

**STATE OF WASHINGTON
OFFICE OF THE INSURANCE
COMMISSIONER**



QUALIFYING FINANCIAL EXAMINATION

of

**HEALTH ALLIANCE NORTHWEST HEALTH PLAN, INC.
WENATCHEE, WASHINGTON
February 8, 2013**

Order No. 13-82
Health Alliance Northwest Health Plan, Inc.
Exhibit A

Seattle, Washington
March 5, 2013

The Honorable Mike Kreidler, Commissioner
Washington State Office of Insurance Commissioner (OIC)
Insurance Building – Capitol Campus
302 Sid Snyder Avenue SW, Suite 200
Seattle, WA 98504

Dear Commissioner Kreidler:

In accordance with your instructions and in compliance with the statutory requirements of RCW 48.03.010, a qualifying examination has been made of the corporate and financial records of

Health Alliance Northwest Health Plan, Inc.

of

Wenatchee, Washington

hereinafter referred to as "HANHP". This report of examination is respectfully submitted showing the financial condition and related corporate matters of HANHP as of February 8, 2013.

CHIEF EXAMINER'S AFFIDAVIT

I hereby certify I have read the attached Report of the Qualifying Financial Examination of Health Alliance Northwest Health Plan, Inc., of Wenatchee, Washington. This report shows the financial condition and related corporate matters as of February 8, 2013.



PATRICK H. MCNAUGHTON
Chief Examiner

3-5-13

Date

TABLE OF CONTENTS

SCOPE OF EXAMINATION	1
PLAN OF OPERATION	1
HISTORY	1
MANAGEMENT AND CONTROL.....	1
Board of Directors (BOD).....	1
Officers.....	2
AFFILIATED COMPANIES.....	2
SURPLUS.....	2
STATUTORY DEPOSIT	2
RECOMMENDATION	2
FINANCIAL STATEMENTS.....	3
ACKNOWLEDGMENT	5
AFFIDAVIT	6

SCOPE OF EXAMINATION

This examination included verification of HANHP's assets and liabilities as of February 8, 2013. The minimum surplus and cash deposits were tested for compliance with RCW 48.44.037. In addition, the examination included verification of compliance with the statutory requirements of RCW 48.44.015(1) regarding HANHP's application and qualification for a Certificate of Registration to operate as a health care service contractor (HCSC) incorporated in the state of Washington.

HISTORY

HANHP was issued a certificate of incorporation by the Secretary of State of Washington on February 5, 2013. On October 25, 2012, HANHP submitted to the OIC an application for a Certificate of Registration to operate as a HCSC in the state of Washington.

PLAN OF OPERATION

HANHP intends to participate in the Medicare Advantage market in Eastern Washington and North Central Washington and will initially rely on Wenatchee Valley Medical Center and Health Alliance Medical Plans networks to facilitate the Medicare Advantage plan.

MANAGEMENT AND CONTROL

Board of Directors (BOD)

BOD as of February 8, 2013:

<u>Name</u>	<u>Affiliation</u>
James Leonard, MD	Health Alliance 301 S. Vine Street Urbana, IL 61801
R. Bruce Wellman, MD	Health Alliance 301 S. Vine Street Urbana, IL 61801
Dennis Hesch	Health Alliance 301 S. Vine Street Urbana, IL 61801
Joseph Barkmeier	Health Alliance 301 S. Vine Street Urbana, IL 61801
Shaun Koos	Wenatchee Valley Medical Center, Inc. 820 N. Chelan Avenue P.O. Box 489 Wenatchee, WA 98801

Rick Hourigan, MD

Wenatchee Valley Medical Center, Inc.
820 N. Chelan Avenue
P.O. Box 489
Wenatchee, WA 98801

Tom Carlson, MD

Wenatchee Valley Medical Center, Inc.
820 N. Chelan Avenue
P.O. Box 489
Wenatchee, WA 98801

Officers

Officers as of February 8, 2013:

Name

Jeff Ingrum
Todd Reno
Gordon Salm
Jeff Ingrum

Title

President and Chief Executive Officer
Vice President
Treasurer
Secretary

AFFILIATED COMPANIES

HANHP is a wholly owned subsidiary of Health Alliance Northwest Holding, Inc., a holding company jointly owned by Health Alliance Medical Plans and Wenatchee Valley Medical Center. Founded in 1989, Health Alliance Medical Plans provides healthcare benefits in Illinois and Iowa, and has approximately 290,000 members. Formed in 1940, Wenatchee Valley Medical Center is a physician group, headquartered in Wenatchee, Washington.

SURPLUS

As of February 8, 2013, HANHP's surplus of \$5,000,000 meets the minimum net worth requirements pursuant to RCW 48.44.037.

STATUTORY DEPOSIT

On February 7, 2013, HANHP deposited \$5,000,000 in a segregated account at Bank of America. An escrow agreement was executed as required under RCW 48.06.120.

On February 13, 2013, Bank of America confirmed that \$5,000,000 has been credited into HANHP's escrow account as February 8, 2013.

RECOMMENDATION

Based on the findings and conclusions of the financial examiners, HANHP meets the net worth and statutory deposit requirements to qualify for a Certificate of Registration as a health care service contractor in Washington State.

FINANCIAL STATEMENTS

**HEALTH ALLIANCE NORTHWEST HEALTH PLANS, INC.
Statement of Assets, Liabilities and Surplus
As of February 8, 2013**

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$5,000,000	\$0	\$5,000,000
Investments	0		0
Other Assets	0		0
Total Assets	<u>\$5,000,000</u>	<u>\$0</u>	<u>\$5,000,000</u>
<u>LIABILITIES</u>			
Current payables	\$0	\$0	\$0
Other liabilities	0		0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
<u>SURPLUS</u>			
Common stock	5,000,000	0	5,000,000
Paid-in capital	0		0
Current year retained earnings	0		0
Total Surplus	<u>5,000,000</u>		<u>5,000,000</u>
Total Liabilities and Surplus	<u>\$5,000,000</u>	<u>\$0</u>	<u>\$5,000,000</u>

HEALTH ALLIANCE NORTHWEST HEALTH PLANS, INC.
Statement of Operations
February 8, 2013

	<u>Balance Per Company</u>	<u>Examination Adjustments</u>	<u>Balance Per Examination</u>
REVENUES	\$0	\$0	\$0
Premium revenue	0		0
Other revenues	0		0
Total revenues	<u>0</u>	<u>0</u>	<u>0</u>
EXPENSES			
Insurance expenses	0	0	0
Operating expenses - escrow fee	0		0
Total expenses	<u>0</u>	<u>0</u>	<u>0</u>
Net Income	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

ACKNOWLEDGMENT

Acknowledgment is hereby made of the cooperation extended to the examiners by the officers and employees of HANHP during the course of this examination.

In addition to the undersigned, Michael V. Jordan, CPA, CFE, MHP, Assistant Chief Examiner; Christine Berch, CPA, Financial Examiner; from the Washington State Office of the Insurance Commissioner, participated in the examination and the preparation of this report.

Respectfully submitted,

A handwritten signature in cursive script that reads "Susan Campbell".

Susan Campbell, CPA, CFE, FLMI, ARA
Life Field Supervising Examiner
State of Washington

AFFIDAVIT

STATE OF WASHINGTON }
 } ss
COUNTY OF KING }

Susan Campbell, being duly sworn, deposes and says that the foregoing report subscribed by her is true to the best of her knowledge and belief.

Susan Campbell
Susan Campbell, CPA, CFE, F/MI, ARA
Life Field Supervising Examiner
State of Washington

Subscribed and sworn to before me this 5th day of March, 2013.

Colleen Jansen
Notary Public in and for the
State of Washington

