



STATE OF OREGON

DEPARTMENT OF CONSUMER AND BUSINESS SERVICES

INSURANCE DIVISION

REPORT OF FINANCIAL EXAMINATION

OF

**MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
SALEM, OREGON**

NAIC COMPANY CODE 12310

AS OF

DECEMBER 31, 2008

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SALUTATION

July 7, 2009

Honorable Cory Streisinger, 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

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
245 Commercial Street SE, Suite 200
Salem, Oregon 97301

NAIC Company Code 12310

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

SCOPE OF EXAMINATION

We examined the Company's financial statements as of December 31, 2008. This examination covers the three-year period then ended. Material transactions or events 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. This examination determined the Company's financial condition, ability to fulfill and the manner in which it fulfills its obligations, nature of operations and compliance with the Insurance Code. Accounting methods, internal control procedures, records, and other supporting evidence were examined or tested. Assets, liabilities, income and expense related items were also tested. Corrective actions taken by the Company in response to comments and/or recommendations in the December 31, 2005, report of examination were reviewed.

Scott F. Fitzpatrick, FSA, MAAA, actuary for the State of Oregon, Department of Consumer and Business Services, evaluated claims unpaid, unpaid claim adjustment expenses and aggregate health policy reserves for this report. His conclusions are included in the notes to the financial statements section of this report.

PLAN HISTORY

The Plan was incorporated on April 13, 2005, under the laws of the State of Oregon as MPCHP Advantage, Inc. It was formed by Mid-Valley IPA, Inc., to qualify as a Medicare Advantage plan provider under the program administered by the Centers for Medicare and Medicaid Services (CMS).

On April 23, 2005, the Plan changed its name to Marion Polk Community Health Plan Advantage, Inc. On August 16, 2005, the Plan received a Certificate of Authority (#167) to transact business as a health care service contractor pursuant to ORS Chapter 750.

CAPITALIZATION

The Plan was capitalized with the issuance of shares of no par common stock to Marion Polk Community Health Plan, LLC, with a stated value of \$0 per share. The parent has contributed a total of \$4,517,000 in paid-in and contributed surplus.

The Plan's Articles of Incorporation authorize issuing 1,000,000 shares of no par value common stock. As of December 31, 2008, the Plan had 100,000 common capital stock shares issued and outstanding entirely held by Marion Polk Community Health Plan, LLC.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws vest the Plan's management and control in a Board of Directors. As of December 31, 2008, the Board of Directors consists of six (6) voting members. Two (2) of these Board members are representatives of the public, in accordance with the provisions of ORS 750.015 and the Plan's Bylaws.

Article 4.7 of the Bylaws states that a majority of the directors constitutes a quorum. A quorum met at each meeting. Members of the Board of Directors serving as of December 31, 2008, were:

<u>Name and Address</u>	<u>Title and Affiliation</u>	<u>Representative</u>
Charles E. Wilson, MD Salem, OR 97302	Physician Salem Emergency Physicians, PC	Medical
Timothy R. Peters, MD Silverton, OR 97381	Family Practice Northwest Family Medicine	Medical

<u>Name and Address</u>	<u>Title and Affiliation</u>	<u>Representative</u>
James E. Byrkit, MD Salem, OR 97303	Medical Director Salem Clinic	Medical
Paul Balmer, MD Keizer, OR 97303	Physician Willamette Family Medical Center	Medical
Jeffrey R. Davis Salem, OR 97302	Public Health/Mental Health Administrator Retired	Public
Dean F. Larson Salem, OR 97301	Executive Director Marion Polk County Medical Society	Public

Officers

Operating management of the Plan as of December 31, 2008, was under the direction of the following principal officers:

<u>Name</u>	<u>Office</u>
Charles E. Wilson, MD	President
Jan L. Buffa	Chief Executive Officer
Dean G. Andretta	Chief Financial Officer
Timothy R. Peters, MD	Secretary

Parent, Subsidiary and Affiliated Companies

The Plan is a member of an insurance company holding system. Parents and affiliates of the Plan are described in the following listing:

Mid-Valley IPA, Inc. (MVIPA) is a not-for-profit taxable corporation domiciled in Oregon and is the Plan's ultimate parent. MVIPA provides medical management services, diseases management, medication therapy management, chronic care coordination, provider relations/contracting, healthcare information technology systems, administrative services, accounting and finance services and information technology.

Marion Polk Community Health Plan, LLC (MPCHP) is an Oregon domiciled limited liability company whose sole member is MVIPA. MPCHP administers the fully capitated contract for the Oregon Health Plan through the Oregon Medical Assistance Programs (OMAP), and is the immediate parent of the Plan.

Mid-Valley IPA Employee Benefit Trust is an Oregon domiciled employee benefit trust formed to provide medical health care, pharmaceutical, dental, and vision benefits to the eligible employees of the Mid-Valley Independent Physician Association members and their dependents.

INTERCOMPANY AGREEMENTS

MVIPA performs most of the Plan's daily operations. Following are the agreements the Plan operated under as of December 31, 2008:

Administrative Services Agreements

The Plan signed an Administrative Staff Support Services Agreement with MVIPA. Under this agreement, the Plan utilizes MVIPA's personnel, office space, equipment, computer systems, software and operating methodologies to conduct its business. Clinical services and electronic health record system costs are paid monthly to MVIPA based on per member per month fees. Administrative costs are paid MVIPA monthly based on a cost sharing percentage.

Tax Sharing Agreement

The Plan is party to a tax sharing agreement with its parent MVIPA and other members of the holding group. Each subsidiary or single member LLC will compute its own income taxes as if the entity had filed on a separate entity basis. Each entity places the funds owed in reserve for estimated taxes, which is transferred to the parent. MVIPA pays all taxes.

CONFLICT OF INTEREST

The Plan has an established policy requiring disclosure of any material interest or affiliation on the part of its directors, officers, and key personnel which may conflict with official duties. A review of the completed disclosures did not reveal any exceptions.

CORPORATE RECORDS

The corporate records, including the Board of Directors' minutes, Articles of Incorporation, and Bylaws were reviewed for the period under examination.

Board of Director Minutes

Directors' actions were recorded in sufficient detail to determine the directors' actions. Investments were approved yearly.

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.

Bylaws

The Bylaws mention the wrong company. Currently Article I reads:

Principal Office. The principal office of Central Oregon Independent Health Services, Inc., (the "Corporation") in the State of Oregon shall be located at:

198 Commercial St. Suite 240
Salem, OR 97301

I recommend the Plan correct its Bylaws to reflect the correct name of the Plan. This would comply with ORS 731.430 which prohibits an insurer from using a name which is the same or deceptively similar to another authorized insurers name.

No amendments were made to the Bylaws during the period covered by this examination.

FIDELITY BOND AND OTHER INSURANCE

MVIPA maintains insurance coverages through its insurance policies whereby the Plan is a named insured. The examination of insurance coverages involved a review of adequacy of limits and retentions, the authority to write in the State of Oregon, and the solvency of the insurers providing the coverages. The Plan doesn't have any employees of its own, but rather uses MVIPA's employees under an Administrative Services Agreement. At December 31, 2008, MVIPA was insured up to \$2,000,000 per occurrence, after a \$50,000 deductible, against losses from errors and omissions. This meets the NAIC suggested minimum level of fidelity bond coverage for the size and volume of its operation.

In addition, MVIPA has directors and officers liability coverage for \$2,000,000, after a \$50,000 deductible. Other insurance coverages in force at December 31, 2008, were as follows:

- Commercial Excess and Umbrella Insurance
- Property Liability

RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFITS

The Plan has no employees; therefore, no liability for employee benefits was accrued.

TERRITORY AND PLAN OF OPERATION

The Marion Polk Community Health Plan Advantage Inc., is a Medicare Advantage - Special Needs Plan, serving patients who are dually eligible for Medicare and Medicaid. In 2008 Physicians Choice Advantage and Physicians Choice Rx were added for Medicare beneficiaries that are not dually eligible. Enrollment in the plan began in January 2006. At the end of 2008, the enrollment is 3,806 patients.

CMS restricts how the Plan can market its products. Benefit Advisors is the agent marketing the Company's insurance. Agent commissions are paid by the Plan entirely to Benefit

Advisors. In turn Benefit Advisors pays about 5 other subagents which sell the products for them.

The Plan can only sell Medicare coverage in Marion & Polk counties Oregon. CMS restricts its area. If the Plan wanted to expand into other counties in Oregon, it would have to make a separate application for each county.

GROWTH OF THE COMPANY

Plan growth since the last financial examination is shown in the following table. Amounts were derived from the Plan's annual statements, except in those years in which a report of examination was published by the Oregon Insurance Division.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital & Surplus</u>	<u>Net Income</u>
2005*	\$ 4,589,694	\$ 24,603	\$4,565,091	\$ 48,091
2006	14,269,450	7,605,506	6,663,945	2,098,853
2007	15,118,506	7,445,845	7,672,661	2,161,464
2008*	12,026,354	5,049,317	6,977,037	209,470

*Per examination

LOSS EXPERIENCE

Loss experience since the last financial examination is shown in the following table. No business was written in 2005. Amounts were derived from the Company's annual statements, except in those years in which a report of examination was published by the Oregon Insurance Division.

<u>Year</u>	<u>Net Premium</u>	<u>Loss & Loss Adjustment Expense</u>	<u>Ratio</u>
2005	\$ 0	\$ 0	0%
2006	42,395,991	37,483,494	88.4%
2007	43,169,793	35,011,827	81.1%
2008*	44,022,219	37,047,492	84.2%

*per examination

HOLDING COMPANY REGISTRATION STATEMENT

At year-end 2008, the Plan filed a holding company registration statement in accordance with the provisions of ORS 732.552, ORS 732.554, and Oregon Administrative Rule (OAR) 836-027-0020(1).

REINSURANCE

Ceded Reinsurance

The Plan entered into a Stop Loss reinsurance agreement with OneBeacon Insurance Company. Losses up to \$2,000,000 per member per policy period are covered after retention levels are met. Retention limits per member per policy are \$150,000 for Medicaid and \$125,000 for Medicare Advantage. OneBeacon Insurance Company is authorized to write property-casualty, workers' compensation, marine and transportation and surety lines insurance in Oregon since November 1956. However, it is not authorized to write health, which violates ORS 731.508(1). ORS 731.508(1) states an insurer may accept reinsurance only of such risks, and retain risk thereon within such limits, as it is otherwise authorized to insure.

I recommend the Plan obtain reinsurance with a reinsurer authorized to write health insurance in Oregon in compliance with ORS 731.508(1).

Insolvency Clause

The reinsurance agreement contained a proper insolvency clause in accordance with ORS 731.508(3). Compliance with this statute is required to take reserve credits for reinsurance ceded.

Risk Retention

The Plan's retention per member per policy period is \$150,000 for Medicaid members and \$125,000 for Medicare Advantage members. Since retention levels are less than 10% of the Plan's \$7,830,930 surplus at December 31, 2008, the Plan met the maximum risk retention requirements of ORS 731.504.

ACCOUNTS AND RECORDS

The records and source documentation supported the amounts presented in the Plan's December 31, 2008, annual statement and were maintained in a manner by which the financial condition was readily verifiable as required by ORS 733.170. Assets are maintained in accordance with the provisions of ORS 732.245. The Plan maintains its general ledger, premium records, and claims records on a computerized system. However, the following exceptions were found during this examination.

Security Deposits on Schedule E, Part 3- Special Deposits

The Plan had two Treasury Notes on deposit in a custodial account. NAIC Annual Statement Instructions specify that deposits held by the State must be reported on Schedule E, Part 3 - Special Deposits. These securities were reported on Schedule E, Part 1 – Cash.

I recommend the Plan report special deposits held in custodial accounts on Schedule E, Part 3 - Special Deposits in compliance with the NAIC Annual Statement Instructions and ORS 731.302.

Pharmaceutical Rebate Receivables Disclosure

The Plan's Pharmaceutical Rebates receivables disclosure in Notes to Financial Statements was reviewed to see if it met SSAP 84, paragraph 24 requirements.

SSAP 84, paragraph 24, requires financial statements to disclose the method used by the reporting entity to estimate pharmaceutical rebate receivables. Furthermore, for the most recent three years and for each quarter therein, the reporting entity shall also disclose the following:

- a. Estimated balance of pharmacy rebate receivable as reported on the financial statements;
- b. Pharmacy rebates as invoiced or confirmed in writing; and
- c. Pharmacy rebates collected.

The disclosures did not meet the requirements of SSAP 84, paragraph 24.

I recommend the Notes to Financial Statements disclose the pharmacy rebates collected, as stated in SSAP 84, paragraph 24c. In addition, I recommend the Plan disclose Pharmaceutical Rebate Receivables as shown in Exhibit A to SSAP 84, in compliance with SSAP 84, paragraph 24 and ORS 731.302.

Estimated Pharmaceutical Rebates

Third quarter 2008 pharmaceutical rebate was estimated using an average of the first and second quarters actual prescriptions filled. Fourth quarter 2008 estimated pharmaceutical rebate was an average of the second and third quarters actual prescriptions filled. The Examiners Handbook requires that estimated Rx rebates be based on actual prescriptions filled within three months immediately preceding the reporting date.

I recommend the Plan base the estimated amounts of pharmaceutical rebates on actual prescriptions filled within three months rather than six months immediately preceding the reporting date, in compliance with ORS 731.302 and the 2008 Financial Condition Examiners Handbook.

Income Tax Disclosures

The Plan's income tax disclosures were not in compliance with SSAP 10 paragraphs 18 – 23.

I recommend the Plan follow the disclosures as shown in SSAP 10, Exhibit A, Question 12 as stated in SSAP 10, paragraphs 18-23 in the Notes to Financial Statements.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Plan complied with the recommendations made in the prior examination.

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
BALANCE SHEET
As of December 31, 2008

<u>ASSETS</u>	<u>Per Plan</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Bonds	\$ 0	\$ 0	\$ 0
Cash and short-term investments (Note 1)	10,142,499		10,142,499
Investment income due and accrued	107,553		107,553
Amounts recoverable from reinsurers (Note 2)	788,857	(328,045)	460,812
Amounts receivable relating to uninsured plans	67,875		67,875
Net deferred tax asset	28,100		28,100
Receivables from parent subs & affiliates	773,201		773,201
Health care receivables (Notes 3 & 4)	<u>972,162</u>	<u>(525,848)</u>	<u>446,314</u>
Total Assets	<u>\$12,880,247</u>	<u>(\$853,893)</u>	<u>\$12,026,354</u>
 <u>LIABILITIES</u>			
Claims unpaid (Note 5)	\$4,414,943	\$ 0	\$4,414,943
Unpaid claims adjustment expense	176,597		176,597
Aggregate health policy reserves	423,800		423,800
General expenses due or accrued	<u>33,977</u>	<u>0</u>	<u>33,977</u>
Total Liabilities	<u>\$ 5,049,317</u>	<u>\$ 0</u>	<u>\$ 5,049,317</u>
 <u>CAPITAL & SURPLUS</u>			
Gross paid in and contributed surplus	\$ 4,517,000	\$ 0	\$ 4,517,000
Unassigned funds	<u>3,313,930</u>	<u>(853,893)</u>	<u>2,460,037</u>
Total Capital & Surplus	<u>7,830,930</u>	<u>(853,893)</u>	<u>6,977,037</u>
Total Liabilities, Capital & Surplus	<u>\$ 12,880,247</u>	<u>\$ (853,893)</u>	<u>\$12,026,354</u>

MARION POLK COMMUNITY HEALTH PLAN ADVANTAGE, INC.
INCOME STATEMENT
For the Year Ended December 31, 2008

	<u>Per Plan</u>	<u>Examination Adjustments</u>	<u>Per Examination</u>
Net premium income	\$44,022,219	\$ 0	\$44,022,219
Total Revenue	<u>44,022,219</u>	<u>0</u>	<u>44,022,219</u>
Hospital and Medical:			
Hospital/medical benefits	28,683,626		28,683,626
Other professional services	3,259,776		3,259,776
Outside referrals	0		0
Emergency room and out of area	644,662		644,662
Prescription drugs	4,459,428		4,459,428
Aggregate write-ins for other hospital and medical	0		0
Incentive pool withhold adjustments and bonus amounts	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal	37,047,492		37,047,492
Less:			
Net reinsurance recoveries	<u>(489,489)</u>	<u>0</u>	<u>(489,489)</u>
Total hospital and medical	37,536,981		37,536,981
Claims adjustment expenses	2,233,117		2,233,117
General administrative expenses	<u>4,330,546</u>	<u>0</u>	<u>4,330,546</u>
Total underwriting deductions	<u>44,100,644</u>	<u>0</u>	<u>44,100,644</u>
Net underwriting gain or (loss)	(78,425)		(78,425)
Net investment income earned	<u>412,908</u>	<u>0</u>	<u>412,908</u>
Net income or (loss), after capital gains tax and before all other federal income taxes			
	334,483		334,483
Federal and foreign income taxes incurred	<u>125,013</u>	<u>0</u>	<u>125,013</u>
Net income (loss)	<u>\$ 209,470</u>	<u>\$ 0</u>	<u>\$ 209,470</u>
Capital and Surplus, December 31, 2007			
	<u>\$7,672,661</u>	<u>\$ 0</u>	<u>\$7,672,661</u>
Net income or (loss)	209,470		209,470
Change in net deferred income tax	(51,200)		(51,200)
Examination changes	<u>0</u>	<u>(853,893)</u>	<u>(893,893)</u>
Net change in capital and surplus	<u>158,270</u>	<u>(853,893)</u>	<u>(695,623)</u>
Capital and surplus, December 31, 2008	<u>\$7,830,931</u>	<u>(\$853,893)</u>	<u>\$6,977,038</u>

NOTES TO THE FINANCIAL STATEMENTS

Note 1 –Cash and Short-term Investments

The Plan had US Treasury Notes totaling \$3,322,000 on deposit with US Bank for the benefit of all policyholders. This meets the requirements of ORS 733.580 which requires the Plan to keep investments equal to its required capitalization of \$2,500,000 in cash (subject to the \$250,000 FDIC per bank depositor limit) or government backed securities such as US Treasury Notes.

The Plan invested more than 39% of its assets in 8 CDs at Umpqua Bank , which exceeds the investment limitations set forth in ORS 733.770.

I recommend the Plan diversify its investments to comply with ORS 733.770.

Note 2 - Reinsurance Recoverables

Reinsurance recoverable of \$328,045 was found to be over 90 days due. The independent auditors concluded the reinsurance recoverable collectible was \$406,812 and proposed an adjusting journal entry of \$328,045 to reduce the reinsurance recoverable to \$406,812. Since the \$328,045 was over 90 days due, SSAP 61 paragraph 42 requires that it be written off.

I recommend the Plan write off \$328,045 uncollectible reinsurance recoverable in compliance with SSAP 61, paragraph 42 and ORS 731.302.

Note 3 - Pharmacy Rebate Receivables Over 90 days Nonadmitted

SSAP 84, paragraph 10b requires that pharmaceutical rebates that have not been collected within 90 days of the invoice date or confirmation date shall be nonadmitted.

According to Exhibit 3 - Health Care Receivables, \$425,594 of the Rebates Receivable are over 90 days and, therefore, should be nonadmitted according to SSAP 84.

I recommend nonadmitting \$425,593 of the health care and other receivables since this amount is over 90 days due, in compliance with ORS 731.302, and SSAP 84, paragraph 10b.

Note 4 - Estimated Claims Overpayments Not Admitted

The examiner determined that \$100,255 of the claim overpayments were not specifically identifiable and were instead estimated. This \$100,255 was accrued and included in Health care and other amounts receivable based upon a percentage of IBNR.

Accrual of estimated claim overpayments is prohibited by SSAP 84, paragraph 14 which states: A claim overpayment shall not be recorded as a receivable until invoiced. To the extent that the claim overpayment meets the setoff conditions in SSAP No. 64-Offsetting and

Netting of Assets and Liabilities (SSAP No. 64) and the overpayment is a specific identifiable payment and not an estimate, the receivable may be admitted up to the amount of the payable to the provider for reported claims (i.e. excluding incurred but not reported claims).

I recommend that the \$100,255 estimated amounts included in health care and other amounts receivable, be nonadmitted in compliance with SSAP 84, paragraph 14 and ORS 731.302.

Note 5 – Unpaid Claims and Unpaid Claims Adjustment Expenses

Scott F. Fitzpatrick, FSA, MAAA, actuary with the Oregon Insurance Division reviewed the Plan's unpaid claims liability as of December 31, 2008. Based on the Plan's claims runoff data, he concluded that the December 31, 2008, liability for unpaid claims was adequate. The examiners tested the underlying claims data supporting the review. No exceptions were noted during the examination of the Plan's claims data.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

The following is a summary of recommendations made in this report of examination:

Page

- 9 I recommend the Plan correct its Bylaws to reflect the correct name of the Plan. This would comply with ORS 731.430 which prohibits an insurer from using a name which is the same or deceptively similar to another authorized insurers name.
- 12 I recommend the Plan obtain reinsurance with a reinsurer authorized to write health insurance in Oregon in compliance with ORS 731.508(1).
- 13 I recommend the Plan report special deposits held in custodial accounts on Schedule E, Part 3 - Special Deposits in compliance with the NAIC Annual Statement Instructions and ORS 731.302.
- 14 I recommend the Notes to Financial Statements disclose the pharmacy rebates collected, as stated in SSAP No. 84, paragraph 24 c. In addition, I recommend the Plan disclose Pharmaceutical Rebate Receivables as shown in Exhibit A to SSAP No. 84, in compliance with SSAP 84, paragraph 24 and ORS 731.302.
- 14 I recommend the Plan base the estimated amounts of pharmaceutical rebates on actual prescriptions filled within three months rather than six months immediately preceding the reporting date, in compliance with ORS 731.302 and the 2008 Financial Condition Examiners Handbook.
- 15 I recommend the Plan follow the disclosures as shown in SSAP 10, Exhibit A, Question 12 as stated in SSAP 10, paragraphs 18-23 in the Notes to Financial Statements.

- 18 I recommend the Plan diversify its investments to comply with ORS 733.770.
- 18 I recommend the Plan write off \$328,045 uncollectible reinsurance recoverable in compliance with SSAP 61, paragraph 42 and ORS 731.302.
- 18 I recommend nonadmitting \$425,593 of the health care and other receivables since this amount is over 90 days due, in compliance with ORS 731.302, and SSAP 84, paragraph 10b.
- 19 I recommend that the \$100,255 estimated amounts included in health care and other amounts receivable, be nonadmitted in compliance with SSAP 84, paragraph 14 and ORS 731.302.

CONCLUSION

Adjustments made to the Plan's surplus as a result of this examination reduced the 2008 admitted surplus by \$853,893. During the examination's three year period, the Plan's surplus increased from \$4,565,091 as of December 31, 2005, to \$6,977,037 as shown in this examination report. Comparative assets and liabilities are shown below:

	December 31,		
	<u>2008</u>	<u>2005</u>	<u>Change</u>
Assets	\$12,026,354	\$4,589,694	\$7,436,660
Liabilities	<u>5,049,317</u>	<u>24,063</u>	<u>5,025,254</u>
Surplus	<u>\$ 6,977,037</u>	<u>\$4,565,631</u>	<u>\$2,411,406</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, Ellen F. Quale, CPA, AFE, financial examiner, and Scott Fitzpatrick, FSA, MAAA, actuary for the State of Oregon, Department of Consumer and Business Services, Insurance Division, participated in the examination.

Respectfully submitted,

Mike Phillips CFE, CPA, 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 have authority to represent the state of Oregon in the examination of Marion Polk Community Health Plan Advantage Inc.

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 Marion Polk Community Health Plan Advantage Inc., 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, CPA, CFE, AES
Supervising Insurance Examiner
Insurance Division
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this _____ day of _____, 2009.

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