

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

DEC. 31, 2022

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**ALLCARE HEALTH PLAN, INC.
GRANTS PASS, OREGON**

NAIC COMPANY CODE 12253

AS OF

DEC. 31, 2022

TABLE OF CONTENTS

SALUTATION	3
SCOPE OF EXAMINATION	4
COMPANY HISTORY	5
<i>Capitalization</i>	6
<i>Dividends to stockholders and other distributions</i>	6
CORPORATE RECORDS	6
<i>Board minutes</i>	6
<i>Articles of incorporation</i>	7
<i>Bylaws</i>	8
MANAGEMENT AND CONTROL	8
<i>Board of directors</i>	8
<i>Officers</i>	9
<i>Conflict of interest</i>	9
<i>Insurance Company Holding System</i>	10
INTERCOMPANY AGREEMENTS	12
FIDELITY BOND AND OTHER INSURANCE	13
TERRITORY AND PLAN OF OPERATION	14
GROWTH OF THE COMPANY	15
LOSS EXPERIENCE	16
REINSURANCE	16
ACCOUNTS AND RECORDS	17
STATUTORY DEPOSIT	18
COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS	18
SUBSEQUENT EVENTS	18
FINANCIAL STATEMENTS	19
NOTES TO FINANCIAL STATEMENTS	24
<i>Note 1 – Invested assets</i>	24
<i>Note 2 – Actuarial reserves</i>	24
SUMMARY OF COMMENTS AND RECOMMENDATIONS	25
CONCLUSION	26
ACKNOWLEDGMENT	27
AFFIDAVIT	28

SALUTATION

May 1, 2024

Honorable Andrew R. Stolfi
Director
Department of Consumer and Business Services
Division of Financial Regulation
State of Oregon
350 Winter Street NE
Salem, OR 97301-3883

Dear director:

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.
1701 NE 7th Street
Grants Pass, OR 97526**

NAIC Company Code 12253

hereinafter referred to as the “Plan.” The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed a regular, single-state, full-scope examination of AllCare Health Plan, Inc., The last examination of this health care service contractor covered the period of Jan. 1, 2015 through Dec. 31, 2019. This examination covers the period of Jan. 1, 2020, through Dec.31, 2022.

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 the Plan.

COMPANY HISTORY

The Plan was incorporated April 27, 1994, under the laws of the State of Oregon as Mid Rogue Independent Practice Association, Inc. On Jan. 23, 2004, the Plan 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 Jan. 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 underwent a corporate restructuring, forming a holding company known as Mid Rogue IPA Holding Company (MRHC). A share exchange agreement, effective Jan. 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. 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.

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 Sept. 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 Oct. 30, 2014.

Capitalization

The Plan has 500 shares of common stock authorized and 75 shares issued and outstanding at Dec. 31, 2022, with a par value of \$2,000 per share. Additionally, the Plan reported issuance of three surplus notes issued to an affiliated entity, as follows:

<u>Purchaser</u>	<u>Issued</u>	<u>Principal</u>	<u>Rate</u>	<u>Maturity</u>
AllCare Health, Inc.	01/31/2014	\$ 1,000,000	4 %	12/31/2024
AllCare Health, Inc.	01/21/2015	1,500,000	4 %	01/21/2025
AllCare CCO, Inc,	12/01/2022	<u>2,400,000</u>	4 %	12/31/2027
Total		<u>\$ 4,900,000</u>		

All surplus notes were approved by the Oregon Division of Financial Regulation (DFR) and met the requirements of SSAP No. 41.

In the Report of Examination as of Dec. 31, 2019, the Plan had reported gross paid in and contributed surplus of \$3,610,650. During the period covered under this report, the Plan received additional cash contributions of \$155,000 on Nov. 11, 2022, from its parent. Total gross paid in and contributed surplus reported by the Plan was \$3,765,650.

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 direct parent.

CORPORATE RECORDS

Board minutes

The Plan's Bylaws state the board of directors shall have sole responsibility for managing the business and affairs of the corporation. In general, the review of the Board meeting minutes of the Plan indicated they support the transactions of the Plan 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. These committees may include but are not limited to physician operations, continuous quality improvement, utilization management, contracting, and payor relations committees. The Plan adopted a finance committee that also acts as the audit committee.

However, the Plan's board did not review or approve of the officer salaries and compensation. This violates the provisions of Oregon Revised Statute (ORS) 732.320(3).

I recommend the Plan to have the board or committee thereof to review and approve of the officers' salaries and compensation, in accordance with ORS 732.320(3).

Moreover, the Plan's appointed actuary did not present the actuarial opinion to the board of directors or the audit committee, as required by the NAIC Health Annual Statement instructions. This violates ORS 731.574, and Oregon Administrative Rules (OAR) 836-011-0000.

I recommend the Plan to have the appointed actuary report to and present the actuarial opinion to the Plan's board of directors or the audit committee, in accordance with ORS 731.574 and OAR 836-011-0000.

Articles of incorporation

The Plan's articles of incorporation were last amended and restated on July 26, 2016. There were no changes made to the Plan's articles of incorporation during the period under examination. The articles of incorporation conformed to Oregon statutes.

Bylaws

The bylaws were most recently restated on April 29, 2019. There were no changes made to the Plan's bylaws during the period under examination. The bylaws conformed 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 members serve until the earlier of the effective date of their resignation, the date the position is eliminated, or the date their replacement is elected. As of Dec. 31, 2022, the Plan was governed by a 14-member board of directors, as follows:

<u>Name and address</u>	<u>Principal affiliation</u>	<u>Representation</u>	<u>Member since</u>
Katherine Johnston, M.D.* Grants Pass, OR	Pediatrician	Physician	2016
Marcus Bryner, M.D. Grants Pass, OR	Diagnostic radiologist	Physician	2022
Jessica Durrant Grants Pass, OR	Director of K-8 curriculum Three Rivers School District	Public	2016
Robert Bents, M.D. Grants Pass, OR	Orthopedic surgeon	Physician	2022
Karin Callahan Grants Pass, OR	Retired, controller/CFO	Public	2016
Lisa Callahan, CPNP Grants Pass, OR	Pediatric nurse practitioner	Physician	2017
Susan Clark, Ph.D. Grants Pass, OR	Grants specialist City of Grants Pass	Public	2021
Matthew Guymon, D.O. Grants Pass, OR	Ophthalmologist	Physician	2022

Lauren Javernick, M.D. San Antonio, TX	Obstetrician and gynecologist	Physician	2022
Vincent Lucido Grants Pass, OR	Retired, insurance executive	Public	2014
Charles (Chuck) Rund Grants Pass, OR	President – Charlton Research Group	Public	2014
Brian Mateja, D.O. Grants Pass, OR	Family practitioner	Physician	2019
Jason Pilcher, M.D. Grants Pass, OR	Family practitioner	Physician	2021

*Chair

The directors as a group had experience in law, insurance, accounting, and management, in accordance with the provisions of ORS 731.386. The Plan is also in compliance with ORS 750.015, as five of the 14 Board members are representatives of the public who are not practicing doctors, employees, or trustees of a participant hospital.

Officers

Principal officers serving at Dec. 31, 2022, were as follows:

<u>Name</u>	<u>Title</u>
Douglas L. Flow	Chief executive officer
Matthew Woodin	Chief financial officer
Cynthia Ackerman	Chief compliance officer
Kelley A. Burnett	Chief medical officer
Justin Zesiger	Chief information officer

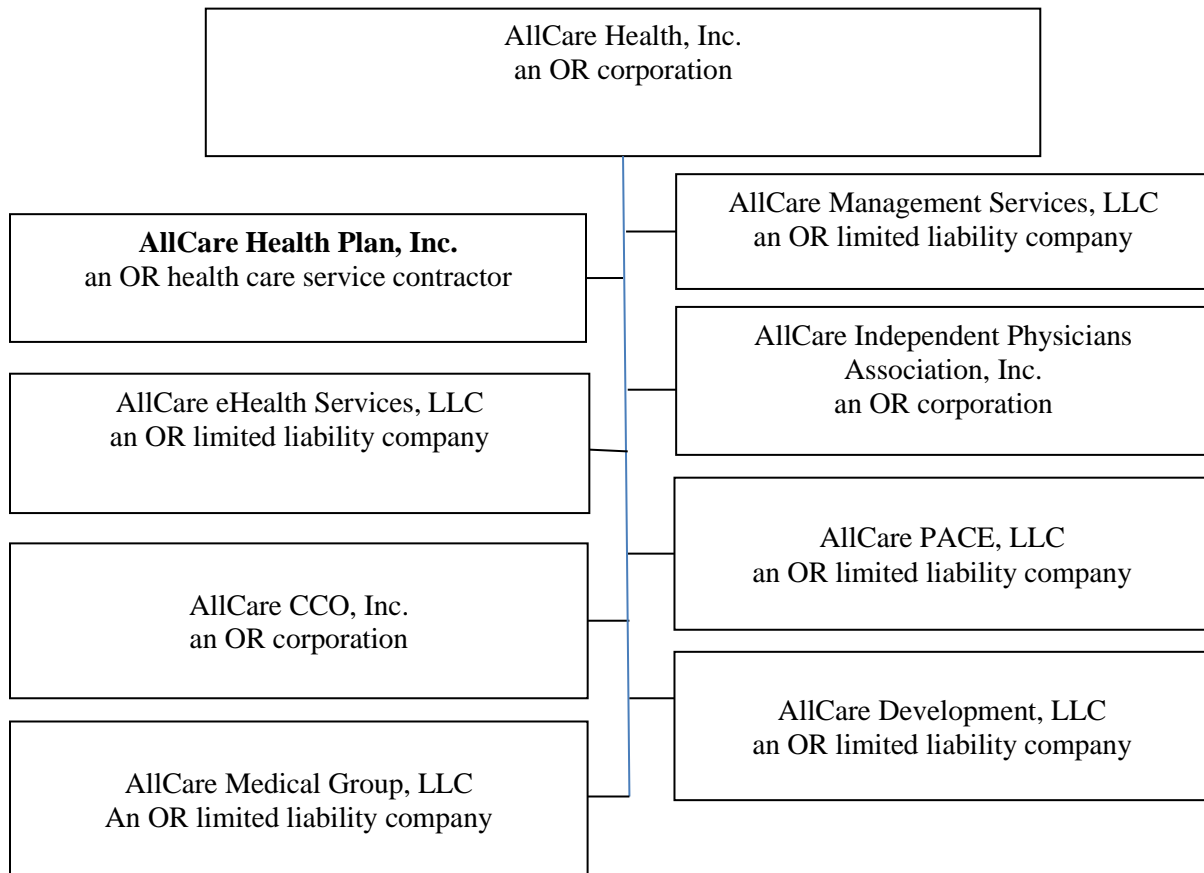
Conflict of interest

The Plan’s conflict of interest policy is distributed to board members annually, though, the code of conduct and the employee handbook, which describe the standards of conduct, require all employees to report program violations promptly. The code of conduct and employee handbook

applies to the board members, officers and managers, committee members, member organizations, and employees of the Plan. An acknowledgement form is required to be signed, which acknowledges the individual’s compliance with the conflict of interest policy and is used to disclose any potential conflicts.

Insurance company holding system

An insurance holding company registration statement was filed by the Plan in accordance with the provisions of ORS 732.552, ORS 732.554, and OAR 836-027-0020(1). The following condensed organizational chart depicts the relationships of the Plan within the holding company system:



A description of each of the entities above is as follows:

AllCare Health, Inc. is an Oregon for-profit stock corporation formed on April 25, 2007, as Mid Rogue IPA Holding Company. On Oct. 30, 2014, the company changed its name to Mid Rogue AllCare Health Assurance, Inc., dba: AllCare Health, Inc. On July 1, 2016, it again filed a name change with Oregon Secretary of State to change its name to AllCare Health, Inc. It is a holding company that owns 100 percent of the outstanding shares of each of the entities, including the Plan.

AllCare eHealth Services, LLC is a limited liability company formed on April 25, 2007. It provides clinics with low-cost access to a fully integrated electronic medical record and practice management system, billing services and chronic care management services. These services are supported locally by the AllCare eHealth staff.

AllCare CCO, Inc. is an Oregon for-profit corporation formed on July 1, 2009. The Plan moved its Oregon Health Plan (Medicaid) business into this entity after it qualified to become a coordinated care organization in Southern Oregon. The Plan decided to remove the Medicaid business from an entity regulated by DFR to reduce the Plan's minimum capital and surplus requirements and create more administrative consistency with the Oregon Health Authority.

AllCare Independent Physicians Association, Inc. was founded in 1994 and incorporated as a nonprofit mutual benefit corporation with members on Dec. 30, 2013. Physicians in Josephine and Jackson counties are members of the Mid-Rogue Independent Practice Association (MRIPA), including nurse practitioners, physician assistants, and mental health counselors who participate as associate members. 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 of the Plan.

AllCare Management Services, LLC (AMS) is an Oregon limited liability company formed on April 25, 2007. The company provides employees and management for the Plan and the other affiliates. Effective Jan. 1, 2018, along with the restructuring, the company entered into a management agreement to provide administrative services to the Plan.

AllCare Development, LLC is an Oregon limited liability company formed on June 24, 2014, to hold and control all real estate holdings.

AllCare PACE, LLC is an Oregon limited liability company formed on July 18, 2018, to provide all-inclusive care for the elderly. AllCare PACE gives coordinated medical and social services to those who want to continue living in their own home or community environment (such as residential providers) despite having chronic health needs. PACE began enrollment on March 1, 2021.

AllCare Medical Group, LLC is an Oregon limited liability company formed on Feb. 2021. It is a multisite medical practice that delivers provider-led, patient-centered primary care in southern Oregon.

INTERCOMPANY AGREEMENTS

The following agreements are in place with related parties:

Management services agreement

Effective Jan. 1, 2018, and last amended on July 1, 2020, the Plan entered into a management and administrative services agreement with AllCare Management Services, LLC (AMS). Under the agreement, AMS agrees to perform all personnel-related services, corporate services, member

services, medical (case) management services, compliance and quality services, claims administration, provider relations, sales, marketing, financial reporting, and general reporting. For the services performed by AMS, the Plan will pay a set per member per month (PMPM) fee. Payments shall be made no later than the 15th day of each month.

Tax sharing agreement

Effective Jan. 1, 2021, the Plan, AllCare CCO, Inc., AllCare Management Services, LLC, AllCare eHealth Services, LLC, AllCare Independent Physician Association, Inc., AllCare Development, LLC, AllCare Medical Group, LLC, and AllCare PACE, LLC, and AllCare Health, Inc., (parent) entered into a tax sharing agreement. Under the agreement, AllCare Health, Inc., 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 entity basis. Estimated payments are due if requested by AllCare Health, Inc. Final payment shall be due and payable within 90 days after timely filing of the consolidated tax return. This agreement was not filed with DFR, as required by ORS 732.574(2)(a)(A).

I recommend the Plan immediately file a Form D – Notice of Proposed Transaction to have the tax sharing agreement approved in accordance with ORS 732.574(2)(a)(A). I further recommend the Plan review all its internal operations for any agreement between related parties and submit them to DFR.

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 AllCare Health, Inc., with the Plan covered under an

endorsement as a named insured. The Plan is insured up to \$3 million per individual loss, with a \$35,000 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 Dec. 31, 2022, were found to be adequate, and included:

General business liability	Employment practices
Managed care errors & omissions	Director and officers
Healthcare professional liability	Excess professional liability
Workers' compensation	Umbrella
Cyber 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 operated under a commercial name, CareSource Medicare Advantage Program, for Medicare Advantage business until Dec. 31, 2015. Effective Jan. 1, 2016, the Plan changed the commercial product name to AllCare Advantage.

In February 2016, the Plan submitted an application to DFR seeking approval to start a Medicare Supplement Product (MediGap). The application was approved and effective as of Jan. 1, 2017. However, in July 2018, the Plan notified DFR of its decision to terminate of the AllCare MediGap line of business. The Plan will continue to administer the MediGap business for its 16 current members until members terminate their coverage.

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

Line of Business	2022	2021	2020	2019	2018
Individual hospital & medical	0	0	0	0	0
Group hospital & medical	0	0	0	0	0
Medicare supplement	0	0	0	0	0
Medicare	4,698	4,380	3,985	3,301	3,054
Medicaid	0	0	0	0	0
Other	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total enrollment	<u>4,698</u>	<u>4,380</u>	<u>3,985</u>	<u>3,301</u>	<u>3,054</u>

During 2022, the Plan reported direct business only in the State of Oregon, totaling \$65,864,352.

GROWTH OF THE COMPANY

Growth of the Plan over the past five years is reflected in the following schedule. 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.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and surplus</u>	<u>Net Income</u>
2018	\$ 11,157,262	\$ 5,520,283	\$ 5,636,980	\$ (1,076,342)
2019 *	12,093,336	4,647,179	7,446,157	971,590
2020	15,732,399	6,710,190	9,022,209	1,484,438
2021	16,044,392	7,942,152	8,102,240	(635,136)
2022*	17,883,187	10,624,253	7,258,934	(1,514,990)

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	<u>(1)</u> <u>Total revenues</u>	<u>(2)</u> <u>Total hospital and medical</u>	<u>(2)/(1)</u> <u>Medical loss ratio</u>	<u>(3)</u> <u>Claim adjustment and general expenses</u>	<u>(2)+(3)/(1)</u> <u>Combined loss ratio</u>
2018	\$ 33,059,837	\$ 30,974,188	93.7%	\$ 3,215,454	103.4%
2019 *	43,819,365	39,357,177	89.8%	3,560,144	97.9%
2020	52,837,809	45,201,825	85.5%	5,165,115	95.3%
2021	61,026,228	55,652,675	91.2%	6,201,419	101.4%
2022*	64,776,527	59,608,536	92 %	7,105,047	103.0%

*Per examination

A combined claims and expense to premium ratio in excess of 100 percent typically indicates an underwriting loss. The Plan reported underwriting losses in three of the last five years.

REINSURANCE

Effective Nov. 1, 2022, the Plan entered into an excess of loss reinsurance agreement with RGA Reinsurance Company (NAIC Code 93572, admitted in Oregon since 5/25/1982). The agreement covers the Medicare and Medicaid dual-eligible enrollees. Under the agreement, RGA Reinsurance will pay the Plan a percentage of any claims incurred for a member in excess of the applicable retention. The Agreement has a \$350,000 retention per member per agreement period, with an individual contract maximum of \$3 million.

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.

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

Further, the reinsurance agreement contained the settlement clauses, as well as the entire agreement clauses, as required by the provision of OAR 836-012-0310 and OAR 836-012-0320, respectively.

In view of the Plan's adjusted capital and surplus of \$7,258,934 at Dec. 31, 2022, it does not maintain risk on anyone subject in excess of 10 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 the Plan's Dec. 31, 2022, 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 Plan maintains its accounting records on a modified Generally Accepted Accounting Principles (GAAP) accrual basis of accounting and adjusts to a Statutory Accounting Principles (SAP) basis for NAIC annual statement reporting. Plan has a system in place to account for unclaimed funds and the Plan has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

However, it was noted that the Plan did not completely disclose a few of the interrogatories, and notes to the financial statement in its 2022 annual statement. The incomplete disclosures are in violation with ORS 731.574 and OAR 836-011-0000.

I recommend the Plan ensure the interrogatories, and notes to the financial statement are disclosed in its annual financial statements in accordance with the requirements of ORS 731.574(1) and OAR 836-011-0000.

STATUTORY DEPOSIT

To satisfy the statutory deposit requirements in Oregon for a health care service contractor, the Plan has a surety bond in the amount of \$250,000 placed within DCBS at DFR. This surety bond was confirmed with DFR.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were no adjustments made to surplus, and no recommendations or comments made as in the prior examination.

SUBSEQUENT EVENTS

Effective Jan. 22, 2024, Dr. Doug Flow, chief executive officer, retired from the position. The Plan hired Mr. Max Janasik to fill the position on Jan. 29, 2024.

On April 9, 2024, the Plan issued a surplus note of \$4.9 million, with a 4 percent interest rate to an affiliate, AllCare COO, Inc., that matures on Dec. 31, 2034.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with DFR and present the financial condition of the Plan for the period ending Dec. 31, 2022. 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 capital and surplus since the last examination

ALLCARE HEALTH PLAN, INC.
ASSETS
As of Dec. 31, 2022

	Net Admitted Assets	Notes
Bonds	\$ 4,875,268	1
Common stocks	1,374,168	1
Cash, cash equivalents, and short-term investments	9,407,914	1
Aggregate write-ins for invested assets	-	
Subtotals, cash and invested assets	<u>15,657,350</u>	
Investment income due and accrued	30,817	
Premiums and considerations		
Uncollected premiums and agents' balances in the course of collection	1,679	
Accrued retrospective premiums and contracts subject to redetermination	507,955	
Reinsurance		
Amounts recoverable from reinsurers	132,876	
Funds held by or deposited with reinsured companies	-	
Amounts receivable relating to uninsured plans	54,559	
Federal income tax receivable	394,303	
Health care receivable	1,103,647	
Aggregate write-ins for other-than-invested assets	-	
Total Assets	<u>\$17,883,187</u>	

ALLCARE HEALTH PLAN, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of Dec. 31, 2022

	Current Year Total	Notes
Claims unpaid	\$ 8,572,234	2
Accrued medical incentive pool and bonus amounts	-	
Unpaid claims adjustment expenses	243,075	2
Aggregate health policy reserves	257,396	2
Premiums received in advance	6,410	
General expenses due or accrued	7,194	
Current federal income tax payable	-	
Net deferred tax liability	-	
Ceded reinsurance premiums payable	-	
Amounts due to parent, subsidiaries and affiliates	-	
Liability for amounts held under uninsured plans	1,529,641	
Aggregate write-ins for other liabilities	8,303	
Total liabilities	<u>\$ 10,624,253</u>	
Aggregate write-ins for special surplus funds	\$ -	
Common capital stock	150,000	
Gross paid in and contributed surplus	3,765,650	
Surplus notes	4,900,000	
Aggregate write-ins for other-than-special surplus funds	-	
Unassigned funds (surplus)	<u>(1,556,716)</u>	
Surplus as regards policyholders	<u>7,258,934</u>	
Total Liabilities, Surplus and other Funds	<u><u>\$ 17,883,187</u></u>	

ALLCARE HEALTH PLAN, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended Dec. 31, 2022

	Current Year Total	Notes
Net premium income	\$ 64,776,527	
Change in unearned premium reserves and reserve for rate credits	-	
Aggregate write-ins for other health care related revenues	-	
Total revenues	<u>64,776,527</u>	
Hospital and Medical:		
Hospital/medical benefits	52,059,409	
Other professional services	-	
Outside referrals	-	
Emergency room and out-of-area	2,922,570	
Prescription drugs	4,763,323	
Aggregate write-ins for other hospital and medical	-	
Incentive pool, withhold adjustments and bonus amounts	-	
Subtotal	<u>59,745,303</u>	
Less:		
Net reinsurance recoveries	<u>136,767</u>	
Total hospital and medical	59,608,536	
Claims adjustment expenses	1,729,000	
General administrative expenses	5,376,047	
Increase in reserves for life and accident and health contracts	-	
Total underwriting deductions	<u>66,713,583</u>	
Net underwriting gain or (loss)	<u>(1,937,056)</u>	
Net investment income earned	76,965	
Net realized capital gains or (losses)	<u>(41,498)</u>	
Net investment gains or (losses)	35,467	
Net gain or (loss) from agents' or premium balances charged off	-	
Aggregate write-ins for other income or expenses	(1,432)	
Federal income taxes incurred	(388,032)	
Net income (loss)	<u>\$ (1,514,990)</u>	

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

	2022	2021	2020	2019
Surplus as regards policyholders, Dec. 31, previous year	<u>\$ 8,102,240</u>	<u>\$ 9,022,209</u>	<u>\$ 7,446,157</u>	<u>\$ 5,636,980</u>
Net income (loss)	(1,514,990)	(635,136)	1,484,438	971,590
Change in valuation basis of aggregate policy and claim reserves	-	-	-	-
Change in net unrealized capital gains (losses)	(218,671)	259,021	40,158	68,583
Change in net deferred income tax	-	(121,916)	121,916	-
Change in nonadmitted assets	(1,664,645)	(421,938)	(70,460)	(230,995)
Change in provision reinsurance	-	-	-	-
Change in treasury stock	-	-	-	-
Change in surplus notes	2,400,000	-	-	-
Cumulative effect of changes in accounting principles	-	-	-	-
Capital changes:				
Paid in	-	-	-	-
Transferred from surplus (stock dividend)	-	-	-	-
Transferred to surplus	-	-	-	-
Surplus adjustments:				
Paid in	155,000	-	-	1,000,000
Transferred to capital (stock dividend)	-	-	-	-
Transferred from capital	-	-	-	-
Distribution to parent (cash)	-	-	-	-
Aggregate write-ins for gains or losses in surplus	-	-	-	-
Change in surplus as regards policyholders for the year	<u>(843,305)</u>	<u>(919,969)</u>	<u>1,576,052</u>	<u>1,809,178</u>
Surplus as regards policyholders, Dec. 31, current year	<u>\$ 7,258,935</u>	<u>\$ 8,102,240</u>	<u>\$ 9,022,209</u>	<u>\$ 7,446,157</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At Dec. 31, 2022, the Plan’s long-term bond investments were diversified in U.S. obligations, U.S. agency-issued bonds, corporate issues, and an exchange traded fund. Common stocks consisted of a number of publicly traded stocks and six separate mutual funds. The Plan reported cash in three checking accounts and short-term investments in held in a money market mutual fund.

A comparison of the investment classes over the past five years is as follows:

	A	B	C	Ratio	Ratio	Ratio
<u>Year</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>
2018	4,349,146	-	4,840,585	39%	0%	43.4%
2019*	3,835,459	902,491	4,173,863	23.9%	5.6%	26%
2020	3,786,739	1,134,555	7,813,312	24.1%	7.2%	49.7%
2021	4,835,238	1,661,401	6,340,889	30.1%	10.4%	39.5%
2022*	4,875,268	1,374,168	9,407,914	27.3%	7.7%	52.6%

* Balance per examination

As of Dec. 31, 2022, sufficient assets were invested in amply secured obligations of the U.S., the State of Oregon, or in FDIC insured cash deposits, in compliance with ORS 733.580. The board formally approved the investment transactions in each of the years under review, as required by ORS 733.730.

Effective June 21, 2017, and last amended on March 16, 2021, the Plan entered into an investment services agreement with KeyBank National Association. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (n).

Note 2 – Actuarial reserves

A review of the unpaid claims and claim adjustment expense reserves for the Plan was performed by Drew Bux, ASA, MAAA, life and health actuary for DFR.

Mr. Bux reviewed the actuarial estimates for the Plan at Dec. 31, 2022. This includes the statement of actuarial opinion, signed by Christopher S. Girod, FSA, MAAA, of Milliman, the actuarial memorandum supporting the statement of actuarial opinion, and the annual statement for 2022. Mr. Bux also reviewed the information on the Plan that was collected by the exam team. Estimates for the Plan’s liabilities are as follows:

	Exam estimate	Annual statement
Claims Unpaid	\$ 8,572,234	\$ 8,572,234
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	243,075	243,075
Aggregate Health Policy Reserves	257,396	257,396
Premium Deficiency Reserves	-	-
Liability for amount held under uninsured plans	<u>1,529,641</u>	<u>1,529,641</u>
Total Actuarial Liabilities	<u>\$ 10,602,346</u>	<u>\$ 10,602,346</u>

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of Dec. 31, 2022, were reasonable. Based on Mr. Bux’s review, the Plan booked extra margin for the Claims Unpaid, and he noted the reserve for claims unpaid was reasonable. In addition, Mr. Bux accepted the 3 percent margin, or \$243,075, booked for the reserve for claims adjustment expenses was reasonable.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

No adjustments were made to surplus as a result of the examination. The following is a summary of the recommendations made in this report of examination:

Page

- 7 I recommend the Plan to have the board or committee thereof to review and approve of the officers’ salaries and compensation, in accordance with ORS 732.320(3).
- 7 I recommend the Plan to have the appointed actuary report to and present the actuarial opinion to the Plan’s board of directors or the audit committee, in accordance with ORS 731.574 and OAR 836-011-0000.
- 14 I recommend the Plan immediately file a Form D – Notice of Proposed Transaction to have the tax sharing agreement approved in accordance with ORS 732.574(2)(a)(A). I further recommend the Plan review all its internal operations for any agreement between related parties and submit them to DFR.
- 17 I recommend the Plan ensure that the notes, and interrogatories, to the financial statement are disclosed in its annual financial statements in accordance with the requirements of ORS 731.574(1) and OAR 836-011-0000.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Plan has decreased \$187,223 from \$8,320,439, as presented in the Dec. 31, 2019, report of examination to \$7,258,934, as shown in this report. The comparative assets and liabilities are:

	<u>2022</u>	Dec. 31	<u>2019</u>	<u>Change</u>
Assets	\$ 17,883,187		\$ 12,093,336	\$ 5,789,851
Liabilities	<u>10,624,253</u>		<u>3,772,897</u>	<u>6,851,356</u>
Surplus	<u>\$ 7,258,934</u>		<u>\$ 8,320,439</u>	<u>\$ (187,223)</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, Andrew Bux, 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. Additionally, Daniel Judge, CFE, supervisor, Mary Miller, AFE, senior associate, Alan Griffieth, CPA, CFE, financial examiner, and Stephen Skenyon, CISA, CPA, IT senior manager, from Risk and Regulatory Consulting, LLC, participated in the examination.

Respectfully submitted,

/s/ Tho Le

Tho Le, CFE, PIR
Examiner-in-charge
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON

County of Marion

Tho Le, CFE, PIR, 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, OR.
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.

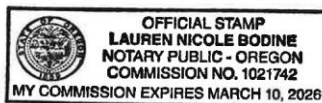
The affiant says nothing further.

/s/ Tho Le

Tho Le, CFE, PIR
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

I, Lauren Bodine, Notary Public, Witness my hand and official seal this 14th day of November, 2024.

Lauren Bodine



Signature of Notary
Notary Printed Name: Lauren Bodine
My Commission Expires: March 10, 2026