STATE OF OREGON
DEPARTMENT OF
CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

ALLCARE HEALTH PLAN, INC.
GRANTS PASS, OREGON

AS OF

DECEMBER 31, 2014

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

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GRANTS PASS, OREGON

NAIC COMPANY CODE 12253

AS OF

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TABLE OF CONTENTS

SALUTATION

November 13, 2015

Honorable Laura N. Cali, 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

ALLCARE HEALTH PLAN, INC.
740 SE 7th Street
Grants Pass, Oregon 97526

NAIC Company Code 12253

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 AllCare Health Plan, Inc. The last examination of this health care service contractor covered the period of January 1, 2009 through December 31, 2011. This examination covers the period of January 1, 2012, to December 31, 2014.

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, assess corporate governance, identify current and prospective risks of the Plan 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 Plan 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 Plan'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/or the Plan.

COMPANY HISTORY

The Plan was incorporated on April 27, 1994, under the laws of the State of Oregon as Mid Rogue Independent Practice Association, Inc. On January 23, 2004, the Company changed its name to Mid Rogue Independent Physicians Association and filed for an assumed business name with the Secretary of State, to be known as Mid Rogue Community Health Plan. On January 28, 2005, the Plan received a Certificate of Authority to transact business as a health care service contractor pursuant to ORS Chapter 750.

During 2007, the Plan went through a corporate restructuring, forming a holding company known as Mid Rogue IPA Holding Company (MRHC). A share exchange agreement, effective January 1, 2008, resulted in each outstanding share of the Plan's common stock owned by individual shareholders being exchanged for one share of MRHC common stock and the Plan became a wholly owned subsidiary of MRHC. The director of the Department of Consumer and Business Services (DCBS) issued an order approving the change of ownership on March 29, 2007. MRHC subsequently changed its name to Mid Rogue AllCare Health Assurance, Inc. (MRAHA).

On March 30, 2009, the Board of Directors approved a name change, and the Plan filed amended articles to change its name to Mid Rogue Health Plan, Inc., on July 1, 2009. On September 27, 2014, the Board of Directors approved another name change, and the Plan filed amended Articles to change to its current name, AllCare Health Plan, Inc., on October 30, 2014.

Capital Stock

The Plan has 500 shares of common stock authorized and 75 shares issued and outstanding at December 31, 2014, with a par value of $2,000 per share. All shares are owned by MRAHA. Total paid in and contributed surplus of the Plan did not change during the period under examination.

Dividends to Stockholders and Other Distributions

During the period under examination, the Company did not declare or pay any cash dividend to its stockholder or make any other distribution.

Surplus Notes

On January 31, 2014, the Plan's parent, MRAHA, funded a surplus note in the amount of $1,000,000 at per annum interest rate of 4%, maturing December 31, 2024. The note was issued to MRAHA in exchange for cash receivable from an affiliate. The cash was received on January 31, 2014.

On January 21, 2015, the Plan's parent, MRAHA funded a second surplus note in the amount of $1,500,000 at a per annum interest rate of 4%, maturing January 21, 2025. The note was issued to the Plan's parent, MRAHA in exchange for cash receivable from affiliate. The cash was received on January 22, 2015.

Both notes were approved by the Oregon Division of Financial Regulation and meet the requirements of SSAP 41.

CORPORATE RECORDS

Board Minutes

The Company's Bylaws, Section 4.1, state the Board of Directors shall have sole responsibility for managing the affairs of the corporation. In general, the review of the Board

meeting minutes of the Company indicated they support the transactions of the Company and clearly describe the actions taken by its directors and officers. A quorum, as defined by ORS 731.302, met at all of the meetings held during the period under review.

The Plan's Bylaws authorize a nominating committee and the Board may create one or more committees. Active committees include Credentialing, Pharmacy Care, Quality Improvement, Patient Care and Finance. The actions of the various committees were summarized and reported to the Board of Directors during its regular meetings. The Finance committee acts as the Audit committee.

The Plan's Board approves an annual budget, which includes salaries and compensation reimbursed under the services agreement. This process complies with the provisions of ORS 732.320(3).

The Company's Bylaws, Section 2.2, states an annual meeting will be held by the shareholders during the month of June, at a time and place as determined by the Board of Directors, for the purpose of electing officers and for the transaction of other business as may come before the meeting. The Plan could not provide evidence that the Plan's shareholder meeting was held. They provided minutes of its parent's shareholders, MHAHA, and although they were all inclusive of the Parent and the Plan, documentation did not reflect the Plan's shareholder meeting.

I recommend the Plan comply with its Bylaws regarding shareholder meetings, Section 2.2, and is documented to evidence compliance.

Articles of Incorporation

The Plan last amended its Articles of Incorporation on September 27, 2014, and filed with the Secretary of State on October 30, 2014, to change its name to AllCare Health Plan, Inc. No other changes were made to the articles during the period under examination. The Articles of Incorporation conform to the Oregon Insurance Code.

Bylaws

The Plan's Bylaws were last amended and restated as of September 20, 2004. No changes were made during the period under examination. The Plan's Bylaws conform to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws state the business and affairs of the corporation shall be managed by its Board of Directors. The Bylaws, in Article 4.2, state the number of directors shall be fourteen (14) voting members. The directors are divided into three defined classifications; five primary care physicians, four specialty care physicians, and five members of the public who are not practicing doctors. Each director is elected for a three year term, staggered so that one-third is elected at each annual meeting. As of December 31, 2014, the Plan was governed by a fourteen member Board of Directors as follows:

Name and Address	Principal Affiliation	Member Since
Richard A. Williams, MD* Grants Pass, Oregon	Physician	2012
Mark A. Rondeau, MD Grants Pass, Oregon	Physician	2013
Susan M. Seereiter Grants Pass, Oregon	Bank - Branch Manager	2014

Name and Address	Principal Affiliation	Member Since
Matthew W Hicks Grants Pass, Oregon	Attorney	2013
Dan P. Gleffe, MD Grants Pass, Oregon	Physician	2009
Karen M. Doyle Grants Pass, Oregon	Accountant Doyle & Poole PC	2010
Kelley A. Burnett, DO** Grants Pass, Oregon	Physician	2011
Charles F. Rund Grants Pass, Oregon	Public Policy Researcher	2014
James R. VanHorne, MD Grants Pass, Oregon	Physician	2013
Thomas S. Eagan, DO Grants Pass, Oregon	Physician	2013
Heather C. Merlo-Grifantini, MD Grants Pass, Oregon	Physician	2013
John E. Castle, DPM Grants Pass, Oregon	Podiatrist, Grants Pass Podiatry	2009
Vince P. Lucido Grants Pass, Oregon	Retired Insurance Executive	2013
Brett J. Schulte, MD Grants Pass, Oregon	Physician	2011

* Chair
** Vice Chair

The Plan was in compliance with ORS 750.015, as five of the fourteen 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, 2014, were as follows:

Name	Title
Douglas L. Flow	Chief Executive Officer
Dan P. Gleffe	Secretary/Treasurer
Richard A. Williams	Chairman
Kelley A. Burnett	Vice Chairman

Conflict Of Interest

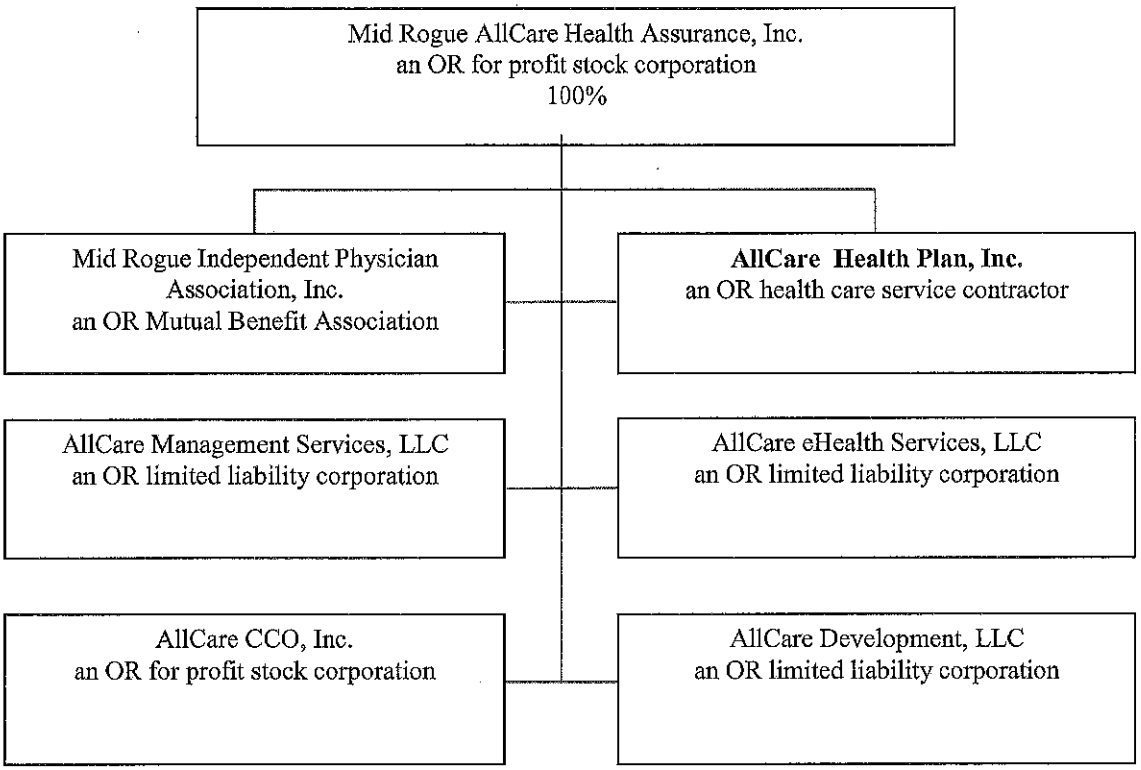
The Plan's parent, MRAHA, has established a Code of Business Practices for itself and all its subsidiaries, including the Plan. The code and the employee handbook describe the standards of conduct, list prohibited activities and require all employees to promptly report program violations.

The directors and key employees of AllCare Management Services, LLC, complete and sign a Fiduciary and Confidentiality Agreement each year. From a review of the completed disclosures, the Plan's personnel performed due diligence in completing the statements and reporting all conflicts to the Board. The examination team was not able to evidence how conflicts were handled by the Board.

I recommend the Plan develop a procedure by which the Board or Committee thereof, discloses whether or not any conflicts were identified and how they were handled to allow the examiners to determine compliance with ORS 731.386.

Insurance Company Holding System

The following organizational chart shows the relationship within the insurance holding company system (ownership is 100%):



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

Mid Rogue AllCare Health Assurance, Inc. (MRAHA) was incorporated in Oregon on April 25, 2007. MRAHA owns 100% of the outstanding share of each of the entities and is the direct parent of the Plan and the ultimate controlling entity within the insurance holding company system.

AllCare eHealth Services, LLC was formed on April 25, 2007 as a limited liability corporation to connect providers with the Company electronically. The server and support is hosted at AllCare Management Services, LLC.

AllCare CCO, Inc. was formed on January 1, 2009, to move the Oregon Health Plan business into a separate entity. The Plan made this decision to remove the Medicaid business from the entity regulated by the Division of Financial Regulation to reduce the Plan's minimum capital and surplus requirements and create more administrative consistency with the

Division of Medical Assistance Programs (DMAP). In August 2012, the Oregon Health Plan transitioned the plans over to Coordinated Care Organizations (CCOs).

Mid Rogue Independent Physicians Association, Inc. (MRIPA) was founded in 1994 as Mid Rogue Independent Physicians Association. Physicians in Josephine and Jackson counties are MRIPA members. Nurse Practitioners, Physician Assistants and Mental Health Counselors participate as associate members. It is an Oregon Mutual Benefit Association. It is owned and governed by its members providing local control of the organization and local response to the community's health care needs. Many of the MRIPA members sit on the Board of Directors for AllCare Health Plan, Inc.

AllCare Management Services, LLC (AMS) was formed on April 25, 2007. AMS provides employees and management for AllCare Health Plan, Inc. and the other affiliates.

AllCare Development, LLC was established in June 2014 to hold and control all real estate holdings.

In 2014, the holding company Board of Directors approved name changes for the following entities:

- Mid Rogue IPA Holding Company, Inc. to Mid Rogue AllCare Health Assurance, Inc.
- Mid Rogue Independent Physician Association, dba AllCare Health Plan to AllCare CCO, Inc.
- Mid Rogue Health Plan, Inc. to AllCare Health Plan, Inc.
- Mid Rogue Management Services Organization, LLC to AllCare Management Services, LLC
- Mid Rogue eHealth Services, LLC to AllCare eHealth Services, LLC
- MRIPA, Inc. to Mid Rogue Independent Physician Association, Inc.
- Mid Rogue Development, LLC to AllCare Development, LLC

Subsequent to the examination date, the Board of Mid Rogue AllCare Health Assurance, Inc., approved additional name changes as follows:

- Mid Rogue AllCare Health Assurance, Inc., dba AllCare Health to AllCare Health – this change requires a full vote of the shareholders and will be completed at the next annual shareholder meeting in June 2016.
- Mid Rogue Independent Physician Association, Inc., to AllCare Independent Physician Association, Inc.

INTERCOMPANY AGREEMENTS

Management Services Agreement

Effective January 1, 2009, the Plan entered into an agreement with an affiliate, AMS, to furnish operation, management services and personnel to the Plan. AMS agrees to perform all accounting and financial services, administrative and executive support services, sales, marketing and public relations services, and property management. In exchange, the Plan will pay a set per member per month (PMPM) fee. Payments shall be made no later than the 10th day of each month.

The fee charge per the agreement was $88 PMPM for Medicare Advantage business. Discussion with Division of Financial Regulation did result in a change to $83 PMPM for that product. When the examiners requested support for the PMPM calculation, the Plan could not provide support or evidence for the on-going $83 PMPM charged by AMS.

I recommend the Plan provide support for the charges under the management agreement and that the Plan amend the management service agreement to cover its charges assessed under its new business, the PEBB contract, and any other future business changes as required by ORS 732.574.

Tax Sharing Agreement

The Plan, AllCare CCO, Inc., and MRAHA formalized a tax sharing agreement approved by the Oregon Division of Financial Regulation, effective May 22, 2015, that was retroactive effective January 1, 2008. Under the agreement, MRAHA will be responsible for preparing and filing the consolidated tax return. All entities to this agreement will have its income tax liability on an individual/separate entity basis. Estimated payments are due if requested by MRAHA. Final payment shall be due 90 days after the timely filing of the consolidated tax return.

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 the parent, MRAHA, with the plan covered under an endorsement as a named insured. The Plan is insured up to $1,000,000 per individual loss, with a $15,000 deductible, against losses from acts of dishonesty and fraud by its employees and agents. Fidelity bond coverage was found to meet the coverage limits recommended by the NAIC.

Other insurance coverages in force at December 31, 2014, were found to be adequate and included:

General business liability	Umbrella
Managed care errors & omissions	Director and officers
Cyber liability	Healthcare professional liability

TERRITORY AND PLAN OF OPERATION

The Plan offers Medicare Advantage business in Jackson and Josephine counties and parts of Douglas County in Southern Oregon. Benefits include comprehensive medical, dental, vision, hearing services, inpatient mental health care, skilled nursing facility, home health

care, hospice, chiropractic, outpatient rehabilitation, durable medical equipment and preventative services. The Plan offers Silver, Gold and Platinum plan benefits with or without prescription drugs, for an additional premium, as well as a stand-alone Medicare Part D plan.

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

Line of Business	2014	2013	2012	2011	2010
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	4,015	4,280	4,175	3,991	3,885
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
Total enrollment	4,015	4,280	4,175	3,991	3,885

GROWTH OF THE COMPANY

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

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2010	$13,615,155	$7,983,519	$5,631,636	$ (606,887)
2011*	15,101,391	6,921,463	8,179,928	2,464,468
2012	14,614,793	6,244,209	8,370,584	126,534
2013	13,112,087	5,717,487	7,394,600	(1,657,671)
2014*	11,754,321	5,208,308	6,546,013	(2,586,838)

*Per examination

LOSS EXPERIENCE

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

Year	(1) Total Revenues	(2) Total Hospital and Medical	(2)/(1) Medical Loss Ratio	(3) Claim Adjustment and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2010	$44,448,504	$40,973,635	92.2%	$4,204,378	101.6%
2011*	51,247,402	42,967,745	83.8%	4,932,998	93.5%
2012	41,325,466	36,501,486	88.3%	4,689,680	99.7%
2013	43,495,783	41,010,458	94.3%	5,080,930	106.0%
2014*	41,237,129	40,255,046	97.6%	4,874,308	109.4%

*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 three of the last five years.

REINSURANCE

Assumed

None.

Ceded

The Plan had a Medical Excess of Loss Reinsurance Agreement with a retention of $135,000 in effect prior to November 1, 2013, with coverage up to $2,000,000 per member. Effective November 1, 2013, the retention level was changed to $250,000 under a similar type of reinsurance agreement with American National Insurance Company. As of November 1, 2014, the Plan changed its reinsurer to Atlantic Specialty Insurance Company (ASIC) (NAIC Company Code #27154). Under the terms of the most recent agreement, ASIC reimburses the Company for losses per member up to $2,000,000 in excess of Company retention. Each

covered employee and each covered dependent are a separate risk for purposes of determining limits and retention.

Insolvency Clause

The reinsurance agreements contained a proper insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency, as required by the provisions of ORS 731.508.

Risk Retention and Transfer

It was determined that the reinsurance agreement provided for risk transfer in accordance with the requirements of SSAP No. 61R.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's December 31, 2014, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

STATUTORY DEPOSITS

ORS 750.045(2) requires the Plan to make a statutory deposit as a health care service contractor, or file a surety bond, in the sum of $250,000 as a guarantee of the due execution of the policies to be entered into by such contractor. The Plan had a surety bond in the sum of $250,000, verified with the Department of Consumer and Business Services, Division of Financial Regulation.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were two recommendations made in the 2011 report of examination. In a follow-up report dated September 18, 2013, the Plan prepared a response to the recommendations to support compliance with the two recommendations. The Oregon Division of Financial Regulation concluded the Plan was in compliance with each of the recommendations.

SUBSEQUENT EVENTS

An intercompany loan was made in January 2015, in the amount of $750,000, that was not supported by an agreement regarding its terms and this transaction was not submitted to the Division of Financial Regulation for approval in accordance with ORS 732.574.

I recommend the Plan get approval from the Division of Financial Regulation for all transactions with related parties in accordance with ORS 732.574.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Oregon Division of Financial Regulation and present the financial condition of the Company for the period ending December 31, 2014. 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 statements. These statements include:

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

ALLCARE HEALTH PLAN, INC.
ASSETS
As of December 31, 2014

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 3,105,768	$ -	$ 3,105,768	1
Cash, cash equivalents and short-term investments	4,713,499	-	4,713,499	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	$ 7,819,267	$ 0	$ 7,819,267	
Investment income due and accrued	19,029	-	19,029	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	-	-	-	
Accrued retrospective premiums	460,328		460,328	3
Amounts recoverable from reinsurers	3,836		3,836	
Amounts receivable relating to uninsured plans	579,377	-	579,377	3
Current federal and foreign income tax recoverable	1,262,404	-	1,262,404	
Receivable from parent, subsidiaries and affiliates	1,500,000		1,500,000	2
Health care receivable	109,934	-	109,934	
Aggregate write-ins for other than invested assets	146	-	146	
Total Assets	$11,754,321	$ 0	$11,754,321	

ALLCARE HEALTH PLAN, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2014

Liabilities, Surplus and other Funds	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 4,959,369	$ -	$ 4,959,369	3
Unpaid claim adjustment expenses	140,467	-	140,467	3
Aggregate health policy reserves	45,511		45,511	3
General expenses due or accrued	44,622	-	44,622	
Liability for amounts held under uninsured plans	18,339	-	18,339	
Aggregate write-ins for liabilities	-	-	-	
Total Liabilities	$ 5,208,308	$ -	$ 5,208,308	
Aggregate write-ins for special surplus funds	135,358		135,358	
Common capital stock	$ 150,000	$ -	$ 150,000	
Gross paid in and contributed surplus	2,010,650	-	2,010,650	
Unassigned funds (surplus)	1,750,005	-	1,750,005	
Surplus as regards policyholders	6,546,013	-	6,546,013	
Total Liabilities, Surplus and other Funds	$11,754,321	$ -	$11,754,321	

ALLCARE HEALTH PLAN, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2014

Revenue	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Net premium income	$41,206,620	$ -	$41,206,620	
Change in unearned premium reserves and reserves for rate credit	30,509	-	30,509	
Fee-for-service	-	-	-	
Risk revenue	-	-	-	
Aggregate write-ins for health care related revenues	-	-	-	
Total revenue	41,237,129	-	41,237,129	
Hospital and Medical				
Hospital/medical benefits	36,249,584	-	36,249,584	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	-	-	-	
Prescription drugs	4,073,090	-	4,073,090	
Incentive pool, withhold adjustments and bonus amounts	-	-	-	
Subtotal	40,322,674	-	40,322,674	
Less:				
Net reinsurance recoveries	67,628	-	67,628	
Total medical and hospital	40,255,046		40,255,046	
Non-health claims	-	-	-	
Claim adjustment expenses	1,754,735	-	1,754,735	
General administrative expenses	3,119,573	-	3,119,573	
Increase in reserves for life and accident and health contracts	-	-	-	
Total underwriting deductions	45,129,353	-	45,129,353	
Net underwriting gain or (loss)	(3,892,224)	-	(3,892,224)	
Net investment income earned	42,983	-	42,983	
Net realized capital gains (losses)	-	-	-	
Net investment gains (losses)	42,983	-	42,983	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	-	-	-	
Net income after capital gains and before all federal income taxes	(3,849,242)		(3,849,242)	
Federal income taxes incurred	(1,262,404)	-	(1,262,404)	
Net income	$ (2,586,838)	$ -	$ (2,586,838)	

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

	2014	2013	2012
Surplus as regards policyholders, December 31, previous year	$7,394,600	$8,370,584	$8,179,928
Net income	(2,586,838)	(1,657,671)	126,534
Change in net unrealized capital gains or (losses)	-	-	4
Change in net unrealized foreign exchange capital gain or (loss)	-	-	-
Change in net deferred income tax	(58,864)	87,662	(15,324)
Change in nonadmitted assets	273,638	(420,414)	79,443
Change in provision for reinsurance	-	-	-
Change in surplus notes	1,500,000	1,000,000	-
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	-	-	-
Aggregate write-ins for gains and losses in surplus	23,477	14,438	-
Change in surplus as regards policyholders for the year	(848,587)	(975,985)	190,657
Surplus as regards policyholders, December 31, current year	$6,546,013	$7,394,600	$8,370,584

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2014, the Plan's long-term bond investments were in a portfolio of corporate issues and Certificates of Deposit in excess of 365 days to maturity. The Plan did not report any direct exposure in mortgaged-backed or asset-backed securities. The Plan held no preferred or common stocks.

Cash and Short-term deposits consisted of 15 separate Certificates of Deposit held in a CDARS account at Umpqua Bank, and four checking accounts.

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

	A	B	Ratio	Ratio
		Cash and	A/	B/
Year	Bonds	Short-term	Total Assets	Total Assets
2010	0	10,882,981	0.0%	79.9%
2011*	2,984,165	8,728,810	19.8%	57.8%
2012	3,021,672	7,315,816	20.7%	50.6%
2013	2,517,269	7,426,228	19.2%	56.6%
2014*	3,105,768	4,713,499	26.4%	40.1%

*Per examination

The Board's Finance Committee approved the investment strategy and the portfolio, but it failed to reflect its approval of the purchase and sale transactions pursuant to ORS 733.730.

I recommend the Finance/Audit Committee approve the sales and purchases of investments in compliance with ORS 733.730.

As of December 31, 2014, 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 entered into a custodial agreement with First Clearing, LLC. Security brokers are ineligible to hold securities of an insurer because it is not an authorized Bank or Trust company. Any assets held in custody in this custodian would be required to be non-admitted on a statutory basis.

I recommend the Plan enter into a custodial agreement with a national bank, a state bank, or a Trust company, in accordance with OAR 836-027-0200, and containing all the protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Receivables from Parent, Subsidiaries and Affiliates

The Plan issued a surplus note (see "Company History" "Surplus Note") above and reflected it as a receivable in the December 31, 2014, annual statement. Evidence of receipt was performed by the examination team.

Note 3 – 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 Division of Financial Regulation.

Mr. Ball reviewed the actuarial estimates for the Company at December 31, 2014. This includes the statement of actuarial opinion, signed by Christopher S. Girod, FSA, MAAA, of Milliman's San Diego office, the actuarial memorandum supporting the statement of actuarial opinion, and the annual statement for 2014. Mr. Ball also reviewed other documentation, spreadsheets, and verbal information provided by our analysts and the company. Estimates for the company's liabilities are as follows:

Claims Unpaid	$ 4,959,368
Accrued Medical Incentive Pool & Bonus Payments	0
Unpaid Claims Adjustment Expenses	140,467
Aggregate Health Policy Reserves	45,511
Aggregate Life Claim Reserves	0
Property & Casualty Unearned Premium Reserves	0
Aggregate Health Claim Reserves	0
Liability for Uninsured Plans	18,339
Asset—Accrued Retrospective Premiums	460,328
Asset—Receivables for Uninsured Plans	579,377

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2014, were reasonable. Mr. Ball's total estimate was less than the appointed actuary's estimate by $150,439, a difference of approximately 3%. He concurred that the reserves of the Plan were reasonably stated as of December 31, 2014, and did not pose a solvency concern.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

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

Page

7 I recommend the Plan comply with its Bylaws regarding shareholder meetings, Section 2.2, and is documented to evidence compliance.

10 I recommend the Plan develop a procedure by which the Board or Committee thereof, discloses whether or not any conflicts were identified and how they were handled to allow the examiners to determine compliance with ORS 731.386.

13 I recommend the Plan provide support for the charges under the management agreement and that the Plan amend the management service agreement to cover its charges assessed under its new business, the PEBB contract, and any other future business changes as required by ORS 732.574.

18 I recommend the Plan get approval from the Division of Financial Regulation for all transactions with related parties in accordance with ORS 732.574.

23 I recommend the Finance/Audit Committee approve the sales and purchases of investments in compliance with ORS 733.730.

23 I recommend the Plan enter into a custodial agreement with a national bank, a state bank, or a Trust company, in accordance with OAR 836-027-0200, and containing all the protections described in OAR 836-027-0200(4)(a) through (l).

CONCLUSION

No adjustments were made to the Plan's total capital and surplus as a result of this examination. During the three year period covered by this examination, the surplus of the Plan has decreased ($1,633,915) from $8,179,928, as presented in the December 31, 2011, report of examination to $6,546,013, as shown in this report. The comparative assets and liabilities are:

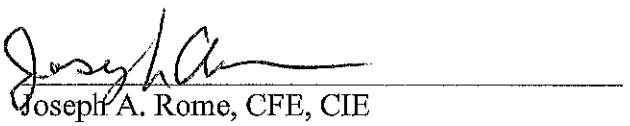
	December 31,		
	2014	**2011**	**Change**
Assets	$11,754,321	$15,101,391	$ (3,347,070)
Liabilities	5,208,308	6,921,464	(1,713,156)
Surplus	$ 6,546,013	$ 8,179,928	$ (1,633,915)

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, Michael P. Phillips, CPA, CFE, AES, insurance examiner, and David Ball, FSA, MAAA, life and health actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated on this examination.

Respectfully submitted,



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, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of AllCare Health Plan, Inc., Grants Pass, 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. The examination of AllCare Health Plan, 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 6th day of April, 2016.

NOTARY PUBLIC for the State of Oregon

My Commission Expires: 3/22/2017

OFFICIAL SEAL
LINDA J ROTHENBERGER
NOTARY PUBLIC-OREGON
COMMISSION NO. 476327
MY COMMISSION EXPIRES MARCH 22, 2017