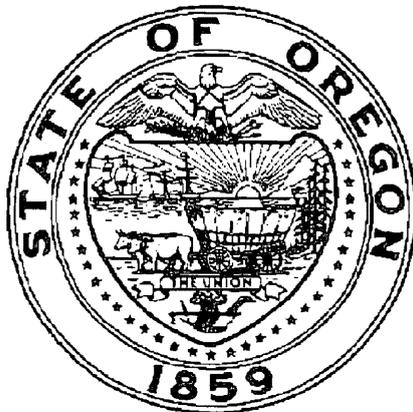


STATE OF OREGON

**DEPARTMENT OF
CONSUMER & BUSINESS
SERVICES**

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF QUALIFYING FINANCIAL EXAMINATION

OF

SUMMIT HEALTH PLAN, INC.
PORTLAND, OREGON

AS OF

MARCH 17, 2020

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

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SALUTATION

March 27, 2020

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

**SUMMIT HEALTH PLAN, INC.
601 SW SECOND AVENUE
Portland, Oregon 97204**

Hereinafter referred to as the "Company." The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our qualifying examination of Summit Health Plan, Inc. The examination was conducted to determine if the Company is qualified to obtain a certificate of authority to conduct business as an insurance corporation pursuant to ORS 731.300 and in accordance with ORS 731.302(1). The primary focus was to verify assets, liabilities, capital and surplus and to confirm that minimum capital and surplus requirements have been met. ORS 731.554 requires that applicants for an initial certificate of authority to conduct business as an insurer possess capital and surplus of at least \$3,000,000.

In addition to a verification of the Company's financial position, the following matters were reviewed:

Company description	Management and control
Conflict of interest	Corporate records
Fidelity bond and other insurance protection	Reinsurance
Accounts and records	

The examination was conducted in compliance with the Oregon Insurance Code as well as in accordance with procedures promulgated by the National Association of Insurance Commissioners.

COMPANY DESCRIPTION

Summit Health Plan, Inc. is an Oregon stock corporation formed pursuant to Chapter 732 of the Oregon Revised Statutes. It was granted a permit to organize by the Division of Financial Regulation and received a Certificate of Incorporation.

Capitalization

The Company is a for-profit stock corporation incorporated in Oregon by the Division of Financial Regulation. Article V of the Articles of Incorporation authorize the Company to issue 100,000 shares of common stock, with no par value. At inception, the Company has issued 1,000 shares to the following:

<u>Shareholder</u>	<u>Shares</u>	<u>Proceeds</u>
Moda Partners, Inc.	530	\$ 3,180,000
Saint Alphonsus Health System	100	600,000
St. Anthony Hospital	100	600,000
Grande Ronde Hospital	100	600,000
Good Shepherd Health Care System	100	600,000
Yakima Valley Farm Workers Clinic	30	180,000
Greater Oregon Behavioral Health, Inc.	30	180,000
Pendleton IPA, Inc. dba Eastern Oregon IPA	10	60,000
Total	<u>1,000</u>	<u>\$ 6,000,000</u>

Each party signed a Shareholders Agreement effective February 14, 2020. The amount of proceeds equal the amount reported by the Company as paid in and contributed surplus. The capitalization requirements are defined in ORS 731.554(1), which requires a company to keep and maintain capital and surplus of not less than \$2,500,000 and to possess an additional \$500,000 upon initial licensing, as required by ORS 731.554(5).

CORPORATE RECORDS

Articles of Incorporation

The Company's Articles of Incorporation were approved by the Division on February 27, 2020. The Articles of Incorporation conformed to the Oregon Insurance Code.

Bylaws

The examiners reviewed the corporate Bylaws effective as of November 27, 2019. The Bylaws stipulate that the business and affairs of the corporation shall be controlled by the Board of Directors. The number of directors shall be no fewer than five, the exact number to be determined as provided by the Shareholders Agreement or by the Board. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Plan's Bylaws, in Article II, section 1, state all corporate powers shall be exercised by or under the authority of, and the business and affairs of the corporation shall be controlled by, the Board of Directors. The Bylaws state that the number of directors shall be a minimum of five (5), as determined from time to time by the Board of Directors. As of March 17, 2020, these members were:

Name and Address

Principal Affiliation

Dennis Eugene Burke
Hermiston, Oregon

Treasurer
Good Shepherd Health Care System

Jeremy Patrick Davis
Le Grande, Oregon

President & CEO
Grande Ronde Hospital

Harold Sidney Geller
Pendleton, Oregon

President & CEO
St. Anthony Hospital

Kenneth Robert Hart
Ontario, Oregon

President
St. Alphonsus Medical Center – Ontario

Juan Carlos Olivares
Yakima, Oregon

Executive Director
Yakima Valley Farm Workers Clinic

Name and Address

Principal Affiliation

Robin Jay Richardson *
Vancouver, Washington

CEO
Summit Health Plan, Inc.

Karen Marie Wheeler
Salem, Oregon

CEO
Greater Oregon Behavioral Health, Inc.

Christopher Lawrence Zadeh
Pendleton, Oregon

CEO
Pendleton IPA, Inc. dba Eastern Oregon IPA

*Chairman

Pursuant to ORS 732.305, at least five (5) or one-quarter of the Directors, whichever is fewer, must be residents of Oregon and a majority of Directors must be non-salaried officers of the Company. The Company was in compliance with this statute. The Directors as a group had experience in law, insurance and management, in accordance with the provisions of ORS 731.386.

Officers

Pursuant to the Bylaws, in Article III, the officers of the corporation shall be a Chair of the Board, Chief Executive Officer, Chief Financial Officer, Secretary, and such other officer as the Board of Directors may appoint. The same individual may hold more than one office. The officers shall be elected annually by the Board of Directors. The principal officers serving at March 17, 2020, were as follows:

Name

Title

Robin Jay Richardson
David Wayne Evans
Sean Allan Jessup
Thomas James Bikales
Dennis Eugene Burke

Chief Executive Officer
Chief Financial Officer
President, Chief Operation Officer
Secretary, Chief Legal Officer
Treasurer

Conflict of Interest

The Board will adopt the Conflict of Interest policy and disclosure upon receipt of the approval of the Certificate of Authority. The Plan provides a draft Conflict of Interest policy that requires all directors and officers to identify and disclose all potential conflicts of interest annually.

INTERCOMPANY AGREEMENTS

The following agreement will be in place between the Company and Moda Health Plan, Inc.:

Administrative and Management Services Agreement

The Plan will enter into an Administrative Services Agreement (ASA) with Moda Health Plan, Inc. (Moda Health). Moda Health is a wholly-owned subsidiary of Moda Partners, Inc., the majority shareholder of the Company. Moda Health staff will supply services including: bid development, underwriting administration, claims payments/adjustments, premium accounting, claims accounting, marketing, and financial and account support. Oversight of these services will be conducted by the Officers and Directors of the Company.

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 Company's insurance coverages are provided through insurance policies from an unaffiliated carrier covering Oregon Dental Service and all majority-owned subsidiary companies as a named insured. The group as a whole is insured up to \$7,500,000 per individual loss, with a \$100,000 retention 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. In addition, the group has coverage for electronic and computer crime.

TERRITORY AND PLAN OF OPERATION

The Company intends to offer Medicare Advantage only and/or Medicare Advantage Part D products to Medicare eligible beneficiaries residing within twelve Eastern Oregon counties (Baker, Gilliam, Grant, Harney, Lake, Malheur, Morrow, Sherman, Umatilla, Union, Wallowa, and Wheeler). Upon issuance of a Certificate of Authority, the Company will file with the Centers for Medicare & Medicaid Services (CMS) to form a Medicare Advantage Plan.

REINSURANCE

The Company is a newly formed insurance company seeking its first certificate of authority. It intends to see bids for and obtain a reinsurance contract with a permissible reinsurance company upon obtaining its certificate of authority.

ACCOUNTS AND RECORDS

In general, the Plan's records and source documentation supported the amounts presented in its unaudited March 17, 2020, financial statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170.

FINANCIAL STATEMENTS

The Company has provided a pro-forma set of financial statements. The Division has considered the pro-forma financial projections and has accepted them as a reasonable plan. The Company has not conducted any business, other than to obtain the paid in and contributed surplus, which was

deposited into an account with US Bank, NA. At March 17, 2020, the Examiner prepared the following balance sheet:

SUMMIT HEALTH PLAN, INC.
BALANCE SHEET
As of March 17, 2020

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ -	\$ -	\$ -	
Cash, cash equivalents and short-term investments	6,000,000	-	6,000,000	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>6,000,000</u>	<u>\$ -</u>	<u>6,000,000</u>	
Investment income due and accrued	-	-	-	
Aggregate write-ins for other than invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Total Assets	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>	
 Liabilities				
Claims unpaid	\$ -	\$ -	\$ -	
Accrued medical incentive pool and bonus amounts	-	-	-	
Unpaid claims adjustment expenses	-	-	-	
Aggregate write-ins for liabilities	<u>-</u>	<u>-</u>	<u>-</u>	
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
 Surplus				
Common capital stock	\$ 0	\$ -	\$ 0	
Gross paid-in and contributed capital	6,000,000	-	6,000,000	
Unassigned funds (surplus)	<u>-</u>	<u>-</u>	<u>-</u>	
Surplus as regards policyholders	<u>6,000,000</u>	<u>-</u>	<u>6,000,000</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 6,000,000</u>	<u>\$ -</u>	<u>\$ 6,000,000</u>	

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

The examiner verified the balances in the cash accounts were held in the name of the Company and confirmed the balances held with the respective banks. The cash held at U.S. bank totaled \$6,000,000, which exceeded the 10% of asset limitations necessary in order to diversify its portfolio. The Company will need to comply with the requirements of ORS 733.770 and limit its investments in any single entity to 10% of admitted assets.

In addition, the Company will need to ensure sufficient invested assets will be invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, to comply with ORS 733.580.

The Company provided a draft copy of a custodial agreement with US Bank N.A. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments to the Company's surplus; it met the requirements of ORS 731.554.

CONCLUSION

The Plan has submitted an application for a Certificate of Authority in accordance with the provisions of ORS 731.402(1). As of March 17, 2020, the Plan reported net assets of \$6,000,000, no liabilities, and total equity of \$6,000,000 (unaudited), as determined by this financial examination. The Plan met the requirements of ORS 731.554 of the Oregon Insurance Code to be granted a Certificate of Authority.

ACKNOWLEDGMENT

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

Respectfully submitted,

/s/ Khoa Nguyen

Khoa Nguyen, CFE

Insurance Examiner

Division of Financial Regulation

Department of Consumer and Business Services

State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Khoa Nguyen, CFE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Summit Health Plan, 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 Summit 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/ Khoa Nguyen
Khoa V. Nguyen, CFE
Insurance Examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 4th day of May, 2020.

/s/ Lauren N. Bodine
Notary Public in and for the State of Oregon

My Commission Expires: 1/22/2022

