STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

ATRIO HEALTH PLANS, INC.
ROSEBURG, OREGON

AS OF

DECEMBER 31, 2015

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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OF

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ROSEBURG, OREGON

NAIC CODE 10123

DECEMBER 31, 2015

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SALUTATION

April 12, 2017

Honorable Laura Cali Robison, Commissioner
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, Oregon 97301-3883

Dear Commissioner:

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

ATRIO HEALTH PLANS, INC.
2270 NW Aviation Drive, Suite 3
Roseburg, Oregon 97470

NAIC Company Code 10123

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

SCOPE OF EXAMINATION

We have performed our single-state examination of ATRIO Health Plans, Inc. The last examination of this health care service contractor was completed as of December 31, 2011. This examination covers the period of January 1, 2012, to December 31, 2015.

We completed our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.302 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report, but separately communicated to other regulators and the Company.

COMPANY HISTORY

The Plan was incorporated under the laws of the State of Oregon on December 23, 2004, as a for-profit stock corporation. It was formed by three provider sponsored health plans servicing rural Medicaid enrollees in Southern Oregon; Doctors of the Oregon Coast South (DOCS) in Coos County, Douglas County Individual Practice Association (DCIPA) in Douglas County, and Cascade Comprehensive Care, Inc. (CCC) in Klamath County. Each health partner owned one-third of the issued preferred voting stock of the Plan. The Plan was granted a Certificate of Authority in Oregon on March 31, 2005, as a health care service contractor pursuant to ORS Chapter 750.

Effective January 1, 2009, DOCS surrendered its ownership in the Plan and coverage was dropped in Coos County. The two remaining owners recapitalized its ownership of the Plan on July 1, 2011 and DCIPA was allocated 500 shares of Series A stock and 536 shares of Series B stock.

In 2011, the Plan filed a Form A with the Department of Consumer and Business Services (DCBS), to request permission for Marion Polk Community Health Plan Advantage, Inc. (MPCHPA) to purchase a one-third ownership interest in the Class A Voting Stock. The parties to the Form A entered into an Amended and Restated Shareholder Voting and Share Transfer Agreement (Shareholder Agreement) on August 17, 2011.

During 2011, both DCIPA and CCC recapitalized their ownership shares of the Plan by each surrendering one-half of their outstanding shares – 500 shares of Series A Voting Stock and 612 shares of Series B Non-Voting Stock. The proceeds were used to purchase Series B Non-Voting Stock; 455 shares by DCIPA and 667 shares by CCC.

Effective November 1, 2011, MPCHPA, purchased 500 shares of Series A Voting Stock plus 1,579 shares of Series B Non-Voting Stock. The proceeds were used to purchase Series B Non-Voting Stock; 455 shares by DCIPA and 667 shares by CCC.

Effective January 1, 2013, DCIPA entered into a joint venture with Mercy Medical Center, Inc. to form Architrave Health, LLC. (Architrave) and began the process to transfer ownership of the Plan's stock to Architrave. DCBS approved the stock transfer on June 5, 2013. On August 9, 2013, DCIPA's stock certificates were canceled and new certificates were issued to Architrave. On December 23, 2015, Architrave purchased an additional 512 shares of Series B Stock.

A change in ownership occurred on December 23, 2015, as Architrave purchased an additional 512 shares of Series B stock. As of December 31, 2015, Architrave owned 500 shares of Series A stock and 1,579 shares of Series B stock.

Dividends to Stockholders and Other Distributions

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

Capitalization

At December 31, 2015, the Plan reported the following ownership:

Company	Series A Shares	Par Value	Series B Shares	Par Value	% of Total Ownership
Architrave	500	$ 1,500,000	1,579	$ 5,130,494	35.02%
CCC	500	1,500,000	1,279	4,173,713	29.96%
MPCHPA	500	1,500,000	1,579	5,130,494	35.02%
Total	1,500	$ 4,500,000	4,437	$ 14,434,701	100.00%

Shares are not actively traded and management has no ownership interest. Each share of Series A Voting stock had a value of $3,000 and the Plan reported total capital stock value of $18,934,702 in the 2015 Annual Statement.

CORPORATE RECORDS

Board Minutes

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

The Plan's Bylaws authorize an Executive Committee and a Finance Committee, and give the Board the power to create additional committees as needed. The minutes for both standing committees were reviewed.

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

Articles of Incorporation

On August 12, 2011, the Plan's Board of Directors approved amendments to the Articles of Incorporation. Article II stated the purpose of the corporation is to provide Medicare covered health care benefits to qualified Medicare beneficiaries. Article III created and set the number of authorized shares of Series A Voting Stock and Series B Non-Voting Stock. Article IV was added to restrict certain activities unless 100% of the outstanding shares of Series A Voting Stock votes approval, including changing the designation of shares, increasing or decreasing the authorized number of shares, declaring or paying any dividend

or distribution, increasing of decreasing the size of the Board, and other related shareholder activities. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The Plan's Bylaws were not amended during the period under examination. The Plan's Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, in Article 2.1, state the business and affairs of the corporation shall be managed and controlled by the Board of Directors, and in Article 2.2, state the Directors shall be elected at the annual meeting of the shareholders. Article IV of the Articles of Incorporation sets the number of directors at nine members. The Plan created three committees: an Executive Committee, a Finance committee and an Audit and Compliance committee. As of December 31, 2015, the Plan was governed by a nine member Board of Directors as follows:

Name and Address	Principal Affiliation	Member Since
Jeffrey R. Davis * Salem, Oregon	Semi-retired Health Consultant Mid Valley IPA, Inc.	2015
Tayo Akins Klamath Falls, Oregon	President and CEO Cascade Comprehensive Care, Inc.	2014
Bart J. Bruns, MD Roseberg, Oregon	Physician Architrave Health, LLC	2014
Jan L. Buffa, PhD Portland, Oregon	CEO Mid Valley IPA, Inc.	2011
Mitchel Hall Roseberg, Oregon	CEO Architrave Health, LLC	2015
Charles LaBuwi, MD Klamath Falls, Oregon	Physician Cascade Comprehensive Care, Inc.	2008
Russell F. Noah Roseburg, Oregon	President R.E. Noah and Company	2008

Name and Address	Principal Affiliation	Member Since
Samuel D. Porter Klamath Falls, Oregon	Attorney	2015
Charles E. Wilson, MD Salem, Oregon	Physician Mid Valley IPA, Inc.	2011

* Chairman

The Board was in compliance with the Plan's Articles and Bylaws and with the provisions of ORS 750.015.

Officers

Principal Officers serving at December 31, 2015 were as follows:

Name	Title
Ruth Rogers Bauman	Chief Executive Officer
Jeffrey R. Davis	Secretary
Brent Eichman	Treasurer

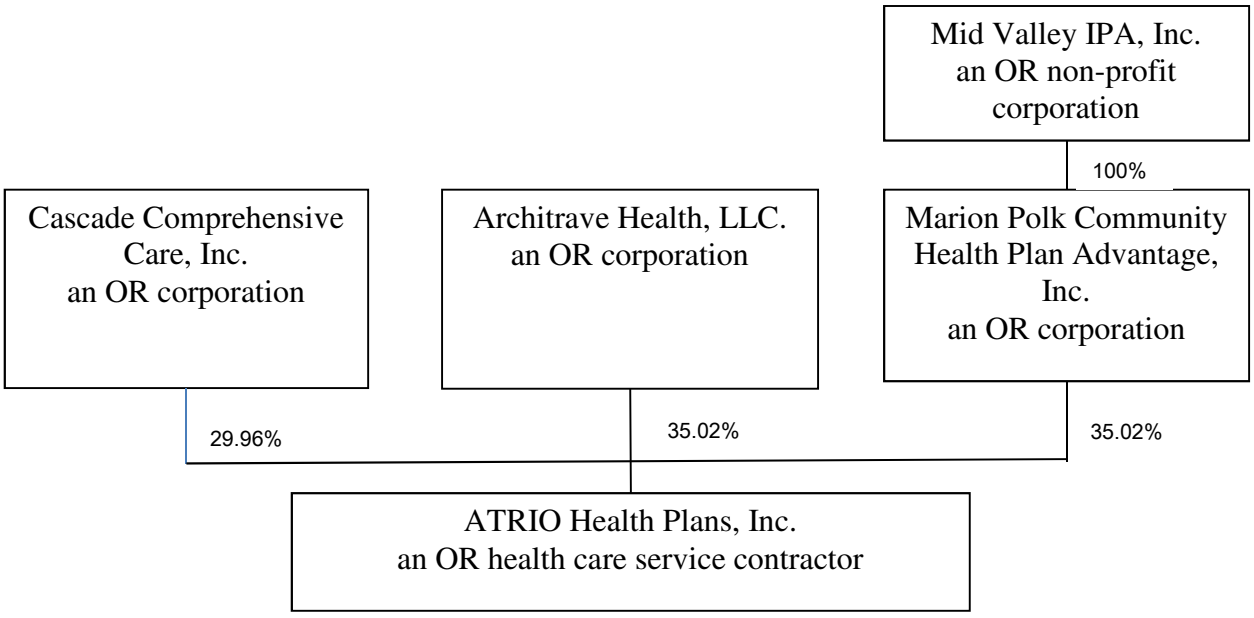
During the period under examination, the Plan continued to experience significant turnover in senior management.

Conflict Of Interest

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

Insurance Company Holding System

The following organizational chart shows the relationship between the related entities of the Plan:



There were no other affiliated or subsidiary entities in the insurance company holding system.

INTERCOMPANY AGREEMENTS

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

Medicare Advantage Services Agreement (MASA)

The Plan has a separate agreement with each of its owners/health providers, designated in the contracts as "service area contractors," (SAC) to provide all services required of a Medicare contractor, including provider contracting, marketing, enrollee services, information systems and data processing, quality and performance improvements, credentialing, accounting and financial information, and other related services. Each service area contractor agrees to arrange for providing covered services to enrollees as part of its MASA. The Plan will collect all revenues from the Center for Medicare and Medicaid Studies (CMS) and reimburse the providers directly for covered services rendered at the Medicare fee for service rate plus 10% (less a 10% withhold), or billed charges, whichever is less. Mid-Valley IPA,

parent of MPCPHA, is the only capitated arrangement whereas both CCC and Architrave are fee for service arrangements. The Plan agrees to pay the service area contractors for administrative services on a percentage of revenue basis. All amounts are due monthly by the 15th day of the following month.

TERRITORY AND PLAN OF OPERATION

The Plan is licensed only in the State of Oregon. It has a license with CMS to service the Medicare Advantage business to enrollees in Douglas, Josephine, Klamath, Marion and Polk Counties. The Plan offers Medicare Part D prescription drug insurance coverage.

The Plan is operating one or more Commercial (non-Medicare Advantage) plans (each a "Commercial Plan" or collectively the "Commercial Plans") in the Service Areas. The Plan operates in Oregon's Health Insurance Marketplace providing individual insurance policies effective January 1, 2014. The Plan provides coverage in Douglas, Josephine, Klamath, Marion and Polk counties and offers insurance plans for individuals and small group within and outside the Exchange. The Plan's business on the Exchange in 2014 and 2015 was insignificant.

Effective January 1, 2015, ATRIO entered into a Medicare Advantage Services Agreement (MASA) with Grants Pass Management Services, Inc. d.b.a. Oregon Health Management Services (OHMS) to provide Medicare Advantage Plans in Josephine County. The Commercial Addendum to the MASA agreement between ATRIO and OHMS became effective January 1, 2015.

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

Line of Business	2011	2012	2013	2014	2015
Individual hospital & medical	0	0	0	13	253
Group hospital & medical	0	0	0	19	4
Medicare	11,922	12,375	13,038	13,696	15,329
Total enrollment	11,922	12,375	13,038	13,728	15,586

GROWTH OF THE COMPANY

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

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2011 *	28,449,748	11,429,343	17,020,405	1,237,681
2012	30,981,645	12,646,060	18,335,586	2,715,750
2013	38,551,303	17,434,175	21,117,128	2,001,076
2014	41,298,454	17,946,763	23,351,690	2,540,201
2015 *	46,498,692	18,363,218	28,135,474	1,287,969

* Per examination

LOSS EXPERIENCE

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

Year	(1) Total Revenues	(2) Total Hospital and Medical	(3) Claim Adjustment and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2011 *	77,937,045	66,118,950	9,964,511	97.6%
2012	135,500,367	115,155,696	16,358,240	97.1%
2013	148,081,886	125,886,997	18,575,659	97.6%
2014	159,839,987	134,590,609	20,626,452	97.1%
2015 *	176,129,313	147,796,757	23,844,036	97.5%

* Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss. The Plan reported net gains from operations in each of the last five years.

REINSURANCE

Assumed

None.

Ceded

At December 31, 2015, the Plan was covered by an HMO Specific Excess Loss Reinsurance agreement with PartnerRe America Insurance Company (NAIC #11835), authorized in Oregon. Under the policy, the reinsurer agrees to reimburse the Plan for losses up to $5,000,000 for each covered person, after retention of $200,000 for Atrio South (Douglas, Klamath, Josephine and North Jackson counties), $250,000 for Atrio North (Marian and Polk Counties) and exchange policies, $300,000. The reinsurance agreement clearly specified the risk taken by the reinsurer, with no unusual provisions reducing the reinsurer's risk.

The reinsurance agreement contained a proper insolvency clause in accordance with ORS 731.508(3) as required to take reserve credits for reinsurance ceded.

In view of the Plan’s reported surplus of $28,135,474 at December 31, 2015, the insurer does not maintain risk on any one subject in excess of ten percent of its surplus to policyholders, in compliance with ORS 731.504.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in its December 31, 2015, annual statement and the Plan’s accounting system was maintained in

a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

It was noted that the reporting of its reinsurance transactions were inaccurately recorded in the financial statements. The Plan offset a number of its balances as part of its MASA agreements. It is necessary for the reinsurance activity to be accurately reported in the general ledger and the financial statements in accordance with ORS 731.574 and the National Association of Insurance Commissioners Accounting Practices & Procedures Manual, Statements of Statutory Accounting Principles (SSAP) No. 61R. The parties to the reinsurance agreement are the Plan and its reinsurer.

I recommend that the Plan insure all reinsurance related activity is recorded in accordance with SSAP 61R and the annual statement instructions in accordance with ORS 731.574.

STATUTORY DEPOSIT

As of the date of the examination, the Plan maintained a deposit with the Oregon Insurance Division, Department of Consumer Business Services, totaling $261,000 in accordance with ORS 750.045. The deposit was verified from the records of the Insurance Division and was properly listed in the 2015 annual statement on Schedule E – Part 3.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were two recommendations made in the 2011 report of examination, but there were no adjustments made to surplus as a result of the examination findings. In a follow-up done during this examination, it was concluded the Plan was in compliance with both recommendations.

SUBSEQUENT EVENTS

On April 29, 2016, CCC purchased an additional 300 shares of Series B Preferred Stock, which brought its total ownership percentage to 33.33%. Consequently, both Architrave and MPCHPA's total ownership percentage changed to 33.33.

On or about March 10, 2016, Grants Pass Management Services, Inc. d.b.a. Oregon Health Management Services (OHMS) filed a Form A Statement pursuant to ORS 732.523, regarding the acquisition of control or merger with a domestic insurer. OHMS sought to purchase 500 shares of ATRIO Series A Voting Stock. After the transaction, OHMS would own 25% of the issued shares of ATRIO Series A Voting Stock. The ATRIO stock is not publically traded, as it is a privately held corporation. The Deputy Administrator signed Order for case #INS-FR 16-09-007 on October 6, 2016, to be effective no sooner than 60 days after the director's approval, or December 5, 2016.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Plan for the period ending December 31, 2015. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statement.

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenue and Expenses
Reconciliation of Surplus Since the Last Examination

ATRIO HEALTH PLANS, INC.
ASSETS
As of December 31, 2015

ASSETS	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 20,558,000	$ -	$ 20,558,000	1
Cash, cash equivalents and short-term investments	10,890,481	-	10,890,481	1
Other invested assets	1,136,510	-	1,136,510	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	$ 32,584,991	$ -	$ 32,584,991	
Investment income due and accrued	23,537	-	23,537	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	141,903	-	141,903	
Accrued retrospective premiums	8,725,160		8,725,160	
Amounts recoverable from reinsurers	349,601	-	349,601	
Amounts receivable relating to uninsured plans	1,974,972	-	1,974,972	
Current FIT recoverable	353,631	-	353,631	
Net deferred tax asset	414,700	-	414,700	
EDP equipment and software	491,128	-	491,128	
Receivable from parent, affiliates and subsidiaries	243,509	-	243,509	
Health care receivable	771,641	-	471,576	
Aggregate write-ins for other than invested assets	423,920	-	423,920	
Total Assets	$ 46,498,692	$ -	$ 46,498,692	

ATRIO HEALTH PLANS, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2015

LIABILITIES, SURPLUS AND OTHER FUNDS	Balance per Company	Examination Adjustment	Balance per Examination	Notes
Claims unpaid	$ 11,950,412	$ -	$ 11,950,412	2
Accrued medical incentive pool or bonus	1,304,988	-	1,304,988	2
Unpaid claim adjustment expenses	27,530	-	27,530	2
Aggregate health policy reserves	677,253	-	677,253	2
Premiums received in advance	342,375	-	342,375	
General expenses due or accrued	1,166,956	-	1,166,956	
Ceded reinsurance premiums payable	56,076	-	56,076	
Amounts withheld or retained for others	86,842	-	86,842	
Amounts due to parent, subs and affiliates	2,750,787	-	2,750,787	
Aggregate write-ins for liabilities	-	-	-	
Total Liabilities	$ 18,363,218	$ -	$ 18,363,218	
Aggregate write-ins for special surplus funds	$ 2,413,539	$ -	$ 2,413,539	3
Common capital stock	18,934,702	$ -	18,934,702	
Gross paid in and contributed surplus	-	-	-	
Unassigned funds (surplus)	6,787,234	-	6,787,234	
Surplus as regards policyholders	28,135,474	-	28,135,474	
Total Liabilities, Surplus and other Funds	$ 46,498,693	$ -	$ 46,498,693	

ATRIO HEALTH PLANS, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2015

REVENUE	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	$ 176,129,313	$ -	$ 176,129,313	
Fee-for-service	-	-	-	
Risk revenue	-	-	-	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	176,129,313	-	176,129,313	
Hospital and Medical:				
Hospital/medical benefits	74,959,225	-	74,959,225	
Other professional services	46,697,311	-	46,697,311	
Outside referrals	-	-	-	
Emergency room and out-of-area	3,843,046	-	3,843,046	
Prescription drugs	15,935,185	-	15,935,185	
Incentive pool, withhold adjustments and bonus amounts	6,362,307	-	6,362,307	
Subtotal	147,797,074	-	147,797,074	
Less:				
Net reinsurance recoveries	317	-	317	4
Total medical and hospital	147,796,757		147,796,757	
Non-health claims	-	-	-	
Claim adjustment expenses	5,101,165	-	5,101,165	
General administrative expenses	18,742,871	-	18,742,871	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	171,640,792	-	171,640,792	
Net underwriting gain or (loss)	4,488,520	-	4,488,520	
Net investment income earned	83,638	-	83,638	
Net realized capital gains (losses)	-	-	-	
Net investment gains (losses)	83,638	-	83,638	
Net gain or (loss) from agents' or premium balances charged off	(37,711)	-	(37,711)	
Aggregate write-ins for other income or expense	(69,405)	-	(69,405)	
Net income or (loss) after capital gains and before all other federal income taxes	4,465,042	-	4,465,042	
Federal income taxes incurred	(3,177,073)	-	(3,177,073)	
Net income	$ 1,287,969	$ -	$ 1,287,969	

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

	2015	2014	2013	2012	2011
Surplus as regards policyholders, December 31, previous year	$23,351,691	$21,117,126	$18,335,584	$17,020,405	$ 5,874,603
Net income	1,287,969	2,540,201	2,001,076	2,715,750	1,237,681
Change in net unrealized capital gains or (losses)	1,139,044	-	-	-	-
Change in net deferred income tax	877,100	(60,800)	450,400	(51,900)	110,919
Change in nonadmitted assets	(1,179,877)	(176,813)	330,066	(1,348,671)	194,202
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-	-
Capital changes:					
Paid in	2,659,702	-	-	-	9,603,000
Transferred from surplus (Stock Dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments:					
Paid in	-	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	(3,267,232)
Dividends to parent (cash)	-	-	-	-	-
Change in treasury stock	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	(68,025)	-	-	3,267,232
Change in surplus as regards policyholders for the year	4,783,938	2,234,563	2,781,542	1,315,179	11,145,802
Surplus as regards policyholders, December 31, current year	$28,135,474	$23,351,691	$21,117,126	$18,335,584	$17,020,405

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2015, nearly all the Plans' invested assets were in Certificates of Deposit held in a custodial account that did not qualify as a custodian in accordance with OAR 836-027-0200 and ORS 731.245. Prior to completion of field work, the Plan provided evidence that the investments were moved to a custodial account that complied with the provisions of the OAR 836-027-0200 and ORS 731.245.

As of December 31, 2015, the long-term bond portfolio was comprised of certificates of deposit with maturity dates greater than one year.

As of December 31, 2015, cash, short-term investments and cash equivalents were cash accounts, certificates of deposit with maturity dates of less than a year, and an Umpqua Bank sweep account.

Other invested assets consisted of an investment into an unaffiliated joint venture, Willamette Valley Community Health Plan, Inc. It was noted that the book/adjusted carrying value was not adjusted from date of acquisition until December 31, 2015, which was not in compliance with ORS 731.574 and SSAP 48.

I recommend that the Plan comply with ORS 731.574 and record its investments in limited liability companies in accordance with SSAP 48.

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

Year	A Bonds	B Cash, Short-term and Cash Equivalents	C Other Invested Assets	Ratio A/ Total Assets	Ratio B/ Total Assets	Ratio C/ Total Assets
2011*	$ 0	$ 25,505,991	$ 0	0.0%	89.6%	0.0%
2012	8,741,000	16,087,645	273,666	28.2%	51.9%	0.9%
2013	13,784,000	7,350,918	273,666	35.8%	19.1%	0.7%
2014	14,917,000	14,659,160	273,666	36.1%	35.5%	0.7%
2015*	20,558,000	10,890,481	1,136,510	44.2%	23.4%	2.4%

As of December 31, 2015, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits for the Plan to be in compliance with ORS 733.580.

The minutes of the meetings of the board of directors did not evidence an approval of the Company's investments and investment transactions.

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

Note 2 –Actuarial Reserves

A review of the actuarial liabilities and reserves for the Plan was performed by David Ball, FSA, MAAA, life and health actuary for the Oregon Insurance Division. As part of his review, he examined the Statement of Actuarial Opinion as of December 31, 2015, prepared by the Plan's consulting actuary appointed by the Board of Directors, Christopher S. Girod, FSA, MAAA of Milliman, Inc.

Mr. Ball reviewed the 2015 annual statement, the independent audit report, and other supporting documentation, spreadsheets and verbal information provided by the Plan. He relied on work performed by the examiners who reviewed the underlying data used to create the annual statement filing, as well as prepared his own independent calculations. He determined the following:

	My Estimate	Annual Statement
Claims Unpaid	$9,903,913	$ 11,950,412
Accrued Medical Incentive Pool and Bonus Payments	1,304,988	1,304,988
Unpaid Claims Adjustment Expenses (CAE)	297,117	27,530
Aggregate Health Policy Reserves	677,253	677,253
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	$ 10,128,438	$13,960,183

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2015, were reasonable. Mr. Ball's calculation of the unpaid claims estimate is for the most part an accumulation of the payments incurred before the end of 2015 that were paid after the end of 2015. These payments are available separately for Medicare payments for Douglas County (Architrave Health), Klamath County (Cascade Comprehensive Care), Josephine County (Oregon Health Management Services), and their commercial business on the Exchange. Incidentally, Marion and Polk Counties (Marion Polk Community Health Plan) are on a capitated basis so no unpaid claims liability is needed.

Two other amounts should be considered for the company's unpaid claims estimate. The first amount is IBNR for pharmacy and the second is withheld amounts.

The pharmacy benefit manager pays claims in real time and send the company weekly invoices. The company then reimburses the pharmacy benefit manager before the financials are closed at month-end, so no IBNR is needed.

Mr. Ball's estimate of claims unpaid reserve, based on a six month claim run-out plus a conservative margin, compared to the annual statement for 2015, indicates a claims unpaid reserve redundancy of $2,046,499, or about 20.7%, at the end of 2015.

He concurred that the reserve was reasonably stated as of December 31, 2015. He further concurred with the other actuarial items presented, with the exception of the claim adjustment expense reserve. This figure is often estimated using a percentage of claims unpaid, which the Plan's actuary calculated at 0.2%. Mr. Ball prefers a more conservative factor of 3%, which he applied to his estimate.

Overall, the actuarial liabilities were determined to be redundant, and Mr. Ball concluded the Plan's reserves at the end of 2015 were adequate to meet its claim obligations.

Note 3 – Aggregate Write-Ins for Special Surplus Funds

On January 1, 2016, the Plan will be subject to an annual fee under Section 9010 of the ACA. This annual fee will be allocated to individual health insurers based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that is written during the preceding calendar year. A health insurance issuer's portion of the annual fee becomes payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1, 2016. As of December 31, 2015, the Plan has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2016, and estimates its portion of the annual health insurance industry fee payable on September 30, 2016, to be $2,413,539.

Note 4 – Reinsurance

The Plan failed to accurately reflect its reinsurance premiums and claims throughout the financial statement through December 31, 2015. The examiners did not adjust any items within the financials relating to these balances as they were considered immaterial.

See the Accounts and Records caption above for the additional information and the exception.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination, but there are three recommendations:

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15 I recommend that the Plan insure all reinsurance related activity is recorded in accordance with SSAP 61R and the annual statement instructions and in accordance with ORS 731.574.

21 I recommend that the Plan comply with ORS 731.574 and record its investments in limited liability companies in accordance with SSAP 48.

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

CONCLUSION

During the four year period covered by this examination, the surplus of the Plan has increased $11,115,069, from $17,020,405, as presented in the December 31, 2011 report of examination to $28,135,474, as shown in this report. The comparative assets and liabilities are:

	December 31, 2015	2011	Change
Assets	$ 46,498,692	$ 28,449,748	$18,048,944
Liabilities	18,363,218	11,429,343	6,933,875
Surplus	$ 28,135,474	$ 17,020,405	$11,115,069

ACKNOWLEDGMENT

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

In addition to the undersigned, Colette Sawyer, CFE, CPM, MSA, Risk & Regulatory Consulting, LLC, Maanik C. Gupta, insurance examiner, and David Ball, FSA, MAAA, Life & Health Actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination.

Respectfully submitted,

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Joseph A. Rome, CFE, CIE
Lead Examiner
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Joseph A. Rome, CFE, CIE, being duly sworn, states as follows:

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

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

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

The affiant says nothing further.

_____
Joseph A. Rome, CFE, CIE
Lead Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this _____ day of _____, 2017.

_____
Notary Public for the State of Oregon

My Commission Expires: _____