MIKE KREIDLER
STATE INSURANCE COMMISSIONER

STATE OF WASHINGTON

OFFICE OF
INSURANCE COMMISSIONER

Phone: (360) 725-7000

In the Matter of	)	No. G06-49
	)	
The Financial Examination of the **HEALTH CARE AUTHORITY**	)	FINDINGS, CONCLUSIONS, AND ORDER ADOPTING REPORT OF EXAMINATION

BACKGROUND

An examination of the financial condition of the **HEALTH CARE AUTHORITY** (the Authority) as of June 30, 2005, was conducted by examiners of the Washington State Office of the Insurance Commissioner (OIC). The Health Care Authority is an agency of the state of Washington created by Chapter 41.05 RCW. RCW 41.05.140(5) requires the Insurance Commissioner to perform periodic examinations of the Authority. This examination was conducted in compliance with the laws and regulations of the state of Washington and in accordance with the procedures promulgated by the National Association of Insurance Commissioners and the OIC.

The examination report with the findings, instructions, and recommendations was transmitted to the Authority for its comments on June 29, 2006. The Authority's response to the report is attached to this order only for the purpose of a more convenient review of the response.

The Commissioner or a designee has considered the report, the relevant portions of the examiners' work papers, and the submissions by the Authority.

Subject to the right of the Authority to demand a hearing pursuant to Chapters 48.04 and 34.05 RCW, the Commissioner adopts the following findings, conclusions, and order.

FINDINGS

Findings in Examination Report. The Commissioner adopts as findings the findings of the examiners as contained in pages 1 through 10 of the report.

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CONCLUSIONS

It is appropriate and in accordance with law to adopt the attached examination report as the final report of the financial examination of the **HEALTH CARE AUTHORITY** and to order the Authority to take the actions described in the Instruction section of the report. The Commissioner acknowledges that the Authority may have implemented the Instruction prior to the date of this order. The Instruction in the report is an appropriate response to the matters found in the examination.

ORDER

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

The Authority is ordered as follows, this being the Instruction contained in the examination report on page 2.

1. Pursuant to RCW 41.05.140(7) and RCW 48.05.073, the Authority is ordered to file its financial statements in accordance with the NAIC accounting practices and procedures. This requires accurate accruals of claim expenses from the date incurred, not paid. It will also enhance comparability with other organizations while facilitating management analysis and decision-making. Instruction 1, Examination Report, page 2.

IT IS FURTHER ORDERED THAT, the Authority file with the Chief Examiner, within 90 days of the date of this order, a detailed report specifying how the Authority has addressed each of the requirements of this order.

ENTERED at Olympia, Washington, this 27th day of July, 2006.

MIKE KREIDLER
Insurance Commissioner

Washington State
Health Care Authority

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July 18, 2006

Mr. James T. Odiorne, CPA, JD
Deputy Insurance Commissioner
Company Supervision Division
Office of the Insurance Commissioner
Post Office Box 40255
Olympia, Washington 98504-0255

Re: HCA Response to Examination Report of the Washington State Health Care Authority As of June 30, 2005 (dated June 29, 2006)

Dear Mr. Odiorne:

Thank you for the Examination Report (Report) you and your staff prepared and submitted to the Health Care Authority. I welcome the input of your agency and am appreciative of the opportunity to respond to your report.

The report notes a single instruction regarding how the Health Care Authority (HCA) reports paid claims for the Uniform Medical Plan (UMP). This instruction is found on page one of the Report and is titled "Inaccurate Cutoff of Paid Claims."

The report notes that the paid date for claims recorded by HCA could be a few days different from the actual date on which the checks are paid by the third party claims administrators—hereafter referred to as the TPA. The report further notes that HCA currently ensures that 52 weekly claims payments are included in each fiscal year but does not make accounting adjustments or prorations to accommodate periods where the actual fiscal year end occurs mid-week.

The report provides the following instruction on page two:

> In accordance with RCW 41.05.140(7) and RCW 48.05.073, the Authority is instructed to file its financial statements in accordance with the NAIC accounting practices and procedures. This requires accurate accruals of claim expenses from the date incurred, not paid. It will also enhance comparability with other organization while facilitating management analysis and decision-making.

The HCA is in agreement with the instruction provided in the report and will make the necessary adjustments to all future financial statements.

Thank you.

Steve Hill
Administrator