



OFFICE OF
INSURANCE COMMISSIONER

In the Matter of)	No. 10-94
)	
The Financial Examination of)	FINDINGS, CONCLUSIONS,
)	AND ORDER ADOPTING REPORT
GROUP HEALTH OPTIONS, INC.)	OF FINANCIAL EXAMINATION
)	

A Registered Health Care Service Contractor.

BACKGROUND

An examination of the financial condition of **GROUP HEALTH OPTIONS, INC.**, (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 May 28, 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.

CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of **GROUP HEALTH OPTIONS, INC.**, and to order the Company to take the actions described in the Instructions section of the report. The Commissioner acknowledges that the Company may have implemented some of the Instructions prior to the date of this order. The Instructions in the report are appropriate responses to the matters found in the examination.

ORDER

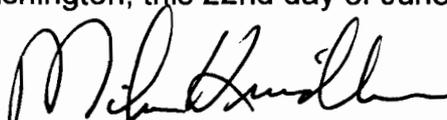
The examination report as filed, attached hereto as Exhibit A, and incorporated by reference, is hereby ADOPTED as the final examination report.

The Company is ordered as follows, these being the Instructions contained in the examination report on pages 1-3.

1. The Company is ordered to file an accurate statement of its financial condition, transactions, and affairs in compliance with RCW 48.43.097, which requires the filing of its financial statements in accordance with the AP&P, and WAC 284-07-050(2) which requires adherence to the NAIC Annual Statement Instructions. Instruction 1, Examination Report, page 2.
2. The Company is ordered to collect funds in a bank account under its exclusive control as required by RCW 48.12.010 or to change the administrative service agreement filed with OIC to allow GHC to collect and deposit funds, on behalf of GHO, in a bank account that is controlled by the Company. Instruction 2, Examination Report, page 2.
3. The Company is ordered to execute a custodial agreement that complies with RCW 48.13.480. Instruction 3, Examination Report, page 3.

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 22nd day of June, 2010.

A handwritten signature in black ink, appearing to read "Mike Kreidler", written in a cursive style.

MIKE KREIDLER
Insurance Commissioner



GroupHealth

RECEIVED

JUN 18 2010

**INSURANCE COMMISSIONER
COMPANY SUPERVISION**

Group Health Options, Inc.

Group Health Headquarters
320 Westlake Avenue N, Suite 100
Seattle, WA 98109

206-448-2927
206-877-0653 fax
www.ghc.org

June 15, 2010

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
State of Washington
Office of the Insurance Commissioner
5000 Capitol Boulevard
Tumwater, WA 98501

Re: Company's Responses to Group Health Options, Inc. Report of Examination as of
December 31, 2008

Dear Mr. Odiorne,

We have received and reviewed the draft of the referenced report of examination for
Group Health Options, Inc. (the "Company") dated June 1, 2010..

The Company respectfully submits the following responses to the Instructions in the
examination report.

1. NAIC Annual Statement Errors and Misclassifications

a. Material Related Party Transactions

In the Notes to Financial Statements, No. 10, B and C, the Company states
that it did not have material related party transactions in the reporting
period.

RESPONSE

The Company expanded the disclosures in the Notes to Financial
Statements filed for the period ended December 31, 2009 to include the
Company's material transactions with its related parties in accordance
with the National Association of Insurance Commissioner (NAIC) Annual
Statement Instructions.

b. Inter-Company Receivables and Payables

In the Notes to Financial Statements, No. 10, D, the Company failed to include a capitation payment payable to GHC.

RESPONSE

The Company expanded the disclosures in the Notes to Financial Statements filed for the period ended December 31, 2009 to disclose payables to GHC in accordance with the NAIC Annual Statement Instructions.

c. Misclassification of Prescription Drugs

In the 2008 NAIC Annual Statement, GHO improperly included administrative fees for prescription drugs as a cost of "Prescription drugs."

RESPONSE

The Company correctly reported the administrative fees for prescription drugs as claims adjustment expense filed for the period ended March 31, 2010.

d. Statement of Actuarial Opinion

The list of opening items in the Statement of Actuarial Opinion (SAO) does not follow the format specified by the NAIC Annual Statement Instruction.

RESPONSE

The Company's consulting actuary prepared the 2009 Statement of Actuarial Opinion in accordance with the NAIC requirements and 2009 Health Annual Statement Instructions.

2. Collection of Funds by an Affiliate Company Has Not Been Approved

The Company is instructed to collect funds in a bank account under its exclusive control as required by RCW 48.12.010 or to change the administrative service agreement filed with OIC to allow GHC to collect and deposit funds, on behalf of GHO, in a bank account that is controlled by the Company.

RESPONSE

The Company expects to have a process in place by August 2010 to directly deposit funds in a bank account under GHO's exclusive control as required by RCW 48.12.010.

3. Custodial Agreement Deficiencies

The Company is instructed to execute a custodial agreement that complies with RCW 48.13.480.

RESPONSE

Chapter 48.13 RCW does not expressly apply to health care service contractors. However, GHO executed a custodial agreement in 2009 that included the provisions listed in RCW 48.13.480, and will continue to work with the custodian on amendments to that agreement as necessary to continue to conform to the provisions of that statute.

4. Claims Unpaid Aging

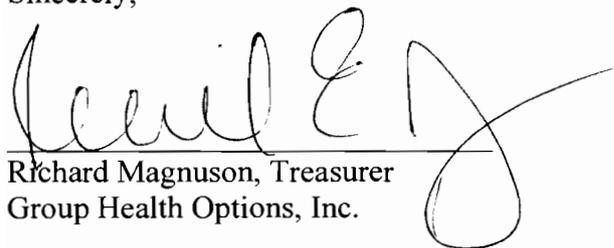
The Annual Statement, Exhibit 4 – Claims Unpaid and Incentive Pool , does not include an accurate aging analysis. The Company stated that its current programming could not break out the aging into the categories specified in the Annual Statement Instructions.

RESPONSE

The Company respectfully disagrees with this finding as all claims fully adjudicated to the terms of benefit contract are paid, in full, at the end of each month. The claims unpaid liability on Exhibit 4 consists almost solely of the Company's incurred but not reported claims liability, as determined by its actuary.

If you have any further questions, please contact me at 206-448-5528.

Sincerely,



Richard Magnuson, Treasurer
Group Health Options, Inc.