

MIKE KREIDLER
Insurance Commissioner



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 10-102
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
COMMUNITY HEALTH PLAN OF)	AND ORDER ADOPTING REPORT
WASHINGTON)	OF FINANCIAL EXAMINATION
)	

A Registered Health Care Service Contractor.

BACKGROUND

An examination of the financial condition of **COMMUNITY HEALTH PLAN OF WASHINGTON** (the Company) as of December 31, 2008, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Company holds a Washington certificate of registration as a health care service contractor. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Company for its comments on June 4, 2010. The Company's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Company.

Subject to the right of the Company to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 12 of the report.

COMMUNITY HEALTH PLAN OF WASHINGTON
Order Adopting Examination Report
June 29, 2010

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **COMMUNITY HEALTH PLAN OF WASHINGTON** and to order the Company to take the actions described in the Instructions and Comments and Recommendations sections of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions and Comments and Recommendations prior to the date of this order. The Instructions and Comments and Recommendations in the report are appropriate responses to the matters found in the examination.

ORDER

The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

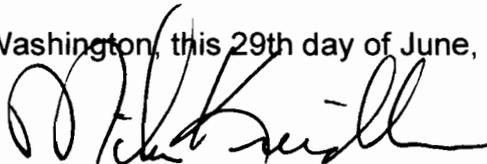
The Company is ordered as follows, these being the Instructions and Comments and Recommendations contained in the examination report on pages 1-4.

1. The Company is ordered to comply with RCW 48.05.250 by filing its financial statements in the general form and context approved by the NAIC and WAC 284-07-050(2)(a) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Instruction 1, Examination Report, page 2.
2. The Company is ordered to calculate its indemnity deposit including uncovered expenditures, as defined in RCW 48.44.010(7) and to report uncovered claims on page 3 of the Annual Statement. Instruction 2, Examination Report, page 2.
3. The Company is ordered to execute a revised or amended custodial agreement that complies with the FCEH and RCW 48.13.480. The Company is also ordered to comply with RCW 48.05.250 by filing a true statement of its financial condition, transactions and affairs and to follow the NAIC Annual Statement instructions and the AP&P, as required by WAC 284-07-050(2). Instruction 3, Examination Report, page 2.

4. The Company is ordered to comply with RCW 48.43.097 by filing its financial statements in the form and context approved by the NAIC and WAC 284-07-060(2)(a) which requires adherence to the NAIC Annual Statement Instructions and the AP&P. Each carrier must include with its annual statement a Statement of Actuarial Opinion setting forth the actuary's opinion related to the carrier's reserves and other actuarial items, prepared in accordance with the NAIC Annual Statement Instructions and the AP&P. Instruction 4, Examination Report, page 3.
5. The Company is ordered to consider preparing a formal, written business continuity plan that addresses the continuation of all significant business activities, including financial functions, telecommunication services and data processing services, in the event of a disruption of normal business activities, as recommended by NAIC. Comments and Recommendations 1, Examination Report, page 3.
6. The Company is ordered to consider updating, testing, and implementing a current disaster recovery plan that includes appropriate escalation procedures to resolve operational failures in a timely manner, as recommended by NAIC Guidelines. Comments and Recommendations 2, Examination Report, page 3.
7. The Company is ordered to consider annually testing the business continuity and disaster recovery plans and updating the plans accordingly to reflect the results of the test. Comments and Recommendations 3, Examination Report, page 4.

IT IS FURTHER ORDERED THAT, the Company file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Company has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 29th day of June, 2010.



MIKE KREIDLER
Insurance Commissioner



COMMUNITY HEALTH PLAN
of Washington

Committed to your health.

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
Office of the Insurance Commissioner
5000 Capital Blvd.
Tumwater, WA 98501

RE: Financial Examination Report of Community Health Plan of Washington (the
“Company”) as of December 31, 2008

Dear Mr. Odiorne:

We have reviewed the draft report of the financial examination of Community Health Plan of Washington as of December 31, 2008. Please see our responses to the examination instructions, and comments and recommendations from the Office of Insurance Commissioner.

1. NAIC Annual Statement Errors, Omissions, and Misclassifications

a. Notes to Financial Statements

Management response: Management agrees with this finding and will disclose hemophiliac drugs of \$136,890 in Notes to Financial Statements, Note 27.

b. Notes to Financial Statements

Management response: Management agrees with this finding. The note was correctly reported in the 2009 filing.

c. Claims Unpaid

Management response: Management agrees with this finding and will report hemophiliac receivables of \$136,890 on Line 23, Health care and other amounts receivable.

d. Amounts withheld or retained for the account of others

Management response: Management agrees with this finding and this disclosure was correctly reported in the 2009 filing.

e. Amount withheld or retained for the account of others

Management response: Management agrees with this finding and this disclosure was correctly reported in the 2009 filing.

2. Indemnity Deposit

Management response: Management agrees with this finding and will include Basic Health product in the Non-Service Benefits calculation for the Indemnity Deposit and record on page 3.

3. Custodial Agreement Deficiencies

Management response: Management agrees with this finding and has worked with the OIC and the bank to comply with FCEH by the end of 2010.

4. Experience Rated Refunds

Management response: Management agrees with this finding and this disclosure was correctly reported in the 2009 filing.

COMMENTS AND RECOMMENDATIONS

1. Business Continuity Plan

Management response: Management agrees with this recommendation. The Company takes Business Continuity Planning very seriously and will prepare a Business Continuity Plan in conjunction with its Disaster Recovery Plan for 2010.

2. Disaster Recovery Plan

Management response: Management agrees with this recommendation. The Company has implemented a process to update the plan to reflect procedures within IT and activities within the organization. The plan will provide security and appropriate escalation procedures, minimizing risk of delays – resolving failures in a timely manner, guaranteeing the reliability of standby systems, providing a standard for testing the plan according to NAIC Guidelines, and minimizing decision-making during a disaster.

3. Annual Test of Business Continuity and Disaster Recovery Plans

Management response: Management agrees with this comment. The Company has included a test process as part of the Disaster Recovery and Business Continuity Plan, CHPW will implement a Plan with procedures to annually test and update the plans accordingly to reflect those results.

Thank you for the opportunity to respond to the draft financial examination report. Please feel free to call me with any questions you may have. I can be reached at 206-515-4704.

Sincerely,



Alan Lederman
Chief Financial Office
Community Health Plan of Washington