ANNUAL STATEMENT

FOR THE YEAR ENDING DECEMBER 31, 2016
OF THE CONDITION AND AFFAIRS OF THE

KAISER FOUNDATION HEALTH PLAN OF THE NORTHWEST

NAIC Group Code 0601 (Current Period), 0601 (Prior Period) NAIC Company Code 95540 Employer's ID Number 93-0798039

Organized under the Laws of Oregon, State of Domicile or Port of Entry Oregon

Country of Domicile United States

Licensed as business type: Life, Accident & Health [ ] Property/Casualty [ ] Hospital, Medical & Dental Service or Indemnity [ ]
Dental Service Corporation [ ] Vision Service Corporation [ ] Health Maintenance Organization [X]
Other [ ] Is HMO, Federally Qualified? Yes [ ] No [X]

Incorporated/Organized 10/19/1981 Commenced Business 05/01/1942

Statutory Home Office 500 N.E. Multnomah Street, Suite 100 (Street and Number), Portland, OR, US 97232-2099 (City or Town, State, Country and Zip Code)

Main Administrative Office 500 N.E. Multnomah Street, Suite 100 (Street and Number)
Portland, OR, US 97232-2099 (City or Town, State, Country and Zip Code) 503-813-2800 (Area Code) (Telephone Number)

Mail Address 500 N.E. Multnomah Steet, Suite 100 (Street and Number or P.O. Box), Portland, OR, US 97232-2099 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 500 N.E. Multnomah Street, Suite 100 (Street and Number)
Portland, OR, US 97232-2099 (City or Town, State, Country and Zip Code), 503-813-2502 (Area Code) (Telephone Number) (Extension)

Internet Web Site Address www.kp.org

Statutory Statement Contact Rachelle Anne Quinn (Name), 503-813-2502 (Area Code) (Telephone Number) (Extension)
Rachelle.A.Quinn@kp.org (E-Mail Address) 503-813-4408 (Fax Number)

OFFICERS

Name	Title	Name	Title
Andrew Raymond McCulloch	Regional President	William Netherton Wiechmann	Assistant Secretary - V.P. & Regional Counsel
Jenny Smith	Interim CFO and Executive Director	Bernard James Tyson	Director, Chairman, CEO and President

OTHER OFFICERS

Kathryn Lee Lancaster	Ex. V.P. & Chief Financial Officer	Arthur Milton Southam MD	Ex. V.P. - Health Plan Operations
Gregory Adams	Executive Vice President & Group President	Thomas Ralph Meier	Senior V.P. & Treasurer
Donald Hoyt Orndoff	Senior V.P. - National Facilities Services	Alfonse L Upshaw	Senior V.P. - Corp. Controller & CAO
Mark Steven Zemelman	Senior Vice President, General Counsel & Secretary		

DIRECTORS OR TRUSTEES

Margaret Effie Porfido JD	Edward Ying Wah Pei	Arnold Eugene Washington MD	Bernard James Tyson
Judith Ann Johansen JD	Cynthia Ann Telles PhD	Kim John Kaiser	Philip Albert Marineau
Jeffrey Emanuel Epstein	Richard Patrick Shannon MD	David Frank Hoffmeister	Leslie Stone Heisz
Regina Marcia Benjamin MD	Ramon Francis Baez		

State of Oregon
ss
County of Multnomah

The officers of this reporting entity, being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices* and *Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Andrew Raymond McCulloch Regional President	William Netherton Wiechmann Assistant Secretary - V.P. & Regional Counsel	Jenny Smith Interim CFO and Executive Director

Subscribed and sworn to before me this
____ day of ____,

a. Is this an original filing? Yes [X] No [ ]
b. If no:
1. State the amendment number
2. Date filed
3. Number of pages attached

ASSETS

		Current Year 1 Assets	2 Nonadmitted Assets	3 Net Admitted Assets (Cols. 1 - 2)	Prior Year 4 Net Admitted Assets
1.	Bonds (Schedule D)	999,088,271		999,088,271	1,050,179,771
2.	Stocks (Schedule D):				
	2.1 Preferred stocks	0		0	0
	2.2 Common stocks	0		0	0
3.	Mortgage loans on real estate (Schedule B):				
	3.1 First liens			0	0
	3.2 Other than first liens			0	0
4.	Real estate (Schedule A):				
	4.1 Properties occupied by the company (less $ 8,579,359 encumbrances)	216,741,001		216,741,001	209,126,637
	4.2 Properties held for the production of income (less $ 719,786 encumbrances)	5,692,973		5,692,973	4,233,502
	4.3 Properties held for sale (less $ encumbrances)			0	2,832,956
5.	Cash ($ (676,052) , Schedule E-Part 1), cash equivalents ($ 0 , Schedule E-Part 2) and short-term investments ($ 20,943,470 , Schedule DA)	20,267,418		20,267,418	6,510,605
6.	Contract loans (including $ premium notes)			0	0
7.	Derivatives (Schedule DB)	0		0	0
8.	Other invested assets (Schedule BA)	0		0	0
9.	Receivables for securities	336,288		336,288	355
10.	Securities lending reinvested collateral assets (Schedule DL)			0	0
11.	Aggregate write-ins for invested assets	0	0	0	0
12.	Subtotals, cash and invested assets (Lines 1 to 11)	1,242,125,951	0	1,242,125,951	1,272,883,826
13.	Title plants less $ charged off (for Title insurers only)			0	0
14.	Investment income due and accrued	3,906,868		3,906,868	4,253,785
15.	Premiums and considerations:				
	15.1 Uncollected premiums and agents' balances in the course of collection	17,873,749	1,059,540	16,814,209	28,332,034
	15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due (including $ earned but unbilled premiums)			0	0
	15.3 Accrued retrospective premiums ($) and contracts subject to redetermination ($ 35,227,263)	35,227,263		35,227,263	36,008,316
16.	Reinsurance:				
	16.1 Amounts recoverable from reinsurers	6,716,728		6,716,728	7,612,177
	16.2 Funds held by or deposited with reinsured companies			0	0
	16.3 Other amounts receivable under reinsurance contracts			0	0
17.	Amounts receivable relating to uninsured plans			0	0
18.1	Current federal and foreign income tax recoverable and interest thereon			0	0
18.2	Net deferred tax asset			0	0
19.	Guaranty funds receivable or on deposit			0	0
20.	Electronic data processing equipment and software	1,449,342	683,837	765,505	899,804
21.	Furniture and equipment, including health care delivery assets ($ 78,079,773)	79,122,304	1,042,531	78,079,773	73,929,746
22.	Net adjustment in assets and liabilities due to foreign exchange rates			0	0
23.	Receivables from parent, subsidiaries and affiliates	1,938,061		1,938,061	34,337,882
24.	Health care ($ 13,799,903) and other amounts receivable	16,811,426	3,011,523	13,799,903	19,294,543
25.	Aggregate write-ins for other-than-invested assets	9,009,448	9,009,448	0	0
26.	Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	1,414,181,140	14,806,879	1,399,374,261	1,477,552,113
27.	From Separate Accounts, Segregated Accounts and Protected Cell Accounts			0	0
28.	Total (Lines 26 and 27)	1,414,181,140	14,806,879	1,399,374,261	1,477,552,113
	DETAILS OF WRITE-INS				
1101.					
1102.					
1103.					
1198.	Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0
1199.	Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0
2501.	Other Non-Admitted Assets	9,009,448	9,009,448	0	0
2502.					
2503.					
2598.	Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0
2599.	Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,009,448	9,009,448	0	0

LIABILITIES, CAPITAL AND SURPLUS

	Current Year 1 Covered	Current Year 2 Uncovered	Current Year 3 Total	Prior Year 4 Total
1. Claims unpaid (less $ 1,219,208 reinsurance ceded)	60,725,481		60,725,481	57,956,647
2. Accrued medical incentive pool and bonus amounts			0	0
3. Unpaid claims adjustment expenses	1,319,843		1,319,843	1,321,580
4. Aggregate health policy reserves, including the liability of $ .... for medical loss ratio rebate per the Public Health Service Act	10,635,505		10,635,505	8,255,905
5. Aggregate life policy reserves			0	0
6. Property/casualty unearned premium reserves			0	0
7. Aggregate health claim reserves			0	0
8. Premiums received in advance	35,854,955		35,854,955	31,367,354
9. General expenses due or accrued	119,962,322		119,962,322	23,447,731
10.1 Current federal and foreign income tax payable and interest thereon (including $ .... on realized capital gains (losses))			0	0
10.2 Net deferred tax liability			0	0
11. Ceded reinsurance premiums payable	752,868		752,868	762,993
12. Amounts withheld or retained for the account of others	1,584,926		1,584,926	78,513,855
13. Remittances and items not allocated			0	0
14. Borrowed money (including $ .... current) and interest thereon $ .... (including $ .... current)			0	0
15. Amounts due to parent, subsidiaries and affiliates	160,300,713		160,300,713	142,052,836
16. Derivatives		0	0	0
17. Payable for securities			0	0
18. Payable for securities lending			0	0
19. Funds held under reinsurance treaties (with $ .... authorized reinsurers, $ .... unauthorized reinsurers and $ .... certified reinsurers)			0	0
20. Reinsurance in unauthorized and certified ($ ....) companies			0	0
21. Net adjustments in assets and liabilities due to foreign exchange rates			0	0
22. Liability for amounts held under uninsured plans			0	0
23. Aggregate write-ins for other liabilities (including $ 7,177,584 current)	528,322,417	0	528,322,417	714,548,342
24. Total liabilities (Lines 1 to 23)	919,459,030	0	919,459,030	1,058,227,243
25. Aggregate write-ins for special surplus funds	XXX	XXX	0	27,000,000
26. Common capital stock	XXX	XXX		0
27. Preferred capital stock	XXX	XXX		0
28. Gross paid in and contributed surplus	XXX	XXX	177,753,051	177,753,051
29. Surplus notes	XXX	XXX		0
30. Aggregate write-ins for other-than-special surplus funds	XXX	XXX	0	0
31. Unassigned funds (surplus)	XXX	XXX	302,162,180	214,571,819
32. Less treasury stock, at cost:				
32.1 .... shares common (value included in Line 26 $ ....)	XXX	XXX		0
32.2 .... shares preferred (value included in Line 27 $ ....)	XXX	XXX		0
33. Total capital and surplus (Lines 25 to 31 minus Line 32)	XXX	XXX	479,915,231	419,324,870
34. Total liabilities, capital and surplus (Lines 24 and 33)	XXX	XXX	1,399,374,261	1,477,552,113
DETAILS OF WRITE-INS				
2301. Pension	385,611,390		385,611,390	375,965,690
2302. Post Retirement	122,134,481		122,134,481	296,613,776
2303. Accrued Taxes			0	25,605,490
2398. Summary of remaining write-ins for Line 23 from overflow page	20,576,546	0	20,576,546	16,363,386
2399. Totals (Lines 2301 through 2303 plus 2398) (Line 23 above)	528,322,417	0	528,322,417	714,548,342
2501. 2016 Health Insurance Provider Fee Payable	XXX	XXX		27,000,000
2502.	XXX	XXX		
2503.	XXX	XXX		
2598. Summary of remaining write-ins for Line 25 from overflow page	XXX	XXX	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	XXX	XXX	0	27,000,000
3001.	XXX	XXX		0
3002.	XXX	XXX		0
3003.	XXX	XXX		0
3098. Summary of remaining write-ins for Line 30 from overflow page	XXX	XXX	0	0
3099. Totals (Lines 3001 through 3003 plus 3098) (Line 30 above)	XXX	XXX	0	0

STATEMENT OF REVENUE AND EXPENSES

	Current Year 1 Uncovered	Current Year 2 Total	Prior Year 3 Total
1. Member Months	XXX	5,880,639	5,668,454
2. Net premium income (including $ 0 non-health premium income)	XXX	3,333,769,985	3,167,470,248
3. Change in unearned premium reserves and reserve for rate credits	XXX		0
4. Fee-for-service (net of $ medical expenses)	XXX	71,133,336	55,881,275
5. Risk revenue	XXX	149,009,844	127,308,216
6. Aggregate write-ins for other health care related revenues	XXX	4,665,315	6,840,151
7. Aggregate write-ins for other non-health revenues	XXX	0	0
8. Total revenues (Lines 2 to 7)	XXX	3,558,578,480	3,357,499,890
Hospital and Medical:			
9. Hospital/medical benefits		1,544,584,881	1,485,668,786
10. Other professional services		368,109,048	345,688,508
11. Outside referrals		165,390,255	146,359,984
12. Emergency room and out-of-area		95,021,830	90,218,448
13. Prescription drugs		398,545,476	404,482,847
14. Aggregate write-ins for other hospital and medical	0	713,083,568	652,051,294
15. Incentive pool, withhold adjustments and bonus amounts			0
16. Subtotal (Lines 9 to 15)	0	3,284,735,058	3,124,469,867
Less:			
17. Net reinsurance recoveries		8,306,028	13,074,155
18. Total hospital and medical (Lines 16 minus 17)	0	3,276,429,030	3,111,395,712
19. Non-health claims (net)			0
20. Claims adjustment expenses, including $ 20,481,117 cost containment expenses		43,296,334	46,949,398
21. General administrative expenses		221,286,443	224,451,058
22. Increase in reserves for life and accident and health contracts (including $ increase in reserves for life only)		0	0
23. Total underwriting deductions (Lines 18 through 22)	0	3,541,011,807	3,382,796,168
24. Net underwriting gain or (loss) (Lines 8 minus 23)	XXX	17,566,673	(25,296,278)
25. Net investment income earned (Exhibit of Net Investment Income, Line 17)		20,748,915	17,354,143
26. Net realized capital gains (losses) less capital gains tax of $		2,636,898	(2,862,513)
27. Net investment gains (losses) (Lines 25 plus 26)	0	23,385,813	14,491,630
28. Net gain or (loss) from agents' or premium balances charged off [(amount recovered $ 95,606) (amount charged off $ 2,708,426)]		(2,612,820)	(4,374,312)
29. Aggregate write-ins for other income or expenses	0	2,023,593	1,680,445
30. Net income or (loss) after capital gains tax and before all other federal income taxes (Lines 24 plus 27 plus 28 plus 29)	XXX	40,363,259	(13,498,515)
31. Federal and foreign income taxes incurred	XXX		0
32. Net income (loss) (Lines 30 minus 31)	XXX	40,363,259	(13,498,515)
DETAILS OF WRITE-INS			
0601. Other Health Care Revenue	XXX	4,358,613	3,822,841
0602. Meaningful Use Grant Revenue	XXX	306,702	3,017,310
0603.	XXX		
0698. Summary of remaining write-ins for Line 6 from overflow page	XXX	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	XXX	4,665,315	6,840,151
0701.	XXX		0
0702.	XXX		0
0703.	XXX		0
0798. Summary of remaining write-ins for Line 7 from overflow page	XXX	0	0
0799. Totals (Lines 0701 through 0703 plus 0798) (Line 7 above)	XXX	0	0
1401. Medical Office Operation		694,590,783	635,697,205
1402. Public & Professional Liability		18,492,785	16,354,089
1403.			
1498. Summary of remaining write-ins for Line 14 from overflow page	0	0	0
1499. Totals (Lines 1401 through 1403 plus 1498) (Line 14 above)	0	713,083,568	652,051,294
2901. Other Revenue		2,023,593	1,680,445
2902.			
2903.			
2998. Summary of remaining write-ins for Line 29 from overflow page	0	0	0
2999. Totals (Lines 2901 through 2903 plus 2998) (Line 29 above)	0	2,023,593	1,680,445

STATEMENT OF REVENUE AND EXPENSES (Continued)

		1 Current Year	2 Prior Year
	CAPITAL & SURPLUS ACCOUNT		
33.	Capital and surplus prior reporting year	419,324,870	203,154,414
34.	Net income or (loss) from Line 32	40,363,259	(13,498,515)
35.	Change in valuation basis of aggregate policy and claim reserves		0
36.	Change in net unrealized capital gains (losses) less capital gains tax of $		0
37.	Change in net unrealized foreign exchange capital gain or (loss)		0
38.	Change in net deferred income tax		0
39.	Change in nonadmitted assets	(945,813)	2,219,814
40.	Change in unauthorized and certified reinsurance	0	0
41.	Change in treasury stock	0	0
42.	Change in surplus notes	0	0
43.	Cumulative effect of changes in accounting principles	201,153	1,911,525
44.	Capital Changes:		
	44.1 Paid in	0	0
	44.2 Transferred from surplus (Stock Dividend)	0	0
	44.3 Transferred to surplus		0
45.	Surplus adjustments:		
	45.1 Paid in	0	175,000,000
	45.2 Transferred to capital (Stock Dividend)	0	0
	45.3 Transferred from capital		0
46.	Dividends to stockholders		0
47.	Aggregate write-ins for gains or (losses) in surplus	20,971,762	50,537,632
48.	Net change in capital and surplus (Lines 34 to 47)	60,590,361	216,170,456
49.	Capital and surplus end of reporting year (Line 33 plus 48)	479,915,231	419,324,870
DETAILS OF WRITE-INS			
4701.	Pension - SSAP 102	(33,683,092)	35,663,984
4702.	Post Retirement	54,654,854	14,873,648
4703.			
4798.	Summary of remaining write-ins for Line 47 from overflow page	0	0
4799.	Totals (Lines 4701 through 4703 plus 4798) (Line 47 above)	20,971,762	50,537,632

CASH FLOW

	1 Current Year	2 Prior Year
Cash from Operations		
1. Premiums collected net of reinsurance	3,353,772,630	3,134,733,981
2. Net investment income	18,870,181	36,633,363
3. Miscellaneous income	231,335,720	206,857,190
4. Total (Lines 1 through 3)	3,603,978,531	3,378,224,534
5. Benefit and loss related payments	3,255,410,332	3,102,682,389
6. Net transfers to Separate Accounts, Segregated Accounts and Protected Cell Accounts		0
7. Commissions, expenses paid and aggregate write-ins for deductions	272,292,070	269,724,025
8. Dividends paid to policyholders		0
9. Federal and foreign income taxes paid (recovered) net of $ .... tax on capital gains (losses)	0	0
10. Total (Lines 5 through 9)	3,527,702,402	3,372,406,414
11. Net cash from operations (Line 4 minus Line 10)	76,276,129	5,818,120
Cash from Investments		
12. Proceeds from investments sold, matured or repaid:		
12.1 Bonds	724,533,047	587,394,843
12.2 Stocks	0	0
12.3 Mortgage loans	0	0
12.4 Real estate	6,663,964	484,737
12.5 Other invested assets	0	0
12.6 Net gains or (losses) on cash, cash equivalents and short-term investments	5,202	10,555
12.7 Miscellaneous proceeds	4,417,892	5,436,898
12.8 Total investment proceeds (Lines 12.1 to 12.7)	735,620,105	593,327,033
13. Cost of investments acquired (long-term only):		
13.1 Bonds	673,416,984	776,891,058
13.2 Stocks	0	0
13.3 Mortgage loans	0	0
13.4 Real estate	29,023,504	26,595,149
13.5 Other invested assets	0	0
13.6 Miscellaneous applications	4,753,841	6,434,383
13.7 Total investments acquired (Lines 13.1 to 13.6)	707,194,329	809,920,590
14. Net increase (decrease) in contract loans and premium notes	0	0
15. Net cash from investments (Line 12.8 minus Line 13.7 minus Line 14)	28,425,776	(216,593,557)
Cash from Financing and Miscellaneous Sources		
16. Cash provided (applied):		
16.1 Surplus notes, capital notes	0	0
16.2 Capital and paid in surplus, less treasury stock	0	175,000,000
16.3 Borrowed funds	0	0
16.4 Net deposits on deposit-type contracts and other insurance liabilities		0
16.5 Dividends to stockholders	0	0
16.6 Other cash provided (applied)	(90,945,092)	8,903,857
17. Net cash from financing and miscellaneous sources (Lines 16.1 to 16.4 minus Line 16.5 plus Line 16.6)	(90,945,092)	183,903,857
RECONCILIATION OF CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS		
18. Net change in cash, cash equivalents and short-term investments (Line 11, plus Lines 15 and 17)	13,756,813	(26,871,580)
19. Cash, cash equivalents and short-term investments:		
19.1 Beginning of year	6,510,605	33,382,185
19.2 End of year (Line 18 plus Line 19.1)	20,267,418	6,510,605

ANALYSIS OF OPERATIONS BY LINES OF BUSINESS

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Net premium income	3,333,769,985	2,061,725,166	0	141,058,263	0	142,806,982	988,190,606	(11,032)	0	0
2. Change in unearned premium reserves and reserve for rate credit	0									
3. Fee-for-service (net of $ ______ medical expenses)	71,133,336	40,396,397	0	2,541,787	0	3,027,639	2,860,710	1	22,306,802	XXX
4. Risk revenue	149,009,844	0	0	675,879	0	0	0	0	148,333,965	XXX
5. Aggregate write-ins for other health care related revenues	4,665,315	3,973,000	0	0	0	289,608	390,656	0	12,051	XXX
6. Aggregate write-ins for other non-health care related revenues	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
7. Total revenues (Lines 1 to 6)	3,558,578,480	2,106,094,563	0	144,275,929	0	146,124,229	991,441,972	(11,031)	170,652,818	0
8. Hospital/medical benefits	1,544,584,881	910,132,712	0	0	0	53,952,913	496,800,831	24,420	83,674,005	XXX
9. Other professional services	368,109,048	160,906,462	0	48,787,282	0	13,464,027	124,811,789	27,024	20,112,464	XXX
10. Outside referrals	165,390,255	89,729,921	0	0	0	6,617,461	58,979,486	55,503	10,007,884	XXX
11. Emergency room and out-of-area	95,021,830	63,587,674	0	0	0	5,705,196	18,704,644	72,567	6,951,749	XXX
12. Prescription drugs	398,545,476	236,523,084	0	0	0	14,834,023	108,059,374	533	39,128,462	XXX
13. Aggregate write-ins for other hospital and medical	713,083,568	353,054,904	0	77,521,421	0	22,539,524	209,048,772	121,496	50,797,451	XXX
14. Incentive pool, withhold adjustments and bonus amounts	0	0	0	0	0	0	0	0	0	XXX
15. Subtotal (Lines 8 to 14)	3,284,735,058	1,813,934,757	0	126,308,703	0	117,113,144	1,016,404,896	301,543	210,672,015	XXX
16. Net reinsurance recoveries	8,306,028	8,306,028	0	0	0	0	0	0	0	XXX
17. Total hospital and medical (Lines 15 minus 16)	3,276,429,030	1,805,628,729	0	126,308,703	0	117,113,144	1,016,404,896	301,543	210,672,015	XXX
18. Non-health claims (net)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
19. Claims adjustment expenses including $ 20,481,117 cost containment expenses	43,296,334	24,370,662	0	0	0	1,675,179	14,140,687	8,142	3,101,664	0
20. General administrative expenses	221,286,443	156,611,902	0	11,760,274	0	7,095,543	35,247,491	7,854	10,563,379	0
21. Increase in reserves for accident and health contracts	0	0	0	0	0	0	0	0	0	XXX
22. Increase in reserves for life contracts	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
23. Total underwriting deductions (Lines 17 to 22)	3,541,011,807	1,986,611,293	0	138,068,977	0	125,883,866	1,065,793,074	317,539	224,337,058	0
24. Net underwriting gain or (loss) (Line 7 minus Line 23)	17,566,673	119,483,270	0	6,206,952	0	20,240,363	(74,351,102)	(328,570)	(53,684,240)	0
DETAILS OF WRITE-INS										
0501. Other Health Care Revenue	4,358,613	3,973,000	0	0	0	289,608	83,954	0	12,051	XXX
0502. Meaningful Use Grant Revenue	306,702	0	0	0	0	0	306,702	0	0	XXX
0503.										XXX
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0	XXX
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	4,665,315	3,973,000	0	0	0	289,608	390,656	0	12,051	XXX
0601.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0602.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0603.		XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	
0698. Summary of remaining write-ins for Line 6 from overflow page	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX	0
1301. Medical Office Operation	694,590,783	342,564,527	0	77,521,421	0	21,823,908	203,480,075	119,653	49,081,199	XXX
1302. Public & Professional Liability	18,492,785	10,490,377	0	0	0	715,616	5,568,697	1,843	1,716,252	XXX
1303.										XXX
1398. Summary of remaining write-ins for Line 13 from overflow page	0	0	0	0	0	0	0	0	0	XXX
1399. Totals (Lines 1301 through 1303 plus 1398) (Line 13 above)	713,083,568	353,054,904	0	77,521,421	0	22,539,524	209,048,772	121,496	50,797,451	XXX

UNDERWRITING AND INVESTMENT EXHIBIT

PART 1 - PREMIUMS

Line of Business	1 Direct Business	2 Reinsurance Assumed	3 Reinsurance Ceded	4 Net Premium Income (Cols. 1+2-3)
1. Comprehensive (hospital and medical)	2,062,478,034		752,868	2,061,725,166
2. Medicare Supplement	0			0
3. Dental only	141,058,263			141,058,263
4. Vision only	0			0
5. Federal Employees Health Benefits Plan	142,806,982			142,806,982
6. Title XVIII - Medicare	988,190,606			988,190,606
7. Title XIX - Medicaid	(11,032)			(11,032)
8. Other health	0			0
9. Health subtotal (Lines 1 through 8)	3,334,522,853	0	752,868	3,333,769,985
10. Life	0			0
11. Property/casualty	0			0
12. Totals (Lines 9 to 11)	3,334,522,853	0	752,868	3,333,769,985

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2 – CLAIMS INCURRED DURING THE YEAR

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Payments during the year:										
1.1 Direct	3,276,047,423	1,811,605,872	0	126,032,603	0	117,657,491	1,009,388,202	468,834	210,894,421	
1.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	
1.3 Reinsurance ceded	9,664,440	9,664,440	0	0	0	0	0	0	0	
1.4 Net	3,266,382,983	1,801,941,432	0	126,032,603	0	117,657,491	1,009,388,202	468,834	210,894,421	0
2. Paid medical incentive pools and bonuses	0									
3. Claim liability December 31, current year from Part 2A:										
3.1 Direct	61,944,689	31,174,179	0	4,302,040	0	1,762,026	20,553,515	6,510	4,146,419	0
3.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
3.3 Reinsurance ceded	1,219,208	1,219,208	0	0	0	0	0	0	0	0
3.4 Net	60,725,481	29,954,971	0	4,302,040	0	1,762,026	20,553,515	6,510	4,146,419	0
4. Claim reserve December 31, current year from Part 2D:										
4.1 Direct	0									
4.2 Reinsurance assumed	0									
4.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	
4.4 Net	0	0	0	0	0	0	0	0	0	0
5. Accrued medical incentive pools and bonuses, current year	0									
6. Net healthcare receivables (a)	(6,381,762)	(283,819)	0	0	0	(28,443)	(6,082,909)	(22,397)	35,806	
7. Amounts recoverable from reinsurers December 31, current year	6,716,726	6,716,726								
8. Claim liability December 31, prior year from Part 2A:										
8.1 Direct	59,638,817	29,129,113	0	4,025,940	0	2,334,815	19,619,730	196,198	4,333,021	0
8.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
8.3 Reinsurance ceded	1,682,170	1,682,170	0	0	0	0	0	0	0	0
8.4 Net	57,956,647	27,446,943	0	4,025,940	0	2,334,815	19,619,730	196,198	4,333,021	0
9. Claim reserve December 31, prior year from Part 2D:										
9.1 Direct	0	0	0	0	0	0	0	0	0	0
9.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
9.3 Reinsurance ceded	0	0	0	0	0	0	0	0	0	0
9.4 Net	0	0	0	0	0	0	0	0	0	0
10. Accrued medical incentive pools and bonuses, prior year	0	0	0	0	0	0	0	0	0	0
11. Amounts recoverable from reinsurers December 31, prior year	7,612,177	7,612,177	0	0	0	0	0	0	0	0
12. Incurred benefits:										
12.1 Direct	3,284,735,057	1,813,934,757	0	126,308,703	0	117,113,145	1,016,404,896	301,543	210,672,013	0
12.2 Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
12.3 Reinsurance ceded	8,306,027	8,306,027	0	0	0	0	0	0	0	0
12.4 Net	3,276,429,030	1,805,628,730	0	126,308,703	0	117,113,145	1,016,404,896	301,543	210,672,013	0
13. Incurred medical incentive pools and bonuses	0	0	0	0	0	0	0	0	0	0

(a) Excludes $ .... loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2A - CLAIMS LIABILITY END OF CURRENT YEAR

	1 Total	2 Comprehensive (Hospital and Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefits Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other Health	10 Other Non-Health
1. Reported in Process of Adjustment:										
1.1. Direct	(7,875,272)	(5,028,455)				(891,696)	(1,943,415)		(11,706)	
1.2. Reinsurance assumed	0									
1.3. Reinsurance ceded	0									
1.4. Net	(7,875,272)	(5,028,455)	0	0	0	(891,696)	(1,943,415)	0	(11,706)	0
2. Incurred but Unreported:										
2.1. Direct	69,819,961	36,202,634		4,302,040		2,653,722	22,496,930	6,510	4,158,125	
2.2. Reinsurance assumed	0									
2.3. Reinsurance ceded	1,219,208	1,219,208		0		0				
2.4. Net	68,600,753	34,983,426	0	4,302,040	0	2,653,722	22,496,930	6,510	4,158,125	0
3. Amounts Withheld from Paid Claims and Capitations:										
3.1. Direct	0									
3.2. Reinsurance assumed	0									
3.3. Reinsurance ceded	0									
3.4. Net	0	0	0	0	0	0	0	0	0	0
4. TOTALS:										
4.1. Direct	61,944,689	31,174,179	0	4,302,040	0	1,762,026	20,553,515	6,510	4,146,419	0
4.2. Reinsurance assumed	0	0	0	0	0	0	0	0	0	0
4.3. Reinsurance ceded	1,219,208	1,219,208	0	0	0	0	0	0	0	0
4.4. Net	60,725,481	29,954,971	0	4,302,040	0	1,762,026	20,553,515	6,510	4,146,419	0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR-NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1	2	3	4		
Line of Business	On Claims Incurred Prior to January 1 of Current Year	On Claims Incurred During the Year	On Claims Unpaid December 31 of Prior Year	On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)	22,258,867	1,780,578,014	(355,763)	30,310,734	21,903,104	27,446,941
2. Medicare Supplement					0	0
3. Dental Only	4,025,940	122,006,663		4,302,040	4,025,940	4,025,940
4. Vision Only					0	0
5. Federal Employees Health Benefits Plan	820,881	116,836,611	(114,948)	1,876,973	705,933	2,334,816
6. Title XVIII - Medicare	7,760,922	1,001,627,280	(328,666)	20,882,182	7,432,256	19,619,730
7. Title XIX - Medicaid	46,295	422,539		6,510	46,295	196,198
8. Other health	3,678,488	207,215,933	(1,979)	4,148,400	3,676,509	4,333,022
9. Health subtotal (Lines 1 to 8)	38,591,393	3,228,687,040	(801,356)	61,526,839	37,790,037	57,956,647
10. Healthcare receivables (a)	(21,725,628)	15,343,866			(21,725,628)	0
11. Other non-health					0	0
12. Medical incentive pools and bonus amounts					0	0
13. Totals (Lines 9-10+11+12)	60,317,021	3,213,343,174	(801,356)	61,526,839	59,515,665	57,956,647

(a) Excludes $ ______ loans or advances to providers not yet expensed.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	24,567	24,217	24,018	24,018	24,018
2. 2012	1,547,364	1,571,696	1,571,291	1,571,202	1,571,275
3. 2013	XXX	1,642,252	1,668,093	1,667,804	1,667,804
4. 2014	XXX	XXX	1,552,077	1,576,036	1,576,302
5. 2015	XXX	XXX	XXX	1,601,988	1,631,068
6. 2016	XXX	XXX	XXX	XXX	1,773,702

Section B – Incurred Health Claims - Hospital and Medical

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	24,567	24,217	24,018	24,018	24,018
2. 2012	1,547,364	1,571,696	1,571,291	1,571,202	1,571,275
3. 2013	XXX	1,642,252	1,668,093	1,667,804	1,667,804
4. 2014	XXX	XXX	1,552,077	1,576,036	1,575,878
5. 2015	XXX	XXX	XXX	1,601,988	1,603,689
6. 2016	XXX	XXX	XXX	XXX	1,804,013

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Hospital and Medical

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	1,722,784	1,571,275	26,767	1.7	1,598,042	92.8			1,598,042	92.8
2. 2013	1,827,393	1,667,804	26,838	1.6	1,694,642	92.7			1,694,642	92.7
3. 2014	1,879,606	1,576,302	29,351	1.9	1,605,653	85.4			1,605,653	85.4
4. 2015	1,967,359	1,631,068	29,603	1.8	1,660,671	84.4	(356)	9	1,660,324	84.4
5. 2016	2,061,725	1,773,702	21,822	1.2	1,795,524	87.1	30,311	692	1,826,527	88.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Dental Only

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	3,150	3,150	3,150	3,150	3,150
2. 2012	95,088	98,268	98,268	98,268	98,268
3. 2013	XXX	96,593	100,652	100,652	100,652
4. 2014	XXX	XXX	105,200	109,032	109,032
5. 2015	XXX	XXX	XXX	113,707	117,733
6. 2016	XXX	XXX	XXX	XXX	122,007

Section B – Incurred Health Claims - Dental Only

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	3,150	3,150	3,150	3,150	3,150
2. 2012	95,088	98,268	98,268	98,268	98,268
3. 2013	XXX	96,593	100,652	100,652	100,652
4. 2014	XXX	XXX	105,200	109,032	109,032
5. 2015	XXX	XXX	XXX	113,707	113,707
6. 2016	XXX	XXX	XXX	XXX	126,309

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Dental Only

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	104,658	98,268	0	0.0	98,268	93.9			98,268	93.9
2. 2013	111,006	100,652	0	0.0	100,652	90.7			100,652	90.7
3. 2014	122,003	109,032	0	0.0	109,032	89.4			109,032	89.4
4. 2015	130,313	117,733	0	0.0	117,733	90.3			117,733	90.3
5. 2016	141,058	122,007	0	0.0	122,007	86.5	4,302		126,309	89.5

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A – Paid Health Claims - Federal Employees Health Benefits Plan Premium

	Cumulative Net Amounts Paid				
Year in Which Losses Were Incurred	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	1,201	1,188	1,174	1,174	1,174
2. 2012	130,339	131,301	131,273	131,267	131,271
3. 2013	XXX	131,573	133,389	133,369	133,369
4. 2014	XXX	XXX	122,425	124,060	124,076
5. 2015	XXX	XXX	XXX	128,901	130,655
6. 2016	XXX	XXX	XXX	XXX	115,911

Section B - Incurred Health Claims - Federal Employees Health Benefits Plan Premium

	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
Year in Which Losses Were Incurred	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	1,201	1,188	1,174	1,174	1,174
2. 2012	130,339	131,301	131,273	131,267	131,271
3. 2013	XXX	131,573	133,389	133,369	133,369
4. 2014	XXX	XXX	122,425	124,060	124,111
5. 2015	XXX	XXX	XXX	128,901	128,171
6. 2016	XXX	XXX	XXX	XXX	117,788

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Federal Employees Health Benefits Plan Premium

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	146,418	131,271	2,099	1.6	133,370	91.1			133,370	91.1
2. 2013	142,498	133,369	1,769	1.3	135,138	94.8			135,138	94.8
3. 2014	145,314	124,076	1,905	1.5	125,981	86.7			125,981	86.7
4. 2015	140,852	130,655	1,823	1.4	132,478	94.1	(115)	1	132,364	94.0
5. 2016	142,807	115,911	1,500	1.3	117,411	82.2	1,877	40	119,328	83.6

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Medicare

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid 1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	11,480	11,303	11,205	11,205	11,205
2. 2012	776,180	788,461	788,261	788,211	788,263
3. 2013	XXX	816,226	828,995	828,832	828,832
4. 2014	XXX	XXX	909,109	922,644	922,833
5. 2015	XXX	XXX	XXX	988,086	1,008,750
6. 2016	XXX	XXX	XXX	XXX	994,566

Section B - Incurred Health Claims - Medicare

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year 1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	11,480	11,303	11,205	11,205	11,205
2. 2012	776,180	788,461	788,261	788,211	788,263
3. 2013	XXX	816,226	828,995	828,832	828,832
4. 2014	XXX	XXX	909,109	922,644	923,170
5. 2015	XXX	XXX	XXX	988,086	988,464
6. 2016	XXX	XXX	XXX	XXX	1,015,448

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Medicare

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	794,501	788,263	11,211	1.4	799,474	100.6			799,474	100.6
2. 2013	819,691	828,832	12,622	1.5	841,454	102.7			841,454	102.7
3. 2014	842,677	922,833	15,381	1.7	938,214	111.3			938,214	111.3
4. 2015	927,271	1,008,750	11,733	1.2	1,020,483	110.1	(329)	6	1,020,160	110.0
5. 2016	988,191	994,566	12,662	1.3	1,007,228	101.9	20,882	475	1,028,585	104.1

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	522	520	520	520	520
2. 2012	29,002	29,164	29,164	29,164	29,164
3. 2013	XXX	4,961	4,960	4,959	4,959
4. 2014	XXX	XXX	6,166	6,274	6,275
5. 2015	XXX	XXX	XXX	6,412	6,472
6. 2016	XXX	XXX	XXX	XXX	430

Section B – Incurred Health Claims - Title XIX Medicaid

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	522	520	520	520	520
2. 2012	29,002	29,164	29,164	29,164	29,164
3. 2013	XXX	4,961	4,960	4,959	4,959
4. 2014	XXX	XXX	6,166	6,274	6,267
5. 2015	XXX	XXX	XXX	6,412	6,284
6. 2016	XXX	XXX	XXX	XXX	437

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Title XIX Medicaid

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	16,418	29,164	436	1.5	29,600	180.3			29,600	180.3
2. 2013	2,259	4,959	63	1.3	5,022	222.3			5,022	222.3
3. 2014	3,561	6,275	91	1.5	6,366	178.8			6,366	178.8
4. 2015	1,674	6,472	72	1.1	6,544	390.9			6,544	390.9
5. 2016	(11)	430	7	1.6	437	(3,972.7)	7		444	(4,036.4)

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Other

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	189	169	155	155	155
2. 2012	31,770	33,140	33,111	33,101	33,111
3. 2013	XXX	90,008	91,839	91,807	91,807
4. 2014	XXX	XXX	144,821	147,493	147,530
5. 2015	XXX	XXX	XXX	220,908	224,992
6. 2016	XXX	XXX	XXX	XXX	206,727

Section B – Incurred Health Claims - Other

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	189	169	155	155	155
2. 2012	31,770	33,140	33,111	33,101	33,111
3. 2013	XXX	90,008	91,839	91,807	91,807
4. 2014	XXX	XXX	144,821	147,493	147,393
5. 2015	XXX	XXX	XXX	220,908	220,794
6. 2016	XXX	XXX	XXX	XXX	210,875

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Other

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	0	33,111	474	1.4	33,585	0.0			33,585	0.0
2. 2013	0	91,807	1,389	1.5	93,196	0.0			93,196	0.0
3. 2014	0	147,530	2,324	1.6	149,854	0.0			149,854	0.0
4. 2015	0	224,992	3,133	1.4	228,125	0.0	(2)	1	228,124	0.0
5. 2016	0	206,727	2,777	1.3	209,504	0.0	4,148	95	213,747	0.0

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2C - DEVELOPMENT OF PAID AND INCURRED HEALTH CLAIMS

(000 Omitted)

Section A - Paid Health Claims - Grand Total

Year in Which Losses Were Incurred	Cumulative Net Amounts Paid				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	41,109	40,547	40,222	40,222	40,222
2. 2012	2,609,743	2,652,030	2,651,368	2,651,213	2,651,352
3. 2013	XXX	2,781,613	2,827,928	2,827,423	2,827,423
4. 2014	XXX	XXX	2,839,798	2,885,539	2,886,048
5. 2015	XXX	XXX	XXX	3,060,002	3,119,670
6. 2016	XXX	XXX	XXX	XXX	3,213,343

Section B - Incurred Health Claims - Grand Total

Year in Which Losses Were Incurred	Sum of Cumulative Net Amount Paid and Claim Liability, Claim Reserve and Medical Incentive Pool and Bonuses Outstanding at End of Year				
	1 2012	2 2013	3 2014	4 2015	5 2016
1. Prior	41,109	40,547	40,222	40,222	40,222
2. 2012	2,609,743	2,652,030	2,651,368	2,651,213	2,651,352
3. 2013	XXX	2,781,613	2,827,928	2,827,423	2,827,423
4. 2014	XXX	XXX	2,839,798	2,885,539	2,885,851
5. 2015	XXX	XXX	XXX	3,060,002	3,061,109
6. 2016	XXX	XXX	XXX	XXX	3,274,870

Section C – Incurred Year Health Claims and Claims Adjustment Expense Ratio – Grand Total

Years in which Premiums were Earned and Claims were Incurred	1 Premiums Earned	2 Claims Payments	3 Claim Adjustment Expense Payments	4 (Col. 3/2) Percent	5 Claim and Claim Adjustment Expense Payments (Col. 2+3)	6 (Col. 5/1) Percent	7 Claims Unpaid	8 Unpaid Claims Adjustment Expenses	9 Total Claims and Claims Adjustment Expense Incurred (Col. 5+7+8)	10 (Col. 9/1) Percent
1. 2012	2,784,779	2,651,352	40,987	1.5	2,692,339	96.7	0	0	2,692,339	96.7
2. 2013	2,902,847	2,827,423	42,681	1.5	2,870,104	98.9	0	0	2,870,104	98.9
3. 2014	2,993,161	2,886,048	49,052	1.7	2,935,100	98.1	0	0	2,935,100	98.1
4. 2015	3,167,469	3,119,670	46,364	1.5	3,166,034	100.0	(802)	17	3,165,249	99.9
5. 2016	3,333,770	3,213,343	38,768	1.2	3,252,111	97.6	61,527	1,302	3,314,940	99.4

UNDERWRITING AND INVESTMENT EXHIBIT

PART 2D - AGGREGATE RESERVE FOR ACCIDENT AND HEALTH CONTRACTS ONLY

	1 Total	2 Comprehensive (Hospital & Medical)	3 Medicare Supplement	4 Dental Only	5 Vision Only	6 Federal Employees Health Benefit Plan	7 Title XVIII Medicare	8 Title XIX Medicaid	9 Other
1. Unearned premium reserves	0								
2. Additional policy reserves (a)	0								
3. Reserve for future contingent benefits	0								
4. Reserve for rate credits or experience rating refunds (including $ 0 for investment income)	1,243,196			1,243,196					
5. Aggregate write-ins for other policy reserves	9,392,309	6,000,000	0	0	0	0	3,392,309	0	0
6. Totals (gross)	10,635,505	6,000,000	0	1,243,196	0	0	3,392,309	0	0
7. Reinsurance ceded	0								
8. Totals (Net) (Page 3, Line 4)	10,635,505	6,000,000	0	1,243,196	0	0	3,392,309	0	0
9. Present value of amounts not yet due on claims	0								
10. Reserve for future contingent benefits	0								
11. Aggregate write-ins for other claim reserves	0	0	0	0	0	0	0	0	0
12. Totals (gross)	0	0	0	0	0	0	0	0	0
13. Reinsurance ceded	0								
14. Totals (Net) (Page 3, Line 7)	0	0	0	0	0	0	0	0	0
DETAILS OF WRITE-INS									
0501. Medicare Advantage Risk Adjustment Reserve	3,392,309						3,392,309		
0502. ACA Risk Adjustment	6,000,000	6,000,000							
0503.									
0598. Summary of remaining write-ins for Line 5 from overflow page	0	0	0	0	0	0	0	0	0
0599. Totals (Lines 0501 through 0503 plus 0598) (Line 5 above)	9,392,309	6,000,000	0	0	0	0	3,392,309	0	0
1101.									
1102.									
1103.									
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0	0	0	0	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0	0	0	0	0	0	0

(a) Includes $ 0 premium deficiency reserve.

UNDERWRITING AND INVESTMENT EXHIBIT

PART 3 - ANALYSIS OF EXPENSES

	Claim Adjustment Expenses		3	4	5
	1 Cost Containment Expenses	2 Other Claim Adjustment Expenses	General Administrative Expenses	Investment Expenses	Total
1. Rent ($ 4,517,995 for occupancy of own building)	0	0	4,517,995		4,517,995
2. Salaries, wages and other benefits	16,815,796	123,203	116,230,510		133,169,509
3. Commissions (less $ .... ceded plus $ .... assumed)	0	0	19,873,659		19,873,659
4. Legal fees and expenses	0	0	3,619,885		3,619,885
5. Certifications and accreditation fees	0	0	0		0
6. Auditing, actuarial and other consulting services	0	0	839,664		839,664
7. Traveling expenses	80,147	0	557,508		637,655
8. Marketing and advertising	310	0	6,113,091		6,113,401
9. Postage, express and telephone	878,274	0	603,611		1,481,885
10. Printing and office supplies	349,969	(914)	1,386,874		1,735,929
11. Occupancy, depreciation and amortization	(546)	0	252,565	11,652,528	11,904,547
12. Equipment	39,666	0	161,578		201,244
13. Cost or depreciation of EDP equipment and software	(32,000)	0	217,961		185,961
14. Outsourced services including EDP, claims, and other services	482,464	1,113,053	3,230,574		4,826,091
15. Boards, bureaus and association fees	1,807	0	204,114		205,921
16. Insurance, except on real estate	0	0	258,300		258,300
17. Collection and bank service charges	0	0	778,064		778,064
18. Group service and administration fees	0	0	0		0
19. Reimbursements by uninsured plans	0	0	(1,123,245)		(1,123,245)
20. Reimbursements from fiscal intermediaries	0	0	0		0
21. Real estate expenses	1	0	425,745	247,275	673,021
22. Real estate taxes	0	0	0		0
23. Taxes, licenses and fees:					
23.1 State and local insurance taxes	0	0	42,065,541		42,065,541
23.2 State premium taxes	0	0	5,419,573		5,419,573
23.3 Regulatory authority licenses and fees	0	0	1,282,537		1,282,537
23.4 Payroll taxes	1,612,473	11,814	10,401,168		12,025,455
23.5 Other (excluding federal income and real estate taxes)	0	0	52,702		52,702
24. Investment expenses not included elsewhere	0	0	0	964,427	964,427
25. Aggregate write-ins for expenses	252,756	21,568,061	3,916,469	0	25,737,286
26. Total expenses incurred (Lines 1 to 25)	20,481,117	22,815,217	221,286,443	12,864,230	(a) 277,447,007
27. Less expenses unpaid December 31, current year		1,319,843	119,866,186	96,136	121,282,165
28. Add expenses unpaid December 31, prior year	0	1,321,580	22,420,582	1,027,149	24,769,311
29. Amounts receivable relating to uninsured plans, prior year	0	0	0	0	0
30. Amounts receivable relating to uninsured plans, current year					0
31. Total expenses paid (Lines 26 minus 27 plus 28 minus 29 plus 30)	20,481,117	22,816,954	123,840,839	13,795,243	180,934,153
DETAILS OF WRITE-INS					
2501. Miscellanous	252,756	21,569,798	3,097,766	0	24,920,320
2502. Unpaid claims adjustment expense	0	(1,737)	0	0	(1,737)
2503. State Insurance Pools	0	0	818,703	0	818,703
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0	0	0
2599. Totals (Line 2501 through 2503 plus 2598) (Line 25 above)	252,756	21,568,061	3,916,469	0	25,737,286

(a) Includes management fees of $ .... to affiliates and $ .... to non-affiliates.

EXHIBIT OF NET INVESTMENT INCOME

		1 Collected During Year	2 Earned During Year
1.	U.S. Government bonds	(a) 2,309,596	2,312,732
1.1	Bonds exempt from U.S. tax	(a)	
1.2	Other bonds (unaffiliated)	(a) 19,151,295	18,694,140
1.3	Bonds of affiliates	(a) 0	
2.1	Preferred stocks (unaffiliated)	(b) 0	
2.11	Preferred stocks of affiliates	(b) 0	
2.2	Common stocks (unaffiliated)	0	
2.21	Common stocks of affiliates	0	
3.	Mortgage loans	(c)	
4.	Real estate	(d) 32,274,722	32,354,251
5.	Contract loans		
6.	Cash, cash equivalents and short-term investments	(e) 5,958	70,861
7.	Derivative instruments	(f)	
8.	Other invested assets		
9.	Aggregate write-ins for investment income	145,226	145,226
10.	Total gross investment income	53,886,797	53,577,210
11.	Investment expenses		(g) 12,864,230
12.	Investment taxes, licenses and fees, excluding federal income taxes		(g)
13.	Interest expense		(h)
14.	Depreciation on real estate and other invested assets		(i) 19,964,065
15.	Aggregate write-ins for deductions from investment income		0
16.	Total deductions (Lines 11 through 15)		32,828,295
17.	Net investment income (Line 10 minus Line 16)		20,748,915
	DETAILS OF WRITE-INS		
0901.	Kaiser Foundation Hospital - Interest Income	145,226	145,226
0902.			
0903.			
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	145,226	145,226
1501.			
1502.			
1503.			
1598.	Summary of remaining write-ins for Line 15 from overflow page		0
1599.	Totals (Lines 1501 through 1503 plus 1598) (Line 15 above)		0

(a) Includes $ 3,009,090 accrual of discount less $ 1,672,635 amortization of premium and less $ 610,140 paid for accrued interest on purchases.
(b) Includes $ .... accrual of discount less $ .... amortization of premium and less $ 0 paid for accrued dividends on purchases.
(c) Includes $ 0 accrual of discount less $ 0 amortization of premium and less $ .... paid for accrued interest on purchases.
(d) Includes $ 31,845,925 for company's occupancy of its own buildings; and excludes $ .... interest on encumbrances.
(e) Includes $ 1,965 accrual of discount less $ 4,243 amortization of premium and less $ 7,354 paid for accrued interest on purchases.
(f) Includes $ .... accrual of discount less $ .... amortization of premium.
(g) Includes $ 12,864,230 investment expenses and $ .... investment taxes, licenses and fees, excluding federal income taxes, attributable to segregated and Separate Accounts.
(h) Includes $ .... interest on surplus notes and $ .... interest on capital notes.
(i) Includes $ 19,964,065 depreciation on real estate and $ .... depreciation on other invested assets.

EXHIBIT OF CAPITAL GAINS (LOSSES)

		1 Realized Gain (Loss) On Sales or Maturity	2 Other Realized Adjustments	3 Total Realized Capital Gain (Loss) (Columns 1 + 2)	4 Change in Unrealized Capital Gain (Loss)	5 Change in Unrealized Foreign Exchange Capital Gain (Loss)
1.	U.S. Government bonds	1,028,133	(2,730,044)	(1,701,911)		
1.1	Bonds exempt from U.S. tax			0		
1.2	Other bonds (unaffiliated)	2,413,800	(2,023,781)	390,019		
1.3	Bonds of affiliates	0	0	0	0	0
2.1	Preferred stocks (unaffiliated)	0	0	0	0	0
2.11	Preferred stocks of affiliates	0	0	0	0	0
2.2	Common stocks (unaffiliated)	0	0	0	0	0
2.21	Common stocks of affiliates	0	0	0	0	0
3.	Mortgage loans	0	0	0	0	0
4.	Real estate	3,943,605	0	3,943,605		0
5.	Contract loans			0		
6.	Cash, cash equivalents and short-term investments	5,185		5,185	0	0
7.	Derivative instruments			0		
8.	Other invested assets	0	0	0	0	0
9.	Aggregate write-ins for capital gains (losses)	0	0	0	0	0
10.	Total capital gains (losses)	7,390,723	(4,753,825)	2,636,898	0	0
	DETAILS OF WRITE-INS					
0901.						
0902.						
0903.						
0998.	Summary of remaining write-ins for Line 9 from overflow page	0	0	0	0	0
0999.	Totals (Lines 0901 through 0903 plus 0998) (Line 9 above)	0	0	0	0	0

EXHIBIT OF NONADMITTED ASSETS

	1 Current Year Total Nonadmitted Assets	2 Prior Year Total Nonadmitted Assets	3 Change in Total Nonadmitted Assets (Col. 2 - Col. 1)
1. Bonds (Schedule D)	0	0	0
2. Stocks (Schedule D):			
2.1 Preferred stocks	0	0	0
2.2 Common stocks	0	0	0
3. Mortgage loans on real estate (Schedule B):			
3.1 First liens	0	0	0
3.2 Other than first liens	0	0	0
4. Real estate (Schedule A):			
4.1 Properties occupied by the company	0	0	0
4.2 Properties held for the production of income	0	0	0
4.3 Properties held for sale	0	0	0
5. Cash (Schedule E-Part 1), cash equivalents (Schedule E-Part 2) and short-term investments (Schedule DA)	0	0	0
6. Contract loans	0	0	0
7. Derivatives (Schedule DB)	0	0	0
8. Other invested assets (Schedule BA)	0	0	0
9. Receivables for securities	0	0	0
10. Securities lending reinvested collateral assets (Schedule DL)	0	0	0
11. Aggregate write-ins for invested assets	0	0	0
12. Subtotals, cash and invested assets (Lines 1 to 11)	0	0	0
13. Title plants (for Title insurers only)	0	0	0
14. Investment income due and accrued	0	0	0
15. Premiums and considerations:			
15.1 Uncollected premiums and agents' balances in the course of collection	1,059,540	602,562	(456,978)
15.2 Deferred premiums, agents' balances and installments booked but deferred and not yet due	0	0	0
15.3 Accrued retrospective premiums and contracts subject to redetermination	0	0	0
16. Reinsurance:			
16.1 Amounts recoverable from reinsurers	0	0	0
16.2 Funds held by or deposited with reinsured companies	0	0	0
16.3 Other amounts receivable under reinsurance contracts	0	0	0
17. Amounts receivable relating to uninsured plans	0	0	0
18.1 Current federal and foreign income tax recoverable and interest thereon	0	0	0
18.2 Net deferred tax asset	0	0	0
19. Guaranty funds receivable or on deposit	0	0	0
20. Electronic data processing equipment and software	683,837	907,092	223,255
21. Furniture and equipment, including health care delivery assets	1,042,531	716,313	(326,218)
22. Net adjustment in assets and liabilities due to foreign exchange rates	0	0	0
23. Receivables from parent, subsidiaries and affiliates	0	0	0
24. Health care and other amounts receivable	3,011,523	3,898,645	887,122
25. Aggregate write-ins for other-than-invested assets	9,009,448	7,736,454	(1,272,994)
26. Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts (Lines 12 to 25)	14,806,879	13,861,066	(945,813)
27. From Separate Accounts, Segregated Accounts and Protected Cell Accounts	0	0	0
28. Total (Lines 26 and 27)	14,806,879	13,861,066	(945,813)
DETAILS OF WRITE-INS			
1101.			
1102.			
1103.			
1198. Summary of remaining write-ins for Line 11 from overflow page	0	0	0
1199. Totals (Lines 1101 through 1103 plus 1198) (Line 11 above)	0	0	0
2501. Other Non-Admitted Assets	9,009,448	7,736,454	(1,272,994)
2502.			
2503.			
2598. Summary of remaining write-ins for Line 25 from overflow page	0	0	0
2599. Totals (Lines 2501 through 2503 plus 2598) (Line 25 above)	9,009,448	7,736,454	(1,272,994)

EXHIBIT 1 - ENROLLMENT BY PRODUCT TYPE FOR HEALTH BUSINESS ONLY

	Total Members at End of					6
Source of Enrollment	1 Prior Year	2 First Quarter	3 Second Quarter	4 Third Quarter	5 Current Year	Current Year Member Months
1. Health Maintenance Organizations	462,068	475,368	475,055	478,890	483,276	5,710,160
2. Provider Service Organizations	0	0	0	0	0	0
3. Preferred Provider Organizations	0	0	0	0	0	0
4. Point of Service	13,526	13,307	13,971	14,611	15,198	170,479
5. Indemnity Only	0	0	0	0	0	0
6. Aggregate write-ins for other lines of business	0	0	0	0	0	0
7. Total	475,594	488,675	489,026	493,501	498,474	5,880,639
DETAILS OF WRITE-INS						
0601.	0	0	0	0	0	0
0602.						
0603.						
0698. Summary of remaining write-ins for Line 6 from overflow page	0	0	0	0	0	0
0699. Totals (Lines 0601 through 0603 plus 0698) (Line 6 above)	0	0	0	0	0	0

NOTES TO FINANCIAL STATEMENTS

1) Summary of Significant Accounting Policies

A. Accounting Practices

The statutory financial statements of Kaiser Foundation Health Plan of the Northwest (Health Plan) have been prepared in conformity with the National Association of Insurance Commissioners' (NAIC) Accounting Practices and Procedures Manual (NAIC SAP), the NAIC Annual Statement Instructions, and other accounting practices, as prescribed or permitted by the Oregon Department of Consumer and Business Services Insurance Division (State of Oregon). For the years ended December 31, 2016 and 2015, there were no differences between the NAIC SAP and the practices prescribed by or permitted by the State of Oregon that impacted Health Plan's statutory net income or capital and surplus, as noted in the schedule below (in thousands):

	SSAP#	F/S Page	F/S Line#	Year Ended 2016	Year Ended 2015
NET INCOME					
(1) Health Plan state basis (Page 4, Line 32, Columns 2 & 3)				$ 40,363	$ (13,499)
(2) State Prescribed Practices that increase/(decrease) NAIC SAP				-	-
(3) State Permitted Practices that increase/(decrease) NAIC SAP				-	-
(4) NAIC SAP(1-2-3=4)				40,363	(13,499)
SURPLUS					
(5) Health Plan state basis (Page 3, Line 33, Columns 3 & 4)				479,915	419,325
(6) State Prescribed Practices that increase/(decrease) NAIC SAP				-	-
(7) State Permitted Practices that increase/(decrease) NAIC SAP				-	-
(8)Statutory Surplus, NAIC SAP (5-6-7=8)				$ 479,915	$ 419,325

The State of Oregon recognizes only statutory accounting practices prescribed or permitted by the State of Oregon for determining and reporting the financial condition and results of operations of an insurance company for the purpose of determining its solvency under the State of Oregon and Washington State Office of the Insurance Commissioner (State of Washington) laws. NAIC SAP has been adopted as a component of prescribed or permitted practices by the State of Oregon.

Statutory accounting practices prescribed and permitted by the State of Oregon vary from U.S. generally accepted accounting principles (GAAP) in the following respects:

Nonadmitted assets: Certain assets designated as "nonadmitted," principally certain accounts receivable, property and equipment, prepaids, and other assets not specifically identified as an admitted asset, are excluded from the accompanying statutory statements of admitted assets, liabilities, capital, and surplus and are charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheets.

Investments: Investments, other than investments in subsidiaries, are carried at values prescribed by the NAIC SAP. GAAP requires trading and available-for-sale investments held by a not-for-profit corporation, other than investments in subsidiaries, to be carried at fair value.

Medical Furniture, Fixtures, and Equipment: Medical center furniture, fixtures, and equipment used in the direct delivery of care are depreciated over the lesser of their useful lives or three years. Under GAAP, these assets are depreciated over their useful lives.

Statements of Cash Flow: Cash, cash equivalents, and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less.

Presentation of Cash: Net negative cash balances are reported as a negative asset rather than as a liability under GAAP.

Co-payments: Co-payments received are netted against hospital and medical benefit expenses. Under GAAP, certain of these co-payments are recorded as revenues.

Asset Retirement Obligations: Asset retirement obligations required under GAAP are not recorded.

Real Estate: Imputed rental income and expense on the occupancy of owned buildings are recorded. Under GAAP, they are not recorded.

NOTES TO FINANCIAL STATEMENTS

Insurance Recoveries: Insurance recoveries and liabilities, including reinsurance recoveries, are reported on a gross basis for GAAP, while NAIC SAP requires certain of the liabilities to be reported net of recoveries.

Bad Debt Presentation: Certain amounts for bad debts are treated as an expense. Under GAAP, certain bad debts are recorded as a reduction to the related revenue.

Health Insurance Providers Fee: The Health Insurance Providers (HIP) fee under the Patient Protection and Affordable Care Act (PPACA) is expensed immediately in January of the fee year; under GAAP, this cost is deferred and amortized during the course of the fee year. Reclassifications from unassigned surplus to special surplus funds are required in the year prior to the fee year (the data year) for the HIP fee amount expected to be paid in the fee year. Under GAAP, no such reclassification is required.

Employee Benefits: The defined benefit pension and postretirement benefit liability calculations and expense may be recognized over a phase-in period for active participants not currently vested in the plans. Under GAAP, the full liability and expense for these participants is required to be recorded.

Collection Cost for Salvage and Subrogation: Collection costs for salvage and subrogation receivables are required to be estimated and recorded to unpaid claims liability. The costs recorded are for both internal and external collections. Under GAAP, these costs are not recorded.

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of the statutory financial statements in conformity with NAIC SAP, the NAIC Statement Value, and other accounting practices as prescribed or permitted by the State of Oregon requires management to make estimates and assumptions that affect the reported amounts. Estimated fair value of investments; Medicare revenue accruals; Medicare reserves; reserves for unpaid claims and claims adjustment expense; pension and other retirement liabilities; self-insured workers' compensation and other legal liabilities; real estate, property, equipment and software impairment and useful lives; investment impairment; and certain amounts accrued related to the PPACA Reinsurance, Risk Adjustment, and Risk Corridors Programs represent significant estimates. Actual results could differ materially from those estimates. As occurs from time to time, negotiations with labor partners may result in changes to compensation and benefits. These changes are reflected in the statutory financial statements as appropriate when agreements are finalized.

C. Accounting Policies

<u>Cash (overdraft) and short-term investments - net</u> include interest-bearing deposits purchased with an original or remaining maturity of twelve months or less.

At December 31, cash (overdraft) and short-term investments - net were as follows (in thousands):

	2016	2015
Cash (overdraft)	$ (676)	$ (4,475)
Short-term investments	20,943	10,986
Cash (overdraft) and short-term investments - net	$ 20,267	$ 6,511

<u>Premiums and health care receivables - net</u> exclude nonadmitted balances. Certain receivables are not admissible in accordance with the NAIC SAP. Nonadmitted amounts include all nongovernmental premiums and health care receivables greater than 90 days past due. In addition, when group premiums are greater than 90 days past due or more than a de minimus portion of the entire balance is outstanding, the entire amount is non-admitted. When individual premiums have more than one payment past due, the entire balance is non-admitted.

<u>Real estate, property and equipment</u> which include land, buildings, equipment, and software, are stated at cost less accumulated depreciation and amortization. Depreciation begins when the project is substantially complete and ready for its intended use. Software is amortized on a straight line basis over three years. Buildings and equipment are depreciated on a straight line basis over the estimated useful lives of the various classes of assets, generally ranging from 3 to 34 years, except that medical center furniture, fixtures, and equipment used in the direct

NOTES TO FINANCIAL STATEMENTS

delivery of care are depreciated over their estimated useful lives but for a period not to exceed three years.

At December 31, 2016 and 2015, real estate, property, and equipment included in the statement of admitted assets, liabilities, capital, and surplus were net of encumbrances of $9.3 million and $7.1 million, respectively.

Land and buildings rented to third parties and construction in progress balances for buildings less than 50% occupied are classified as real estate properties held for the production of income.

Management evaluates alternatives for delivering services that may affect the current and future utilization of existing and planned assets and could result in an adjustment to the carrying values or remaining lives of such land, buildings, equipment, and software in the future. Management evaluates and records impairment losses or adjusts remaining lives, where applicable, based on expected utilization, projected cash flows, and recoverable values.

Maintenance and repairs are expensed as incurred. Major improvements that increase the estimated useful life of an asset are capitalized. Upon the sale or retirement of assets, recorded cost and related accumulated depreciation are removed from the accounts, and any gain or loss on disposal is reflected in operations.

Included in property and equipment are health care delivery assets representing pharmaceutical and optical inventories, as well as medical center furniture, fixtures, and equipment used in the direct delivery of care. Pharmaceutical and optical inventories are included in the furniture and equipment category. Pharmaceutical and optical inventories are not subject to depreciation.

<u>Bonds and other invested assets</u> include investments in money market funds, U.S. Treasury and government sponsored agencies, loan backed and/or structured securities, industrial and miscellaneous bonds, and other government bonds. Recognized gains and losses are recorded on the specific identification basis. Interest income is included in net investment and other income.

Bonds are reported in accordance with NAIC Annual Statement Instructions (Statement Value). Accordingly, bonds that are designated highest quality, NAIC Designation 1 and 2, are reported at amortized cost using the scientific interest method, and bonds that are classified as NAIC Designation 3 or lower are reported at lower of amortized cost or fair value.

Adjustments are made prospectively and repayment assumptions are obtained from a third party vendor data source for loan backed and/or structured securities. The amortization method used is the scientific method.

Investments are regularly reviewed for impairment and a charge is recognized when the fair value is below cost basis and is judged to be other than temporary. Impairment is included in recognized gains (losses) on investments - net. In its review of assets for impairment that is deemed other-than-temporary, management generally follows the following guidelines:

- Substantially all investments are managed by outside investment managers who do not need Health Plan's management preapproval for sales; therefore, substantially all declines in value below amortized cost are recognized as impairment that is other-than-temporary.

- For other securities, losses are recognized for known matters, such as bankruptcies, regardless of ownership period, and investments that have been continuously below book value for an extended period of time are evaluated for impairment that is other-than-temporary.

Health Plan's investment transactions are recorded on a trade date basis.

Health Plan is required to keep investments on deposit in the States of Oregon and Washington, where it is licensed. At December 31, 2016 and 2015, $275 thousand and $274 thousand, respectively, in long term government-sponsored agency securities were restricted to satisfy the states' regulatory requirements.

<u>Receivables for securities</u> represent current amounts for unsettled securities sales.

NOTES TO FINANCIAL STATEMENTS

Reserves for Unpaid Claims and Claims Adjustment Expense - The cost of health care services is recognized in the period in which services are incurred. Reserves for unpaid claims and claims adjustment expense consist of unpaid health care expenses to third party providers, which include an estimate of the cost of services provided to Health Plan's members by the third party providers that have been incurred but not reported. The estimate for incurred but not reported claims is based on actuarial projections of costs using historical paid claims and other relevant data. Estimates are monitored and reviewed and, as claims are adjudicated and paid, estimates are revised and are reflected in current operations. Such estimates are subject to actual utilization of medical services, changes in membership and product mix, claim submission and processing patterns, medical inflation, and other relevant factors. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate amount of paid claims is dependent on future developments, management is of the opinion that the reserves for unpaid claims and claims adjustment expense are adequate to cover such claims.

Health Plan records anticipated reinsurance recoveries for high cost claims eligible for reimbursement under the PPACA as described in the *Reinsurance, Risk Adjustment, and Risk Corridors Programs* note. The amount recorded is an estimate as the ultimate adjudication of these claims is conducted by the government.

Health Plan contracts with Kaiser Foundation Hospitals (Hospitals), Northwest Permanente, P. C. and Permanente Dental Associates (Medical Groups) to provide or arrange hospital, medical, and dental services for members. Amounts due to associated medical groups are included in the reserves for unpaid claims and consists primarily of unpaid medical and dental expenses owed to the Medical Groups for medical and dental services provided to members under medical and dental services agreements with Health Plan. The cost of medical and dental services is recognized by Health Plan in the period in which services are provided and is reflected as a component of medical and hospital services expenses.

Insured and Self-Insured Risks - Health Plan purchases insurance including professional and general liabilities coverage. Certain insurance is purchased from affiliated organizations as discussed in the *Information Concerning Parent, Affiliated Organizations, and Medical Groups* note. Health Plan self-insures other risks including workers' compensation and other legal liabilities. Costs associated with self-insured risks are charged to operations based upon actual and estimated claims. The estimate for incurred but not reported self-insured claims is based on actuarial projections of costs using historical claims and other relevant data. Estimates are monitored and reviewed and, as settlements are made or estimates are revised, adjustments are reflected in current operations. Given the inherent variability of such estimates, the actual liability could differ significantly from the amounts provided. While the ultimate payments for self-insured claims are dependent on future developments, management is of the opinion that the reserve for self-insured risks is adequate. Insurance coverage, in excess of the per occurrence self-insured retention, has been secured with affiliated and unaffiliated insurers and reinsurers for specified amounts for workers' compensation liabilities. Decisions relating to the limit and scope of the self-insured layer and the amounts of excess insurance purchased are reviewed each year, subject to management's analysis of actuarial loss projections and the price and availability of acceptable commercial insurance.

Pension and Other Postretirement Benefits - Health Plan participates in defined benefit pension and other postretirement benefit plans that are administered by KFHP. The plans are actuarially evaluated and involve various assumptions. Critical assumptions include the discount rate and the expected rate of return on plan assets, and the rate of increase for health care costs (for postretirement benefit plans other than pension), which are important elements of expense and/or liability measurement. Other assumptions involve demographic factors such as retirement age, mortality, turnover, and the rate of compensation increases. KFHP evaluates assumptions annually, or when significant plan amendments occur, and modifies them as appropriate. Pension and postretirement costs are allocated over the service period of the employees in the plans.

KFHP uses a discount rate to determine the present value of the future benefit obligations. The discount rate is established based on rates available for high-quality fixed-income debt securities at the measurement date whose maturity dates match the expected cash flows of the retirement plans.

Differences between actual and expected plan experience and changes in actuarial assumptions, in excess of a 10% corridor around the larger of plan assets or plan liabilities, are recognized into benefits expense over the expected average future service of active participants. Prior service costs and credits arise from plan amendments and are amortized into

NOTES TO FINANCIAL STATEMENTS

postretirement benefits expense over the expected average future service to full eligibility of active participants.

The defined benefit pension plan administered by KFHP constitutes a single plan in which multiple employers who are related parties participate. The Employee Retirement Income Security Act provides for joint and several liability for all employers in the Health Plan's tax controlled group. The pension liability for Health Plan represents the estimated amount of liability for current and former employees of Health Plan only. Management believes it is remote that Health Plan would be required to pay benefits attributable to current or former employees of other controlled group members.

Effective January 1, 2017, Health Plan changed the method used to determine the service and interest cost pertaining to pension and other postretirement benefits expense. Historically, a weighted average discount rate was used in the calculation of service and interest costs. The new method utilizes a "spot rate approach" and provides a more precise measurement of service and interest costs by applying the spot rate along an interest rate yield curve for each expected future cash flow of a retirement plan. This change is considered a change in accounting estimate that is inseparable from a change in accounting principle and accordingly will be accounted for prospectively. It is estimated the spot rate approach will result in a reduction in pension and other postretirement benefits expense of approximately $12.0 million during 2017.

The other postretirement benefits (primarily health care) are generally offered through a welfare plan (Health and Welfare Plan) in which multiple employers who are related parties participate. Under the terms of the Health and Welfare Plan, each participating employer is legally liable for the benefits for their own employees and retirees, and the Employee Retirement Income Security Act does not specify joint and several liability for all employers participating in a welfare plan. Management believes it is remote that Health Plan would be required to pay benefits attributable to current or former employees of any other employers participating in the Health and Welfare Plan.

Premium deficiency reserves the related expense are recognized when it is probable that expected future health care and administrative costs under a group of existing contracts will exceed anticipated future premiums and reinsurance recoveries over the contract period. Expected investment income and interest expense are included in the calculation of premium deficiency reserves, as appropriate. The level at which contracts are grouped for evaluation purposes is generally at the regional level. The methods for making such estimates and for establishing the resulting reserves are reviewed and updated, and any resulting adjustments are reflected in current operations. At December 31, 2016 and 2015, the need for premium deficiency reserves was assessed and management is of the opinion that no premium deficiency reserves were required. Given the inherent variability of such estimates, the actual liability could differ significantly from the calculated amount.

Revenue Recognition - Net premium revenue includes premiums from employer groups, individuals, Medicaid, and Medicare. Net premium revenue is recognized over the period in which the members are entitled to health care services.

The majority of Health Plan's Medicare revenue is received from the Medicare Advantage Program (Part C). Revenues for Part C include capitated payments, which vary based on health status, demographic status, and other factors. Medicare revenues also include accruals for estimates resulting from changes in health risk factor scores. Such accruals are recognized when the amounts become determinable and collection is reasonably assured. Part C revenue is finalized after all data is submitted to Medicare and the final settlement is made after the end of the year.

In addition, Medicare benefits include a voluntary prescription drug benefit (Part D). Revenues for Part D include capitated payments made from Medicare adjusted for health risk factor scores. Revenues also include amounts to reflect a portion of the health care costs for low income Medicare beneficiaries and a risk sharing arrangement to limit the exposure to unexpected expenses. Related accruals are recognized monthly based on cumulative experience and membership data. Part D revenue is finalized after all data is submitted to Medicare and the final settlement is made after the end of the year.

Medicare Part C and D revenue is subject to governmental audits and potential payment adjustments. The Centers for Medicare & Medicaid Services (CMS) performs coding audits to validate the supporting documentation maintained by Health Plan and its care providers.

NOTES TO FINANCIAL STATEMENTS

Estimates of retrospective adjustments resulting from coding audits, cost reports, and other contractual adjustments are recorded in the time period in which members are entitled to health care services. Actual retrospective adjustments may differ from initial estimates.

Premiums collected in advance are deferred and recorded as premiums received in advance or Medicare payments received in advance. Revenue is adjusted to reflect estimates of collectability, including retrospective membership adjustment trends and economic conditions. Revenue and related receivables are exclusive of charity care. A portion of revenues derived under contracts with the United States Office of Personnel Management (USOPM) is subject to audit and potential retrospective adjustments.

Health Plan provides coverage to certain Medicaid members through contracts with third parties. For the years ended December 31, 2016 and 2015, revenues related to these arrangements were $149.0 million and $127.3 million, respectively.

The NAIC requires health care service contractors to report rental income and expense on the occupancy of owned buildings. For the years ended December 31, 2016 and 2015, rental income related to administrative and health delivery owned buildings was $31.8 million and $28.3 million, respectively.

Donations and Grants Made or Received - Donations and grants made are recognized at fair value in the period in which a commitment is made, provided the payment of the donation or grant is probable and the amount is determinable. Donations or grants received are recognized at fair value in the period the donation or grant was committed unconditionally by the grantor or in the period the donation or grant requirements are met, if later.

Reinsurance, Risk Adjustment, and Risk Corridors Programs - The PPACA includes three programs designed to mitigate health plan risk. Two are temporary and one is permanent.

The Reinsurance Program is temporary, and provides for partial reimbursement of certain high cost claims for non-grandfathered individual members, beginning in 2014 and continuing through 2016. As described in the *Reserves for Unpaid Claims and Claims Adjustment Expense* note, certain amounts have been recorded in 2016 and 2015 as expected claims reimbursements under this program. For the years ended December 31, 2016 and 2015, Health Plan has recorded $5.5 million and $11.4 million, respectively, for estimated recoveries from the Reinsurance Program. For the years ended December 31, 2016 and 2015, Health Plan has recorded $10.7 million and $16.9 million, respectively, of Reinsurance fees.

The Risk Adjustment Program is permanent, and provides for retrospective adjustment of revenue for non-grandfathered individual and small group market plans, whether inside or outside PPACA exchanges. The Risk Adjustment Program is designed such that payments to plans with higher relative risk are funded by transfers from plans with lower relative risk. For the years ended December 31, 2016 and 2015, Health Plan has recorded $0.9 million and $37.0 million, respectively, in net revenue increases (reductions) related to the Risk Adjustment Program.

The Risk Corridors Program is temporary, beginning in 2014 and continuing through 2016. This program provides for gains and losses on the individual and small group market plans. For the years ended December 31, 2016 and 2015, Health Plan has recorded $5.2 million and $(9.9) million, respectively, in net revenue increases (reductions) related to the Risk Corridors Program.

The Oregon legislature, with the intent of stabilizing premiums as certain individuals enter the insurance market from high risk pools, established a three-year transition program effective January 1, 2014. The program provides additional funding to insurance carriers for claims above a specified level incurred by these individuals for claims not covered by the PPACA Reinsurance Program. This program is funded by a per member per month assessment on individual, small group, and large group insurance policies issued in Oregon, as well as self-insured employers who buy stop-loss coverage. The program was fully funded prior to 2016 and no assessment was charged during 2016. For the year-ended December 31, 2016, Health Plan recognized $2.8 million of claims recoveries. The 2015 assessment was $9.1 million, offset by $1.6 million in identified claims recoveries.

New Accounting Pronouncements

In August 2016, the NAIC adopted revisions to SSAP 55, *Unpaid Claims, Losses, and Loss Adjustment Expenses*. The guidance was adopted prospectively by Health Plan for the period ended September 30, 2016. The revisions clarify accounting treatment of costs associated with

NOTES TO FINANCIAL STATEMENTS

salvage and subrogation. The adoption of this standard did not have a significant effect on the financial statements and related disclosures.

Loan-Backed Structured Securities

Health Plan does have investments in loan-backed and/or structured securities and collateralized mortgage obligations. These securities are stated on the amortized cost basis and adjustments are made prospectively.

2) Accounting Changes and Corrections of Errors

For 2016, Health Plan reclassified certain accounts within assets and liabilities between lines of the financial statements. The changes continue to comply with statutory accounting guidance, align the Health Plan with other Kaiser Health Plans, and bring consistency across the program. The changes did not have a material or negative impact on capital and surplus. The effect of these reclassifications are noncash in nature, and are excluded from reporting in the Statement of Cash flows.

3) Business Combinations and Goodwill

A – B.

There were no business combinations during the reporting periods.

C.

Health Plan does not carry goodwill in its financial statements.

D.

Health Plan had no impairment loss during the reporting periods.

4) Discontinued Operations

There were no discontinued operations during the reporting periods.

5) Investments

A - C.

Health Plan had no investments in mortgage loans, restructured debt or reverse mortgages.

D. Loan-Backed Securities

(1) Health Plan does have investments in loan-backed and/or structured securities and collateralized mortgage obligations. Prepayment assumptions are obtained from a third party vendor data source.

NOTES TO FINANCIAL STATEMENTS

(2) During 2016, the aggregate other-than-temporary impairment (OTTI) recognized for certain loan-backed and/or structured securities, by quarter of the calendar year, was as follows (in thousands):

	(1) Amortized Cost Basis Before Other-than-Temporary Impairment	(2) Other-than-Temporary Impairment Recognized in Loss	(3) Fair Value (1)-(2)
OTTI recognized 1st Quarter			
a. Intent to sell	$ -	$ -	$ -
b. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	38,861	222	38,639
c. Total 1st Quarter	$ 38,861	$ 222	$ 38,639
OTTI recognized 2nd Quarter			
d. Intent to sell	$ -	$ -	$ -
e. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	11,621	53	11,568
f. Total 2nd Quarter	$ 11,621	$ 53	$ 11,568
OTTI recognized 3rd Quarter			
g. Intent to sell	$ -	$ -	$ -
h. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	31,392	67	31,325
i. Total 3rd Quarter	$ 31,392	$ 67	$ 31,325
OTTI recognized 4th Quarter			
j. Intent to sell	$ -	$ -	$ -
k. Inability or lack of intent to retain the investment in the security for a period of time sufficient to recover the amortized cost basis	59,882	423	59,459
l. Total 4th Quarter	$ 59,882	$ 423	$ 59,459
m. Annual Aggregate Total		$ 765	

NOTES TO FINANCIAL STATEMENTS

(3) Each impairment of loan-backed and /or structured securities recognized during the year ended December 31, 2016 was as follows (in thousands):

(1) CUSIP	(2) Book/Adjusted Carrying Value Amortized Cost Before Current Period OTTI	(3) Present Value of Projected Cash Flows	(4) Recognized Other-Than-Temporary Impairment	(5) Amortized Cost After Other-Than-Temporary Impairment	(6) Fair Value at time of OTTI	(7) Date of Financial Statement Where Reported
3138ENTP4	$ 2,142	$ 2,133	$ 9	$ 2,133	$ 2,133	3/31/2016
33766QAA5	491	490	1	490	490	3/31/2016
38376RQL3	6,668	6,614	54	6,614	6,613	3/31/2016
02665VAA1	450	446	4	446	446	3/31/2016
12550LAE2	774	772	2	772	772	3/31/2016
19624MAA5	699	691	8	691	691	3/31/2016
26249EAE5	440	435	5	435	435	3/31/2016
26251BAC0	847	839	8	839	839	3/31/2016
29372EBE7	3,781	3,779	2	3,779	3,779	3/31/2016
3137G0HC6	473	472	1	472	472	3/31/2016
32113CBH2	2,855	2,852	3	2,852	2,852	3/31/2016
33882UAB3	1,970	1,940	30	1,940	1,940	3/31/2016
46186LAA0	1,038	1,029	9	1,029	1,029	3/31/2016
46186PAA1	2,023	1,997	26	1,997	1,997	3/31/2016
46644DAA4	2,520	2,492	28	2,492	2,492	3/31/2016
55818YAG6	490	483	7	483	483	3/31/2016
606072LA2	343	338	5	338	338	3/31/2016
67590LAE8	795	793	2	793	793	3/31/2016
85172CAA4	1,765	1,762	3	1,762	1,762	3/31/2016
89253UAA8	2,986	2,981	5	2,981	2,981	3/31/2016
89852TAC2	848	839	9	839	839	3/31/2016
3138ENTP4	1,998	1,994	4	1,994	1,994	6/30/2016
02665VAA1	453	448	5	448	448	6/30/2016
19624MAA5	702	696	6	696	696	6/30/2016
32113CBH2	2,855	2,852	3	2,852	2,852	6/30/2016
383122AA6	1,597	1,596	1	1,596	1,596	6/30/2016
46186PAA1	2,003	1,972	31	1,972	1,972	6/30/2016
67590WAE4	829	826	3	826	826	6/30/2016
059497AX5	2,248	2,244	4	2,244	2,244	9/30/2016
19624MAA5	704	699	5	699	699	9/30/2016
26208AAD4	440	439	1	439	439	9/30/2016
3137B9SJ5	2,145	2,135	10	2,135	2,135	9/30/2016
3137BDY67	4,422	4,420	2	4,420	4,420	9/30/2016
38375BVN9	6,224	6,193	31	6,193	6,193	9/30/2016
38376RQL3	6,073	6,064	9	6,064	6,064	9/30/2016
43813JAC9	1,248	1,247	1	1,247	1,247	9/30/2016
92347XAB2	3,612	3,608	4	3,608	3,608	9/30/2016
03066DAF3	334	332	2	332	332	12/31/2016
13974MAE6	190	189	1	189	189	12/31/2016
13974MAF3	390	385	5	385	385	12/31/2016
19624MAA5	696	693	3	693	693	12/31/2016
3128Q0QK6	3,530	3,508	22	3,508	3,508	12/31/2016
31294MMC2	3,056	2,959	97	2,959	2,959	12/31/2016
3136AGKU5	2,502	2,501	1	2,501	2,501	12/31/2016
3136AGLH3	2,092	2,091	1	2,091	2,091	12/31/2016
3137B9SJ5	1,866	1,862	4	1,862	1,862	12/31/2016
3138E7TV6	4,037	4,028	9	4,028	4,028	12/31/2016
3138ENTP4	1,716	1,703	13	1,703	1,703	12/31/2016
36250UAG9	898	891	7	891	891	12/31/2016
380881DN9	3,210	3,176	34	3,176	3,176	12/31/2016
38375BVN9	5,914	5,888	26	5,888	5,888	12/31/2016
38376RQL3	5,816	5,790	26	5,790	5,790	12/31/2016
44891EAG4	749	731	18	731	731	12/31/2016
65478WAD7	3,044	3,016	28	3,016	3,016	12/31/2016
87154EAB6	3,225	3,202	23	3,202	3,202	12/31/2016
92347XAA4	400	397	3	397	397	12/31/2016
92347XAB2	3,610	3,551	59	3,551	3,551	12/31/2016
92348MAA7	7,624	7,594	30	7,594	7,594	12/31/2016
98161FAD7	4,330	4,318	12	4,318	4,318	12/31/2016
Various	10,576	10,576	-	10,576	10,576	Various
Total			$ 765			

(4) – (5)

For the year ended December 31, 2016 there were no impaired loan-backed securities for which an other-than-temporary impairment has not been recognized in earnings as a realized loss.

E. Repurchase Agreements and/or Securities Lending Transactions

For the year ended December 31, 2016 and the year ended December 31, 2015, Health Plan had no investments in repurchase agreements and/or securities lending transactions.

NOTES TO FINANCIAL STATEMENTS

F. Real Estate

(1) Health Plan had no impairment loss during the reporting periods.

(2)

a. In 2015 management decided to divest of an administrative building and a medical office building that were no longer part of the Health Plan's long term real estate strategy. The sale occurred in 2016. At December 31, 2015 the properties are reported as real estate properties held for sale and are recorded at the lower of depreciated cost or fair value, less encumbrances and estimated costs to sell the property.

b. For the years ended December 31, 2016 and 2015, net gains on sale of real estate investments were $3.9 million and $0.4 million, respectively.

(3) – (5) Health Plan did not have changes to a plan of sale for an investment in real estate, did not engage in retail land sales operation and did not hold real estate investments with participating mortgage loan features during the reporting periods.

G. Investments in low-income housing tax credits (LIHTC)

For the year ended December 31, 2016 and the year ended December 31, 2015, Health Plan had no investments in low-income housing tax credits.

H. Restricted Assets

(1) Restricted Assets (Including Pledged) (in thousands):

	1	2	3	4	5	6	7
Restricted Asset Category	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase/ (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Percentage Gross (Admitted & Nonadmitted) Restricted to Total Assets	Percentage Admitted Restricted to Total Admitted Assets
a. Subject to contractual obligation for which liability is not shown	$ -	$ -	$ -	$ -	$ -		
b. Collateral held under security lending agreements							
c. Subject to repurchase agreements							
d. Subject to reverse repurchase agreements							
e. Subject to dollar repurchase agreements							
f. Subject to dollar reverse repurchase agreements							
g. Placed under option contracts							
h. Letter stock or securities restricted as to sale - excluding FHLB capital stock							
i. FHLB capital stock							
j. On deposit with states	275	274	1	-	275	0.02%	0.02%
k. On deposit with other regulatory bodies							
l. Pledged as collateral to FHLB (including assets backing funding agreements)							
m. Pledged as collateral not captured in other categories							
n. Other restricted assets							
o. Total Restricted Assets	$ 275	$ 274	$ 1	$ -	$ 275	0.02%	0.02%

(2) – (3)

During the years ended December 31, 2016 and 2015, Health Plan had no assets pledged as collateral and other restricted assets.

I. Working Capital Finance Investments

Health Plan does not have Working Capital Finance Investments.

J. Offsetting and Netting of Assets and Liabilities

Not applicable to the Health Plan.

NOTES TO FINANCIAL STATEMENTS

K. Structured Notes

Structured notes held at December 31, 2016 were as follows (in thousands):

CUSIP Identification	Actual Cost	Fair Value	Book/Adjusted Carrying Value	Mortgage-Referenced Security (Yes/No)
30711XAA2	$ 383	$ 385	$ 383	Yes
30711XAC8	401	404	402	Yes
30711XAE4	388	396	391	Yes
30711XAJ3	5	5	5	Yes
30711XBJ2	2,868	2,894	2,868	Yes
30711XBZ6	976	986	976	Yes
3137G0AC3	195	196	196	Yes
3137G0EQ8	186	186	186	Yes
3137G0GQ6	141	141	141	Yes
3137G0HC6	52	52	52	Yes
3137G0JQ3	731	732	731	Yes
Total	$ 6,326	$ 6,377	$ 6,331	

L. 5* Securities

Health Plan does not have 5* Securities.

6) Joint Ventures, Partnerships & Limited Liability Companies

A.

Health Plan has no investments in Joint Ventures, Partnerships or Limited Liability Companies that exceed 10% of its admitted assets.

B.

Health Plan did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the reporting periods.

7) Investment Income

All investment income due and accrued is admitted for 2016 and 2015.

8) Derivative Instruments

Health Plan has no derivative instruments during the reporting periods.

9) Income Taxes

Health Plan is not subject to income taxes.

10) Information Concerning Parent, Subsidiaries, Affiliates

A.

Health Plan is a not-for-profit corporation, generally exempt from federal and state income taxes, whose capital is available for charitable, educational, research, and related purposes. Health Plan is licensed by the States of Oregon and Washington to provide prepaid health care services, which include health insurance. Health Plan is a subsidiary of KFHP. KFHP is affiliated with Hospitals because their governing boards and management are substantially the same.

At December 31, 2016 and 2015, the percentage of Health Plan's total labor force covered under collective bargaining agreements were approximately 80% and 79%, respectively. At December 31, 2016, none of Health Plan's workforce was covered under collective bargaining agreements that are scheduled to expire within one year.

Health Plan strives to improve the health and welfare of the communities it serves through its Community Benefit investment programs. Community Benefit expenditures provide funding for programs that serve communities through community-based health partnerships, the

NOTES TO FINANCIAL STATEMENTS

provision of charity care to low-income patients, direct health coverage for low-income children, and collaboration with community clinics, health departments, and public hospitals.

The calculation of Community Benefit expenditures is based on Health Plan's direct and indirect costs associated with the services provided through various Community Benefit programs. A significant portion of these expenses are related to care and coverage services provided to members enrolled in Health Plan's insurance products as well as underinsured and uninsured citizens of the broader community.

Cost-based methods are used to account for losses incurred under the care and coverage lines of business qualifying for treatment as Community Benefit. Patients assigned to these lines of business must first prove eligibility based upon family income relative to the Federal Poverty Guidelines. Most costs determined to be Community Benefit are allocated across the lines of business following pre-determined allocation rules applied within the organization's cost accounting systems. Certain Community Benefit costs are determined using the out-of-pocket costs directly billed to patients or a cost-to-charge ratio applied to uncompensated charges associated with care provided to these patients.

For the year ended December 31, 2016, Community Benefit expenditures (at cost, net of approximately $119.3 million of related revenues) were $70.5 million, representing 2.0% of total revenue. In comparison, for the year ended December 31, 2015, Community Benefit expenditures (at cost, net of $86.2 million of related revenues) were $91.9 million, representing 2.7% of total revenue.

B – C.

Medical Groups cooperate with Health Plan in conducting the Kaiser Permanente Medical Care Program. Health Plan contracts with Hospitals and the Medical Groups to provide or arrange hospital, medical, and dental services for members. Contract payments to the Medical Groups represent a substantial portion of the expenses for medical and dental services reported in the statutory financial statements. Payments from Health Plan constitute substantially all of the revenues for the Medical Groups. Because the Medical Groups are independent and not controlled by Health Plan, their operations are not included in the statutory financial statements. During 2016 and 2015, based upon the terms of the Hospital Service Agreement, Health Plan was charged $903.1 million and $884.5 million, respectively, by Hospitals. During 2016 and 2015, based upon the terms of the agreement with the Medical Groups, Health Plan incurred expenses of $623.1 million and $598.1 million, respectively.

Costs of services provided by KFHP and Hospitals to Health Plan were based on the actual cost incurred to provide those services. Services provided include, but are not limited to, the following: information technology, treasury, general management, administrative support, and transaction processing. During 2016 and 2015, charges for costs of services provided by KFHP and Hospitals were $256.9 million and $226.4 million, respectively. During 2016 and 2015, Health Plan was charged interest expense of $176 thousand and $726 thousand, respectively, by KFHP and Hospitals. Additionally, KFHP or Hospitals paid amounts on Health Plan's behalf.

Health Plan and its affiliates manage professional liabilities and other risks using captive risk pooling vehicles, primarily Lokahi Assurance, Ltd., a subsidiary of KFHP. During 2016 and 2015, Health Plan's premium expense under these arrangements was $17.4 million and $15.3 million, respectively.

Health Plan contracts with Kaiser Permanente Insurance Company, a subsidiary of KFHP, to provide administrative services including, but not limited to, product development, rating and underwriting, marketing and sales, advertising, claims adjudication, member services, utilization management, and premium billing and collection. For the years ended December 31, 2016 and 2015, pursuant to this contract, Health Plan recognized revenues of $4.7 million and $3.9 million, respectively.

Health Plan has also entered into reciprocal business relationships with KFHP whereby Health Plan and KFHP and its subsidiaries provided medical services to visiting members. During 2016 and 2015, net revenue recorded for services provided by Health Plan was $17.6 million and $11.2 million, respectively. During 2016 and 2015, net expense for services provided to Health Plan members was $12.7 million and $12.2 million, respectively.

In 2015, Health Plan recorded a $175.0 million capital contribution from Hospitals. The capital contribution was made to maintain Health Plan's capital and surplus within targeted levels.

NOTES TO FINANCIAL STATEMENTS

Effective January 1, 2016, Health Plan and Hospitals amended the terms of their Hospital Service Agreement (HSA). Under the terms of the HSA, Health Plan pays Hospitals based on fee schedules, for its Commercial and Medicaid lines of business, to cover services provided by Hospitals to Health Plan members. For services provided to Medicare members, Health Plan pays Hospitals on a capitated basis. Previously, the contract with Hospitals was based on an allocation of net income or losses.

D.

At December 31, due from (due to) affiliated organizations – net, was as follows (in thousands):

		2016		2015
Due to Affiliated Organizations:				
Camp Bowie Service Center	$	1,882	$	1,727
Kaiser Foundation Health Plan-Georgia		9		23
Lokahi Assuranace Ltd		-		1,182
Kaiser Permanente Insurance Company		3,546		901
Kaiser Foundation Health Plan-Mid-Atlantic		5		-
Kaiser Foundation Health Plan-Colorado		83		-
Kaiser Foundation Hospitals		101,425		-
Kaiser Foundation Health Plan, Inc		53,351		138,220
Total Due to Related Parties	$	160,301	$	142,053
Due From Affiliated Organizations:				
Kaiser Foundation Hospitals	$	-	$	34,278
Kaiser Foundation Health Plan-Colorado		-		38
Kaiser Foundation Health Plan-Mid-Atlantic		-		22
Lokahi Assuranace Ltd		1,938		-
Total Due from Related Parties	$	1,938	$	34,338

Due from Hospitals generally represents amounts held and invested by Hospitals for Health Plan in accordance with an agreement to manage excess funds and amounts due to Hospitals for claims of $44.0 million and $34.5 million at December 31, 2016 and 2015, respectively. Hospitals' claims expense is included in Health Plan's operating expenses, primarily hospital services.

E.

Health Plan has a guaranty agreement with the parent, KFHP, and affiliates in which the parent and Hospitals, without exception, guarantee all obligations of Health Plan, including a guarantee to provide health care services to Health Plan's subscribers, enrollees, and dependents in the event that Health Plan is discontinued prior to the expiration of Health Plan's contracts.

F.

See note B – C above.

G.

See note A above.

H – N.

Does not apply to Health Plan.

11) Debt

As of December 31, 2016 and 2015 Health Plan has no borrowings.

NOTES TO FINANCIAL STATEMENTS

12) Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

A. Defined Benefit Plans

Health Plan participates with affiliated organizations in a defined benefit pension plan (Plan) covering substantially all its employees. Benefits are based on age at retirement, years of credited service, and average compensation for a specified period prior to retirement. Contributions are intended to provide not only for benefits attributed to service to date but also for those expected to be earned in the future.

For financial reporting purposes, the projected unit credit method is used. At December 31, 2016 and 2015, substantially all pension fund assets were held in a group trust. At December 31, 2016 and 2015, the trust's assets were invested primarily in fixed income and equity securities, with approximately 21% and 22% of trust assets, net of liabilities, respectively, invested in alternative investments.

The Plan is administered by KFHP. Plan assets for Health Plan are not segregated and, accordingly, are not disclosed below. However, KFHP separately accounts for Health Plan liability and expense, and KFHP allocates pension expense and related prepaid or accrued benefit costs to Health Plan based on participant demographics and Plan provisions.

Certain employees may become eligible for postretirement health care and life insurance benefits while working for Health Plan. Benefits available to retirees, through both affiliated and unaffiliated provider networks, vary by employee group. Postretirement health care benefits available to retirees include subsidized Medicare premiums, medical and prescription drug benefits, dental benefits, and vision benefits.

(1) Change in benefit obligation

a) Pension Benefits (in thousands):

	Underfunded	
	2016	2015
1. Benefit Obligation at the beginning of year	$ 951,121	$ 954,118
2. Service cost	55,822	60,720
3. Interest cost	43,795	41,005
4. Contribution by plan participants	—	—
5. Actuarial loss (gain)	52,139	(67,420)
6. Foreign currency exhange rate changes	—	—
7. Benefits paid	(49,182)	(37,302)
8. Plan amendments	—	—
9. Business Combinations, divestitures, curtailments, settlement and special termination benefits	—	—
10. Benefit obligation at end of year	$ 1,053,695	$ 951,121

b) Postretirement Benefits (in thousands):

	Underfunded	
	2016	2015
1. Benefit Obligation at the beginning of year	$ 504,926	$ 556,352
2. Service cost	7,272	7,829
3. Interest cost	21,689	22,831
4. Contribution by plan participants	—	—
5. Actuarial loss (gain)	(41,655)	(90,896)
6. Foreign currency exhange rate changes	—	—
7. Benefits paid	(15,971)	(15,944)
8. Plan amendments	216	24,754
9. Business Combinations, divestitures, curtailments, settlement and special termination benefits	—	—
10. Benefit obligation at end of year	$ 476,477	$ 504,926

NOTES TO FINANCIAL STATEMENTS

c) Special or Contractual Benefits per SSAP No. 11

The Health Plan does not have special or contractual benefits per SSAP No. 11.

(2) Change in plan assets

The pension plan is administered by KFHP. Plan assets for Health Plan are not segregated and, accordingly, are not disclosed below. The pension asset amounts below belong to the entire plan for employees of KFHP, Hospitals and their subsidiaries (in millions):

	KFHP		Health Plan	
	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
a. Fair Value of plan asset at beginning of year	$ 10,149	$ 9,374	$ 125	$ 21
b. Actual return on plan assets	758	(165)	10	(3)
c. Foreign currency exchange rate changes	—	—	—	—
d. Reporting entity contribution	1,731	1,589	152	123
e. Plan participants' contribution	—	—	—	—
f. Benefits paid	(867)	(649)	(16)	(16)
g. Business combinations, divestitures and settlements	—	—	—	—
h. Fair value of plan assets at end of year	$ 11,771	$ 10,149	$ 271	$ 125

(3) Funded status

a. The Health Plan does not have any overfunded retirement plans.

	Pension Benefits		Postretirement Benefts	
	2016	2015	2016	2015
Underfunded (in thousands):				
b. Liabilities recognized				
1. Accrued benefit costs	$ (118,876)	$ (142,915)	$ (127,322)	$ (247,146)
2. Liability for pension benefits	(266,735)	(233,051)	(77,876)	(132,531)
Liability transferred to KFHP	—	—	83,064	83,064
3. Total liabilites recognized	$ (385,611)	$ (375,966)	$ (122,134)	$ (296,613)

c. The Health Plan does not have any unrecognized liabilities.

The measurement date used to determine pension and postretirement benefit valuations was December 31.

(4) Components of net periodic benefit cost (in thousands):

	Pension Benefits		Postretirement Benefits	
	2016	2015	2016	2015
a. Service cost	$ 55,822	$ 60,720	$ 7,272	$ 7,829
b. Interest cost	43,795	41,005	21,689	22,831
c. Expected return on plan assets	(42,710)	(40,453)	(8,767)	(1,438)
d. Transition asset or obligation	—	—	—	—
e. Gain and losses	15,796	20,885	933	10,106
f. Prior service cost or credit	1,895	4,797	11,329	9,159
g. Gain or loss recognized due to a settlement or curtailment	—	—	—	—
h. Total net periodic benefit cost	$ 74,598	$ 86,954	$ 32,456	$ 48,487

NOTES TO FINANCIAL STATEMENTS

(5) Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost (in thousands):

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015
a. Items not yet recognized as a component of net periodic cost - prior year	$ 233,051	$ 268,715	$ 90,343	$ 105,217
b. Net transition asset or obligation recognized	—	—	—	78,172
c. Net prior service cost or credit arising during the period	—	—	216	24,754
d. Net prior service cost or credit recognized	(1,895)	(4,797)	(11,329)	(9,159)
e. Net gain and loss arising during the period	51,375	(9,982)	(42,609)	(86,954)
f. Net gain and loss recognized	(15,796)	(20,885)	(933)	(10,106)
Recognized liability transferred to KFHP	—	—	—	(11,581)
g. Items not yet recognized as a component of net periodic cost - current year	$ 266,735	$ 233,051	$ 35,688	$ 90,343

(6) Amounts in unassigned funds (surplus) expected to be recognized in the next fiscal year as components of net periodic benefit cost (in millions):

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015
a. Net transition asset or obligation	$ —	$ —	$ —	$ —
b. Net prior service cost or credit	$ 0.9	$ 1.9	$ 11.3	$ 11.3
c. Net recognized gains and losses	$ 17.5	$ 15.0	$ 0.6	$ 3.4

(7) Amounts in unassigned funds (surplus) that have not yet been recognized as components of periodic benefit cost (in thousands):

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015
a. Net transition asset or obligation	$ —	$ —	$ —	$ —
b. Net prior service cost or credit	1,945	3,840	20,336	31,449
c. Net recognized gains and losses	264,790	229,211	57,540	101,082
Recognized liability transferred to KFHP	—	—	(42,188)	(42,188)
Total not yet recognized	$ 266,735	$ 233,051	$ 35,688	$ 90,343

(8) Weighted- average assumptions used to determine net periodic benefit cost as of December 31:

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 205
a. Weighted-average discount rate	4.70%	4.25%	4.75%	4.35%/3.90%
b. Expected long-term rate of return on plan assets	7.25%	7.25%	7.00%	7.00%
c. Rate of compensation increase	4.20%	4.20%	—	—

Weighted-average assumption used to determine projected benefit obligations as of December 31:

	Pension Benefits 2016	Pension Benefits 2015	Postretirement Benefits 2016	Postretirement Benefits 2015
d. Weighted average discount rate	4.45%	4.70%	4.45%	4.75%
e. Rate of compensation increase	4.20%	4.20%	—	—

(9) The amount of the accumulated benefit obligation for the defined benefit pension plan was $812.0 million for the current year and $738.9 million for the prior year.

NOTES TO FINANCIAL STATEMENTS

(10) In January 2015, KFHP and Hospitals modified postretirement health care benefits for certain union represented employees. Employees of Health Plan were not affected by this plan amendment. However, the postretirement benefits plan which included union represented employees was remeasured using updated actuarial assumptions. The impact of the remeasurement resulted in an increase in liabilities of $28.0 million.

In prior years, a portion of Health Plan's postretirement benefits liability totaling $83.1 million was transferred to KFHP.

During 2016, the employer contributions and benefits paid or provided were $152.3 million and $16.0 million, respectively. During 2015, the employer contributions and benefits paid or provided were $123.2 million and $15.9 million, respectively. During 2016 and 2015, there were no participant contributions from active employees.

(11) Assumed health care cost trend rates have a significant effect on the amounts reported for the postretirement plan. A 1% changed in assumed health care cost trend rates would have the following effects (in millions):

		Increase	Decrease
a.	Effect on total service and interest cost components	$ 3.3	$ (2.7)
b.	Effect on postretirement benefit obligation	$ 60.1	$ (50.0)

The following were the assumed health care cost trend rates used to determine postretirement benefits expense for the year ended December 31, 2015:

	Basic medical Pre-65/Post-65	Prescription drug Pre-65/Post-65	Medicare Part D	Dental	Medicare Part A&B	Medicare Part C	Supplemental medical
Initial trend rate - 2015	5.50% / 5.25%	8.00% / 8.00%	4.00%	4.50%	5.25%	2.00%	5.50% / 5.25%
Ultimate trend rate	4.50% / 4.50%	4.50% / 4.50%	4.50%	4.50%	4.50%	4.50%	4.50% / 4.50%
First year at ultimate trend rate	2026 / 2022	2025 / 2025	2026	2014	2022	2018	2026 / 2022

The following were the assumed health care cost trend rates used to determine the December 31, 2015 and 2016 benefit obligation and postretirement benefits expense for the twelve months ended December 31, 2016:

	Basic medical Pre-65/Post-65	Prescription drug Pre-65/Post-65	Medicare Part D	Dental	Medicare Part A&B	Medicare Part C	Supplemental medical Pre-65/Post-65
Initial trend rate - 2015	5.50% / 5.25%	8.00% / 8.00%	4.00%	4.50%	5.25%	2.00%	5.50% / 5.25%
Initial trend rate - 2016	5.50% / 5.25%	7.00% /7.00%	4.00%	4.50%	5.25%	3.25%	5.50% / 5.25%
Ultimate trend rate	4.50% / 4.50%	4.50% / 4.50%	4.50%	4.50%	4.50%	4.50%	4.50% / 4.50%
First year at ultimate trend rate	2026 / 2022	2025 / 2025	2026	2015	2022	2018	2026 / 2022

(12) The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated (in thousands):

	Pension Benefit	Postretirement Benefit
a. 2016	$ 41,000	$ 17,461
b. 2017	45,400	18,731
c. 2018	50,200	20,423
d. 2019	55,000	22,313
e. 2020	59,900	24,453
f. 2021 - 2026	356,500	147,977

(13) During 2016 and 2015, Health Plan made contributions to the pension liability of $98.6 and $82.8 million, respectively.

During 2017, the Health Plan expects to contribute approximately $111.5 million to the pension plan.

(14) – (21)

Does not apply to the Health Plan.

NOTES TO FINANCIAL STATEMENTS

B. Investment policies and strategies

A total return investment approach is employed for the defined benefit pension plan and for the retirement benefit trust whereby the assets are invested in a mix of equity, fixed income, and alternative asset classes to maximize the long term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long run. Risk tolerance is established through consideration of plan liabilities, plan funded status, and corporate financial condition. The investment portfolio will consist over time of a varying but diversified blend of equity, fixed income, and alternative investments. Diversification includes such factors as geographic location, equity capitalization size and style, placement in the capital structure, and security type. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset/liability studies, and quarterly investment portfolio reviews. The Plan's and the retirement benefit trust investment policies have restrictions relating to credit quality, industry/sector concentration, duration, concentration of ownership, and use of derivatives.

Alternative investments, which include absolute return, risk parity, and private equity, held in the pension trust, are reported at net asset value as a practical expedient for fair value. Absolute return investments use advanced investment strategies, including derivatives, to generate positive long term risk adjusted returns. Private equity investments consist of funds that make direct investments in private companies. Risk parity funds use risk as the primary factor to allocate investments among asset classes. At December 31, 2016, the trust had original commitments related to alternative investments of $6.7 billion, of which $3.4 billion was invested, leaving $3.3 billion of remaining commitments. At December 31, 2015, the trust had original commitments related to alternative investments of $5.4 billion, of which $2.4 billion was invested, leaving $3.0 billion of remaining commitments.

Absolute return, risk parity, and private equity investments include redemption restrictions. Absolute return and risk parity investments require 10 to 90 day written notice of intent to withdraw and are often subject to the approval and capital requirements of the fund manager. For the retirement benefit trust, at December 31, 2016, absolute return and risk parity investments of $429 million are subject to lock-up periods of up to 3 years.

For the defined benefit pension plan, absolute return and risk parity investments of $809 million are subject to lock up periods of up to 3 years. Private equity agreements do not include provisions for redemption. Distributions will be received as the underlying investments of the funds are liquidated, which is expected over the next 11 years.

For the defined benefit pension plan, certain debt and equity investment funds have a redemption period of greater than 10 days. Debt and equity investment funds of $1.5 billion are redeemable between 10 and 30 days. Equity investment funds of $166 million have a redemption period of up to 120 days. No debt or equity investments require a redemption period of greater than 120 days.

C. Fair Value

The pension plan is administered by KFHP. Plan assets for Health Plan are not segregated and, accordingly, are not disclosed below.

NOTES TO FINANCIAL STATEMENTS

(1) At December 31, 2016, the estimated fair value of total pension trust assets - net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	$ 117	$ 1,018	$ —	$ 1,135
Broker receivables	—	355	—	355
Securities lending collateral	—	979	—	979
U.S. equity securities	5,212	510	—	5,722
Foreign equity securities	4,679	1,834	—	6,513
Global equity funds	—	253	—	253
Debt securities issued by the U.S. government	—	1,036	—	1,036
Debt securities issued by U.S. government corporations and agencies	—	56	—	56
Debt securities issued by U.S. states and political subdivisions of states	—	201	—	201
Foreign government debt securities	—	492	—	492
U.S. corporate debt securities	—	4,256	—	4,256
Non-U.S. corporate debt securities	—	1,037	—	1,037
U.S. agency mortgage-backed securities	—	189	—	189
Non-U.S. agency mortgage-backed securities	—	44	—	44
Other	—	666	—	666
Alternative investments:				
Absolute return	—	496	1,174	1,670
Private equity	—	—	3,241	3,241
Risk parity	—	—	752	752
Total assets	10,008	13,422	5,167	28,597
Liabilities:				
Broker payables	—	508	—	508
Securities lending payable	—	979	—	979
Other liabilities	19	631	—	650
Total liabilities	19	2,118	—	2,137
Fair value of pension trust assets - net	$ 9,989	$ 11,304	$ 5,167	$ 26,460

At December 31, 2016, KFHP's, Hospitals', and their subsidiaries' share of pension trust assets was 44.5%, or $11.8 billion. The remaining share of pension trust assets is for independent medical groups and a related party associated with these independent medical groups.

NOTES TO FINANCIAL STATEMENTS

At December 31, 2015, the estimated fair value of total pension trust assets - net by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	$ 110	$ 1,082	$ —	$ 1,192
Broker receivables	—	156	—	156
Securities lending collateral	—	1,332	—	1,332
U.S. equity securities	4,219	365	—	4,584
Foreign equity securities	4,125	1,616	—	5,741
Global equity funds	—	187	—	187
Debt securities issued by the U.S. government	—	841	—	841
Debt securities issued by U.S. government corporations and agencies	—	70	—	70
Debt securities issued by U.S. states and political subdivisions of states	—	199	—	199
Foreign government debt securities	—	486	—	486
U.S. corporate debt securities	—	3,722	—	3,722
Non-U.S. corporate debt securities	—	957	—	957
U.S. agency mortgage-backed securities	—	159	—	159
Non-U.S. agency mortgage-backed securities	—	40	—	40
Other	1	569	—	570
Alternative investments:				
Absolute return	—	900	1,249	2,149
Private equity	—	—	2,339	2,339
Risk parity	—	—	597	597
Total assets	8,455	12,681	4,185	25,321
Liabilities:				
Broker payables	—	282	—	282
Securities lending payable	—	1,332	—	1,332
Other liabilities	12	117	—	129
Total liabilities	12	1,731	—	1,743
Fair value of pension trust assets - net	$ 8,443	$ 10,950	$ 4,185	$ 23,578

At December 31, 2015, KFHP's, Hospitals', and their subsidiaries' share of pension trust assets was 43.0%, or $10.1 billion. The remaining share of pension trust assets is for independent medical groups and a related party associated with these independent medical groups.

(2) For the year ended December 31, 2016, the reconciliation of pension plan assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

Description for each class of plan assets	Beginning Balance at 01/01/2016	Transfers into Level 3	Transfer out of Level 3	Return on Asset Still Held	Return on Asset Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2016
Debt securities	—	—	—	—	—	—	—	—	—	—
Alternative investments	4,185	—	—	195	—	1,567	—	(780)	—	5,167
Total Plan Assets	$4,185	$—	$—	$195	—	$1,567	—	($780)	—	$5,167

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2015, the reconciliation of pension plan assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

Description for each class of plan assets	Beginning Balance at 01/01/2015	Transfers into Level 3	Transfer out of Level 3	Return on Asset Still Held	Return on Asset Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2015
Debt securities	—	—	—	—	—	—	—	—	—	—
Alternative investments	3,103	—	—	22	—	1,348	—	(288)	—	4,185
Total Plan Assets	$3,103	$—	$—	$22	—	$1,348	—	($288)	—	$4,185

During the years ended December 31, 2016 and 2015, there were no significant transfers of assets with inputs with quoted prices in active markets for identical assets (level 1) and assets with inputs with significant other observable inputs (level 2).

At December 31, 2016, the estimated fair value of retirement benefit trust assets by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	$ —	$ 201	$ —	$ 201
Alternative investments:				
Absolute return	—	949	206	1,155
Risk parity	—	851	886	1,737
Other	—	2	—	2
Total assets	—	2,003	1,092	3,095

At December 31, 2015, the estimated fair value of retirement benefit trust assets by level was as follows (in millions):

	Quoted prices in active markets for identical assets level 1	Significant other observable inputs level 2	Significant unobservable inputs level 3	Total
Assets:				
Cash and cash equivalents	$ —	$ 650	$ —	$ 650
Alternative investments:				
Risk parity	—	375	340	715
Total assets	—	1,025	340	1,365

For the year ended December 31, 2016, the reconciliation of the retirement benefit trust assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

Description for each class of plan assets	Beginning Balance at 01/01/2016	Transfers into Level 3	Transfer out of Level 3	Return on Asset Still Held	Return on Asset Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2016
Alternative investments	340	—	—	56	—	900	—	(204)	—	1,092
Total Plan Assets	$340	$—	$—	56	—	$900	—	($204)	—	$1,092

NOTES TO FINANCIAL STATEMENTS

For the year ended December 31, 2015, the reconciliation of the retirement benefit trust assets with fair value measurements using significant unobservable inputs (level 3) was as follows (in millions):

Description for each class of plan assets	Beginning Balance at 01/01/2015	Transfers into Level 3	Transfer out of Level 3	Return on Asset Still Held	Return on Asset Sold	Purchases	Issuances	Sales	Settlements	Ending Balance at 12/31/2015
Alternative investments	—	—	—	(10)	—	350	—	—	—	340
Total Plan Assets	—	$—	$—	(10)	—	$350	—	—	—	$340

During the years ended December 31, 2016 and 2015, there were no significant transfers of postretirement benefit assets with inputs with quoted prices in active markets for identical assets (level 1) and assets with inputs with significant other observable inputs (level 2).

(3) Information about the valuation techniques and inputs used to measure fair value is discussed in footnote 20.

D. Long-term Rate of Return

To determine the long term rate of return assumption for plan assets, management incorporates historical relationships among the various asset classes and subclasses to be accessed over the investment horizon. Management's intent is to maximize portfolio efficiency. This will be accomplished by seeking the highest returns prudently available among the available asset classes. Overall portfolio volatility is managed through diversification among asset classes. Current market factors such as inflation and interest rates are evaluated before long term capital market assumptions are determined. From time to time, management reviews its long term investment strategy and reconciles that strategy with the long term liabilities of the plans. This asset liability study produces a range of expected returns over medium and long term time periods. Those intermediate and long term investment projections form the basis for the expected long term rate of return on assets.

The target asset allocation and expected long-term rate of return on assets (ELTRA) for calculating pension expense were as follows:

	2016 and 2015 target range	2016 and 2015 ELTRA
Cash and cash equivalents	0% - 3%	3.00%
Equity securities	43% - 55%	8.65%
Debt securities	28% - 45%	5.50%
Alternative investments	10% - 25%	7.60%
Total	100%	7.25%

The target asset allocation and expected long term rate of return on assets (ELTRA) for calculating postretirement benefits expense were as follows:

	2016 target range	2016 ELTRA
Alternative investments	100%	7.00%
Total	100%	7.00%

E. Defined Contribution Plans

KFHP administers defined contribution plans for eligible employees of Health Plan. Employer contributions and costs are typically based on a percentage of covered employees' eligible compensation. During 2016 and 2015, there were no required employee contributions. For the years ended December 31, 2016 and 2015, plan expense allocated to Health Plan, primarily employer contributions, was $13.5 million and $12.9 million, respectively.

NOTES TO FINANCIAL STATEMENTS

F. Multi-Employer Plans

Health Plan participates in two multi-employer defined benefit pension plans under the terms of collective bargaining agreements that cover some union-represented employees. Some risks of participating in these multi-employer plans that differ from single employer plans include:

- Assets contributed to the multi-employer plan by one employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- Employers that choose to stop participating in a multi-employer plan may be required to pay the plan an amount based on the underfunded status of the plan, referred to as a withdrawal liability.

Health Plan's participation in these plans for the annual period ended December 31, 2016 is outlined in the table below. The "EIN/PN" column provides the Employee Identification Number (EIN) and the three-digit plan number (PN). The most recent Pension Protection Act (PPA) zone status available in 2016 and 2015 is for the plan's year end in 2015 and 2014, respectively. The zone status is based on information that Health Plan obtained from publicly available information provided by the United States Department of Labor. Among other factors, plans in the red zone are generally less than 65% funded, plans in the yellow zone are between 65% and 80% funded, and plans in the green zone are at least 80% funded. The "FIP/RP Status Pending/Implemented" column indicates plans for which a financial improvement plan (FIP) or a rehabilitation plan (RP) is either pending or has been implemented. The "Health Plan's Contributions to Plan Exceeded More Than 5% of Total Contributions" columns represent those plans where Health Plan was listed in the plans' Forms 5500 as providing more than 5% of the total contributions for the plan years listed. The last column lists the expiration dates of the collective bargaining agreements to which the plans are subject. There have been no significant changes that affect the comparability of 2016 and 2015 employer expense. Minimum contributions, based on contract rates, are required to be made monthly.

		Pension Protection Act Zone Status		FIP/RP Status Pending /	(in thousands) Health Plan's Contributions December 31,			Health Plan's Contributions to Plan Exceeded More Than 5% of Total Contributions (1)		Expiration Date of Collective Bargaining
Pension Fund	EIN-PN	2016	2015	Implemented	2016	2015	Surcharge Imposed	2015	2014	Agreement
Oregon Retail Employees Pension Trust (UFCW Local 555 Pharmacy Techs and Radiologists (2)	936074377-001	Red	Red	Implemented	$ 2,739	$ 2,758	No	Yes	Yes	9/30/2018 - 10/31/2018
Defined Pension Plan of AGC - LUOE Local 701 Pension Trust Fund	936075580-001	Green	Green	Implemented	$ 445	$ 407	No	No	No	7/31/2018
Total Expense					$ 3,184	$ 3,165				

(1) Forms 5500 information was available for all plan years ended in 2015. The majority of plans have a plan year end of December 31st.

(2) Includes UFCW Local 555 Pharmacy Techs and Radiologists contracts expiring September 30, 2018 and October 31, 2018, respectively.

G. Consolidated/Holding Company Plans

The Health Plan does not participate in plans where it has no legal obligations for benefits.

H. Postemployment Benefits and Compensated Absences

The Health Plan has no obligation for postemployment benefits. The Health Plan accrues obligation for compensated absences in accordance with SSAP No. 11.

I. Not applicable to the Health Plan.

NOTES TO FINANCIAL STATEMENTS

13) Capital and Surplus, Shareholders' Dividend Restrictions and Quasi-Reorganizations

(1) – (8)

Health Plan is a nonprofit corporation and does not issue stock. KFHP is the sole corporate member of Health Plan and no individual or entity has any ownership interest in Health Plan.

(9)

At December 31, 2016, Health Plan did not have any balance in special surplus.

(10) – (11)

Health Plan did not have cumulative unrealized gains or losses and did not issue any surplus notes.

(12) – (13)

Health Plan did not undergo any quasi-reorganization in 2016 or 2015.

14) Liabilities, Contingencies and Assessments

A. Contingent Commitments

Health Plan has entered into a long-term agreement that requires a minimum purchase of hospital services. This commitment is at a level that is consistent with normal business requirements. Health Plan has committed to directing hospital services for a specific geographical area to an outside hospital and has committed to at least $35 million in services per annum through December 31, 2020. During 2016 and 2015, Health Plan's total services through this outside hospital exceeded $35 million. Should the $35 million level not be achieved, Health Plan would be assessed the shortfall. In management's judgment, there is a remote probability of material financial penalties under this contract.

As of December 31, 2016 and 2015, Health Plan was not a guarantor, and had no commitments to a subsidiary, controlled or affiliated entity.

B. Assessments

For the years ended December 31, 2016 and 2015, Health Plan participates in the State of Washington Health Insurance Pool. At both December 31, 2016 and 2015, Health Plan had no liabilities associated with this insurance pool. Health Plan also participates in the State of Oregon Transitional Reinsurance Program (OTRP) as described in the *Reinsurance, Risk Adjustment, and Risk Corridors Programs* note.

C – D.

As of December 31, 2016 and 2015, Health Plan had no gain contingencies or claims related extra contractual obligations that could have a material effect on the financial statements.

E. Joint and Several Liabilities

As of December 31, 2016 and 2015, Health Plan had no joint and several liabilities.

F. All Other Contingencies

Health Plan is subject to numerous and complex laws and regulations of federal, state, and local governments, and accreditation requirements. Compliance with such laws, regulations, and accreditation requirements can be subject to retrospective review and interpretation, as well as regulatory actions. These laws and regulations include, but are not necessarily limited to, requirements of tax exemption, government reimbursement, government program participation, privacy and security, false claims, anti-kickback, accreditation, healthcare reform, controlled substances, facilities, and professional licensure. In recent years, government activity has increased with respect to compliance and enforcement actions.

In the ordinary course of business operations, Health Plan is subject to periodic reviews, investigations, and audits by various federal, state, and local regulatory agencies and accreditation agencies, including, without limitation, CMS, USOPM, Occupational Safety and

NOTES TO FINANCIAL STATEMENTS

Health Administration, Drug Enforcement Administration, State Boards of Pharmacy, Food and Drug Administration, IRS, National Committee for Quality Assurance, and state departments of insurance.

Health Plan's compliance with the wide variety of rules and regulations and accreditation requirements applicable to its business may result in certain remediation activities and regulatory fines and penalties, which could be substantial. Where appropriate, reserves have been established for such sanctions. While management believes these reserves are adequate, the outcome of legal and regulatory matters is inherently uncertain, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect on the financial position or results of operations.

Health Plan is involved in lawsuits and various governmental investigations, audits, reviews, and administrative proceedings arising, for the most part, in the ordinary course of business operations. Lawsuits have been brought under a wide range of laws and include, but are not limited to, business disputes, employment and retaliation claims, claims alleging professional liability, improper disclosure of personal information, labor disputes, administrative regulations, the False Claims Act, information privacy and HIPAA laws, mental health parity laws, and consumer protection laws. In addition, Health Plan indemnifies the Medical Groups against various claims, including professional liability claims.

Health Plan records reserves for legal proceedings and regulatory matters where available information indicates that at the date of the financial statements a loss is probable and the amount can be reasonably estimated. While such reserves reflect management's best estimate of the probable loss for such matters, Health Plan's recorded amount may differ materially from the actual amount of any such losses.

In the opinion of management, based upon current facts and circumstances, the resolution of these matters is not expected to have a material adverse effect on the financial position or results of operations of Health Plan. The outcome of litigation and other legal and regulatory matters is inherently uncertain, however, and it is possible that one or more of the legal or regulatory matters currently pending or threatened could have a material adverse effect.

15) Leases

A. Lessee Operating Leases

(1) Health Plan leases primarily office space, medical facilities, and equipment under various operating leases that expire through 2026. Certain leases contain rent escalation clauses and renewal options for additional periods.

For the years ended December 31, total lease expense for all operating leases was as follows (in thousands):

		2016		2015
Minimum rentals	$	10,546	$	9,097
Imputed rent for owned and occupied medical and administrative buildings		31,846		28,315
Total	$	42,392	$	37,412

(2) At December 31, 2016, minimum commitments under noncancelable operating leases extending beyond one year were as follows (in thousands):

Year Ending December 31		Operating Leases
2017	$	9,177
2018		8,764
2019		6,289
2020		5,558
2021		4,768
Thereafter		9,088
Total	$	43,644

(3) Health Plan is not involved in any material sales-leaseback transactions.

NOTES TO FINANCIAL STATEMENTS

B. Lessor Leases

Leasing is not a material part of Health Plan's activities in terms of revenue, net income, or assets.

16) Information about Financial Instruments with Off-Balance Sheet Risk and Financial Instruments with Concentrations of Credit Risk

Financial instruments that potentially subject Health Plan to concentrations of credit risk consist primarily of investment securities and accounts receivable. All investments in securities are managed within guidelines established by Health Plan's management, which, as a matter of policy, limit the amounts that may be invested in each type of security, with any one issuer, and in various credit quality classifications. Concentration of credit risk with respect to accounts receivable is limited due to the large number of payers comprising Health Plan's customer base. Accordingly, at December 31, 2016 and 2015, Health Plan does not believe any significant concentration of credit risk existed.

17) Sale, Transfer and Servicing of Financial Assets and Extinguishment of Liabilities

A-B. Transfer of Receivables Reported as Sales & Transfer and Servicing of Financial Assets

Health Plan has no transaction subject to the disclosure requirements of this footnote during the reporting period.

C. Wash Sales

SSAP No. 103 *Accounting for Transfers and Servicing of Financial Assets and Extinguishment of Liabilities* (SSAP No. 103), paragraph 28 requires a reporting entity to disclose any wash sales involving securities with a NAIC designation of 3 or below. Health Plan's investment strategy does not include purchasing any securities with a NAIC designation of 3 or below, two securities were held at December 31, 2015 with a NAIC designation of 3. During 2016 and 2015, Health Plan did not participate in any wash sale as defined by SSAP No. 103.

18) Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Health Plan does not have activity that constitutes uninsured business.

19) Direct Premium Written/Produced by Managing General Agents/Third Party Administrators

Health Plan had no direct premiums written/produced by managing general agents or third party administrators during the reporting period.

20) Fair Value Measurements

A – B.

Health Plan has no assets or liabilities that are measured and reported at fair value in the statement of financial position after initial recognition.

C.

Investments are reported at lower of amortized cost or fair value, with impairment recorded if amortized cost is greater than fair value. The fair values of investments are based on quoted market prices, if available, or estimated using quoted market prices for similar investments. If listed prices or quotes are not available, fair value is based upon other observable inputs or models that primarily use market based or independently sourced market parameters as inputs. In addition to market information, models also incorporate transaction details such as maturity. Fair value adjustments, including credit, liquidity, and other factors, are included, as appropriate, to arrive at a fair value measurement.

Health Plan utilizes a three level valuation hierarchy for fair value measurements. An instrument's categorization within the hierarchy is based upon the lowest level of input that is significant to the fair value measurement. For instruments classified in level 1 of the hierarchy, valuation inputs are quoted prices for identical instruments in active markets at the measurement date. For instruments classified in level 2 of the hierarchy, valuation inputs are

NOTES TO FINANCIAL STATEMENTS

directly observable but do not qualify as level 1 inputs. Examples of level 2 inputs include: quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in inactive markets; other observable inputs such as interest rates and yield curves observable at commonly quoted intervals, volatilities, prepayment speeds, loss severities, credit risks, and default rates; and market correlated inputs that are derived principally from or corroborated by observable market data. For instruments classified in level 3 of the hierarchy, valuation inputs are unobservable inputs for the instrument. Level 3 inputs incorporate assumptions about the factors that market participants would use in pricing the instrument.

At December 31, 2016, bonds and short-term investments at statement value and estimated fair value, derived using level 2 inputs, were as follows (in thousands):

2016 Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Short-term investments:						
Money market funds	$ 14,733	$ 14,733	$ -	$ 14,733	$ -	$ -
Industrial and miscellaneous bonds	6,217	6,210	-	6,217	-	-
Total short-term investments	20,950	20,943	-	20,950	-	-
Bonds and other invested assets:						
U.S. government bonds	329,244	328,781	-	329,244	-	-
All other government bonds	15,020	15,019	-	15,020	-	-
U.S. states, territories and possessions	967	965	-	967	-	-
U.S. special revenue bonds	18,584	18,579	-	18,584	-	-
Loan-backed and/or structured securities	201,834	200,993	-	201,834	-	-
Industrial and miscellaneous bonds	437,966	434,751	-	437,966	-	-
Total bonds and other invested assets	1,003,615	999,088	-	1,003,615	-	-
Total investments	$ 1,024,565	$ 1,020,031	$ -	$ 1,024,565	$ -	$ -

2015 Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Not Practicable (Carrying Value)
Short-term investments:						
Money market funds	$ 3,984	$ 3,984	$ -	$ 3,984	$ -	$ -
Industrial and miscellaneous bonds	7,002	7,002	-	7,002	-	-
Total short-term investments	10,986	10,986	-	10,986	-	-
Bonds and other invested assets:						
U.S. government bonds	278,235	278,044	-	278,235	-	-
All other government bonds	11,823	11,823	-	11,823	-	-
U.S. states, territories and possessions	985	984	-	985	-	-
U.S. special revenue bonds	655	649	-	655	-	-
Loan-backed and/or structured securities	221,356	220,872	-	221,356	-	-
Industrial and miscellaneous bonds	539,560	537,808	-	539,560	-	-
Total bonds and other invested assets	1,052,614	1,050,180	-	1,052,614	-	-
Total investments	$ 1,063,600	$ 1,061,166	$ -	$ 1,063,600	$ -	$ -

D.

There were no investments at December 31, 2016 for which it was not practicable to estimate fair value.

21) Other Items

Health Plan had no other items for the reporting periods.

22) Events Subsequent

Subsequent events have been considered through February 28, 2017 for the statutory statement issued on March 1, 2017.

The Patient Protection and Affordable Care Act (PPACA) imposes a Health Insurance Providers (HIP) fee. Current guidance provides that the HIP fee will be assessed at the KFHP control group level by the Internal Revenue Service (IRS) annually. The IRS assessments are based on the agency's calculation of the KFHP group's prior year net premiums as a percentage of the total premiums for all U.S. health plans. Management determined that the 2016 and 2015 assessments on Health Plan were $27.0 million and $28.0 million, respectively, and recorded the estimate of the annual assessment in January of the respective year. The total

NOTES TO FINANCIAL STATEMENTS

amount assessed to the KFHP group was paid in September 2016 and 2015. The Consolidated Appropriations Act suspended the assessment of the HIP fee for the 2017 calendar year; therefore, management has not segregated nor classified special surplus funds in capital and surplus in 2016 for the 2017 fee. Furthermore, there was no impact to the risk-based capital action level in 2016 in relation to the 2017 fee.

	Current Year	Prior Year
A. Did the reporting entity write accident and health insurance premium that is subject to Section 9010 of the Federal Affordable Care Act (YES/NO)?	Yes	
B. PPACA fee assessment payable for the upcoming year	$ -	$ 27,000,000
C. PPACA fee assessment paid	28,439,594	28,646,872
D. Premium written subject to PPACA 9010 assessment	3,333,769,985	3,185,511,575
E. Total Adjusted Capital before surplus adjustment	479,915,231	
F. Total Adjusted Capital after surplus adjustment	479,915,231	
G. Authorized Control Level	62,670,742	
H. Would reporting the ACA assessment as of December 31, 2016 have triggered an RBC action level (YES/NO)?	No	

23) Reinsurance

A. Ceded Reinsurance Report

Health Plan participates in the Federal Reinsurance program and the Oregon Transitional Reinsurance program.

B - C.

Not applicable to Health Plan.

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Health Plan has no contract with certified reinsurer with downgraded ratings during the reporting periods.

24) Retrospectively Rated Contracts and Contract Subject to Redetermination

A.

Health Plan entered into a retrospective premium arrangement in 2016 and records estimated retrospective premium adjustments based on claims experience and the provisions of the contract.

B.

Accrued retrospective premiums are recorded as adjustments to earned premiums.

C.

For the year ended December 31, 2016, premiums written by Health Plan subject to the retrospective rating feature were $7.3 million. During 2016, revenue derived under this contract was 0.2% of total premiums written and retrospective premium reductions recorded under the contract were $1.2 million.

D.

Health Plan did not have a liability for medical loss ratio rebates for both December 31, 2016 and 2015.

E. Risk Sharing Provisions of the Affordable Care Act

(1) Health Plan wrote health insurance premium which is subject to the Affordable Care Act risk sharing provisions.

NOTES TO FINANCIAL STATEMENTS

(2) Risk sharing provisions relating to the Affordable Care Act (ACA) were as follows:

a. Permanent ACA Risk Adjustment Program		December 31, 2016
Assets		
1. Premium adjustments receivable due to ACA Risk Adjustment	$	9,811,569
Liabilities		
2. Risk adjustment user fees payable for ACA Risk Adjustment		88,586
3. Premium adjustments payable due to ACA Risk Adjustment		6,000,000
Operations (Revenue & Expense)		
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment		933,057
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)		88,541

b. Transitional ACA Reinsurance Program and OTRP		
Assets		
1. Amounts recoverable for claims paid due to ACA Reinsurance and OTRP	$	6,716,728
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)		1,219,208
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance		
Liabilities		
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium		9,928,764
5. Ceded reinsurance premiums payable due to ACA Reinsurance		752,868
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance		-
Operations (Revenue & Expense)		
7. Ceded reinsurance premiums due to ACA Reinsurance		752,868
8. Reinsurance recoveries (income statement) due to ACA Reinsurance and OTRP payments or expected payments		8,306,028
9. ACA Reinsurance contributions – not reported as ceded premium		9,928,764

c. Temporary ACA Risk Corridors Program		
Assets		
1. Accrued retrospective premium due to ACA Risk Corridors	$	-
Liabilities		
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors		-
Operations (Revenue & Expense)		
3. Effect of ACA Risk Corridors on net premium income (paid/received)		5,180,223
4. Effect of ACA Risk Corridors on change in reserves for rate credits		-

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmisstion) and Liability balances, along with the reasons for adjustments to prior year balance:

	Accrued During the Prior Year on Business Written Before December 31 of the Prior Year		Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
					Prior Year Accrued Less Payments (Col 1-3)	Prior Year Accrued Less Payments (Col 2-4)	To Prior Year Balances	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1-3+7)	Cumulative Balance from Prior Years (Col 2-4+8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
a. Permanent ACA Risk Adjustment Program											
1. Premium adjustments receivable	$ 21,476,860	$ -	$ 18,598,349	$ -	$ 2,878,511	$ -	$ (2,066,943)	$ -	A	$ 811,568	$ -
2. Premium adjustments (payable)	-	-	-	-	-	-	-	-		-	-
3. Subtotal ACA Permanent Risk Adjustment Program	21,476,860	-	18,598,349	-	2,878,511	-	(2,066,943)	-		811,568	-
b. Transitional ACA Reinsurance Program and OTRP											
1. Amounts recoverable for claims paid	7,612,177	-	9,664,440	-	(2,052,263)	-	3,020,928	-	B	968,665	-
2. Amounts recoverable for claims unpaid (Contra Liability)	1,682,170	-	-	-	1,682,170	-	(1,682,170)	-	B	-	-
3. Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-		-	-
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium	-	16,124,559	-	16,124,559	-	-	-	-		-	-
5. Ceded reinsurance premiums payable	-	762,993	-	762,993	-	-	-	-		-	-
6. Liability for amounts held under uninsured plans	-	-	-	-	-	-	-	-		-	-
7. Subtotal ACA Transitional Reinsurance Program and OTRP	9,294,347	16,887,552	9,664,440	16,887,552	(370,093)	-	1,338,758	-		968,665	-
c. Temporary ACA Risk Corridors Program											
1. Accrued retrospective premium	-	-	-	143,059	-	(143,059)	-	143,059	C	-	-
2. Reserve for rate credits or policy experience rating	-	6,000,000	-	676,718	-	5,323,282	-	(5,323,282)	D	-	-
3. Subtotal ACA Risk Corridors Program	-	6,000,000	-	819,777	-	5,180,223	-	(5,180,223)		-	-
d. Total for ACA Risk Sharing Provisions	$ 30,771,207	$ 22,887,552	$ 28,262,789	$ 17,707,329	$ 2,508,418	$ 5,180,223	$ (728,185)	$ (5,180,223)		$ 1,780,233	$ -

Explanation of Adjustments
A. CMS released the final 2015 Risk Adjustment Issuer Report on June 30, 2016.
B. CMS released the final 2015 Reinsurance Issuer Report on June 30, 2016 (early payment received in March 2016, 25% Coinsurance Rate for claims data submitted February 1, 2016).
C. 2014 Risk Corridor refiled liability as of 11/30/2016.
D. 2015 Risk Corridor true up as of 07/31/16 (recorded payables only).

NOTES TO FINANCIAL STATEMENTS

(4) Roll-Forward of Risk Corridors Asset and Liability Balances by Program Benefit Year:

		Accrued as of December 31 of the prior year reporting year		Received or Paid as of the Current Period on Business Written For the Risk Corridors Program Year		Differences		Adjustments			Unsettled Balances as of the Reporting Date	
						Accrued Less Payments	Accrued Less Payments	Balances	Balances		Cumulative Balance	Cumulative Balance
Risk Corridors Program Year:		Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable	(Payable)
2014	Accrued Retropective premium	-	-	-	143,059	-	(143,059)	-	143,059	A	-	-
	Reserve for rate credirs or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
2015	Accrued Retropective premium	-	-	-	-	-	-	-	-		-	-
	Reserve for rate credirs or policy experience rating refunds	-	6,000,000	-	676,718	-	5,323,282	-	(5,323,282)	B	-	-
2016	Accrued Retropective premium	-	-	-	-	-	-	-	-		-	-
	Reserve for rate credirs or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
Total for Risk Corridors		-	6,000,000	-	819,777	-	5,180,223	-	(5,180,223)		-	-

Explanation of Adjustments

A. 2014 Risk Corridor refiled liability as of 11/30/2016.

B. 2015 Risk Corridor true up as of 12/31/16 (recorded payables only).

(5) ACA Risk Corridors Receivable as of Reporting Date:

Risk Corridors Program Year:	Estimated Amount to be Filed or Final Amount Filed with CMS	Non-Accrued Amounts for Impairment or Other Reasons	Amounts received from CMS	Asset Balance (Gross of Non-admissions)	Non-admitted Amount	Net Admitted Asset
2014	$ -	$ -	$ -	$ -	$ -	$ -
2015	$ 9,821,230	$ 9,821,230	$ -	$ -	$ -	$ -
2016	$ 9,197,149	$ 9,197,149	$ -	$ -	$ -	$ -
Total	$ 19,018,379	$ 19,018,379	$ -	$ -	$ -	$ -

25) Change in Incurred Claims and Claims Adjustment Expenses

Unpaid claims and claims adjustment expense includes both reported and unreported medical claims, which have been partially reduced by estimated recoverables for salvage and subrogation and estimated reinsurance recoveries under the PPACA. Unpaid claims incurred but not reported represent an estimate of claims incurred for or on behalf of Health Plan's members that had not yet been reported to the Health Plan in the statutory statements of admitted assets, liabilities, capital, and surplus. Unpaid claims are based on a number of factors including hospital admission data and prior claims experience, as well as claims processing patterns; adjustments, if necessary, are made to medical expense in the period the actual claims costs are ultimately determined. At December 31, 2016 and 2015, the estimated salvage and subrogation included as a reduction to unpaid claims and claims adjustment expense was $7.9 million and $8.8 million, respectively. At December 31, 2016 and 2015, the estimated reinsurance recoveries under the PPACA included as a reduction to reserves for unpaid claims and claims adjustment expense was $1.2 million and $1.7 million, respectively.

Claims adjustment expense represents costs incurred related to the claim settlement process such as costs to record, process, and adjust claims. These expenses are calculated using a percentage of current medical costs, which is based on historical cost experience.

NOTES TO FINANCIAL STATEMENTS

For the years ended December 31, activity in the reserves for unpaid claims and claims adjustment expense was as follows (in thousands):

	12/31/2016	12/31/2015
Balances at Janurary 1	$ 59,278	$ 52,837
Incurred related to		
Current year	3,274,871	3,117,839
Prior years	1,556	(6,317)
Total incurred	3,276,427	3,111,522
Paid related to		
Current year	3,213,344	3,060,080
Prior years	60,316	45,001
Total paid	3,273,660	3,105,081
Balance at end of year	$ 62,045	$ 59,278

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities are reviewed and revised as information regarding actual claims payments becomes known. Positive (negative) amounts reported for incurred related to prior years result from claims being adjudicated and paid for amounts more (less) than originally estimated.

26) Intercompany Pooling Arrangements

Health Plan has no intercompany pooling arrangements.

27) Structured Settlements

Not applicable for Health Entities.

28) Health Care Receivables

A. Pharmaceutical Rebate Receivables

Health care receivables consist primarily of meaningful use, fee-for-service, and pharmaceutical rebates.

Health Plan records an estimated receivable until rebates are actually invoiced within two months after the end of the quarter. Pharmacy rebate receivables are estimated based on actual prescriptions filled and sold during the quarter, and rebates actually invoiced within the two months following the end of the quarter. Rebates receivable were $3.0 million in both December 31, 2016 and 2015. Rebates receivable are nonadmitted if they are outstanding longer than 90 days since the invoice date. Amounts invoiced or confirmed and their related aging may be updated due to activity in subsequent periods.

NOTES TO FINANCIAL STATEMENTS

The pharmaceutical rebates are summarized as follows (in thousands):

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2016	$ 5,471	$ 3,894	$ 2,591	$ -	$ -
9/30/2016	5,165	5,165	5,064	-	-
6/30/2016	3,722	3,722	3,633	89	-
3/31/2016	3,969	3,969	3,780	185	9
12/31/2015	$ 4,331	$ 4,381	$ 4,123	$ 235	$ 23
9/30/2015	4,191	4,225	4,006	192	27
6/30/2015	4,100	3,979	3,874	76	29
3/31/2015	3,699	3,747	3,582	15	150
12/31/2014	$ 4,067	$ 4,075	$ 3,851	$ 224	$ -
9/30/2014	3,862	5,032	2,752	2,276	4
6/30/2014	3,480	3,481	3,363	-	118
3/31/2014	3,412	3,301	3,299	-	2

B. Health Plan does not have any risk sharing receivables.

29) Participating Policies

Health Plan has no participating policies.

30) Premium Deficiency Reserves

Health Plan has no premium deficiency reserves.

31) Anticipated Salvage and Subrogation

At December 31, 2016 and 2015, Health Plan reduced the unpaid claims liability by estimated coordination of benefits and third party liability recoverables of $7.9 million and $8.8 million, respectively.

GENERAL INTERROGATORIES

PART 1 - COMMON INTERROGATORIES

GENERAL

1.1 Is the reporting entity a member of an Insurance Holding Company System consisting of two or more affiliated persons, one or more of which is an insurer? Yes [X] No [ ]

If yes, complete Schedule Y, Parts 1, 1A and 2.

1.2 If yes, did the reporting entity register and file with its domiciliary State Insurance Commissioner, Director or Superintendent or with such regulatory official of the state of domicile of the principal insurer in the Holding Company System, a registration statement providing disclosure substantially similar to the standards adopted by the National Association of Insurance Commissioners (NAIC) in its Model Insurance Holding Company System Regulatory Act and model regulations pertaining thereto, or is the reporting entity subject to standards and disclosure requirements substantially similar to those required by such Act and regulations? Yes [X] No [ ] N/A [ ]

1.3 State Regulating? Oregon

2.1 Has any change been made during the year of this statement in the charter, by-laws, articles of incorporation, or deed of settlement of the reporting entity? Yes [X] No [ ]

2.2 If yes, date of change: 03/03/2016

3.1 State as of what date the latest financial examination of the reporting entity was made or is being made. 12/31/2016

3.2 State the as of date that the latest financial examination report became available from either the state of domicile or the reporting entity. This date should be the date of the examined balance sheet and not the date the report was completed or released. 12/31/2013

3.3 State as of what date the latest financial examination report became available to other states or the public from either the state of domicile or the reporting entity. This is the release date or completion date of the examination report and not the date of the examination (balance sheet date). 03/24/2015

3.4 By what department or departments? State of Oregon Department of Consumer & Business Services

3.5 Have all financial statement adjustments within the latest financial examination report been accounted for in a subsequent financial statement filed with Departments? Yes [ ] No [ ] N/A [X]

3.6 Have all of the recommendations within the latest financial examination report been complied with? Yes [ ] No [ ] N/A [X]

4.1 During the period covered by this statement, did any agent, broker, sales representative, non-affiliated sales/service organization or any combination thereof under common control (other than salaried employees of the reporting entity) receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.11 sales of new business? Yes [ ] No [X]

4.12 renewals? Yes [ ] No [X]

4.2 During the period covered by this statement, did any sales/service organization owned in whole or in part by the reporting entity or an affiliate, receive credit or commissions for or control a substantial part (more than 20 percent of any major line of business measured on direct premiums) of:

4.21 sales of new business? Yes [ ] No [X]

4.22 renewals? Yes [ ] No [X]

5.1 Has the reporting entity been a party to a merger or consolidation during the period covered by this statement? Yes [ ] No [X]

5.2 If yes, provide the name of the entity, NAIC company code, and state of domicile (use two letter state abbreviation) for any entity that has ceased to exist as a result of the merger or consolidation.

1 Name of Entity	2 NAIC Company Code	3 State of Domicile

6.1 Has the reporting entity had any Certificates of Authority, licenses or registrations (including corporate registration, if applicable) suspended or revoked by any governmental entity during the reporting period? Yes [ ] No [X]

6.2 If yes, give full information

7.1 Does any foreign (non-United States) person or entity directly or indirectly control 10% or more of the reporting entity? Yes [ ] No [X]

7.2 If yes,

7.21 State the percentage of foreign control 0.0

7.22 State the nationality(s) of the foreign person(s) or entity(s); or if the entity is a mutual or reciprocal, the nationality of its manager or attorney-in-fact and identify the type of entity(s) (e.g., individual, corporation, government, manager or attorney-in-fact).

1 Nationality	2 Type of Entity

GENERAL INTERROGATORIES

8.1 Is the company a subsidiary of a bank holding company regulated by the Federal Reserve Board? Yes [ ] No [X]

8.2 If response to 8.1 is yes, please identify the name of the bank holding company.

8.3 Is the company affiliated with one or more banks, thrifts or securities firms? Yes [ ] No [X]

8.4 If response to 8.3 is yes, please provide the names and locations (city and state of the main office) of any affiliates regulated by a federal financial regulatory services agency [i.e. the Federal Reserve Board (FRB), the Office of the Comptroller of the Currency (OCC), the Federal Deposit Insurance Corporation (FDIC) and the Securities Exchange Commission (SEC)] and identify the affiliate's primary federal regulator.

1 Affiliate Name	2 Location (City, State)	3 FRB	4 OCC	5 FDIC	6 SEC

9. What is the name and address of the independent certified public accountant or accounting firm retained to conduct the annual audit?
KPMG, LLP Suite 900 801 Second Ave, Seattle, WA 98104

10.1 Has the insurer been granted any exemptions to the prohibited non-audit services provided by the certified independent public accountant requirements as allowed in Section 7H of the Annual Financial Reporting Model Regulation (Model Audit Rule), or substantially similar state law or regulation? Yes [ ] No [X]

10.2 If the response to 10.1 is yes, provide information related to this exemption:

10.3 Has the insurer been granted any exemptions related to the other requirements of the Annual Financial Reporting Model Regulation as allowed for in Section 18A of the Model Regulation, or substantially similar state law or regulation? Yes [ ] No [X]

10.4 If the response to 10.3 is yes, provide information related to this exemption:

10.5 Has the reporting entity established an Audit Committee in compliance with the domiciliary state insurance laws? Yes [X] No [ ] N/A [ ]

10.6 If the response to 10.5 is no or n/a, please explain

11. What is the name, address and affiliation (officer/employee of the reporting entity or actuary/consultant associated with an actuarial consulting firm) of the individual providing the statement of actuarial opinion/certification?
Robert Pickard, FSA, MAAA, Actuarial Manager, 500 NE Multnomah Street, Suite #100, Portland, OR 97232

12.1 Does the reporting entity own any securities of a real estate holding company or otherwise hold real estate indirectly? Yes [ ] No [X]

12.11 Name of real estate holding company

12.12 Number of parcels involved 0

12.13 Total book/adjusted carrying value $

12.2 If yes, provide explanation

13. FOR UNITED STATES BRANCHES OF ALIEN REPORTING ENTITIES ONLY:

13.1 What changes have been made during the year in the United States manager or the United States trustees of the reporting entity?

13.2 Does this statement contain all business transacted for the reporting entity through its United States Branch on risks wherever located? Yes [ ] No [ ]

13.3 Have there been any changes made to any of the trust indentures during the year? Yes [ ] No [ ]

13.4 If answer to (13.3) is yes, has the domiciliary or entry state approved the changes? Yes [ ] No [ ] N/A [ ]

14.1 Are the senior officers (principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions) of the reporting entity subject to a code of ethics, which includes the following standards? Yes [X] No [ ]

a. Honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships;

b. Full, fair, accurate, timely and understandable disclosure in the periodic reports required to be filed by the reporting entity;

c. Compliance with applicable governmental laws, rules and regulations;

d. The prompt internal reporting of violations to an appropriate person or persons identified in the code; and

e. Accountability for adherence to the code.

14.11 If the response to 14.1 is no, please explain:

14.2 Has the code of ethics for senior managers been amended? Yes [ ] No [X]

14.21 If the response to 14.2 is yes, provide information related to amendment(s)

14.3 Have any provisions of the code of ethics been waived for any of the specified officers? Yes [ ] No [X]

14.31 If the response to 14.3 is yes, provide the nature of any waiver(s).

GENERAL INTERROGATORIES

15.1 Is the reporting entity the beneficiary of a Letter of Credit that is unrelated to reinsurance where the issuing or confirming bank is not on the SVO Bank List? Yes [ ] No [X]

15.2 If the response to 15.1 is yes, indicate the American Bankers Association (ABA) Routing Number and the name of the issuing or confirming bank of the Letter of Credit and describe the circumstances in which the Letter of Credit is triggered.

1 American Bankers Association (ABA) Routing Number	2 Issuing or Confirming Bank Name	3 Circumstances That Can Trigger the Letter of Credit	4 Amount

BOARD OF DIRECTORS

16. Is the purchase or sale of all investments of the reporting entity passed upon either by the board of directors or a subordinate committee thereof? Yes [X] No [ ]

17. Does the reporting entity keep a complete permanent record of the proceedings of its board of directors and all subordinate committees thereof? Yes [X] No [ ]

18. Has the reporting entity an established procedure for disclosure to its board of directors or trustees of any material interest or affiliation on the part of any of its officers, directors, trustees or responsible employees that is in conflict or is likely to conflict with the official duties of such person? Yes [X] No [ ]

FINANCIAL

19. Has this statement been prepared using a basis of accounting other than Statutory Accounting Principles (e.g., Generally Accepted Accounting Principles)? Yes [ ] No [X]

20.1 Total amount loaned during the year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.11 To directors or other officers $
- 20.12 To stockholders not officers $
- 20.13 Trustees, supreme or grand (Fraternal only) $

20.2 Total amount of loans outstanding at the end of year (inclusive of Separate Accounts, exclusive of policy loans):
- 20.21 To directors or other officers $
- 20.22 To stockholders not officers $
- 20.23 Trustees, supreme or grand (Fraternal only) $

21.1 Were any assets reported in this statement subject to a contractual obligation to transfer to another party without the liability for such obligation being reported in the statement? Yes [ ] No [X]

21.2 If yes, state the amount thereof at December 31 of the current year:
- 21.21 Rented from others $
- 21.22 Borrowed from others $
- 21.23 Leased from others $
- 21.24 Other $

22.1 Does this statement include payments for assessments as described in the *Annual Statement Instructions* other than guaranty fund or guaranty association assessments? Yes [X] No [ ]

22.2 If answer is yes:
- 22.21 Amount paid as losses or risk adjustment $ 941,205
- 22.22 Amount paid as expenses $ 52,747,303
- 22.23 Other amounts paid $

23.1 Does the reporting entity report any amounts due from parent, subsidiaries or affiliates on Page 2 of this statement? Yes [X] No [ ]

23.2 If yes, indicate any amounts receivable from parent included in the Page 2 amount: $ 0

INVESTMENT

24.01 Were all the stocks, bonds and other securities owned December 31 of current year, over which the reporting entity has exclusive control, in the actual possession of the reporting entity on said date? (other than securities lending programs addressed in 24.03) Yes [X] No [ ]

24.02 If no, give full and complete information, relating thereto

24.03 For security lending programs, provide a description of the program including value for collateral and amount of loaned securities, and whether collateral is carried on or off-balance sheet. (an alternative is to reference Note 17 where this information is also provided)

24.04 Does the company's security lending program meet the requirements for a conforming program as outlined in the Risk-Based Capital Instructions? Yes [ ] No [ ] NA [X]

24.05 If answer to 24.04 is yes, report amount of collateral for conforming programs. $

24.06 If answer to 24.04 is no, report amount of collateral for other programs. $

24.07 Does your securities lending program require 102% (domestic securities) and 105% (foreign securities) from the counterparty at the outset of the contract? Yes [ ] No [ ] NA [X]

24.08 Does the reporting entity non-admit when the collateral received from the counterparty falls below 100%? Yes [ ] No [ ] NA [X]

24.09 Does the reporting entity or the reporting entity's securities lending agent utilize the Master Securities Lending Agreement (MSLA) to conduct securities lending? Yes [ ] No [ ] NA [X]

24.10 For the reporting entity's security lending program, state the amount of the following as of December 31 of the current year:
- 24.101 Total fair value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $
- 24.102 Total book adjusted/carrying value of reinvested collateral assets reported on Schedule DL, Parts 1 and 2 $
- 24.103 Total payable for securities lending reported on the liability page $

GENERAL INTERROGATORIES

25.1 Were any of the stocks, bonds or other assets of the reporting entity owned at December 31 of the current year not exclusively under the control of the reporting entity or has the reporting entity sold or transferred any assets subject to a put option contract that is currently in force? (Exclude securities subject to Interrogatory 21.1 and 24.03). Yes [X] No [ ]

25.2 If yes, state the amount thereof at December 31 of the current year:

25.21	Subject to repurchase agreements	$
25.22	Subject to reverse repurchase agreements	$
25.23	Subject to dollar repurchase agreements	$
25.24	Subject to reverse dollar repurchase agreements	$
25.25	Placed under option agreements	$
25.26	Letter stock or securities restricted as to sale – excluding FHLB Capital Stock	$
25.27	FHLB Capital Stock	$
25.28	On deposit with states	$ 275,000
25.29	On deposit with other regulatory bodies	$
25.30	Pledged as collateral – excluding collateral pledged to an FHLB	$
25.31	Pledged as collateral to FHLB – including assets backing funding agreements	$
25.32	Other	$

25.3 For category (25.26) provide the following:

1 Nature of Restriction	2 Description	3 Amount

26.1 Does the reporting entity have any hedging transactions reported on Schedule DB? Yes [ ] No [X]

26.2 If yes, has a comprehensive description of the hedging program been made available to the domiciliary state? Yes [ ] No [ ] N/A [X]
If no, attach a description with this statement.

27.1 Were any preferred stocks or bonds owned as of December 31 of the current year mandatorily convertible into equity, or, at the option of the issuer, convertible into equity? Yes [ ] No [X]

27.2 If yes, state the amount thereof at December 31 of the current year. $

28. Excluding items in Schedule E – Part 3 – Special Deposits, real estate, mortgage loans and investments held physically in the reporting entity's offices, vaults or safety deposit boxes, were all stocks, bonds and other securities, owned throughout the current year held pursuant to a custodial agreement with a qualified bank or trust company in accordance with Section 1, III – General Examination Considerations, F. Outsourcing of Critical Functions, Custodial or Safekeeping agreements of the NAIC *Financial Condition Examiners Handbook*? Yes [X] No [ ]

28.01 For agreements that comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, complete the following:

1 Name of Custodian(s)	2 Custodian's Address
US Bank National Association	800 Nicollet Mall, Minneapolis, MN 55402-70200
State Street Bank and Trust Company	2 Ave de Lafayette, Boston, MA 02111

28.02 For all agreements that do not comply with the requirements of the NAIC *Financial Condition Examiners Handbook*, provide the name, location and a complete explanation:

1 Name(s)	2 Location(s)	3 Complete Explanation(s)

28.03 Have there been any changes, including name changes, in the custodian(s) identified in 28.01 during the current year? Yes [ ] No [X]
28.04 If yes, give full and complete information relating thereto:

1 Old Custodian	2 New Custodian	3 Date of Change	4 Reason

GENERAL INTERROGATORIES

28.05 Investment management – Identify all investment advisors, investment managers, broker/dealers, including individuals that have the authority to make investment decisions on behalf of the reporting entity. For assets that are managed internally by employees of the reporting entity, note as such. ["…that have access to the investment accounts"; "…handle securities"]

1 Name of Firm or Individual	2 Affiliation
Wells Capital Management	U
Payden & Rygel	U

28.0597 For those firms/individuals listed in the table for Question 28.05, do any firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") manage more than 10% of the reporting entity's assets? Yes [X] No [ ]

28.0598 For firms/individuals unaffiliated with the reporting entity (i.e., designated with a "U") listed in the table for Question 28.05, does the total assets under management aggregate to more than 50% of the reporting entity's assets? Yes [ ] No [X]

28.06 For those firms or individuals listed in the table for 28.05 with an affiliation code of "A" (affiliated) or "U" (unaffiliated), provide the information for the table below.

1 Central Registration Depository Number	2 Name of Firm or Individual	3 Legal Entity Identifier (LEI)	4 Registered With	5 Investment Management Agreement (IMA) Filed
104973	Wells Capital Management	549300B3H21002L85190	Securities & Exchange Commission	NO
107160	Payden & Rygel	N/A	Securities & Exchange Commission	NO

29.1 Does the reporting entity have any diversified mutual funds reported in Schedule D - Part 2 (diversified according to the Securities and Exchange Commission (SEC) in the Investment Company Act of 1940 [Section 5 (b) (1)])? Yes [ ] No [X]

29.2 If yes, complete the following schedule:

1 CUSIP #	2 Name of Mutual Fund	3 Book/Adjusted Carrying Value
29.2999 TOTAL		0

29.3 For each mutual fund listed in the table above, complete the following schedule:

1 Name of Mutual Fund (from above table)	2 Name of Significant Holding of the Mutual Fund	3 Amount of Mutual Fund's Book/Adjusted Carrying Value Attributable to the Holding	4 Date of Valuation

30. Provide the following information for all short-term and long-term bonds and all preferred stocks. Do not substitute amortized value or statement value for fair value.

	1 Statement (Admitted) Value	2 Fair Value	3 Excess of Statement over Fair Value (-), or Fair Value over Statement (+)
30.1 Bonds	1,020,031,741	1,024,564,489	4,532,748
30.2 Preferred Stocks	0		0
30.3 Totals	1,020,031,741	1,024,564,489	4,532,748

30.4 Describe the sources or methods utilized in determining the fair values:

Prices are determined by the custodian using various pricing sources including IDC and Reuters.

31.1 Was the rate used to calculate fair value determined by a broker or custodian for any of the securities in Schedule D? Yes [X] No [ ]

31.2 If the answer to 31.1 is yes, does the reporting entity have a copy of the broker's or custodian's pricing policy (hard copy or electronic copy) for all brokers or custodians used as a pricing source? Yes [X] No [ ]

31.3 If the answer to 31.2 is no, describe the reporting entity's process for determining a reliable pricing source for purposes of disclosure of fair value for Schedule D:

32.1 Have all the filing requirements of the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* been followed? Yes [X] No [ ]

32.2 If no, list exceptions:

GENERAL INTERROGATORIES

OTHER

33.1 Amount of payments to trade associations, service organizations and statistical or rating bureaus, if any? $ 541,377

33.2 List the name of the organization and the amount paid if any such payment represented 25% or more of the total payments to trade associations, service organizations and statistical or rating bureaus during the period covered by this statement.

1 Name	2 Amount Paid
Oregon Assoc of Hospital Health Systems	$ 218,673

34.1 Amount of payments for legal expenses, if any? $ 3,122,335

34.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payments for legal expenses during the period covered by this statement.

1 Name	2 Amount Paid
Stoel Rives LLP	$ 2,481,517

35.1 Amount of payments for expenditures in connection with matters before legislative bodies, officers or departments of government, if any? $ 58,234

35.2 List the name of the firm and the amount paid if any such payment represented 25% or more of the total payment expenditures in connection with matters before legislative bodies, officers or departments of government during the period covered by this statement.

1 Name	2 Amount Paid
Deckert Jillions LLP	$ 33,750
Stephen Duncan	$ 17,315

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

1.1 Does the reporting entity have any direct Medicare Supplement Insurance in force? Yes [ ] No [X]

1.2 If yes, indicate premium earned on U.S. business only. $ 0

1.3 What portion of Item (1.2) is not reported on the Medicare Supplement Insurance Experience Exhibit? $

1.31 Reason for excluding

1.4 Indicate amount of earned premium attributable to Canadian and/or Other Alien not included in Item (1.2) above $

1.5 Indicate total incurred claims on all Medicare Supplement insurance. $ 0

1.6 Individual policies:

Most current three years:

1.61 Total premium earned $ 0

1.62 Total incurred claims $ 0

1.63 Number of covered lives 0

All years prior to most current three years:

1.64 Total premium earned $ 0

1.65 Total incurred claims $ 0

1.66 Number of covered lives 0

1.7 Group policies:

Most current three years:

1.71 Total premium earned $ 0

1.72 Total incurred claims $ 0

1.73 Number of covered lives 0

All years prior to most current three years:

1.74 Total premium earned $ 0

1.75 Total incurred claims $ 0

1.76 Number of covered lives 0

2. Health Test:

		1 Current Year	2 Prior Year
2.1	Premium Numerator	$ 3,333,769,985	$ 3,167,470,248
2.2	Premium Denominator	$ 3,333,769,985	$ 3,167,470,248
2.3	Premium Ratio (2.1/2.2)	1.000	1.000
2.4	Reserve Numerator	$ 60,725,481	$ 57,956,647
2.5	Reserve Denominator	$ 71,360,986	$ 66,212,552
2.6	Reserve Ratio (2.4/2.5)	0.851	0.875

3.1 Has the reporting entity received any endowment or gift from contracting hospitals, physicians, dentists, or others that is agreed will be returned when, as and if the earnings of the reporting entity permits? Yes [ ] No [X]

3.2 If yes, give particulars:

4.1 Have copies of all agreements stating the period and nature of hospitals', physicians', and dentists' care offered to subscribers and dependents been filed with the appropriate regulatory agency? Yes [X] No [ ]

4.2 If not previously filed, furnish herewith a copy(ies) of such agreement(s). Do these agreements include additional benefits offered? Yes [ ] No [ ]

5.1 Does the reporting entity have stop-loss reinsurance? Yes [ ] No [X]

5.2 If no, explain:

Kaiser Foundation Health Plan of the NW (HP) is self-insured and has a guarantee agreement (GA) with Kaiser Foundation Health Plan, Inc. (KFHP) and subsidiaries and Kaiser Foundation Hospital (HOS) - see footnote 10 for further details.

5.3 Maximum retained risk (see instructions)

5.31 Comprehensive Medical $ 9,999,999

5.32 Medical Only $

5.33 Medicare Supplement $

5.34 Dental and Vision $

5.35 Other Limited Benefit Plan $

5.36 Other $

6. Describe arrangement which the reporting entity may have to protect subscribers and their dependents against the risk of insolvency including hold harmless provisions, conversion privileges with other carriers, agreements with providers to continue rendering services, and any other agreements:

In accordance with state laws, provider contracts contain hold harmless provisions to protect subscribers in case of insolvency. Also, see Guaranty Agreement attached as pg 28a-28i

7.1 Does the reporting entity set up its claim liability for provider services on a service date basis? Yes [X] No [ ]

7.2 If no, give details

8. Provide the following information regarding participating providers:

8.1 Number of providers at start of reporting year 1,310

8.2 Number of providers at end of reporting year 1,349

9.1 Does the reporting entity have business subject to premium rate guarantees? Yes [ ] No [X]

9.2 If yes, direct premium earned:

9.21 Business with rate guarantees between 15-36 months

9.22 Business with rate guarantees over 36 months

GENERAL INTERROGATORIES

PART 2 - HEALTH INTERROGATORIES

10.1 Does the reporting entity have Incentive Pool, Withhold or Bonus Arrangements in its provider contracts? Yes [ ] No [X]

10.2 If yes:

10.21 Maximum amount payable bonuses $

10.22 Amount actually paid for year bonuses $

10.23 Maximum amount payable withholds $

10.24 Amount actually paid for year withholds $

11.1 Is the reporting entity organized as:

11.12 A Medical Group/Staff Model, Yes [X] No [ ]

11.13 An Individual Practice Association (IPA), or, Yes [ ] No [X]

11.14 A Mixed Model (combination of above) ? Yes [ ] No [X]

11.2 Is the reporting entity subject to Statutory Minimum Capital and Surplus Requirements? Yes [X] No [ ]

11.3 If yes, show the name of the state requiring such minimum capital and surplus. Oregon

11.4 If yes, show the amount required. $ 2,500,000

11.5 Is this amount included as part of a contingency reserve in stockholder's equity? Yes [ ] No [X]

11.6 If the amount is calculated, show the calculation

12. List service areas in which reporting entity is licensed to operate:

1 Name of Service Area
Benton County - Oregon
Clackamas County - Oregon
Columbia County - Oregon
Hood River County - Oregon
Lane County - Oregon
Linn County - Oregon
Marion County - Oregon
Multnomah County - Oregon
Polk County - Oregon
Washington County - Oregon
Yamhill County - Oregon
Clark County - Washington
Cowlitz County - Washington
Lewis County - Washington
Skamania County - Washington
Wahkiakum County - Washington

13.1 Do you act as a custodian for health savings accounts? Yes [ ] No [X]

13.2 If yes, please provide the amount of custodial funds held as of the reporting date. $

13.3 Do you act as an administrator for health savings accounts? Yes [ ] No [X]

13.4 If yes, please provide the balance of the funds administered as of the reporting date. $

14.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers? Yes [ ] No [ ] N/A [X]

14.2 If the answer to 14.1 is yes, please provide the following:

1	2	3	4	Assets Supporting Reserve Credit		
				5	6	7
Company Name	NAIC Company Code	Domiciliary Jurisdiction	Reserve Credit	Letters of Credit	Trust Agreements	Other

15. Provide the following for Individual ordinary life insurance* policies (U.S. business Only) for the current year:

15.1 Direct Premium Written (prior to reinsurance ceded) $

15.2 Total incurred claims $

15.3 Number of covered lives

*Ordinary Life Insurance Includes
Term (whether full underwriting, limited underwriting, jet issue, "short form app")
Whole Life (whether full underwriting, limited underwriting, jet issue, "short form app")
Variable Life (with or without Secondary Guarantee)
Universal Life (with or without Secondary Guarantee)
Variable Universal Life (with or without Secondary Guarantee)

FIVE - YEAR HISTORICAL DATA

	1 2016	2 2015	3 2014	4 2013	5 2012
Balance Sheet (Pages 2 and 3)					
1. Total admitted assets (Page 2, Line 28)	1,399,374,261	1,477,552,113	1,300,833,164	1,216,487,332	1,152,730,905
2. Total liabilities (Page 3, Line 24)	919,459,030	1,058,227,243	1,097,678,750	736,345,231	681,020,535
3. Statutory minimum capital and surplus requirement	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
4. Total capital and surplus (Page 3, Line 33)	479,915,231	419,324,870	203,154,414	480,142,101	471,710,370
Income Statement (Page 4)					
5. Total revenues (Line 8)	3,558,578,480	3,357,499,890	3,137,567,702	3,007,953,433	2,862,571,362
6. Total medical and hospital expenses (Line 18)	3,276,429,030	3,111,395,712	2,894,862,158	2,821,201,585	2,656,430,387
7. Claims adjustment expenses (Line 20)	43,296,334	46,949,398	49,472,744	41,939,411	41,147,911
8. Total administrative expenses (Line 21)	221,286,443	224,451,058	228,802,113	174,275,989	164,200,601
9. Net underwriting gain (loss) (Line 24)	17,566,673	(25,296,278)	(35,569,313)	(29,463,552)	792,463
10. Net investment gain (loss) (Line 27)	23,385,813	14,491,630	20,473,979	12,454,558	18,626,526
11. Total other income (Lines 28 plus 29)	(589,227)	(2,693,867)	(499,231)	2,067,343	2,575,678
12. Net income or (loss) (Line 32)	40,363,259	(13,498,515)	(15,594,565)	(14,941,651)	21,994,667
Cash Flow (Page 6)					
13. Net cash from operations (Line 11)	76,276,129	5,818,120	(7,321,887)	7,863,397	30,905,344
Risk-Based Capital Analysis					
14. Total adjusted capital	479,915,231	419,324,870	203,154,414	480,142,101	471,710,370
15. Authorized control level risk-based capital	62,670,742	60,258,345	54,849,434	51,378,861	45,928,768
Enrollment (Exhibit 1)					
16. Total members at end of period (Column 5, Line 7)	498,474	475,594	468,368	472,701	464,637
17. Total members months (Column 6, Line 7)	5,880,639	5,668,454	5,620,628	5,623,139	5,660,168
Operating Percentage (Page 4)					
(Item divided by Page 4, sum of Lines 2, 3, and 5) x 100.0					
18. Premiums earned plus risk revenue (Line 2 plus Lines 3 and 5)	100.0	100.0	100.0	100.0	100.0
19. Total hospital and medical plus other non-health (Lines 18 plus Line 19)	94.1	94.4	94.2	95.8	95.0
20. Cost containment expenses	0.6	0.7	0.8	0.7	0.8
21. Other claims adjustment expenses	0.7	0.8	0.8	0.7	0.7
22. Total underwriting deductions (Line 23)	101.7	102.7	103.3	103.2	102.4
23. Total underwriting gain (loss) (Line 24)	0.5	(0.8)	(1.2)	(1.0)	0.0
Unpaid Claims Analysis					
(U&I Exhibit, Part 2B)					
24. Total claims incurred for prior years (Line 13, Col. 5)	59,515,665	45,276,408	43,833,605	39,930,703	39,392,605
25. Estimated liability of unpaid claims – [prior year (Line 13, Col. 6)]	57,956,647	51,641,789	41,905,143	44,040,752	38,460,319
Investments In Parent, Subsidiaries and Affiliates					
26. Affiliated bonds (Sch. D Summary, Line 12, Col. 1)	0	0	0	0	0
27. Affiliated preferred stocks (Sch. D Summary, Line 18, Col. 1)	0	0	0	0	0
28. Affiliated common stocks (Sch. D Summary, Line 24, Col. 1)	0	0	0	0	0
29. Affiliated short-term investments (subtotal included in Sch. DA Verification, Col. 5, Line 10)	0	0	0	0	0
30. Affiliated mortgage loans on real estate		0	0	0	0
31. All other affiliated	0	0	0	0	0
32. Total of above Lines 26 to 31	0	0	0	0	0
33. Total investment in parent included in Lines 26 to 31 above					

NOTE: If a party to a merger, have the two most recent years of this exhibit been restated due to a merger in compliance with the disclosure requirements of *SSAP No. 3 - Accounting Changes and Correction of Errors*? Yes [ ] No [ ]

If no, please explain

SCHEDULE T - PREMIUMS AND OTHER CONSIDERATIONS

Allocated by States and Territories

	State, Etc.	1	Direct Business Only							
			2	3	4	5	6	7	8	9
		Active Status	Accident & Health Premiums	Medicare Title XVIII	Medicaid Title XIX	Federal Employees Health Benefits Plan Premiums	Life & Annuity Premiums & Other Considerations	Property/ Casualty Premiums	Total Columns 2 Through 7	Deposit-Type Contracts
1.	Alabama AL	N							0	0
2.	Alaska AK	N							0	0
3.	Arizona AZ	N							0	0
4.	Arkansas AR	N							0	0
5.	California CA	N							0	0
6.	Colorado CO	N							0	0
7.	Connecticut CT	N							0	0
8.	Delaware DE	N							0	0
9.	District of Columbia DC	N							0	0
10.	Florida FL	N							0	0
11.	Georgia GA	N							0	0
12.	Hawaii HI	N							0	0
13.	Idaho ID	N							0	0
14.	Illinois IL	N							0	0
15.	Indiana IN	N							0	0
16.	Iowa IA	N							0	0
17.	Kansas KS	N							0	0
18.	Kentucky KY	N							0	0
19.	Louisiana LA	N							0	0
20.	Maine ME	N							0	0
21.	Maryland MD	N							0	0
22.	Massachusetts MA	N							0	0
23.	Michigan MI	N							0	0
24.	Minnesota MN	N							0	0
25.	Mississippi MS	N							0	0
26.	Missouri MO	N							0	0
27.	Montana MT	N							0	0
28.	Nebraska NE	N							0	0
29.	Nevada NV	N							0	0
30.	New Hampshire NH	N							0	0
31.	New Jersey NJ	N							0	0
32.	New Mexico NM	N							0	0
33.	New York NY	N							0	0
34.	North Carolina NC	N							0	0
35.	North Dakota ND	N							0	0
36.	Ohio OH	N							0	0
37.	Oklahoma OK	N							0	0
38.	Oregon OR	L	1,735,150,021	730,915,059	(11,032)	97,550,195			2,563,604,243	0
39.	Pennsylvania PA	N							0	0
40.	Rhode Island RI	N							0	0
41.	South Carolina SC	N							0	0
42.	South Dakota SD	N							0	0
43.	Tennessee TN	N							0	0
44.	Texas TX	N							0	0
45.	Utah UT	N							0	0
46.	Vermont VT	N							0	0
47.	Virginia VA	N							0	0
48.	Washington WA	L	304,205,921	257,275,547		45,256,787			606,738,255	0
49.	West Virginia WV	N							0	0
50.	Wisconsin WI	N							0	0
51.	Wyoming WY	N							0	0
52.	American Samoa AS	N							0	0
53.	Guam GU	N							0	0
54.	Puerto Rico PR	N							0	0
55.	U.S. Virgin Islands VI	N							0	0
56.	Northern Mariana Islands MP	N							0	0
57.	Canada CAN	N							0	0
58.	Aggregate other alien OT	XXX	0	0	0	0	0	0	0	0
59.	Subtotal	XXX	2,039,355,942	988,190,606	(11,032)	142,806,982	0	0	3,170,342,498	0
60.	Reporting entity contributions for Employee Benefit Plans	XXX	164,180,355						164,180,355	
61.	Total (Direct Business)	(a) 2	2,203,536,297	988,190,606	(11,032)	142,806,982	0	0	3,334,522,853	0
	DETAILS OF WRITE-INS									
58001.		XXX								
58002.		XXX								
58003.		XXX								
58998.	Summary of remaining write-ins for Line 58 from overflow page	XXX	0	0	0	0	0	0	0	0
58999.	Totals (Lines 58001 through 58003 plus 58998) (Line 58 above)	XXX	0	0	0	0	0	0	0	0

(L) Licensed or Chartered - Licensed Insurance Carrier or Domiciled RRG; (R) Registered - Non-domiciled RRGs; (Q) Qualified - Qualified or Accredited Reinsurer; (E) Eligible - Reporting Entities eligible or approved to write Surplus Lines in the state; (N) None of the above - Not allowed to write business in the state.

Explanation of basis of allocation by states, premiums by state, etc. Premiums, Medicare Title XVIII and Medicaid XIX based on the State where the contract is written. Federal Employees Health Benefit Program Premiums are based on residency.

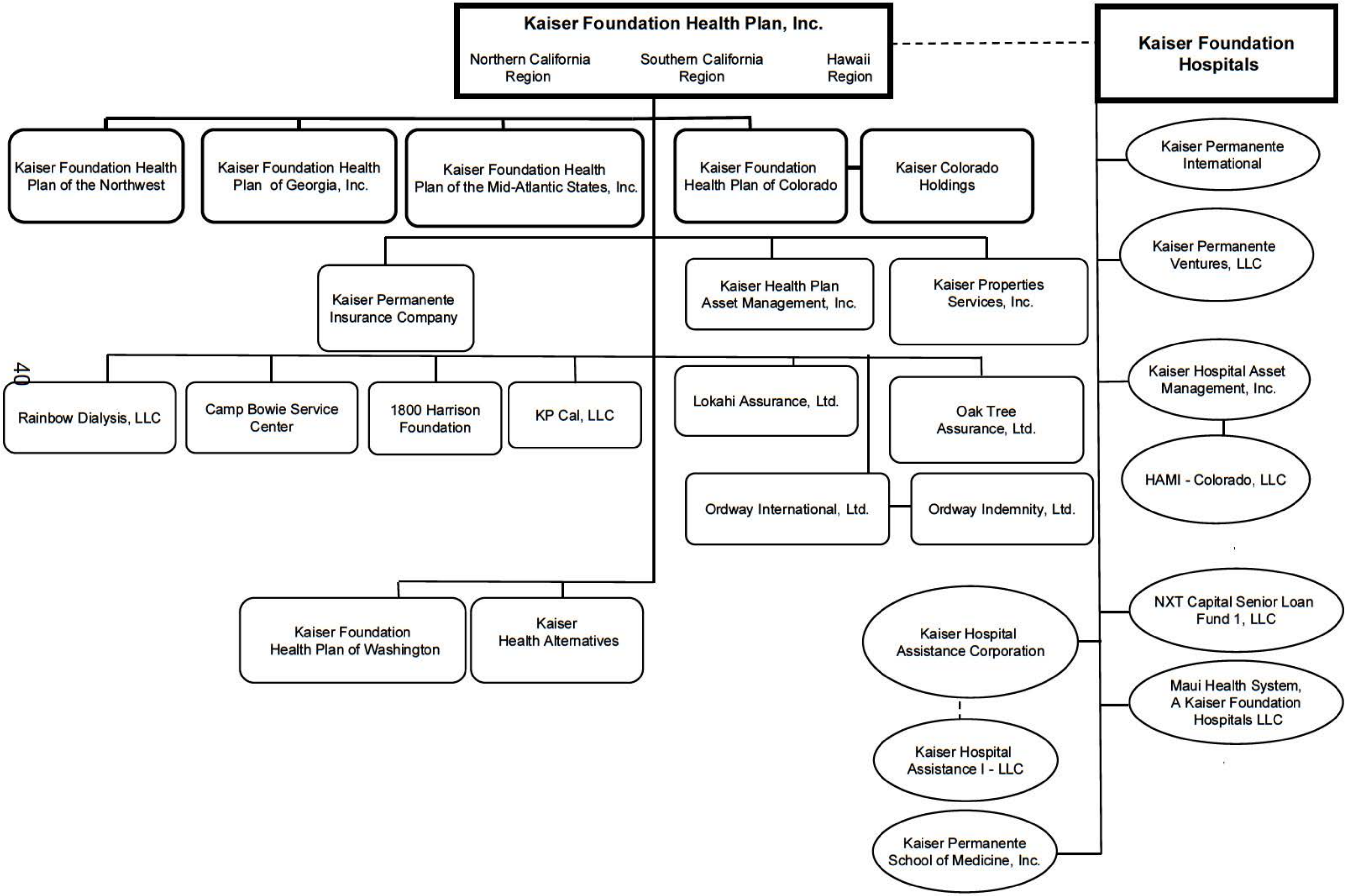
(a) Insert the number of L responses except for Canada and other Alien.

SCHEDULE Y – INFORMATION CONCERNING ACTIVITIES OF INSURER MEMBERS OF A HOLDING COMPANY GROUP

PART 1 – ORGANIZATION CHART

KAISER FOUNDATION HEALTH PLAN, INC. AND KAISER FOUNDATION HOSPITALS
SUBSIDIARIES AND AFFILIATED CORPORATIONS

As of December 31, 2016



ALPHABETICAL INDEX

ANNUAL STATEMENT BLANK

ALPHABETICAL INDEX

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ALPHABETICAL INDEX

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