STATE OF TENNESSEE

DEPARTMENT OF COMMERCE AND INSURANCE

REPORT ON ORGANIZATIONAL EXAMINATION

OF

CLEARRIVER HEALTH

CHATTANOOGA, TENNESSEE 37404

AS OF

JANUARY 23, 2014

EXHIBIT

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Nashville, Tennessee
April 7, 2014

Honorable Julie Mix McPeak
Commissioner
Tennessee Department of Commerce and Insurance
Nashville, Tennessee 37243

Dear Commissioner:

Pursuant to your instructions and in accordance with Tenn. Code Ann. §§ 56-32-103 and 56-32-115, an organizational examination was made of the financial condition and affairs of:

CLEARRIVER HEALTH
2525 De Sales Avenue
Chattanooga, TN 37404

hereinafter and generally referred to as the "HMO", and a report thereon is submitted as follows:

INTRODUCTION

This examination was called by the Commissioner of the Tennessee Department of Commerce and Insurance (TDCI) and commenced on January 23, 2014. The examination was the HMO's "Organizational Examination" and was conducted by a duly authorized representative of the TDCI.

SCOPE OF EXAMINATION

This examination was conducted as of January 23, 2014 to determine if the HMO has complied with the statutory and regulatory requirements to establish and operate a health maintenance organization according to the provisions of Tenn. Code Ann. § 56-32-101, et seq. During the course of the examination, all assets were verified and valued, and liabilities were determined or estimated as of January 23, 2014.

COMPANY HISTORY AND ORGANIZATION

The HMO was incorporated on January 10, 2014, under the Tennessee Nonprofit Corporation Act as a mutual benefit not for profit corporation authorized to transact business in the State of Tennessee. The Charter and Bylaws are discussed in detail in this report under the caption, "CHARTER AND BYLAWS."

The HMO stated that its mission is to:

- Become a local industry leader in supporting health care delivery;
- Promote our members' health through local provider innovation;
- Be responsible stewards of health care resources; and
- Be an active partner in improving the health of our communities and the lives of our members.

The Company proposes to offer Medicare Advantage Plans with and without Part D Drug coverage following approval of its contract by the Centers for Medicare & Medicaid Services (CMS) and licensure by the TDCI. These products will be offered to those consumers who are 65 years of age or older or otherwise qualify for Medicare.

The HMO filed its Uniform Certificate of Authority Application (UCAA) for licensure with the TDCI on January 23, 2014, and paid the required $1,300 application fee.

The parties were aware that funding for capital and surplus amounts required by statute, allowing the Company to write health insurance business in the State of Tennessee, must be met prior to the granting of a Certificate of Authority by the TDCI. Funding will be provided by CollabHealth Plan Services Inc. (CHPS), which is the Sole Member and parent for the HMO. CHPS is ultimately controlled by Catholic Health Initiatives (CHI), a faith based health system operating in 17 states.

Funding of the HMO is outlined in detail under the caption, "SUBSEQUENT EVENTS."

ORGANIZATIONAL CHART

Catholic Health Initiatives (CHI)
Colorado Non-profit Corporation
Ultimate Parent Company for CollabHealth Plan Services, Inc.

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CollabHealth Plan Services, Inc. (CHPS)
Colorado For-profit Corporation
Sole Member of ClearRiver Health

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ClearRiver Health (CRH)
Tennessee Not For Profit Mutual Benefit Corporation

MANAGEMENT AND CONTROL

MANAGEMENT

As provided for in the Bylaws, management of the HMO's affairs and business is under the direction of its Board of Directors. Biographical sketches of all directors and officers were reviewed. No exceptions were noted.

The persons appointed by the Incorporator on January 17, 2014, and currently serving as Directors are as follows:

Name	Address
Mark Fred Bjornson	3635 Bethel Heights Road NW Salem, Oregon 97304
Christine Catherine Mulheran	1530 Cavaletti Court Victoria, Minnesota 55386
Juan Ricardo Serrano	4400 West Spruce Street Tampa, Florida 33607

The following persons held office in the Company on January 23, 2014, as specifically called for in the Bylaws:

Name	Title
Mark Fred Bjornson	Chief Executive Officer
Christine Catherine Mulheran	President
Steven Charles Schramm	Treasurer
Robert Bennett Peters	Chief Financial Officer
Linda Hope DuPuis	Secretary

CONTROL

The HMO is a mutual benefit corporation, which is controlled by its Sole Member, CHPS, a Colorado for-profit corporation. The ultimate parent company of the HMO and CHPS is CHI, which is a non-profit, national faith-based health system formed to create and nurture health communities throughout the United States. CHI was founded in 1996 as a tax-exempt Colorado corporation.

CORPORATE RECORDS

Charter

The Charter of the HMO was filed and recorded with the Tennessee Secretary of State on January 10, 2014, after having been approved by the TDCI on December 19, 2013. Said Charter establishes and sets forth the following:

1. The name of the Corporation is ClearRiver Health.

2. The Corporation is a mutual benefit corporation.

3. The Corporation is a not for profit.

4. The fiscal year of the Corporation shall end on June 30.

5. The period of duration of the Corporation is perpetual.

6. The name and address of its initial Registered Office in the State of Tennessee is:

   C T Corporation System
   800 S. Gay Street, Suite 2021
   Knoxville, TN 37929

7. The name and address of the Incorporator is:

   Linda H. DuPuis, Esq.
   198 Inverness Drive West
   Englewood, CO 80112

8. The Corporation shall have members as provided in the Bylaws.

9. The address of the Corporation's Principal Executive Office is:

   Memorial Health Care System
   Christine Mulheran, Director, Managed Care Network
   C/O Managed Care Department
   2525 de Sales Avenue
   Chattanooga, TN 37404

   Mailing Address:
   Linda H. DuPuis, Esq., Incorporator
   198 Inverness Drive West
   Englewood, CO 80112

10. The Corporation is organized to operate as an insurance company and to engage in any lawful act or activity for which corporations may be organized under the Tennessee Nonprofit Corporation Act. To enable the Corporation to carry out such purposes, it shall have the power to do any and all lawful acts and to engage in any and all lawful activities, directly or indirectly, alone or in conjunction with others, which may be necessary, proper or suitable for the attainment of any of the purposes for which the Corporation is organized.

11. No part of the net earnings of the Corporation shall inure to the benefit of any

private shareholder or individual (within the meaning of Treasury Regulation Sections 1.501(a)-1(c) and 1.501(c)(3)-1(c)(2), except that the Corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in Article 10 hereof.

No substantial part of the activities of the Corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation (within the meaning of Treasury Regulation Section 1.501(c)(3)-1(c)(3)(ii)), and the Corporation shall not participate or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office (within the meaning of Treasury Regulation Section 1.501(c)(3)-1(c)(3)(iii)).

- Upon dissolution of the Corporation, the Board of Directors shall, after paying or making provisions for the payment of all of the liabilities of the Corporation, distribute all of the assets of the Corporation to its members.

Bylaws

The Bylaws of the HMO in effect at January 23, 2014, were adopted by the Board of Directors by "Unanimous Written Consent in Lieu of the First Meeting of the Board of Directors" on January 17, 2014. The Bylaws are such as those generally found in corporations of this type and contain no unusual provisions.

The Bylaws state the purpose of the Corporation is to "operate as a health maintenance organization and to engage in any lawful act or activity for which corporations may be organized under the Tennessee Nonprofit Corporation Act."

The Bylaws include the following primary provisions:

"The Corporation shall continuously maintain in the State of Tennessee a registered office and a registered agent whose office address is identical with such registered office, as required by the Tennessee Nonprofit Corporation Act. The registered office is not required to be the same address as the principal business office."

The Bylaws designate "CollabHealth Plan Services, Inc." as the Sole Member of the HMO.

"The time, place, and frequency of meetings of the Corporate Member and notice thereof shall be determined by the Member in accordance with the Tennessee Nonprofit Corporation Act."

The Corporate Member shall have rights as set forth in the Catholic Health Initiatives Governance Matrix which is made a part of the Bylaws. These rights

are subject to provisions of the Charter, other specific provisions of the Bylaws, and to the laws of the State of Tennessee. The HMO shall be deemed a "Subsidiary" of the Member for purposes of the Governance Matrix.

The Bylaws state that "the business, property, affairs, and funds of the Corporation shall be managed, supervised, and controlled by the Board of Directors in conformity with applicable policies, procedures, and the mission of the Corporation subject to such rights as may be reserved to the Corporate Member in accordance with the Bylaws and the laws of the State of Tennessee."

"The Board of Directors shall consist of no fewer than three members, with the exact number to be determined from time to time by the Board. Each member of the Board shall serve for a term of three years. A Director shall not serve for more than three consecutive terms."

"Directors shall be appointed by the Corporate Member at the annual meeting of the Corporate Member. Any Director may be removed at any time, with or without cause, by the Corporate Member. A Director may resign at any time by delivering written notice to the Chairperson of the Board or to the Secretary of the Corporation."

The Annual Meeting of the Board shall be held at such time and place as determined by the Board. The Board shall meet at least four times during the year. Special meetings may be called at any time by or at the request of the Chairperson of the Board, by written request of any two directors, or by the Corporate Member.

The presence of a majority of the Directors then in office shall constitute a quorum for the transaction of business at any meeting.

"Except as otherwise provided by law, no member of the Board shall be personally liable, in his or her capacity as a Director, for monetary damages for any action taken by such director or any failure by such director to take any action, unless the breach or failure to perform constitutes self-dealing, willful misconduct, or recklessness. This shall not apply to the responsibility or the liability of a Director pursuant to criminal statute or the liability of a Director for payment of taxes pursuant to federal, state, or local law."

"The Officers for the Company shall include a Chairperson of the Board, a Chief Executive Officer, a President, a Chief Financial Officer, a Secretary, a Treasurer, and such other Officers as the Board of Directors or the President shall from time to time determine. Any two or more offices may be held by the same person, except that the Secretary shall not serve concurrently as the President, and the President shall not also serve as Vice President."

"The Board may, by resolution adopted by a majority of the directors then in office, establish one or more committees, as needed or required to conduct and transact the business of the Corporation. Committees may include persons other than Directors, except that a committee that has the authority to act on behalf of the Board must include only Directors. Actions of committees shall be reported to the full Board, but actions of committees which include persons other than Directors, shall be subject to ratification by the full Board."

"The fiscal year of the Corporation shall end on June 30."

"The Board may accept on behalf of the Corporation any contribution, gift, bequest, or devise for the general purposes, or for any special purpose, of the Corporation."

"The Corporation shall not make any loan to any Officer or Director of the Corporation, but may make reasonable advances of expenses incurred by employees in the ordinary course of business."

The Bylaws contain a Conflict of Interest Policy. Each of the Corporation's Officers and Directors shall act at all times in a manner that furthers the Corporation's purpose and shall exercise care that he or she does not act in a manner that furthers his or her private interest to the detriment of the Corporation's purposes. The policy is in compliance with Tenn. Code Ann. § 56-3-103. The statute prohibits Officers and Directors of an insurance company from having a pecuniary interest in the investment or disposition of Company funds. The Directors, Officers and responsible employees shall file annual conflict of interest statements.

Minutes of the Board of Directors

The minutes of meetings and resolutions of the Board of Directors were reviewed and appropriately describe the actions taken by this body.

PLAN OF OPERATION

The HMO's plan of operation is to operate as a Medicare Advantage HMO offering plans with and without Part D coverage. Coverage will be offered to those consumers who are 65 years of age or older or otherwise qualify for Medicare. The plans must be approved by CMS prior to being marketed to the public.

Key areas of focus will include:

- Emphasis on creating affordable plans with benefit structures that encourage members to coordinate care through their primary care physician;
- Standard coverage that emphasizes preventative care, disease management and wellness programs; and

- Plans that offer predictable costs for Members.

The marketing goal for the HMO is to both inform the consumer and engage them with opportunities for a dialogue, education and insight into the programs and products offered. Agents, general agents and field marketing organizations will be utilized. Advertising will include direct mail, print, radio, television and social media. Contact will also include partnering with private and governmental organizations that serve the senior citizen population.

The HMO maintains a webpage at the following address: www.clearriverhealth.com

Key areas outlined in the plan of operation include the following:

ADMINISTRATIVE SERVICES

The HMO will contract with its Sole Member, CHPS, for all of its administrative services. CHPS will utilize TRiZetto's QNXT core operating system for its claims processing. A draft of the Administative Services Agreement was included in the UCAA filed on January 23, 2014. The HMO represented to the TDCI its intention to file the Administrative Services Agreement as a Form D Filing after the HMO is in receipt of its Certificate of Authority.

PROVIDER NETWORK

The proposed network will consist of a contracted network of providers, hospitals and ancillary facilities. Members will select a primary care provider upon enrollment and that provider will provide primary care as well as coordinate other medically necessary care. These providers will be credentialed consistent with state and federal regulations and the National Committee for Quality Assurance standards. The HMO will also partner with Reliant Behavioral Health, LLC for behavioral health, OptumHealth Care Solutions, Inc. for transplant, and American Specialty Health Systems, Inc. for chiropractic services.

CARE MANAGEMENT

Comprehensive care management services will be designed, at minimum, to meet CMS' regulatory requirements and industry standards. These services include utilization management, case management and population health management. InterQual criteria will be used to support utilization management.

QUALITY ASSURANCE

The HMO will offer a broad scope of quality improvement programs to monitor and optimize the health care experience and outcomes of members. Initiatives will be member-centric and will be designed to meet or exceed CMS' regulatory requirements.

A Quality Improvement Committee (QIC) with clinical leaders from the local market will provide guidance and oversight of the quality improvement program, including care management, pharmacy services, credentialing and grievance and appeal functions. The QIC and management will be responsible for the development of CMS-compliant criteria and measures for the quality improvement program. When deficiencies are identified, they will be addressed in collaboration with management by the QIC, the Compliance Committee, the Credentialing Committee, and/or the Board, as appropriate.

Some examples of quality improvement programs include:

- CMS-Driven Chronic Care Improvement Projects
- CMS-Driven Quality Improvement Projects
- Wellness Visit Promotions
- In-Home Prospective Health Assessments
- Drug Utilization Reviews
- Member Surveys
- Annual Flu Shot Campaign

The above programs and the quality enhancement environment contribute and factor into the CMS Five Star Rating Program which grades Medicare Advantage Plans.

REGULATORY COMPLIANCE

The HMO will implement an integrated Compliance Program and Fraud, Waste and Abuse Plan which is the framework and foundation by which the HMO will articulate its commitment to comply with state and federal laws and regulations as well as internal policies and procedures and standards of conduct. The seven elements deemed by the Office of Inspector General of the United States to be required for an effective compliance program will be incorporated. Those elements are:

- Written Policies, Procedures and Standards of Conduct;
- Compliance Officer, Compliance Committee and Governing Body;
- Effective Training and Education;
- Effective Lines of Communication;
- Enforcement of Well-Publicized Disciplinary Standards;
- Effective System for Routine Monitoring, Auditing and Identification of Risks; and
- Procedures and Systems for Promptly Responding to Compliance Issues.

The Compliance Program applies to all HMO employees, Officers, Directors and Board and Committee members. In addition, the program applies to all first tier, downstream or related entities that contract with the HMO to perform services required as a Medicare Advantage Organization under contract with CMS.

OUTSIDE SERVICE PROVIDERS

Certain services will be purchased from outside contractors if needed and are not available from in house personnel. Such services include independent audit and actuarial services. The HMO plans to utilize the following outside contractors:

Auditing Services:	Ernst & Young LLP
Actuarial Services:	Milliman, Inc.
Custodial Services:	The Bank of New York Mellon
Investment Advisory Services:	Standish Mellon Asset Management Company LLC

SERVICE AREA

Hamilton County, Tennessee

EXCESS INSURANCE

The HMO plans to utilize RGA Reinsurance Company to provide excess insurance coverage with an attachment point of $100,000 per claim. RGA is located in Chesterfield, Missouri, and is licensed in Tennessee as a foreign domiciled life insurance company.

STATUTORY DEPOSITS

In compliance with statutory requirements of Tenn. Code Ann. § 56-32-112(b)(2), the HMO maintained the following deposits with the TDCI:

Description	Par Value	Statement Value	Market Value
U. S. Treasury 0.75%, due 3/15/2017	$908,000	$903,995	$904,595
Total general deposits held for the benefit of all policyholders, claimants and creditors of the Company	$908,000	$903,995	$904,595

On March 20, 2014, the HMO purchased a U. S. Treasury note to pledge with the Commissioner of the TDCI to satisfy their statutory deposit requirement, as evidenced by a depository agreement and custodian affidavit between the HMO and The Bank of New York Mellon. A formal safekeeping receipt from The Bank of New York Mellon dated March 25, 2014, was filed with the TDCI on March 26, 2014.

SUBSEQUENT EVENTS

Events occurring subsequent to the Opening Statement through this April 7, 2014 report date were reviewed for purposes of including the financial effect of any transactions in these financial statements.

Funding of the HMO was completed on April 1, 2014, with the receipt of verification of the deposit of solvency funds in the form of securities totaling $5,905,000 of par value. The Bank of New York Mellon provided direct verification to the TDCI including a list of securities held with attesting custodian affidavit. The funds are held in the name of the HMO in the form of U. S. Treasury Obligations and Federal Housing Administration Debenture Obligations.

The HMO currently has assets with market value in excess of $6,906,079 including cash, securities, statutory deposits and interest receivable.

The HMO adopted a Custody Agreement with the Bank of New York Mellon, which meets the requirements of Tenn. Comp. R. & Regs. 0780-01-46, by Unanimous Consent of the Board of Directors on February 26, 2014. The agreement was signed by the Bank on March 19, 2014, after having been signed by the HMO on March 17, 2014.

FINANCIAL STATEMENTS

The following is a statement of assets, liabilities and surplus at March 31, 2014, as compared to the HMO's Opening Pro Forma at January 23, 2014, which was provided to the TDCI as part of the UCAA application material.

ASSETS

	3/31/2014	Opening Pro Forma 1/23/2014
Bonds* (Note 1)	$6,838,094	$0
Cash, cash equivalents and short-term investments (Note 2)	53,618	1,500,000
Investment income due and accrued (Note 3)	9,009	0
Total Assets	$6,900,721	$1,500,000

* Bonds are stated at book (cost) value.

LIABILITIES, SURPLUS AND OTHER FUNDS

	3/31/2014	Opening Pro Forma 1/23/2014
Claims unpaid	$0	$0
Accounts payable and accrued expenses	0	0
Total Liabilities	0	0
Common capital stock	0	0
Gross paid in and contributed surplus (Note 4)	6,900,721	1,500,000
Surplus Notes	0	0
Unassigned funds (surplus)	0	0
Surplus	6,900,721	1,500,000
Total Liabilities and Surplus	$6,900,721	$1,500,000

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - BONDS

From the HMO's initial surplus contribution, securities in the amount of $903,995 were purchased and pledged to the Commissioner of Insurance of the State of Tennessee. Other bonds were purchased from remaining funds, with the balance of the transaction accounted for as a direct deposit of securities transferred to the account of the HMO as a further surplus contribution from the Sole Member, CHPS. As a result, the HMO reported bonds with a book value of $5,934,099 in addition to the Statutory Deposit as of March 31, 2014. The book balance of all securities held was $6,838,094. The market value of all securities held as of March 31, 2014 was $6,843,452.

NOTE 2 - CASH, CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

The Pro Forma Opening Financial Statement filed with the UCAA Primary Application stated the only financial asset as $1,500,000, which consisted of cash and cash equivalents. Funds were utilized to purchase bonds, including the statutory deposit, leaving a net balance of $53,618 in cash, cash equivalents and short-term investments, which reconciles to the cash balance reflected on statements supplied from The Bank of New York Mellon.

NOTE 3 - INVESTMENT INCOME DUE AND ACCRUED

An asset was recorded for accrued interest receivable in the amount of $9,009, which was comprised of $315 and $8,694, for the statutory deposit and other bonds, respectively. These amounts reconcile to statements supplied by The Bank of New York Mellon.

NOTE 4 - SURPLUS

The HMO's Surplus in the amount of $6,900,721, as determined by this examination, enables the HMO to meet minimum policyholder surplus requirements of Tennessee Statutes and Rules & Regulations and to cover start-up costs for operating expenses.

COMMENTS AND RECOMMENDATIONS

None.

CONCLUSION

The examiner has verified the foregoing financial statement and the HMO's financial solvency and the degree thereof were thus established.

Based upon a review of documents provided by the HMO and the deposit of securities required to meet capital and surplus requirements, the HMO has fulfilled the necessary financial examination requirements to receive a Certificate of Authority pursuant to Tenn. Code Ann. § 56-32-101, et seq. in order to establish and operate a health maintenance organization in the State of Tennessee.

It is therefore recommended that the HMO be issed a Certificate of Authority to operate as a health maintenance organization pursuant to Tenn. Code Ann. § 56-32-103.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, NAIC

AFFIDAVIT

The undersigned deposes and says that he has duly executed the attached Organizational Examination Report of ClearRiver Health dated April 7, 2014, and made as of January 23, 2014, on behalf of the Tennessee Department of Commerce and Insurance. Deponent further says he is familiar with such instrument and the contents thereof, and that the facts therein set forth are true to the best of his knowledge, information and belief.

Keith M. Patterson
Insurance Examiner
State of Tennessee
Southeastern Zone, NAIC

Subscribed and sworn to before me

this 28th day of

April, 2014

Notary Helen W. Dorsey

County Davidson

State Tennessee

Commission Expires 11/06/2017

HELEN W DORSEY
STATE OF TENNESSEE NOTARY PUBLIC
DAVIDSON COUNTY