



STATE OF UTAH INSURANCE DEPARTMENT

REPORT OF FINANCIAL EXAMINATION

of

**BridgeSpan Health Company**

of

Salt Lake City, Utah

as of

December 31, 2014



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January 31, 2016

Honorable Todd E. Kiser, Commissioner  
Utah Insurance Department  
3110 State Office Building  
Salt Lake City, Utah 84114

Pursuant to your instructions and in compliance with statutory requirements, an examination, as of December 31, 2014, has been made of the financial condition and business affairs of:

**BridgeSpan Health Company  
Salt Lake City, Utah**

hereinafter referred to in this report as the Organization, and the following report of examination is respectfully submitted.

**SCOPE OF EXAMINATION**

We have performed a coordinated examination of the Organization conducted in conjunction with the States of Idaho, Oregon, and Washington for the multi-state examination of insurers under Cambia Health Solutions. The Oregon Insurance Division was designated as the lead state regulator. The group is comprised of eight health care service contractors and two life and health insurers, and a separate Report of Examination will be prepared for each domestic entity. The last examination of this health care service contractor was completed as of December 31, 2011. The current examination covers the period of January 1, 2012 to December 31, 2014.

We conducted our examination using the guidelines and procedures in the *NAIC Financial Condition Examiners Handbook (Handbook)*. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify prospective risks by obtaining information, including corporate governance, identifying and assessing inherent risks within the Organization, and evaluating system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risk that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Organization were considered in accordance with the risk focused examination process. This may include assessing significant estimates made by the management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Organization's financial statements.

This examination report includes significant finding of facts and general information about the insurer and its financial condition. There may be other items identified in the examination, which due to their nature (e.g. subjective conclusions, proprietary information, etc.) are not included in the examination report but separately communicated to other regulators and the Organization.

#### Status of Prior Examination Findings

The last exam was completed as of December 31, 2011. There were no items of significance in the prior examination report requiring resolution during the current examination period.

### **SUMMARY OF SIGNIFICANT FINDINGS**

There were no significant or material findings noted during the current financial examination.

### **SUBSEQUENT EVENTS**

#### Risk Based Capital

The Organization notified the Department on February 27, 2015, that its reported Risk Based Capital had fallen to 160%, putting the Organization into a **Company Action Level** in the fourth quarter of 2014, due to approximately \$10.5 million in claims that were incurred during the fourth quarter. Subsequently, the following actions were taken:

Cash contributions in the amount of \$10,000,000 were received on February 26, 2015 from Regence BlueShield and Regence BlueCross BlueShield of Utah.

Cash contributions in the amount of \$13,782,736 were received on June 30, 2015 from Regence BlueShield and Regence BlueCross BlueShield of Utah, and Regence BlueCross BlueShield of Oregon.

Cash contributions in the amount of \$1,217,264 were received on July 24, 2015 from Regence BlueShield of Idaho.

Cash contributions in the amount of \$10,000,000 were received on December 29, 2015 from Regence BlueShield, Regence BlueCross BlueShield of Oregon and Regence BlueShield of Idaho.

Revised ownership percentages after these contributions are as follows:

Regence BlueShield 56.1%  
Regence BlueCross BlueShield of Utah 21.4%  
Regence BlueCross BlueShield of Oregon 11.2%  
Regence BlueShield of Idaho 11.2%

As a result of the above actions, the Risk Based Capital as of December 31, 2015 was determined to be approximately 530%.

#### Risk Corridor Receivables

The Department of Health and Human Services (HHS) announced on August 1, 2015, that the Risk Corridors Payment Proration Rate for 2014 would be 12.6%. As of December 31, 2014, the Organization reported a Risk Corridor Receivable in amount of \$755,931. Subsequently, in 2015, the admitted Risk Corridor Receivable amount was reduced to \$257,666 by the Organization as reported in the third quarter financial statements. The examination deems the Organization's adjustment to be acceptable.

### **COMPANY HISTORY**

#### General

The Organization (formerly known as HealthWise) was incorporated on August 10, 1982, under the laws of the State of Utah as a capital stock, for profit Health Maintenance Organization. The Organization commenced business as a separate entity on September 1, 1982, and was granted a Federal Certificate of Qualification on August 8, 1984.

Blue Cross and Blue Shield of Utah owned 100% of the outstanding stock of the Organization from its inception to December 1986, at which time ownership of all corporations affiliated with Blue Cross and Blue Shield of Utah was transferred to BCSU Corporation, a holding company. BCSU Corporation filed Articles of Dissolution on December 31, 1987, and ownership of the Organization reverted back to Blue Cross and Blue Shield of Utah in January 1988.

In May of 1996, Blue Cross and Blue Shield of Utah announced its intention to affiliate with The Benchmark Group, an Oregon nonprofit corporation consisting of Blue Cross and Blue Shield plans located in the northwestern United States. On August 1, 1997, The Benchmark Group became known as The Regence Group (TRG). Blue Cross and Blue Shield of Utah changed its name to Regence BlueCross BlueShield of Utah during December 1997.

On November 4, 2011, The Regence Group received approval from all relevant insurance departments to use the name Cambia Health Solutions, Inc. (Cambia).

On September 21, 2012, the Organization adopted an amendment to change its name from HealthWise to BridgeSpan Health Company. Revised articles of incorporation dated September 25, 2012 were filed with the Utah Secretary of State on October 2, 2012.

On June 24, 2013, the Organization issued an additional 108,612 no par, no face value shares for \$11,050,000. After the aforementioned share issuance, the Organization was 49% owned by Regence BlueShield, 21% owned by Regence BlueCross BlueShield of Oregon, 15% owned by Regence BlueCross BlueShield of Utah, and 15% owned by Regence BlueShield of Idaho.

On February 26, 2015, the Organization issued an additional 123,533 shares of no par, no face value shares for \$10,000,000. After the aforementioned share issuance, the Organization was 59% owned by Regence BlueShield, 11% owned by Regence BlueCross BlueShield of Oregon, 22% owned by Regence BlueCross BlueShield of Utah, and 8% owned by Regence BlueShield of Idaho.

On December 29, 2015, the Organization issued an additional 174,101 no par, no face value shares for \$10,000,000. After the aforementioned share issuance, the Organization was 56.1% owned by Regence BlueShield, 11.2% owned by Regence BlueCross BlueShield of Oregon, 21.4% owned by Regence BlueCross BlueShield of Utah, and 11.2% owned by Regence BlueShield of Idaho.

#### Dividends and Capital Contributions

The Organization paid dividends of \$9,062,480 in 2013 and \$75,000,000 in 2012 to its sole owner at the time, Regence BlueCross BlueShield of Utah.

The Organization authorized 300,000 shares of common capital stock each having a par value of \$10. The number of shares issued and outstanding as of year-end 2011 totaled 19,168, which were all owned by Regence Blue Cross Blue Shield of Utah.

As of the date of this exam report, the Organization had 364,479 shares outstanding and was 56% owned by Regence BlueShield, 11% owned by Regence BlueCross BlueShield of Oregon, 21% owned by Regence BlueCross BlueShield of Utah, and 11% owned by Regence BlueShield of Idaho. The BridgeSpan Board of Directors amended its articles of incorporation in June 2015 to increase the number of authorized shares from 300,000 to 2,000,000. As explained to the Utah Assistant Chief Financial Examiner when the amendment was filed for review and approval, additional shares were necessary to accommodate non-pro rata contributions from shareholders (i.e., contributions where issuance of shares would be necessary). The Utah Insurance Department approved the amendment on June 29, 2015.

## Mergers and Acquisitions

There were no mergers or acquisitions during the period under examination.

## **CORPORATE RECORDS**

The previous examination report as of December 31, 2011, dated October 19, 2012, was distributed to the board of directors (Board) on December 3, 2012.

A review of the minutes from the directors as well as other committees was performed. The corporate records provide adequate support of the conclusion that the Organization's management is functioning properly.

## **MANAGEMENT & CONTROL INCLUDING CORPORATE GOVERNANCE**

The bylaws of the Organization indicated the number of directors may not be less than three and no more than five

The following persons served as directors of the Organization as of December 31, 2014:

<u>Name and Location</u>	<u>Title and Principal Occupation</u>
Jennifer Beer Danielson Centerville, Utah	President Regence BlueCross BlueShield of Utah
Russell Paul Warburton Murray, Utah	Director of Finance Cambia Health Solutions, Inc.
Thomas James Hartford Murray, Utah	Senior Associate General Counsel Cambia Health Solutions, Inc.

The Organization's bylaws provide for officers to consist of a President, a Secretary, and a Treasurer. The bylaws also instruct that the same person may hold two or more offices, except that the same person may not hold the offices of Secretary and President at the same time.

The officers of the Organization as of December 31, 2014, were as follows:

<u>Name</u>	<u>Title and Principal Occupation</u>
Christopher Guy Blanton	President
Thomas James Hartford	Secretary
Andreas Bernhard Ellis	Treasurer

Biographical affidavits for officers and directors were filed with the Department in accordance with U.C.A. § 31A-5-410(1)(a)(ii).

The bylaws indicate that there shall be no standing committees; Directors may appoint Special Committees as needed, but only for a limited duration. The Organization falls outside of the purview of U.C.A. § 31A-5-412(2) requiring an audit committee due to the makeup of the ownership of the organization; therefore, no audit committee has been created. Instead, the Organization relies on the Audit Committee of the ultimate controlling entity, Cambia Health Solutions.

#### Conflict of Interest

The Organization's Board adopted a formal statement of policy concerning conflict of interest for all Directors, officers, and responsible employees. Board members, senior officers, and key employees are required to annually sign a conflict of interest declaration. From a review of the completed conflict of interest questionnaires, the Organization's personnel performed due diligence in completing the conflict of interest statements. No material conflicts of interest were noted.

#### Holding Company

As of December 31, 2014, the Organization was 49% owned by Regence BlueShield (RBS), 21% owned by Regence BlueCross BlueShield of Oregon (RBCBSO), 15% owned by Regence BlueCross BlueShield of Utah (RBCBSU), and 15% owned by Regence BlueShield of Idaho (RBSI). RBS, RBCBSO, and RBCBSU are wholly owned subsidiaries of the Regence Insurance Holding Corporation, which is a wholly owned subsidiary of Cambia Health Solutions (Cambia), a non-profit holding company. Cambia established a long-term management services contract with RBSI effective May 24, 1995. Under an Agreement of Affiliation, Cambia retains the authority to approve elections to the governing Board of Directors of each subsidiary, and, thus is considered the ultimate controlling entity of the insurance holding company system.

Cambia is structured with three separate divisions: Insurance Services, Shared Services, and Direct Health Solutions.

- Within the Insurance Services Division, The Regence Insurance Holding Corporation, in addition to non-blue branded insurers in its ownership structure (Asuris Northwest Health, BridgeSpan, LifeMap), contains all the traditional BlueCross BlueShield insurers under the Regence brand.
- Shared Services provides administrative and operational services to all the subsidiaries within the holding company, including administrative, insurance, enterprise risk management, personnel and human resources, and other such services as needed.
- Direct Health Solutions (DHS) invests in and manages health-related entities that are not traditional health insurance companies.

In certain cases, DHS will also provide financing and resources in exchange for ownership interest in companies that provide health-related applications or services. DHS is both a division within Cambia as well as a separately incorporated company, Direct Health Solutions Corporation.

Cambia Health Solutions (Cambia) is an Oregon nonprofit public benefit corporation acting as the holding company and is the sole member of Regence Insurance Holding Corporation and DHS.

Regence Insurance Holding Corporation (RIHC) is a holding company formed by Cambia in 2011 to control the Regence branded insurance companies and to direct and coordinate marketing campaigns. Cambia is the sole member of RIHC, which in turn manages the Organization and the following affiliated insurers:

Regence Blue Cross and Blue Shield of Utah (RBCBSU), a Utah domiciled nonprofit health service insurance corporation. During December 1997, Blue Cross and Blue Shield of Utah changed its name to Regence BlueCross BlueShield of Utah

Regence BlueShield (RBS), a Washington domiciled nonprofit health care service contractor. Originally incorporated as King County Medical Service Corporation in 1933, it adopted its current name on April 16, 1998.

Regence BlueCross BlueShield of Oregon (RBCBSO), an Oregon domiciled health service corporation. RBCBSO was originally founded in 1941 as an independent licensee of the Blue Cross and Blue Shield

Associations and has roots tracing back to the first BlueShield plan in the United States.

Regence BlueShield of Idaho, Inc. (RBSI), an Idaho domiciled mutual disability insurance company.

Regence HMO Oregon (RHO), an Oregon domiciled nonprofit health care service contractor. This company has been inactive since 2002.

Regence Health Maintenance of Oregon, Inc. (RHMO), an Oregon domiciled for-profit health care service contractor. This company has been inactive since 2002.

Cambia is the ultimate controlling entity of the following non-branded insurers:

LifeMap Assurance Company (LifeMap), an Oregon domiciled stock life and health insurance company formerly known as Regence Life and Health Insurance Company. It is owned by the various Regence Plans: Regence BlueShield (75%), Regence BlueCross BlueShield of Utah (12%), Regence BlueCross BlueShield of Oregon (11%), and Regence BlueShield of Idaho, Inc. (2%).

Commencement Bay Life Insurance Company (CBL), a Washington domiciled stock life and health insurer incorporated in 1992. The insurer currently has no policies in-force.

Asuris Northwest Health (ANH), a Washington domiciled nonprofit health care service contractor originally incorporated in 1933 as Walla Walla Valley Medical Service. It was acquired by RBS in 1994. The current name was adopted in September 2002.

In addition to the insurance companies, there are affiliated or subsidiary non-insurance companies in the holding company structure, as follows:

OmedaRx, Inc., an Oregon nonprofit corporation formed by Cambia in 2005, is a pharmacy benefits management (PBM) services company used to manage the processing of drug claims, including claims adjudication and provider payments, on behalf of its parent and affiliates.

The Cambia Health Foundation, an Oregon nonprofit corporation formed on June 11, 2007 as an Internal Revenue Service (IRS) 501(c)(3) charitable organization that manages contributions made primarily on behalf of Cambia and its subsidiaries. The name was changed to Cambia Health Foundation on April 26, 2012.

## Intercompany Agreements

The following agreements are in place between the Organization, its parent, and its subsidiaries within the insurance company holding system:

Amended Regence Administrative Services Agreement – Effective December 28, 2007, between The Regence Group (now Cambia) and all of its subsidiaries. Cambia shall provide all operational, administrative and management services reasonably necessary to transact business, including managerial, legal, financial, actuarial, underwriting, accounting, human resources, employee benefits administration, data network/telecommunications, marketing, advertising, community affairs, public relations, communications, billing, banking, membership, claims adjudication, customer service, reporting, regulatory compliance, mail, and information technology services. In addition, Cambia shall provide all equipment, materials, office space, and general supplies. The Organization shall pay Cambia its proportionate share of the cost, as well as its proportional share of general overhead expenses, according to a system-wide cost allocation methodology and in accordance with generally accepted cost accounting principles. It is intended that Cambia shall receive complete reimbursement for its costs and derive no profit from such reimbursement. All direct and indirect expenses incurred will be reconciled monthly and balances settled within 90 days from the end of the reporting month.

Plan and Agreement of Affiliation – Effective May, 1995 and amended in July, 1997, RBS, RBCBSO, RBCBSU and RBSI agree to unite under the common control of Cambia for marketing, advertising, and general operations.

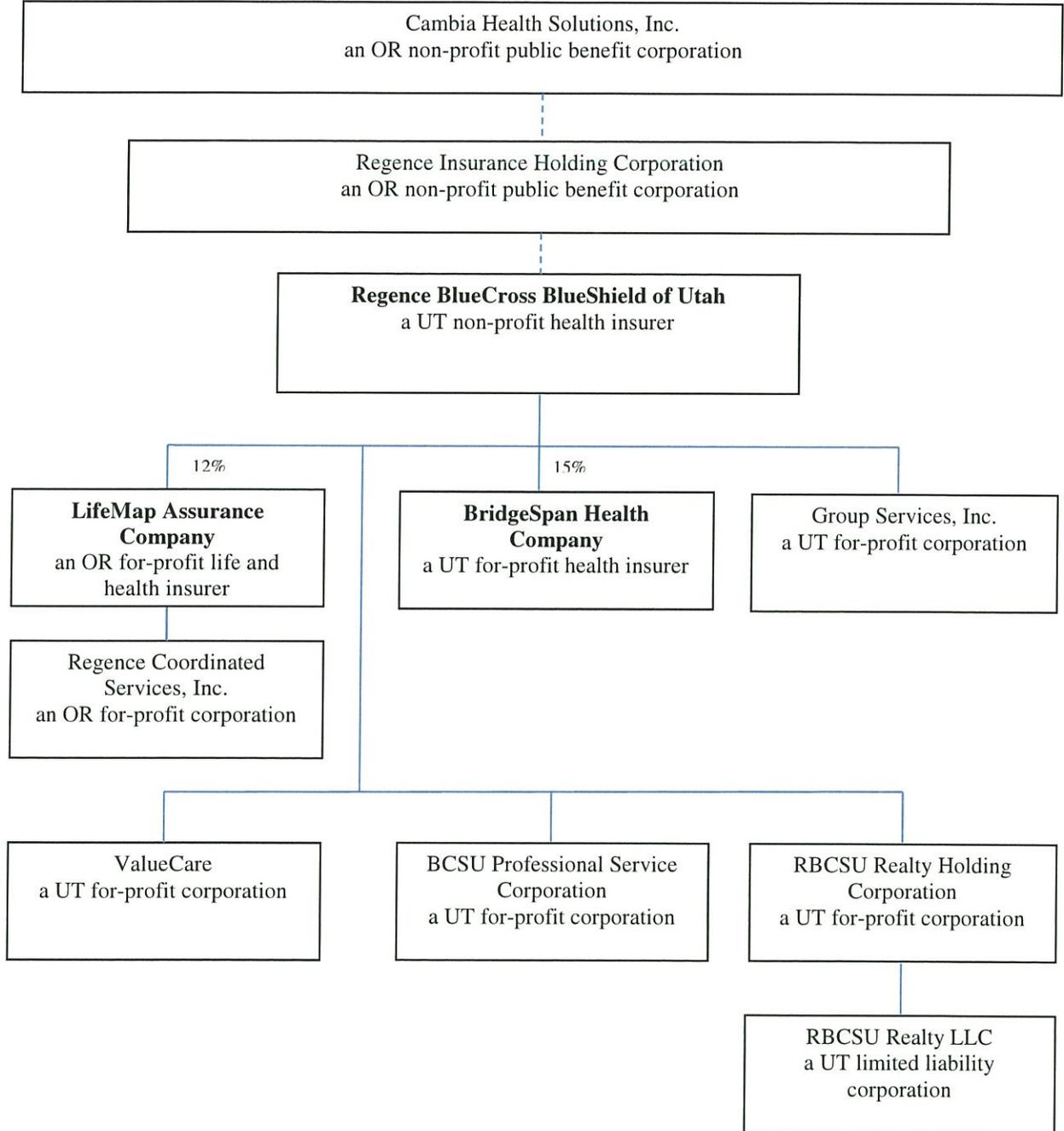
The Regence Group & Subsidiaries Consolidated Federal Income Tax Agreement – effective January 1, 1997 (although the agreement was not signed until September 20, 2000). Cambia agrees to file a consolidated income tax return, including any liability for alternative minimum tax. The tax liability is then allocated to each member of the affiliated group, computed as if a separate return was filed. Any credits or operating losses shall be allocated to those members with the credits or generating the losses. Payment of estimated installments due for such taxable periods shall be paid within 30 days of receiving notice. Final settlements for a tax year must be paid within 30 days after the filing of the consolidated return.

OmedaRx, Inc. Services Agreement – Effective January 1, 2012, with Regence BlueShield, Regence BlueShield of Idaho, Inc., Regence BlueCross BlueShield of Oregon, and Regence BlueCross BlueShield of Utah. OmedaRx, Inc. agrees to provide pharmacy benefit management services to the aforementioned plans.

Cambia Health Solutions, Inc. is a non-profit public benefit corporation formed in Oregon on April 17, 1995. It owns or controls a number of insurers and related health businesses. On November 21, 2011, Cambia formed Regence Insurance Holding Corporation to act as a holding company for the Regence branded health care service contractors.

The following abridged organization chart shows the relationships by region (ownership is 100% unless otherwise noted) as of December 31, 2014:

Utah Region



## **FIDELITY BONDS AND OTHER INSURANCE**

The minimum fidelity coverage suggested by the National Association of Insurance Commissioners (NAIC) for the Organization's size and premium volume is not less than \$2,500,000. As of the examination date, the Organization participated in fidelity bond coverage of \$10,000,000, after a \$200,000 deductible.

Other insurance coverage in force at December 31, 2014 included property, commercial general and excess liability, automobile liability, umbrella liability, fiduciary liability, computer crime liability, and workers' compensation. All insurance limits and deductibles appeared adequate as of December 31, 2014.

## **PENSIONS, STOCK OWNERSHIP AND INSURANCE PLAN**

### Employee Retirement Plans

The Organization participates in a defined-benefit pension plan sponsored by Cambia that covers substantially all regular employees having one or more years of service. Benefits are based upon years of service and the employee's final average compensation. Effective December 31, 2009, the defined-benefit plan was frozen.

The Organization has an employee savings plan sponsored by Cambia in which Cambia will match employee contributions up to 100 percent of the first six percent of salary for each pay period in which the employee makes a contribution. In addition, Cambia can provide a discretionary contribution of up to five percent of eligible earnings for eligible employees, subject to annual review and board approval.

## **TERRITORY AND PLAN OF OPERATION**

Through 2010, the Organization offered Health Maintenance Organization (HMO) and Point-of-Service health products for employer groups throughout the State of Utah. The Organization's customer base declined during 2009 and 2010 as members transferred to products offered by its parent RBCBSU. Beginning in 2011, the Organization's only enrollment related to members enrolled in the Medicare Supplemental business.

Beginning in 2013, the Organization began offering Patient Protection and Affordable Care Act compliant individual coverage in the States of Utah, Washington, Idaho, and Oregon. These products were not effective until January 1, 2014.

## GROWTH OF ORGANIZATION

Growth of the Organization over the past five years is reflected in the following table. Amounts were derived from Organization's filed annual statements:

<u>Year</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Capital and Surplus</u>	<u>Net Income (Loss)</u>
2010	86,094,811	3,803,951	82,290,860	7,314,328
2011	84,935,477	1,064,711	83,870,766	1,582,178
2012	15,456,232	2,354,537	13,101,695	4,097,496
2013	14,275,877	3,401,852	10,874,025	(1,752,322)
2014	16,983,053	14,026,423	2,956,630	(7,390,418)

The Organization had a net loss of \$7.4 million during 2014, an increase of \$5.7 million, or 335.3 percent, from the \$1.7 million net loss during 2013. This change is attributable to a higher loss ratio experienced for new products, especially during the fourth quarter.

## MORTALITY AND LOSS EXPERIENCE

The examination actuary reviewed the various actuarial liabilities as identified by the Organization. Identified actuarial liabilities/assets are:

Claims Unpaid  
Unpaid Claims Adjustment Expenses

The examination actuary was able to confirm the estimated values of the actuarial liabilities and the actuarial assets with no material changes or revaluations.

Loss Experience and Medical Loss Ratios are noted as follows:

		2011	2012	2013	2014
Premiums Earned		\$1,317,848	\$1,196,810	\$860,351	\$22,079,342
Claims Incurred		1,019,161	886,077	620,989	26,409,170
Loss ratio		77%	74%	72%	120%
Medical Loss Ratio per Organization	Individual - Washington	N/A	N/A	N/A	Note 1
	Individual - Oregon	N/A	N/A	N/A	Note 1
	Individual - Utah	N/A	N/A	N/A	94.3%
	Individual - Idaho	N/A	N/A	N/A	Note 1
	Small Employer	N/A	N/A	N/A	N/A
	Large Employer	N/A	N/A	N/A	N/A
Medical Loss Ratio Required by ACA	Individual	80%	80%	80%	80%
	Small Employer	80%	80%	80%	80%
	Large Employer	85%	85%	85%	85%
MLR rebates paid		N/A	N/A	N/A	-

Note 1 Bridgespan did have business in these states but the experience was not credible for MLR purposes.

## REINSURANCE

The Organization has no assumed reinsurance.

Prior to July 3, 2013, the Organization ceded claims for incurred services that exceeded \$50,000 per calendar year per member (excluding dental subscriber certificates and Medicare supplement contracts) to its then sole owner, RBCBSU. Provisions included a limit of one year on the run out of paid claims after the calendar year the claim was incurred, after which the parent would not be liable for any further claims. The premium for this coverage was 7.5% of earned subscriber premiums (excluding dental and Medicare supplement premiums). This Agreement was terminated on July 3, 2013.

Effective January 1, 2014, under provisions of the Patient Protection and Affordable Care Act, the Organization cedes liability for eligible members' claims to the federal government according to the following schedule.

Year	Percentage	Excess of	Capped at
2014	100%	\$45,000	\$250,000
2015	50%	\$45,000	\$250,000

It is expected that for year 2016 insurers will cede 50% of claims in excess of \$90,000, capped at \$250,000.

### **ACCOUNTS AND RECORDS**

An independent certified public accounting firm audited the Organization's records during the period covered by this examination. Audit reports and workpapers generated by the auditors for the years 2012 through 2014 were made available for the examiners' use.

### **STATUTORY DEPOSITS**

The Organization's statutory deposit requirement was \$1,007,150 pursuant to U.C.A. § 31A-2-206. The examination confirmed the Organization maintained a statutory deposit consisting of a United States Treasury Bond, with a market value of \$1,127,544 and a par value of \$1,100,000, which was adequate to cover the required deposit of \$1,007,150 at December 31, 2014.

### **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Organization with the Department and present the financial condition of the Organization for the period ending December 31, 2014. The accompanying comments on financial statements are an integral part of the financial statements.

Statement of Assets as of December 31, 2014

Statement of Liabilities, Capital, and Surplus as of December 31, 2014

Statement of Revenues and Expenses for Year Ended December 31, 2014

Reconciliation of Capital and Surplus – 2012 - 2014

BRIDGESPAN HEALTH COMPANY  
BALANCE SHEET (ASSETS)  
as of December 31, 2014

		<u>Net Admitted Assets</u>
Bonds	\$	4,948,958
Common stocks		46
Cash and short-term investments		3,075,642
Investment income due and accrued		42,602
Uncollected premiums and agents' balances in the course of collection		379,522
Accrued retrospective premiums		755,931
Amounts recoverable from reinsurers		3,930,215
Amounts receivable relating to uninsured plans		83,046
Current federal and foreign income tax Recoverable and interest thereon		3,245,458
Receivables from parent; subsidiaries and affiliates		152,864
Health care and other amounts receivable		91,697
Aggregate write-ins for other than invested assets		277,072
 Total Assets	 \$	 <u>16,983,053</u>

BRIDGESPAN HEALTH COMPANY  
BALANCE SHEET (LIABILITIES, CAPITAL AND SURPLUS)  
as of December 31, 2014

		<u>Current Year</u>
Claims unpaid (less \$471,000 reinsurance ceded)	\$	4,844,054
Unpaid claims adjustment expenses		239,527
Aggregate health policy reserves		1,102,000
Premiums received in advance		381,801
General expenses due or accrued		332,426
Remittances and items not allocated		4,234
Borrowed money		3,000,000
Amounts due to parent, subsidiaries and affiliates		4,119,595
Aggregate write-ins for other liabilities (including \$2,786 current)		2,786
Total Liabilities	\$	<u>14,026,423</u>
 <b>SURPLUS AND OTHER FUNDS</b>		
Common capital stock	\$	13,062,640
Aggregate write-Ins for special surplus funds		437,242
Gross paid in and contributed surplus		
Unassigned funds (surplus)		(10,543,252)
Total Capital and surplus	\$	<u>2,956,630</u>
Total of Liabilities, surplus, and other funds	\$	<u>16,983,053</u>

BRIDGESPAN HEALTH COMPANY  
STATEMENT OF REVENUE AND EXPENSES  
for the Year Ended December 31, 2014

	Current Year
Member Months	66,256
Net premium income (including \$0 non-health premium income)	\$ 22,079,342
<b>Total Revenues</b>	<b>\$ 22,079,342</b>
Hospital/medical benefits (hospital and medical)	16,138,396
Other professional services (hospital and medical)	1,411,338
Outside referrals (hospital and medical)	2,396,963
Emergency room and out-of-area (hospital and medical)	1,574,557
Prescription drugs (hospital and medical)	7,945,534
Net reinsurance recoveries (less)	4,401,213
<b>Total hospital and medical (less)</b>	<b>25,065,575</b>
Claims adjustment expense	1,343,595
General administrative Expense	5,182,889
Increase in reserves for life and accident and health contracts	1,102,000
<b>Total benefits and reserves</b>	<b>\$ 32,694,059</b>
Net underwriting gain or (loss)	(10,614,717)
Net investment income earned	(31,037)
Net realized capital gains or (losses) less capital gains tax of \$2,093	3,887
Net investment gains or (losses)	(27,150)
<b>Net income or (loss); after capital gains tax and before all other federal income taxes</b>	<b>\$ (10,641,867)</b>
Federal and foreign income taxes incurred	\$ (3,251,449)
<b>Net Income (loss)</b>	<b>\$ (7,390,418)</b>

BRIDGESPAN HEALTH COMPANY  
RECONCILIATION OF CAPITAL AND SURPLUS  
2011 through 2014

	Per Exam 2011	2012	2013	Per Exam 2014
Capital and surplus prior reporting year	\$ 82,290,859	\$ 83,870,766	\$ 13,101,695	\$ 10,874,025
Net unrealized capital gains (losses) less capital gains tax	(19,065)	21,049	(25)	5
Increase (decrease) in contributed capital		1,820,960	11,050,000	
Dividends to stockholders		(75,000,000)	(9,062,480)	
Net income (or loss)	1,582,178	4,097,496	(1,752,322)	(7,390,418)
Change in net deferred income tax	(42,414)	(116,232)	(11,471)	788,783
Change in non-admitted assets	59,208	228,616	(463,852)	(1,315,768)
Surplus adjustments: Paid in rounding		(1,820,960)	(1,987,520)	
Net change in capital and surplus	<u>1,579,907</u>	<u>(70,769,071)</u>	<u>(2,227,670)</u>	<u>(7,917,398)</u>
Capital and surplus end of reporting year	<u>\$ 83,870,766</u>	<u>\$ 13,101,695</u>	<u>\$ 10,874,025</u>	<u>\$ 2,956,627</u>

For 2014, a \$3 difference between the Balance Sheet and this schedule was caused by a rounding error.

## COMMENTS ON FINANCIAL STATEMENTS

Capital and surplus

\$2,956,627

The examination did not identify any capital and surplus adjustment; therefore, the capital and surplus reported in the Organization's annual statement as of December 31, 2014 was determined to be accurate.

The Organization's minimum capital requirement was \$400,000 as defined in U.C.A. § 31A-5-211(2)(a). As defined by U.C.A. § 31A-17 Part 6, the Organization had total adjusted capital of \$2,956,627, which significantly exceeded the company action level risk-based capital (RBC) requirements of \$1,853,994.

### SUMMARY OF RECOMMENDATIONS

The examination did not identify any significant or material recommendations during the course of the examination.

### ACKNOWLEDGEMENT

Frank Edwards, ASA, MAAA, of the actuarial firm of INS Consultants, Inc. performed the actuarial phases of the examination. In addition, Cory Starley, CFE, MBA, participated in the examination representing the Utah Insurance Department. They join the undersigned in acknowledging the assistance and cooperation extended during the course of the examination by officers, employees, and representatives of the Organization.

Respectfully Submitted,

Neeraj Gupta, CFE  
Utah Insurance Department



By:  
Donald Catmull, CFE  
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Utah Insurance Department