

**STATE OF OREGON  
DEPARTMENT OF CONSUMER AND BUSINESS SERVICES  
INSURANCE DIVISION**

BEFORE THE DIRECTOR OF THE DEPARTMENT OF CONSUMER AND BUSINESS  
SERVICES

In the Matter of the Proposed Creation of	)	Order of Exemption
an Insurance Holding Company System to include	)	
Mid Rogue Independent Physician Association, Inc.	)	
dba Mid Rogue Health Plan	)	Case No. INS 07-02-008

**INTRODUCTION**

By letter dated December 20, 2006, Mid Rogue Independent Physician Association, Inc., dba Mid Rogue Health Plan (“Mid Rogue”) filed a request for exemption from the provisions of Oregon Revised Statutes (“ORS”) 732.521(1) pursuant to ORS 732.521(2) with regard to creation of an insurance holding company system.

Mid Rogue is a for profit Oregon corporation licensed under ORS chapter 750 to transact health insurance business in Oregon as a health care service contractor. Mid Rogue contracts with the state of Oregon to provide health care services to Oregon Health Plan enrollees located in the Josephine County region. Mid Rogue also contracts with the Centers for Medicare and Medicaid Services to provide Medicare Advantage healthcare services to Medicare enrollees located in the same region. Mid Rogue provides these healthcare services primarily through its contracted healthcare providers, many of whom are also shareholders of Mid Rogue. Mid Rogue also provides other services in support of local area member physicians.

Mid Rogue is owned by its member physicians, each holding one share of stock. As of February 2007, Mid Rogue had 81 physician shareholders. Physician shareholders are also providers for Mid Rogue healthcare services.

## FACTS PROVIDED

(1) Under the Proposal, Mid Rogue intends to move all business activities, except for the Medicare Advantage and Oregon Health Plan contracts and related healthcare services, to three new entities. A new Oregon for-profit corporation will be formed, “Mid Rogue Holding Company,”<sup>1</sup> which will be the ultimate controlling entity under the new holding company system. Mid Rogue Holding Company (“MRHC”) will form an Oregon for-profit corporation, “Mid Rogue Physician Services, Inc.” which will perform physician services such as claims administration, management and administrative services, peer review, credentialing services, and other ancillary activities. MRHC will form an Oregon limited liability company, “Mid Rogue IT Services, LLC,”<sup>1</sup> which will perform information services, including services and products related to a new electronic health record program and ongoing IT support services.

(2) To establish the holding company system whereby MRHC will be the ultimate controlling entity in the system, all current Mid Rogue shareholders will exchange 100 percent of their shares in Mid Rogue on a one-to-one basis for shares in MRHC. All Mid Rogue shareholders shall thereby become shareholders of MRHC. Only Mid Rogue shareholders shall be permitted to exchange their shares for MRHC shares or otherwise acquire stock in MRHC at the time of the proposed transaction. After all steps in the proposal have been completed, current Mid Rogue shareholders shall have the same percentage ownership in MRHC as they had in Mid Rogue immediately prior to the exchange. MRHC will own 100% of Mid Rogue, Mid Rogue Physician Services, Inc., and Mid Rogue IT Services, LLC. The resulting holding company system will include four entities: one Oregon for-profit health care service contractor, two Oregon for-profit corporations, and one Oregon limited liability company.

(3) It is anticipated that the current Mid Rogue directors shall serve as directors of MRHC. It is anticipated that all current Mid Rogue officers shall serve as officers of MRHC. At the conclusion of the transaction, and with the exception of changes in the ordinary course, the

---

<sup>1</sup> New entity names are subject to change

shareholders, Board of Directors, officers, and key positions within Mid Rogue shall be comprised of the same individuals, without deviation or addition in MRHC.

(4) Mid Rogue has represented that the purpose of the Proposal is to more efficiently operate its Medicare Advantage and Oregon Health Plan contracts and better serve enrollees. Mid Rogue believes this will be accomplished by segregating its health plan operational services from its other physician support services.

(5) Mid Rogue has represented that the Proposal is not intended to affect a change or influence control of Mid Rogue. The officers and directors of MRHC are expected to be the same persons currently serving as officers and directors of Mid Rogue. The officers and directors of Mid Rogue are expected to be the same persons currently serving as officers and directors of Mid Rogue. There are no plans to change the current business or operations of Mid Rogue.

(6) It is contemplated that the companies within the new holding company system will share management and administrative services and information technology services. Formal, written inter-company agreements between the servicing companies and Mid Rogue will be required and shall be filed with the Director at least 30 days prior to becoming effective pursuant to ORS 732.574 and Oregon Administrative Rules 836-027-0001 through 836-027-0050. Accounting for transactions under any service agreement shall be in accordance with Statutory Accounting Principles pursuant to ORS 733.210.

(7) On the basis of the request and in specific reliance on the representations made to the Director by Mid Rogue, the Director makes the following:

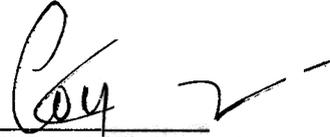
#### CONCLUSION OF LAW

The contemplated Proposal will not have the effect of changing or influencing the control or ownership of a domestic insurer or is not otherwise comprehended within the purpose of ORS 732.521(1). The Proposal thereby meets the requirements for exemption from the provisions of ORS 732.521(1) pursuant to ORS 732.521(2).

ORDER

Based on the foregoing facts provided and conclusion of law, it is hereby ordered that the proposal to create an insurance holding company system to include Mid Rogue Independent Physicians Association, Inc., dba Mid Rogue Health Plan submitted by Mid Rogue Independent Physicians Association, Inc., dba Mid Rogue Health Plan is exempt from the provisions of ORS 732.521(1).

Issued this 29<sup>th</sup> day of March 2007.



CORY STREISINGER, Director  
Department of Consumer and Business Services