 10% withhold), or billed charges, whichever is less. Mid-Valley IPA, parent of MPCPHA, is the only capitated arrangement whereas both CCC and Umpqua Health, LLC operate under fee-for-service arrangements. The Plan agrees to pay the SACs for administrative services on a percentage of revenue basis. All amounts are due monthly by the 15th day of the following month.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions, and the solvency of the insurers providing the coverages. The insurance coverages are provided through insurance policies issued by unaffiliated carriers. The Plan is insured up to $1,000,000 per occurrence, after a $5,000 deductible per single loss, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage recommended by the NAIC.

Other insurance coverages in force at December 31, 2018, were found to be adequate, and are as follows:

Business Owner Liability	Business Personal Property
Employee Benefits Liability	Workers Compensation
Employment Related Practices	

TERRITORY AND PLAN OF OPERATION

The Plan offers commercial individual and small group plans in their service areas, which included Douglas, Josephine, Klamath, Marion, and Polk counties. Effective January 1, 2018, the Plan exited the commercial market and focused only on the Medicare line of business. Grants Pass Management Services, Inc. dba Oregon Health Management Services (OHMS) ended its relationship with the Plan effective December 31, 2018.

The Plan is licensed in the State of Oregon only. The Plan serves as a plan sponsor offering four Medicare Advantage Plans (each an "MA Plan" or collectively the "MA Plans") under a contract with the Centers for Medicare and Medicaid Studies (CMS). As an Oregon health care service contractor, the Plan provides MA Plan benefits to enrollees in Douglas, Josephine, Klamath, Marion, and Polk counties. The Plan also offers Medicare Part D prescription drug insurance coverage. Direct premium written in 2018 was $200,295,513.

During the last five years, the Plan reported total enrolled members as follows:

Line of Business	2014	2015	2016	2017	2018
Individual hospital & medical	13	253	2,181	8,632	-
Group hospital & medical	19	4	105	149	-
Medicare	13,696	15,329	18,252	19,141	19,937
Total enrollment	13,728	15,586	20,538	27,922	19,937

GROWTH OF THE PLAN

Growth of the Plan over the past five years is reflected in the following schedule. Amounts were derived from Company's annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2014	$ 41,298,454	$ 17,946,763	$ 23,351,690	$ 2,540,201
2015 *	46,498,692	18,363,218	28,135,474	1,287,969
2016	50,389,005	24,877,048	25,511,957	(4,179,431)
2017	52,078,264	35,823,444	16,254,821	(9,387,034)
2018 *	62,854,744	44,216,528	18,638,215	2,669,507

*Per examination

LOSS EXPERIENCE

The following exhibit reflects the annual underwriting results of the Plan over the last five years. The amounts were obtained from copies of the Plan's filed annual statements and, where indicated, from the previous examination reports.

Year	(1) Total Revenues	(2) Total Hospital and Medical	(2)/(1) Medical Loss Ratio	(3) Claim Adjustment and General Expenses	(2)+(3)/(1) Combined Ratio
2014	$ 159,839,987	$ 134,590,609	84.2%	$ 20,626,452	97.1%
2015 *	176,129,313	147,796,757	83.9%	23,844,036	97.5%
2016	203,293,455	176,351,821	86.7%	29,431,606	101.2%
2017	257,005,553	235,203,649	91.5%	35,797,975	105.5%
2018 *	203,870,780	162,919,930	79.9%	35,843,704	97.5%

*Per examination

A combined ratio of more than 100% would indicate an underwriting loss. The Company reported net underwriting losses in 2016 and 2017.

REINSURANCE

At December 31, 2018, the Plan was covered by an HMO Specific Excess Loss Reinsurance agreement with PartnerRe America Insurance Company (NAIC # 11835, authorized in Oregon on January 22, 1981). The Agreement covers Medicare and Medicare dual eligible members in Marion, Polk, Douglas, Klamath, Josephine and Jackson counties. The maximum aggregate limit of the Plan's liability is $275,000 for members in Marion and Polk counties and $225,000 for members in Douglas, Klamath, Josephine and Jackson counties. The maximum payable per covered person per agreement term is $5,000,000 in excess of the specific deductible and reimbursement percentage.

Risk Retention

The Plan did not retain risk on any one subject in excess of 10% of its surplus as regards policyholders in compliance with ORS 731.504.

Insolvency Clause

The reinsurance agreement contained an insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency in compliance with ORS 731.508(3).

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Company's December 31, 2018, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The Company has a system in place to account for unclaimed funds and the Company has filed the reports on abandoned property pursuant to the provisions of ORS 98.352. However, the Plan did not provide some specifically requested records timely in order to properly facilitate the examination.

I recommend the Plan provide record requests in a timely manner in order to properly facilitate the examination in accordance with ORS 731.308(3).

STATUTORY DEPOSIT

As of the date of the examination, the Plan maintained a deposit with the Oregon Division of Financial Regulation, Department of Consumer & Business Services, totaling $261,000 in accordance with ORS 750.045. The deposit was verified from the records of the Division of Financial Regulation and was properly listed in the 2018 annual statement, Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were three recommendations made from the prior examination performed by the Division of Financial Regulation as follows. The Company subsequently showed compliance with two of the recommendations, but a review of the Board minutes during the period under examination continue to lack evidence of a formal approval of investments by a resolution of the Board. See Notes to the Financial Statements below.

SUBSEQUENT EVENTS

On June 20, 2019 a stock purchase agreement with Chicago Pacific Founders (CFP) was completed, which allowed CPF to become a 60% shareholder (owner) of the Plan, resulting in a reduced the ownership percentage of MPCHPA to 10% and CCC to 30%. Umpqua Health, LLC sold its entire ownership stake to CPF. The Plan's Bylaws and Board of Director membership where changed to reflect the change in ownership.

In 2019 the Plan filed a lawsuit against Performance Health Technology for providing faulty patient data analysis and against Optima, LLC for selling defective software. The suit claims that as a result, the Plan lost nearly $29 million and, at the same time, resulted in overcharges to CMS totaling nearly $31 million.

In June 2019, RAM Technologies and Aucourant replaced Performance Health Technologies as the Plan's third-party administrator for claims processing.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Division of Financial Regulation and present the financial condition of the Plan

for the period ending December 31, 2018. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements. These statements include:

Statement of Assets
Statement of Liabilities, Surplus, and Other Funds
Statement of Income
Reconciliation of Capital and Surplus Since the last Examination

ATRIO HEALTH PLANS, INC.
ASSETS
As of December 31, 2018

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 10,947,574	$ -	$ 10,947,574	1
Cash, cash equivalents and short-term investments	10,100,561		10,100,561	1
Other Invested Assets	1,862,777	-	1,862,777	1
Subtotal, cash and invested assets	22,910,912	$ -	22,910,912	
Investment income due and accrued	47,297	-	47,297	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	314,041	-	314,041	
Accrued Retrospective Premiums	1,977,100	-	1,977,100	
Reinsurance				
Amounts recoverable from reinsurers	288,649	-	288,649	
Amounts receivable relating to uninsured plans	2,881,365		2,881,365	
Net deferred tax assets	1,706,000	-	1,706,000	
EDP equipment and software	48,168		48,168	
Receivables from parent, subsidiaries and affiliates	30,828,888	-	30,828,888	
Health care and other amounts receivable	1,852,324	-	1,852,324	
Total Assets	$ 62,854,744	$ -	$ 62,854,744	

ATRIO HEALTH PLANS, INC.
LIABILITIES, SURPLUS AND OTHER FUNDS
As of December 31, 2018

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 11,342,846	$ -	$ 11,342,846	2
Accrued medical incentive pool	-		-	2
Unpaid claims adjustment expenses	347,983	-	347,983	2
Aggregate health policy reserves	28,628,136	-	28,628,136	2
Premiums received in advance	348,677	-	348,677	
General expenses due or accrued	1,731,805	-	1,731,805	
Current federal and foreign income tax payable	83,153	-	83,153	
Amounts due to parent, subsidiaries and affiliates	1,723,117	-	1,723,117	
Aggregate write-ins for other liabilities	10,811	-	10,811	
Total Liabilities	$ 44 216,528	$ -	$ 44 216,528	
Common capital stock	-	-	-	
Preferred capital stock	20,498,899	-	20,498,899	
Gross paid-in and contributed capital	-	-	-	
Surplus notes	-	-	-	
Unassigned funds (surplus)	(1,860,683)	-	(1,860,683)	
Surplus as regards policyholders	18 638,215	-	18 638,215	
Total Liabilities, Surplus and other Funds	$ 62,854,744	$ -	$ 62,854,744	

ATRIO HEALTH PLANS, INC.
STATEMENT OF INCOME
For the Year Ended December 31, 2018

REVENUE	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	$ 203,870,780	$ -	$ 203,870,780	
Aggregate write-ins	-	-	-	
Total Revenues	203,870,780	-	203,870,780	
HOSPITAL AND MEDICAL				
Hospital/medical benefits	76,870,179	-	76,870,179	
Other professional services	66,107,295	-	66,107,295	
Emergency room and out-of-area	5,718,815	-	5,718,815	
Prescription drugs	17,580,295	-	17,580,295	
Incentive pool, withhold adjustments and bonus amounts	(1,969,040)	-	(1,969,040)	
Subtotal	164,307,543	-	164,307,543	
Less				
Net reinsurance recoveries	1,387,614	-	1,387,614	
Total Hospital and Medical	162,919,930	-	162,919,930	
Non-health claims	-	-	-	
Claim adjustment expenses	5,462,451	-	5,462,451	
General administrative expenses	30,381,253	-	30,381,253	
Increase in reserves for life and accident and health contracts	1,200,000	-	1,200,000	
Total Underwriting Deductions	199,963,634	-	199,963,634	
Net underwriting gain or (loss)	3,907,146		3,907,146	
Net investment income earned	533,554	-	533,554	
Net realized capital gains (losses)	-	-	-	
Net investment gains (losses)	533,554	-	533,554	
Net gain or (loss) from agents' or premium balances charged off	(469,166)	-	(469,166)	
Net income or (loss) after capital gains tax and before all other federal income taxes	3,971,534		3,971,534	
Federal and foreign income taxes incurred	1,302,027	-	1,302,027	
Net income	$ 2,669,507	$ -	$ 2,669,507	

ATRIO HEALTH PLANS, INC.
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2018	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	$ 16,254,821	$ 25,511,957	$ 28,135,474	$ 23,351,691
Net income (loss)	2,669,507	(9,387,034)	(4,179,431)	1,287,969
Change in net unrealized capital gains or (losses)	(21,037)	(402,776)	1,021,295	1,139,044
Change in net deferred income tax	(394,374)	907,319	950,869	877,100
Change in non-admitted assets	129,298	(374,644)	(374,565)	(1,179,877)
Change in provision for reinsurance	-	-	-	-
Change in surplus notes	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-
Capital changes:				
Paid in	-	-	1,564,197	2,659,702
Transferred from surplus (Stock Dividend)	-	-	-	-
Transferred to surplus	-	-	-	-
Surplus adjustments:				
Paid in	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-
Transferred from capital	-	-	-	-
Distributions to parent (cash)	-	-	-	-
Change in treasury stock	-	-	-	-
Examination adjustment	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	(1,605,881)	-
Change in surplus as regards policyholders for the year	2,383,394	(9,257,136)	(2,623,516)	4,783,938
Surplus as regards policyholders, December 31, current year	$ 18,638,215	$ 16,254,821	$ 25,511,957	$ 28,135,474

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2018, the Plan's long-term bond investments were in US special revenue bonds and industrial & miscellaneous issuer obligations. Cash equivalents consisted of one exempt money market mutual fund and one US Bank money market fund.

Other invested assets consisted of a minor ownership interest in an unaffiliated joint venture, Willamette Valley Community Health, LLC. The reported book value amount was based on the underlying audited U.S. GAAP equity of the investee, in accordance with the provisions of SSAP No.48 (paragraph 8).

A comparison of the major investments over the past five years shows the following:

Year	A Bonds	B Cash, Short-term and Cash Equivalents	C Other Invested Assets	Ratio A/ Total Assets	Ratio B/ Total Assets	Ratio C/ Total Assets
2014	$ 14,917,000	$ 14,659,160	$ 273,666	37.0%	36.4%	0.7%
2015*	20,558,000	10,890,481	1,136,510	44.2%	23.4%	2.4%
2016	19,401,018	13,170,386	2,367,848	38.5%	26.1%	4.7%
2017	10,944,664	15,640,254	2,046,787	21.0%	30.0%	3.9%
2018*	10,947,574	10,100,561	1,862,777	17.4%	16.1%	3.0%

* Balance per examination

As of December 31, 2018, sufficient invested assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Company was in compliance with ORS 733.580.

The minutes of the meetings of the board of directors did not contain any evidence that the Plan's investments and investment transactions were being formally approved by a resolution of the Board.

I recommend that the Plan have its investments and sales or exchanges thereof, formally approved by resolution of the Board of Directors or Committee thereof in accordance with ORS 733.730.

Note 2 – Actuarial Reserves

A review of the claims unpaid, unpaid claim adjustment expense reserves for the Plan was performed by Andrew D. Bux, ASA, MAAA Life & Health Actuary for the Oregon Division of Financial Regulation. As part of the review, he examined the supporting statements prepared by

the Plan's opining actuary, Scott Jones, FSA, MAAA, Principle and Consulting Actuary for Milliman, Inc.

Mr. Bux's review was based on the data, actuarial methodologies and calculations used in the Actuarial Memorandum supporting the Actuarial Opinion as of December 31, 2018; the data, methods, and calculations used by the Plan to establish its claims unpaid and unpaid claim adjustment expense liabilities; the Plan's reserve position as measured by the appointed actuary's range; and independent analysis of the reserve calculations. It also included a review of the reconciliation of the data used in the Plan's financial statement to the data in the actuarial work papers, which he found to be consistent. He also relied on work performed by the examiners who reviewed the underlying data used to create the annual statement filing. Based on his review, he determined the following:

	My Estimate	Annual Statement
Claims Unpaid	$ 11,342,846	$11,342,846
Accrued Medical Incentive Pool	-	-
Unpaid Claim Adjustment Expenses	347,983	347,983
Aggregate Health Policy Reserves	28,628,136	28,628,136
Total Actuarial Liabilities	$ 40,318,965	$ 40,318,965

The appointed actuary opined that the reserves for claims unpaid and unpaid CAE carried by the Plan as of December 31, 2018 were reasonable. Mr. Bux's total estimate concluded that total claims unpaid and CAE reserves of the Plan were reasonably stated as of December 31, 2018.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination. The following is a summary of the recommendations made in this report of examination:

Page:

18 I recommend the Plan properly facilitate the examination by providing requested records in a timely manner in accordance with ORS 731.308(3).

25 I recommend the Plan have its investments and sales or exchanges thereof, formally approved by resolution of the Board of Directors or Committee thereof in accordance with ORS 733.730.

CONCLUSION

During the three year period covered by this examination, the surplus of the Plan has decreased from $28,135,474, as presented in the December 31, 2015, report of examination, to $18,638,216, as shown in this report. The comparative assets and liabilities are:

	December 31, 2018	2015	Change
Assets	$ 62,854,744	$ 46,498,692	$ 16,356,052
Liabilities	44,216,528	18,363,218	25,853,310
Surplus	$ 18,638,216	$ 28,135,474	$ (9,497,258)

ACKNOWLEDGMENT

The cooperation and assistance extended by the officers and employees of the Plan during the examination process are gratefully acknowledged.

In addition to the undersigned, Khoa V. Nguyen, CFE, Tho Le, CFE, and Lori A. Kirschmann, insurance examiners, and Andrew D. Bux, ASA, MAAA, Life & Health Actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, all participated in this examination.

Respectfully submitted,

/s/ Mark Giffin

Mark A. Giffin, CFE
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Mark A. Giffin, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of ATRIO Health Plans, Inc., Roseburg, Oregon.

2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.

3. I have reviewed the examination work papers and examination report. The examination of ATRIO Health Plans, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Mark Giffin
Mark A. Giffin, CFE
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 29th day of June, 2020.

/s/ Lauren Bodine
Notary Public in and for the State of Oregon

My Commission Expires: 2022

OFFICIAL STAMP
LAUREN NICOLE BODINE
NOTARY PUBLIC - OREGON
COMMISSION NO. 970483
MY COMMISSION EXPIRES JANUARY 22, 2022