

**Oregon Health Authority
Request for Application
Pro Forma Reference Document**

NAIC Forms and Resources:

Applicants will complete pro forma financial statements using the National Association of Insurance Commissioners' (NAIC) Uniform Certificate of Authority Application (UCAA) at the following link:

https://www.naic.org/industry_ucaa.htm

Applicants will complete the following forms under the "Primary App" tab of this web page:

- Form 13H (Health Companies)
- Form 11 NAIC Biographical Affidavit

The NAIC UCAA Form 13H is a standard form, submitted by companies with their applications to become an insurer or to expand their license into other states. Form 13H is intended to be used to allow for a consistent application review and evaluation for the final determination of the CCO contracts. As part of the RFA, contracted CCOs will be required to file quarterly and annual financial statements using the NAIC Health Insurance financial statements (Health Blank, Orange Blank) and following the NAIC Statutory Accounting Practices. The UCAA Form 13H uses the same information and methodologies.

The NAIC Annual Financial Statement Instructions provide explanations of each line item in the Form 13H pro forma financial statements. The annual statement instructions can be purchased from the NAIC at the following website:

https://www.naic.org/prod_serv_publications.htm

The UCAA Form 13H requires input of the calculated Authorized Control Level (ACL) for the Applicant. It will be necessary for the Applicant to either purchase the Risk-Based Capital Forecasting and Instructions (RBC) from the NAIC at the link above or to purchase the NAIC Financial Statement and RBC reporting software from the list of vendors in the link below:

https://www.naic.org/industry_filing_participation_vendors.htm

Pro Forma Development:

Applicants will be required to complete and submit three separate Form 13H pro forma financial statement workbook files. Applicants will also be required to complete and submit the "UCAA Supplemental Financial Analysis" (SFA) workbook template included in the RFA documents.

Steps for completion:

- Complete the "Company Assumptions" tab in the SFA workbook.
 - Identify the Desired Service Area that the RFA applies to.
 - Input the membership totals based on the Desired Service Area and forecasted membership provided by OHA and included in the RFA documents.
 - Determine three separate levels of Member Months (MM):
 1. Best Estimate Member Months (BE MM). Pre-populated at 100%, Applicant should adjust this percentage based on anticipated penetration rate of members and the

number of Applicants identified in the geographic area by the submitted Letters of Intent. Include the rationale of the percentage selected in the “Scratch Sheet” of the SFA workbook.

2. Minimum Member Months (MIN MM). Pre-populated at 75%, Applicant should adjust this percentage to identify the minimum number of MMs necessary to serve the population and remain financially viable. Include the rationale of the percentage selected in the “Scratch Sheet” of the SFA workbook.
 3. Maximum Member Months (MAX MM). Pre-populated at 125% to stress test a scenario of changing demographics within a geographic area resulting in higher members. Applicants should consider adequacy of network and operational capacity when determining the appropriate percentage. Include the rationale of the percentage selected in the “Scratch Sheet” of the SFA workbook.
- Applicants will then complete three separate Pro Forma financial statement workbooks using Form 13H for each of the three MM levels identified above (BE MM, MIN MM, and MAX MM).
 - Applicants will calculate their forecasted Net Premium Income based on the MMs identified above and the Procurement Rates provided by OHA and included in the RFA documents. The Rates will be developed on a PMPM basis at the state level and will include adjustments for Area Factors; Risk Score; and Dental, as well as Maternity Case Rates. Applicants may be required to submit the details behind the calculations if requested by OHA during the evaluation process.
 - Applicants will calculate the forecasted ACL for each of the three years using the tools described above, and then insert that generated value into Form 13H (Balance Sheet tab). These calculations will be necessary under the BE MM, MIN MM, and MAX MM scenarios described above. In total, nine ACL values will be generated by Applicant (three scenarios x three years). Applicants may be required to submit the details behind the calculations if requested by OHA during the evaluation process.
 - Once the Form 13H is completed for all three scenarios, Applicants will copy the resulting Balance Sheet and P and L to the SFA workbook on the appropriate tab. The SFA workbook summarizes the results and provides financial ratios and analysis that will be used during the evaluation process.
 - Applicants will complete the Administrative Costs fields on the “Company Assumptions” tab of the SFA workbook and confirm the balancing on the “CCO Administrative Costs” tab.

An unprotected “Scratch Sheet” is included as the last tab in the SFA workbook. As described above, this sheet will be used to document the rationale for the MMs selected under each scenario. Applicants should also include information on specific provider agreements that will limit their liability through sub-capitated arrangements or delegation agreements. Applicants should also include any other information that may aid OHA in the evaluation process.

Other Required Information:

Applicant will include as an addendum the following:

- Three years of Audited Financial Statements.

Evaluation of Pro Forma Financial Statements:

The submitted Pro Forma Financial Statement workbooks will be reviewed for accuracy and reasonableness and evaluated to determine if any potential solvency issues are identified.

The expectation is that Applicants will achieve and maintain a minimum RBC of 200% by year two (2021) of the contract, subject to Legislative updates and Administrative Rule changes.

OHA may request additional information and/or analysis from the Applicant as determined necessary in order to complete the evaluation process.