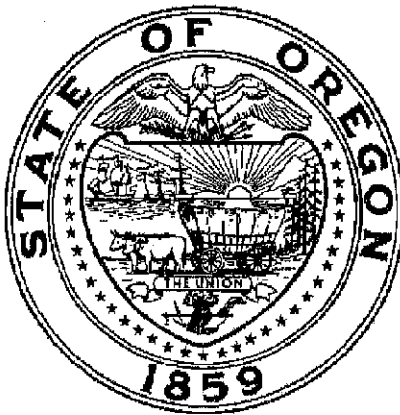


**STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES
INSURANCE DIVISION**



REPORT OF FINANCIAL EXAMINATION

OF

**MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
SALEM, OREGON**

AS OF

DECEMBER 31, 2011

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
SALEM, OREGON**

NAIC COMPANY CODE 12310

AS OF

DECEMBER 31, 2011

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SALUTATION

March 18, 2013

Honorable Louis Savage, Commissioner
Department of Consumer and Business Services
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) Examiners Handbook, pursuant to ORS 731.300 and 731.302, respectively, we have examined the business affairs and financial condition of

**MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
2995 Ryan Drive SE
Salem, Oregon 97301**

NAIC Company Code 12310

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

SCOPE OF EXAMINATION

We have performed our examination of Marion Polk Community Health Plan Advantage, Inc., conducted as a single state examination. The last examination of this health care service contractor was completed as of December 31, 2008. The current examination covers the period of January 1, 2009, to December 31, 2011.

We conducted our examination pursuant to ORS 731.300 and in accordance with ORS 731.302(1), which allows the examiners to consider the guidelines and procedures in the NAIC *Financial Condition Examiners Handbook*. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Plan by obtaining information about the Plan, including corporate governance, identifying and assessing inherent risks within the Plan, and evaluating system controls and procedures used to mitigate those risks. An examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with statutory accounting principles, annual statement instructions, and Oregon statutes and administrative rules.

All accounts and activities of the Plan were considered in accordance with the risk focused examination process.

COMPANY HISTORY

The Plan was formed by Marion Polk Community Health Plan, LLC (MPCHP) and is ultimately controlled by Mid Valley IPA, Inc., an independent physicians association based in Salem, Oregon. The Plan was incorporated on April 13, 2005, as a for-profit corporation and was granted a Certificate of Authority on August 16, 2005, as a health care service contractor pursuant to ORS Chapter 750.

On August 4, 2011, the Plan filed a Form A, Acquisition of Control, with the Department of Consumer and Business Services to allow it to acquire partial ownership of ATRIO Health Plans, Inc. (ATRIO), an Oregon domiciled health care service contractor, in exchange for approximately \$5,630,000. The Plan would purchase 500 shares of Series A Voting Stock for \$1,500,000, representing a 33.33% share of the outstanding voting securities and 1,377 shares of Series B Non-Voting Stock for \$4,130,000, representing a 49.2% share of the outstanding non-voting securities. In total, the Plan sought to acquire approximately a 43.66% ownership in ATRIO. The Order approving the Form A was signed by the Director on August 11, 2011. Upon approval, the Plan paid \$1,500,000 for 500 shares of Series A voting stock and \$4,737,000 for 1,579 shares of Series B non-voting stock. This represents a 38.32% ownership of all issued and outstanding shares of ATRIO.

Capitalization

The Company was initially capitalized with the issuance of no par common stock to Marion Polk Community Health Plan, LLC, with a stated value of \$0 per share. To date, the parent has contributed a total of \$4,517,000 in paid-in and contributed surplus. The Articles of Incorporation authorize the issuance of 1,000,000 shares of no par capital stock and the Plan recorded 100,000 shares issued and outstanding to MPCHP.

Dividends and Other Distributions

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

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 one or more committees of the Board; however, there were no committees during the period under examination. Neither the Plan nor its parent has an Audit Committee.

There was no evidence the Plan's Board approved the compensation of its senior officers. Instead, the parent's Board sets compensation for its officers, which include the officers of the Plan. The Plan's Board does approve an annual budget, which includes salaries and compensation reimbursed under an Administrative Staff Support Agreement. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Plan last amended its Articles of Incorporation on April 28, 2005. No changes were made to the Articles during the period under examination. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The Plan's Bylaws were last amended and restated as of May 5, 2005. No changes were made during the period under examination. The Plan's Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws state the management of the affairs of the corporation shall be vested in its Board of Directors. The Bylaws, in Article IV, Section 2, state the number of directors shall be six (6). As of December 31, 2011, the Plan was governed by a six member Board of Directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Member Since</u>
Paul Balmer Keizer, Oregon	Physician Willamette Family Medical Center	2005
James E. Byrkit Salem, Oregon	Medical Director Salem Clinic	2005
Jeffrey R. Davis Salem, Oregon	Consultant	2005
Dean F. Larson Salem, Oregon	Retired	2005
Timothy R. Peters Silverton, Oregon	Family Practice Northwest Family Medicine	2005
Charles E. Wilson Salem, Oregon	Physician Salem Emergency Physicians PC	2005

The Plan was in compliance with ORS 750.015, in that two of the six Board members are representatives of the public who are not practicing doctors or employees or trustees of a participant hospital.

Officers

Principal officers serving at December 31, 2011, were as follows:

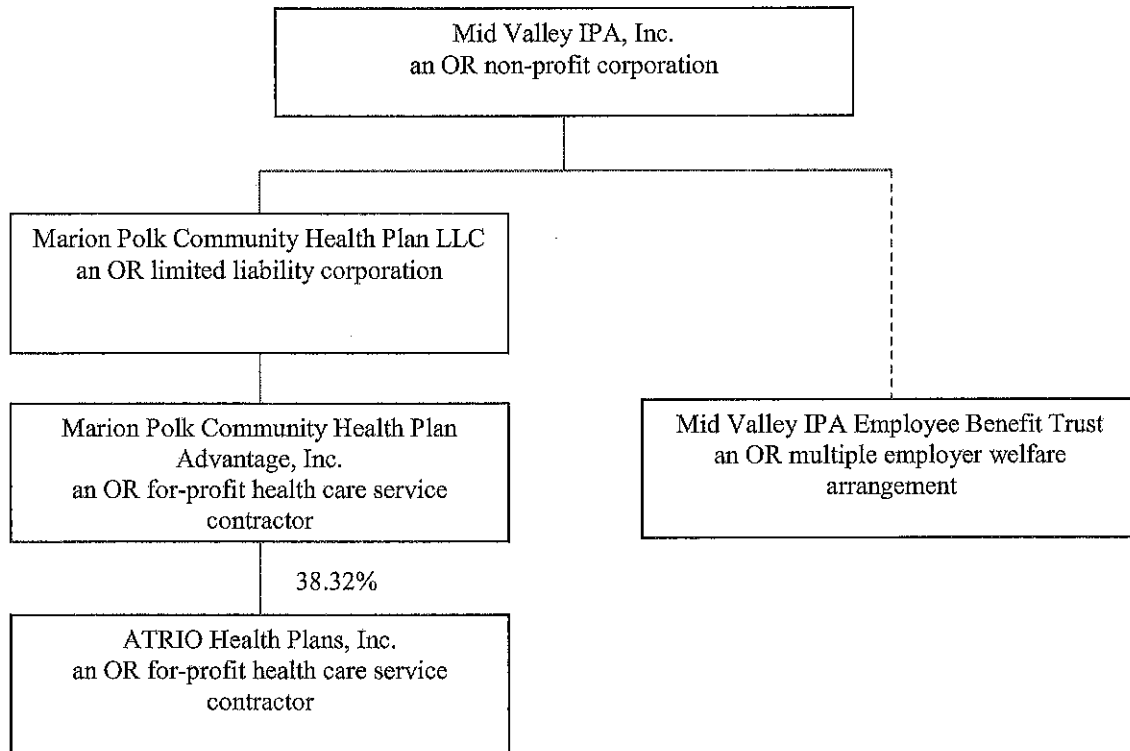
<u>Name</u>	<u>Title</u>
Charles E. Wilson	President
Timothy R. Peters	Secretary/Treasurer

Conflict Of Interest

The Plan’s Board adopted a Code of Conduct to identify and prevent unethical or illegal conduct. This code of conduct requires the Board members, senior officers and key employees to complete and sign a conflict of interest declaration each year. From a review of the completed questionnaires, the Company’s personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

Insurance Company Holding System

The following organizational chart shows the relationship within the insurance holding company system:



A description of the entities within the holding company is as follows:

Mid Valley IPA, Inc. (MVIPA) is a not-for-profit taxable corporation domiciled in Oregon and is the Plan's ultimate parent. MVIPA provides medical management services, diseases management, medication therapy management, chronic care coordination, provider relations/contracting, healthcare information technology systems, administrative services, accounting and finance services and information technology.

Marion Polk Community Health Plan, LLC (MPCHP) is an Oregon domiciled limited liability company whose sole member is MVIPA. MPCHP administers the fully capitated contract for the Oregon Health Plan through the Oregon Medical Assistance Programs (OMAP), and is the immediate parent of the Plan.

Mid-Valley IPA Employee Benefit Trust is an Oregon domiciled employee benefit trust formed to provide medical health care, pharmaceutical, dental, and vision benefits to the eligible employees of the Mid-Valley Independent Physician Association members and their dependents.

ATRIO Health Plans, Inc. (ATRIO) is an Oregon domiciled health care service contractor authorized in Oregon on March 31, 2005. As noted in the Company History section above, the Plan acquired 38.32% of the issued and outstanding common stock.

INTERCOMPANY AGREEMENTS

Administrative Staff Support Agreement

Effective April 20, 2005, the Plan entered into an Administrative Staff Support Services Agreement with MVIPA. Under this agreement, MVIPA shall provide administrative staff support, including general clerical tasks, office management, typing phone and reception, filing, transcription, meeting organization and travel arrangements. Payments are due monthly to MVIPA based on a per member per month basis for clinical and electronic health

recording services and on a fixed percentage of total costs incurred for administrative services.

Tax Sharing Agreement

Pursuant to an undated agreement approved by the Board, the Plan is party to a tax sharing agreement with its direct parent and the ultimate parent of the holding company. Each subsidiary or single member LLC will compute its own income taxes as if the entity had filed on a separate entity basis. The funds owed by each entity will be placed in reserve for estimated taxes, which is transferred to the parent. Estimated tax payments are due quarterly, and the balance is due March 15.

FIDELITY BOND AND OTHER INSURANCE

The examination of insurance coverages involved a review of adequacy of limits and retentions and the solvency of the insurers providing the coverages. The Plan's insurance coverages are provided through insurance policies covering MVIPA, with the Plan included as a named insured. The fidelity policy provides coverage up to \$225,000 per individual loss, with no deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to be well below the coverage limits recommended by the NAIC. **I recommend the Plan increase its fidelity coverage to at least \$450,000, as recommended by the NAIC Financial Condition Examiners Handbook and ORS 731.574(6).**

Other insurance coverages in force at December 31, 2011, were found to be adequate, and included:

Commercial liability
Business auto
Directors and officers liability

Umbrella liability
Managed care errors & omissions
Cyber liability

TERRITORY AND PLAN OF OPERATION

The Plan is authorized to conduct business as a health care service contractor in Oregon. The Plan was a locally managed Medicare plan for eligible residents of Marion and Polk counties under a contract with the Centers for Medicare and Medicaid Studies (CMS).

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

Line of Business	2011	2010	2009	2008	2007
Individual hospital & medical	0	0	0	0	0
Group hospital & medical	0	0	0	0	0
Medicare supplement	0	0	0	0	0
Vision only	0	0	0	0	0
Dental only	0	0	0	0	0
FEHBP	0	0	0	0	0
Medicare	0	5,244	3,995	3,806	3,310
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	<u>0</u>	<u>5,244</u>	<u>3,995</u>	<u>3,806</u>	<u>3,310</u>

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following table. 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)
2007	\$15,118,506	\$ 7,445,845	\$7,672,661	\$2,161,464
2008*	12,026,354	5,049,317	6,977,661	209,470
2009	13,542,339	6,111,722	7,430,617	(411,510)
2010	16,772,167	9,926,822	6,845,345	(601,673)
2011*	16,023,524	11,773,867	4,249,657	(1,452,171)

*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 examination reports.

<u>Year</u>	<u>(1) Total Revenues</u>	<u>(2) Total Hospital and Medical</u>	<u>(2)/(1) Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2007	\$43,169,793	\$35,180,515	81.5%	\$5,788,559	94.9%
2008*	44,022,219	37,536,981	85.3%	6,563,663	100.2%
2009	49,312,959	41,702,741	84.6%	8,299,300	101.4%
2010	59,866,662	51,763,749	86.5%	9,025,434	101.5%
2011*	58,579,843	53,620,304	91.5%	6,992,078	103.5%

*Per examination

A combined loss incurred and expense to premium ratio of more than 100% would indicate an underwriting loss. The Plan reported underwriting losses in four of the last five years.

REINSURANCE

Assumed

None.

Ceded

During the period under examination, the Plan had an HMO Excess Reinsurance policy with three separate insurers: From May 1, 2009, to April 30, 2010, with One Beacon America Insurance Company (NAIC #20621), a Massachusetts domiciled property and casualty insurer authorized in Oregon on April 1, 1971; from May 1, 2010, to April 30, 2011, with United States Fire Insurance Company (NAIC #21113), a Delaware domiciled property and casualty insurer authorized in Oregon on December 31, 2003; and from May 1, 2011, to April 30, 2012, with Zurich American Insurance Company of Illinois (NAIC #27855), an

Illinois domiciled property and casualty insurer authorized in Oregon on November 5, 1998.

Each of the reinsuring companies is authorized to write health insurance in Oregon.

The Plan moved all of its existing business to ATRIO Health Plans, Inc., in November 2011, after the approval of the Form A filing.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2011, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

The examiners noted, however, the following exception:

The Plan reported uncollected premiums of \$2,717,851 as a result of a third-party claims analysis of CMS risk adjustment factors. Due to an error by the TPA, the Plan collected only \$1,303,302 of the balance subsequent to year-end 2011. A corrected report was submitted to CMS after the reporting deadline, thus CMS has no legal obligation to remit the remaining amount. The examiners reduced the asset by \$1,414,549 as result. **I recommend the Plan properly nonadmit all recoverables more than 90 days past due in accordance with SSAP No. 6, paragraph 9(a).**

STATUTORY DEPOSITS

To satisfy the statutory deposit requirements in Oregon for a health care service contractor, the Plan has on deposit a US Treasury Bill held with a par value of \$309,000 in a custodial account at US Bank with the Department of Consumer and Business Services, Insurance Division. This asset was confirmed directly by US Bank and was properly disclosed on Schedule E – Part 3 in the 2011 annual statement.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were ten recommendations made in the 2008 report of examination and surplus was reduced by \$853,893 as a result of the examination findings. In a follow-up report prepared June 2, 2010, the Oregon Insurance Division concluded the Plan was in compliance with each of the recommendations.

SUBSEQUENT EVENTS

The examiners noted no events subsequent to the examination date that would have a material impact on the financial statements as presented in the 2011 Annual Statement.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of Marion Polk Community Health Plan Advantage, Inc., as of December 31, 2011:

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

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
ASSETS
As of December 31, 2011

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ -	\$ -	\$ -	1
Common stocks	6,540,332	-	6,540,332	1
Cash, cash equivalents and short-term investments	5,265,662	-	5,265,662	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>\$11,805,994</u>	<u>\$ -</u>	<u>\$11,805,994</u>	
Investment income due and accrued	15,065	-	15,065	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	2,717,851	(1,414,549)	1,303,302	
Amounts recoverable from reinsurers	46,960	-	46,960	
Net deferred tax asset	23,400	-	23,400	
Receivable from parent, affiliates and subsidiaries	1,251,316	-	1,251,316	
Health care receivable	1,577,487	-	1,577,487	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$17,438,073</u>	<u>\$(1,414,549)</u>	<u>\$16,023,524</u>	

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2011

Liabilities, Surplus and other Funds	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ 3,293,275	\$ -	\$ 3,293,275	2
Accrued medical incentive pool and bonus	-	-	-	2
Unpaid claim adjustment expenses	-	-	-	2
Aggregate health policy reserves	2,606	-	2,606	2
General expenses due or accrued	18,231	-	18,231	
Amounts due to parent, subs and affiliates	7,464,104	-	7,464,104	
Liability for amounts held under uninsured plans	995,651		995,651	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$11,773,867</u>	<u>\$ -</u>	<u>\$11,773,867</u>	
Common capital stock	\$ -	\$ -	\$ -	
Gross paid in and contributed surplus	4,517,000	-	4,517,000	
Unassigned funds (surplus)	<u>1,147,206</u>	<u>(1,414,549)</u>	<u>(267,343)</u>	
Surplus as regards policyholders	<u>5,664,206</u>	<u>(1,414,549)</u>	<u>4,249,657</u>	
Total Liabilities, Surplus and other Funds	<u>\$17,438,073</u>	<u>\$(1,414,549)</u>	<u>\$16,023,524</u>	

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2011

Revenue	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	\$58,579,843	\$ -	\$58,579,843	
Change in unearned premium reserves and reserves for rate credit	-	-	-	
Fee-for-service	-	-	-	
Risk revenue	-	-	-	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	<u>58,579,843</u>	<u>-</u>	<u>58,579,843</u>	
Hospital and Medical				
Hospital/medical benefits	45,137,764	-	45,137,764	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	1,877,441	-	1,877,441	
Prescription drugs	6,110,163	-	6,110,163	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	<u>53,125,368</u>	<u>-</u>	<u>53,125,368</u>	
Less:				
Net reinsurance recoveries	<u>(494,936)</u>	<u>-</u>	<u>(494,936)</u>	
Total medical and hospital	53,620,304	-	53,620,304	
Non-health claims	-	-	-	
Claim adjustment expenses	2,454,260	-	2,454,260	
General administrative expenses	4,537,818	-	4,537,818	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	<u>60,612,382</u>	<u>-</u>	<u>60,612,382</u>	
Net underwriting gain or (loss)	<u>(2,032,539)</u>	<u>-</u>	<u>(2,032,539)</u>	
Net investment income earned	30,017	-	30,017	
Net realized capital gains (losses)	-	-	-	
Net investment gains (losses)	<u>30,017</u>	<u>-</u>	<u>30,017</u>	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	<u>(550,351)</u>	<u>-</u>	<u>(550,351)</u>	
Net income	<u><u>\$(1,452,171)</u></u>	<u><u>\$ -</u></u>	<u><u>\$(1,452,171)</u></u>	

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
RECONCILIATION OF SURPLUS SINCE THE LAST EXAMINATION
For the Year Ended December 31,

	2011	2010	2009
Surplus as regards policyholders, December 31, previous	<u>\$6,845,345</u>	<u>\$7,430,617</u>	<u>\$7,830,930</u>
Net income	(1,452,171)	(568,872)	(411,510)
Change in net unrealized capital gains or (losses)	303,332	-	-
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-
Change in net deferred income tax	(32,300)	(16,400)	11,200
Change in nonadmitted assets	-	-	-
Change in provision for reinsurance	-	-	-
Change in surplus notes	-	-	-
Cumulative effects of changes in accounting principles	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	-	-	-
Transferred to capital (Stock Dividend)	-	-	-
Transferred from capital	-	-	-
Dividends to parent (cash)	-	-	-
Change in treasury stock	-	-	-
Examination adjustment	(1,414,549)	-	(3)
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	<u>(2,595,688)</u>	<u>(585,272)</u>	<u>(400,313)</u>
Surplus as regards policyholders, December 31, current year	<u>\$4,249,657</u>	<u>\$6,845,345</u>	<u>\$7,430,617</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2011, the Plan held no long-term bond investments. Common stocks consisted of capital stock of ATRIO Health Plans. Short-term deposits consisted of one US Treasury Bill and one US Treasury Note held in the custodial account at US Bank.

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

<u>Year</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>Ratio</u>	<u>Ratio</u>	<u>Ratio</u>
	<u>Bonds</u>	<u>Common Stocks</u>	<u>Cash and Short-term</u>	<u>A/ Total Assets</u>	<u>B/ Total Assets</u>	<u>C/ Total Assets</u>
2007	0	0	13,121,702	0.0%	0.0%	86.8%
2008*	0	0	10,142,499	0.0%	0.0%	78.7%
2009	0	0	8,634,263	0.0%	0.0%	63.8%
2010	0	0	12,167,862	0.0%	0.0%	72.5%
2011*	0	6,540,332	5,265,662	0.0%	37.5%	30.2%

The Board approved the investment transactions in each of the years under review, pursuant to ORS 733.740. As of December 31, 2011, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Plan was in compliance with ORS 733.580.

The Plan had not entered into a custodial agreement during the period under examination, with the exception of the statutory deposit at US Bank, NA.

Note 2 – Actuarial Reserves

A review of the unpaid claims and claim adjustment expense 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 Actuarial Report Supporting Statements as of December 31, 2011, prepared by Christopher S. Girod, FSA, MAAA, of the firm Milliman, Inc.

Mr. Ball reviewed the reconciliation of the data used in the Company's Actuarial Report to the data in the actuarial work papers and found them to be consistent. 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:

	<u>My Estimate</u>	<u>Annual Statement</u>
Claims Unpaid	\$3,293,275	\$3,293,275
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	-	-
Aggregate Health Policy Reserves	2,606	2,606
Aggregate Health Claim Reserves	-	-
Amounts Held Under Uninsured Plans	995,652	995,651
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	<u>\$4,291,533</u>	<u>\$4,291,532</u>

The amounts held under uninsured plans is the Medicare Part D risk corridor payable, its purpose is to smooth out the series of profits and losses that otherwise might show large variability. The liability would be better classified as an aggregate health policy reserve. No adjustment is proposed by the examiners.

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Company as of December 31, 2011, were reasonable. Mr. Ball's total estimate was less than the appointed actuary's estimate by \$1, an immaterial difference. He concurred that the reserves of the Company were reasonably stated as of December 31, 2011.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of the recommendations made in this report of examination:

Page

- 10 I recommend the Plan increase its fidelity coverage to at least \$450,000, as recommended by the NAIC Financial Condition Examiners Handbook and ORS 731.574(6).
- 13 I recommend the Plan properly nonadmit all recoverables more than 90 days past due, in accordance with SSAP No. 6, paragraph 9(a).

CONCLUSION

An adjustment was made to the Plan's total capital and surplus as a result of this examination, decreasing surplus by \$1,414,549. During the three year period covered by this examination, the surplus of the Plan has decreased from \$6,977,037, as presented in the December 31, 2008, report of examination to \$4,249,657, as shown in this report. The comparative assets and liabilities are:

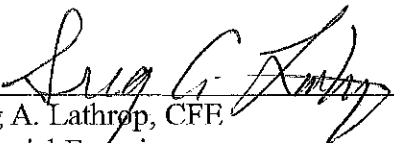
	<u>2011</u>	<u>December 31,</u> <u>2008</u>	<u>Change</u>
Assets	\$16,023,524	\$12,026,354	\$ 3,997,170
Liabilities	<u>11,773,867</u>	<u>5,049,317</u>	<u>(6,724,550)</u>
Surplus	<u>\$ 4,249,657</u>	<u>\$ 6,977,037</u>	<u>\$(2,727,380)</u>

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, Raymond Anderson, CFE, and Mark Giffin, CFE, insurance examiners, and David Ball, FSA, MAAA, Life & Health Actuary, for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated on this examination.

Respectfully submitted,



Greg A. Lathrop, CFE
Financial Examiner
Department of Consumer and Business Services
State of Oregon

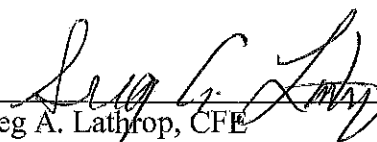
AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Greg A. Lathrop, CFE, being duly sworn, states as follows:

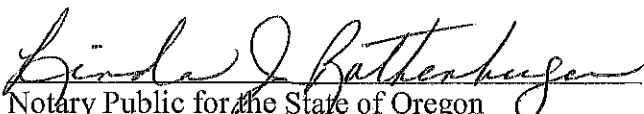
1. I have authority to represent the state of Oregon in the examination of Marion Polk Community Health Plan Advantage, Inc., Salem, Oregon.
2. The Insurance Division of the Department of Consumer and Business Services of the state of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of Marion Polk Community Health Plan Advantage, Inc., was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.



Greg A. Lathrop, CFE
Financial Examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 17 day of May, 2013.



Notary Public for the State of Oregon

My Commission Expires 3/22/2017

