

Oregon's Health CO-OP
Liquidation Financials
For The Nine Months Ended September 30, 2018

**Oregon's Health Co-Op
Statement of Affairs
September 30, 2018**

**September 30, 2018
Estimated Realizable Value**

ASSETS

Cash and Cash Equivalents	\$	8,319,286
Risk Corridor Receivable		25,009,867
Risk Corridor Receivable Valuation Adjustment		(25,009,867)
CSR Receivable		265,324
Amounts Recoverable from Reinsurers		1,971,363
Premiums in Course of Collection		-
Rebates Receivable		-
Fixed Assets		796
Prepaid Expenses		-
Other Assets		400,636
Total Assets	\$	10,957,405

LIABILITIES

Administrative Claims (Class 1)		
Administration of Delinquency Proceedings	\$	76,916
Operations of Delinquency Proceedings		214,271
Loss Claims (Class 2)		
Unpaid Claims		6,119,883
Advance Premium Claims		89,537
Federal Government Claims (Class 3)		7,740,639
Employee Claims (Class 4)*		55,340
State & Local Government Claims (Class 5)*		175,949
General Creditor Claims (Class 6)*		3,276,039
Total Liabilities		17,748,573

EQUITY

Total Capital & Surplus		(6,791,169)
Excess (Deficiency) of Assets over Liabilities		(6,791,169)
Total Liabilities and Equity	\$	10,957,405

Notes:

- OHC was ordered into liquidation on March 2, 2017.
- There were fewer proof of claims forms filed than expected, so that is the primary reason for the reduction in liabilities in the December 2017 financial statements.
- * The POC forms have not been evaluated for these classes.

Oregon's Health Co-Op
Statement of Cash and Receipts and Distributions
From the Date of Liquidation, March 2, 2017 through September 30, 2018

	<u>03/02/2017 thru</u> <u>09/30/2018</u>	<u>03/02/2017 thru</u> <u>12/31/2017</u>
CASH RECEIPTS		
Premiums collected net of reinsurance	\$ 73,455	\$ 73,455
Litigation Recoveries	-	-
Provider Refund Recoveries	249,130	190,237
Pharmacy Rebates Received	356,881	356,881
Other Cash Provided	-	-
Sale of Personal Property Inventory	-	-
Sale of Real Property Inventory	-	-
Sale of Other Assets	-	-
	<hr/>	<hr/>
Receipts Before Investment Activities	679,466	620,573
Interest and Dividend Receipts	50	-
Proceeds from investments sold, matured or repaid	-	-
Receipts From Investment Activities	<u>50</u>	<u>-</u>
Total Cash Receipts	<u>679,516</u>	<u>620,573</u>
CASH DISBURSEMENTS & DISTRIBUTIONS		
Benefit and Loss Related Payments	53	53
Third Party Administrator Fees	1,469,685	1,469,685
Receivership Administration Fees	919,831	625,381
Salaries and Benefits	555,573	555,573
Banking Fees	147,227	140,762
Printing and Mailing Expense	113,536	108,958
Administration Expenses	112,744	51,176
Rent, Building and Equipment	62,822	39,832
Legal and Professional Fees	71,401	26,011
Disbursements	<hr/> 3,452,871	<hr/> 3,017,430
Distributions		
Early Access-Guaranty Associations	-	-
Total Distributed	<hr/> -	<hr/> -
Disbursements & Distributions Before Investment Activities	3,452,871	3,017,430
	<hr/>	<hr/>
Disbursements for Investment Activities	-	-
	<hr/>	<hr/>
Total Cash Disbursements & Distributions	<u>3,452,871</u>	<u>3,017,430</u>
Net Increase (Decrease) in Cash	<u>(2,773,355)</u>	<u>(2,396,857)</u>
Beginning Cash Balance:		
Beginning Cash	11,092,641	11,092,641
Ending Cash Balance	<u>\$ 8,319,286</u>	<u>\$ 8,695,784</u>

Notes:

- OHC was ordered into liquidation on March 2, 2017.

OREGON'S HEALTH CO-OP
Statement of Cash Flows
For the Period March 2, 2017 thru September 30, 2018

	Since Liquidation
Cash From (For) Operations:	
Premiums Collected	(175,207)
Net Reinsurance	81,234
Claims Paid (Gross of Reinsurance)	(135,626)
Risk Corridor Payments	0
Risk Adjustment	-
Administrative Expenses Paid	(3,058,343)
Investment Income	514,586
Net Cash From (For) Operations	(2,773,355)
Cash From (For) Financing Activities:	
Net Proceeds from Solvency Loan	-
Net Principal Payments on Solvency Loan	-
Net Proceeds from Surplus Notes from CareOregon	-
Net Principal Payments on Surplus Notes from CareOregon	-
Net Proceeds from Start Up Loan	-
Net Principal Payments on Start Up Loan	-
Net Cash From (For) Financing Activities	-
Total Net Change in Cash	(2,773,355)
Cash at beginning of period	11,092,641
Cash at end of period	8,319,286

Oregon's Health Co-Op
Risk Corridor Receivable and Valuation Adjustment
September 30, 2018

Description	Balance 3/2/2017	Adjustments	Balance 9/30/2018
Risk Corridor Receivable	18,814,901	6,194,966	25,009,867 ^A
Risk Corridor Receivable Valuation Adjustment	(18,814,901)	(6,194,966)	(25,009,867) ^A
	-	-	-

^A The Risk Corridor (RC) Receivable represents \$10.6 million and \$14.4 million, respectively, of the calculated risk corridor receivable amounts due from CMS for the 2016, and the combined 2014 and 2015 plan years. This amount has been fully reserved since the collection from CMS is doubtful. However, the Receiver has filed a lawsuit to recover the outstanding risk corridor receivables.

**Oregon's Health Co-Op
 CSR Receivable
 September 30, 2018**

Description	Balance 3/2/2017	Received	Adjustments	Balance 9/30/2018
CSR Receivable	-	-	265,324	265,324 ^A
	-	-	265,324	265,324

^A The adjustment represents a CSR receivable due to OHC from the 2016 plan year which was determined during a CSR reconciliation performed by Infogix. CMS has already indicated that they are offsetting this amount against funds due to them from OHC, therefore this amount is not reserved against.

Oregon's Health Co-Op
Amounts Recoverable from Reinsurers
September 30, 2018

Description	Balance 3/2/2017	Added/ (Applied)	Received	Balance 9/30/2018	
ACA Reinsurance	1,593,413	404,804	(26,854)	1,971,363	A
Commercial Reinsurance	44,603	(44,603)	-	-	B
	<u>1,638,016</u>	<u>360,201</u>	<u>(26,854)</u>	<u>1,971,363</u>	

A The balance represents federal reinsurance of \$545,220 and \$1,426,143 for 2015 and 2016, respectively. CMS has already indicated that they are offsetting the amounts against funds due to them from OHC, therefore this amount is not reserved against.

B During July, 2017, PartnerRe exercised their right to offset the recoverable amount with the required minimum premiums under the contract. The commercial reinsurance recoverable amount has been written-off.

**Oregon's Health Co-Op
 Premiums in Collections
 September 30, 2018**

Description	Balance 3/2/2017	Payments	Adjustments	Balance 9/30/2018
Premium Receivables	\$ 20,846		\$ (20,846)	\$ -
	<u>\$ 20,846</u>		<u>\$ (20,846)</u>	<u>\$ -</u>

A The reduction in premiums receivable is due to accounts receivable adjustments for member and group retroactive terminations.

**Oregon's Health Co-Op
Rebate Receivables
September 30, 2018**

Description	Balance 3/2/2017	Payments	Adjustments	Balance 9/30/2018
RX Rebate Receivables	\$ 31,421	\$ (356,881)	\$ 325,460	\$ (0) A
	<u>\$ 31,421</u>		<u>\$ 325,460</u>	<u>\$ (0)</u>

A The adjustment to the RX Rebate Receivable reflects the settlement amount with Optum, which includes RX rebates and HEP-C drug rebates. The full amount was received in September, 2017.

**Oregon's Health Co-Op
Fixed Assets
September 30, 2018**

Description	Balance 3/2/2017	Additions	Deletions	Balance 9/30/2018
Furniture and Equipment	\$ 162,280		\$ (27,990)	\$ 134,289 ^A
Accum. Depreciation	\$ (123,695)	\$ (34,067)	\$ 24,267	\$ (133,495)
	<u>\$ 38,585</u>	<u>\$ (34,067)</u>	<u>\$ (3,723)</u>	<u>\$ 796</u>

^A Remaining furniture was sold for \$1,400 on September 7, 2018, for a total book loss of \$2,323.

**Oregon's Health Co-Op
Prepaid Expenses
September 30, 2018**

Description	Balance 3/2/2017	Payments Additions	Adjustments	Balance 9/30/2018	
Prepaid Expenses	\$ 138,304	\$ 6,563	\$ (95,818)	\$ 49,050	A
Monthly Amortization		\$ (49,050)		\$ (49,050)	
	<u>\$ 138,304</u>	<u>\$ (42,486)</u>	<u>\$ (95,818)</u>	<u>\$ 0</u>	

A The prepaid expenses were related to the OHC's Broker and Member website portals contracted through OnLine Insight. OHC was required to pay for a full year of the Online Insight service in order to provide the service and there was no lower cost alternative. The Online Insight prepaid in the amount of \$86 thousand was written-off during April, 2017. This amount also includes the workers compensation, commercial umbrella and business owners policies for the period of August 1, 2017 through August 1, 2018, which have been fully amortized. There are no longer any remaining prepaid assets as of August 31, 2018.

**Oregon's Health Co-Op
Other Assets
September 30, 2018**

Description	Balance 3/2/2017	Added/ (Applied)	Adjustments	Received	Balance 9/30/2018
Provider Refunds Receivable	\$ 536,628	\$ 781,989	\$ (645,989)	\$ (672,628)	\$ 0
ACA Risk Adjustment	\$ 401,324				\$ 401,324
A/R - Zoom Health Plan	\$ -	\$ 27,970	\$ (1,767)	\$ (28,391)	\$ (2,189)
Other Receivables	\$ -	\$ 1,500			\$ 1,500
	<u>\$ 937,953</u>	<u>\$ 811,459</u>	<u>\$ (647,756)</u>	<u>\$ (701,019)</u>	<u>\$ 400,636</u>

- A** Provider Refunds Receivables were related to claims that had been overpaid by providers. Collections efforts have taken place, however balances for unsuccessful collections were written off during May 2018. Therefore, the receivable was written off.
- B** In the second quarter of 2017, Zoom Health Plan (ZHP), a commercial insurance plan also under state receivership, began sharing office space and resources with OHC. The Zoom Health Plan receivable relates to a reimbursement to OHC for ZHP's portion of shared office sharing costs.
- C** Other receivables represents cash received from the sale of the office furniture on September 7, 2018 in the amount of \$,1500. The sale of furniture was sold in a bulk lot, including some of ZHP's furniture. \$100 of the proceeds from the sale is allocated to the ZHP furniture sold.

Oregon's Health Co-Op
Footnotes
September 30, 2018

- 1 **Company Information.** Oregon's Health CO-OP ("OHC") was a Consumer Operated and Oriented Plan ("Co-Op") domiciled in Oregon and placed in liquidation on March 2, 2017.
- 2 **Basis of Presentation.** The accompanying financial statements have been prepared on a modified cash basis of accounting using a fiscal year of January 1, 2017 through March 2, 2017 as the pre-liquidation period. The assets are stated at their estimated realizable values, while the liabilities are stated at their gross filed amounts and are periodically adjusted as evaluated, adjudicated and/or paid. Private reinsurance receivables were only posted when billed to reinsurers. Federal Reinsurance was based on finalized 2016 EDGE Server results and the State Reinsurance was recorded on claims paid amounts for qualified OTRP members. In addition, the statements do not provide accruals for all future administrative expenses to liquidate the company or costs to pursue or litigate claims against others.
- 3 **Unaudited.** The accompanying financial statements have not been audited by an independent certified public accountant and no opinion is expressed on their compliance with generally accepted accounting principles.
- 4 **Cash and Cash Equivalent.** The cash and cash equivalent of the company are held in an the operating account at US Bank. Additionally there are special reserve funds held at the State of Oregon Treasury.
- 5 **Risk Corridor Receivable and Reserve.** These accounts represent funds due to OHC under the 2014, 2015 and 2016 ACA Risk Corridor program. OHC finalized the 2016 Risk Corridor calculation on July 31, 2017, which resulted in an additional \$10.6 million receivable from CMS being recorded in the July, 2017 financial statements. During subsequent months, CMS sent OHC a notice of offset, which netted all other receivable types, except the risk corridor, against amounts owed by OHC, therefore a reserve has been established for the Risk Corridor since it is not certain when or if it will be collected.
- 6 **CSR Receivables.** This receivable represents additional Cost Share Reduction (CSR) funds due from CMS for 2016 qualifying CSR plan expenses incurred. The receivable was adjusted during the 2016 CSR reconciliation process which was completed by Infogix.
- 7 **Amounts Recoverable from Reinsurers.** This receivable represented funds due to OHC for amounts due from CMS for 2015 and 2016 federal reinsurance in the amount of \$2 million. The previous balance of \$50 thousand for the state's transitional reinsurance program was received during July, 2017, and amounts due from private reinsurer of \$53 thousand was written off during July, 2017.
- 8 **Premiums in Course of Collections.** Represents estimated remaining premium receivables. As of October 31, 2017, all amounts have been reversed or written-off.
- 9 **Rebates Receivable.** Estimated value of net receivable from OHC's pharmacy PBM for rebates. Full amount was received in September, 2017.
- 10 **Fixed Assets.** Estimated value of personal property such as office furniture and equipment.
- 11 **Prepaid Expenses.** Estimated value of prepaid vendor costs. Prepaid costs related to the OHC's Broker and Member website portals through OnLine Insight were written off during April, 2017 in the amount of \$86 thousand. OHC was required to pay for a full year of the Online Insight service in order to provide the service and there was no lower cost alternative. All other prepaid costs have been fully amortized.
- 12 **Other Assets.** Estimated value remaining of 2015 individual risk adjustment due from CMS and amounts due from office sharing with Zoom Health Plan, Inc. Provider refunds have not been received to date, and were written off as uncollectible during May 2018.
- 13 **Administrative Claims (Class 1).** Unless otherwise noted, the Liquidation Statement of Assets, Liabilities & Surplus contains liquidation claim liabilities by priority class pursuant to Oregon Statutes, and are reported as gross filed amounts. The Administrative Claims liability represent receivership costs, including legal fees, needed to administer the delinquency proceedings of OHC.
- 14 **Loss Claims (Class 2).** Loss Claims liability numbers were based on the most current available information related to medical claims received or expected to be received and processed by OHC's Third Party Administrator (TPA), and advanced premiums received as determined by OHC's TPA. During November, 2017 \$6.7 million of claims liability, and \$363 thousand of deferred premium revenue were written off to reflect total received claims costs and premium refunds under the liquidation proof of claims (POC) process.

Oregon's Health Co-Op
Footnotes
September 30, 2018

- 15 **Federal Government Claims (Class 3).** Federal Government Claims netted to \$5.1 million in the filed POCs after deducting, \$401 thousand for Other Assets, \$265 thousand for CSR Receivables and \$2.0 million for Federal Reinsurance.
- 16 **Employee Claims (Class 4).** Per Oregon Statue, Employee Claims are defined as "compensation or wages actually owing to salaried employees other than officers of the insurer, for services rendered within three months prior to the commencement of the delinquency proceeding, but not exceeding \$2,000 for each such employee." The POC forms have not been evaluated for this class.
- 17 **State & Local Government Claims (Class 5).** State & Local Government Claims relate to net ACA state exchange fees, premium assessment fees and county personal property taxes. During November, 2017, State premium assessment fees of \$26 thousand were written off to reflect amounts claimed under the liquidation POC process. The POC forms have not been evaluated for this class.
- 18 **General Creditor Claims (Class 6).** General Creditor Claims represent vendor and landlord liabilities that are from non-policyholder claims. Unpaid broker commissions and employee liabilities exceeding the maximum \$2,000 per employee are also included in this class. During November, 2017, \$290 thousand of vendor liabilities, \$199 thousand of broker commissions, and \$289 thousand of employee severance and PTO liabilities that were not claimed in the POC process were written-off. The POC forms have not been evaluated for this class.
- 19 **Excess (Deficiency) of Assets over Liabilities.** The excess or (deficiency) represents the estimated realizable value of assets after deducting the current estimate of liabilities. The Total and Capital Surplus is netted by the CMS Surplus Notes in the amount of \$58,856,900. Additionally, the excess or (deficiency) does not take into consideration any estimates for future administrative costs to liquidate the company or costs to pursue or litigate claims against others.