



STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**PROVIDENCE HEALTH PLAN  
BEAVERTON, OREGON**

**NAIC COMPANY CODE 95005**

AS OF

DECEMBER 31, 2008

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**SALUTATION**

April 2, 2010

Alfred W. Gross, Commissioner  
Chairman, NAIC Financial Condition (E) Committee  
State Corporation Commission  
Bureau of Insurance  
Commonwealth of Virginia  
PO Box 1157  
Richmond, Virginia 23218

Honorable Cory Streisinger, Director  
Department of Consumer and Business Services  
State of Oregon  
350 Winter Street NE, Room 440  
Salem, Oregon 97301-3883

Dear Commissioner and 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

**PROVIDENCE HEALTH PLAN  
3601 SW Murray Blvd., Suite 10  
Beaverton, Oregon 97005**

**NAIC Company Code 95005**

hereinafter referred to as the "Company." The following report of examination is respectfully submitted.

## **SCOPE OF EXAMINATION**

Our financial examination of Providence Health Plan as of December 31, 2008, covers the four year period then ended. The last examination was completed as of December 31, 2004. This examination covers the period of January 1, 2005, through December 31, 2008. Material transactions or events occurring subsequent to the examination cut-off date were reviewed and noted during the examination.

We considered the provisions of ORS 731.300 and the NAIC procedures and guidelines during our examination. We conducted our examination in accordance with the NAIC Financial Condition Examiners Handbook. The handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks. The examination also includes assessing the principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation, management's compliance with Statutory Accounting Principles, and annual statement instructions. Corrective actions taken by the Company in response to comments and recommendations in the December 31, 2004, report of examination were reviewed.

All accounts and activities of the Company were considered in accordance with the risk focused examination process.

Scott Fitzpatrick, FSA, MAAA, actuary for the State of Oregon, Department of Consumer and Business Services, Insurance Division, evaluated losses and loss adjustment expenses for this report. His conclusions are included in the notes to the financial statements section of this report.

## **COMPANY HISTORY**

The Company is an Oregon nonprofit corporation, whose sole member is Providence Plan Partners (PPP), a Washington nonprofit organization. The Company is a registered health care service contractor authorized to do business in Oregon and Washington. It was incorporated in Oregon on February 1, 1984. The Insurance Division issued its original certificate of authority on September 5, 1984, authorizing the Company to accept prepayments for health care benefits under ORS 750.055 and 731.354. In June 1985, the Company became a federally qualified health maintenance organization.

On November 24, 1997, the director of the Department of Consumer and Business Services approved a merger whereby Providence Plan Partners (a Washington Mutual and Miscellaneous corporation) acquired control of the Company, SelectCare Health Plan and The Good Health Plan of Washington (GHPW) with the Company being the surviving entity. This transaction occurred on January 1, 1998.

## **AFFILIATED COMPANIES**

The Company's sole member is Providence Plan Partners (PPP). Providence Health System - Oregon (PHS-OR) is the sole member of PPP. PHS-OR is controlled by Providence Health & Services (PH&S). Provincial Superior & Members of Provincial Council of Sisters of Providence, Mother Joseph Province (a Roman Catholic order based in Montreal, Canada) is the ultimate controlling entity.

Providence Plan Partners (PPP) is a Washington nonprofit organization which manages the Company's administration and operations through a management services agreement and agency agreement.

Providence Health System - Oregon (PHS-OR) is a Washington nonprofit organization which operates the hospitals, schools and other facilities established by the Sisters of Providence in Oregon. PHS -OR provides all employees to PPP at cost.

Providence Health & Services (PH&S) is a nonprofit organization which operates hospitals, schools and other facilities throughout the Northwest, Alaska and Southern California for Sisters of Providence.

Providence Health Assurance (PHA) is an Oregon nonprofit organization which was formed to handle Medicaid business for Oregon members. All Medicaid business for Oregon members was transferred to PHA on January 1, 2004. The Company is the sole member of PHA.

### **CAPITALIZATION**

Providence Medical Center and St. Vincent Medical Center, member hospitals of Sisters of Providence in Oregon, and certain physicians with clinical privileges at these institutions established the Company. The Company commenced business on January 1, 1985, with initial funding of \$400,000 from Providence Medical Center and St. Vincent Medical Center.

### **MANAGEMENT AND CONTROL**

#### **Board of Directors**

The Board of Directors' 15 directors serve three-year terms. The Board has three categories of directors: providers, consumer representatives, and members. One third of the directors shall at all times be a consumer representative. Members of the Board of Directors elected and serving as of December 31, 2008, were:

<b><u>Name and Address</u></b>	<b><u>Business Affiliation</u></b>	<b><u>Type of Director</u></b>
Jeffrey B. Clode, MD Seattle, WA 98104	Doctor Physicians Clinic – Spokane, WA	Provider
Mary A. Davis Seattle, WA 98104	Chairperson of Board Memorial Hospital & Health Care Center	Member
Lucille M. Dean, SP Seattle, WA 98104	Retired - Principal Former - Provincial Superior of Sisters of Providence	Member
Mary Corita Heid, LCM Seattle, WA 98104	Former - President Sisters of Mercy Health Corp.	Member
Gerald P. Leahy Seattle, WA 98104	Consultant Retired - President/CEO Sacred Heart Hospital - Spokane, WA	Consumer

<u>Name and Address</u>	<u>Business Affiliation</u>	<u>Type of Director</u>
Dana A. Rasmussen Seattle, WA 98104	Consulting Attorney	Consumer
Paul A. Redmond Seattle, WA 98104	Retired - Chairman & CEO Avista Corporation	Consumer
James S. Roberts, MD Seattle, WA 98104	Consultant	Provider
Owen B. Robinson Seattle, WA 98104	President & CEO Lumber Yard Supply & Flawless Auto Body	Consumer
Peter J. Snow Seattle, WA 98104	Sr. Vice President Presbyterian Healthcare Services	Provider
Michael A. Stein Seattle, WA 98104	Retired CFO ICOS	Consumer
Esther K. Stepp Seattle, WA 98104	Retired - owner Executive Solutions Chair Providence Health & services Former Chair Providence Health Plan	Consumer
Philip J. Thompson Seattle, WA 98104	Attorney - Keefe King & Bowman Retired Judge - WA State Court of Appeals	Consumer
Robert E. Wilson, CPA, MBA Seattle, WA 98104	Retired partner Arthur Andersen, LLP	Consumer
Ellen L. Wolf Seattle, WA 98104	Education Consultant Retired Supervisor of Schools Walla Walla, WA	Consumer

At least one-third of the members of the Board of Directors are a representative of the public pursuant to the provisions of ORS 750.015(1).

### Officers

As of December 31, 2008, the following officers managed the Company's daily operations:

<u>Name</u>	<u>Office</u>
Jack A. Friedman	Chief Executive Officer
Jeffrey W. Rogers	Secretary
Michael G. White	Chief Financial Officer
Barbara L. Christensen	Chief Sales & Marketing Officer
Kevin W. Keck MD	Chief Medical Officer
Alison S. Schrupp	Chief Operating Officer
Dan A. Stevens	Regional Director Network Development
Bruce W. Wilkinson	Chief Information Officer

## **CONFLICT OF INTEREST**

Executive managers, directors, physicians, clinical research scientists, purchasing employees, and supervisors must read the corporate conflict of interest policy, disclose any conflicts, and sign and return their conflict of interest statements. Due to the volume of statements, these are submitted electronically. The e-mail address of the recipient serves as their electronic signature.

From a review of the directors and senior management conflict of interest statements, it appears they performed due diligence by disclosing potential conflicts of interest.

## **CORPORATE RECORDS**

### **Board Minutes**

All of the Board meetings during the period examined were conducted with a quorum of directors present. The Board approved investments in accordance with the provisions of ORS 733.770 and ORS 733.740.

### **Bylaws**

The Bylaws conformed to Oregon statutes. No amendments were made to the Bylaws during the period covered by this examination.

### **Articles of Incorporation**

The Articles of Incorporation conformed to Oregon statutes. No amendments were made to the Articles during the period covered by this examination.

## **FIDELITY BOND AND OTHER INSURANCE COVERAGES**

Insurance coverages were reviewed to determine the adequacy of limits, deductibles, and solvency of the insurers providing coverage.

The Company is a named insured under policies covering Providence Health & Services. All the employees work for PPP. A directors and officers policy covers losses up to \$10 million after a \$500,000 deductible. An excess of loss directors and officers policy covers losses up to \$10 million in



Open Option product allows members to receive services from providers outside of the health plan's provider panel with a higher cost sharing arrangement. There are a variety of benefit packages available with varying levels of deductibles and co-insurance.

The Company sells three basic products. Membership is divided among Commercial Employer Groups and individuals (63%), Administrative Services for Self Insured Groups (ASO) (24%) and Medicare (13%), as of December 31, 2008. The number of members grew in 2009 by the addition of OEBC (Oregon Educators Benefits Board). Beginning January 1, 2010, Public Employees Benefit Board (PEBB) began an ASO contract with the Company.

The Company uses some in-house sales representatives to develop the large group market, but relies mainly on appointed agents to sell its products. The Company gives all agents training before they are appointed. The Company also maintains a sales office in Eugene to service that area of the state.

As of January 1, 2004, the Medicaid business was transferred to the Company's subsidiary, Providence Health Assurance.

#### **INTERCOMPANY MANAGEMENT AGREEMENTS**

The Company has a management services agreement with PPP for all general administrative expenses, except depreciation expense. These services include salaries and benefits, customer service, enrollment, claims processing, accounting, information services and other administrative services. PHS-OR provides all employees to PPP at cost. An annual cost allocation method is used to determine costs. PPP manages all aspects of the Company's administrative services through this agreement. The Company reimburses PPP monthly for administrative expenses. Net fees paid PPP for 2008 and 2007 were \$86,120,628 and \$78,259,848, respectively.

#### **GROWTH OF THE COMPANY**

The following exhibit reflects the growth of the Company since 2004. The amounts were compiled from the Company's filed annual statements, except in those years where the Oregon Insurance Division published an examination report.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital &amp; Surplus</u>	<u>Net Income</u>
2004*	\$224,374,912	\$ 52,313,979	\$172,060,933	\$47,832,496
2005	300,526,690	76,370,370	224,156,320	59,440,286
2006	393,771,193	108,169,637	285,601,556	61,854,755
2007	442,397,422	101,877,751	340,519,671	58,467,917
2008*	455,824,873	112,774,970	343,049,903	(2,142,056)

\*Per examination

Total capital and surplus increased \$170,988,970 since December 31, 2004. Net underwriting gains were reported each year. Underwriting gains and investment income, however, were offset by a net realized capital loss totaling \$49,264,497 in 2008, resulting in a (2,142,056) net loss for 2008.

### LOSS EXPERIENCE

The Company's underwriting results since 2004 are presented below. The amounts were compiled from the Company's filed annual statements, except in those years where the Oregon Insurance Division published an examination report.

<u>Year</u>	<u>Total Revenues</u>	<u>Total Medical and Hospital Expense</u>	<u>Ratio</u>
2004*	\$582,298,727	\$487,070,039	84%
2005	661,477,601	547,885,221	83%
2006	753,623,427	642,550,570	85%
2007	809,441,167	708,284,174	88%
2008*	894,250,720	796,444,039	89%

\*Per examination

### INSURANCE HOLDING COMPANY REGISTRATION

The Company is a member of an insurance holding company registration system and filed a registration statement with the Insurance Division pursuant to the provisions of ORS 732.551 and OAR 836-027-0010. No exceptions were noted in the registration statement.

### REINSURANCE

Effective January 1, 2008, the Company signed an excess of loss reinsurance treaty with HCC Life Insurance Company covering claims exceeding \$250,000 per covered person for commercial members. Retention drops to \$200,000 per person for Medicare members. Losses in excess of retention will be reimbursed to the Company as follows:

- 90% for eligible loss or losses;
- 95% eligible loss or losses if Early Notice of Claim and Cost Containment Procedures are implemented;
- \$4,000 per day maximum average inpatient hospital expenses;
- \$75,000 maximum for transplant services;
- \$25,000 transplant transportation and lodging;
- \$250,000 maximum transplant expenses per lifetime
- \$450,000 maximum for sub-acute care and Home Health Care per contract year (combined with other contract years)
- \$400,000 maximum per agreement year for outpatient hospital, and drugs not given in an acute care facility. This limit excludes ambulance and acute care costs.

Early notice referred to above is required for losses that are likely to exceed 50% of the attachment point. Early notice also applies for certain diagnoses, even if they do not exceed the 50% of the attachment point, such as cancer, end stage renal disease with dialysis, severe burns, multiple trauma, clotting disorder, congestive heart failure, pending transplant, neonatal intensive care over ten days and cardiomyopathy.

The maximum life time benefit payable under the agreement is \$2,000,000 per person during the agreement year. In the event of the Company's insolvency, claimants receiving care at the time of insolvency would continue to have their care paid for by the Reinsurer (up to 365 days or until discharge) under the terms of Endorsement 1.

The Company does not retain risk on any one subject in excess of 10% of its surplus to policyholders as required by ORS 731.504.

**Insolvency Clause**

Reinsurance payments will be made without diminution to the Company (ceding insurer) or its statutory successor should the Company become insolvent. This clause complies with ORS 731.508.

**ACCOUNTS AND RECORDS**

Computer programs maintain the accounting and supporting records for the Company. These programs run on computer platforms based out of its Beaverton offices.

Bills, invoices or statements support the disbursements pursuant to the provisions of ORS 732.320. In general, the Company's records and source documents supported the amounts presented in the 2008 annual statement. The following issues, however, came to our attention:

**Reinsurance Recoveries Reporting**

The Underwriting and Investment Exhibit, Part 2 shows the development from claims paid to claims incurred and sub-lines "3" show the development of reinsurance from a cash basis to an incurred basis.

The Company entered the reinsurance premiums paid to the reinsurer rather than the reinsurance recovered from the reinsurer on line 1.3, giving the wrong results for reinsurance incurred on line 12.3.

Furthermore, neither the amount on line 12.3 nor the amount which would have been calculated using the correct amount on line 1.3 agree with the incurred reinsurance benefits reported on line 17 of the Revenue and Expense Statement.

**I recommend the Company report the amount of actual (cash) reinsurance recoveries on line 1.3 of the Underwriting and Investment Exhibit, Part 2, and that it agrees with the amount reported on the Revenue and Expense Statement, line 17. This would comply with the NAIC Health Annual Statement Instructions and ORS 731.302.**

**COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS**

The Company complied with the recommendations made in the December 31, 2004, report of examination.

**PROVIDENCE HEALTH PLAN**  
**BALANCE SHEET**  
**As of December 31, 2008**

<b><u>ASSETS</u></b>	<b><u>Annual Statement</u></b>	<b><u>Examination Adjustments</u></b>	<b><u>Examination</u></b>
Bonds (Note 1)	\$329,483,562	\$ 0	\$329,483,562
Common stock	72,331,880		72,331,880
Cash and short-term investments	36,521,852		36,521,852
Receivable for securities	12,240		12,240
Investment income due and accrued	3,570,132		3,570,132
Uncollected premiums	5,401,968		5,401,968
Amounts recoverable from reinsurers	630,252		630,252
Amounts receivable relating to uninsured plans	145,385		145,385
EDP equipment and software	899,493		899,493
Receivables from parent, subsidiaries and affiliates	763,092		763,092
Health care and other amounts receivables	<u>6,065,017</u>	<u>0</u>	<u>6,065,017</u>
Total Assets	<u>\$455,824,873</u>	<u>\$ 0</u>	<u>\$455,824,873</u>
 <b><u>LIABILITIES, CAPITAL AND SURPLUS</u></b>			
Claims unpaid (Note 2)	\$75,155,017		\$75,155,017
Accrued medical incentive pool (Note 2)	17,234,786		17,234,786
Unpaid claims adjustment expenses (Note 2)	2,123,727		2,123,727
Aggregate health policy reserves	616,098		616,098
Premiums received in advance	8,492,467		8,492,467
General expenses due or accrued	389,586		389,586
Amounts due to parent, subsidiaries & affiliates	969,666		969,666
Liability for amounts held under uninsured plans	3,625,966		3,625,966
Aggregate write-ins for other liabilities	<u>4,167,657</u>	<u>0</u>	<u>4,167,657</u>
Total Liabilities	<u>112,774,970</u>	<u>0</u>	<u>112,774,970</u>
Unassigned funds (surplus)	<u>343,049,903</u>	<u>0</u>	<u>343,049,903</u>
Total Capital and Surplus	<u>343,049,903</u>	<u>0</u>	<u>343,049,903</u>
Total Liabilities, Capital and Surplus	<u>\$455,824,873</u>	<u>\$ 0</u>	<u>\$455,824,873</u>

**PROVIDENCE HEALTH PLAN**  
**INCOME STATEMENT**  
**For the Year Ending December 31, 2008**

Net premium income	<u>\$894,250,720</u>
Total Revenues	<u>894,250,720</u>
Hospital and Medical:	
Hospital/medical benefits	557,177,566
Other professional services	61,361,697
Outside referrals	40,845,544
Emergency room and out-of-area	38,929,764
Prescription drugs	84,492,563
Aggregate write-ins for other hospital and medical	2,569,706
Incentive pool, withhold adjustments and bonus amounts	<u>13,948,183</u>
Subtotal	799,325,023
Less:	
Net reinsurance recoveries	<u>2,880,984</u>
Total hospital and medical	796,444,039
Claims adjustment expenses	31,227,957
General administrative expenses	39,617,824
Increase in reserves for life and accident & health contracts	<u>616,098</u>
Total underwriting deductions	<u>867,905,918</u>
Net underwriting gain or (loss)	<u>26,344,802</u>
Net investment income earned	20,045,017
Net realized capital gains or (losses )	<u>(49,264,497)</u>
Net investment gains or losses)	<u>(29,219,480)</u>
Aggregate write-ins for other income or expenses	<u>732,622</u>
Net income or (loss) before income taxes	(2,142,056)
Federal and foreign income taxes incurred	<u>0</u>
Net income (Loss)	<u>\$ (2,142,056)</u>

**CAPITAL & SURPLUS ACCOUNT**

Capital and surplus prior reporting period	<u>\$340,519,671</u>
Net income or (loss)	(2,142,056)
Change in net unrealized capital gains and (losses) less capital gains tax	6,474,961
Change in non-admitted assets	<u>(1,802,673)</u>
Net change in capital and surplus	<u>2,530,232</u>
Capital and surplus end of reporting year	<u>\$343,049,903</u>

## NOTES TO FINANCIAL STATEMENTS

### Note 1 – Bonds

Bonds comprise 72% of total assets. Government backed bonds totaled \$184 million, while \$145 million was invested in miscellaneous corporate bonds. Most of the bonds were investment grade as designated by the NAIC.

<b>Year</b>	<b>(1) Book Value Bonds</b>	<b>(2) Market Value Bonds</b>	<b>(3) Noninvestment Grade Bonds*</b>	<b>(3/1) % of Portfolio</b>
2004**	\$199,806,721	\$198,851,867	\$ 8,019,808	4%
2005	278,269,015	273,768,287	7,420,515	3%
2006	340,840,670	339,414,270	34,363,474	10%
2007	345,634,991	347,032,620	20,785,085	6%
2008**	329,483,562	321,420,759	6,716,662	2%

\*Investment grade is defined by the NAIC as those securities with an NAIC Securities Valuation Office rating of “1” or “2.” Non-investment grade securities are those with an (SVO) rating of “3” to “6”.

\*\*Per examination

### Note 2 – Claims Unpaid, Accrued Medical Incentive Pool and Unpaid Claims Adjustment Expenses

Scott L. Fitzpatrick, FSA, MAAA, actuary for the State of Oregon, Department of Consumer and Business Services, Insurance Division, reviewed the actuarial opinion by Robert D. Bachler, FSA, FCAS, MAAA, consulting actuary with Milliman Inc., as well as other supporting information provided by the Company. His estimates of the Company’s claim liabilities at the end of 2008 are as follows:

	<u>Per Examination</u>	<u>Per Annual Statement</u>
Claims Unpaid (page 3, line 1)	\$69,319,516	\$75,155,017
Accrued medical incentive pool and bonus payments (page 3, line 2)	22,370,794	17,234,786
Unpaid Claims Adjustment Expenses (page 3, line 3)	2,079,585	2,123,727
Aggregate health policy reserves (page 3, line 4)	616,098	616,098
Aggregate health claim reserves (page 3, line 7)	\$0	\$0
Experience rated refunds	4,167,657	4,167,657
Total Actuarial Liabilities	98,553,651	99,297,285

Prior to his doing these calculations, the examiners checked some of the data for accuracy against the paid claim database provided them; no unusual findings were noted. His reserve for the accrued medical incentive pool and bonus payments was \$5,136,036 higher than the year end reserve estimate. This was based on documents provided by Tony Coakley, Senior Financial Analyst for Providence. The reason for this difference was significant additional CMS HCC reimbursement in 2009 that increased payments to providers for 2008.

His calculation of the unpaid claims estimate is simply an accumulation of the payments incurred before the end of 2008 that were paid after the end of 2008 which totaled \$60,277,840, plus \$0 using lag completion factor methodology (assumed to be 100% ‘complete’ since we have 12 months of

runout), with 15% added for conservatism. The final result was \$69,319,516. His calculation of a best estimate for claims unpaid was less than the Company balance by \$5,835,501, just 7.8%.

The Company's estimate for Unpaid Claims Adjustment Expenses amounts to 2.83% of Claims Unpaid. 4% is average for Oregon domestic companies. Normally, he prefers a slightly higher estimate using 5%, but used 3% here since his IBNR Reserve estimate includes 15% margin. This item includes expenses such as those for case management, disease management, and utilization review.

The aggregate health policy reserve of \$616,098 is for a payment to be made to CMS for Medicare Part D.

The experience rated refunds were comprised of \$1,848,614 for a PERS reserve, amounts ranging from \$250,000 to \$667,000 for four large contracts, and eight other liabilities, all of which were under \$300,000.

His total estimate for actuarial liabilities is less than the Company's estimate by \$743,634. The statement of the actuarial liabilities at year end for the annual statement was conservative to the proper degree for this company, and the Company's reserves were sufficient to cover its liabilities for the stated items at the end of 2008.

### CONCLUSION

During this examination period, the Company's capital and surplus increased from \$172,060,933, as presented in the December 31, 2004, report of examination, to \$343,049,903, as shown in this report of examination.

Comparative assets and liabilities illustrate the increase in surplus from December 31, 2004 to December 31, 2008.

	<b>December 31,</b>		
	<u><b>2008</b></u>	<u><b>2004</b></u>	<u><b>Change</b></u>
Assets	\$455,824,873	\$224,374,912	\$231,449,961
Liabilities	<u>112,774,970</u>	<u>52,313,979</u>	<u>60,460,991</u>
Surplus	<u>\$343,049,903</u>	<u>\$ 172,060,933</u>	<u>\$170,988,970</u>

## **SUMMARY OF COMMENTS AND RECOMMENDATIONS**

Following is a summary of this examination's comments and recommendations:

### **Page**

- 13 I recommend the company report the amount of actual (cash) reinsurance recoveries on line 1.3 of the U&I Exhibit, Part 2, and that it agrees with the amount reported on the Revenue and Expense Statement, line 17. This would comply with the NAIC Health Annual Statement Instructions and ORS 731.302.

## **SUBSEQUENT EVENTS**

In March 2010 the Federal Health Care Reform bill was passed. This will change health insurance business in many ways. Some of the provisions of the bill take place in 2010 and some of the provisions take place in subsequent years.

Provisions taking effect in 2010 (within six months of the passage of the bill) that will affect health insurers and the benefits they pay out are the following:

- no lifetime limits on benefits
- restricted annual limits on benefits
- insurers cannot rescind coverage except for fraud
- certain preventative services and immunizations will be required to be covered
- unmarried children can remain on parents' health plan until age 26 and
- children cannot be denied coverage on employment-based plans for pre-existing conditions

Additionally, the Company constructed during 2009 a new office building that cost approximately \$86.5 million. The building is located at 4400 NE Halsey, Portland, Oregon. It plans to occupy the building in June 2010. The Company did not incur any debt to fund the project.

## ACKNOWLEDGMENT

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

In addition to the undersigned, Raymond W. Anderson, CFE, Timothy R. Hurley, CFE, Mark A. Giffin, CFE, and Ellen F. Quale, AFE, CPA, insurance examiners, and Scott L. Fitzpatrick, FSA, MAAA, life and health actuary, for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,

---

Mike P. Phillips, CPA CFE AES  
Supervising Insurance Examiner  
Insurance Division  
Department of Consumer and Business Services  
State of Oregon

**AFFIDAVIT**

State of Oregon            )  
  ) ss  
Marion County            )

Mike P. Phillips, CFE, CPA, AES, being duly sworn, states as follows:

1.     I am authorized to represent the state of Oregon in the examination of Providence Health Plan.
  
2.     The Insurance Division 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, and the examination of Providence Health Plan, was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

\_\_\_\_\_  
Mike P. Phillips, CFE, CPA, AES  
Supervising Insurance Examiner  
Insurance Division  
Department of Consumer and Business Services  
State of Oregon

Subscribed and sworn to before me this \_\_\_\_\_ day of \_\_\_\_\_, 2010.

\_\_\_\_\_  
Notary Public in and for the State of Oregon  
My Commission Expires: \_\_\_\_\_