STATE OF OREGON

DEPARTMENT OF CONSUMER & BUSINESS SERVICES

DIVISION OF FINANCIAL REGULATION

REPORT OF FINANCIAL EXAMINATION

OF

TRILLIUM COMMUNITY HEALTH PLAN, INC.
EUGENE, OREGON

AS OF

DECEMBER 31, 2017

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NAIC COMPANY CODE 12559

AS OF

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SALUTATION

May 15, 2019

Honorable Cameron Smith, Director
Department of Consumer and Business Services
Division of Financial Regulation
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

TRILLIUM COMMUNITY HEALTH PLAN, INC.
1800 Millrace Drive
Eugene, Oregon 97403

NAIC Company Code 12559

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

SCOPE OF EXAMINATION

We have performed our regular, coordinated, single-state examination of Trillium Community Health Plan, Inc., part of the Centene Corporation Group holding company system, with the Texas Department of Insurance designated as the lead state. The last examination of this health care service contractor was completed as of December 31, 2013. This examination covers the period of January 1, 2014 to December 31, 2017.

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

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

Capitalization

Article III of the Plan's Articles of Incorporation authorize the Company to issue 10,000 shares of common stock, with no stated par value, for a total of $5,000,000. In the prior examination report, the examiners noted the Plan's officers had improperly reported changes to its common capital stock in the amount of $10,000,000, which the examiners reclassified as paid-in or contributed surplus.

All shares issued and outstanding are owned by Agate. Upon the acquisition by Centene Corporation, an additional $24,300,000 in paid-in surplus was contributed to the Plan. The following table displays the capitalization transactions since last examination:

Date	Shares	Common Capital Stock	Paid in and Contributed Surplus
Prior Exam	5,000	$ 5,000,000	$ 10,000,000
2015	-	-	5,000,000
2016	-	-	19,300,000
Totals	5,000	$ 5,000,000	$ 34,300,000

Dividends to Stockholders and Other Distributions

During the period under examination, the Company did not declare or pay any dividends to its stockholder.

CORPORATE RECORDS

Board Minutes

In general, the review of the Board meeting minutes of the Plan indicated the minutes supported the transactions of the Plan and clearly described the actions taken by its directors, with the exceptions noted below. A quorum, as defined in the Plan's Bylaws, met at all of the meetings held during the period under review.

Exceptions

The examiners noted the Board does not formally approve the compensation of its corporate officers, a violation of ORS 732.320(3).

The Plan did not comply with Article I of its Bylaws, which requires an annual meeting of its stockholder.

The Plan did not comply with Article III of its Bylaws, which requires the Plan to have a finance committee with a charter.

The Plan did not comply with Article VII of its Bylaws, which states the CPA firm appointed by the Plan shall be approved by the Finance Committee.

The Plan's Board failed to appoint its CEO and/or President.

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

Articles of Incorporation

The Company's restated Articles of Incorporation were most recently amended on July 10, 2012, and were not amended during the period under examination. The Articles of Incorporation conformed to Oregon Insurance Code.

Bylaws

The Company's Bylaws were last restated on August 13, 2012, and were not amended during the period under examination. The Bylaws conformed to Oregon statutes.

MANAGEMENT AND CONTROL

Board of Directors

The Bylaws state the business and affairs of the Plan shall be managed by a Board of Directors, which has the authority to represent the Plan on all business aspects. The Bylaws specify the number of directors of the Plan shall be between three and twenty-one, with each director serving a term of one year. The Bylaws further state that, at all times, at least one-third of the Board members must be representatives of the public who are not practicing physicians or employees or trustees of a hospital with which the Plan participates or contracts. Members of the Board of Directors as of December 31, 2017, were:

Name and Address	Principal Affiliation	Representative	Member Since
Gustavo G. Balderas Eugene, Oregon	Superintendent Eugene School District	Public	2016
Gary E. Brandt, MD Eugene, Oregon	Chair, Board of Directors Oregon Medical Group	Physician	2014
Chad A. Campbell Eugene, Oregon	CEO Willamette Medical Center	Public	2015
Joann N. Cline Eugene, Oregon	Manager Lane Council of Governments	Public	2014
Tara M. DaVee Springfield, Oregon	None	Public	2014
Melissa D. Edwards, MD Eugene, Oregon	OB/GYN Physician Women's Care	Physician	2012
Richard G. Finkelstein, MD Eugene, Oregon	Anesthesiologist NW Anesthesia Physicians	Physician	2012
Karen R. Gaffney Eugene, Oregon	Assistant Director DHHS Lane County	Public	2012
Patrick F. Luedtke, MD Eugene, Oregon	Senior Public Health Officer DHHS Lane County	Physician	2012
Mark S. Meyers, MD Eugene, Oregon	Family Practice Physician Springfield Family Physicians	Physician	2012
David J. Mikula Eugene, Oregon	Director Center for Family Development	Public	2015
Heather M. Murphy, Cottage Grove, Oregon	Executive Director Community and Shelter Assistance (CASA)	Public	2017
Matthew T. Sinnott Beaverton, Oregon	Director of Government Affairs Willamette Dental Group	Public	2016
Craig A. Opperman Eugene, Oregon	CEO Looking Glass Youth & Family Services	Public	2012

Name and Address	Principal Affiliation	Representative	Member Since
Lisa A. Roth, PhD, LPC, LMHC Eugene, Oregon	Division Manager DHHS Lane County	Public	2017
Thomas K. Wuest, MD Eugene, Oregon *Chairman	Orthopedic Physician Slocum Center for Orthopedics & Sports Medicine	Physician	2007

The Plan is in compliance with ORS 750.015(1).

Officers

Principal officers serving at December 31, 2017, were as follows:

Name	Position
Mark S. Meyers, MD	President
Jeffrey A. Schwaneke	Treasurer
Keith H. Williamson	Assistant Secretary
Christian D. Ellertson	CEO & Secretary
Karen R. Gaffney	Vice President
Tricia L. Dinkelman	Vice President of Tax

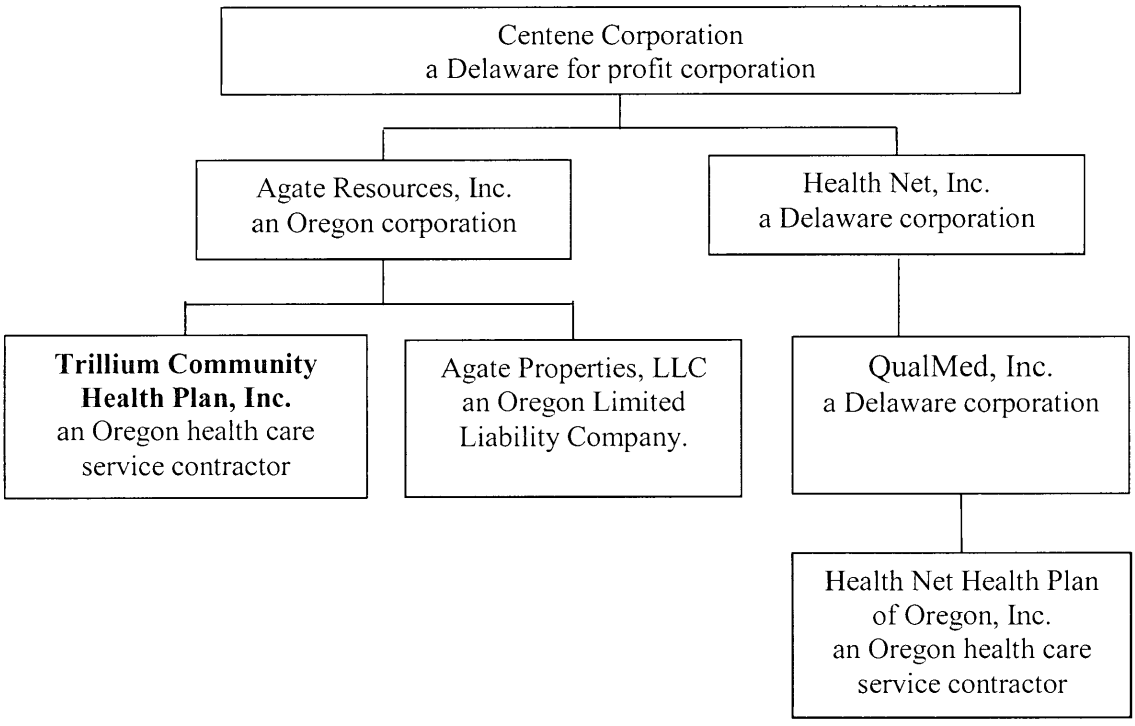
Conflict of Interest

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

Insurance Company Holding System

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

As discussed in the Company History section of this report above, on May 23, 2003, the Company became part of an insurance company holding system in which Centene Corporation, a publicly traded holding company (NYSE – CNC), is the ultimate controlling entity. The following abbreviated organizational chart depicts the relationships within the holding company system:



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

Agate Resources, Inc. (Agate) is an Oregon corporation formed on December 12, 2003. It provides administrative services and leases employees and buildings for the Plan. Agate owns 100% of the Plan and is considered the direct parent.

Agate Properties, LLC is an Oregon limited liability company formed on March 13, 2009 and is currently inactive.

Health Net, Inc. is a Delaware holding company owning 100% of QualMed, Inc. and a number other Health Net entities that provide services to an affiliate, Health Net Health Plan of Oregon.

QualMed, Inc. is a for-profit holding company formed in 1991 and is the direct parent of an affiliated health care service contractor.

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

Intercompany Agreements

Administrative Services Agreement

Effective February 20, 2006, the Plan entered into an agreement with Agate Resources, Inc. Under the terms of the agreement, Agate will perform certain services for the Plan, including employee leasing; medical management; utilization review; data processing; records maintenance and other services. The Plan agrees to pay Agate a fee of 8% and 6% of net Medicaid and Medicare revenues, respectively, for these services. During 2017, the Plan incurred $35,145,141 under this administrative agreement.

Master Service Agreements

Effective December 28, 2015, and most recently amended January 1, 2017, the Plan entered into an agreement with Envolve PeopleCare, Inc. (EPC), formerly known as NurseWise LP. Under the terms of the agreement, EPC shall provide triage services and outbound call services to the Plan. In 2017, the Plan incurred $107,981 under this contract.

Effective January 1, 2016, and most recently amended June 1, 2016, the Plan entered into an agreement with Envolve Vision, Inc. (EVI), formerly known as OptiCare Vision Company, Inc. Under the terms of the agreement, EVI agrees to provide vision services to the Plan. In 2017, the Plan incurred medical expenses of $250,668 under this contract.

Effective January 1, 2016, the Plan entered into an agreement with Envolve Dental, Inc. (EDI), formerly known as Dental Health & Wellness, Inc. Under the terms of the agreement, EDI agrees to provide dental services to the Plan. In 2017, the Plan incurred medical expenses of $120,000 under this contract.

Tax Allocation Agreement

Effective September 1, 2015, the Plan entered into an agreement with Centene Corporation. Under the terms of the agreement, the Plan, along with the other affiliates within the Centene Group will file consolidated federal and state tax returns. Each party shall compute its separate tax liability or benefit, as applicable, for federal and state income taxes on an individual company basis using the separate return method. Centene Corporation will pay all consolidated taxes. Once it is determined, the Plan agrees to pay its share of the consolidated taxes based on its portion of the consolidated tax liability. Any subsequent adjustments shall be due within 15 days.

Parental Guarantee

Effective with the completion of the acquisition by Centene Corporation, the parent provided a guarantee to ensure certain financial benchmarks of the Plan are within regulatory thresholds, as defined under the Insurance Code, Oregon Administrative Rules and guidance and processes as defined by the National Association of Insurance Commissioners (NAIC). The guarantee is solely

limited to the regulatory authority of the Division of Financial Regulation of the Oregon Department of Consumer and Business Services.

FIDELITY BOND AND OTHER INSURANCE

The Plan is covered by a $10,000,000 crime wrap policy which has a $150,000 deductible. The policy is issued to Centene Corporation, with the Plan named as an insured. Fidelity coverage met the suggested coverage recommended by the National Association of Insurance Commissioners for companies of comparable size. Other coverages include managed care errors and omissions liability, directors and officer's management liability, umbrella liability, workers' compensation, commercial property and general liability.

TERRITORY AND PLAN OF OPERATION

The Plan offers Medicare Advantage and Medicaid coverage in Lane County through contracts with the Centers for Medicare and Medicaid Services and the Oregon Health Authority. The Plan has experienced changes in the number of enrollees since the last examination, as follows:

Line of Business	2017	2016	2015	2014	2013
Health maintenance organizations	92,731	93,081	101,117	93,370	57,894
Preferred provider organizations	-	-	-	-	-
Point of service	-	-	-	-	-
Indemnity only	-	-	-	-	-
Exclusive provider organization	-	-	-	-	-
Total enrollment	92,731	93,081	101,117	93,370	57,894

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 annual statements, except in those years where a report of examination was published by the Oregon Division of Financial Regulation.

Year	Assets	Liabilities	Capital and Surplus	Net Income (Loss)
2013*	$ 66,492,592	$ 41,638,877	$ 24,853,715	$ 7,912,481
2014	118,838,842	75,384,143	43,454,699	22,199,795
2015	154,802,343	113,522,041	41,280,302	14,122,024
2016	174,721,657	110,245,314	64,476,343	5,022,503
2017*	156,787,005	91,313,632	65,473,373	7,156,283

*Per examination

LOSS EXPERIENCE

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

Year	(1) Total Premium Revenues	(2) Total Hospital and Medical	(2) / (1) Medical Ratio	(3) CAE and General Expenses	(2)+(3)/(1) Combined Loss Ratio
2013*	$ 244,500,594	$ 206,457,838	84.4%	$ 27,954,740	91.8%
2014	407,528,920	319,661,569	78.4%	51,842,009	91.2%
2015	522,881,728	434,223,610	83.0%	55,599,489	93.7%
2016	519,737,063	469,864,221	90.4%	47,347,870	99.5%
2017*	491,970,798	454,553,932	92.4%	32,027,846	99.0%

*Per examination

A combined claims and expense to premium ratio in excess of 100% typically indicates an underwriting loss. The Plan reported a net gain from operations in each of the last five years.

REINSURANCE

Effective January 1, 2017 the Plan ceded to PartnerRe America Insurance Company (NAIC #11835, admitted in Oregon 12/22/1981) on an HMO specific excess loss reinsurance its Medicare Advantage business for losses in excess of $1,250,000 with a maximum payable per covered person of $3,000,000. During 2017, the Plan incurred premium charges of $1,519.

Effective January 1, 2017, the Plan had an excess of loss reinsurance agreement with its affiliate, Bankers Reserve Life Company of Wisconsin ('BRLIC' NAIC #71013, admitted in Oregon 9/1/1979). Under the terms of the agreement, BRLIC provides excess of loss coverage for the Plan's Medicaid and duel eligible business in excess of $500,000 with a maximum per covered person of $4,600,000. During 2017, the Plan incurred premium charges of $1,707,062. The agreement provides for unlimited coverage after retention.

Risk Retention

The examiners determined the reinsurance agreement provided for risk transfer in accordance with the requirements of SSAP No. 61R. The Plan's reinsurance agreement requires the Plan to retain a maximum of $500,000 per risk. In view of the Plan's surplus, as adjusted for this examination, of $65,473,373 at December 31, 2017, the Plan did not retain risk on any one subject of insurance in excess of 10% of its surplus to policyholders, and complied with the maximum risk retention set by ORS 731.504.

Insolvency Clause

The reinsurance agreements each contained a proper insolvency clause that specified payments would be made to a statutory successor without diminution in the event of insolvency in compliance with ORS 731.508(3).

ACCOUNTS AND RECORDS

In general, the Company's records and source documentation supported the amounts presented in the Company's December 31, 2017, annual statement and were maintained in a manner by which the financial condition was readily verifiable pursuant to the provisions of ORS 733.170. The

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

STATUTORY DEPOSIT

To satisfy the statutory deposit requirements in Oregon for health care service contractors, the Plan maintained a deposit with the Oregon Division of Financial Regulation, Department of Consumer and Business Services, in the sum of $260,000 (par value), to maintain compliance with ORS 750.045. The deposit was verified from the records of the Division of Financial Regulation. The Plan failed to identify the bond as a "special deposit" in its Schedule D, Part 1, Column 3 as required by the National Association of Insurance Commissioners (NAIC) annual statement instructions.

I recommend the Plan comply with the annual statement instructions in accordance with ORS 731.574.

COMPLIANCE WITH PRIOR EXAMINATION RECOMMENDATIONS

The Plan has taken corrective action with respect to ten (10) of the twelve (12) recommendations made in the 2013 report of examination. See the Summary of Comments and Recommendations on page 24 of this Report.

SUBSEQUENT EVENTS

Centene Corporation announced plans to enter the Affordable Care Act marketplaces in Pennsylvania, North Carolina, South Carolina and Tennessee in 2019. Its managed care insurers are also expanding its footprint in six existing markets: Florida, Georgia, Indiana, Kansas, Missouri and Texas.

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, 2017. 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

TRILLLIUM COMMUNITY HEALTH PLAN, INC.
ASSETS
As of December 31, 2017

Assets	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Bonds	$ 104,554,961	$ -	$ 104,554,961	1
Cash, cash equivalents and short-term investments	26,894,647	-	26,894,647	1
Aggregate write-ins for invested assets	-	-	-	
Subtotal, cash and invested assets	131,449,608	$ -	131,449,608	
Investment income due and accrued	842,644	-	842,644	
Premiums and considerations				
Uncollected premiums, agents' balances in course of collection	19,124,960	-	19,124,960	
Accrued retrospective premiums and contracts subject to redetermination	1,938,108	-	1,938,108	
Amounts receivable related to uninsured plans	96,253	-	96,253	
Net deferred tax assets	2,394,225	-	2,394,225	
Health care and other amounts receivable	932,919	-	932,919	
Aggregate write-ins for other than invested assets	8,288	-	8,288	
Total Assets	$ 156,787,005	$ -	$ 156,787,005	

TRILLLIUM COMMUNITY HEALTH PLAN, INC.
LIABILITIES, CAPITAL AND SURPLUS
As of December 31, 2017

	Balance per Company	Examination Adjustments	Balance per Examination	Notes
Claims unpaid	$ 78,789,814	$ -	$ 78,789,814	2
Accrued medical incentive pool and bonus amounts	2,271,383	-	2,271,383	2
Unpaid claims adjustment expense	687,000	-	687,000	
Aggregate health policy reserves	4,135,642	-	4,135,642	
General expenses due or accrued	490,580	-	490,580	
Current FIT payable	2,114,871	-	2,114,871	
Ceded reinsurance premium payable	143,128	-	143,128	
Payable to parent, subsidiaries and affiliates	179,700	-	179,700	
Liability for amounts held under uninsured plans	989,297	-	989,297	
Aggregate write-ins for liabilities	1,512,217	-	1,512,217	
Total Liabilities	$ 91,313 632	$ -	$ 91,313,632	
Aggregate write-ins for special surplus funds	$ 9,407,079	$ -	$ 9,407,079	3
Common capital stock	5,000,000	-	5,000,000	
Gross paid-in and contributed capital	34,300,000	-	34,300,000	
Unassigned funds (surplus)	16,766,294	-	16,766,294	
Surplus as regards policyholders	$ 65,473,373	-	$ 65,473,373	
Total Liabilities, Surplus and other Funds	$ 156,787,005	$ -	$ 156,787,005	

TRILLLIUM COMMUNITY HEALTH PLAN, INC.
STATEMENT OF REVENUE AND EXPENSES
For the Year Ended December 31, 2017

	Balance per Plan	Examination Adjustments	Balance per Examination	Notes
Revenue				
Net premium income	$ 477,473,382	$ -	$ 477,473,382	
Aggregate write-ins for health care related revenues	14,497,416	-	14,497,416	
Total revenue	491,970,798	-	491,970,798	
Hospital and Medical:				
Hospital/medical benefits	305,985,800	-	305,985,800	
Other professional services	45,628,895	-	45,628,895	
Outside referrals	-	-	-	
Emergency room and out-of-area	29,974,064	-	29,974,064	
Prescription drugs	71,365,573	-	71,365,573	
Incentive pool, withhold adjustments and bonus amounts	1,689,964	-	1,689,964	
Subtotal	454,644,296	-	454,644,296	
Less:				
Net reinsurance recoveries	90,364	-	90,364	
Total medical and hospital	454,553,932	-	454,553,932	
Non-health claims	-	-	-	
Claim adjustment expenses	5,655,379	-	5,655,379	
General administrative expenses	26,372,467	-	26,372,467	
Increase in reserves for life and accident and health contracts	(2,028,533)	-	(2,028,533)	
Total underwriting deductions	484,553,245	-	484,553,245	
Net underwriting gain or (loss)	7,417,553	-	7,417,553	
Net investment income earned	2,231,705	-	2,231,705	
Net realized capital gains (losses)	(6,891)	-	(6,891)	
Net investment gains (losses)	2,224,814	-	2,224,814	
Net gain or (loss) from agents' or premium balances charged off	6,816	-	6,816	
Aggregate write-ins for other income or expense	-	-	-	
Federal income taxes incurred	2,492,900	-	2,492,900	
Net income	$ 7,156,283	$ -	$ 7,156,283	

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

	2017	2016	2015	2014
Surplus as regards policyholders, December 31, previous year	$ 64,476,343	$ 41,280,300	$ 43,454,700	$ 20,873,465
Net income (loss)	7,156,283	5,022,503	14,122,024	22,199,795
Change in net unrealized capital gains or (losses)	-	11,315	(261,342)	(68,943)
Change in net deferred income tax	(37,962)	77,327	1,186,000	462,000
Change in non-admitted assets	(6,121,290)	(1,215,102)	(41,086)	79,383
Change in provision for reinsurance	-	-	-	-
Change in surplus notes	-	-	-	-
Cumulative effects of changes in accounting principles	-	-	-	-
Capital changes:				
Paid in	-	-	(10,000,000)	-
Transferred from surplus (Stock Dividend)	-	-	-	-
Transferred to surplus	-	-	-	-
Surplus adjustments:				
Paid in	-	19,300,000	5,000,000	-
Transferred to capital (Stock Dividend)	-	-	-	-
Transferred from capital	-	-	10,000,000	-
Distributions to parent (cash)	(540,000)	-	(22,174,399)	-
Change in treasury stock	-	-	-	-
Examination adjustment	-	-	-	-
Aggregate write-ins for gains and losses in surplus	-	-	-	(91,000)
Change in surplus as regards policyholders for the year	997,031	23,196,043	(2,174,399)	22,581,235
Surplus as regards policyholders, December 31, current year	$ 65,473,373	$ 64,476,343	$ 41,280,300	$ 43,454,700

NOTES TO FINANCIAL STATEMENTS

Note 1 – Invested Assets

At year-end 2017, the Company's long-term bond investments were diversified in US obligations, US federal agency bonds, municipal obligations, and industrial and miscellaneous. The Company had a small exposure to mortgaged-backed and asset-backed securities. All MBS/ABS issues were investment rated at year-end 2017, and the carrying book value comprised 5.0% of the total long-term bond portfolio, or 4.0% of all invested assets.

Cash and short-term deposits consisted of cash on deposit in various banks and two money market mutual funds.

A comparison of the major investments over the past five years shows the following:

Year	A Bonds	B Common Stocks	C Cash and Short-term	Ratio A/ Total Assets	Ratio B/ Total Assets	Ratio C/ Total Assets
2013*	$ 8,445,393	$ 2,460,806	$43,803,430	13.5%	3.9%	70.1%
2014	20,283,921	5,740,391	86,681,259	17.1%	4.8%	72.9%
2015	17,452,254	6,806,438	105,111,295	11.3%	4.4%	67.9%
2016	95,402,409	-	52,546,925	54.6%	0.0%	30.1%
2017*	104,554,961	-	26,894,647	66.7%	0.0%	17.2%

* Balance per examination

The Board of Directors did not approve the investment transactions in each of the years under review, a violation of ORS 733.730. Additionally, the Plan does not have an investment policy in place to allow adequate oversight by the Board to ensure invested assets are invested in a prudent manner. As of December 31, 2017, sufficient assets were invested in amply secured obligations of the United States, the State of Oregon, or in FDIC insured cash deposits, and the Company was in compliance with ORS 733.580.

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

Effective December 17, 2009, the Company entered into a custodial agreement with Umpqua Investments, Inc. The custodian is not a bank or trust company and the agreement did not contain all of the relevant protections described in OAR 836-027-0200(4)(a) through (1).

I recommend the Plan terminate its custodial agreement with Umpqua Investments, Inc. and enter into a proper agreement with a bank or trust company to comply with OAR 836-027-

0200(1), and ensure the custodial agreement contains all the protections required by OAR 836-027-0200(4)(a) to (l). This is a repeat recommendation from the prior Report of Examination.

Note 2 – Actuarial Reserves

David N. Ball, FSA, MAAA, Oregon Division of Financial Regulation actuary, did a peer review of the review by Aaron J. Hodges, ASA, MAAA, Life & Health Actuary of the Texas Department of Insurance (TDI), and covered a five-year period ending with 2017. The work done included reviews of the companies' annual statements, actuarial opinions, actuarial memorandums, and internal management reports and documentation, discussions with company actuaries and other employees, reviews of claim triangles, reviews of methodology, reviews of ACA-required calculations, and reviews of work done by outside consultants. Independent calculations of reserves for claims IBNR were done as well.

The coordinated examination covered all 28 companies in the Centene Group, with two domiciled in Oregon: Health Net Health Plan of Oregon, Inc. and the Plan. Each company developed its base claim reserves for each coverage and line of business using a standard completion methodology, as well as an additional provision for adverse deviation. Mr. Hodges' calculated liability reported a reserve redundancy of the original booked value for the group, consistent with the historical reserve redundancy. The external CPA firm, KPMG LLP, reserve analysis was reviewed as well, and was consistent with the actuarial findings.

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

Note 3 – ACA Fee Assessment:

Each year, the Plan is subject to an annual HIT Tax under section 9010 of the Federal Affordable Care Act (PPACA). This annual fee is allocated based on the ratio of the amount of the entity's net premiums written during the preceding calendar year to the amount of health insurance for any U.S. health risk that was written during the preceding calendar year. A health insurance entity's portion of the annual fee are payable once the entity provides health insurance for any U.S. health risk for each calendar year beginning on or after January 1 of the year the fee is due. As of December 31, 2017, the Plan has written health insurance subject to the ACA assessment, expects to conduct health insurance business in 2018, and estimates its' portion of the annual health insurance industry fee to be payable on September 30, 2018 to be $9,407,079. The amount was reflected in the Aggregate Write-ins for Special Surplus Funds. Reporting the ACA assessment as of December 31, 2017, would not trigger a Risk Based Capital (RBC) action level.

Note 4 – Unclaimed Property

In review of the unclaimed property escheat filings for the Oregon, the Plan reported it did not have any unclaimed or abandoned property for the year 2017, providing an affidavit stating it is compliant with the provisions of ORS 98.352. OAR 141-045-0041 and OAR 141-045-0021 require such assets be remitted after three years of being unclaimed. An electronic filing of all unclaimed property is due to the Department of State Lands in October each year for unclaimed property as of June 30 that year.

I recommend that while preparing the Escheat Group review, the Plan take additional steps to ensure the Plan complies with the requirements for escheatable amounts in accordance with OAR 141-045-0041 and OAR 141-045-0021.

SUMMARY OF COMMENTS AND RECOMMENDATIONS

There were no adjustments made to the Company's surplus, however, the following is a summary of the recommendations made in this report of examination:

Page	
7	I recommend the Plan comply with ORS 732.320 by having the Board approve compensation of its corporate officers. I further recommend the Plan improve its corporate governance process and adhere to its Bylaws.
16	I recommend the Plan comply with the annual statement instructions in accordance with ORS 731.574.
22	I recommend the Plan's Board formally approve investments by resolution at each Board meeting, as required by ORS 733.730. This is a repeat recommendation from the prior Report of Examination.
22	I recommend the Plan terminate its custodial agreement with Umpqua Investments, Inc. and enter into a proper agreement with a bank or trust company, to comply with OAR 836-027-0200(1), and ensure the custodial agreement contains all the protections required by OAR 836-027-0200(4)(a) to (L). This is a repeat recommendation from the prior Report of Examination.
23	I recommend that while preparing the Escheat Group review, the Plan take additional steps to ensure this Plan complies with the requirements for escheatable amounts in accordance with OAR 141-045-0041 and OAR 141-045-0021.

CONCLUSION

During the four year period covered by this examination, the Plan's surplus increased from $24,843,715 as presented in the December 31, 2013 examination report to $65,473,373, as shown in this examination report. Assets, liabilities and surplus are compared below:

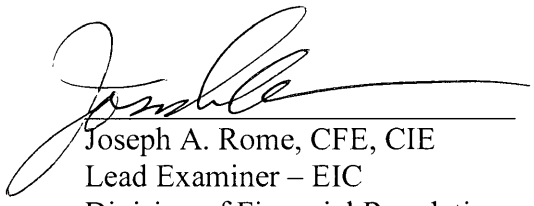
	December 31, 2017	2013	Change
Assets	$ 156,787,005	$ 66,492,592	$ 90,294,413
Liabilities	91,313,632	41,638,877	49,674,755
Surplus	$ 65,473,373	$ 24,638,877	$ 40,619,658

ACKNOWLEDGMENT

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

In addition to the undersigned, Tho Le, AFE, Brandon K. Lau, staff examiners, and David Ball, FSA, MAAA, actuary, for the State of Oregon, Department of Consumer and Business Services, Division of Financial Regulation, participated in the examination. In addition, examiners and contractors representing the various Departments of Insurance participated in the examination, with the Texas Department of Insurance leading the coordinated effort, and their cooperation during this coordinated examination is greatly appreciated.

Respectfully submitted,



Joseph A. Rome, CFE, CIE
Lead Examiner – EIC
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

AFFIDAVIT

STATE OF OREGON)

County of Marion)

Joseph A. Rome, CFE, CIE, being duly sworn, states as follows:

1. I have authority to represent the state of Oregon in the examination of Trillium Community Health Plan, Inc., Eugene, 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 Trillium Community Health Plan, Inc. was performed in a manner consistent with the standards and procedures required by the Oregon Insurance Code.

The affiant says nothing further.

Joseph A. Rome, CFE, CIE
Lead Examiner – EIC
Division of Financial Regulation
Department of Consumer and Business Services
State of Oregon

Subscribed and sworn to before me this 1st day of July, 2019.

Lauren N. Bodine
Notary Public in and for the State of Oregon

My Commission Expires: 1/22/2022

OFFICIAL STAMP
LAUREN NICOLE BODINE
NOTARY PUBLIC - OREGON
COMMISSION NO. 970483
MY COMMISSION EXPIRES JANUARY 22, 2022