STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

UNITEDHEALTHCARE OF OREGON, INC.
LAKE OSWEGO, OREGON

AS OF

DECEMBER 31, 2019

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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OF

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NAIC COMPANY CODE 95893

AS OF

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SALUTATION

April 30, 2021

Honorable Andrew Stolfi, Director
Department of Consumer and Business Services
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

UNITEDHEALTHCARE OF OREGON, INC.
Five Centerpointe Drive, Suite 600
Lake Oswego, Oregon 97035

NAIC Company Code 95893

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

SCOPE OF EXAMINATION

We have performed our regular, single state, full-scope examination of UnitedHealthcare of Oregon, Inc. The examination was coordinated with the States of Indiana, New Mexico, Colorado, Arizona, Oklahoma, Washington, Florida, Alabama, North Carolina, Montana, Wisconsin, Illinois, and Texas, for the multi-state examination of insurers under UnitedHealth Group. There are approximately 82 insurers in the UnitedHealth Group. The Connecticut Department of Insurance was designated as the lead state and performed the critical common functional reviews in which most entities could place reliance (IT assessment, Board/Audit review, corporate governance interviews, treasury function controls, financial reporting controls, SOX/MAR/Internal Audit, etc.). The State of Missouri was designated as the facilitating state of a sub-group that included this Oregon domestic. The last examination of this health care service contractor was completed as of December 31, 2014. The current examination covers the period of January 1, 2015, to December 31, 2019.

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 Plan 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 Plan'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 Plan.

COMPANY HISTORY

The Plan is the successor of PacifiCare of Oregon, a non-profit health maintenance organization incorporated under the laws of the State of Oregon on June 1, 1984. The current entity was incorporated on August 28, 1985, as a for-profit stock corporation under the name PacifiCare of Oregon II. This entity received its Certificate of Authority on January 30, 1987, to transact the business of accepting prepayment of health care services under the provisions of ORS Chapter 750. Effective February 4, 1987, the entity purchased the assets of PacifiCare of Oregon, dissolving the nonprofit company and commencing business under the name PacifiCare of Oregon, Inc.

Effective December 20, 2005, the Plan was acquired as part of the acquisition of PacifiCare Health Systems, Inc., by UnitedHealth Group, Inc. The Plan's current name was adopted December 15, 2010, to be effective as of May 1, 2011.

Capitalization

The Plan's Articles of Incorporation authorize the issuance of 1,000,000 shares of common stock, with a par value of $1.00 per share. Of these shares, 500,000 shares were issued to PacifiCare Health Plan Administrators, Inc. Effective July, 2012, this entity and PacifiCare, LLC, were merged with and into United HealthCare Services, Inc., now the direct parent.

During the period under examination, the Plan's parent made capital infusions, as follows:

Date	Form of Contribution	Amount
Prior Exam	Cash	$ 11,500,000
12/29/2015	Cash	32,000,000
12/31/2015	Cash	10,000,000
06/29/2016	Cash	10,000,000
12/29/2016	Cash	5,000,000
03/30/2017	Cash	10,000,000
06/29/2017	Cash	10,000,000
Total		$ 88,500,000

At December 31, 2019, the Plan reported gross paid in and contributed surplus of $88,500,000.

Dividends to Stockholders and Other Distributions

During the period under examination, the Plan declared and paid cash distributions to its parent as follows:

Declared Date	Paid Date	Amount	Description
9/3/2019	9/5/2019	$ 43,500,000	Ordinary

The Plan made the proper disclosure of the distributions to the director of the Division of Financial Regulation in accordance with the reporting requirements established by ORS 732.554 and 732.576.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Plan indicated 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 Bylaws authorize the Plan to form one or more committees; however, no committees have been formed. Instead, the Plan relies on appointed committees of the ultimate parent, UnitedHealth Group, Inc. (UHG). There are four committees authorized to assist in the management of UHG, as follows:

- Audit Committee
- Nominating and Corporate Governance Committee
- Compensation and Human Resources Committee
- Public Policy Strategies and Responsibility Committee

A review of the Board minutes indicated the Compensation and Human Resources Committee of UHG approved the compensation of all its senior officers, which included the officers of the Plan. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan last restated its Articles on February 2, 2011. No changes were made during the period under examination. The Articles of Incorporation conform to the Oregon Insurance Code.

Bylaws

The Bylaws were last amended and restated on May 1, 2011. No changes were made during the period under examination. The Plan's Bylaws conform to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article 3, Section 1, state the business and affairs of the corporation shall be managed under the direction of the Board. Article 3, Section 2 state the number of directors shall be three (3). As of December 31, 2019, the Plan was governed by a three-member Board of Directors as follows:

Name and Address	Principal Affiliation	Member Since
Robert J. Gregoire Minneapolis, Minnesota	Finance Director UnitedHealth Group, Inc.	2008
Jeffrey D. Underwood * Tigard, Oregon	Regional VP, HI, NorCal, OR, WA UnitedHealth Group, Inc.	2007
Claire A. Verity Seattle, Washington	Regional Executive UnitedHealth Group, Inc.	1996

*Chairman

The Insurance Code requires at least one third of the Board of Directors be representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital. The Plan was not in compliance with ORS 750.015. The Directors as a group had experience in insurance, accounting and management, in accordance with the provisions of ORS 731.386.

I recommend the Plan to either replace one of the Board members with a public representation or add two additional public members to the Board to comply with ORS 750.015.

Officers

Principal officers serving at December 31, 2019, were as follows:

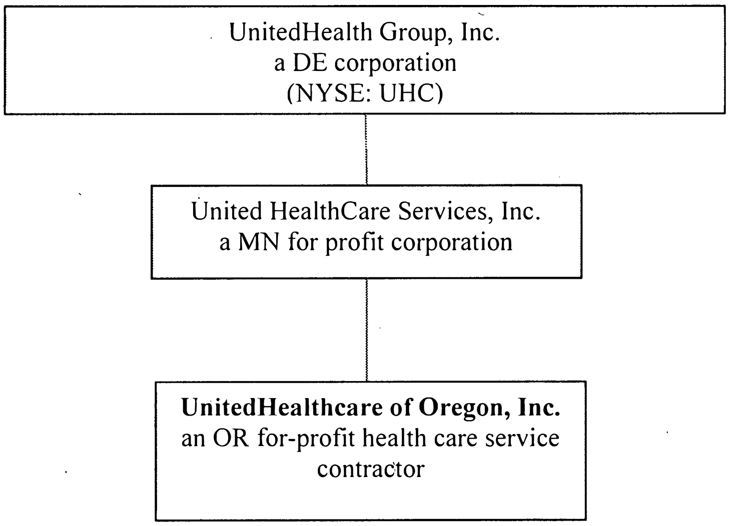
Name	Title
Jeffrey D. Underwood	Vice Chair, President, Medicare and Retirement
Claire A. Verity	President, Commercial and Chair
Nyle B. Cottington	Vice President
John W. Kelly	Vice President, Tax Services
Dustin F. Taylor	Vice President, Network Management
Robert James Gregoire	Chief Financial Officer
Peter M. Gill	Treasurer
David K. Hill	Secretary
Thomas S. McGlinch	Assistant Treasurer
Paul T. Runice	Assistant Treasurer
Heather A. Lang	Assistant Secretary
Jessica L. Zuba	Assistant Secretary

Conflict of Interest

UnitedHealth Group ("UHG") employees are responsible for avoiding situations and activities where their personal interests' conflict, or appear to conflict, with UHG's interests. Employees must disclose any actual or potential conflicts of interest to UHG Compliance & Ethics at the time of hire and have a continuing obligation to do so during the course of their employment. Additionally, senior-level employees must complete an Annual Conflicts of Interest Attestation ("Annual Attestation") and, if necessary, report any outside activities and relationships covered by UHG's policies. Upon disclosure, these outside activities are reviewed by Compliance & Ethics to determine whether they conflict with an employee's duties to UHG. If a conflict of interest is identified and cannot be mitigated, the employee is required to eliminate that conflict or resign his or her position with UHG. From a review of the completed conflict of interest questionnaires, the Company'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 Plan in accordance with the provisions of ORS 732.552, ORS 732.554, and OAR 836-027-0020(1). The following condensed organizational chart depicts the relationships of the Plan within the holding company system:



A description of each of the entities above is as follows:

<u>UnitedHealth Group, Inc. (UHC)</u> is a Delaware for-profit stock holding company and a publicly held corporation trading on the New York Stock Exchange. As a holding company, it controls a highly diversified health care system, delivering insurance products, health care services, information, and technology.

<u>United Healthcare Services, Inc. (UHS)</u> owns a number of UnitedHealthcare and PacifiCare branded companies throughout the US. Through its insurance company subsidiaries, UHS provides managed care and other health insurance products to groups, individuals, Medicare and Medicaid beneficiaries. UHS operates as a wholly-owned subsidiary of United Healthcare Group and is the Plan's direct parent.

INTERCOMPANY AGREEMENTS

The following agreements are in place:

Subordinated Revolving Credit Agreement

Effective September 1, 2012, the Plan entered into the Subordinated Revolving Credit Agreement (the "Agreement") with its ultimate parent, UHC. Pursuant to the Agreement, UHC provides a short-term borrowing facility for the Plan, which shall repay within one year of the date on which the loan was initially made. The Plan is able to borrow upon demand from UHC up to a maximum amount of $15,000,000.

Effective November 1, 2018, the Plan entered into the First Amendment to the Agreement to increase the borrowing amount upon demand from UHC up to a maximum amount of $75,000,000.

Asset Transfer Agreement

Effective January 1, 2020, the Plan and UHIC enter into the Asset Transfer Agreement, including the Novation Agreement attached as Exhibit A to the Agreement. Pursuant to the Agreement, the Plan desires affect the transfer of a CMS contract from UHIC to the Plan by means of novation. The Agreement was submitted for review and approval to the Division on March 7, 2019, and was approved by the Division on April 18, 2019.

Agreement for Combined Billing and Disbursement Operation

Effective January 1, 2007, the Plan, UHIC, UHS, and PacifiCare Health Plan administrators agreed to use a common lockbox for premium collection, and zero balance disbursement accounts for paying certain bills.

AxelaCare Intermediate Holding, LLC – Facility Participation Agreement

Effective February 1, 2016, the Plan entered into the Facility Participation Agreement with AxelaCare Intermediate Holdings, LLC. ("AxelaCare"). AxelaCare provides home infusion therapy services, including per diem nursing services and the cost of drugs. The Agreement is available to be used by all products, Commercial, Medicare, and Medicaid that the Plan may offer.

Effective January 1, 2019, the Plan entered into the First Amendment to the Agreement. AxelaCare shall be able to coordinate Covered Services in an ambulatory infusion suite ("AIS") setting in addition to all other settings it presently provides Covered Services.

Dental Benefit Providers, Inc. – Dental Service Agreement

Effective February 1, 2012, the Plan entered into the Dental Services Agreement with Dental Benefit Providers, Inc. ("DBP"). The Agreement superseded and replaced the Master Services Agreement with DBP, which the Plan entered into through a Participating Addendum effective January 1, 2009, including all subsequent amendments. Pursuant to the Agreement, DBP is responsible for managing a network of dental providers, claims processing, and other administrative functions in order to provide dental services for the Plan's Medicare members.

Ear Professionals International Corporation – Ancillary Provider Participation Agreement

Effective February 1, 2019, Ear Professionals International Corporation ("EPIC") and UHIC entered into the Amendment Eleven to the Ancillary Provider Participation Agreement. The Ancillary Provider Participation Agreement between Epic Hearing Health Care, Inc. and UHIC was entered into, which was amended ten times. Epic Hearing Health Care, Inc. is a dba of EPIC, which was acquired by United on March 30, 2018. The Agreement and the subsequent amendments were entered prior to Plan and EPIC becoming affiliates and therefore were not submitted to DFR. Under the terms of the Agreement and subsequent amendments, EPIC is a provider of hearing aids for the Plan's members. The Plan participated in the agreement by signing a participating addendum effective February 1, 2019. With Amendment Eleven, all references to EPIC Hearing Healthcare, Inc. in the Agreement and any prior amendments to the Agreement are deemed to be references to EPIC, the correct legal name for Provider. DFR approved the Agreement and subsequent amendments on April 8, 2019.

Optum Biometrics f/k/a Wellness. Inc. – Facility Provider Agreement

Effective October 1, 2010, the Plan participates in the Facility Participation Agreement by and between Wellness, Inc. and UHIC. The purpose of this Agreement is to provide influenza and pneumococcal vaccination services to Plan's Commercial and Medicare members. The fees are to be charged per vaccination given and are the same for all Wellness customers.

OptumHealth Care Solutions, Inc. – Administrative Services Agreement

Effective April 1, 2012, the Plan entered into the Administrative Services Agreement with OptumHealth Care Solutions, Inc. ("OptumHealth"). Pursuant to the Agreement, OptumHealth is responsible for managing a network of therapy providers and other administrative functions in order to provide physical health solutions such as chiropractic and physical, occupation, and speech therapy for the Plan's Commercial and Medicare members. The Plan remains ultimately responsible for the delivery of therapy services to its members.

OptumInsight, Inc. f/k/a Ingenix, Inc. – Ingenix Services Agreement

Effective August 1, 2011, the Plan entered into the Ingenix Services Agreement with Ingenix, Inc. ("Ingenix"). Pursuant to the Agreement, Ingenix provides the Plan with services related to claim analytics and recovery services, retrospective fraud, waste and abuse services, and subrogation services.

OptumRx, Inc. – Health Supplies Agreement

Effective January 1, 2008, United HealthCare Products, LLC ("Products") entered into a Health Supplies Agreement with UHS. Pursuant to the Agreement, OptumRx provides a catalogue benefit to the Plan's Medicare and Dual Eligible members for them to purchase items from the catalogue through points accumulated over the year or purchased outright. The items included in the catalogue are over-the-counter drugs, canes, and other durable medical equipment.

Effective January 1, 2020, the Agreement and all subsequent amendments were replaced and superseded by the First Amended and Restated Ancillary Health Services Agreement. The Plan is not participating in the First Amended and Restated Ancillary Health Services Agreement.

OptumRx, Inc. f/k/a RxSolutions, Inc. – Medicare Advantage Durable Medical Equipment and Supplies Mail Order Network Agreement

On January 1, 2009, the Medicare Advantage Durable Medical Equipment and Supplies Mail Order Network Agreement was entered into by and between RxSolutions, Inc. ("RxSolutions") and United HealthCare Services, Inc. Effective March 1, 2009, the Plan entered into a Participating Addendum to the Agreement. Pursuant to the Agreement and Addendum, RxSolutions provides durable medical equipment and diabetic testing supplies to the Plan's Medicare Advantage members in connection with its Medicare Advantage operations. The durable medical equipment and supplies relate specifically to diabetic test strips, the reading instrument, and any equipment related to the testing of the blood glucose level. The supplies covered are items such as the control solution, lancets, and batteries.

OptumRx, Inc. – Participating Addendum to the Prescription Drug Benefit Administration Agreement – Commercial Members

On January 1, 2013, OptumRx, Inc. ("OptumRx") and UHS entered into a Prescription Drug Benefit Administration Agreement. Pursuant to the Agreement, OptumRx provides core prescription drug benefit services and mail order pharmacy services. Under the agreement, OptumRx established and maintains a network of pharmacies to service the benefit plans, provide claims processing services, benefits administration and support, marketing and sales support, account management services, rebate administration, clinical services, and finance and analytical support services including mail order network prescription services.

OptumRx, Inc. – First Amended and Restated Medicare Prescription Drug Benefit Administration Agreement (MA-PD Plans and PDP Plans) and Medicare Prescription Drug Benefit Mail Order Network Agreement – Individual Members

Effective January 1, 2018, OptumRx and UHS entered into two separate but related First Amended and Restated Medicare Prescription Drug Benefit Administration Agreements, acting on behalf of its affiliates listed in the Exhibit B of the Agreement, including but not limited to the Plan. Under the terms of the Agreement, OptumRx is the Pharmacy Benefit Manager for the Plan's Individual MA-PD Plans and PDP Plans. The Agreement is a full restatement of the previous Medicare Prescription Drug Benefit Administration Agreement (MA-PD PLANS and PDP PLANS), effective January 1, 2017, and has been updated to reflect current processes and procedures, the services being provided, the applicable regulatory requirements, and the 2018 pricing. In addition, Employer Group Plans have been removed from the Agreement and placed under a separate agreement below.

OptumRx, Inc. - Facility Participation Agreement for Specialty Pharmacy for Medical Benefit Agreement

Effective July 1, 2018, the Plan entered into the Facility Participation Agreement whereas OptumRx is acting as a specialty pharmacy for the Medical Benefits identified in the agreement.

OptumRx, Inc. - Facility Participation Agreement for Specialty Pharmacy Provider Agreement, Pharmacy Benefit

Effective July 1, 2018, the Plan entered into the Facility Participation Agreement. Pursuant to the Agreement, OptumRx is acting as a specialty pharmacy provider. OptumRx is providing the specialty pharmacy medications identified in the payment appendix covered under the member's Pharmacy Benefits. Currently, this benefit is being offered to the Plan's eligible members under the applicable participating Commercial plan.

OptumRx, Inc. - Medicare Prescription Drug Benefit Administration Agreement (MA-PD PLANS and PDP PLANS) and Medicare Prescription Drug Benefit Mail Order Network Agreement – Group Members

Effective January 1, 2018, OptumRx and UHS entered into two separate Medicare Prescription Drug Benefit Administration Agreements for group members, acting on behalf of its affiliates, including but not limited to Plan. The Agreements are new agreements to cover Employer Group Medicare plans that were previously covered under the previously filed Amended and Restated Medicare Prescription Drug Benefit Administration Agreement, which was dated effective January 1, 2017. The Mail Order Agreement previously filed along with the 2017 Amended and Restated Medicare Prescription Drug Benefit Agreement, which included the First Amendment to the Mail Order Agreement, remained in place.

Optum Women's and Children's Health, LLC f/k/a Alere Women's and Children's Health LLC – National Ancillary Provider Participation Agreement

Effective November 1, 2017, UHIC entered into the National Ancillary Provider Participation Agreement on behalf of itself and other affiliates with Optum Women's and Children's Health, LLC ("OWCH"). The Plan participates in the Agreement by entering into a Participating Addendum effective November 1, 2017. Under the terms of the Agreement, OWCH provides home infusion therapy to commercial, Medicare, and Medicaid pregnant women in need of certain hormonal and insulin therapy. The services provided include all pharmacy and clinical management/coordination, all infusion related supplies and equipment inclusive of IV poles and pumps (stationary, ambulatory, and disposable), delivery and associated mileage, hazardous waste disposal, patient education materials, medications, nursing services, diluents and solutions inclusive of flushes.

Physician Care Network, LLC - Health Services Agreement

Effective January 1, 2020, the Plan entered into an agreement with Physician Care Network, LLC (PCN). Under the terms of the Agreement, PCN is responsible for the health care needs and arranges for medical services through a network of providers for Medicare Advantage members for specific H Plans in the state of Washington.

Spectera, Inc. – Vision Services Agreement

Effective January 1, 2012, the Plan entered into the Vision Services Agreement with Spectera, Inc. ("Spectera"). The Agreement replaced the Participating Organization Addendum to the Spectera Master Services Agreement in effect since January 1, 2009, including all subsequent amendments. Pursuant to the Agreement, Spectera is responsible for managing a network of vision providers to provide vision services and or products (frames and contact lenses), claims processing, and other administrative functions in order to provide vision services to the Plan's Commercial and Medicare members.

United Behavioral Health – Behavioral Health Services Agreement

Effective March 1, 2012, the Plan entered into the Behavioral Health Services Agreement with United Behavioral Health ("UBH"). Pursuant to the Agreement, UBH is responsible for arranging for the provision of certain mental health and substance abuse treatment services to the Plan's Commercial and Medicare members.

UnitedHealthcare Insurance Company and eAlliance General Agency - eAlliance General Agency Agreement

Effective July 1, 2018, UHIC and eAlliance General Agency entered into the UnitedHealthcare Insurance Company eAlliance General Agency Agreement, acting on behalf of its affiliates, including but not limited to the Plan. The Plan participates in the Agreement by entering into a Participating Addendum effective September 1, 2018. Under the terms of the Agreement, the Plan pays eAlliance General Agent commissions for the sale of Medicare products made by licensed agents. eAlliance General Agent is a licensed insurance agency that markets multi-carrier Medicare Advantage, Medicare Supplement, and Prescription Drug Plan options to Medicare enrollees via a call center.

UnitedHealthcare Insurance Company and Real Appeal, Inc. - National Ancillary Provider Participation Agreement: Obesity and Diabetes Prevention Services

Effective January 1, 2019, Real Appeal, Inc. ("Facility") and UHIC entered into the National Ancillary Provider Participation Agreement, acting on its behalf, including but not limited to the Plan. The Plan desires to participate in the Agreement by entering into a Participating Addendum effective January 1, 2019. Under the terms of the Agreement, Facility will provide Obesity and

Diabetes Prevention Services focusing on weight loss to commercial members. The services include a customizable program delivered to eligible participants with the goal of preventing diabetes and other obesity-related diseases. The program uses a 52-week approach with online technology and lives audio/video capabilities.

United HealthCare Services, Inc. - Management Services Agreement

Effective January 1, 2011, the Plan entered into the Management Services Agreement with UHS. Pursuant to the Management Services Agreement, UHS provides management and operational support to the Plan. This Management Services Agreement includes additional services as compared to the previous Management and Administrative Services Agreement, such as disease management, health care decision support, and wellness management.

Effective March 1, 2017, the Plan entered into the Second Amendment to the Agreement (the "Second Amendment"). The primary purpose of the Second Amendment was to implement an updated methodology for calculating management fees. Specifically, the updated language implemented a current year true-up, which yielded more accurate results and ensured that adjustments apply in the current year.

UnitedHealth Group Incorporated – Second Amended and Restated Tax Sharing Agreement

Effective March 1, 2019, the Plan entered into the Second Amended and Restated Tax Sharing Agreement with UnitedHealth Group Incorporated, the ultimate controlling person. The Agreement establishes a formal method for allocating and payment of federal, state, and local income tax liabilities related to the consolidated federal tax returns filed each year. The terms of the Agreement are consistent with the terms set forth in similar agreements signed between United and other regulated affiliates in its insurance holding company system filed with the state department of insurance offices during calendar years 2015 to 2017.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of the adequacy of limits and retentions and the solvency of the insurers providing the coverages. The Plan's insurance coverages are provided through insurance policies from an unaffiliated carrier, and coverage protected UHC and all its majority owned subsidiary companies as a named insured. The group as a whole is insured up to $25,000,000 in aggregate liability, with $500,000 retention, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage limits recommended by the NAIC.

Other insurance coverages in force at December 31, 2019, were found to be adequate and included:

General liability	Primary Lead Professional
Auto liability	Cyber liability
Worker Compensation	Property
Umbrella	

TERRITORY AND PLAN OF OPERATION

The Plan is authorized to conduct business as a health care service contractor in Oregon and Washington. It offers enrolled members a variety of managed care programs and products through contractual arrangements with health care providers, including physicians, hospitals and other health care provider organizations.

The Plan provides individual and family plans, Medicare plans (including Medicare Advantage and Part D plans), group plans and portability plans that offer hospital, medical and surgical benefits and group-only plans for dental, vision products, prescription medication, additional rider products, and other value-added benefits.

Effective January 1, 2016, UnitedHealthcare of Washington, Inc. novated its H5005 CMS contracts to the Plan. The Medicare revenue associated with this novation represented 71% of total direct written premium as of December 31, 2016. The novation agreement resulted in full control of the contracts being transferred to the Plan at $0 net book value for dates of service on or after January 1, 2016. Approval for novation was received from CMS and approvals for asset transfers related to the novation were received from DCBS and Washington regulators.

The plan reported total enrolled members over the past five years as follows:

Line of Business	2019	2018	2017	2016	2015
Individual hospital & medical	0	0	0	0	0
Group hospital & medical	336	344	405	434	492
FEHBP	0	0	0	0	0
Medicare	141,036	133,117	121,515	96,281	24,645
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	141,372	133,461	121,920	96,715	25,324

At year-end 2019, the Plan reported direct business, as follows:

State	Direct Premiums Written
Oregon	$ 567,926,320
Washington	1,041,341,671
Total	$ 1,609,267,991

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following schedule. Amounts were derived from Plan's filed 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)
2015	$ 126,897,854	$ 37,822,517	$ 89,075,337	$ 8,393,647
2016	260,078,121	152,684,500	107,393,621	4,139,739
2017	371,714,611	222,516,587	149,198,024	19,918,443
2018	402,276,577	199,858,464	202,418,113	56,168,471
2019 *	479,062,497	217,388,308	261,674,189	102,567,909

*Per examination

LOSS EXPERIENCE

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

	(1)	(2)	(2)/(1)	(3)	(2)+(3)/(1)
Year	Total Revenues	Total Hospital and Medical	Medical Loss Ratio	Claim Adjustment and General Expenses	Combined Loss Ratio
2015	$ 256,028,825	$ 205,153,978	80.1%	$ 37,477,592	94.8%
2016	975,116,815	821,230,719	84.2%	141,024,724	98.7%
2017	1,233,718,731	1,044,462,658	84.7%	142,580,441	97.2%
2018	1,410,481,097	1,168,075,078	82.8%	187,362,531	95.2%
2019 *	1,603,366,450	1,290,550,894	80.5%	192,504,541	92.5%

* Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss. The Plan reported underwriting gains in each of the past five years.

REINSURANCE

The Plan's management concluded it does not need the protection or expense of reinsurance coverage because the upstream parent has developed sophisticated forecasting and capital planning disciplines which give it the ability to accurately forecast statutory net worth quarterly against RBC levels and other solvency requirements. Furthermore, the Plan's greater predictability based on its experience and control, in conjunction with the liquidity of its investment portfolio, makes it possible to cover its own risks without conventional reinsurance. UHG regularly performs a thorough review of the reinsurance programs, catastrophic claims experience, and capital planning process of its subsidiaries and has determined that the Plan does not need reinsurance, asserting there are no additional risks to the Plan's clients or providers.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2019, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSIT

The Plan maintained a surety bond in the amount of $250,000 on deposit at the Division of Financial Regulation, which meets the requirements of ORS 750.045(2). Bond #6120713 was placed on September 5, 2001, to be effective October 15, 2001, through Safeco Insurance Company of America and is still in place as of the date of examination.

The Plan is also licensed in the State of Washington. The Office of the Insurance Commissioner requires the Plan to maintain a minimum regulatory deposit of $150,000. The Plan holds a surety bond for $150,000 to satisfy this requirement.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no adjustments made to surplus and no recommendations were made in the 2014 report of examination.

SUBSEQUENT EVENTS

Effective January 1, 2020, the Plan filed a Form D – Asset Transfer Agreement between the Plan and UHIC, which was approved on April 18, 2019, by the Division. The transaction was an intercompany asset transfer of a Medicare Advantage Plan/Prescription Drug Business (MAPD-Plan) Contract from UHIC to the Plan by means of a novation of UHIC's CMS contract number H1286 to the Plan to be effective January 1, 2020. H1286 is a single county CMS contract in the state of Washington.

On June 2, 2020, the Plan paid an ordinary dividend to its parent in the amount of $59,000,000. Also, on September 10, 2020, the Plan paid another ordinary dividend totaling $43,500,000. The transactions were made with proper disclosure to the director of DFR in accordance with ORS 732.554 and 732.576.

On March 11, 2020, the World Health Organization declared the outbreak of a coronavirus (COVID-19) pandemic. The extent of the impact of COVID-19 on the Company's operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, regulatory decisions, and the impact on the financial markets, all of which are uncertain and cannot be predicted. Due to the timing of the examination and field work, the effects of the pandemic on the Company cannot be fully addressed within this examination report.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Plan for the period ending December 31, 2019. 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, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Capital and Surplus Since the last Examination

UNITEDHEALTHCARE OF OREGON, INC.
ASSETS
As of December 31, 2019

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 301,451,045	$ -	$ 301,451,045	1
Cash, cash equivalents and short-term investments	37,382,930	-	37,382,930	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	338,883,975	-	338,883,975	
Investment income due and accrued	2,153,332	-	2,153,332	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	1,442,248	-	1,442,248	
Accrued retrospective premium and contracts subject to redetermination	90,135,037		90,135,037	
Amounts receivable relating to uninsured plans	15,682,860		15,682,860	
Current FIT recoverable	908,150		908,150	
Net deferred tax asset	1,149,255		1,149,255	
Health care receivable	28,757,640		28,757,640	
Aggregate write-ins for other than invested assets	-	-	-	
Total Assets	$ 479,062,497	$ -	$ 479,062,497	

UNITEDHEALTHCARE OF OREGON, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2019

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 148,853,965	$ -	$ 148,853,965	2
Accrued medical incentive pool and bonus amounts	39,287,739	-	39,287,739	2
Unpaid claims adjustment expense	962,468	-	962,468	2
Aggregate health policy reserves	8,616,298	-	8,616,298	2
Premiums received in advance	2,493,080	-	2,493,080	
General expenses due or accrued	10,959,828	-	10,959,828	
Remittances and items not allocated	53,359	-	53,359	
Amounts due to parent, subsidiaries and affiliates	529,933		529,933	
Liability for amounts held under uninsured plans	5,530,798		5,530,798	
Aggregate write-ins for liabilities	100,840	-	100,840	
Total Liabilities	$ 217 388,308	$ -	$ 217,388,308	
Aggregate write-ins for special surplus funds	$ 30,568,312	$ -	$ 30,568,312	
Common capital stock	500,000		500,000	
Gross paid-in and contributed capital	88,500,000	-	88,500,000	
Unassigned funds (surplus)	142,105,877	-	142,105,877	
Surplus as regards policyholders	$ 261 674,189	-	$ 261,674,189	
Total Liabilities, Surplus and other Funds	$ 479,062,497	-	$ 479,062,497	

UNITEDHEALTHCARE OF OREGON, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2019

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	$ 1,609,267,991	$ -	$ 1,609,267,991	
Change in unearned premium reserves and reserve rate credits	(5,901,541)	-	(5,901,541)	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	1,127,609,944	-	1,127,609,944	
Hospital and Medical:				
Hospital/medical benefits	1,127,609,944	-	1,127,609,944	
Other professional services	68,982,577	-	68,982,577	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	62,689,888	-	62,689,888	
Aggregate write-ins for other hospital and medical	-	-	-	
Incentive pool, withhold adjustments and bonus amounts	31,268,485	-	31,268,485	
Subtotal	1,290,550,894	-	1,290,550,894	
Less:				
Net reinsurance recoveries	-	-	-	
Total medical and hospital	1,290,550,894	-	1,290,550,894	
Non-health claims	-	-	-	
Claim adjustment expenses	59,217,883	-	59,217,883	
General administrative expenses	133,286,658	-	133,286,658	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	1,483,055,435	-	1,483,055,435	
Net underwriting gain or (loss)	,120,311,015	-	120,311,015	
Net investment income earned	10,267,654	-	10,267,654	
Net realized capital gains (losses)	233,809	-	233,809	
Net investment gains (losses)	10,501,463	-	10,501,463	
Net gain or (loss) from agents' or premium balances charged off	(1,067,266)	-	(1,067,266)	
Aggregate write-ins for other income or expense	(50)	-	(50)	
Federal income taxes incurred	27,177,253	-	27,177,253	
Net income	$ 102,567,909	$ -	$ 102,567,909	

UNITEDHEALTHCARE OF OREGON, INC.
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2019	2018	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	$202,418,113	$149,198,024	$107,393,621	$ 89,075,337	$38,576,682
Net income (loss)	102,567,909	56,168,471	19,918,443	4,139,739	8,393,647
Change in net unrealized capital gains or (losses)	119,291	140,627	(2,458)	-	-
Change in net deferred income tax	182,991	(2,392,077)	2,231,959	914,131	35,860
Change in non-admitted assets	(114,115)	(696,932)	(343,541)	(1,735,586)	69,148
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-	-
Capital changes:					
Paid in	-	-	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments:					
Paid in	-	-	20,000,000	15,000,000	42,000,000
Transferred to capital (Stock Dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Distributions to parent (cash)	(43,500,000)	-	-	-	-
Change in treasury stock	-	-	-	-	-
Examination adjustment	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	-	-
Change in surplus as regards policyholders for the year	59,256,076	53,220,089	41,804,403	18,318,284	50,498,655
Surplus as regards policyholders, December 31, current year	$261,674,189	$202,418,113	$149,198,024	$107,393,621	$89,075,337

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2019, the Plan's long-term bond investments were in a diversified portfolio of U.S. government and agency securities, state and agency municipal securities, city and county municipal securities, and corporate debt securities. The Plan did not report any loan-backed securities. The entire portfolio of long and short-term bonds was rated as exempt or Class 1 or 2 by the Security Valuation Office of the NAIC.

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

	A	B	Ratio	Ratio
Year	Bonds	Cash and Short-term	A/ Total Assets	B/ Total Assets
2015	$ 49,283,679	$ 59,562,765	38.8%	46.9%
2016	173,399,228	20,475,033	66.7%	7.9%
2017	245,170,070	47,775,349	66.0%	12.9%
2018	299,503,892	(159,211)	74.5%	0.0%
2019	301,451,045	37,382,930	62.9%	7.8%

The Board approved the investment transactions in each of the years under review, pursuant to ORS 733.740. As of December 31, 2019, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits. The Plan was in compliance with ORS 733.580.

Effective May 1, 2011, the Plan entered into a custodial agreement with The Northern Trust Company. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial Reserves

Gary Iannone, ASA, MAAA, Vice President, Corporate Actuarial Services of UnitedHealthcare Insurance Company, prepared the reserve memorandum on behalf of the Plan.

Karen E. Elsom, FSA, MAAA, actuary with Lewis & Ellis, reviewed the reserves for the examination and assessed the Plan's group-level actuarial liabilities and actuarial assets as reported in the 2019 Annual Statement were reasonable and the methodology used was appropriate. Ms. Elsom relied upon the documents provided by the Plan's management, including workpapers, financial statements, and miscellaneous reports. She also relied on the state examiners to verify the completeness and accuracy of the data received. She determined the following:

	Exam Estimate	Annual Statement
Claims Unpaid	$ 121,295,554	$ 148,853,965
Accrued Medical Incentive Pool and Bonus Payments	34,645,878	39,297,739
Unpaid Claims Adjustment Expenses (CAE)	962,468	962,468
Aggregate Health Policy Reserves	6,134,058	8,616,298
Aggregate health Claim Reserves	-	-
Reserve for Claim Interest	30,650	30,650
Total Actuarial Liabilities	$ 163,068,608	$ 197,761,120

The Plan's appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2019, were reasonable. The examination health actuary concurred that the reserves of the Plan were fairly stated as of December 31, 2019.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

This Report of Examination made no adjustments to surplus. The following is a summary of the recommendation made as a result of this examination.

Page:

9 I recommend the Plan to either replace one of the Board members with a public representation or add two additional public members to the Board to comply with ORS 750.015.

CONCLUSION

During the five-year period covered by this examination, the surplus of the Plan has increased from $38,576,682, as presented in the December 31, 2014, report of examination to $261,674,189, as shown in this report. The comparative assets and liabilities are:

	December 31, 2019	2014	Change
Assets	$ 479,062,497	$ 64,211,195	$ 414,851,302
Liabilities	217,388,308	25,634,514	191,753,794
Surplus	$ 261,674,189	$ 38,576,682	$ 223,097,507

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, Tho Le, CFE, APIR, insurance examiner for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination.

We would also like to thank examiners representing the States of Alabama, Arizona, Colorado, Florida, Illinois, Indiana, Missouri, New Mexico, North Carolina, Oklahoma, Texas, Washington, Wisconsin and New York for their participation in the examination.

Respectfully submitted,

/s/ Khoa Nguyen

Khoa V. Nguyen, CFE, APIR
Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Khoa V. Nguyen, CFE, APIR, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of UnitedHealthcare of Oregon, Inc., Lake Oswego, 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 UnitedHealthcare of Oregon, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Khoa Nguyen

Khoa V. Nguyen, CFE, APIR
Senior Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 14th day of July, 2021.

/s/ Lindsay Dawn Zamudio

Notary Public in and for the State of Oregon

My Commission Expires: October 25, 2022

OFFICIAL STAMP
LINDSEY DAWN ZAMUDIO
NOTARY PUBLIC - OREGON
COMMISSION NO. 980791
MY COMMISSION EXPIRES OCTOBER 25, 2022