

Received

AUG 04 2011

Insurance Division  
State of Oregon

**AMENDED FORM A**

**STATEMENT REGARDING THE  
ACQUISITION OF CONTROL OF A DOMESTIC INSURER**

**ATRIO HEALTH PLANS, INC.**  
Name of Domestic Insurer

**BY**

**MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.**  
Name of Acquiring Person (Applicant)

Filed with the Insurance Department of Oregon

Dated: August 4, 2011

Name, Title, Address and Telephone Number of Individual to Whom Notices and Correspondence Concerning This Statement Should be Addressed:

Name: Dean Andretta  
Title: Chief Financial Officer  
Address: Marion Polk Community Health Plan Advantage, Inc.  
2995 Ryan Drive SE  
Salem, Oregon 97301  
Telephone: (503) 371-7701

**ITEM 1. INSURER AND METHOD OF ACQUISITION**

Name and Address of Insurer:

Atrio Health Plans, Inc.  
2270 NW Aviation Drive, Suite 3  
Roseburg, Oregon 97470

Atrio Health Plans, Inc. ("Atrio"), an Oregon for-profit business corporation, has been licensed as a Health Care Service Contractor in Oregon since March 31, 2005. Atrio has a Medicare Advantage contract with the Centers For Medicare and Medicaid Services ("CMS"), whereby it operates various Medicare Advantage plans and provides Medicare covered health care benefits to qualified Medicare beneficiaries in Douglas and Klamath Counties, Oregon.

Marion Polk Community Health Plan Advantage, Inc., an Oregon for-profit business corporation ("MPCHP"), will purchase the following shares of stock in Atrio for an aggregate purchase price of \$5,630,000 (provided, however, the actual number of shares, and the purchase price to be paid therefor, will be adjusted prior to closing based on Atrio's actual paid-in-capital and surplus on June 30, 2011, as reflected in Atrio's statutory financial statements as of June 30, 2011, and the additional paid-in-capital that Atrio will need, based on MPCHP's total Medicare Advantage membership on June 30, 2011, to maintain a premium to reserves ratio of approximately 10 to 1):

1. MPCHP will purchase 500 shares of Series A Voting Stock for \$1,500,000, which will represent 33.33% of all of the issued and outstanding voting securities of Atrio; and
2. MPCHP will purchase 1,377 shares of Series B Non-Voting Stock for \$4,130,000, which will, when combined with MPCHP's Series A Voting Stock, represent 43.66% of all of the issued and outstanding stock of Atrio.

Atrio, MPCHP and Mid-Valley IPA, Inc., an Oregon nonprofit corporation and the indirect parent of MPCHP (“MVIPA”), will take the following actions and enter into the following arrangements, as a condition to Atrio closing on the sale of such Series A Voting Stock and Series B Non-Voting Stock to MPCHP:

1. MPCHP will transfer and assign all of its rights in the three Medicare Advantage contracts that it has with CMS to Atrio at closing. Atrio will accept such assignment and assume MPCHP’s obligations arising thereunder after the closing based on the terms and conditions of the “form” CMS Novation Agreement.

2. MPCHP currently provides Medicare covered health benefits to enrollees in its Medicare Advantage plans in Marion and Polk Counties, Oregon through its arrangement with MVIPA, and its arrangements with other licensed providers and provider organizations. The enrollees in MPCHP’s Medicare Advantage plans will, as a result of MPCHP transferring and assigning the following provider agreements to Atrio, have access to the same providers after MPCHP transfers and assigns its Medicare Advantage contracts to Atrio as are currently serving them:

(a) MPCHP will transfer and assign all of its rights in the Medical Services Agreement that it has with MVIPA, whereby MVIPA provides, or arranges for the provision, of health care services to enrollees in MPCHP’s Medicare Advantage plans, to Atrio at closing.

(b) MPCHP will transfer and assign its rights in all other agreements that it maintains with health care providers that provide health care services to enrollees in MPCHP’s Medicare Advantage plans to Atrio at closing.

3. MPCHP will transfer and assign its rights in certain administrative services vendor agreements to Atrio at closing.

4. Atrio and MVIPA will enter into a Services Agreement at closing, whereby MVIPA will provide certain administrative support services to Atrio, including but not limited to finance, quality improvement and compliance services.

5. Atrio will delegate medical management and credentialing to MVIPA after closing.

MPCHP has submitted a draft of a definitive Agreement between Atrio, MPCHP and MVIPA to DCBS, which sets forth the proposed terms and conditions of MPCHP’s purchase of stock in Atrio, and MPCHP’s transfer of its Medicare Advantage line of business to Atrio, in detail. The definitive Agreement is, at this time, in draft form only, as the parties are still in the process of revising and editing the same. The parties intend to proceed forward in mutual good faith to carry out and consummate the transactions substantially in the manner outlined in this draft definitive Agreement. The parties are planning on closing on MPCHP’s purchase of stock in Atrio, and MPCHP’s transfer of its Medicare Advantage line of business to Atrio, on October 10, 2011.

**ITEM 2. IDENTITY AND BACKGROUND OF THE APPLICANT**

(a) Name and Address of Applicant:

Marion Polk Community Health Plan Advantage, Inc.  
2995 Ryan Drive SE  
Salem, Oregon 97301

(b) MPCHP has been licensed as a Health Care Service Contractor in Oregon since August 16, 2005. MPCHP has three Medicare Advantage contracts with CMS, whereby it operates and offers various Medicare Advantage plans and provides Medicare covered health care benefits to qualified Medicare beneficiaries in Marion and Polk Counties, Oregon.

(c) A chart is attached presenting the identities of the inter-relationships among MPCHP and all affiliates of MPCHP, including the ultimate controlling person.

**ITEM 3. IDENTITY AND BACKGROUND OF INDIVIDUALS ASSOCIATED WITH THE APPLICANT**

Board of Directors of MPCHP:

1. (a) Name and Business Address:  
Tim Peters, MD  
605 Welch Street  
Silverton, Oregon 97381
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/Secretary of MPCHP  
Employer: Northwest Family Physicians, 605 Welch Street, Silverton, Oregon 97381  
Occupation: Family Practice Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(See biographical affidavit on file)
- (d) Convictions: None
  
2. (a) Name and Business Address:  
Paul Balmer, M.D.  
534 Lancaster Drive NE  
Salem, Oregon 97301
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/Board Member  
Employer: Willamette Family Medical Center, 435 Lancaster Drive NE, Salem, OR 97301  
Occupation: Family Practice Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
  
3. (a) Name and Business Address:  
James Byrkit, M.D.  
2020 Capital Street NE  
Salem, Oregon 97303
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/Board Member  
Employer: Salem Clinic P.C., 2020 Capital Street NE, Salem, OR 97301  
Occupation: Internal Medicine Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
  
4. (a) Name and Business Address:  
Charles Wilson, M.D.  
665 Winter Street SE  
Salem, Oregon 97302
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/President of MPCHP  
Employer: Salem Emergency Physicians, P.C., 665 Winter Street SE, Salem, Oregon 97302  
Occupation: Emergency Room Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
  
5. (a) Name and Business Address:  
Jeffrey Davis  
3290 Elderberry Drive S.  
Salem, Oregon 97302
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Consultant/Board Member  
Employer: Self-Employed, 665 Winter Street SE, Salem, Oregon 97302  
Occupation: Consulting, Health Care
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)

- (d) Convictions: None
- 6. (a) Name and Business Address:  
Dean Larsen  
2995 Ryan Drive SE  
Salem, Oregon 97301
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Executive Director/Board Member  
Employer: Marion Polk Medical Society, 2995 Ryan Drive SE, Suite 100, Salem, Oregon 97301  
Occupation: Executive Director
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None

Executive Officers of MPCHP:

- 1. (a) Name and Business Address:  
Charles Wilson, M.D.  
665 Winter Street SE  
Salem, Oregon 97302
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/President of MPCHP  
Employer: Salem Emergency Physicians, P.C., 665 Winter Street SE, Salem, Oregon 97302  
Occupation: Emergency Room Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
- 2. (a) Name and Business Address:  
Tim Peters, M.D.  
605 Welch Street  
Silverton, Oregon 97381
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
Physician/Secretary of MPCHP  
Employer: Northwest Family Physicians, 605 Welch Street, Silverton, OR 97381  
Occupation: Family Practice Physician
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
- 3. (a) Name and Business Address:  
Jan Buffa  
2995 Ryan Drive SE  
Salem, Oregon 97301
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
CEO of MPCHP and MVIPA  
2995 Ryan Drive SE  
Salem, Oregon 97301
- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None
- 4. (a) Name and Business Address:  
Dean Andretta  
2995 Ryan Drive SE  
Silverton, Oregon 97301
- (b) Present Occupation/Employment, Positions/Offices Held, and Name/Address of Employer:  
CFO of MPCHP and MVIPA

2995 Ryan Drive SE  
Salem, Oregon 97301

- (c) Occupation/Employment and Positions/Offices Held Over Past Five Years:  
(see biographical affidavit on file)
- (d) Convictions: None

#### **ITEM 4. NATURE, SOURCE AND AMOUNT OF CONSIDERATION**

(a) MPCHP will pay the following consideration to Atrio for the Series A Voting Stock and Series B Non-Voting Stock that it will be purchasing in Atrio (provided, however, the actual number of shares, and the consideration to be paid therefor, will be adjusted prior to closing based on Atrio's actual paid-in-capital and surplus on June 30, 2011, as reflected in Atrio's statutory financial statements as of June 30, 2011, and the additional paid-in-capital that Atrio will need, based on MPCHP's total Medicare Advantage membership on June 30, 2011, to maintain a premium to reserves ratio of approximately 10 to 1):

1. MPCHP will pay \$1,500,000 to Atrio as consideration for 500 shares of Series A Voting Stock in Atrio.
2. MPCHP will pay \$4,130,000 to Atrio as consideration for 1377 shares of Series B Non-Voting Stock in Atrio.

(b) The total consideration set forth above, in regards to MPCHP's purchase of Series A Voting Stock and Series B Non-Voting Stock, is based on (i) a "price" of \$3,000 per share, and (ii) the additional paid-in-capital that Atrio will need, upon acquiring MPCHP's Medicare Advantage membership, to maintain a premium to reserves ratio of approximately 10 to 1. If the "value" per share changes, with respect to the shares to be issued to CCC and DCIPA in connection with the recapitalization of Atrio addressed in Item G below, based on Atrio's actual capital and surplus on June 30, 2011, then the "price" per share that MPCHP pays for its Series A Voting Stock and Series B Non-Voting Stock will be changed to reflect such new value.

(c) MPCHP will not borrow any funds for purposes of purchasing the Series A Voting Stock and Series B Non-Voting Stock of Atrio, but rather will be using existing reserve funds to pay for such stock.

#### **ITEM 5. FUTURE PLANS FOR INSURER**

(a) Atrio intends to continue growing its Medicare Advantage membership both through organic growth of the individual Medicare Advantage membership and participation in employer based retirement plans. Atrio will also (i) pursue expansion into additional markets through service area expansions under new CMS Medicare Advantage contracts, and (ii) entertain acquisitions of, or mergers with, other like minded health insurers in Oregon, with the ultimate goal of growing its Medicare Advantage membership to over 20,000 members over the next several years.

(b) Attached is a 3 year projection.

(c) It is the intention to retain the Certificate of Authority for Marion Polk Community Health Plan Advantage Inc. after our investment in Atrio and the transfer of our Medicare Advantage contracts to Atrio. The reason we want to retain the Certificate of Authority is to anticipate the potential need for a HSC license due to healthcare reform legislation and discussions.

#### **ITEM 6. VOTING SECURITIES TO BE ACQUIRED**

The Articles of Incorporation of Atrio currently "authorize" the issuance of 50,000,000 shares of stock, which consists of (i) 1,000,000 shares of Common Stock (no voting rights), and (ii) 49,000,000 shares of Preferred Stock, which consists of 3,000 shares of Series A Preferred Stock (full voting rights) and 48,997,000 shares of Series B Preferred Stock (limited voting rights).

The holders of the Series A Preferred Stock have exclusive voting rights, except that Atrio cannot take any of the following actions without first obtaining the approval (by vote or written consent) of the holders of 100% of the

outstanding shares of the Series A Preferred Stock and Series B Preferred Stock: change the rights, preferences, or privileges of Preferred Stock; increase or decrease the number of shares of Preferred Stock; create any class or series of stock with voting rights or with dividend or liquidation preferences equal to or senior to Preferred Stock; pay any dividends on, or redeem any shares of, Preferred Stock; merge, consolidate, or sell substantially all of its properties or assets; amend its Articles of Incorporation or Bylaws; or affect any stock split, stock dividend, reorganization, or reclassification.

Cascade Comprehensive Care, Inc., an Oregon for-profit business corporation (“CCC”) and Douglas County individual Practice Association, Inc., an Oregon for-profit corporation, (“DCIPA”), each currently own 1,000 shares of Series A Preferred Stock, which represents all of the issued and outstanding stock of Atrio at this time:

Shareholder	Number of Shares	Ownership Percentage
CCC	1,000 Shares of Series A Preferred Stock	50%
DCIPA	1,000 Shares of Series A Preferred Stock	50%
TOTALS	2,000 Shares	100%

Atrio will, after completing its statutory financial statements as of June 30, 2011 and prior to closing on the sale of stock to MPCHP, take the following actions:

1. Atrio will adopt Restated Articles of Incorporation, a draft of which have been submitted to DCBS, which are much simpler than the current Articles of Incorporation and authorize the issuance of just two classes of stock, namely Series A Voting Stock and Series B Non-Voting Stock, with each share of Series A Voting Stock and Series B Non-Voting Stock having the same powers, rights and privileges, except the holders of the Series A Voting Stock shall possess the exclusive voting power of the shareholders of the corporation.

2. Atrio will adopt a Plan of Recapitalization, a draft of which has been submitted to DCBS, whereby the two existing shareholders will surrender their existing shares of Series A Preferred Stock in exchange for shares of Series A Voting Stock and shares of Series B Non-Voting Stock.

In specific, CCC and DCIPA will each exchange their existing 1,000 shares of Series A Preferred Stock in such recapitalization for the following shares of Series A Voting Stock and Series B Non-Voting Stock (provided, however, the number of shares set forth below are based on Atrio’s total capital and surplus on December 31, 2010, as reflected in its audited statutory financial statements as of December 31, 2010, and such number of shares will be adjusted, prior to proceeding forward with the recapitalization, to reflect Atrio’s total capital and surplus on June 30, 2011, as reflected in its statutory financial statements as of June 30, 2011):

Shareholder	Number of Shares	Ownership Percentage (Voting Securities With Full Voting Rights)	Aggregate Ownership Percentage (All Outstanding Securities)
CCC	500 Shares of Series A Voting Stock <del>479</del> Shares of Series B Non-Voting Stock 979	50%	50%
DCIPA	500 Shares of Series A Voting Stock <del>479</del> Shares of Series B Non-Voting Stock 979	50%	50%
TOTALS	1,958 Shares	100%	100%

Atrio will, at closing, sell the following new shares of stock to DCIPA and MPCHP for the following consideration (provided, however, the actual number of shares, and the consideration to be paid therefor, will be adjusted prior to closing based on Atrio’s actual paid-in-capital and surplus on June 30, 2011, as reflected in its statutory financial statements as of June 30, 2011, and the additional paid-in-capital that Atrio will need, based on MPCHP’s and DCIPA’s respective Medicare Advantage memberships on June 30, 2011, to maintain a premium to reserves ratio of approximately 10 to 1):

Shareholder	Issuance/ Sale of New Stock	Consideration Paid For New Stock
DCIPA	464 Shares of Series B Non-Voting Stock	\$1,392,698.50

MPCHP	500 Shares of Series A Voting Stock 1,377 Shares of Series B Non-Voting Stock	\$1,500,000.00 <u>\$4,130,000.00</u> \$5,630,000.00
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CCC, DCIPA and MPCHP will own the following stock ownership interests in Atrio after Atrio completes its re-capitalization and closes on the sale of the new shares to DCIPA and MPCHP (provided, however, the actual number of shares, and the consideration to be paid therefor, will be adjusted prior to closing based on Atrio's actual paid-in-capital and surplus on June 30, 2011, as reflected in its statutory financial statements as of June 30, 2011, and the additional paid-in-capital that Atrio will need, based on MPCHP's and DCIPA's respective Medicare Advantage memberships on June 30, 2011, to maintain a premium to reserves ratio of approximately 10 to 1):

Shareholder	Number of Shares	Ownership Percentage (Voting Securities)	Aggregate Ownership Percentage (All Outstanding Securities)
CCC	500 Shares of Series A Voting Stock <u>479</u> Shares of Series B Non-Voting Stock 979	33.33%	22.77%
DCIPA	500 Shares of Series A Voting Stock <u>943</u> Shares of Series B Non-Voting Stock 1,443	33.33%	33.56%
MPCHP	500 Shares of Series A Voting Stock <u>1,377</u> Shares of Series B Non-Voting Stock 1,877	33.33%	43.66%
TOTALS	4,299 Shares	100%	100%

CCC and DCIPA will each have the right, in their discretion, to purchase additional shares of Series B Non-Voting Stock at closing at the same price as MPCHP is paying for its Series B Non-Voting Stock; provided, however, CCC and DCIPA may only "buy up" to the amount of total capital that MPCHP will have paid into Atrio, as the largest shareholder, for its stock ownership interest in Atrio.

The total aggregate paid-in-capital and surplus of Atrio will be approximately \$12,897,302 after Atrio completes its re-capitalization and closes on the sale of the new shares to DCIPA and MPCHP. Based on projected annualized premiums of \$123,000,000 this will result in a premium to reserves ratio of approximately 10 to 1.

#### ITEM 7. OWNERSHIP OF VOTING SECURITIES

MPCHP will own the following voting securities (with full voting rights) in Atrio after Atrio completes its re-capitalization and closes on the sale of the new shares to DCIPA and MPCHP:

500 Shares of Series A Voting Stock of Atrio, which will represent 33.33% of all of the issued and outstanding voting securities of Atrio.

#### ITEM 8. CONTRACTS, ARRANGEMENTS, OR UNDERSTANDINGS WITH RESPECT TO VOTING SECURITIES OF THE INSURER

The current shareholders of Atrio, namely CCC and DCIPA, signed a Shareholder Voting and Share Transfer Agreement on January 4, 2005, which has been amended various times over the years (the "Shareholder Agreement"). The Shareholder Agreement addresses, among other things, the voting of shares for the election of directors, restrictions on the transfer of shares, voluntary and involuntary "puts" of a shareholder's shares, and additional contributions to capital. CCC and DCIPA have agreed on a new Amended and Restated Shareholder Voting and Share Transfer Agreement, a draft of which has been submitted to DCBS, and MPCHP is required to sign the same as a condition to Atrio closing on the sale of the Series A Voting Stock, and Series B Non-Voting Stock to MPCHP. As provided in the Amended and Restated Shareholder Voting and Share Transfer Agreement, each shareholder of Atrio will, after closing, have the right to designate three candidates to Atrio's Board of Directors, and each shareholder agrees to vote all of its shares to elect the three candidates designated by each other shareholder, provided, however, each shareholder must designate its President or other chief executive officer as one of its candidates and each shareholder must designate at least one candidate that satisfies the requirements for public directors under ORS 750.015.

**ITEM 9. RECENT PURCHASES OF VOTING SECURITIES**

Not Applicable

**ITEM 10. RECENT RECOMMENDATIONS TO PURCHASE**

Not Applicable

**ITEM 11. AGREEMENTS WITH BROKER-DEALERS**

Not Applicable

**ITEM 12. FINANCIAL STATEMENTS AND EXHIBITS**

(a) [Need to list under this Item the financial statements attached.]

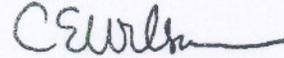
**ITEM 13. SIGNATURE AND CERTIFICATION**

Signature and certification required as follows:

**SIGNATURE**

Pursuant to the requirements of Section 1311 of the Insurance Code of 1965, as amended, Marion Polk Community Health Plan Advantage, Inc. has caused this application to be duly signed on its behalf in the City of Salem, and State of Oregon on the 4<sup>th</sup> day of August, 2011.

(SEAL) MARION POLK COMMUNITY HEALTH  
PLAN ADVANTAGE, INC.  
Name of Applicant

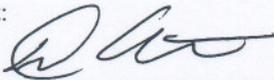


BY: \_\_\_\_\_

Name: Charles Wilson, MD

Title: President

Attest:

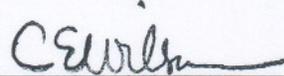


\_\_\_\_\_  
CFO (Signature of Officer)

(Title)

**CERTIFICATION**

The undersigned deposes and says that the undersigned deponent has duly executed the attached application dated August 4, 2011, for and on behalf of Marion Polk Community Health Plan Advantage, Inc.; that the deponent is the President of such company and that the deponent is authorized to execute and file such instrument. Deponent further says that the deponent is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of deponent's knowledge, information and belief.



Name: Charles Wilson, MD

Title: President