

Cascade Health Alliance, LLC

Independent Auditor's Report and Statutory Financial Statements

December 31, 2021 and 2020

FORV/S

Cascade Health Alliance, LLC
December 31, 2021 and 2020

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Independent Auditor's Report

Board of Directors
Cascade Health Alliance, LLC
Klamath Falls, Oregon

Opinions

We have audited the statutory financial statements of Cascade Health Alliance, LLC (the Company) which comprise the statutory statements of admitted assets, liabilities and surplus as of December 31, 2021 and 2020, and the related statutory statements of revenues and expenses, and changes in surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying statutory financial statements present fairly, in all material respects, the statutory financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with the basis of accounting described in *Note 1*.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* section of our report, the statutory financial statements do not present fairly in accordance with accounting principles generally accepted in the United States of America, the statutory financial position of the Company as of December 31, 2021 and 2020 or the results of its operations and its cash flows for the years then ended.

Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Statutory Financial Statements* section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relation to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in *Note 1* to the statutory financial statements, the financial statements are prepared by the Company in accordance with the accounting practices prescribed or permitted by the Oregon Health Authority, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of Oregon's statutes. The effects on the statutory financial statements of the variances between the regulatory basis of accounting described in *Note 1* and accounting principles generally accepted in the United States of America are material and pervasive as discussed in *Note 1*.

Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with the accounting practices prescribed or permitted by the Oregon Health Authority. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern within one year after the date that these statutory financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial misstatements whether due to fraud or error, and design and perform audit procedures responsive to those risks.
- Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audits, significant audit findings, and certain internal control-related matters that we identified during the audits.

FORVIS,LLP

Kansas City, Missouri
June 24, 2022

Cascade Health Alliance, LLC
Statutory Statements of Admitted Assets, Liabilities and Surplus
December 31, 2021 and 2020

Admitted Assets

	<u>2021</u>	<u>2020</u>
Cash and Cash Equivalents	\$ 50,258,059	\$ 38,593,375
Accounts Receivable		
Premiums receivables	599,960	306,892
Stop-loss recoverables	393,019	799,504
Medical delivery assets	5,339	5,285
Federal tax receivable	-	64,755
Other receivables	158,563	42,629
Net deferred tax assets	<u>100,152</u>	<u>43,935</u>
Total admitted assets	<u>\$ 51,515,092</u>	<u>\$ 39,856,375</u>

Liabilities and Surplus

Liabilities		
Unpaid claims	\$ 22,598,224	\$ 18,650,035
Risk pool payables	12,240,539	8,175,916
Unpaid loss adjustment expenses	464,009	372,272
Aggregate health policy reserves	583,342	180,523
Federal tax payable	303,311	-
Accrued expenses and other liabilities	<u>1,464,594</u>	<u>1,293,651</u>
Total liabilities	<u>37,654,019</u>	<u>28,672,397</u>
Surplus		
Paid-in surplus	1,416,311	1,416,311
Unassigned surplus	<u>12,444,762</u>	<u>9,767,667</u>
Total surplus	<u>13,861,073</u>	<u>11,183,978</u>
Total liabilities and surplus	<u>\$ 51,515,092</u>	<u>\$ 39,856,375</u>

Cascade Health Alliance, LLC
Statutory Statements of Revenues and Expenses
Years Ended December 31, 2021 and 2020

	2021	2020
Net Premium Revenue	\$ 119,468,442	\$ 109,079,684
Medical and Hospital		
Medical and hospital benefits	59,771,384	60,531,809
Pharmacy services	9,471,225	8,981,297
Professional services	16,314,805	14,155,522
Risk pool and incentive payments	12,985,215	9,638,523
Aggregate write-ins for other hospital and medical	3,041,271	2,372,298
	101,583,900	95,679,449
Net stop-loss recoveries	(393,019)	(1,285,524)
Total medical and hospital	101,190,881	94,393,925
Claims Adjustment Expenses	6,014,547	4,604,859
General and Administrative Expenses	8,463,602	7,552,002
Total underwriting deductions	115,669,030	106,550,786
Net underwriting gain	3,799,412	2,528,898
Investment Income Earned	113,428	121,726
Net gain before income taxes	3,912,840	2,650,624
Federal Income Tax Expense	(862,451)	(647,817)
Net Income	\$ 3,050,389	\$ 2,002,807

Cascade Health Alliance, LLC
Statutory Statements of Changes in Surplus
Years Ended December 31, 2021 and 2020

	Paid-in Surplus	Unassigned Surplus	Total Surplus
Balance, January 1, 2020	\$ 1,416,311	\$ 7,839,727	\$ 9,256,038
Net income	-	2,002,807	2,002,807
Change in nonadmitted assets	-	(118,802)	(118,802)
Change in net deferred income tax	-	43,935	43,935
Balance, December 31, 2020	1,416,311	9,767,667	11,183,978
Net income	-	3,050,389	3,050,389
Change in nonadmitted assets	-	70,489	70,489
Change in net deferred income tax	-	56,217	56,217
Dividends to stockholders	-	(500,000)	(500,000)
Balance, December 31, 2021	<u>\$ 1,416,311</u>	<u>\$ 12,444,762</u>	<u>\$ 13,861,073</u>

Cascade Health Alliance, LLC
Statutory Statements of Cash Flows
Years Ended December 31, 2021 and 2020

	<u>2021</u>	<u>2020</u>
Cash from Operations		
Premiums and revenue collected, net of stop-loss insurance	\$ 119,578,193	\$ 109,477,160
Benefits and loss related payments	(92,771,585)	(91,712,428)
General and claims adjustment expenses paid	<u>(14,236,349)</u>	<u>(11,865,202)</u>
Cash from underwriting	12,570,259	5,899,530
Federal income taxes paid	(494,385)	(2,470,395)
Investment income received	113,428	121,726
Miscellaneous income	<u>-</u>	<u>5,000</u>
Net cash provided by operations	<u>12,189,302</u>	<u>3,555,861</u>
Cash from Financing and Miscellaneous Sources		
Dividends to stockholders	(500,000)	-
Other cash used	<u>(24,618)</u>	<u>(327,055)</u>
Net cash used in financing and miscellaneous sources	<u>(524,618)</u>	<u>(327,055)</u>
Change in Cash and Cash Equivalents	11,664,684	3,228,806
Cash and Cash Equivalents, Beginning of Year	<u>38,593,375</u>	<u>35,364,569</u>
Cash and Cash Equivalents, End of Year	<u><u>\$ 50,258,059</u></u>	<u><u>\$ 38,593,375</u></u>

Cascade Health Alliance, LLC

Notes to Statutory Financial Statements

December 31, 2021 and 2020

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Cascade Health Alliance, LLC (the Company), a wholly-owned subsidiary of Cascade Comprehensive Care, Inc. (CCC), was incorporated in 2012 as a Coordinated Care Organization (CCO) for certain Medicaid residents in Klamath County, Oregon. The Company is certified by the State of Oregon. In May 2013, a memorandum of understanding was entered into between Klamath County and the Company regarding the provision of the mental health safety net. The Oregon Health Authority (OHA) approved a CCO, effective September 1, 2013. The Company has an agreement with OHA to provide prepaid health services to health care providers and members. Payments under these agreements include predetermined, prepaid periodic fee and prospectively determined rates and discounts from established charges.

Basis of Presentation

The accompanying statutory financial statements have been prepared in conformity with statutory accounting practices prescribed or permitted by the Oregon Health Authority (OHA), which vary in some respects from accounting principles generally accepted in the United States of America (GAAP). OHA recognizes only statutory accounting practices prescribed or permitted by the State of Oregon for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under Oregon insurance law. The *Accounting Practices and Procedures Manual* of the National Association of Insurance Commissioners (NAIC) has been adopted as a component of prescribed or permitted practices by the State of Oregon. The Oregon Commissioner of Insurance has the right to permit or prescribe specific practices that deviate from the NAIC's *Accounting Practices and Procedures Manual*, with certain exceptions. Specifically, Oregon insurance law allows permitted the beginning statutory surplus value for January 1, 2020 to equal GAAP equity for the first-year presentation. This permitting practice increased surplus by \$9,256,038 and had no impact on operations.

Accounting practices and procedures of the NAIC as prescribed or permitted by OHA (NAIC SSAP) comprise a comprehensive basis of accounting other than GAAP. The more significant differences are as follows:

- Assets are reported at "admitted asset" value and "nonadmitted assets" are excluded through a charge against surplus, while under GAAP, "nonadmitted" assets are reflected on the statement of admitted assets, liabilities and surplus, net of any valuation allowance.
- Assets related to stop-loss ceded transactions are netted with the respective liability accounts. Under GAAP, stop-loss insurance balances would be shown on a separate gross basis. Under NAIC SSAP, claims unpaid are reported net of stop-loss insurance, while under GAAP, the balance sheet reports stop-loss insurance recoverable, including amounts related to claims incurred but not reported, and prepaid insurance premiums as assets.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

- Deferred federal income taxes are provided for the tax effects of certain income and expense items recognized for income purposes in different years than for financial reporting purposes. The change in the deferred tax assets or deferred tax liabilities is reflected in surplus. GAAP requires the change to be reported as a component of income tax expense. Admittance testing may result in a charge to surplus for nonadmitted portions of the deferred tax assets.
- The statutory statement of cash flows follows a prescribed method included in the NAIC instructions to present changes in the amounts in balance sheet accounts, which may not reflect actual cash flows from transactions or operations.
- Statutory financial statements are prepared in a form using language and groupings substantially the same as the annual statement of the Company, filed with the NAIC and state regulatory authorities, which differ from the presentation and disclosure of financial statements presented under GAAP.

The following information reconciles statutory capital and surplus to GAAP equity as of December 31, 2021 and 2020 and statutory income to GAAP income for the year ended December 31, 2021.

	2021	2020
GAAP equity	\$ 13,977,364	\$ 11,527,906
NAIC SSAP		
Nonadmitted assets	(48,314)	(118,803)
Retained earnings adjustment - income taxes	(77,630)	(225,000)
Other	9,653	(125)
Statutory surplus	<u>\$ 13,861,073</u>	<u>\$ 11,183,978</u>
	2021	
GAAP net income	\$ 3,100,133	
NAIC SSAP		
Income taxes	(49,744)	
Statutory net income	<u>\$ 3,050,389</u>	

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Use of Estimates

The preparation of statutory financial statements in conformity with accounting practices and procedures prescribed or permitted by OHA requires management to make estimates and assumptions that affect reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statutory financial statements and the reported amounts of revenue and expenses during the reporting period. The most significant estimates contained in the statutory financial statements involve the Company's liability for unpaid claims and unpaid claims adjustment expenses. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Company considers all liquid investments with original maturities of three months or less to be cash equivalents and with maturities of one year or less from the acquisition date to be short-term investments. At December 31, 2021 and 2020, cash and cash equivalents consisted of cash, money market deposit accounts and money market mutual funds. As of December 31, 2021 and 2020, cash and cash equivalents include cash of \$45,793,272 and \$35,178,785, respectively, and cash equivalents which included money market mutual funds of \$4,464,787 and \$3,414,590, respectively.

At December 31, 2021, the Company's cash and cash equivalents exceeded federally insured limits by approximately \$49,665,000.

The carrying amount of cash and cash equivalents approximates fair value.

Nonadmitted Assets

Certain assets (notes receivable due from providers) are designated as "nonadmitted" and are charged to unassigned surplus in the statutory financial statements, whereas under GAAP, such assets would be carried at cost, less any applicable allowances.

Unpaid Claims

Unpaid claims represent the ultimate net cost of all reported and unreported medical claims incurred but not paid through the end of the reporting period. This estimate is based on claims reported, actuarial estimates and trends in the health care costs. Subsequent actual claims experience and related settlement costs may differ from the estimated liability due to variances in estimated and actual subscriber utilization of medical services, the amount of charges and other factors. This estimate is subject to a significant degree of inherent variability. The estimates are continually reviewed and any necessary adjustments are included in current operations.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Risk Pool Payables

The Company has entered into an agreement with providers to pool risk based on certain health care claims payables. Payments from the incentive pool reserve may be limited by payment of health care costs to providers in excess of the agreed-upon medical target loss ratio as stipulated in the participating provider's contract. As part of a risk-sharing incentive program, the Company retains a percentage of the interim payments of certain contractual providers against a risk-sharing fund. In the event utilization is in excess of budget, those providers bear the remaining risk. For the years ended December 31, 2021 and 2020, the retention was 15 percent, respectively. The Company settles the payables in June of the subsequent year as defined in the contracts.

Premium Revenue and Related Benefits

Health capitation premiums are recognized in the period members are entitled to related health care services. Health care service costs and the related liabilities for claims payable are recorded when medical services are authorized, as well as when services are provided without authorization to the extent such services are expected to be ultimately authorized. Expenses are charged to operations as incurred.

Unpaid claims and claims adjustment expenses include amounts determined from claims estimates and loss reports and an amount, based on past experience, for claims incurred but not reported. Such liabilities are necessarily based on assumptions and estimates and while management believes the amount is adequate, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and any adjustments are reflected in the period determined.

Stop-loss Insurance

Stop-loss insurance premiums, recoveries and reserves related to stop-loss business are accounted for on bases consistent with those used in accounting for the original policies issued and the terms of the stop-loss insurance contracts. Premiums, benefits incurred and liability for unpaid claims are reported in the statutory basis financial statements net of stop-loss amounts.

Income Taxes

The Company is subject to income taxes. For federal income tax purposes, the Company files a consolidated return with CCC. Current income taxes incurred are charged to the statutory statement of revenues and expenses based upon tax returns for the current period and tax contingencies for the current period.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the statutory financial statement carrying amounts of existing assets and liabilities at their respective tax bases. Gross deferred tax assets and liabilities are measured using enacted tax rates and are considered for admitted asset status according to the admissibility tests as set forth by the NAIC. Changes in deferred tax assets and deferred tax liabilities, including changes attributable to changes in tax rates, are recognized as a component of surplus.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Gross deferred income tax assets are reduced by a valuation allowance if the Company determines it is more likely than not that some portion or all of the gross deferred tax assets will not be realized. Adjusted deferred income tax assets are limited to (1) the amount of federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse during a timeframe corresponding with IRS tax loss carryback provisions, not to exceed three years, plus (2) the lesser of the remaining gross deferred income taxes assets expected to be realized within three years of the balance sheet date or 15 percent of surplus (subject to certain limitations), excluding any net deferred income tax assets, electronic data processing equipment and operating software and any net positive goodwill, plus (3) the amount of remaining gross deferred income tax assets that can be offset against existing deferred income tax liabilities. The remaining deferred income tax assets in excess of the above are non-admitted. Deferred income taxes do not include amounts for state taxes.

Concentrations

The Company is under contract (the Contract) with the State of Oregon, Oregon Health Authority, and the Division of Medical Assistance Programs (DMAP) to provide prepaid health services to Klamath County, Oregon as a fully capitated health plan. The Contract is funded by the State of Oregon and is reviewed and renewed annually. As of December 31, 2021, the Contract has been renewed for an additional year. Substantially all of the Company's business activities are with members in Klamath County.

Risks and Uncertainties

Certain risks and uncertainties are inherent to the Company's day-to-day operations and to the process of preparing its statutory financial statements. The more significant of those risks and uncertainties are presented below and throughout the notes to the statutory financial statements.

External Factors

The Company is highly regulated by the state in which it is domiciled, as well as states in which it does business. Such regulations, among other things, limit the amount of shareholder dividends, and impose restrictions on the amount and types of investments.

Risk-Based Capital

The NAIC has developed risk-based capital (RBC) standards that relate an insurer's reported statutory surplus to the risks inherent in its overall operations. The RBC formula uses the statutory annual statement to calculate the minimum indicated capital level to protect the Company from the various risks that it faces. The NAIC model allows for various levels or regulatory action based on the magnitude of an indicated RBC capital deficiency, if any.

The Company continues to monitor its internal capital requirements and the NAIC's RBC requirements. The Company has determined that its capital levels are in excess of the minimum capital requirements for all RBC action levels. Management believes that the Company's capital levels are sufficient to support the level of risk inherent in its operations.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Note 2: Investment Income

The components of net investment income for the years ended December 31, 2021 and 2020 were as follows:

	2021	2020
Cash and cash equivalents	\$ 113,196	\$ 121,355
Other	232	371
	\$ 113,428	\$ 121,726

Note 3: Related Party Transactions with CCC

Cascade Health Alliance, LLC is a wholly-owned subsidiary of Cascade Comprehensive Care, Inc. (CCC). CCC is owned by 50 individual shareholders (61.89 percent), including primary care physicians and specialists, and Sky Lakes Medical Center (38.11 percent). No one individual shareholder owns more than 6.20 percent of CCC.

The Company has a Worker Leasing and Administrative Services Agreement with CCC. CCC provides employees and administrative services to the Company pursuant to the Worker Leasing and Administrative Services Agreement. During 2021 and 2020, the Company paid \$13,319,278 and \$10,922,301, respectively, in accordance with this agreement.

During 2021, the Company requested approval to issue CCC a dividend in the amount of \$500,000. The request was approved by the OHA and the dividend was issued in December 2021.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Note 4: Unpaid Claims

The following table provides a reconciliation of the beginning and ending claims payable balances for the medical and hospital expenses for the years ended December 31, 2021 and 2020, as reported in the accompanying statutory statements of admitted assets, liabilities and surplus:

	<u>2021</u>	<u>2020</u>
Unpaid claims, beginning of year	\$ 18,650,035	\$ 12,942,097
Incurred related to		
Current year	90,988,365	85,123,037
Prior years	<u>(2,782,699)</u>	<u>(367,635)</u>
Total incurred losses and claims	<u>88,205,666</u>	<u>84,755,402</u>
Paid related to		
Current year	68,390,141	66,567,755
Prior years	<u>15,867,336</u>	<u>12,479,709</u>
Total paid losses and claims	<u>84,257,477</u>	<u>79,047,464</u>
Unpaid claims, end of year	<u>\$ 22,598,224</u>	<u>\$ 18,650,035</u>

As a result of changes in estimates of insured claims in prior years, the provision for claims decreased by \$2,782,699 and \$367,635 during the years ended December 31, 2021 and 2020, respectively, as a result of claims being settled for amounts different from originally estimated.

Revisions

Certain immaterial revisions have been made to the 2020 notes to the financial statements. The revision was related to moving incurred related to current year and prior year and presenting net of stop-loss recoveries as a result of a clerical error. The impact of these changes was a reduction to prior year incurred of \$12,849,255, an increase to current year incurred of \$11,563,731, which includes the impact of \$1,285,524 related to stop-loss recoveries and a reduction to prior year paid of \$1,285,524. These revisions did not have an impact on the unpaid claims balances reported on the December 31, 2020 statements of admitted assets, or the related statements of revenues and expenses or cash flows for the year then ended.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
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Note 5: Stop-loss Insurance

The Company has a stop-loss insurance agreement with an insurance company to limit its claims on hospital inpatient and outpatient service claims and professional services. For hospital inpatient and outpatient services and for professional services, the terms of this agreement state the Company's retention per member per policy year for 2021 and 2020 is \$250,000 and \$225,000, respectively, each year. The maximum amount payable by the insurance company per member per policy year for hospital and professional services combined is \$2,000,000. There is no annual lifetime maximum. The coinsurance is 90 percent based on 100 percent of contract provider rates, subject to limitations. The Company's ceded premium expenses for 2021 and 2020 were \$1,305,357 and \$1,159,830, respectively. Outstanding recoverables on paid claims were \$393,019 and \$799,504 at December 31, 2021 and 2020, respectively.

Note 6: Federal Income Taxes

The components of the net deferred tax asset (liability) recognized in the Company's statutory statements of admitted assets, liabilities and surplus are as follows.

	December 31, 2021		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 100,152	\$ -	\$ 100,152
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	<u>100,152</u>	<u>-</u>	<u>100,152</u>
Deferred tax assets nonadmitted	<u>-</u>	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>100,152</u>	<u>-</u>	<u>100,152</u>
Deferred tax liabilities	<u>-</u>	<u>-</u>	<u>-</u>
Net admitted deferred tax asset	<u><u>\$ 100,152</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 100,152</u></u>

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
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	December 31, 2020		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 43,935	\$ -	\$ 43,935
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	43,935	-	43,935
Deferred tax assets nonadmitted	-	-	-
Net deferred tax assets	43,935	-	43,935
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset	<u>\$ 43,935</u>	<u>\$ -</u>	<u>\$ 43,935</u>
	Change		
	Ordinary	Capital	Total
Gross deferred tax assets	\$ 56,217	\$ -	\$ 56,217
Statutory valuation allowance adjustment	-	-	-
Adjusted gross deferred tax assets	56,217	-	56,217
Deferred tax assets nonadmitted	-	-	-
Net deferred tax assets	56,217	-	56,217
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset	<u>\$ 56,217</u>	<u>\$ -</u>	<u>\$ 56,217</u>

A summary of the Company's adjusted admitted gross deferred tax asset calculation by component and character for the years ended December 31, 2021 and 2020 were as follows:

	December 31, 2021		
	Ordinary	Capital	Total
Admission calculation components SSAP No. 101 (paragraph 11)			
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 100,152	\$ -	\$ 100,152
Expected to be realized (lesser of i. or ii.)			
i. Expected to be realized	-	-	-
ii. Surplus limitation	XXX	XXX	2,077,568
DTL offset	-	-	-
Total admitted under 11a. - 11c.	100,152	-	100,152
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset as the result of SSAP No. 101	<u>\$ 100,152</u>	<u>\$ -</u>	<u>\$ 100,152</u>

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

	December 31, 2020		
	Ordinary	Capital	Total
Admission calculation components SSAP No. 101 (paragraph 11)			
Federal income taxes paid in prior years recoverable through loss carrybacks	\$ 43,935	\$ -	\$ 43,935
Expected to be realized (lesser of i. or ii.)			
i. Expected to be realized	-	-	-
ii. Surplus limitation	XXX	XXX	1,671,007
DTL offset	-	-	-
Total admitted under 11a. - 11c.	43,935	-	43,935
Deferred tax liabilities	-	-	-
Net admitted deferred tax asset as the result of SSAP No. 101	\$ 43,935	\$ -	\$ 43,935

The limitation threshold in the above table is based on certain criteria. These amounts for the years ended December 31, 2021 and 2020 are as follows:

	2021	2020
Ratio percentage used to determine recovery period and threshold limitation amount		
RBC ratio	350%	350%
Adjusted surplus	\$ 13,760,921	\$ 11,140,043

Current income taxes incurred consist of the following major components:

	2021	2020
Current income tax		
Federal expense	\$ 835,226	\$ 647,817
Other	27,225	-
Federal income tax expense	\$ 862,451	\$ 647,817

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Deferred income tax assets and liabilities consist of the following major components:

	<u>2021</u>	<u>2020</u>
Deferred Tax Assets		
Ordinary		
Discounting of unpaid losses	\$ 100,152	\$ 43,935
Gross ordinary DTAs	100,152	43,935
Nonadmitted ordinary DTAs	-	-
Admitted ordinary DTAs	<u>100,152</u>	<u>43,935</u>
Admitted deferred tax assets	<u>100,152</u>	<u>43,935</u>
Deferred tax liabilities	<u>-</u>	<u>-</u>
Net deferred tax assets	<u>\$ 100,152</u>	<u>\$ 43,935</u>

The significant items causing a difference between the statutory federal income tax rate and the Company's effective income tax rate for the years ended December 31, 2021 and 2020 are as follows:

	<u>2021</u>	
	<u>Amount</u>	<u>Effective Tax Rate</u>
Income before taxes	\$ 821,696	21.00%
Other	<u>(15,462)</u>	<u>-0.40%</u>
Total	<u>\$ 806,234</u>	<u>20.61%</u>
Federal income taxes incurred	\$ 862,451	22.04%
Change in net deferred income taxes	<u>(56,217)</u>	<u>-1.44%</u>
Total statutory income taxes	<u>\$ 806,234</u>	<u>20.61%</u>

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

	2020	
	Amount	Effective Tax Rate
Income before taxes	\$ 603,882	21.00%
Total	\$ 603,882	21.00%
Federal income taxes incurred	\$ 647,817	23.24%
Tax on capital gains	-	0.00%
Change in net deferred income taxes	(43,935)	-2.24%
Total statutory income taxes	\$ 603,882	21.00%

As of December 31, 2021 and 2020, the Company did not have any net operating loss carryforwards.

As of December 31, 2021 and 2020, the Company did not have any capital loss carryforwards.

The following is income tax expense for the years ended December 31, 2021 and 2020 that is available for recoupment in the event of future net losses:

Year	Ordinary	Capital	Total
2020	\$ 643,254	\$ -	\$ 643,254
2021	\$ 835,226	\$ -	\$ 835,226

The Company's federal income tax return is consolidated with Cascade Comprehensive Care, Inc.

The method of allocation among companies is subject to a written agreement, approved by the board of directors, whereby allocation is made primarily on a separate return basis with current credit for any net operating losses of other items utilized in the consolidated tax return.

Note 7: Capital and Surplus

Under the laws in the State of Oregon, the Company is required to maintain a minimum capital and surplus of \$2,500,000. At December 31, 2021, the Company was in compliance with such requirements.

The Company adheres to certain depository requirements set forth by the state insurance code. For the years ended December 31, 2021 and 2020, \$4,464,787 and \$3,414,590, respectively, was held on deposit with the state.

Cascade Health Alliance, LLC
Notes to Statutory Financial Statements
December 31, 2021 and 2020

Note 8: Commitments and Contingencies

In the normal course of business, the Company is, from time to time, subject to allegations that may result in litigation. Some of these allegations are in areas not covered by the Company's commercial insurance; for example, allegations regarding employment practices or performance of contracts. The Company evaluates such allegations by conducting investigations to determine the validity of each potential claim. Management believes that any ultimate liability that could arise from the actions would not materially affect the Company's statutory basis financial statements. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

The Company believes that it is in compliance with all applicable laws and regulations and it is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action, including fines, penalties and termination of contract by the OHA.

Economic Uncertainties

As a result of the spread of COVID-19, economic uncertainties have arisen which may negatively affect the financial position, results of operations and cash flows of the Company. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

Note 9: Subsequent Events

Subsequent events have been evaluated through June 24, 2022, which is the date the statutory financial statements were available to be issued.

Supplementary Information



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Independent Auditor's Report on Supplementary Information

Board of Directors
Cascade Health Alliance, LLC
Klamath Falls, Oregon

Our 2021 audit was conducted for the purpose of forming an opinion on the 2021 basic statutory financial statements as a whole. The statutory financial statements were prepared on the basis of accounting practices prescribed or permitted by the Oregon Health Authority (OHA). The accompanying supplemental schedules, as of and for the year ended December 31, 2021, listed in the table of contents are presented for the purpose of complying with the National Association of Insurance Commissioners' *Instructions to Annual Audited Financial Reports* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual* and are presented for purposes of additional analysis and are not a required part of the basic 2021 statutory financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the 2021 statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the 2021 statutory financial statements as a whole.

FORVIS,LLP

Kansas City, Missouri
June 24, 2022

Cascade Health Alliance, LLC
Schedule of Investment Risk Interrogatories
December 31, 2021

1. Cascade Health Alliance, LLC had total admitted assets of \$51,515,092 for the year ended December 31, 2021.
- 2-23. The remaining disclosures relating to this schedule are not applicable to the Company and, therefore, excluded.

Cascade Health Alliance, LLC
Summary Investment Schedule
December 31, 2021

Investment Categories	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement	
	Amount	Percentage	Amount	Percentage
Cash, cash equivalents and short-term investments				
Cash	\$ 45,793,272	91%	\$ 45,793,272	91%
Cash equivalents	4,464,787	9%	4,464,787	9%
Total cash, cash equivalents and short-term investments	<u>\$ 50,258,059</u>	<u>100%</u>	<u>\$ 50,258,059</u>	<u>100%</u>

Cascade Health Alliance, LLC
Supplemental Schedule of Reinsurance Disclosures
December 31, 2021

In accordance with SSAP No. 61R, *Life, Deposit-Type and Accident and Health Reinsurance*, paragraphs 79 through 84, the Company is required to disclose in a supplemental schedule certain information related to reinsurance contracts entered into, renewed, or amended on or after January 1, 1996. At December 31, 2021, the Company's reinsurance contracts did not meet the disclosure requirements within SSAP No. 61R and, as such, the required supplemental schedule has been omitted.