

FILED

AUG - 9 2023

Department of Insurance  
State of Idaho

**BEFORE THE DIRECTOR OF THE DEPARTMENT OF INSURANCE**

**STATE OF IDAHO**

In the Matter of:

MADISON MEMORIAL HOSPITAL  
HEALTH BENEFIT TRUST,

Registration No. 4342

Docket No. 18-4308-23

**ORDER ADOPTING REPORT  
OF EXAMINATION AS OF  
DECEMBER 31, 2020**

The Idaho Department of Insurance (“Department”), in accordance with Idaho Code §§ 41-219(1) and 41-4013(1), has examined the affairs, transactions, accounts, records, and assets of the Madison Memorial Hospital Health Benefit Trust (the “Trust”), for the period of January 1, 2016, through December 31, 2020. The Department also has prepared a verified Report of Examination (“Report”) per Idaho Code §§ 41-227 and 41-4013(3). A copy of the Report is attached to this Order as Exhibit “A”.

Having reviewed the Report and record, the Department’s Director (“Director”) enters this order adopting the Report as filed.

**FINDINGS OF FACT**

1. The Trust is an Idaho-domiciled self-funded health care plan, which was duly registered with the Department on January 15, 2016, under Registration No. 4342.
2. On June 14, 2023, the Department completed an examination of the Trust per Idaho Code §§ 41-219(1) and 41-4013(1).

3. Per Idaho Code §§ 41-227(4) and 41-4013(3), on June 29, 2023, the Department's examiner-in-charge filed the Report with the Department and transmitted a copy of the Report to the Trust.

4. Under Idaho Code § 41-4013(3), the Trust had four weeks from receipt of the Report to make written recommendations for corrections or changes to the Report. The Department received no such recommendations from the Trust.

### **CONCLUSIONS OF LAW**

5. Idaho Code § 41-227(5)(a) requires the Director to fully consider and review the Report, together with any written submissions or rebuttals and any relevant portions of the examiner's work papers. The Director then must enter an order adopting the Report as filed or with modifications or corrections, rejecting the report and reopening the examination, or calling for an investigatory hearing.

6. Having fully considered the Report and record, the Director concludes that, regarding the matters examined, the Report's comments, findings, and recommendations are appropriate and are incorporated herein as if set forth in full.

### **ORDER**

NOW, THEREFORE, IT IS ORDERED that the Report is adopted as filed.

IT IS FURTHER ORDERED, per Idaho Code §§ 41-227(8) and 41-4013(3), 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, per Idaho Code § 41-227(6)(a), that within 30 days of the service date of this Order adopting the Report, the Trust must file with the Department's chief examiner, affidavits executed by each of its trustees, stating under oath that they have received a copy of the

adopted Report and related orders.

DATED AND EFFECTIVE this 7 day of August, 2023.

STATE OF IDAHO  
DEPARTMENT OF INSURANCE

A handwritten signature in blue ink, appearing to read "Dean L. Cameron", is written over a horizontal line.

DEAN L. CAMERON  
Director

### **NOTIFICATION OF RIGHTS**

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

Any such motion for reconsideration shall be served on the Director of the Idaho Department of Insurance, addressed as follows:

Dean L. Cameron, Director  
Idaho Department of Insurance  
700 W. State Street, 3<sup>rd</sup> Floor  
P.O. Box 83720  
Boise, ID 83720-0043

Pursuant to Idaho Code §§ 67-5270 and 67-5272, any party aggrieved by this final order or orders previously issued in this case may file a petition for judicial review in the district court of the county in which:

- i. A hearing was held;
- ii. The final agency action was taken;
- iii. The party seeking review of the order resides, or operates its principal place of business in Idaho; or
- iv. The real property or personal property that was the subject of the agency action is located.

A petition for judicial review must be filed within 28 days of: (a) the service date of this final order, (b) the service of an order denying motion for reconsideration, or (c) the failure within 21 days to grant or deny a motion 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. Idaho Code § 67-5274.

### CERTIFICATE OF SERVICE

I HEREBY CERTIFY that, on this 9<sup>th</sup> day of August, 2023, I caused a true and correct copy of the foregoing ORDER ADOPTING REPORT OF EXAMINATION AS OF DECEMBER 31, 2020, to be served upon the following by the designated means:

Troy Christensen MADISON MEMORIAL HOSPITAL HEALTH BENEFIT TRUST 450 E. Main Street Rexburg, ID 83440	<input type="checkbox"/> First Class Mail <input checked="" type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:troy.christensen@mmhnet.org">troy.christensen@mmhnet.org</a>
John C. Keenan Deputy Attorney General Idaho Department of Insurance 700 W. State St., 3 <sup>rd</sup> Floor PO Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:john.keenan@doi.idaho.gov">john.keenan@doi.idaho.gov</a>
Eric Fletcher Chief Examiner Idaho Department of Insurance 700 W. State St., 3 <sup>rd</sup> Floor PO Box 83720 Boise, ID 83720-0043	<input type="checkbox"/> First Class Mail <input type="checkbox"/> Certified Mail <input type="checkbox"/> Hand Delivery <input type="checkbox"/> Facsimile <input checked="" type="checkbox"/> Email: <a href="mailto:eric.fletcher@doi.idaho.gov">eric.fletcher@doi.idaho.gov</a> <a href="mailto:jessie.adamson@doi.idaho.gov">jessie.adamson@doi.idaho.gov</a>

Penny Wilcox  
Penny Wilcox

DEPARTMENT OF INSURANCE

STATE OF IDAHO



REPORT OF EXAMINATION

Of

MADISON MEMORIAL HOSPITAL HEALTH BENEFIT TRUST  
(self-funded health care plan)

as of

December 31, 2020

**EXHIBIT**

**A**

exhibitsricker.com

## Table of Contents

SALUTATIONS .....	3
SCOPE OF EXAMINATION.....	4
<i>Period Covered</i> .....	4
<i>Examination Procedures Employed</i> .....	4
<i>Status of Prior Examination Findings</i> .....	4
SUMMARY OF SIGNIFICANT FINDINGS & RECOMMENDATIONS .....	5
SUBSEQUENT EVENTS .....	5
TRUST HISTORY.....	6
TRUST RECORDS .....	6
MANAGEMENT AND CORPORATE GOVERNANCE.....	6
<i>Agreements and Contracts</i> .....	6
FIDELITY BONDS AND OTHER INSURANCE .....	7
PLAN OF OPERATION .....	7
GROWTH OF THE TRUST .....	7
EXCESS OF LOSS COVERAGE .....	7
ACCOUNTS AND RECORDS .....	8
FINANCIAL STATEMENTS .....	9
ACKNOWLEDGEMENT .....	14
AFFIDAVIT OF EXAMINER .....	15

Rexburg, ID  
June 29, 2023

The Honorable Dean L. Cameron  
Director of Insurance  
State of Idaho  
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, 2020, of the financial condition and corporate affairs of:

Madison Memorial Hospital Health Benefit Trust  
450 E Main St  
Rexburg, Idaho 83440

Hereinafter referred to as (the "Trust"). The following report of examination is respectfully submitted.



## SCOPE OF EXAMINATION

### *Period Covered*

We have performed our single state examination of Madison Memorial Hospital Health Benefit Trust. This is the first examination of the Trust. This examination covers the period of January 1, 2016, through December 31, 2020, and subsequent.

### *Examination Procedures Employed*

Our examination was conducted in accordance with Idaho Code §§ 41-219(1) and 41-4013. Due to the nature of the Trust, the examination was conducted as a modified risk-focused examination; key exhibits from the NAIC *Financial Condition Examiners Handbook* were utilized and customized as appropriate for this examination.

The Trust retained the services of a certified public accounting firm, Rudd & Company PLLC, to audit its financial records for the years under examination. The firm provided the examiner with access to requested work papers prepared in connection with its audit. The external audit work was relied upon where deemed appropriate.

All accounts and activities of the Trust were considered during the examination process. The initial phase of the examination focused on evaluating the Trust's corporate governance and control environment, as well as a business approach, in order to develop an examination plan tailored to the Trust's individual operating profile.

Interviews were held with senior management of the Trust to gain an understanding of the entity's operating profile and control environment.

The examination relied on the findings of the actuarial firm, Lewis & Ellis Actuaries and Consultants, contracted by the Idaho Department of Insurance (the "Department") to review the Trust's Incurred But Not Reported liability.

A letter of representation certifying that staff disclosed all significant matters and records was obtained from the Chairperson and was included in the examination workpapers.

### *Status of Prior Examination Findings*

This was the first examination conducted by the Department over the Trust's financial condition and affairs.

## SUMMARY OF SIGNIFICANT FINDINGS & RECOMMENDATIONS

During the examination, a review of the investment agreement entered into with Oceanview Life and Annuity Company revealed the following items:

1. The agreement is between "Madison Memorial Hospital", not "Madison Memorial Hospital Health Benefit Trust", and Oceanview Life and Annuity Company. Idaho Code § 41-4009 (3), states that "*All such investments shall be made and held in the name of the trust fund, and the interest and yield thereon shall inure to the benefit of the trust fund*".
2. The annuitant is Troy Christensen, Chief Financial Officer of Madison Memorial Hospital and Trustee of the Madison Memorial Hospital Health Benefit Trust. Disbursements should be made to the Trust and mitigate prospective conflict under Idaho Code § 41-4015 (1)(c) which states, "*No plan sponsor, trustee, administrator, or other person having responsibility for the management of a self-funded plan, or the investment or other handling of trust funds shall: (c) have any direct or indirect material pecuniary interest in any loan or investment related to the trust fund*".
3. The agreement was signed by Rachel Gonzales, CEO of Madison Memorial Hospital. Idaho Code § 41-4007(3) states, "*The trust fund of a self-funded plan shall have the authority: to contract in its own name. All such contracts shall be in writing and shall be signed by the trustee of the fund...*".
4. The amount of the investment is greater than 10% of the Trust's total assets. Idaho Code § 41-4009(1)(f) states "*The trustee may invest trust funds available for that purpose in the following kinds of investments only: (f) Investments as permitted by sections 41-714 and 41-716, Idaho Code, provided that the combined amount of such investments shall not exceed ten percent (10%) of the total assets of the trust fund*".

It is recommended the Trust seek approval of a corrective action plan from the Department to resolve each of the foregoing items.

## SUBSEQUENT EVENTS

On March 11, 2020, the World Health Organization declared the spreading Novel Coronavirus Diseases, COVID-19, a pandemic. On March 13, 2020, the United States declared the COVID-19 pandemic as a national emergency. On May 11, 2023, the United States ended the COVID-19 national emergency. COVID-19 has created economic disruptions on a global scale which has led to uncertainty about the overall economic impact to financial markets. At this time, the full effect of COVID-19 on the Trust is unknown. In a coordinated effort, the Trust and the Department will continue to monitor the effects of the pandemic on the Trust.

## TRUST HISTORY

The Board of Trustees of Madison Memorial Hospital (the "Hospital") approved the establishment of a self-funded group health plan to provide medical and dental benefits to employees, and eligible dependents, of the hospital. The Trust was created following approval of the Hospital and was registered as a self-funded health care plan in Idaho effective January 15, 2016. On that date, the Department issued certification of registration (No. 4342) to the Trust under Title 41, Chapter 40 of the Idaho Code.

## TRUST RECORDS

The meetings of the Board of Trustees (the "Board") were conducted on an as per needed basis for all years under examination. As noted in the Trust Agreement, business of the Trustees is to be conducted at regular or special meetings. The meeting minutes contained high-level discussion of financials, investments, reserves, audit related matters, review/approval of contracts, and changes in coverages and contributions.

## MANAGEMENT AND CORPORATE GOVERNANCE

The Trust is governed by the Board, which is comprised of three Trustees who are key employees from the Hospital. The Trustees are appointed by the Hospital and serve the Trust in connection with their employment, receiving no additional compensation for their roles associated with the Trust. The Board of Trustees serving as of December 31, 2020, are shown below:

<u>Name</u>	<u>Principal Occupation</u>
Troy Christensen	Chief Financial Officer
Kyle Loveland	Director of Nutritional Services
Tonia Watson	Director of Human Resources

### *Agreements and Contracts*

All service agreements between the Trust, third parties, and the renewal thereof, are authorized by the Board. These contracts and agreements were reviewed, discussed, and approved during Board meetings. During the examination period, the Trust had the following agreements in effect:

### Administrative Services Agreements

Effective February 1, 2016, the Trust entered into an administrative services agreement with PacificSource Health Plans, to provide claims administrative services for the Trust. The Trust discontinued services with PacificSource Health Plans and obtained a new agreement with University of Utah Health Insurance Plans, effective January 1, 2018. Per the agreement, the University of Utah Health Insurance Plans provides health claims administrative services for the Trust. The agreement was in effect as of December 31, 2020.

The Trust maintains an agreement with Delta Dental of Idaho to provide all administrative services relating to the dental plan. This agreement was in effect as of December 31, 2020.

## **FIDELITY BONDS AND OTHER INSURANCE**

A fidelity bond was maintained by the Trust for the protection against fraud or dishonesty of losses or damages to an employee benefit plan committed by an employee. The policy met the requirements specified in Idaho Code § 41-4014(3). The insurance company providing coverage to the Trust was licensed or otherwise authorized in Idaho.

## **PLAN OF OPERATION**

The Trust was registered with the Department as of January 15, 2016. It operates as a self-funded health care plan under Title 41, Chapter 40 of Idaho Code. The Trust maintains and administers medical, dental, and pharmacy benefits for participants. Participants include employees of the Hospital and their dependents.

## **GROWTH OF THE TRUST**

A summary of significant financial data for the fiscal years covered by the examination is presented below based on the audited financial statements files by the Trust with the Department.

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Net Assets</u>	<u>Change in Net Assets</u>
2016	2,517,161	481,335	2,035,826	N/A
2017	3,628,552	667,148	2,961,404	925,578
2018	4,492,639	810,991	3,681,648	720,244
2019	6,071,607	811,241	5,260,366	1,578,718
2020	7,104,147	1,294,519	5,809,628	549,262

## **EXCESS OF LOSS COVERAGE**

The Trust maintained specific excess loss and aggregate excess loss insurance for all periods during the examination. The insurance carrier during 2016 and 2017 was PacificSource Health Plans. The insurance carrier for the remaining examination period was through Companion Life Insurance Company. As of December 31, 2020, the contract provided the following:

- Specific Excess of Loss Coverage – \$150,000 per person.
- Aggregate Excess of Loss Coverage – \$1,000,000 in aggregate.

The providers named above were authorized as insurers in the State of Idaho.

## **ACCOUNTS AND RECORDS**

The Trust's business and accounting records were maintained at the Trust's business location in Rexburg, Idaho. The senior accountant at the Hospital provides accounting and bookkeeping services to the Trust. Claims data were maintained by University of Utah Health Insurance Plans and Delta Dental of Idaho.

The annual independent audits of the Trust for the years 2016 through 2020 were performed by Rudd & Company PLLC. Their audit reports and workpapers were made available for the examination. The Trust responded to requests for documentation and information in a timely manner.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the audited financial statements filed by the Trust with the Department and present the financial condition of the Trust for the period ending December 31, 2020.

The financial section of this report contains the following statements:

Statement of Net Assets

Statement of Revenues, Expenses, and Changes in Net Assets

Reconciliation of Net Assets

# Statement of Net Assets

## Assets

### Current assets

Cash and investments

\$ 6,831,225

Stop loss receivable

\$ 272,922

Total current assets

\$ 7,104,147

## Liabilities and Net Assets

### Current liabilities

Accounts payable

\$ 8,896

Unearned revenue

\$ 269,528

Incurred but not reimbursed (IBNR)

\$ 1,016,095

Total current liabilities

\$ 1,294,519

Net assets

\$ 5,809,628

Total

\$ 7,104,147

## Statements of Revenues, Expenses, and Changes in Net Assets

Operating Revenues	
Employer premiums	\$ 5,411,364
Employee premiums	\$ 1,348,228
COBRA premiums	\$ 18,295
Prescription rebates	\$ 130,658
Total operating revenues	<u>\$ 6,908,545</u>
Operating Expenses	
Claims paid	\$ 5,583,375
Stop loss coverage	\$ 564,984
Administrative fees	\$ 266,500
Professional fees	\$ 26,302
Total operating expenses	<u>\$ 6,441,161</u>
Income from operations	<u>\$ 467,384</u>
Other income and expenses	
Interest income	<u>\$ 81,878</u>
Total other income and expenses	<u>\$ 81,878</u>
Changes in net assets	<u>\$ 549,262</u>



# Reconciliation of Net Assets

	2016	2017	2018	2019	2020
Net assets, end of previous year	N/A	\$ 2,035,826	\$ 2,961,404	\$ 3,681,648	\$ 5,260,366
Change in net assets	\$ 2,035,826	\$ 925,578	\$ 720,244	\$ 1,578,718	\$ 549,262
Net assets, end of current year	\$ 2,035,826	\$ 2,961,404	\$ 3,681,648	\$ 5,260,366	\$ 5,809,628

Analysis of Changes in Financial Statements Resulting from Examination

There were no changes to the financial statements or notes as a result of this examination.

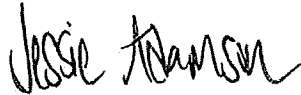
Comments on Financial Statement Items

There were no adverse findings or material changes to the financial statement items resulting in comments from the examination.

## ACKNOWLEDGEMENT

Michael A. Mayberry, FSA, MAAA, of Lewis & Ellis Actuaries and Consultants performed the actuarial phases of the examination. He joins the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Trust.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Jessie Adamson". The signature is written in a cursive, flowing style.

Jessie L. Adamson, CFE, CISA  
Deputy Chief Examiner  
Idaho Department of Insurance

## AFFIDAVIT OF EXAMINER

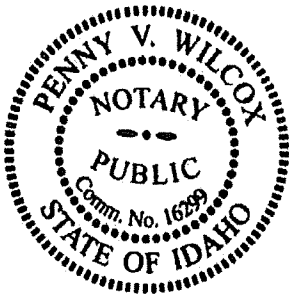
State of Idaho County of Ada

Jessie L. Adamson, CFE, CISA, being duly sworn, deposes and says that they are a duly appointed Examiner for the Department of Insurance of the State of Idaho, that they have made an examination of the affairs and financial condition of Madison Memorial Hospital Health Benefit Trust for the period January 15, 2016, through December 31, 2020, that the information contained in the report consisting of the foregoing pages is true and correct to the best of their knowledge and belief; and that any conclusions and recommendations contained in this report are based on the facts disclosed in the information.

Jessie Adamson

Jessie L. Adamson, CFE, CISA  
Deputy Chief Examiner  
Idaho Department of Insurance

Subscribe and sworn to before me the 29<sup>th</sup> day of June, 2022, at Boise  
(City) Idaho (State).



Penny V. Wilcox  
Notary Public

My Commission Expires: 07/02/2027