STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

FAMILYCARE HEALTH PLANS, INC.
PORTLAND, OREGON

AS OF

DECEMBER 31, 2016

STATE OF OREGON

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DIVISION OF FINANCIAL REGULATION

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PORTLAND, OREGON

NAIC COMPANY CODE 47084

AS OF

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SALUTATION

February 16, 2017

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

Dear Commissioner:

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

FAMILYCARE HEALTH PLANS, INC.
825 NE Multnomah, Suite 1400
Portland, Oregon 97232

NAIC Company Code 47084

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

SCOPE OF EXAMINATION

We have performed our regular, full-scope, single-state examination of FamilyCare Health Plans, Inc. The last examination of this health care service contractor was completed as of December 31, 2013. The current examination covers the period of January 1, 2014, to December 31, 2016.

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 National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*. The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

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

PLAN HISTORY

The Plan was incorporated as a nonprofit corporation under the laws of the State of Oregon on June 19, 1997, to become a domestic health care service contractor as defined by Chapter 750 of the Oregon Insurance Code. The Plan received a certificate of authority to transact the business of accepting prepayment for health care services on November 24, 1997. The Plan commenced business in September, 2005.

On July 23, 2001, the Plan changed its registration from a mutual benefit nonprofit corporation to a nonprofit public benefit corporation pursuant to ORS 65.001(31)(a) and as directed by the Oregon Department of Justice, Charitable Activities Section. The Plan is exempt from Federal income taxes under section 501(a) of the Internal Revenue Code. Under IRC section 501(c)(4), the Plan is expressly prohibited from allowing any part of its net earnings to inure to the benefit of any private stakeholder or individual.

Capitalization

During the period under examination, the Plan's direct parent, FamilyCare, Inc. ("FCI") made paid-in surplus contributions as follows:

Year	Contributed Surplus	Ending Balance
Prior Exam		$ 4,767,795
2014	$ 20,000,000	24,767,795
2015	0	24,767,795
2016	15,000,000	39,767,795

Other Distributions

The Plan paid no dividends to FCI or made any distributions within its holding company system during the period under examination.

CORPORATE RECORDS

Board Minutes

In general, during the review of the board minutes, which are combined for the Plan and FCI, it was difficult to identify all actions that were specific to the Plan, including actions required by the Plan's bylaws. For the most part, the combined minutes did support the transactions of the Plan and the actions taken by its directors and officers. A quorum, as defined by the Plan's Bylaws, met at all of the meetings held during the period under review.

The Plan's Board does not directly approve the compensation of its senior officers. Instead, the Board approves an annual budget, which includes salaries and compensation of its officers. This process complies with the provisions of ORS 732.320(3).

Articles of Incorporation

The Amended Articles of Incorporation were restated on November 4, 1997. There were no changes made during the period under examination. The Articles of Incorporation conformed to Oregon Insurance Code.

Bylaws

The Corporate Bylaws were adopted September 16, 1997, and last amended on July 5, 2001. There were no changes made during the period under examination. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws, Articles 3.2, vest the Plan's management and control in a Board of Directors numbering at least five and not more than nine members. No director shall be eligible to serve

more than six consecutive years. After reviewing the Board meeting minutes the Examiners found a number of instances of noncompliance with the Plan's Bylaws. Specifically:

- The Examiner noted intermingling of the business affairs and resolutions between the Plan and FCI not sanctioned by the bylaws.
- Mr. Richardson, Mr. Pawlowski, and Mr. Carus have each exceeded their tenure as board members, pursuant to Article III, Section 3.2.
- The annual member meetings were not held during 2014, 2015 and 2016, a violation of Article III, Section 3.4.
- Officer elections were not held in 2014, 2015 and 2016, a violation of Article V, Section 5.2.
- The President/CEO, Jeffrey Heatherington, serves on the Board as a member, which is prohibited by Article V, Section 5.1.

I recommend the Plan ensure board meetings and minutes are entity specific and that the Plan ensures compliance with its bylaws.

Members of the Board of Directors duly elected and serving as of December 31, 2016, were:

Name and Address	Affiliation	Member Since	Representation
Robert K. Carus Clackamas, Oregon	President RK Carus – CPA, PC	2009	Public
Jeffrey S. Heatherington Portland, Oregon	President/CEO FamilyCare, Inc.	2014	Company
Jeffrey L. Pawlowski Portland, Oregon	Treasurer FamilyCare, Inc.	2008	Company
Robin L. Richardson DO * Portland, Oregon	Doctor of Osteopathy Family Medical Associates	2007	Medical
Michael J. Riley Portland, Oregon	President and Research Director Riley Research & Associates	2016	Public

*Chairman of the Board

According to its filed annual statement jurat pages, at least one third of the members of the Board of Directors were representatives of the public who are not salaried officers of the company or practicing physicians, and the Plan is in compliance with the provisions of ORS 750.015(1).

Officers

Operating management of the Plan as of December 31, 2016, was under the direction of the following principal officers:

Officer	Office
Jeffrey S. Heatherington	President and CEO
Jeffrey L. Pawlowski	Treasurer
Robin L. Richardson	Chairman
Robert K. Carus	Secretary

The Plan maintains that although Mr. Carus is listed as an officer of the Plan, he is not paid a salary and thus he qualifies as a representative of the public.

I recommend the Plan replace Mr. Carus as a Board member with someone who would be a true representative of the public, in compliance with ORS 750.015.

Conflict of Interest

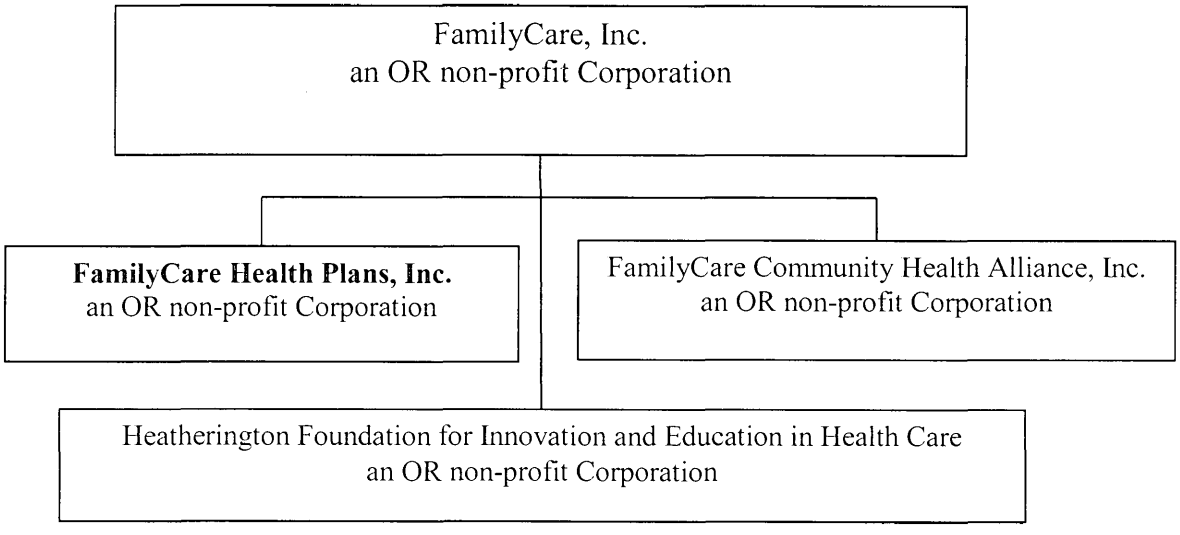
The Plan requires officers and directors to read the corporate conflict of interest policy and disclose any conflict of interest on a signed conflict of interest statement. The Plan provided signed copies of the conflict of interest statements for each officer and director to the examiners. From a review of the conflict of interest statements, it appeared the affected personnel performed due diligence in disclosing any and all potential conflicts of interest.

Insurance Company Holding System

The Plan is a member of an Insurance Company Holding System whereby FCI is the ultimate controlling entity. The Plan filed an insurance holding company registration statement in

accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020.

The following is an organization chart (FCI is the sole member of each affiliate) as of December 31, 2016:



FamilyCare, Inc. (FCI): FCI had contracted with the Oregon Health Authority (OHA) and with the OHA Addictions and Mental Health Division (AMH) as a fully capitated health plan offering Medicaid benefits. On August 1, 2012, FCI converted it fully capitated health plan contract to a Coordinated Care Organization (CCO) contract, providing physical, mental and dental coverage for Medicaid benefits in the Oregon counties of Multnomah, Clackamas, Washington and portions of Marion. FCI in turn contracted with individual primary care providers and hospitals to provide medical services to its members, and paid capitated rates or negotiated fees for services provided by certain physicians and hospitals in the Oregon counties.

FCI is the sole member of the Plan and is therefore deemed to be the ultimate controlling entity of the Plan, pursuant to ORS 732.548.

FamilyCare Community Health Alliance, Inc. (Community): The corporation was established on April 25, 2012, to create a separate organization for the Eastern Oregon Coordinated Care Organization (Medicaid) line of business. FCI intended to serve the Tri-County area and have Community serve the eastern Oregon markets, similar to its fully capitated health plan model. Community has been dormant since its inception.

Heatherington Foundation for Innovation and Education in Health Care (Foundation): This Foundation was established in December, 2014, through contributions from FCI, as an organization to support innovation for improvements in the healthcare community and to fund education in healthcare.

INTERCOMPANY AGREEMENTS

As of December 31, 2016, the Plan was party to the following agreement with FCI:

Administrative Services Agreement

Effective January 1, 2011, the Plan entered into an Administrative Services Agreement with FCI, whereby FCI agrees to provide the following services to the Plan: provider network development and administration, credentialing health care providers, utilization review and medical management, compliance oversight, accounting, legal, claims processing, human resources, and other management functions. Pursuant to the Administrative Services Agreement, FCI has and supplies all of the employees, systems and equipment used in the conduct and operation of the business of the Plan. The agreement was amended effective January 1, 2012, to require the Plan to pay FCI its actual cost or at arms-length transaction value, as determined by FCI. Payment is due within 90 days following the beginning of each month in which FCI services were rendered.

FIDELITY BONDS AND OTHER INSURANCE

The Plan is insured up to $300,000 per occurrence, after a $15,000 deductible, against losses resulting from acts of dishonesty or fraud by its employees or agents. Based on the calculation of the fidelity bond requirement in the National Association of Insurance Commissioners (NAIC) *Financial Condition Examiners Handbook*, the suggested amount is $400,000. The Plan also has crime coverage up to $50,000 for employee theft, after a $1,000 deductible per occurrence, with a maximum annual coverage limit of $1,000,000. Based on the Plan's risk history and combined suggested coverage, the Plan's risk officer considers the coverage appropriate for the Plan.

The Plan was able to provide evidence of other insurance coverage to protect its general business operations. These included workers' compensation, building contents and other business liabilities, and Directors & Officers coverage.

TERRITORY AND PLAN OF OPERATION

The Plan provides health coverage as a licensed Oregon health care service contractor to persons eligible for Medicare by contracting with physicians, hospitals, and other providers of health services. During 2016, the Plan offered a total of six Medicare Advantage plans, one of which was a Special Needs Plan (SNP) for Medicaid and Medicare (dual eligible) members. Of the six plans, four were Health Maintenance Organization (HMO) and two were Preferred Provider Organization (PPO) products. Premiums for these plans was primarily paid by Centers for Medicare and Medicaid Services ("CMS"), with three of the plans requiring an additional small member premium to provide coverage supplemental to the traditional Medicare coverage (i.e. dental, vision, routine and preventive care). Starting in 2017, these plan offerings were reduced to eliminate both of the PPO products and narrowed the HMO products to one commercial offering and one SNP offering. The Plan markets its products through independent agents.

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

Line of Business	2016	2015	2014	2013	2012
Health Maintenance Organizations	4,668	3,880	2,594	2,590	2,693
Other	0	0	0	0	0
Total enrollment	4,668	3,880	2,594	2,590	2,693

GROWTH OF THE COMPANY

The growth of the Plan over the last five years is reflected in the following schedule. The stated amounts were derived from the Plan's filed annual statements, except in those years where a report of examination has been published by the Division of Financial Regulation.

Year	Assets	Liabilities	Total Capital and Surplus	Net Income/(Loss)
2012	$ 10,279,447	$ 6,374,520	$ 3,904,927	$ (404,740)
2013*	10,640,203	5,913,552	4,726,651	(167,484)
2014	26,221,596	6,724,309	19,497,287	(4,968,452)
2015	17,934,657	9,328,613	8,606,044	(9,856,226)
2016*	16,173,938	9,694,302	6,479,636	(13,446,967)

*Per examination

During the period under examination, FCI continued to make surplus contributions to offset the Plan's net operating losses sustained in 2014, 2015, and 2016.

LOSS EXPERIENCE

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

Year	(1) Total Revenues	(2) Total Hospital and Medical	(2)/(1) Medical Loss Ratio	(3) CAE and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2012	28,606,523	24,480,240	85.6%	4,369,211	100.8%
2013*	31,142,604	26,220,418	84.2%	5,090,217	100.5%
2014	32,110,116	31,523,314	98.2%	5,714,944	116.0%
2015	39,280,679	41,385,885	105.4%	8,278,890	126.4%
2016*	47,271,350	51,909,037	109.8%	8,584,582	128.0%

*Per examination

A combined loss ratio of more than 100% could indicate an underwriting loss, which the Plan reported in each of the years under examination.

REINSURANCE

During the period under examination, the Company's reinsurance program was comprised of an HMO Specific Excess of Loss reinsurance agreement with PartnerRe America Insurance Company (NAIC #11835 and authorized in Oregon on December 22, 1981). Under the terms of the agreement, the reinsurer reimburses the Company for losses unlimited with respect to any one member, after retention of $250,000. It was determined the Company's reinsurance agreement clearly specified the risk taken by the reinsurer, with no unusual provisions reducing the reinsurer's risk.

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

The examiners determined the reinsurance agreement provided for risk transfer in accordance with the requirements of SSAP No. 61R. The Plan's reinsurance agreement requires the Plan to

retain a maximum of $250,000 per risk. In view of the Plan's surplus, as adjusted for this examination, of $6,479,636 at December 31, 2017, the Plan did not retain risk on any one subject of insurance in excess of 10% of its surplus to policyholders, and complied with the maximum risk retention set by ORS 731.504.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in the Plan's 2016 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

To satisfy the statutory deposit requirements in Oregon for health care service contractors, the Plan maintained a deposit with the Oregon Division of Financial Regulation, Department of Consumer and Business Services, in the sum of $260,000 (par value), to maintain compliance with ORS 750.045. The deposit was verified from the records of the Division of Financial Regulation.

SUBSEQUENT EVENT

Due to large operational losses during 2016, the Plan received additional capital paid in the amount of $15,000,000 in 2017 from FCI. The surplus infusion was in addition to the surplus contributions made during the period under examination, as discussed in Plan History – Capitalization.

Effective January 31, 2018, FCI's Coordinated Care Organization Medicaid contract was not renewed by the Oregon Health Authority. As a result of this action, the Plan notified CMS on February 15, 2018, that it would request permission to terminate its Medicare Advantage

business. An updated letter was sent certified mail on February 23, 2018, with language required by CMS. The Plan notified the Division of Financial Regulation on April 11, 2018, stating it had entered into a Contract for Termination by Mutual Consent with CMS, indicating that all of its Medicare Advantage plans would terminate on June 1, 2018.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Plan has taken corrective action with respect to each of the three recommendations made in the 2013 report of examination.

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Plan with the Division of Financial Regulation and present the financial condition of the Plan as of December 31, 2016. 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.

Statement of Assets
Statement of Liabilities, Capital and Surplus
Statement of Revenues and Expenses
Reconciliation of Surplus Since the last Examination

FAMILYCARE HEALTH PLANS, INC.
ASSETS
As of December 31, 2016

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 11,146,198	$ -	$ 11,146,198	1
Cash, cash equivalents and short-term investments	6,286,131	(3,250,530)	3,035,601	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	$ 17,432,328	$ (3,250,530)	$ 14,181,798	
Investment income due and accrued	30,656	-	30,656	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	671,425	-	671,425	
Amounts recoverable from reinsurers	253,475	-	253,475	
Health care and other amounts receivable	1,036,584	-	1,036,584	2
Aggregate write-ins for other than invested assets	-	-	-	
Total Assets	$ 19,424,468	$ (3,250,530)	$ 16,173,938	

FAMILYCARE HEALTH PLANS, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2016

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims Unpaid	$ 8,113,915	$ -	$ 8,113,915	2
Unpaid claims adjustment expense	164,599	-	164,599	2
Aggregate health policy reserves	-	-	-	
Premiums received in advance	18,298	-	18,298	
General expenses due or accrued	791,178	-	791,178	
Amounts held for the account of others	7,131	-	7,131	
Payable to parent, subsidiaries and affiliates	395,708	-	395,708	
Liability for amounts held under uninsured plans	203,473	-	203,473	
Aggregate write-ins for liabilities	-	-	-	
Total Liabilities	$ 9,694,302	$ -	$ 9,694,302	
Common capital stock	$ -	$ -	$ -	
Gross paid in and contributed surplus	39,767,795		39,767,795	
Unassigned funds (surplus)	(30,037,629)	(3,250,530)	(33,288,159)	
Total Capital and Surplus	9,730,166	(3,250,530)	6,479,636	
Total Liabilities, Surplus and other Funds	$ 19,424,468	$ (3,250,530)	$ 16,173,938	

FAMILYCARE HEALTH PLANS, INC.
REVENUE AND EXPENSES
For the Year Ended December 31, 2016

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Net premium income	$ 47,271,350	$ -	$ 47,271,350	
Aggregate write-ins	-	-	-	
Total revenues	47,271,350	-	47,271,350	
Hospital and Medical:				
Hospital/medical benefits	33,828,689	-	33,828,689	
Other professional services	4,350,211	-	4,350,211	
Emergency room and out-of-area	6,712,829	-	6,712,829	
Prescription drugs	6,381,725	-	6,381,725	
Aggregate write-ins	629,470	-	629,470	
Incentive pool, withhold adjustments and bonus amounts	343,700	-	343,700	
Subtotal:	52,246,624	-	52,246,624	
Less:				
Net reinsurance recoveries	337,587	-	337,587	
Total medical and hospital	51,909,037	-	51,909,037	
Non-health claims	-	-	-	
Claim adjustment expenses	1,577,305	-	1,577,305	
General administrative expense	7,007,277	-	7,007,277	
Total underwriting deductions	60 493,619	-	60,493,619	
Net underwriting gain or (loss)	(13,222,269)	-	(13,222,269)	
Net investment income earned	71,908	-	71,908	
Net realized capital gains (losses)	(92,506)	-	(92,506)	
Net investment gains or (losses)	(20,598)	-	(20,598)	
Net gain or (loss) from agents' or premium balances charged off	(204,100)	-	(204,100)	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	-	-	-	
Net income	$ (13,446,967)	$ -	$ (13,446,967)	

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

	2016	2015	2014
Capital and surplus, December 31, previous year	$ 8,606,044	$ 19,497,287	$ 4,746,401
Net income	(13,446,967)	(9,856,226)	(4,968,452)
Net unrealized capital gains or (losses)	-	-	-
Change in net unrealized capital gain (loss)	-	(500,966)	306,086
Change in net deferred income tax	-	-	-
Change in nonadmitted assets	(428,911)	(534,051)	(586,747)
Change in provision for reinsurance	-	-	-
Capital changes:			
Paid in	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Surplus adjustments:			
Paid in	15,000,000	-	20,000,000
Transferred from surplus (Stock Dividend)	-	-	-
Transferred to surplus	-	-	-
Examination adjustments	(3,250,530)	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-
Change in surplus as regards policyholders for the year	(2,126,408)	(10,891,243)	14,750,886
Surplus as regards policyholders, December 31, current year	$ 6,479,636	$ 8,606,044	$19,497,287

NOTES TO FINANCIAL STATEMENTS

Note 1 – Investments

At December 31, 2016, the Plan's investment portfolio was comprised of US Treasury obligations and cash. A comparison of the investments classes over the past five years is as follows:

Year	A Bonds	B Common Stocks	C Cash and Short-term	Ratio A/ Total Assets	Ratio B/ Total Assets	Ratio C/ Total Assets
2012	7,076,397	-	2,614,557	68.9%	0.0%	25.5%
2013*	5,527,573	2,722,022	(618,557)	51.9%	25.6%	(5.8)%
2014	7,329,480	3,121,727	13,565,733	28.0%	11.9%	51.7%
2015	10,802,788	-	5,786,293	60.2%	0.0%	32.3%
2016*	11,146,198	-	3,035,601	68.9%	0.0%	18.8%

*Per examination

As of December 31, 2016, 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.

All investment transactions were approved by the Finance Committee, the actions of which were approved by the full Board of Directors, as required by ORS 733.740.

The Plan's invested assets are held at First State Trust Company. The custodial agreement was reviewed and was determined to be in compliance with the protections required in OAR 836-027-0200(4)(a) through (l).

The cash on deposit balance was held in one bank, which exceeded the 10% limitation of ORS 733.770. As a result, the examiners non-admitted $3,250,530 of the $5,192,977 held at Umpqua Bank.

I recommend the Plan comply with the requirements of ORS 733.770 and limit its investments in any single entity to no more than 10% of admitted assets.

Note 2 – Losses and Loss Adjustment Expenses

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. As part of his review, he examined the Actuarial Report Supporting Statements as of December 31, 2016, prepared by the Plan's consulting actuary, Benjamin J. Diederich, FSA, MAAA, of the firm Milliman, Inc.

Mr. Ball reviewed the reconciliation of the data used in the Plan's Statement of Actuarial Opinion 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:

	My Estimate	Annual Statement
Claims Unpaid	$ 8,006,545	$ 8,113,915
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	164,599	164,599
Aggregate Health Policy Reserves	-	-
Aggregate Health Claim Reserves	-	-
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	$ 8,171,144	$ 8,278,514

The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2016, were reasonable. Mr. Ball's total estimate was less than the appointed actuary's estimate by $107,370, a difference of 1.3%, indicating a reserve redundancy. He concurred that the reserves of the Plan were reasonably stated as of December 31, 2016.

In his review of the other actuarial asset, health care and other amounts receivable in the amount of $1,036,584 as reported in the financial statement, only one was actuarially determined: the estimated amount owed to the Plan by CMS for the Medicare Part D risk corridor, in the amount of $46,352. Mr. Ball concurred with this estimate. The remaining balances included a pharmacy rebate receivable of $822,295, a reinsurance subsidy receivable of $163,451, and a miscellaneous government receivable of $4,486; all were accepted as stated.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

As a result of this examination, policyholder surplus was reduced by $3,250,530. There were three recommendations made as follows:

Page

7 I recommend the Plan ensure board meetings and minutes are entity specific and that the Plan ensure compliance with its bylaws.

8 I recommend the Plan replace Mr. Carus as a Board member with someone who would be a true representative of the public.

20 I recommend the Plan comply with the requirements of ORS 733.770 and limit its investments in any single entity to no more than 10% of admitted assets.

CONCLUSION

During the three-year period covered by this examination, the surplus of the Plan has increased $1,752,985, from $4,726,651 as presented in the December 31, 2013 report of financial examination, to $6,479,636 as shown in this report of examination.

	December 31, 2016	2013	Change
Assets	$ 16,173,938	$ 10,640,203	$ 5,533,735
Liabilities	9,694,302	5,913,552	3,780,750
Surplus	$ 6,479,636	$ 4,726,651	$ 1,752,985

ACKNOWLEDGMENT

The examiner wishes to express his appreciation for the cooperation and assistance extended by the officers and employees of the Plan during the course of the examination.

In addition to the undersigned, Michael P. Phillips, CFE, CPA, AES, IT Specialist, Khoa V. Nguyen, Brandon L. Lau, financial examiners, and David Ball, FSA, MAAA, Life & Health Actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in this examination.

Respectfully submitted,

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

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

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

1. I have authority to represent the state of Oregon in the examination of FamilyCare Health Plans, Inc., Portland, 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 FamilyCare Health Plans, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

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

Subscribed and sworn to me this 2 day of April, 2019.

Notary Public for the State of Oregon

My Commission Expires: 12/17/21

OFFICIAL STAMP
SARA MARIE WARBURTON
NOTARY PUBLIC - OREGON
COMMISSION NO. 969549
MY COMMISSION EXPIRES DECEMBER 17, 2021