Report of Examination of

Gateway Health Plan of Ohio, Inc.
Pittsburgh, Pennsylvania

As of December 31, 2014

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Columbus, Ohio
May 12, 2016

Honorable Mary Taylor
Lt. Governor/Director
State of Ohio
Department of Insurance
50 West Town Street
3rd Floor – Suite 300
Columbus, Ohio 43215

Dear Lt. Governor/Director:

In accordance with Section 3901.07 of the Ohio Revised Code ("ORC"), the Ohio Department of Insurance ("Department") conducted an examination of

Gateway Health Plan of Ohio, Inc.

an Ohio domiciled, not-for profit, health insuring corporation, hereinafter referred to as the "Company or Gateway."

Scope of Examination

The Department last examined the Company as of December 31, 2009. The Department's current examination covers the period from and including January 1, 2010 through December 31, 2014.

The examination was conducted in accordance with the National Association of Insurance Commissioners ("NAIC") Financial Condition Examiners Handbook ("Handbook"). The Handbook requires that the Department plan and perform the examination to evaluate the Company's financial condition, assess corporate governance, identify current and prospective risks of the Company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statements of Statutory Accounting Principles ("SSAP"). 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 Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the ORC Section 3901.07 and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination reports but separately communicated to other regulators and/or the Company.

Management and Control

Board of Directors

Management of the Company is vested in its Board of Directors, which was comprised of the following members as of the examination date:

Name	Principal Occupation
Joseph H. Bradley	Retired
Mark T. Bullock	Senior Vice President-Government & Legal Affairs, Mercy Health
Nanette P. DeTurk	Retired
Deborah L. Rice-Johnson	President, Highmark Health
Michael G. Warfel	Vice President-Government Affairs, Highmark

Officers

As of the examination date, the following officers were serving in the designated position:

Name	Title
Patricia J. Darnley	President and Chief Executive Officer
Karen A. Barringer	Secretary
Cecil E. Huss	Treasurer
Philomena M. Demeter	Assistant Secretary
Alicia J. Hawkins	Assistant Secretary

Insurance Holding Company System

The Company is a member of an insurance holding company system as defined in ORC Section 3901.32.

Gateway is a wholly-owned subsidiary of Gateway Health Plan, L.P. ("GHP, LP"), a Pennsylvania limited partnership, which was created in 1992 by Mercy Health Plan ("MHP"), a subsidiary of Mercy Health

Systems; affiliates of Allegheny General Hospital ("AGH"); and Alliance Ventures Inc. ("AVI"), a subsidiary of Highmark Inc. At the time, each entity was a 32.3% limited partner and 1% general partner.

In April 1998, AVI transferred its limited partnership interest to Highmark Inc. In August 1999, the AGH-affiliated partnership interests were redeemed by GHP, LP. As of August 1999, the partnership interests were held by Mercy (49% limited/1% general partner), Highmark Inc. (49% limited partner) and AVI (1% general partner). In October 2010, AVI changed its name to Highmark Ventures Inc. ("HVI"). Effective April 29, 2013, UPE became the parent corporation of Highmark Inc. Effective May 2, 2013, Highmark Inc. changed its name to Highmark Health Services and UPE changed its name to Highmark. Effective November 15, 2013, Highmark Health Services changed its name back to Highmark Inc. and Highmark (f/k/a UPE) changed its name to Highmark Health.

As of January 8, 1998, Catholic Health East ("CHE"), a Pennsylvania nonprofit corporation, was Mercy Health systems' parent corporation. Effective May 1, 2013, CHE Trinity Inc. (now "Trinity Health") became the sole member of Catholic Health East and Trinity Health Corporation, an Indiana nonprofit corporation. Effective July 1, 2014, CHE Trinity Inc., Catholic Health East and Trinity Health Corporation were merged into one legal corporation with Trinity Health being the surviving legal corporation.

Territory and Plan of Operations

Gateway initiated operations in October 2005 under a contract with the Ohio Department of Jobs and Family Services ("ODJFS") to provide Medicaid recipients with access to high quality primary and preventive care in Trumbull and Mahoning counties of Ohio. Due to its non-selection for regional expansion within the State of Ohio, Gateway exited the Ohio Medicaid business, effective December 31, 2007.

Effective January 1, 2007, Gateway began providing services to Ohio Special Needs members under a Medicare Advantage contract with the Centers for Medicare & Medicaid Services ("CMS"). Throughout 2007, 2008 and 2009, Gateway provided services under the contract. Effective December 31, 2009 Gateway exited the Ohio Medicare market.

In 2013, Gateway incurred start-up costs in anticipation of Medicare membership in 2014. These start-up costs were related to a new contract with CMS, effective January 1, 2014, at which time Gateway resumed Medicare managed care operations.

Gateway provides comprehensive managed care services to Medicaid and Medicare ("Dual Eligible") recipients in the State of Ohio through contractual networks that include hospitals, group practices, individual practice associations, individual providers and others.

Reinsurance

The Company had an excess reinsurance agreement covering the period from October 1, 2014 through September 30, 2015. Eligible expenses covered are inpatient hospital expenses with a per member per agreement year retention of $200,000. The maximum amount the reinsurer will pay excess of the retention subject to the coinsurance is $1,000,000 per member per year agreement year and $2,000,000 per member per lifetime.

Financial Statements

The financial condition and the results of its operations for the period under examination as reported and filed by the Company with the Department and audited by the Company's external auditors, are reflected in the following:

Statement of Assets, Liabilities, Capital and Surplus

Statement of Income

Statement of Changes in the Capital and Surplus Account

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

Bonds	$	1,217,243
Cash, cash equivalents, and short term investments		5,647,702
Subtotal, cash and invested assets		6,864,945
Investment income due and accrued		25,371
Uncollected premiums and agents' balances		56,356
Accrued retrospective premiums		68,718
Other amounts receivable under reinsurance		1,897
Accounts receivable relating to uninsured plans		318,395
Receivable from parent, subsidiaries and affiliates		1,569,388
Health care and other amounts receivable		125,688
Total admitted assets	$	9,030,758

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

Claims Unpaid	$ 1,679,883
Unpaid claims adjustment expenses	59,327
Aggregate health policy reserves	1,510,379
Premiums received in advance	130
General expenses due or accrued	95,706
Amounts withheld or retained for the account of others	37,723
Amounts due to parent, subsidiaries and affiliates	1,422,506
Total liabilities	4,805,654
Gross paid in and contributed surplus	19,786,235
Unassigned funds (surplus)	(15,561,131)
Total capital and surplus	4,225,104
Total liabilities, capital and surplus	$ 9,030,758

Statement of Income
As of December 31, 2014

Net premium income	$ 7,523,245
Hospital/medical benefits	4,620,278
Other professional services	710,466
Emergency room and out-of-area	248,992
Prescription drugs	836,829
Durable medical equipment and transportations costs	196,954
Subtotal	6,613,519
Total Hospital and Medical	6,613,519
Claims adjustment expenses	3,060,333
General administrative expenses	2,936,792
Increase in reserves for life and accident and health contracts	1,494,664
Total Underwriting Deductions	14,105,308
Net underwriting loss	(6,582,063)
Net investment income earned	14,099
Net investment gains	14,099
Net loss after capital gains tax before federal income taxes	(6,567,964)
Federal income taxes incurred	0
Net loss	$ (6,567,964)

Statement of Changes in the Capital and Surplus Account
(in thousands)

	2014	2013	2012	2011	2010
Capital and surplus, beginning of the year	$ 2,527	$ 2,387	$ 2,387	$ 3,968	$ 3,846
Net loss	(6,568)	(7,110)	0	15	153
Change in Net Unrealized capital gains (losses)	0	0	0	0	(30)
Change in Non-Admitted Assets	(234)	0	0	4	(1)
Capital Changes- Paid in	0	(2)	0	0	0
Surplus adjustments-Paid in	8,500	7,252	0	(1,600)	0
Net change in capital and surplus during the year	1,698	140	0	(1,581)	122
Capital and surplus, end of the year	$ 4,225	$ 2,527	$ 2,387	$ 2,387	$ 3,968

Notes to Financial Statements

Investments

The Company's investment in Federated Prime Obligation Fund-Institutional Shares Money Market Fund was not in compliance with ORC 3925.08 (D) (2) by approximately $3.1 million.

The Company indicated that they will take immediate steps in order to become compliant with this ORC section.

Claims Unpaid and Unpaid Claims Adjustment Expenses

John Thompson FSA, MAAA, a consultant with Milliman, Inc., analyzed the reserves of the Company and provided an actuarial opinion on the Company's reserves for the year ended December 31, 2014.

Thomas S. Botsko, ACAS, MAAA, the Department's Actuary reviewed the 2014 Actuarial Opinion by the Company's appointed actuary and based on the results presented in the Company's 2014 Annual Statement determined that the Claims Unpaid and Unpaid Claim Adjustment Expenses appear to make a good and sufficient provision for the Company's required reserves.

Conclusion

The balance sheet contained in this Report of Examination reflects the financial condition of the Company as of December 31, 2014, and is summarized as follows:

Total Assets	$ 9,030,758
Liabilities	4,805,654
Capital and Surplus	4,225,104
Total Liabilities, Capital and Surplus	$ 9,030,758

Subsequent Events

There have been no subsequent events to the examination date that would have a material effect on the financial condition of the Company.

Acknowledgement

In addition to the aforementioned and undersigned, Louis Radecky, CPA (inactive), CFE, J. Jill Kovacs, CPA (inactive) and Bradley Schroer of the Department participated in this examination.

Respectfully,

Nicholas J. Kostoff, CPA, CFE
Examiner-In-Charge
Ohio Department of Insurance

David A. Cook, CFE
Assistant Chief Examiner
Ohio Department of Insurance

Verification

As required by Section 3901.07 of the Ohio Revised Code, the undersigned hereby attest to the best of their knowledge and belief that the attached is a true Report of Examination as of December 31, 2014.

Nicholas J. Kostoff	5/19/16	D. A. Cook	5/19/16
Examiner-In-Charge	Date	Assistant Chief Examiner	Date

State of Ohio
County of Franklin

Personally appeared before me the above named Nicholas J. Kostoff personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 19 day of May, 2016.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires

Personally appeared before me the above named David A. Cook personally known to me, who executed the above instrument and that the statements and answers contained therein are true and correct to the best of his/her knowledge and belief.

Subscribed and sworn to before me this 19 day of May, 2016.

Elizabeth Chase
(Notary Public)

ELIZABETH CHASE
NOTARY PUBLIC, STATE OF OHIO
MY COMMISSION EXPIRES MAY 22, 2017

My Commission Expires