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FILED *AT*
JUN 13 2019
Department of Insurance
State of Idaho

Attorneys for the Department of Insurance

BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE

STATE OF IDAHO

In the Matter of:

REGENCE BLUESHIELD OF IDAHO, INC.

Certificate of Authority No. 1903
NAIC No. 60131

Docket No. 18-3660-19

**ORDER ADOPTING REPORT
OF EXAMINATION AS OF
DECEMBER 31, 2017**

The State of Idaho, Department of Insurance (“Department”), having conducted an examination of the affairs, transactions, accounts, records, and assets of Regence BlueShield of Idaho, Inc. (“RBSI”), pursuant to Idaho Code § 41-219(1), hereby alleges the following facts that constitute a basis for issuance of an order, pursuant to Idaho Code § 41-227(5)(a), adopting the Report of Examination of Regence BlueShield of Idaho, Inc. as of December 31, 2017 (“Report”), as filed.

FINDINGS OF FACT

1. RBSI is an Idaho-domiciled insurance company licensed to transact disability insurance, including managed care, in Idaho under Certificate of Authority No. 1903.

2. The Department completed an examination of RBSI pursuant to Idaho Code § 41-219(1) on or about May 7, 2019. The Department's findings are set forth in the Report.

3. Pursuant to Idaho Code § 41-227(4), a copy of the Report, verified under oath by the Department's examiner-in-charge, was filed with the Department on May 7, 2019, and a copy of such verified Report was transmitted to RBSI on May 9, 2019. A copy of the verified Report is attached hereto as Exhibit A.

4. Pursuant to Idaho Code § 41-227(4), RBSI had thirty (30) days from May 9, 2019, to make a written submission or rebuttal with respect to any matters contained in the Report. No such written submission or rebuttal was received by the Department from RBSI.

CONCLUSIONS OF LAW

5. Idaho Code § 41-227(5)(a) provides that "[w]ithin thirty (30) days of the end of the period allowed for the receipt of written submissions or rebuttals, the director shall fully consider and review the report, together with any written submissions or rebuttals and relevant portions of the examiner's work papers" and shall enter an order adopting the report of examination as filed or with modifications or corrections.

6. Having fully considered the Report, the Director concludes that RBSI meets the minimum surplus and deposit requirements set forth in Idaho Code §§ 41-313(1) and 41-316A.

ORDER

NOW, THEREFORE, based on the foregoing, IT IS HEREBY ORDERED that the Report of Examination of Regence BlueShield of Idaho, Inc. as of December 31, 2017 is hereby ADOPTED as filed, pursuant to Idaho Code § 41-227(5)(a).

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(8), that the adopted Report is a public record and shall not be subject to the exemptions from disclosure provided in chapter 1, title 74, Idaho Code.

IT IS FURTHER ORDERED, pursuant to Idaho Code § 41-227(6)(a), that, within thirty (30) days of the issuance of the adopted Report, RBSI shall file with the Department's Deputy Chief Examiner affidavits executed by each of its directors stating under oath that they have received a copy of the adopted Report and related orders.

IT IS SO ORDERED.

DATED and EFFECTIVE this 11 day of June, 2019.

STATE OF IDAHO
DEPARTMENT OF INSURANCE



DEAN L. CAMERON
Director

NOTIFICATION OF RIGHTS

This Order constitutes a final order of the Director. Any party may file a motion for reconsideration of this final order within fourteen (14) days of the service date of this order. The Director will dispose of the petition for reconsideration within twenty-one (21) days of its receipt, or the petition will be considered denied by operation of law. *See*, Idaho Code § 67-5246(4).

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order may appeal it by filing a petition for judicial review in the district court of the county in which: (1) the hearing was held; or (2) the final agency action was taken; or (3) the aggrieved party resides or operates its principal place of business in Idaho; or (4) the real property or personal property that was the subject of the agency decision is located. An appeal must be filed within twenty-eight (28) days of: (a) the service date of this final order; or (b) an order denying a petition for reconsideration; or (c) the failure within twenty-one (21) days to grant or deny a petition for reconsideration, whichever is later. *See*, Idaho Code § 67-5273. The filing of a petition for judicial review does not itself stay the effectiveness or enforcement of the order under appeal.

CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 13th day of June, 2019, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2017 to be served upon the following by the designated means:

Regence BlueShield of Idaho, Inc.
1602 21st Avenue
Lewiston, ID 83501-4061
dan.striplin@cambiahealth.com

- first class mail
- certified mail
- hand delivery
- email

Nathan Faragher
Chief Examiner, Company Activities Bureau Chief
Idaho Department of Insurance
700 W. State Street, 3rd Floor
P.O. Box 83720
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- email



DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

REGENCE BLUESHIELD OF IDAHO, INC.

(Mutual Health Insurer)

(NAIC Company Code: 60131)

As of

December 31, 2017



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February 22, 2019

Mr. Dean Cameron
Director of Insurance
State of Idaho
Department of Insurance
700 West State Street
P.O. Box 83720
Boise, Idaho 83720-0043

Dear Director:

Pursuant to your instructions, in compliance with Idaho Code § 41-219(1) and in accordance with the practices and procedures promulgated by the National Association of Insurance Commissioners (NAIC), we have conducted an examination as of December 31, 2017, of the financial condition and corporate affairs of:

Regence BlueShield of Idaho, Inc.
1602 21st Avenue
Lewiston, Idaho 83501-4061

hereinafter referred to as "RBSI" or the "Company." The examination was conducted at the primary location of the Company's books and records in Portland, Oregon.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Idaho Department of Insurance (the “Department”) has performed an examination of RBSI, which was last examined as of December 31, 2014. The examination of RBSI was performed as part of a multi-state, full-scope, coordinated examination of Cambia Health Solutions, Inc. (“Cambia” or the “Group”). The coordinated examination covered the three-year period from January 1, 2015 through December 31, 2017, including any material transactions and/or events occurring subsequent to the examination date. The State of Oregon served as the lead state in coordination with the participating states of Idaho, Utah and Washington.

The ten (10) insurance company legal entities in the Group including RBSI are as follows:

Cambia Health Solutions, Inc. Group # 1207		
Insurer	State of Domicile	NAIC #
Regence BlueShield of Idaho, Inc. (RBSI)	ID	60131
Regence BlueCross BlueShield of Oregon (RBCBSO)	OR	54933
Regence HMO Oregon (RHO)	OR	95699
Regence Health Maintenance of Oregon, Inc. (RHMO)	OR	96250
LifeMap Assurance Company (LAC)	OR	97985
Regence BlueCross Blue Shield of Utah (RBCBSU)	UT	54550
BridgeSpan Health Company (BHC)	UT	95303
Asuris Northwest Health (SNH)	WA	47350
Regence BlueShield (RBS)	WA	53902
Commencement Bay Risk Management Insurance Company (CBRMIC)	WA	78879

To the fullest extent, the efforts, resources, project material and findings were coordinated and made available to all examination participants.

We conducted our examination in accordance with the NAIC *Financial Condition Examiners Handbook* (the “Handbook”) as adopted by the National Association of Insurance Commissioners (“NAIC”), along with specific procedures defined by the Department. The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Company, 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 RBSI 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 RBSI's financial statements.

This examination report includes significant findings of fact, as mentioned in Idaho Code § 41-227(2) and general information about RBSI and its financial condition. This report of examination is limited to the statutory financial statements of RBSI and comments on matters that involve departures from laws, regulations or rules, or which are deemed to require special explanation or description. 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 are separately communicated to other regulators and/or the Company.

For each year during the period under examination, the certified public accounting firm ("CPA") of Deloitte & Touche LLP has provided an unqualified audit opinion based on statutory accounting principles. Relevant work performed by the CPA during the annual audit of RBSI was reviewed during the examination and incorporated into the examination work papers.

SUMMARY OF SIGNIFICANT FINDINGS

RBSI paid for administrative fees to Cambia Health Solutions, Inc. that are not charged in accordance with the non-disapproved Management and Administrative Services Agreement. Since the administrative fees were not charged in accordance with the agreement, the fees may not meet the fair and reasonable standards and appear to be out of compliance with Idaho Code § 41-3810(2).

Member months that are to be used in calculating the fixed per member per month administrative fee are not reported accurately in the annual statement filed with the Department in violation of Idaho Code § 41-335(1).

COMPANY HISTORY

The Company was originally formed as a non-profit entity in 1946 under the name of North Idaho District Medical Service Bureau, Inc. and commenced business in Idaho that same year. In 1977, the Company changed its name to Medical Service Bureau of Idaho, Inc. The Company converted to a nonprofit mutual insurer under Chapter 28, Idaho Code in 1994. The Company changed its name to Regence BlueShield of Idaho, Inc. in 1997.

The Company is an affiliate of Cambia Health Solutions, Inc., through a long-term management agreement.

In 1999, the Company acquired an interest in LifeMap Assurance Company ("LifeMap"). LifeMap provides group life, accidental death and dismemberment, short-term and long-term disability, dental and vision insurance. In March 2017, the Company contributed \$100,000 to LifeMap. The Company held a 2.0% interest in LifeMap as of December 31, 2017.

In 2013, the Company acquired an interest in BridgeSpan Health Company (“BridgeSpan”). BridgeSpan offers individual health insurance. In May 2017, the Company contributed \$2,500,000 to BridgeSpan. The Company held a 19.1% interest in BridgeSpan as of December 31, 2017.

In 2016, the Company acquired an interest in Cascadia Echo Holding Company LLC (“Echo”), which serves as a holding company for a joint venture investment LLC. As of December 31, 2017, the Company held a 0.006% interest in Echo.

The Company is an independent licensee of the Blue Cross Blue Shield Association (BCBSA). BCBSA owns the Blue Cross and Blue Shield service marks, establishes national policies and sets certain operating and financial guidelines for the independent Blue Cross and Blue Shield plans. BCBSA is not an affiliate or guarantor of the Company.

MANAGEMENT AND CONTROL

Board of Directors

According to RBSI’s amended and restated bylaws, the number of Directors that shall constitute the Board of Directors shall be not less than five (5) nor more than fifteen (15). A majority of the Board of Directors shall consist of individuals who are not physicians, dentists and other providers of health care services. Directors are elected for three (3) year terms and may serve a maximum of four (4) consecutive terms.

As of December 31, 2017, the following individuals were serving as Directors:

Name/Address	Principal Occupation
David R. Boren Boise, Idaho	Founder and CEO, Clearwater Analytics
Rebecca L. Noah Casper Idaho Falls, Idaho	Mayor, Idaho Falls
John A. Fernandez Lewiston, Idaho	Retired, Former President, Lewis-Clark State College
David J. Fox, PhD Twin Falls, Idaho	President, College of Southern Idaho
Thomas L. Gibson, CPA Sandpoint, Idaho	Sr. Vice President, Financial Advisor, CPA, CWS, D.A. Davidson & Co.
Lynn G. Hoffman Boise, Idaho	Executive Director, Idaho Nonprofit Center
Scott D. Kreiling Boise, Idaho	President, Regence BlueShield of Idaho, Inc.

Esther Bishop Machen Ririe, Idaho	Dentist, Machen Family Dentistry
Daniel J. Meulenberg, MD Sandpoint, Idaho	Physician, Pinegrove Medical Center
Christopher A. Moreno McCall, Idaho	General Surgeon, Majure & Moreno, PA
Katherine L. Moriarty Island Park, Idaho	Retired, Former Attorney, Battelle Energy Alliance
Mary Carol Niland Nampa, Idaho	Former CEO, Witco, Inc.
Jeffrey O. Williams Sun Valley, Idaho	Self-employed, Corporate Consultant

Officers

Pursuant to RBSI's amended and restated bylaws, the officers of the Company shall consist of a Chair of the Board of Directors, a President, one (1) or more Vice Presidents, a Secretary, a Treasurer, and such additional Assistant Secretaries and Assistant Treasurers as the Board of Directors may from time to time authorize. The offices of Secretary and Treasurer may be combined in a single office. In its discretion, the Board of Directors may elect a Vice Chair of the Board.

The following officers were appointed by the Board of Directors and were serving as of December 31, 2017:

Name	Title
Christopher A. Moreno	Chair
David J. Fox, PhD	Vice Chair
Scott D. Kreiling	President
Mitchell E Toryanski	Secretary
Andreas B. Ellis	Treasurer
John W. Attey	Assistant Secretary
Melissa J. Christian	Vice President, Network Management
Christopher G. Blanton	Vice President, Individual Market
Michael S. Jones	Vice President, Sales
Stacy J. Simpson	Vice President and Corporate Controller

Committees

The Company's amended and restated bylaws establish two Standing Committees – an Executive Committee and a Nominating Committee. A majority of the membership of any committee shall consist of individuals who are not physicians, dentists, or other providers of health care services. As of December

31, 2017, Christopher A. Moreno was serving as Chair of the Executive Committee and Lynn G. Hoffman was serving as Chair of the Nominating Committee.

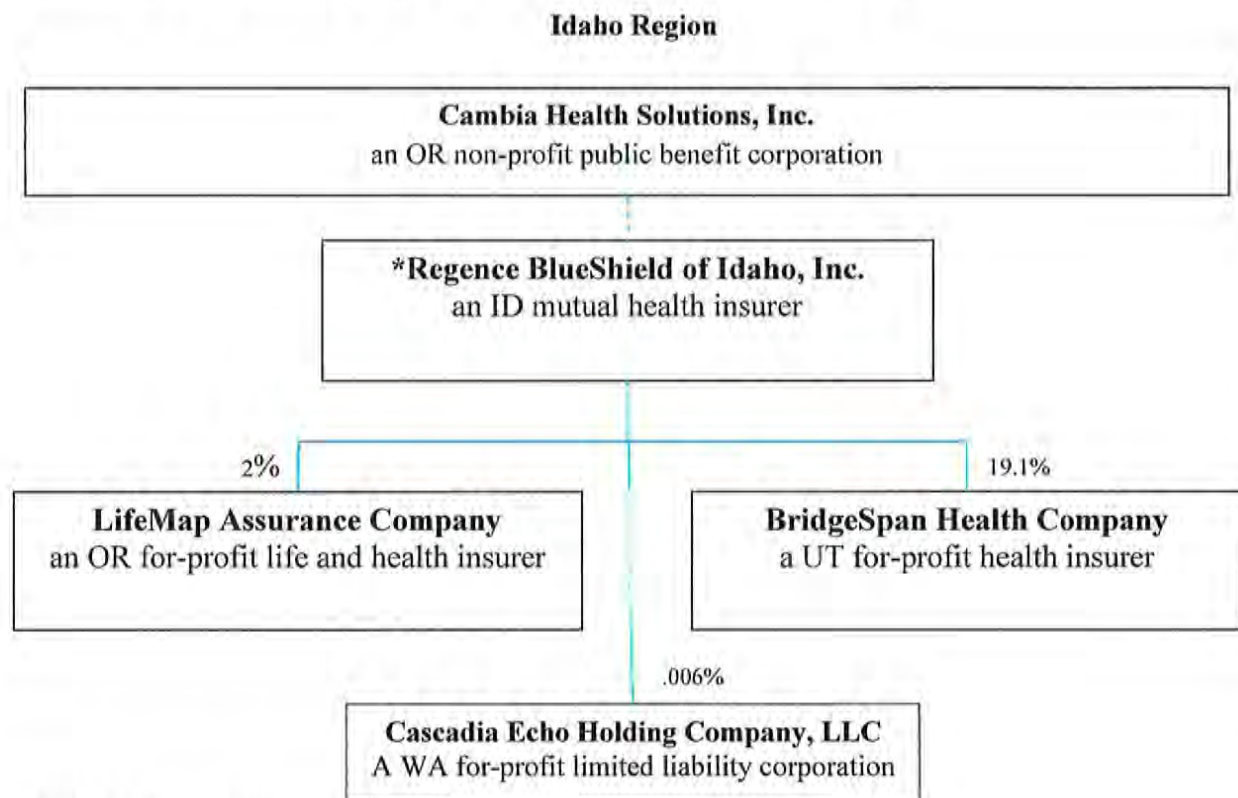
Corporate Records

The Board of Directors and Members meetings were conducted on a quarterly and an annual basis, respectively, for all years under examination.

Investment transactions were approved by the Board of Directors as required by Idaho Code § 41-704.

Organizational Chart

The following is an abbreviated organizational chart as of December 31, 2017.



*RBSI is affiliated with Cambia pursuant to the Management and Services Agreement.

Affiliated Agreements

The following summarizes the major affiliated agreements as of December 31, 2017:

Management and Administrative Services Agreement

Cambia manages RBSI under the terms of a long-term Management and Administrative Services Agreement. The original agreement was effective May 25, 1995. The 5th amendment to the agreement was non-disapproved on March 8, 2016, with a retroactive date effective January 1, 2016, upon the condition that modifications will be made to meet the requirements under Chapter 38, Title 41 of the

Idaho Code and IDAPA 18.01.23 no later than June 30, 2016. The minor modification was later non-disapproved by the Department as the 6th Amendment to the Management and Administrative Services Agreement.

Pursuant to this agreement, management and certain services such as strategic planning, budgeting, actuarial, underwriting, marketing, finance, legal, information technology and human resources are provided to RBSI. Under the amended agreement, RBSI pays Cambia the lesser of (1) a fixed flat per member per month fee or (2) its proportionate share of the cost of providing services under the Management and Administrative Services Agreement, as determined annually. This agreement has not been complied with as Cambia charged a total flat fee calculated using an industry benchmark with estimated enrollment figures instead of the lower of a fixed fee per member per month (PM/PM) based upon relevant industry benchmark data or a proportionate share cost reimbursement. The fixed fee schedule provided to the Department is based on Generally Accepted Accounting Principles (GAAP) instead of the Statutory Accounting Principles (SAP) as prescribed by IDAPA 18.01.23.

The Management and Administrative Services Agreement includes a provision whereby Medical Services Bureau of Idaho, Inc., now RBSI, shall loan ENTRUST, now Cambia, the amount of \$540,000 for a term of twenty years with interest calculated at the prime rate for commercial loans, adjusted quarterly. This loan was for the incorporation of Cambia. This loan is evidenced by a demand note. This note has since been renewed by Cambia on June 1, 2015, to increase the principal amount to \$1,700,000 (including the original principal amount of \$540,000 plus accumulated interest) and extend the maturity date to June 1, 2035. Other terms of the note remain in effect and unchanged. The investment is rated by the NAIC. As of December 31, 2017, principal of \$1,700,000 was included in bonds and the investment had an NAIC rating of 2.

In order to facilitate other services as enumerated within the Management and Administrative Services Agreement, Cambia entered the following agreements with Cambia subsidiaries on behalf of RBSI:

- HealthSparq Services Agreement
- HealthSparq Magnify Reseller Agreement
- Hubbub Reseller Agreement
- MedSavvy Amended Reseller Agreement
- Retrofit Reseller Agreement
- MedSavvy Master Services Agreement

Pharmacy Benefit Management Services Agreement

OmedaRx was the exclusive provider of pharmacy benefit management (PBM) services for RBSI during the examination period. OmedaRx provides services such as claims processing, rebate administration, pharmacy network contracting, contract support services and clinical services. According to this agreement, the pharmacy benefit management services estimated administrative cost for the upcoming month is to be paid by RBSI at full cost on a monthly basis for the years under examination. However, as of year-end 2016 and 2017, an estimated pharmacy benefit management services agreement is included in the calculation of flat PM/PM rate of administrative charges per the 5th amendment of the Management and Administrative Services Agreement between RBSI and Cambia. The PBM Services Agreement with OmedaRx was terminated on December 31, 2017.

Operating Agreement

Cambia, RBCBSO, RBS, RBCBSU, and RBSI have entered into an Operating Agreement with Cascadia Echo Holding Company LLC (Cascadia) effective November 8, 2016. As of the effective date of this agreement, RBSI and the rest of the parties became members of Cascadia. The members agree to conduct

Cascadia’s business and affairs consistent with the agreement, the Delaware Limited Liability Company Act, and the Certificate of Formation of Cascadia. Cascadia’s primary purpose is to be a member of Echo Health Ventures LLC, a Delaware limited liability company that partners with innovative companies to find new and original ways to meet future health care consumer needs; and to engage in all other activities that are necessary or incidental to the foregoing purpose or that may be necessary or appropriate to protect or enhance its assets. This agreement was filed as a supplement to the Echo Health Ventures Form D filing that was withdrawn by Cambia as of April 19, 2018.

While the Form D filing for Echo Health Ventures Agreement was withdrawn, the Operating Agreement between Cambia, RCBBSO, RBS, RBCBSU and Cascadia is still in effect. The Department is continuously monitoring this agreement to ensure that RBSI investments are in compliance with Chapter 7, Title 41 of the Idaho Code.

Joint Enterprise Agreement

RBSI has entered into a Joint Enterprise Agreement with RBCBSU. On March 1, 2012, Regence Life and Health Insurance Company, now known as LifeMap Assurance Company, transferred its rights and obligations under the Medicare Prescription Drug Plan (PDP) contract to the Joint Enterprise upon approval from the Centers for Medicare & Medicaid Services (CMS).

TERRITORY AND PLAN OF OPERATION

The Company conducts business throughout Idaho and select counties in Washington as a licensee of the Blue Cross Blue Shield Association. The Company’s primary business is the sale of hospital, medical, dental and drug coverage to its subscribers. The Company also offers a broad range of health benefits services for self-funded plans, including claims processing, stop-loss insurance and other administrative services.

The following depicts the Company’s lines of business by percentage of total net premium income for the last year under examination:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium Income	Percentage of Total
December 31, 2017				
Comprehensive (hospital and medical)	\$ 351,435,347	\$ 567,926	\$ 350,867,421	74.4%
Medicare Supplement	12,665,481	-	12,665,481	2.7%
Dental Only	3,494,432	-	3,494,432	0.7%
Federal employees health benefits plans	16,309,677	-	16,309,677	3.5%
Title XVIII Medicare	71,458,659	-	71,458,659	15.2%
Other Health	16,754,152	263,746	16,490,406	3.5%
Total	<u>\$ 472,117,748</u>	<u>\$ 831,672</u>	<u>\$ 471,286,076</u>	<u>100.0%</u>

REINSURANCE

Assumed Reinsurance

At December 31, 2017, the Company did not have assumed reinsurance.

Ceded Reinsurance

At December 31, 2017, the Company was party to the following ceded reinsurance agreements:

HM Life Insurance Company

RBSI is party to an excess of loss reinsurance arrangement with HM Life Insurance Company (“HM Life”) and Cambia under which HM Life reinsures the liability that Cambia may incur as a result of high claims incurred for fully insured members including commercial, retrospective, federal exchange and stop-loss members. HM Life will cover any claims incurred for a member exceeding Cambia’s retention of \$2,000,000 Ultimate Net Loss during the term of this contract.

MedAmerica

RBSI cedes 100% of certain premiums and claims for long-term care benefits for the individual line of business with MedAmerica under a 100 percent pro rata reinsurance agreement. The agreement automatically renews for successive one-year terms and may be terminated by either party by giving at least one hundred eighty (180) days written notice.

LifeMap Assurance Company

The Company cedes 100% of the accidental death benefits included in individual and group medical policies to its affiliate, LifeMap. The agreement is unlimited in duration subject to the insolvency provision therein. Either party may terminate the agreement with ninety days written notice. Under the agreement, LifeMap adjusts and settles claims and losses without compensation.

FIDELITY BONDS AND OTHER INSURANCE

The Company is a named insured, through an endorsement as a controlled affiliate of Cambia, on an insurance policy with Travelers Casualty and Surety Company of America that specifically includes fidelity coverage. The policy provides a \$10 million limit of insurance for a single loss. The Company's fidelity coverage satisfies the minimum suggested amount of coverage recommended by NAIC guidelines.

The Company is a named insured, as a controlled affiliate of Cambia, on other insurance policies including directors’ and officers’ liability, professional liability, errors and omissions, and commercial general liability.

RETIREMENT, SAVINGS AND DEFERRED COMPENSATION PLANS

Employee Retirement Plans

The Company sponsored a defined-benefit pension plan administered by Cambia as part of the Management and Administrative Services Agreement that covered substantially all regular RBSI employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. Cambia froze the defined-benefit pension plan as of December 31, 2009. Subsequent to the freeze date, there were no new participants enrolled in the plan, and no pension benefits were earned after that date. Benefits-eligible employees who had not yet met plan eligibility criteria were immediately eligible, and non-vested plan participants became fully vested.

The Company also participates in a supplemental executive retirement plan (SERP) sponsored by Cambia to cover key employees meeting certain eligibility requirements. The Company's practice is to reimburse Cambia for employee retirement plan obligations related to its employees and record such amounts as employment related expenses. SERP expense is allocated to the Company monthly, based on relative salary dollars. Pension plan expense represents the Company's portion of contributions to the plan. The Company has no legal obligation for benefits under these plans as the obligation is carried by Cambia. As sponsor of the plans, Cambia is legally required to fund the plans regardless of amounts paid to Cambia by the Company. The administration of the SERP is part of the services offered by Cambia within the Management and Administrative Services Agreement.

Employee Savings Plan

The Company participates in an employee savings plan sponsored by Cambia in which Cambia will match employee contributions up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, Cambia can provide a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval. The Company has no legal obligation for benefits under this plan as the obligation is carried by Cambia. A part of the administrative expense is allocated to the Company based on the portion of the Cambia employees' functional activities that relate to the Company and relative salary dollars. RBSI employee benefits are charged directly to RBSI. The administration of the employee savings plan is part of the services offered by Cambia within the Management and Administrative Services Agreement.

Executives' and Directors' Deferred Compensation Plans

The Company offers a Deferred Income Program for Executives and a Deferred Income Program for Directors (collectively, "the Programs"). The purpose of the Programs is to provide an unfunded, non-qualified deferred compensation arrangement to key employees and eligible directors. The assets under the Programs are recorded as executives' and directors' deferred compensation and the related liabilities are included as amounts withheld or retained for account of others. The cost of this benefit is charged directly to RBSI. The administration of the executives' and directors' deferred compensation plan is part of the services offered by Cambia within the Management and Administrative Services Agreement.

STATUTORY DEPOSITS

Pursuant to Idaho Code § 41-316A, the Company was required to maintain a deposit in an amount equal to \$1,000,000. The Company's minimum capital requirement was \$1,000,000 plus a minimum surplus of \$1,000,000 at December 31, 2017. The examination confirmed the Company maintained a statutory deposit with the State of Idaho consisting of a U.S. Treasury Note/Bond, with total par value of \$1,100,000, which was adequate to cover the required deposit. As of December 31, 2017, the book/adjusted carrying value of the special deposit maintained by or through the Idaho Department of Insurance was \$1,124,974 and the fair value was \$1,118,480.

ACCOUNTS AND RECORDS

The annual independent audits of the Company for the years 2015 through 2017 were performed by Deloitte & Touche LLP. Their audit reports were made available for the examination. Document and information requests for the examination were made in writing.

Adequate maintenance of records and decisions are essential to evidence appropriate corporate governance. The examination found evidence sufficient to conclude that the company has the capability of monitoring underwriting results. However, management does not maintain minutes of meetings or discussions pertaining to management's underwriting decisions and does not maintain a formalized action plan for underwriting that would align underwriting results with business and strategic initiatives. Therefore, the examination was unable to conclude whether or not there is sufficient management oversight and monitoring of underwriting results.

Pursuant to Idaho Code § 41-2839(1), *“every domestic insurer...shall keep therein accurate and complete accounts and records of its assets, transactions, and affairs in accordance with the usual and accepted principles of and practices of insurance accounting and recordkeeping as applicable to the kinds of insurance transacted by the insurer.”* Idaho Code § 41-223(3) requires *“...every person examined, its officers, attorneys, employees, agents, representatives or others having custody or control thereof, shall make freely available to the director or his examiners the accounts, records, documents, files, information, assets and matters in his possession or control relating to the subject of the examination, and shall facilitate the examination...”* In addition, pursuant to Idaho Code § 41-3909(1), *“Every managed care organization shall establish and at all times maintain adequate records of its financial and business transactions.”* Management discussions pertaining to key underwriting decisions are part of the Company’s financial and business records that should be adequately established, kept and maintained.

Furthermore, during the examination, examiners were unable to substantiate data for members whose policies termed subsequent to the examination period or for whom renewed during the 2017 plan year as supporting documents could not be provided at the time of examination. Subsequent to the examination fieldwork, Cambia provided additional information on behalf of RBSI. However, the information did not resolve the lack of supporting documents to verify accuracy of the recorded plan chosen by a member within the in-force data. Pursuant to Idaho Code § 41-219(1), *“... the director shall examine the affairs, transactions, accounts, records, and assets of each authorized insurer... as often as the director in his sole discretion deems appropriate but shall, at a minimum, conduct an examination ... not less frequently than once every (5) years...”* In addition, pursuant to Idaho Code § 41-3909(2), a *“...managed care organization shall retain its general records with respect to a particular transaction for a period of not less than seven (7) years after termination of the transaction...”*

The examination found inconsistencies in the reporting of RBSI member months. RBSI had reported member months by line of business differently than other Cambia companies. Pursuant to Idaho Code § 41-335(1) *“...the statement is to be prepared in accordance with the national association of insurance commissioners' (NAIC) Annual Statement Instructions.”*

Cambia management will be filing correct member months for vision and stop-loss member months within the annual statement for 2018 due March 1, 2019.

Several exceptions pertaining to accounts and records were noted during the examination at the holding company level affecting RBSI such as those mentioned in the separate management letter issued by the lead state.

LOSS EXPERIENCE

The following represents the Company's loss experience and its relationship to net premium income over the period of our examination:

	2017	2016	2015
Premiums earned	\$ 467,052,063	\$ 418,714,685	\$ 433,445,057
Total medical and hospital expenses	369,936,851	329,361,160	369,867,605
Claims adjustment expenses	21,332,809	22,658,645	32,291,511
Total medical, hospital and claims adjustment expenses	391,269,660	352,019,805	402,159,116
Total medical, hospital and claims adjustment expenses to premiums earned ratio	84%	84%	93%

GROWTH OF THE COMPANY

The following represents the Company's premium activity and its relationship to surplus over the period of our examination:

	2017	2016	2015
Direct premiums written	\$ 472,117,748	\$ 422,963,926	\$ 432,772,226
Total capital and surplus	181,456,290	152,078,488	135,269,691
Direct premiums written to total capital and surplus ratio	260%	278%	320%

FINANCIAL STATEMENTS

The following financial statements are based on the statutory financial statements filed by the Company with the Department and present the financial condition of the Company for the period ending December 31, 2017:

Regence BlueShield of Idaho, Inc.

Assets

As of December 31, 2017

	Per Annual Statement	Statutory Examination Adjustments	Per Statutory Examination
Bonds	\$ 200,747,026	\$ -	\$ 200,747,026
Common stocks	47,365,819	-	47,365,819
Properties occupied by the company less encumbrances	13,061,351	-	13,061,351
Cash, cash equivalents and short-term investments	6,494,904	-	6,494,904
Receivables for securities	83,681	-	83,681
Cash and invested assets	\$ 267,752,781	\$ -	\$ 267,752,781
Investment income due and accrued	1,358,267	-	1,358,267
Uncollected premiums and agents' balances in the course of collection	7,695,942	-	7,695,942
Accrued retrospective premiums and contracts subject to redetermination	1,150,575	-	1,150,575
Amounts recoverable from reinsurers	173,266	-	173,266
Amounts receiveable relating to uninsured plans	15,306,889	-	15,306,889
Furniture and equipment	633,329	-	633,329
Receivables from parent, subsidiaries and affiliates	955,536	-	955,536
Health care and other amounts receivable	3,057,535	-	3,057,535
Aggregate write-ins for other than invested assets	4,328,171	-	4,328,171
Total assets	\$ 302,412,291	\$ -	\$ 302,412,291

Regence BlueShield of Idaho, Inc.
Liabilities, Capital and Surplus
As of December 31, 2017

	Per Annual Statement	Statutory Examination Adjustments	Per Statutory Examination
Claims unpaid	\$ 44,807,392	\$ -	\$ 44,807,392
Accrued medical incentive pool and bonus amounts	1,868,750	-	1,868,750
Unpaid claims adjustment expenses	2,443,965	-	2,443,965
Aggregate health policy reserves	26,235,915	-	26,235,915
Premiums received in advance	6,729,998	-	6,729,998
General expenses due or accrued	6,840,024	-	6,840,024
Current federal and foreign income tax payable	319,232	-	319,232
Net deferred tax liability	24,960	-	24,960
Ceded reinsurance premiums payable	90,246	-	90,246
Amounts withheld or retained for the account of others	4,216,022	-	4,216,022
Remittances and items not allocated	899,475	-	899,475
Borrowed money and interest thereon	9,000,000	-	9,000,000
Amounts due to parent, subsidiaries and affiliates	6,134,218	-	6,134,218
Payable for securities	792,554	-	792,554
Liability for amounts held under uninsured plans	10,452,161	-	10,452,161
Aggregate write-ins for other liabilities	101,089	-	101,089
Total liabilities	\$ 120,956,001	\$ -	\$ 120,956,001
Aggregate write-ins for special surplus funds	9,358,428	-	9,358,428
Unassigned funds (surplus)	172,097,862	-	172,097,862
Total capital and surplus	\$ 181,456,290	\$ -	\$ 181,456,290
Total liabilities, capital and surplus	\$ 302,412,291	\$ -	\$ 302,412,291

Regence BlueShield of Idaho, Inc.
Statement of Revenue and Expenses
As of December 31, 2017

	<u>Per Annual Statement</u>	<u>Statutory Examination Changes</u>	<u>Per Statutory Examination</u>
Member Months	1,302,991		1,302,991
Net premium income	\$ 471,286,076	\$ -	\$ 471,286,076
Change in unearned premium reserves	(4,234,013)	-	(4,234,013)
Total revenues	<u>\$ 467,052,063</u>	\$ -	<u>\$ 467,052,063</u>
Hospital and Medical:			
Hospital/medical benefits	\$ 198,881,805	\$ -	\$ 198,881,805
Other professional services	21,079,580	-	21,079,580
Outside referrals	8,212,811	-	8,212,811
Emergency room and out-of-area	84,198,103	-	84,198,103
Prescription drugs	57,096,169	-	57,096,169
Incentive pool, withhold adjustments and bonus amounts	<u>1,417,766</u>	-	<u>1,417,766</u>
Subtotal	<u>\$ 370,886,233</u>	\$ -	<u>\$ 370,886,233</u>
Less:			
Net reinsurance recoveries	<u>949,382</u>	-	<u>949,382</u>
Total hospital and medical	<u>\$ 369,936,851</u>	\$ -	<u>\$ 369,936,851</u>
Claims adjustment expenses, including cost containment expenses	21,332,809	-	21,332,809
General administrative expenses	36,910,434	-	36,910,434
Increase in reserves for life and accident and health contracts	<u>512,000</u>	-	<u>512,000</u>
Total underwriting deductions	<u>\$ 428,692,094</u>	\$ -	<u>\$ 428,692,094</u>
Net underwriting gain or (loss)	\$ 38,359,969	\$ -	\$ 38,359,969
Net investment income earned	6,253,307	-	6,253,307
Net realized capital gains (losses) less capital gains taxes	<u>330,720</u>	-	<u>330,720</u>
Net investment gains (losses)	\$ 6,584,027	\$ -	\$ 6,584,027
Net gain or (loss) from agents' or premium balances charged off	(26,408)	-	(26,408)
Aggregate write-ins for other income (expenses)	<u>(1,041,006)</u>	-	<u>(1,041,006)</u>
Net income, after capital gains tax and before federal taxes	\$ 43,876,582	\$ -	\$ 43,876,582
Federal and foreign income taxes incurred	<u>16,486,193</u>	-	<u>16,486,193</u>
Net income (loss)	<u>\$ 27,390,389</u>	\$ -	<u>\$ 27,390,389</u>

Regence BlueShield of Idaho, Inc.
Capital and Surplus Account
As of December 31, 2017, 2016 and 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Capital and surplus prior reporting year	\$ 152,078,488	\$ 135,269,692	\$ 149,945,785
Net income or (loss)	27,390,389	15,646,417	(10,196,842)
Change in net unrealized capital gains (losses)	4,109,193	2,010,156	(5,118,652)
Change in net unrealized foreign exchange capital gain or (loss)	-	490	(218)
Change in net deferred income tax	(2,034,815)	726,622	486,231
Change in nonadmitted assets	<u>(86,965)</u>	<u>(1,574,889)</u>	<u>153,388</u>
Net change in capital and surplus	<u>\$ 29,377,802</u>	<u>\$ 16,808,796</u>	<u>\$ (14,676,093)</u>
Capital and surplus end of reporting year	<u><u>\$ 181,456,290</u></u>	<u><u>\$ 152,078,488</u></u>	<u><u>\$ 135,269,692</u></u>

ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION

There were no adjustments to the amounts reported in the annual statement.

NOTES TO FINANCIAL STATEMENT ITEMS

Policyholder and Claims Reserves

The following chart depicts RBSI's reported reserves on the December 31, 2017 Annual Statement:

<u>Reserves</u>	<u>Amount</u>
Claims unpaid	\$ 44,807,392
Accrued medical incentive pool and bonus payments	1,868,750
Unpaid claims adjustment expenses	2,443,965
Aggregate health policy reserves	26,235,915

Steven J. Gaspar, FSA, MAAA, Senior Vice President and Chief Actuarial Officer for Cambia, was the actuary appointed by the Company to provide a Statement of Actuarial Opinion as of December 31, 2017. At December 31, 2017, the appointed actuary issued a Statement of Actuarial Opinion concluding that RBSI's reserves "make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements."

In order for the examination team to gain an adequate comfort level with reserve estimates for RBSI, the coordinated examination team utilized actuarial staff from Risk & Regulatory Consulting LLC, to assist the examination team in performing a risk-focused review of reserving and pricing/underwriting processes for the Group.

Based upon procedures performed and results obtained, the actuarial and examination staff obtained evidence to support the conclusion that reserves for RBSI are reasonably stated as of December 31, 2017.

SUBSEQUENT EVENTS

As a way of background, Mosaic Health Solutions (Mosaic), the investment division of Blue Cross and Blue Shield of North Carolina, partnered with Cambia's Cascadia Echo Holding Company, LLC, marketed as Direct Health Solutions and is also known as Cambia Health Solutions to Echo Health Ventures LLC. This partnership became Echo Health Ventures LLC with one main purpose of investing in, building, and growing healthcare companies.

Subsequent to the examination period, Cambia Health Solutions, Inc., planned a strategic affiliation with Blue Cross and Blue Shield of North Carolina, whereby both companies will enter into a long-term management services agreement that is built on their existing relationship known as Echo Health Ventures LLC.

The companies have agreed to share management, administrative, operational, and other corporate services under Cambia Health Solutions, Inc. The strategic affiliation will maintain the separate health plans in five states with the health plans all locally managed and regulated. This strategic affiliation is subject to regulatory approval in North Carolina, Oregon, Washington, Idaho, and Utah.

SUMMARY OF RECOMMENDATIONS

A. Management and Administrative Services Agreement

The examiners recommend RBSI comply with the Management and Administrative Services Agreement with Cambia, Idaho Code § 41-3810(2), and IDAPA 18.01.23 Form D.

Additionally, since the non-disapproved Management and Administrative Services Agreement flat fee is applicable to all services that are to be provided by Cambia PM/PM or the proportionate share cost allocation, it is recommended that a Form D be filed to include amendments clarifying:

- a. The calculation method for the portion of administrative service fees to be charged to RBSI's uninsured business whose member months have not been reported by the Company to the NAIC or the Idaho Department of Insurance on the annual or quarterly statements during the period under examination;
- b. That the proportionate share reimbursement methods shall be in compliance with the NAIC Accounting Practices and Procedure Manual; and
- c. That the proportionate share reimbursement calculation shall be provided to the Department together with the fixed fee statement as part of the Company's justification for determination that amounts are fair and reasonable.

All amendments shall comply with Idaho Code § 41-3810, IDAPA 18.01.23, and the NAIC Accounting Practices and Procedures Manual.

B. Member Months

It is recommended that the Company address the findings stated in a separate management letter.

C. Accounts and Records – In-force Data and Meeting Minutes

It is recommended that RBSI maintain minutes of meetings for underwriting review, including executive close, financial close and quarterly business review meetings as these are part of RBSI's records to comply with the aforementioned sections of Title 41, Idaho Code. Additionally, accurate and complete supporting documents shall be kept for all members for an appropriate period of time subsequent to the termination of a policy to comply with examination requirements and the aforementioned sections of Title 41, Idaho Code. Furthermore, the examiners recommend that appropriate supporting documentation is kept for all current members including plan selections made for renewal periods.

D. Holding Company Findings and Recommendations

It is recommended that the Company address the findings stated in a separate management letter.

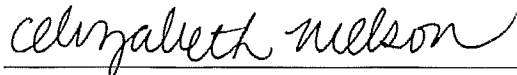
CONCLUSION

It is recommended that a limited-scope examination be conducted to further assess the impact of the findings noted in this report, the management letter, and other written correspondence sent to the Company in the course of the examination. The limited-scope examination should also include a review of the events subsequent to the examination period that may influence or further impact the concerns expressed in this report.

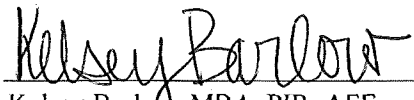
ACKNOWLEDGEMENT

In addition to the undersigned, Lori Brock, CFE, of Johnson Lambert LLP, joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Company.

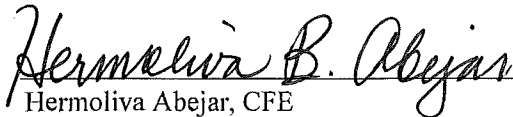
Respectfully submitted,



Elizabeth Nielson, CPA, CFE
Examiner-in-Charge
Johnson Lambert LLP
Representing the Idaho Department of Insurance



Kelsey Barlow, MBA, PIR, AFE
Participating Examiner
Idaho Department of Insurance



Hermoliva Abejar, CFE
Supervising Examiner
Idaho Department of Insurance

AFFIDAVIT OF EXAMINER

State: Arizona
County: Maricopa

Elizabeth Nielson, CPA, CFE, being duly sworn, deposes and says that she is a duly appointed Examiner for the Department of Insurance of the State of Idaho, that she has made an examination of the affairs and financial condition of Regence BlueShield of Idaho, Inc. for the period from January 1, 2015 through December 31, 2017, that the information contained in the report consisting of the foregoing pages is true and correct to the best of her knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Elizabeth Nielson

Examiner-in-Charge
Johnson Lambert LLP
On behalf of Idaho Department of Insurance

Subscribe and sworn to before me the 07 day of 05, 2019, at Scottsdale, AZ
(City) (State)

[Signature]
Notary Public



My Commission Expires: 03/31/2023