



Report of Independent Auditors and
Financial Statements

DCIPA, LLC
(dba Umpqua Health Alliance)
(A wholly owned subsidiary of Architrave
Health, LLC)

December 31, 2014 and 2013

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors
DCIPA, LLC

We have audited the accompanying financial statements of DCIPA, LLC (dba Umpqua Health Alliance), which comprise the balance sheets as of December 31, 2014 and 2013, and the related statements of income, members' equity and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our audit opinion.

REPORT OF INDEPENDENT AUDITORS (continued)

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of DCIPA, LLC as of December 31, 2014 and 2013, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Portland, Oregon

June 22, 2015

DCIPA, LLC
BALANCE SHEETS

ASSETS

	December 31,	
	2014	2013
CURRENT ASSETS		
Cash and cash equivalents	\$ 46,766,324	\$ 11,708,488
Investment income receivable	5,305	249
Health care receivables	1,888,750	1,606,895
Reinsurance receivable	52,300	-
Total current assets	48,712,679	13,315,632
RESTRICTED CASH	4,685,947	2,435,902
Total assets	<u>\$ 53,398,626</u>	<u>\$ 15,751,534</u>

LIABILITIES AND MEMBERS' EQUITY

CURRENT LIABILITIES		
Accounts payable	\$ 174,226	\$ 105,460
Accrued medical claims payable	11,714,776	4,931,192
Quality metric payable	3,825,000	2,700,000
Accrued medical incentive pool	789,664	394,529
Amounts due to affiliates	1,330,420	247,438
Capitation rebate payable	7,545,879	-
Other current liabilities	855,703	404,586
Unearned revenue	324,635	46,829
Total current liabilities	26,560,303	8,830,034
MEMBERS' EQUITY	26,838,323	6,921,500
Total liabilities and members' equity	<u>\$ 53,398,626</u>	<u>\$ 15,751,534</u>

DCIPA, LLC
STATEMENTS OF INCOME

	Year Ended December 31,	
	2014	2013
OPERATING REVENUES:		
Gross premiums	\$ 145,100,157	\$ 81,518,623
Hospital Reimbursement Adjustment (HRA) payments	(19,742,704)	(13,247,171)
Premium taxes	-	(605,020)
Net premiums	<u>125,357,453</u>	<u>67,666,432</u>
Other health care related revenues	-	21,000
Grant revenue	<u>825,935</u>	<u>99,769</u>
Total operating revenues	<u>126,183,388</u>	<u>67,787,201</u>
HEALTHCARE EXPENSES:		
Physician services / professional services	25,781,888	17,320,114
Hospital services:		
Inpatient	16,685,980	9,299,440
Outpatient	6,034,557	3,923,771
Emergency room	4,383,623	3,080,337
Pharmacy	8,407,089	5,945,166
Lab and x-ray	532,695	329,157
Vision	638,970	368,011
Chemical dependency	3,097,120	1,225,451
DME & supplies	1,699,107	1,209,701
Dental	3,454,228	-
Health related flex services	250	-
Mental health	9,691,554	7,722,234
Other member services expenses	636,755	2,975,206
Capitation rebate expense	7,545,879	-
Reinsurance premiums paid	594,975	420,429
Reinsurance recoveries received	(253,463)	(142,792)
Healthcare expenses	<u>88,931,207</u>	<u>53,676,225</u>
OPERATING EXPENSES:		
Third Party Liability (TPL) amounts received, Coordination of Benefits (COB), subrogation	<u>366,443</u>	<u>319,260</u>
Operating expenses	<u>366,443</u>	<u>319,260</u>
Total healthcare expenses less deductions	<u>88,564,764</u>	<u>53,356,965</u>

DCIPA, LLC
STATEMENTS OF INCOME (Continued)

	Year Ended December 31,	
	<u>2014</u>	<u>2013</u>
ADMINISTRATIVE EXPENSES		
Other administrative expense	\$ 13,744,476	\$ 8,483,693
Grant expense	825,935	99,769
Total administrative expenses	<u>14,570,411</u>	<u>8,583,462</u>
TOTAL OPERATING EXPENSES	<u>103,135,175</u>	<u>61,940,427</u>
NET OPERATING INCOME	23,048,213	5,846,774
NON-OPERATING REVENUES AND EXPENSES:		
Net investment income	15,303	5,398
Total non-operating revenues and expenses	<u>15,303</u>	<u>5,398</u>
NET INCOME	<u>\$ 23,063,516</u>	<u>\$ 5,852,172</u>

DCIPA, LLC
STATEMENTS OF MEMBERS' EQUITY

	<u>Capital</u>	<u>Members' Equity</u>	<u>Total</u>
At December 31, 2012	\$ 4,694,351	\$ -	\$ 4,694,351
Distributions	-	(3,625,023)	(3,625,023)
Net income	-	5,852,172	5,852,172
	<hr/>	<hr/>	<hr/>
At December 31, 2013	4,694,351	2,227,149	6,921,500
Distributions	-	(3,146,693)	(3,146,693)
Net income	-	23,063,516	23,063,516
	<hr/>	<hr/>	<hr/>
At December 31, 2014	<u>\$ 4,694,351</u>	<u>\$ 22,143,972</u>	<u>\$ 26,838,323</u>

DCIPA, LLC
STATEMENTS OF CASH FLOWS

	December 31,	
	<u>2014</u>	<u>2013</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 23,063,516	\$ 5,852,172
Adjustments to reconcile net income to net cash from operations:		
Changes in assets and liabilities:		
Investment income receivable	(5,056)	463
Health care receivables	(281,855)	(729,043)
Reinsurance receivable	(52,300)	94,958
Accounts payable	68,766	(39,338)
Accrued medical claims payable	7,908,584	1,186,364
Accrued medical incentive pool	395,135	(19,532)
Amounts due to affiliates	1,082,982	214,500
Capitation rebate payable	7,545,879	-
Other current liabilities	451,117	130,848
Unearned revenue	277,806	46,829
Net cash flows from operating activities	<u>40,454,574</u>	<u>6,738,221</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	<u>(2,250,045)</u>	<u>(2,814)</u>
Net cash flows from investing activities	<u>(2,250,045)</u>	<u>(2,814)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Member distributions	<u>(3,146,693)</u>	<u>(3,625,023)</u>
Net cash flows from financing activities	<u>(3,146,693)</u>	<u>(3,625,023)</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	35,057,836	3,110,384
CASH AND CASH EQUIVALENTS, beginning of year	<u>11,708,488</u>	<u>8,598,104</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 46,766,324</u>	<u>\$ 11,708,488</u>

Note 1 – Nature of Business and Organization

DCIPA, LLC (dba Umpqua Health Alliance, the Company) is an Oregon limited liability company organized as a Coordinated Care Organization (CCO) as defined in the Oregon statutes. The purpose of the organization is to integrate community-based health care to achieve better care, better health, and lower costs for the Medicaid population in Douglas County, Oregon

The Company entered into a risk contract with the State of Oregon in 2012, acting by and through the Oregon Health Authority (OHA), to provide capitated health care services for Douglas County enrollees of the Oregon Health Plan (OHP), which is administered by the Department of Human Services Division of Medical Assistance Programs (DMAP).

In 2012, the Centers for Medicaid and Medicare Services (CMS) approved Oregon’s 1115 Medicaid Waiver that was necessary to implement Medicaid transformation in Oregon, in conjunction with the Patient Protection and Affordable Care Act (ACA). Changes under the CMS Medicaid Waiver and ACA significantly increased Medicaid eligibility in the state of Oregon beginning in 2014. As a result, the Company experienced a significant increase in membership due to increased Medicaid eligibility in the state of Oregon.

The Company contracts with several providers, to provide covered physical health, mental health, and dental health services to enrollees.

DCIPA, LLC is a wholly owned subsidiary of Architrave Health, LLC.

Note 2 – Summary of Significant Accounting Policies

Basis of accounting and presentation – The accompanying financial statements have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America (U.S. GAAP).

Use of estimates – In preparing the financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the statement of financial position, and revenues and expenses for the reporting period. Actual results could differ from those estimates and assumptions.

Significant estimates in these financial statements include health care receivables, accrued medical claims payable, accrued medical incentive pool, and capitation rebate payable.

Concentrations of risk – Financial instruments, which potentially subject the Company to concentrations of credit risk, consist of cash and cash equivalents. The Company maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. The Company makes such deposits with high credit quality entities and has not incurred any losses in such accounts.

DCIPA, LLC

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

The Company's revenues are received almost entirely from the contract with OHA. A reduction in rates paid under this contract or a loss of the contract due to non-renewal, federal or state policy changes or decreased legislative funding could materially affect the financial position of the Company. The current OHA contract is effective through December 31, 2018 and is renewable upon its termination. The continuance of the Oregon Health Plan at current levels is dependent upon governmental policies and funding.

The Company's personnel, members, and provider networks are geographically concentrated in Douglas County, Oregon.

Fair value measurements – The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1 - Quoted prices for identical assets or liabilities in active markets.

Level 2 - Quoted prices in markets that are not considered to be active or financial instruments without quoted market prices, but for which all significant inputs are observable, either directly or indirectly.

Level 3 - Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company measures the certificates of deposit that comprise restricted cash as reported on the balance sheet at fair value. Due to the nature of certificates of deposit, they are classified as Level 2 investments.

Cash and cash equivalents – The Company considers all highly liquid investments to be cash equivalents. Cash and cash equivalents include cash, demand deposits and certificates of deposit.

Restricted cash – The restricted cash represents contractual reserves that are restricted as to their use, and are maintained to meet the primary and secondary reserves requirements under the OHA contract. OHA requires the reserve funds to be held and used for the purpose of making payments to providers in the event of the Company's insolvency. These reserves are currently invested in certificates of deposits. As of December 31, 2014 and 2013, the contractual reserves were \$4,685,947 and \$2,435,902, respectively.

Note 2 – Summary of Significant Accounting Policies (continued)

Health care receivables – Health care receivables consist primarily of amounts owed to the Company for maternity case rate premiums. The Company does not require collateral or other security to support the recorded receivables amounts.

Accrued medical claims payable – Accrued medical claims payable represents an estimate of medical costs incurred, but not yet billed and processed, through the balance sheet date.

Management's evaluation of the adequacy of the accrued claims payable is based on a review of utilization data and pending claims, an analysis of claims paid after the balance sheet date and an actuarial review of historical claims experience. It is at least reasonably possible that the estimated claims payable will change in the near-term.

Accrued medical incentive pool – The Company contracts with providers to deliver health services to plan members. Under the terms of the contracts with participating providers, a percentage of their fees are retained by the Company in an incentive pool reserve, to be returned to them following the end of the calendar year to coincide with the State contract. Payments from the incentive pool reserve may be limited to payment of health care costs to providers in excess of the agreed-upon medical target loss ratio.

Capitation rebate expense / payable – Effective July 1, 2014 the State is requiring a minimum medical loss ratio (MMLR) of 80% on the ACA Medicaid expansion population rate groups. The expansion population was eligible for Medicaid services beginning January 1, 2014. The initial reporting period under the CCO contract for this new requirement is 18 months: July 1, 2014 – Dec 31, 2015, with claims run-out through March 31, 2016 and final reporting submissions due by June 30, 2016. Subsequent years are to be calculated based upon the calendar year. The terms of the ACA MMLR requirement is pending CMS approval, so the terms and conditions of the requirement are subject to change. In the event the Company expends less than the 80% requirement, the Company will be required to return to the OHA the difference between the minimum threshold and the total incurred medical related costs. Due to the results for the first 6 months of the reporting period, the Company has estimated a capitation rebate expense and payable of \$7,545,879.

Special Needs Rate Group (SNRG) – The Company receives a specific case rate for patients who have been identified with specific high-risk medical conditions. The Special Needs Rate Groups case rates are paid to the CCOs and then monitored against actual claims, to provide a revenue risk corridor protection for the CCOs and State as this newer rate group risk was transferred to the CCOs in 2013. The SNRG risk corridor is structured to reimburse CCOs with actual claims costs that exceed revenues, and inversely to recoup revenues exceeding actual claims costs. Completion for data submissions to OHA for the SNRG risk corridor are due no later than June 30, 2015 for both calendar year 2013 and 2014 risk corridor periods. Management estimates that any receivable or payable associated with this settlement will be minimal.

DCIPA, LLC

NOTES TO FINANCIAL STATEMENTS

Note 2 – Summary of Significant Accounting Policies (continued)

Reinsurance – Reinsurance premiums are reported as a cost of purchased healthcare services and reinsurance recoveries are reported as a reduction of related purchased healthcare services. (See Note 3)

Revenue recognition – Premium payments are recognized in the period to which the healthcare services coverage relates. Maternity case rate premiums are recognized in the period that a birth occurs.

The Company is eligible for an incentive pool distribution payment from the OHA upon meeting certain performance targets. The Company may be eligible for up to 2% of premium revenue for 2013 and 3% for 2014. As these amounts are subject to final determination and approval by the OHA, the Company has chosen to record any revenue received from these incentive pools in the period determined and paid by the OHA. The Company reports receipt of an incentive pool distribution of \$1,716,647 in 2014 attributable to 2013 activity and performance. The Company anticipates receipt of approximately \$4,200,000 of incentive pool distribution in 2015 attributable to 2014 activity and performance.

Hospital Reimbursement Adjustment (HRA) and premium taxes are received as part of the premium payment and recorded in premiums revenue when received. HRA and premium tax amounts received are to be paid in full to designated entities and are also recorded as a liability and expense upon receipt. The HRA payments and premium taxes are netted with the capitated gross premiums. Premium taxes were discontinued as of September 30, 2014.

HRA amounts received but not paid out prior to December 31, 2014 and 2013 are included in accrued medical claims payable. For the period ended December 31, 2014 and 2013, HRA payables were \$272,452 and \$238,328, respectively.

Grant revenue / expense – the Company has been the recipient of grant awards to foster innovative and efficient methods for delivery of program services to clients. Grant revenue is recognized as qualified grant related expenses are incurred. Proceeds from grantors exceeding grant expense are recognized as a current liability under unearned revenue.

Net investment income – Net investment income consists primarily of interest on cash and certificates of deposit.

Health care expenses – Health care expenses consist of capitation and fee for service payments to providers of medical services for members. The capitation payments are based upon established rates per member per month. Health care expenses also consist of pharmaceutical payments based upon established rates.

Note 2 – Summary of Significant Accounting Policies (continued)

Income taxes – The Company is a limited liability company. Accordingly, all federal income tax attributes are passed through to the Company’s members. Therefore, no provision is made in the accompanying financial statements for liabilities for federal, state or local income taxes since such liabilities are the responsibility of the individual members.

The Company accounts for any uncertain tax positions in accordance with ASC 740-50. The Company does not have any entity level uncertain tax positions.

Member distributions – As a wholly owned subsidiary of Architrave Health, LLC, member distributions are determined by the Architrave Health, LLC board of directors. The distribution and associated liability are recorded as of the date approved by the Architrave Health, LLC board. Member distributions were \$3,146,693 and \$3,625,023 for the years ended 2014 and 2013, respectively.

Reclassifications – Certain amounts in the prior year financial statements have been reclassified to conform to current year presentation.

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date, but before financial statements are issued. The Company recognizes in the financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements.

The Company’s financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet, but arose after the balance sheet date and before financial statements are issued (see Note 8).

Note 3 – Reinsurance

In the normal course of business, the Company seeks to limit its exposure to a loss on any single member, and to recover a portion of benefits paid by ceding reinsurance risks under excess coverage agreements. Reinsurance agreements do not relieve the Company from its obligation to pay providers.

Amounts recoverable from reinsurance contracts are estimated in a manner consistent with the claim limits and conditions associated with the reinsurance policy. In addition, the Company is required to obtain certain reinsurance coverage as a contractor of OHA.

The reinsurer for the Company assumed 90% of the combined risk for hospital, physician, and drug services, in excess of \$150,000 for 2014 and 2013.

Total net reinsurance premiums incurred were \$594,975 and \$420,429 in 2014 and 2013, respectively. Reinsurance recoveries earned were \$253,463 and \$142,792 for the years ended 2014 and 2013, respectively.

DCIPA, LLC

NOTES TO FINANCIAL STATEMENTS

Note 4 – Accrued Medical Claims Payable

Activity in medical claims payable is summarized as follows:

	IBNR		Other Claims Payable		Total Claims Payable	
	2014	2013	2014	2013	2014	2013
Balance - January 1	\$ 3,905,047	\$ 3,040,900	\$ 1,026,145	\$ 3,403,928	\$ 4,931,192	\$ 6,444,828
Incurred related to:						
Current year	48,807,963	19,887,582	40,792,713	34,277,198	89,600,676	54,164,780
Prior years	(669,469)	(488,555)	-	-	(669,469)	(488,555)
Total incurred	<u>48,138,494</u>	<u>19,399,027</u>	<u>40,792,713</u>	<u>34,277,198</u>	<u>88,931,207</u>	<u>53,676,225</u>
Paid related to:						
Current year	38,431,558	15,982,535	36,754,342	33,251,053	75,185,900	49,233,588
Prior years	3,235,578	2,552,345	3,726,145	3,403,928	6,961,723	5,956,273
Total Paid	<u>41,667,136</u>	<u>18,534,880</u>	<u>40,480,487</u>	<u>36,654,981</u>	<u>82,147,623</u>	<u>55,189,861</u>
Balance - December 31	<u>\$ 10,376,405</u>	<u>\$ 3,905,047</u>	<u>\$ 1,338,371</u>	<u>\$ 1,026,145</u>	<u>\$ 11,714,776</u>	<u>\$ 4,931,192</u>

The provision for accrued medical claims payable decreased by \$669,469 in 2014 (\$488,555 in 2013) as a result of the actual claims of prior years' experience differing from amounts provided for at the beginning of the respective year.

Note 5 – Related Party Transactions

Related party activities are primarily related to management services and technology support services.

The Company has an agreement with DCIPA Management, LLC, a related party through common ownership, which stipulates an annual fee percentage of total revenues for management services rendered which is negotiated annually. The percentage rate was 12.00% in 2014 and 12.33% in 2013. The agreement may be terminated upon 90 days notice by either party or if either party ceases to engage in business. Management fees paid to DCIPA Management, LLC under the agreement for the years ended December 31, 2014 and 2013 totaled \$13,426,843 and \$7,631,573, respectively. Amounts due to DCIPA Management, LLC totaled \$1,330,420 and \$247,438 at December 31, 2014 and 2013, respectively.

During 2013, the Company entered into an agreement with DCIPA EHR, LLC, a related party through common ownership, which required a monthly fee for technology support services. Amounts were determined annually and could be terminated by the Company. Fees paid to DCIPA EHR, LLC under the agreement for the year ended December 31, 2013 totaled \$699,996, there were no amounts due to DCIPA EHR, LLC at December 31, 2013. This agreement was canceled at the end of 2013 and technology support services were provided by the agreement noted above with DCIPA Management, LLC for 2014.

There were no amounts due from related parties at December 31, 2014 and 2013.

Note 6 – Restricted Reserve and Net Worth Requirements

Under the OHA contract, the Company is required to meet financial solvency requirements on a quarterly basis. Financial solvency is demonstrated by two key measures; the restricted reserve requirement and the net worth requirement. The restricted reserve requirement has the Company establish a restricted reserve account and maintain adequate funds in the account to meet OHA's primary and secondary restricted reserve requirements. The restricted reserve requirement is approximately half a month's average medical costs and includes \$250,000 for the primary restricted reserve, and all amounts in excess of \$250,000 as the secondary restricted reserve. The net worth requirement is approximately 5% of annualized medical costs.

As of December 31, 2014, management determined the Company met the restricted reserve and net worth requirements per the OHA contract.

Note 7 – Contingencies

Litigation - From time to time, the Company may be involved in litigation in the normal course of business. Management is not aware of any litigation that would have a material impact on the financial statements of the Company

Industry regulations - The health care industry is subject to numerous laws and regulations of federal, state and local governments. These laws and regulations include, but are not necessarily limited to, matters such as licensure, accreditations, government health care program participation requirements, reimbursement for patient services, and Medicare and Medicaid fraud and abuse. Government activity continues with respect to investigations and allegations concerning possible violations of fraud, abuse statutes, and regulations by health care providers. Violations of these laws and regulations could result in expulsion from government health care programs together with the imposition of significant fines and penalties. Management is not aware of non-compliance with government laws and regulations. While no regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as regulatory or state actions known or unasserted at this time.

DCIPA, LLC

NOTES TO FINANCIAL STATEMENTS

Note 7 – Contingencies (Continued)

Health care reform - On March 23, 2010, the Patient Protection and Affordable Care Act (PPACA) was signed into law. On March 30, 2010, the Health Care and Education Reconciliation Act of 2010 was signed, amending the PPACA (collectively the “Affordable Care Act”). The Affordable Care Act addresses a broad range of topics affecting the health care industry, including a significant expansion of healthcare coverage. The expansion is accomplished primarily through incentives to individuals to obtain and employers to provide healthcare coverage and an expansion in Medicaid eligibility. The Affordable Care Act also includes incentives for medical research and the use of electronic health records, changes designed to curb fraud, waste and abuse, and creates new agencies and demonstration projects to promote the innovation and efficiency in the healthcare delivery system. Some provisions of the healthcare reform legislation were effective immediately; others will be phased in through 2016. Further legislative policies are required for several provisions that will be effective in future years. The most significant impact of this legislation on the Company in 2014 was the expansion of the Medicaid population. As a result, approximately 10,000 additional enrollees were enrolled in the Company over prior year. While the majority of these costs are borne by the federal government in the first few years of the expansion, more and more of the costs will shift to the state to pay for these enrollees. Coordinated Care Organizations were created as a result of the Affordable Care Act and the implementation in Oregon with the beliefs that costs per member can be reduced over the long run by better coordinated care provided by local community providers. The effect of the changes that will be required in future years are not determinable at this time.

Payments from Federal and State Health Care Programs - Entities doing business with governmental payors, including Medicare and Medicaid, are subject to risks unique to the government-contracting environment that are difficult to anticipate and quantify. Revenues are subject to adjustment as a result of examination by government agencies as well as auditors, contractors, and intermediaries retained by the federal, state, or local governments (collectively “Government Agents”). Resolution of such audits or reviews often extends (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

Note 8 – Subsequent Events

The Company has evaluated subsequent events and there are no additional disclosures through June 22, 2015, the date financial statements were available to be issued, for events requiring recording or disclosure in the financial statements for the year ended December 31, 2014.