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2013 FEB 25 A 9:44
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February 22, 2013

Hearings Unit, DIC
Pujako D. Petersen
Chief Hearing Officer

VIA E-MAIL AND U.S. MAIL

Ms. Kelly Cairns
Office of the Insurance Commissioner
P.O. Box 40255
Olympia, WA 98504-0255

Re: Soundpath Health Acquisition by CollabHealth Plan Services

Dear Ms. Cairns:

This is Soundpath's response to Judge Petersen's February 19, 2013, e-mail requesting litigation and regulatory action information.

Soundpath Health is a party in two pending administrative proceedings:

1. Company requested a hearing in connection with several findings of the Washington State Office of Insurance Commissioner (OIC), as reflected in correspondence between OIC and Company in April 2012 and the OIC's Draft Report on the 2010 Financial Audit of the Plan. A hearing is scheduled for April 29, 2013. Company subsequently requested a hearing in connection with the substantially similar findings in the OIC's 2012 Target Financial Report. The two matters have been consolidated for purposes of the hearing, and the combined hearing is set for April 29, 2013.
2. Company received a Notice dated May 16, 2012 from Christopher Mitchell, Excise Tax Examiner with the Taxpayer Account Administration Division of the State of Washington Department of Revenue (DOR) advising that gross receipts from administering a Medicare Advantage plan are subject to the Service Business and Occupations (B&O) tax with no deductions for costs of doing business. Company was further advised to begin reporting gross receipts from administering the Medicare Advantage plan on the 3rd Quarter 2012 return (Due October 31, 2012). Company disputes the DOR's determination regarding the taxability of its gross receipts, and has petitioned for a hearing before the DOR Appeals Division. The hearing is pending and currently unscheduled.

Soundpath routinely interacts with State and Federal agencies, particularly OIC and CMS, in connection with its activities as a Medicare Advantage Plan. Such interactions include regulatory

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filings and related correspondence, and financial and other audits. No administrative hearings or contested case matters resulted from any of these interactions. The only regulatory fine imposed on Soundpath in the reporting period was a \$500 fine imposed for filing a December 31, 2011 April supplemental filing two days late (attached).

Soundpath is not a defendant in any pending litigation nor has it been in the last two years.

Very truly yours,

CARNEY BADLEY SPELLMAN, P.S.



Timothy J. Parker

TJP:cw

Enclosure

cc: Mr. Robert Sullivan
Ms. Kate Reynolds

Pursuant to U.S. Treasury Circular 230, this communication is not intended or written by Carney Badley Spellman, P.S. to be used, and it may not be used by you or any other person or entity, for the purpose of (i) avoiding any penalties that may be imposed on you or any other person or entity under the United States Internal Revenue Code, or (ii) promoting, marketing, or recommending to another party any transaction or matter that is addressed herein.



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of

No. 12-0126

Soundpath Health Incorporated,

CONSENT ORDER

A registered health care service contractor.

Comes now the Insurance Commissioner of the State of Washington, pursuant to the authority set forth in RCW 48.01.020, RCW 48.44.160 and RCW 48.44.166, and having reviewed the official records and files of the Office of the Insurance Commissioner, makes the following:

FINDINGS OF FACT

1. Soundpath Health Incorporated (Soundpath) is a health care service contractor (HCSC) holding a certificate of registration to transact prepaid health care in the State of Washington, and is therefore governed by Title 48 RCW.
2. RCW 48.44.160 and RCW 48.44.166 provide a process for addressing health care service contractor violations of Title 48 Revised Code of Washington and Title 284 Washington Administrative Code.
3. RCW 48.44.095 requires each domestic HCSC, on or before the first day of March, to file with the commissioner a statement of its financial condition as of the last day of the preceding calendar year.
4. WAC 284-07-050 requires the annual statement to adhere to the Annual Statement Instructions promulgated by the National Association of Insurance Commissioners (NAIC).
5. The NAIC Annual Statement Instructions require an HCSC to file an April supplemental filing by April 1.
6. Soundpath failed to timely file its December 31, 2011 April supplemental filing by April 2, 2012. Soundpath filed its April supplemental filing on April 4, 2012.

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Based upon the foregoing Findings of Fact, the Commissioner makes the following:

CONCLUSIONS OF LAW

1. Soundpath by and through the conduct described above has violated Chapter 284-07 WAC by failing to timely file in proper form its December 31, 2011 April supplemental filing.
2. RCW 48.44.166 authorizes the Insurance Commissioner to impose a fine in lieu of the suspension or revocation of a certificate of registration.
3. Soundpath committed the following violations of Washington law:

Soundpath failed to timely file its December 31, 2011 April supplemental filing in the form required by Chapter 284-07 WAC.

CONSENT TO ORDER

Soundpath consents to the entry of this Order, waives further administrative or judicial proceedings in this matter, and acknowledges its duty to comply fully with the applicable laws of the State of Washington. The Insurance Commissioner has offered a settlement in lieu of suspending or revoking the certificate of registration.

By agreement of the parties, the Insurance Commissioner will impose a fine of \$500 on condition that:

1. Within thirty days, Soundpath pays to the Insurance Commissioner the full amount of the fine;
2. Soundpath commits no further violations of the statutes and regulations that are the subject of this Consent Order;
3. Soundpath voluntarily consents to this Order to resolve the issues and conduct described herein and with the understanding that the payment of the amount due is a condition to avoiding suspension or revocation of the certificate of registration.

EXECUTED this 24th day of May, 2012.

Christine M. Tomcala
Signature

CEO
Title

ORDER OF THE INSURANCE COMMISSIONER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Soundpath is ordered to pay a fine in the amount of \$500 upon the condition that Soundpath fully complies with the laws and regulations of the State of Washington which are the subject of this Order; and
2. Upon failure to pay the fine within the time limit set above, the sum will be recoverable in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington, pursuant to RCW 48.44.166.

ENTERED TUMWATER, WASHINGTON this _____ day of _____, 2012.

MIKE KREIDLER
Insurance Commissioner

By:

JAMES T. ODIORNE, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division