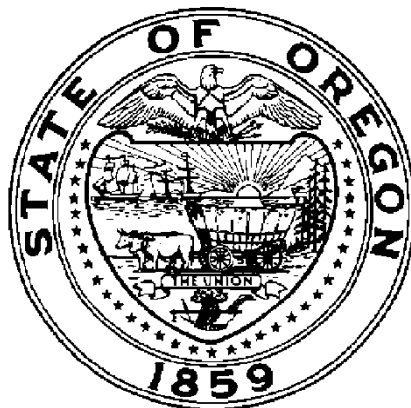


**DEPARTMENT OF
CONSUMER & BUSINESS
SERVICES**

**DIVISION OF FINANCIAL
REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

**TRILLIUM COMMUNITY HEALTH PLAN, INC.
SPRINGFIELD, OREGON**

AS OF

DEC. 31, 2022

STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

**TRILLIUM COMMUNITY HEALTH PLAN, INC.
SPRINGFIELD, OREGON**

NAIC COMPANY CODE 12559

AS OF

DEC. 31, 2022

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SALUTATION

May 1, 2024

Honorable Andrew 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

TRILLIUM COMMUNITY HEALTH PLAN, INC.

**555 International Way
Springfield, Oregon 97477**

NAIC Company Code 12559

Hereinafter referred to as the “Company” or the “Plan.” The following report is respectfully submitted.

SCOPE OF EXAMINATION

We have performed our regular, coordinated, single-state examination of Trillium Community Health Plan, Inc., part of the Centene Corporation Group holding company system, with the Texas Department of Insurance designated as the lead state. The last examination of this health care service contractor was completed as of Dec. 31, 2017. This examination covers the period of Jan. 1, 2018 to 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 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 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 Company's financial statements.

This examination report includes significant findings of fact, as mentioned in ORS 731.312(1) and general information about the Company 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/or the Company.

COMPANY HISTORY

The Plan was incorporated in Oregon on Feb. 14, 2006, as a for-profit health care service contractor to market group and individual health plans and related products and services to the general public. On Aug. 1, 2012, the Plan commenced operations as a Coordinated Care Organization (CCO) and acquired the Medicaid membership base of Lane Individual Practice Association (LIPA) and LaneCare through a transfer of the Oregon Health Plan contract.

On June 25, 2015, the director of the Department of Consumer and Business Services approved the acquisition of Agate Resources, Inc. (Agate), the direct parent of the Plan, by Centene Corporation (CNC), a publicly traded Delaware corporation. The acquisition was approved by the director on Aug. 31, 2015, with an effective date of Sept. 1, 2015.

On Dec. 12, 2017, a Form A Exemption Order was signed for the dissolution of Independent Professional Services, LLC (IPS), and Lane Individual Practice Association, Inc. (LIPA) from the holding group. Prior to the dissolution, LIPA owned 60 percent of the Company's outstanding shares and Agate Resources, Inc. (Agate) owned the remaining 40 percent. LIPA was also wholly owned by Agate prior to the dissolution. Subsequent to the dissolution, the Company is wholly owned by Agate, a wholly owned subsidiary of Centene Corporation.

Capitalization

Article III of the Plan's articles of incorporation authorize the Company to issue 10,000 shares of common stock, with no stated par value, for a total of \$5 million. All shares issued and outstanding are owned by Agate. Upon the acquisition by Centene Corporation, an additional \$24.3 million in paid-in surplus was contributed to the Plan. The following table displays the capitalization transactions since last examination:

Date	Shares	Common capital stock	Paid in and contributed surplus
Prior exam	5,000	\$5,000,000	\$34,300,000
2018	-	-	-
2019	-	-	-
2020	-	-	-
2021	-	-	-
2022	-	-	-
Totals	5,000	\$5,000,000	\$34,300,000

Dividends and other distributions

On Oct. 25, 2022, the Plan declared an extraordinary dividend in the amount of \$28.9 million. The dividend was non-disapproved by the Division of Financial Regulation and paid to its stockholder, Centene Corporation on Dec. 9, 2022. On Dec. 10, 2021 the Plan declared an ordinary dividend in the amount of \$5.8 million. The dividend was paid to its stockholder on Dec. 23, 2021.

CORPORATE RECORDS

Board minutes

In general, the review of the board meeting minutes of the Plan indicated the minutes support the transactions of the Plan and clearly describe the actions taken by its directors. A quorum, as defined by the Plan's bylaws, met at all of the meetings held during the period under review.

A review of the meeting minutes indicated the board did not directly approve the CEO's compensation in violation of ORS 732.320(3).

I recommend the board of directors directly approve by resolution the CEO's compensation annually, in accordance with ORS 732.320(3).

Articles of incorporation

The Company's articles of incorporation were amended and restated, effective May 24, 2021. The amended articles of incorporation authorizes the Plan to provide services as a Health Care Service Contractor, with its principal place of business in the city of Eugene, Lane County, Oregon. The articles of incorporation conformed to the Oregon Insurance Code.

Bylaws

The Plan's bylaws were amended and restated, effective May 24, 2021. Under the amended bylaws, shareholder meetings can occur within or outside of the state of Oregon (Article II Section 1). Board membership shall consist of at least 3 but no more than 21 members, one of which shall be the president. Not less than one-third shall be representatives of the public, who are not practicing doctors (as defined in ORS 750.003(3)) or employees or trustees of a participant hospital (Article III Section 2). Directors may be removed with or without cause by the holders of a majority of shares entitled to vote (Article II Section 10). The board may create one or more committees (Article IV). Key duties of the president, vice president, secretary, and treasurer are described (Article V Sections 4 through 7). The bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of directors

The bylaws state the business and affairs of the Plan shall be managed by a board of directors, which has authority to represent the Plan in all business aspects.

As of Dec. 31, 2022, the Plan was governed by a three member board of directors as follows:

<u>Name and Address</u>	<u>Principal Affiliation</u>	<u>Representative</u>	<u>Member Since</u>
Elizabeth Baier Johnson Tacoma, Washington.	Plan president and CEO Centene (Coordinated Care Health)	Company	2022
Sarah Brewer Silverton, Oregon.	CEO Trillium Community Health Plan	Company	2022
Craig A. Opperman Eugene, Oregon.	President Trillium Community Health Plan	Company	2015

Under Oregon law, ORS 750.015, not less than one third of the group of persons vested with the management of the affairs of a health care service contractor shall be representatives of the public who are not practicing doctors, or employees, or trustees of a participant hospital. The Plan was not in compliance with this statute, as all board members are either directly affiliated with Trillium or with Centene Corporation, ultimate parent of Trillium.

I recommend the Plan replace one current board member and appoint an independent board member representing the public in accordance with its bylaws and with ORS 750.015.

Officers

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

<u>Name</u>	<u>Title</u>
Sarah Brewer	Chief executive officer
Justin Taylor Lyman	Chief financial officer
Joel Benjamin Samson	Secretary
Tricia Lynn Dinkelman	Vice president of tax
Craig Opperman	President

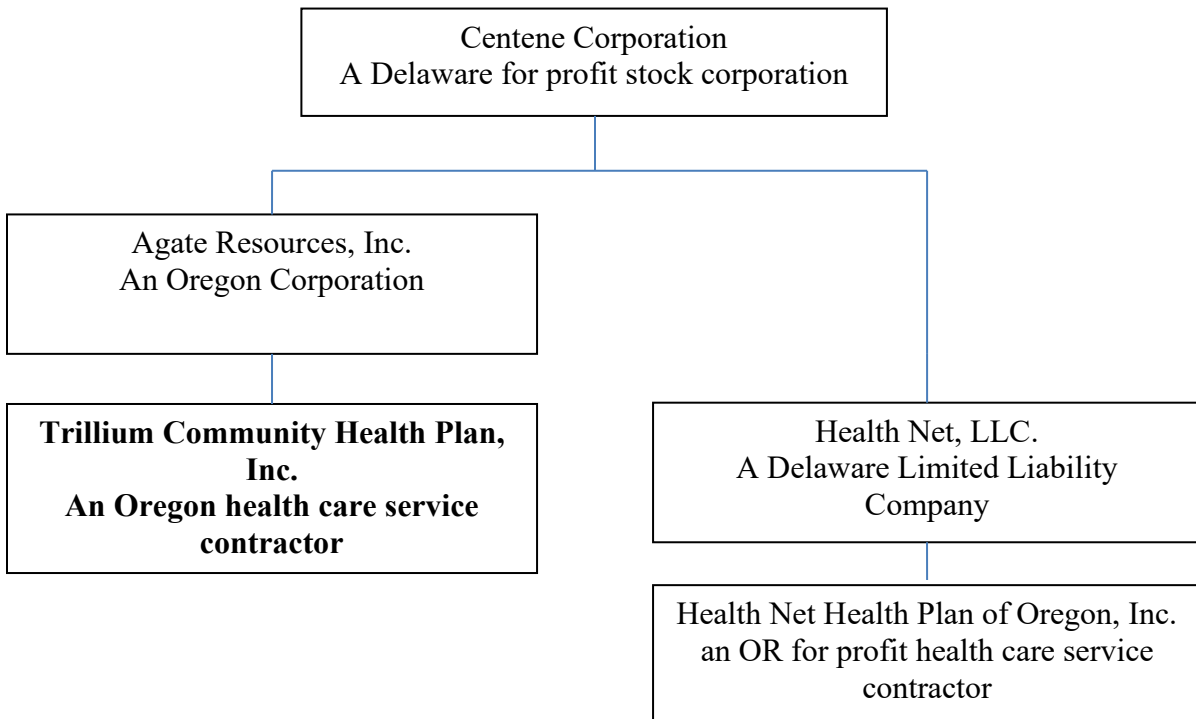
Conflict of interest

The Company requires officers and directors to annually report any conflicts of interest or violations of ethical business practices to the Plan. From a review of the completed conflict of interest statements, it appears that the Company performed due diligence in completing the statements. No material conflicts of interest were noted.

Insurance company holding system

An insurance holding company registration statement was filed by the Company in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1).

The following abbreviated organizational chart shows the relationship between the related entities of the Plan. Ownership is 100 percent unless otherwise indicated:



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

Centene Corporation is a Delaware stock corporation and a leading multinational health care enterprise that provides fully integrated, high quality, and cost-effective programs and services to government sponsored and commercial healthcare programs, focusing on underinsured and uninsured individuals.

Agate Resources, Inc. (Agate) is an Oregon corporation formed on Dec. 12, 2003. It provides administrative services and leases employees and buildings for an affiliate, Trillium Health Plan and is a 100 percent owner of Trillium.

Health Net Health Plan of Oregon, Inc. is an Oregon domiciled health care service contractor incorporated on June 1, 1989. It became a federally qualified health maintenance organization on April 3, 1991.

Health Net, LLC is a limited liability company owning 100 percent of Health Net Health Plan of Oregon and a number of other Health Net entities.

INTERCOMPANY AGREEMENTS

The following agreements are in place between the Plan and its affiliates or subsidiaries within the insurance company holding system.

Pharmacy benefits management (PBM) agreement

Effective Jan. 1, 2018 the Plan entered into a PBM agreement with Centene Pharmacy Services, Inc. (f/k/a Envolve Pharmacy Solutions, Inc.). Under the terms of the agreement, Envolve will manage pharmacy benefits offered to Plan members, including claims processing, eligibility management, benefits management, utilization management, pharmacy network management, and call center services. PBM fees for Medicare products are specified in the agreement, including discounts, rebates, administrative fees, and ancillary fees. Effective Jan. 1, 2023, this agreement was amended and restated as an administrative pharmacy services agreement.

Vision services agreement

Effective Jan. 1, 2016, the Plan and Envolve Vision, Inc. (formerly known as OptiCare Vision Company) entered into an agreement to provide vision services through participating vision providers under contract with Envolve. Responsibilities of Envolve are detailed through supplemental attachments to the Agreement, which include provider complaints and grievances, provider credentialing and recredentialing, and customer service/call center responsibilities for both member services and provider services.

Affiliation agreement

Effective July 20, 2021 the Plan and Health Net Health Plan of Oregon, Inc. (HNOR) entered into an affiliation agreement. Trillium, in its capacity as a Coordinated Care Organization (CCO)/Dual-Eligible Special Needs Program (DSNP) health plan in the State of Oregon, is required to have and to memorialize a relationship with an MA Plan that is in alignment with Trillium's CCO service areas of Washington, Clackamas and Multnomah counties to provide integrated care and processes for enrollees who are eligible for both Medicare and Medicaid, including enrollees who are eligible for full, comprehensive Medicaid benefits (FBDE members). Trillium (the insurer), desires to coordinate with HNOR, (the affiliate), and, HNOR desires to coordinate with Trillium, to provide integrated care and processes for FBDE Members, in accordance with the terms of this agreement.

Management services agreement

Effective Jan. 1, 2018, the Plan entered into an agreement with Centene Management Company, LLC (CMC). Under the terms of the agreement, CMC provides to the Plan services including, but not limited to program planning and development, management information systems, financial systems and services, claims administration, provider and enrollee services, utilization review, and quality assurance. The Plan pays CMC a fee on a percentage of net revenues for services associated with providing these management services. The agreement was amended, effective Nov. 1, 2021, in order to fully comply with the changes to OAR 836-027-0160 and to add Exhibit A in order to comply with requirements made by the Oregon Health Authority. This agreement was amended and restated effective Jan. 1, 2023.

Dental services agreement

Effective Jan. 1, 2021, the Plan entered into an agreement with Envolve Dental, Inc. to provide dental services to Plan members. The agreement replaces the dental services agreement between the Plan and dental benefit providers, Inc. (DBP), a third-party nonaffiliated vendor. Under the terms of the agreement, Envolve Dental will provide or arrange for the provision of, through Envolve Dental Network Providers, the covered services specified in the agreement to covered persons, and under the terms and conditions, set forth in the agreement, which includes approximately 1,200 Medicare DSNP members. The agreement was amended, effective Jan. 1, 2022, to reflect changes to the compensation schedule based on compensation rate changes to reflect various benefit levels included in the 2022 Medicare bid submission to CMS.

Master services agreement

Effective Dec. 28, 2015, the Company entered into an agreement with NurseWise, LP (NurseWise). Under the terms of the agreement, NurseWise agrees to provide services to Trillium's enrolled members by utilizing professional registered nurses to provide health information and advice to enrolled members. Services include a nurse advice line including triage, providing member access to an online health library comprised of health education topics, member access to audio health information including an audio health library, and access to a web form inquiry service. Trillium is required to pay NurseWise a Medicare per member per month fee of \$0.30. The agreement is effective for an initial one-year term from the effective date and shall automatically renew for successive one year terms, unless terminated by either party. The agreement was subsequently amended to add Trillium's Oregon Health Plan members and to include a legal name change from NurseWise, LP to Envolve PeopleCare, Inc. Subsequent amendments made minor changes to the agreement, including PMPM fees. The agreement was terminated effective Jan. 1, 2022.

Administrative radiology services agreement

Effective Jan. 1, 2018, the Plan entered into an administrative radiology services agreement with National Imaging Associates, Inc., at the time an unrelated party. Under the agreement, National Imaging Associates provided administrative services related to the Plan's radiology services. In January 2022, Plan's ultimate parent, Centene Corporation, purchased National Imaging Associate's parent organization and the parties became affiliates. Effective January 2023, Centene divested its controlling interest in National Imaging Associates.

Tax allocation and indemnity agreement

Effective July 20, 2016, the Plan entered into an agreement with Centene Corporation. Under the terms of the agreement, the Plan, along with the other affiliates within the Centene Group files a consolidated federal and state tax return. Each party shall compute its separate tax liability or benefit, as applicable, for federal and state income taxes on an individual company basis using the separate return method. Centene Corporation will pay all consolidated taxes. Once it is determined, the Plan agrees to pay its share of the consolidated taxes based on its portion of the consolidated tax liability. Any subsequent adjustments shall be due within 15 days. Payments shall be made within 45 days following the end of each calendar month. All settlements shall be made within 30 days of the filing of the applicable estimated or actual consolidated federal corporate income tax return. Beginning April 1, 2017, the Plan's income was included in the consolidated return filed by Centene.

FIDELITY BOND AND OTHER INSURANCE

The Plan is covered by a \$10 million crime policy with a \$2.5 million deductible with Zurich American Insurance Company. The policy is issued to Centene Corporation, with the Plan named as an insured. Fidelity coverage met the suggested coverage recommended by the National Association of Insurance Commissioners for companies of comparable size. Other coverages include managed care errors and omissions liability, directors and officer's management liability, umbrella liability, workers' compensation, commercial property, and general liability.

TERRITORY AND PLAN OF OPERATION

The Plan offers Medicare Advantage coverage in Lane County, Oregon through contracts with the Centers for Medicare and Medicaid Services, and Medicaid managed care coverage in (Lane, Linn, Douglas, Washington, Multnomah and Clackamas counties) and the Oregon Health Authority.

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

<u>Line of Business</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Individual hospital and medical	-	-	-	-	-
Group hospital and medical	-	-	-	-	-
Medicare	1,091	1,101	1,153	2,293	2,523
Medicaid	<u>74,368</u>	<u>59,009</u>	<u>42,549</u>	<u>93,401</u>	<u>91,140</u>
Total enrollment	<u>75,459</u>	<u>60,110</u>	<u>43,702</u>	<u>95,694</u>	<u>93,663</u>

In 2022, the Plan reported direct business in the following states:

<u>State</u>	<u>Direct premiums written</u>
Oregon	<u>351,092,276</u>

Total \$ 351,092,276

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 (loss)</u>
2018	153,215,038	96,096,745	57,118,293	(13,622,863)
2019	144,096,641	79,787,610	64,309,031	10,409,861
2020	125,428,599	52,849,706	72,578,893	9,081,265
2021	179,400,923	95,736,459	83,664,464	15,238,554
2022*	220,147,474	142,355,592	77,791,882	22,731,251

*Per examination

LOSS EXPERIENCE

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

<u>Year</u>	(1) <u>Total revenues</u>	(2) <u>Total hospital and medical</u>	(2)/(1) <u>Medical loss ratio</u>	(3) <u>Claim adjustment and general expenses</u>	(2)+(3)/(1) <u>Combined loss ratio</u>
2018	536,050,042	490,123,649	91.4%	60,543,353	102.7%
2019	565,708,323	499,474,237	88.3%	57,846,188	98.5%
2020	246,550,601	187,560,011	76.1%	47,417,364	95.3%
2021	268,939,280	227,240,355	84.5%	24,400,443	93.6%
2022 *	351,017,600	292,767,459	83.4%	34,333,131	93.2%

*Per examination

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

REINSURANCE

Assumed

None.

Ceded

Effective Jan. 1, 2022, the Plan entered into a specific excess of loss reinsurance agreement with Partner RE America Insurance Company (NAIC #11835, admitted in Oregon Dec. 12, 1981). Under the terms of the agreement, Partner RE covers the Plan's Medicare membership with a maximum payable per covered person of \$5 million after a specific deductible per covered person of \$5 million. The Plan will pay the minimum premium rate during the agreement term. The agreement covers expenses incurred from Jan. 1, 2022, to Jan. 1, 2023, and covered expenses paid from Jan. 1, 2022, to Jan. 1, 2024. Covered expenses and excluded expenses are specified in the agreement. Specific deductible is defined as the amount of covered expenses that are the responsibility of the Plan with respect to each covered person and during each agreement term, before any reimbursement becomes due under the agreement. Effective Jan. 1, 2022, the Plan entered into an excess of loss reinsurance agreement with an affiliate, Bankers Reserve Life Insurance Company of Wisconsin (BRLIC NAIC 71013, admitted as an authorized reinsurer in Oregon on Sept. 1, 1979). Under the terms of the agreement, BRLIC reinsures losses in excess of \$3 million not to exceed a \$5 million maximum per covered member. The agreement covers Medicaid, non-dual eligible and dual eligible members. Covered expenses incurred from Jan. 1, 2022, to Jan. 1, 2023, and covered expenses paid from Jan. 1, 2022, to Jan. 1, 2024, are included. The agreement will automatically renew on Jan. 1 of the following year and each year thereafter for 12-month periods, unless replaced or terminated. In 2022, the Plan incurred \$74,236 in premiums related to the agreement.

It was determined the reinsurance agreements clearly specified the risks taken by the reinsurer, with no unusual provisions reducing the reinsurer's risk. The reinsurance agreements contained a proper insolvency clause in accordance with ORS 731.508(3) as required to take reserve credits for reinsurance ceded. The agreements also contained a settlement clause and an entire agreements clause, as required by OAR 836-012-0310 and OAR 836-012-0320, respectively. As a result, the reinsurance agreements provided for risk transfer in accordance with the requirements of SSAP No. 61R.

The Plan's reinsurance agreement with Partner RE requires the Plan to retain a maximum of \$5 million per risk. The Plan's reinsurance agreement with BRLIC requires the Plan to retain a maximum of \$3 million per risk. In view of the Company's reported surplus of \$77,791,882 at Dec. 31, 2022, it appears the Company does not maintain risk on any one 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

Company has a system in place to account for unclaimed funds and the Company has filed the reports on abandoned property pursuant to the provisions of ORS 98.352.

However, the Plan did not provide some specifically requested records. Additionally, the Plan did not provide some specifically requested records timely in order to properly facilitate the examination.

I recommend the Plan provide all record requests in accordance with ORS 731.308(2). Further, I recommend the Plan provide all record requests in a timely manner in order to properly facilitate the examination in accordance with ORS 731.308(3).

STATUTORY DEPOSIT

To satisfy the statutory deposit requirements in Oregon for health care service contractors, the Plan maintained a U.S. Treasury bond 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. However, the Plan failed to disclose the proper amount on Schedule E – Part 3 as required by the NAIC health annual statement instructions. Further, the deposit was included in columns five and six of Schedule E – Part 3 as special deposits and not in columns three and four as deposits for the benefit of all policyholders, as indicated on the statutory deposit.

I recommend the Company only record statutory amounts for Oregon on Schedule E – Part 3, of the annual statement, that agree to deposit confirmation obtained directly through the Division of Financial Regulation. I further recommend that the statutory amount be recorded in columns three and four of Schedule E – Part 3 in accordance with the NAIC health annual statement instructions, ORS 731.574(1) and OAR 836-011-0000.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

There were five recommendations made as a result of the 2017 report of examination and no adjustments made to surplus.

I recommend the Plan comply with ORS 732.320 by having the board approve compensation of its corporate officers. I further recommend the Plan improve its corporate governance process and adhere to its bylaws.

The Plan is adhering to its revised and amended bylaws. However, the board is not approving compensation for its corporate officers per ORS 732.320.

I recommend the Plan comply with the annual statement instructions in accordance with ORS 731.574. This issue was not resolved as the Plan reported an incorrect amount on Schedule E – Part 3 for YE 2022.

I recommend the Plan's board formally approve investments by resolution at each board meeting, as required by ORS 733.730. This is a repeat recommendation from the prior report of examination.

This issue was not resolved as the Plan only formally approved its investments by resolution at the Nov. 30, 2022, board meeting. The Company has established a centralized process for board meetings that includes formally approving investments beginning with that board meeting.

I recommend the Plan terminate its custodial agreement with Umpqua Investments, Inc. and enter into a proper agreement with a bank or trust company, to comply with OAR 836-027-0200(1), and ensure the custodial agreement contains all the protections required by OAR 836-027-0200(4)(a) to (l). This is a repeat recommendation from the prior report of examination.

This issue was resolved as the Plan changed its custodial agreement to U.S. Bank National Association and now has complied with all of the requirements of OAR 836-027-0200(4)(a) through (l).

SUBSEQUENT EVENTS

No significant subsequent events were noted.

FINANCIAL STATEMENTS

The following examination financial statements show the financial condition of Trillium Community Health Plan, Inc. as of Dec. 31, 2022:

- Statement of assets
- Statement of liabilities, capital, and surplus
- Statement of revenue and expenses
- Reconciliation of surplus since the last examination

TRILLIUM COMMUNITY HEALTH PLAN, INC.
ASSETS
As of Dec. 31, 2022

Assets	Net admitted assets	Notes
Bonds	\$ 160,587,163	1
Preferred stocks	-	
Common stocks	-	
Cash, cash equivalents and short-term investments	31,636,658	1
Receivable for securities	-	
Aggregate write-ins for invested assets	-	
Subtotal, cash and invested assets	<u>\$192,223,821</u>	
Investment income due and accrued	1,464,353	
Premiums and considerations		
Uncollected premiums, agents' balances in course of collection	13,943,008	
Accrued retrospective premiums	907,682	
Amounts receivable relating to uninsured plans	22,088	
Current federal income tax recoverable	1,013,659	
Net deferred tax asset	523,422	
Receivable from parent, subsidiaries and affiliates	9,332,455	
Health care and other amounts receivable	716,986	
Aggregate write-ins for other than invested assets	--	
Total Assets	<u>\$220,147,474</u>	

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

Liabilities, Surplus and other Funds	Current year total	Notes
Claims unpaid	\$47,214,105	2
Accrued medical incentive pool and bonus amounts	9,431,074	2
Unpaid claim adjustment expenses	324,000	2
Aggregate health policy reserves	80,049,520	2
Premiums received in advance	193	
General expenses due or accrued	2,435,282	
Ceded reinsurance premiums payable	6,965	
Amounts withheld or retained for account of others	-	
Amounts due to parent, subsidiaries and affiliates	101,684	
Liability for amounts held under uninsured plans	2,091,525	
Aggregate write-ins for other liabilities	<u>701,244</u>	
Total Liabilities	<u>\$142,355,592</u>	
Aggregate write-ins for special surplus funds	-	
Common capital stock	5,000,000	
Gross paid in and contributed surplus	34,300,000	
Unassigned funds (surplus)	<u>38,491,882</u>	
Surplus as regards policyholders	<u>77,791,882</u>	
Total Liabilities, Surplus and other Funds	<u>\$220,147,474</u>	

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

Revenue	Current year total	Notes
Net premium income	\$ 351,017,600	
Change in unearned premium reserve and reserve for rate credits	-	
Fee-for-service	-	
Risk revenue	-	
Aggregate write-ins for non-health care related revenues – gain on sale of fixed assets	<u>-</u>	
Total revenue	351,017,600	
Hospital and Medical		
Hospital/medical benefits	190,107,921	
Other professional services	36,934,180	
Outside referrals	-	
Emergency room and out-of-area	22,090,599	
Prescription drugs	35,422,314	
Incentive pool, withhold adjustments and bonus amounts	<u>8,212,445</u>	
Subtotal	292,767,459	
Less:		
Net reinsurance recoveries	<u>-</u>	
Total hospital and medical	292,767,459	
Non-health claims	-	
Claim adjustment expenses	2,299,922	
General administrative expenses	32,033,209	
Increase in reserves for life and accident and health contracts	<u>-</u>	
Total underwriting deductions	<u>327,100,590</u>	
Net underwriting gain or (loss)	<u>23,917,010</u>	
Net investment income earned	4,458,047	
Net realized capital gains (losses) less capital gains tax	<u>3,945</u>	
Net investment gains (losses)	4,461,992	
Net gain or (loss) from agents' or premium balances charged off	(536)	
Aggregate write-ins for other income or expense	-	
Net income (loss) after capital gains tax and before all other federal income taxes	28,378,466	
Federal income taxes incurred	<u>5,647,215</u>	
Net income (loss)	<u>\$ 22,731,251</u>	

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

	2022	2021	2020	2019	2018
Surplus as regards policyholders, Dec. 31, previous year	<u>\$83,664,464</u>	<u>\$72,578,893</u>	<u>\$64,309,031</u>	<u>\$57,118,293</u>	<u>\$65,473,373</u>
Net income (loss)	22,731,251	15,238,554	9,081,265	10,409,861	(13,622,863)
Change in net unrealized capital gains or (losses)	(88,820)	(1,521)	-	-	-
Change in net deferred income tax	(365,916)	(608,035)	(396,592)	(983,219)	697,508
Change in non-admitted assets	750,903	2,256,573	(414,811)	(2,235,904)	4,570,275
Change in provision for reinsurance	-	-	-	-	-
Change in surplus notes	-	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-	-
Capital changes:					
Paid in	-	-	-	-	-
Transferred from surplus (Stock Dividend)	-	-	-	-	-
Transferred to surplus	-	-	-	-	-
Surplus adjustments:					
Paid in	-	-	-	-	-
Transferred to capital (Stock Dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Distributions to parent (cash)	(28,900,000)	(5,800,000)	-	-	-
Change in treasury stock	-	-	-	-	-
Examination adjustment	-	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	-	-
Change in surplus as regards policyholders for the year	<u>(5,872,582)</u>	<u>11,085,571</u>	<u>8,269,862</u>	<u>7,190,738</u>	<u>(8,355,080)</u>
Surplus as regards policyholders, Dec. 31, current year	<u>\$77,791,882</u>	<u>\$83,664,464</u>	<u>\$72,578,893</u>	<u>\$64,309,031</u>	<u>\$57,118,293</u>

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested assets

At year-end 2022, the Plan's long-term bond investments were in diversified in U.S. obligations, U.S. special revenue and special assessment obligations, municipal obligations, and industrial & miscellaneous. The Company had a moderate exposure to mortgage backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2022, and the carrying book value comprised 16.3 percent of the total long-term bond portfolio, and 14.1 percent of all invested assets.

Cash, cash equivalents, and short-term investments consisted of cash on deposit at various banks, three money market mutual funds, and two bonds maturing in less than one year from the purchase date, respectively.

A comparison of the major investments over the past five years is as follows:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Cash and</u> <u>short-term</u>	<u>Ratio</u> <u>A/</u> <u>Total assets</u>	<u>Ratio</u> <u>B/</u> <u>Total assets</u>
2018	100,486,239	12,203,055	65.6%	7.9%
2019	89,064,934	1,197,009	61.8%	0.8%
2020	75,157,280	18,245,047	59.9%	14.5%
2021	100,854,419	49,008,069	56.2%	27.3%
2022*	160,587,163	31,636,658	72.9%	14.3%

* Balance per examination

As of Dec. 31, 2022, sufficient invested assets were invested in amply secured obligations of the U.S., the State of Oregon, or in FDIC-insured cash deposits, and the Plan was in compliance with ORS 733.580.

A review of board of director minutes indicated the board of directors did not formally approve all investment transactions for the years under review as required by ORS 733.730. The Plan uses Allspring Global Investment (formerly known as Wells Fargo Capital Advisors), DWS Investment Management (part of Deutsche Bank), Wellington Management Company, New England Asset Management, and Brown Brothers Harriman (BBH) to provide investment advisory services, including actively managing the Plan's fixed income and short-term investment portfolios in accordance with the Plan's investment policy.

I recommend the Plan's board of directors formally approve by resolution all investment transactions at each board meeting in accordance with ORS 733.730. This is a repeat recommendation from the prior Report of Examination.

Effective March 17, 2021, the Plan entered into a custodial agreement with U.S. Bank, N.A. The agreement contained all of the relevant protections described in OAR 836-027-0200(4)(a) through (l).

Note 2 – Actuarial reserves

Andrew Bux, FSA, MAAA, Oregon Division of Financial Regulation life and health actuary, did a peer review of the review by Aaron J. Hodges, ASA, MAAA, life and health actuary of the Texas Department of Insurance (TDI), and covered a five-year period ending with 2022. The work done included reviews of the companies' annual statements, actuarial opinions, actuarial memorandums, internal management reports and documentation, discussions with company actuaries and other employees, reviews of claim triangles, reviews of methodology, reviews of ACA-required calculations, and reviews of work done by outside consultants. Independent calculations of reserves for claims IBNR were done as well.

The coordinated examination covered all 82 companies in the Centene Group, with two domiciled in Oregon: Health Net Health Plan of Oregon, Inc. and the Plan.

Mr. Hodges concluded the assumptions and methodologies used by Centene to develop the reserves were reasonable. Recasts of their reserve have shown that the reserve levels set by Centene tend to be sufficient and a little conservative where appropriate. No adjustments to booked numbers are recommended. Mr. Bux agreed with Mr. Hodges conclusions. No adjustments to the booked numbers for the Plan were recommended.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The examiner made no changes to surplus as a result of this examination. The following is a summary of the recommendations made in this report of examination:

Page:

- 6 I recommend the board of directors directly approve by resolution the CEO's compensation annually, in accordance with ORS 732.320(3).
- 7 I recommend the Plan replace one current board member and appoint an independent board member representing the public in accordance with its bylaws and with ORS 750.015.
- 14 I recommend the Plan provide all record requests in accordance with ORS 731.308(2). Further, I recommend the Plan provide all record requests in a timely manner in order to properly facilitate the examination in accordance with ORS 731.308(3).
- 14 I recommend the Company only record statutory amounts for Oregon on Schedule E – Part 3, of the annual statement, that agree directly to deposit confirmations obtained directly through the Division of Financial Regulation, in accordance with ORS 731.574(1) and OAR 836-011-0000.
- 20 I recommend the Plan's board of directors formally approve by resolution all investment transactions at each board meeting in accordance with ORS 733.730. This is a repeat recommendation from the prior report of examination.

CONCLUSION

During the five-year period covered by this examination, the surplus of the Plan has increased from \$65,473,373 as presented in the Dec. 31, 2017, report of examination, to \$77,791,882, as shown in this report. The comparative assets and liabilities are:

	<u>2022</u>	<u>Dec. 31,</u>	<u>2017</u>	<u>Change</u>
Assets	\$220,147,474		\$156,787,005	\$63,360,469
Liabilities	<u>142,355,592</u>		<u>91,313,632</u>	<u>51,041,960</u>
Surplus	<u>\$ 77,791,882</u>		<u>\$ 65,473,373</u>	<u>\$12,318,509</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, Tho Le, CFE, PIR, senior insurance examiner, Jordan Mills, AFE, David Lorenz, APIR, and Chivonne Bradley, insurance examiners, and Andrew Bux, FSA, MAAA, life and health actuary for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, all participated in this examination.

Respectfully submitted,

/s/ Mark A. Giffin

Mark A. Giffin, CFE,
Senior insurance examiner
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)
) ss
County of Marion)

Mark A. Giffin, CFE being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Trillium Community Health Plan, Inc., Springfield, Ore..
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 Trillium Community 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/ Mark A. Giffin
Mark A. Giffin, CFE
Senior insurance examiner
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to me this 19th day of September, 2024.

/s/ Cindy Engle
Notary Public for the State of Oregon

My commission expires: July 9, 2027