

**STATE OF OREGON**  
**DEPARTMENT OF**  
**CONSUMER & BUSINESS**  
**SERVICES**  
**DIVISION OF FINANCIAL**  
**REGULATION**



REPORT OF FINANCIAL EXAMINATION

OF

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

AS OF

DECEMBER 31, 2019

**FILED** 9/15/2021 *JB*  
DEPT. CONSUMER & BUSINESS SERVICES  
INSURANCE DIVISION

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

DECEMBER 31, 2019

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**SALUTATION**

March 29, 2021

Honorable Andrew Stolfi, Director  
Department of Consumer and Business Services  
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

**ALLCARE HEALTH PLAN, INC.**

**740 SE 7<sup>th</sup> Street**

**Grants Pass, Oregon 97526**

**NAIC Company Code 12253**

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



## SCOPE OF EXAMINATION

We have performed our regular, single-state, full-scope examination of AllCare Health Plan, Inc. The last examination of this health care service contractor was completed for the period ending December 31, 2014. This examination covers the period of January 1, 2015, through December 31, 2019.

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

During 2007, the Plan underwent a corporate restructuring, forming a holding company known as Mid Rogue IPA Holding Company (MRHC). A share exchange agreement, effective January 1, 2008, resulted in each outstanding share of the Plan's common stock owned by individual shareholders being exchanged for one share of MRHC common stock. 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 September 27, 2014, the Board of Directors approved another name change, and the Plan filed amended Articles to change to its current name, AllCare Health Plan, Inc., on October 30, 2014.

### Capitalization

The Plan has 500 shares of common stock authorized and 75 shares issued and outstanding at December 31, 2019, with a par value of \$2,000 per share. Additionally, the Company reported issuance of two 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	4.00%	12/31/2024
AllCare Health, Inc.	01/21/2015	<u>1,500,000</u>	4.00%	01/21/2025
Total		<u>\$ 2,500,000</u>		

Both notes were approved by the Oregon Division of Financial Regulation and met the requirements of SSAP No. 41.

In the Report of Examination as of December 31, 2014, the Plan had reported gross paid in and contributed surplus of \$2,010,650. During the period covered under this report, the Plan received additional cash contributions of \$500,000 on December 22, 2015, \$100,000 on December 22, 2017, and \$1,000,000 on December 23, 2019, from its parent. Total gross paid in and contributed surplus reported by the Plan was \$3,610,650.

### 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 Company'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 Company indicated they support the transactions of the Company and clearly describe the

actions taken by its directors and officers. A quorum, as defined by ORS 731.302, met at all of the meetings held during the period under review.

The Plan's Bylaws authorize a nominating committee, and the Board may create one or more committees. 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.

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

### **Articles of Incorporation**

The Plan last amended its Articles of Incorporation on July 25, 2016, and filed with the Secretary of State. The Plan amended Article 5 to read as "Corporation shall be authorized to engage in any lawful business which corporations incorporated under ORS Chapter 60 are permitted to engage, and shall conduct its business in a socially and environmentally responsible manner as a benefit company governed in part by ORS 60.750 to 60.770." No other changes were made to the articles during the period under examination. The Articles of Incorporation conform to the Oregon Insurance Code.

### **Bylaws**

The Plan's Bylaws were last amended and restated as of April 29, 2019. The changes included the Board of the shareholder shall constitute the Board of Corporation. The name of the parent company changes from Mid Rogue AllCare Health Assurance, Inc. to AllCare Health, Inc. The

Board of Governors also appointed one of its members to act as the Benefit Governor under ORS 60.762. The Plan's Bylaws conform to Oregon statutes.

**MANAGEMENT AND CONTROL**

**Board of Directors**

The Bylaws state the business and affairs of the corporation shall be managed by its Board of Directors. The members are served until the effective date of their resignation, the date the position is eliminated, or the date their replacement is elected. As of December 31, 2019, the Plan was governed by a fourteen member Board of Directors, as follows:

<b><u>Name and Address</u></b>	<b><u>Principal Affiliation</u></b>	<b><u>Representation</u></b>	<b><u>Member Since</u></b>
Karen Callahan Grants Pass, Oregon	Retired Controller/CFO	Public	2016
Lisa Callahan Grants Pass, Oregon	Pediatric Nurse Practitioner	Physician	2017
Jessica Durrant Grants Pass, Oregon	Director of K-8 Curriculum Three Rivers School District	Public	2016
Thom Eagan* Grants Pass, Oregon	OB/GYN	Physician	2013
Katherine Johnston Grants Pass, Oregon	Pediatrician	Physician	2016
Mark Jones Grants Pass, Oregon	General Surgeon	Physician	2017
Vincent Lucido Grants Pass, Oregon	Retired Insurance Executive	Public	2014
Brian Mateja Grants Pass, Oregon	Family Practitioner	Physician	2019
Tori Rumrey Grants Pass, Oregon	Family Nurse Practitioner	Physician	2019

Charles (Chuck) Rund Grants Pass, Oregon	President - Charlton Research Group	Public	2014
Susan Seereiter Grants Pass, Oregon	Business Advocate – City of Grants Pass	Public	2014
Mark Simchuk Grants Pass, Oregon	Podiatrist	Physician	2015
James Van Horne Grants Pass, Oregon	Orthopedic Surgeon	Physician	2013
Richard Williams Grants Pass, Oregon	Family Practitioner	Physician	2012

\*Chairman

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 fourteen Board members are representatives of the public who are not practicing doctors or employees, or trustees of a participant hospital.

**Officers**

Principal officers serving at December 31, 2019, were as follows:

<b><u>Name</u></b>	<b><u>Title</u></b>
Douglas L. Flow	Chief Executive Officer
Cynthia Ackerman	Chief Compliance Officer
Twila Farris	Chief Financial Officer
Kelley A. Burnett	Chief Medical Officer
Justin Zesiger	Chief Information Officer

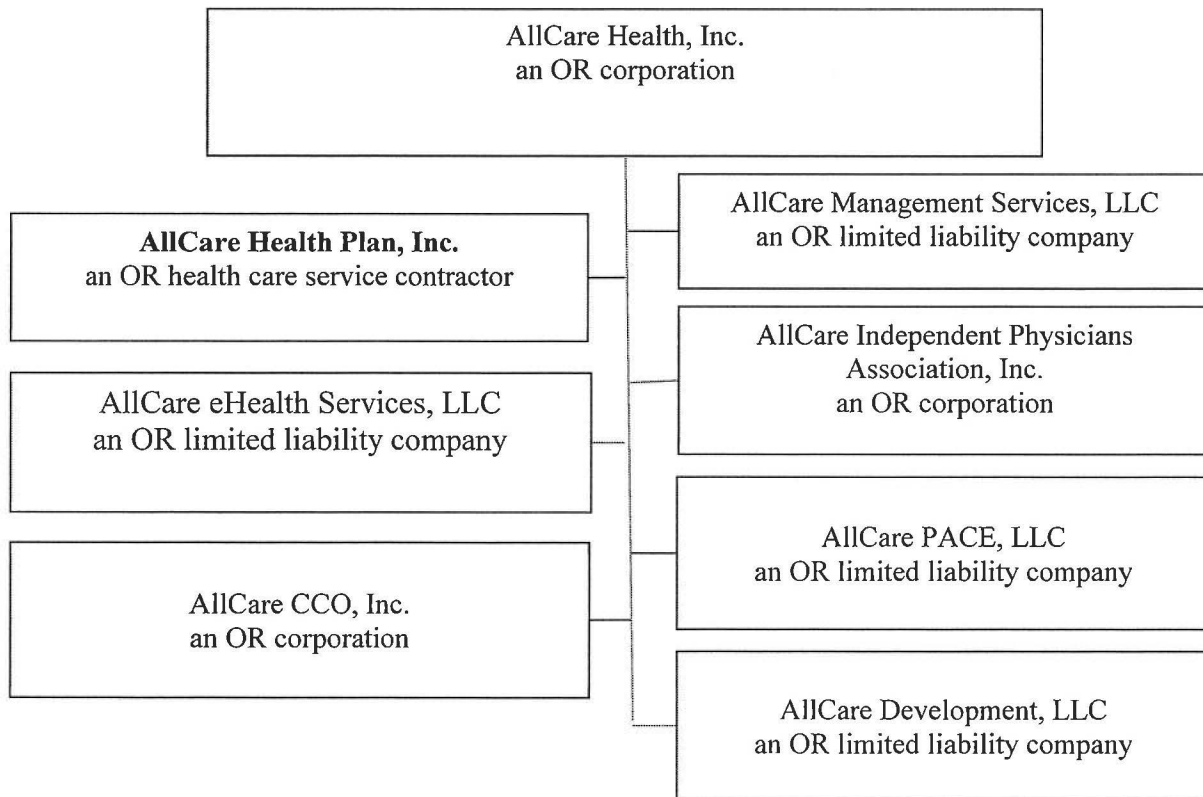
**Conflict of Interest**

The Plan’s conflict of interest policy is distributed to board members annually. It applies to directors, officers, key employees, and any other individual in a position to exercise significant influence over a decision having a material economic impact. An annual conflict of interest

declaration and independence questionnaire 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. The code of conduct and the employee handbook describe the standards of conduct, list prohibited activities, and require all employees to report program violations promptly. Based on a review of the 2019 questionnaires, no material conflicts of interest were noted.

**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 October 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% of the outstanding share 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 the Insurance Division 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 non-profit mutual benefit corporation with members on December 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 January 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.

### **INTERCOMPANY AGREEMENTS**

The following agreements are in place with related parties:

#### *Management Services Agreement*

Effective January 1, 2018, the Plan entered into new management and administrative services agreement with AMS, which was approved by the Division on November 19, 2018, with an effective date of January 1, 2018. 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 January 1, 2014, the Plan, AllCare CCO, Inc., and AllCare Health, Inc. 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 prepared on an individual entity basis. Estimated payments are due if requested by the parent. Final payment shall be due 90 days after the timely filing of the consolidated tax return. The agreement was approved by the Division on June 12, 2015.

**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 Management Services, LLC, with the Plan covered under an endorsement as a named insured. The Plan is insured up to \$3,000,000 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 December 31, 2019, were found to be adequate, and included:

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

## TERRITORY AND PLAN OF OPERATION

The Plan offers Medicare Advantage business in Jackson and Josephine Counties and parts of Douglas County in southern Oregon. Benefits include comprehensive medical, dental, vision, hearing services, inpatient mental health care, skilled nursing facility, home health care, hospice, chiropractic, outpatient rehabilitation, durable medical equipment, and preventative services. The Plan offers Silver, Gold, and Platinum plan benefits with or without prescription drugs, for an additional premium, as well as a stand-alone Medicare Part D plan. The Plan operated under a commercial name, CareSource Medicare Advantage Program, for Medicare Advantage business until December 31, 2015. Effective January 1, 2016, the Company changed the commercial product name to AllCare Advantage.

In February 2016, the Plan submitted an application to the Division of Financial Regulation seeking approval to start a Medicare Supplement Product (MediGap). The application was approved and effective as of January 1, 2017. However, on July 2018, the Plan notified the Division of its decision to terminate of the AllCare MediGap line of business. The Plan will continue to administer the MediGap business for its 35 current members until members terminate their coverage.

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

<b>Line of Business</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
Individual hospital & medical	0	0	0	0	0
Group hospital & medical	0	0	0	0	0
Medicare supplement	0	0	0	0	0
Medicare	3,301	3,054	3,924	3,954	3,735
Medicaid	0	0	0	0	0
Other	0	0	0	0	0
<b>Total enrollment</b>	<u>3,301</u>	<u>3,054</u>	<u>3,924</u>	<u>3,954</u>	<u>3,735</u>

During 2019, the Plan reported direct business only in the State of Oregon, totaling \$44,210,025.

### 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>
2015	\$ 10,917,482	\$ 3,772,897	\$ 7,144,585	\$ 21,123
2016	11,312,882	4,961,472	6,351,410	(827,163)
2017	12,664,510	5,808,925	6,855,585	434,147
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

\*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) Total Revenues</u>	<u>(2) Total Hospital and Medical</u>	<u>(2)/(1) Medical Loss Ratio</u>	<u>(3) Claim Adjustment and General Expenses</u>	<u>(2)+(3)/(1) Combined Loss Ratio</u>
2015	\$ 31,336,071	\$ 27,188,195	86.8%	\$ 4,153,727	99.9%
2016	33,533,505	31,225,273	93.1%	3,508,487	103.6%
2017	35,825,366	31,757,499	88.6%	3,446,589	98.3%
2018	33,059,837	30,971,188	93.7%	3,215,454	103.4%
2019 *	43,819,365	39,357,177	89.8%	3,560,144	97.9%

\*Per examination

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

### **REINSURANCE**

Effective November 1, 2019, 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 \$300,000 retention per member per agreement period, with an individual contract maximum of \$3,000,000.

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.

In view of the Plan's adjusted capital and surplus of \$12,038,072 at December 31, 2019, it does not maintain risk on anyone subject in excess of ten 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 December 31, 2019, 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 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.

### **STATUTORY DEPOSIT**

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

### **COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

There were six recommendations made in the 2014 report of examination. During the examination, the Plan subsequently showed compliance with each of the recommendations, except for full compliance with OAR 836-027-0200. The Plan did amend a custodial agreement while the examiners were on site and now comply with the sixth recommendation. There were no adjustments made to surplus as a result of the examination findings.

### **SUBSEQUENT EVENTS**

The COVID-19 pandemic has continued to develop throughout 2020, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the examination's review of the Plan noted that there has not been a significant impact to the Plan, primarily due to the Plan's primarily line of business is Medicare. The Plan also temporarily shifted its workforce to a remote work-from-home. The Division of Financial Regulation has been in communication with the Plan regarding the impact of COVID-19 on its business operations and financial position. The Division of Financial

Regulation continues to closely monitor the impact of the pandemic on the Plan and will take necessary action if a solvency concern arises.

On November 14, 2020, the Plan was informed that one of its vendors, Metro Presort, a printing and mailing vendor's data, was potentially breached. The Plan notified the Center for Medicare Medicaid Services (CMS) and Oregon Health Authority (OHA) on December 11, 2021, and December 24, 2021, respectively. The Plan also placed a public notification on their website and sent the notification to their members.

### **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 for the period ending December 31, 2019. 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 December 31, 2019**

Assets	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Bonds	\$ 3,835,459	\$ -	\$ 3,835,459	1
Common stocks	902,491		902,491	1
Cash, cash equivalents and short-term investments	4,173,863	-	4,173,863	1
Aggregate write-ins for invested assets	<u>-</u>	<u>-</u>	<u>-</u>	
Subtotal, cash and invested assets	<u>8,911,813</u>	<u>-</u>	<u>8,911,813</u>	
Investment income due and accrued	20,240	-	20,240	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	4,731	-	4,731	
Accrued retrospective premiums	514,556	-	514,556	
Amounts recoverable from reinsurers	139,116		139,116	
Amounts receivable relating to uninsured plans	2,154,473	-	2,154,473	
Health care receivable	348,251		348,251	
Aggregate write-ins for other than invested assets	<u>146</u>	<u>-</u>	<u>146</u>	
Total Assets	<u>\$ 12,093,336</u>	<u>-</u>	<u>\$ 12,093,336</u>	



**ALLCARE HEALTH PLAN, INC.**  
**LIABILITIES, CAPITAL AND SURPLUS**  
**As of December 31, 2019**

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	\$ 4,355,116	\$ -	\$ 4,355,116	2
Accrued medical incentive pool and bonus amounts	-	-	-	
Unpaid claims adjustment expense	115,902	-	115,902	2
Aggregate health policy reserves	62,018	-	62,018	2
Premiums received in advance	11,353	-	11,353	
General expenses due or accrued	4,619	-	4,619	
Current FIT payable	6,872	-	6,872	
Ceded reinsurance premiums payable	90,660	-	90,660	
Amounts due to parent, subsidiaries and affiliates	88	-	88	
Aggregate write-ins for liabilities	<u>551</u>	<u>-</u>	<u>551</u>	
Total Liabilities	<u>\$ 4,647,179</u>	<u>\$ -</u>	<u>\$ 4,647,179</u>	
Aggregate write-ins for special surplus funds	\$ 173,370	\$ -	\$ 173,370	
Common capital stock	150,000	-	150,000	
Surplus notes	3,610,650	-	3,610,650	
Gross paid-in and contributed capital	2,500,000	-	2,500,000	
Unassigned funds (surplus)	<u>1,012,137</u>	<u>-</u>	<u>1,012,137</u>	
Surplus as regards policyholders	<u>7,446,157</u>	<u>-</u>	<u>7,446,157</u>	
Total Liabilities, Surplus and other Funds	<u>\$ 12,093,336</u>	<u>-</u>	<u>\$ 12,093,336</u>	

**ALLCARE HEALTH PLAN, INC.**  
**STATEMENT OF REVENUE AND EXPENSES**  
**For the Year Ended December 31, 2019**

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
<b>Revenue</b>				
Net premium income	\$ 43,740,610	\$ -	\$ 43,740,610	
Change in unearned premium reserves and reserves for rate credit	78,775	-	78,775	
Aggregate write-ins for health care related revenues	<u>-</u>	<u>-</u>	<u>-</u>	
Total revenue	<u>43,819,365</u>	<u>-</u>	<u>43,819,365</u>	
<b>Hospital and Medical:</b>				
Hospital/medical benefits	34,289,415	-	34,289,415	
Other professional services	-	-	-	
Outside referrals	-	-	-	
Emergency room and out-of-area	2,131,878	-	2,131,878	
Prescription drugs	3,087,233	-	3,087,233	
Aggregate write-ins for other hospital and medical	-	-	-	
Incentive pool, withhold adjustments and bonus amounts	<u>175,581</u>	<u>-</u>	<u>175,581</u>	
Subtotal	39,684,107	-	39,684,107	
<b>Less:</b>				
Net reinsurance recoveries	<u>326,930</u>	<u>-</u>	<u>326,930</u>	
Total medical and hospital	39,357,177	-	39,357,177	
Non-health claims	-	-	-	
Claim adjustment expenses	1,385,774	-	1,385,774	
General administrative expenses	2,174,370	-	2,174,370	
Increase in reserves for life and accident and health contracts	<u>-</u>	<u>-</u>	<u>-</u>	
Total underwriting deductions	<u>42,917,320</u>	<u>-</u>	<u>42,917,320</u>	
Net underwriting gain or (loss)	<u>902,044</u>	<u>-</u>	<u>902,044</u>	
Net investment income earned	80,134	-	80,134	
Net realized capital gains (losses)	<u>(2,717)</u>	<u>-</u>	<u>(2,717)</u>	
Net investment gains (losses)	77,418	-	77,418	
Net gain or (loss) from agents' or premium balances charged off	-	-	-	
Aggregate write-ins for other income or expense	(1,000)	-	(1,000)	
Federal income taxes incurred	<u>6,872</u>	<u>-</u>	<u>6,872</u>	
Net income	<u>\$ 971,590</u>	<u>\$ -</u>	<u>\$ 971,590</u>	

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

	2019	2018	2017	2016	2015
Surplus as regards policyholders, December 31, previous year	<u>\$ 5,636,980</u>	<u>\$ 6,885,585</u>	<u>\$ 6,351,410</u>	<u>\$ 7,144,585</u>	<u>\$ 6,546,013</u>
Net income (loss)	971,590	(1,076,342)	434,147	(827,163)	21,123
Change in net unrealized capital gains or (losses)	68,583	(2,116)	(159)	-	-
Change in net deferred income tax	-	(25,216)	(10,424)	34,666	(101,137)
Change in non-admitted assets	(230,995)	(114,931)	(19,388)	(678)	178,587
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	1,000,000	-	100,000	-	500,000
Transferred to capital (Stock Dividend)	-	-	-	-	-
Transferred from capital	-	-	-	-	-
Distributions to parent (cash)	-	-	-	-	-
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>1,809,178</u>	<u>(1,218,608)</u>	<u>504,175</u>	<u>(793,175)</u>	<u>598,572</u>
Surplus as regards policyholders, December 31, current year	<u>\$ 7,446,157</u>	<u>\$ 5,636,980</u>	<u>\$ 6,885,585</u>	<u>\$ 6,351,410</u>	<u>\$ 7,144,585</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Invested Assets

At December 31, 2019, the Plan’s long-term bond investments were diversified in US obligations, US agency-issued bonds, corporate issues, and an exchange traded fund. The Company had a moderate exposure to mortgaged-backed and asset-backed securities, comprising 21% of the bond portfolio and 9% of total invested assets. 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:

<u>Year</u>	<u>A</u> <u>Bonds</u>	<u>B</u> <u>Common</u> <u>Stocks</u>	<u>C</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>	<u>Ratio</u> <u>C/</u> <u>Total Assets</u>
2015	2,709,974	-	5,976,256	24.8%	0.0%	54.7%
2016	2,151,536	-	6,556,533	19.0%	0.0%	58.0%
2017	4,404,173	-	6,060,363	34.8%	0.0%	47.9%
2018	4,349,146	-	4,840,585	39.0%	0.0%	43.4%
2019*	3,835,459	902,491	4,173,863	31.7%	7.5%	34.5%

\* Balance per examination

As of December 31, 2019, sufficient assets were invested in amply secured obligations of the United States, 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, 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 (l), except for OAR 836-027-0200(4)(c). During the examination, the Plan provided an addendum to the custodial agreement that included the provision that complied with the Administrative Rule.

### 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 the Oregon Division of Financial Regulation.

Mr. Bux reviewed the actuarial estimates for the Plan at December 31, 2019. 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

2019. Mr. Bux also reviewed the information on the Plan that was collected by the exam team. Estimates for the company's liabilities are as follows:

	Exam Estimate	Annual Statement
Claims Unpaid	\$ 4,355,116	\$ 4,355,116
Accrued Medical Incentive Pool and Bonus Payments	-	-
Unpaid Claims Adjustment Expenses (CAE)	115,902	115,902
Aggregate Health Policy Reserves	-	62,018
Premium Deficiency Reserves	-	-
Total Actuarial Liabilities	\$ 4,471,018	\$ 4,533,036

Compared to the \$3,697,797 unpaid claim reserve calculation by Mr. Girod, the Plan actually booked \$4,355,116. The appointed actuary opined that the reserves for unpaid claims and CAE carried by the Plan as of December 31, 2019, were reasonable. Based on Mr. Bux' 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% margin, or \$115,902, booked for the reserve for claims adjustment expenses was reasonable.

### SUMMARY OF COMMENTS AND RECOMMENDATIONS

No adjustments were made to the Plan's total capital and surplus as a result of this examination and the examiners made no recommendations.

### CONCLUSION

During the five years period covered by this examination, the surplus of the Plan has increased (\$301,575) from \$7,144,585, as presented in the December 31, 2015, report of examination to \$7,446,157, as shown in this report. The comparative assets and liabilities are:

	<b>December 31,</b>		
	<u>2019</u>	<u>2014</u>	<u>Change</u>
Assets	\$ 12,093,336	\$ 10,917,482	\$ 1,175,854
Liabilities	<u>3,772,897</u>	<u>3,772,897</u>	<u>87,282</u>
Surplus	<u>\$ 7,446,157</u>	<u>\$ 7,144,585</u>	<u>\$ 301,572</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, APIR, Maanik Gupta, Financial Examiner, Jordan Mills, Financial Examiner, and Drew 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.

Respectfully submitted,

           /s/ Khoa Nguyen  
Khoa Nguyen  
Examiner-In-Charge  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

**AFFIDAVIT**

STATE OF OREGON)

County of Marion)

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

1. I have authority to represent the state of Oregon in the examination of AllCare Health Plan, Inc., Grants Pass, Oregon.
2. The Division of Financial Regulation of the Department of Consumer and Business Services of the State of Oregon is accredited under the National Association of Insurance Commissioners Financial Regulation Standards and Accreditation.
3. I have reviewed the examination work papers and examination report. The examination of AllCare Health Plan, Inc., was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

/s/ Khoa Nguyen

\_\_\_\_\_  
Khoa Nguyen, CFE, APIR  
Examiner-In-Charge  
Division of Financial Regulation  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to before me this 14th day of July, 2021.

/s/ Lindsey Dawn Zamudio

\_\_\_\_\_  
Notary Public in and for the State of Oregon

My Commission Expires: October 25, 2022

