CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Financial Statements
(With Supplementary Information)

December 31, 2022 and 2021

(With Independent Auditors' Report Thereon)

CAREOREGON, INC. AND SUBSIDIARIES

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KPMG LLP
Suite 3800
1300 South West Fifth Avenue
Portland, OR 97201

Independent Auditors' Report

Board of Directors
CareOregon, Inc.:

Opinion

We have audited the consolidated financial statements of CareOregon, Inc. and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2022 and 2021, and the related consolidated statements of activities, changes in net assets, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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 Auditors' Responsibilities for the Audit of the Consolidated 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 relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated 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 for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 consolidated 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 consolidated financial statements, 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 consolidated 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 consolidated 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 audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the consolidated 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 consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

Portland, Oregon
April 26, 2023

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2022 and 2021

Assets	2022	2021
Current assets:		
Cash and cash equivalents	$ 317,886,450	181,153,084
Investments – unrestricted	732,779,215	699,966,457
Maternity case rate receivable	3,828,204	4,041,172
Reinsurance recoveries receivable	6,033,202	2,804,617
Interest receivable	3,188,605	2,144,963
Pharmacy rebates receivable	5,969,874	5,877,556
Premium receivable	8,635,369	19,814,858
Risk corridor receivable	2,551,339	7,790,695
Pay for performance incentive receivable	55,690,000	58,521,482
Other receivables	24,140,175	6,833,063
Prepaid expenses and other current assets	28,952,720	35,389,549
Total current assets	1,189,655,153	1,024,337,496
Assets limited as to use:		
Investments – statutory reserves	318,171	373,037
Investments – contractual reserves	23,053,615	18,637,157
Total assets limited as to use	23,371,786	19,010,194
Property, building and equipment, net	14,943,066	15,355,729
Other assets:		
Other assets	2,967,592	4,567,840
Surplus note receivable	39,535,435	32,740,704
Total other assets	42,503,027	37,308,544
Total assets	$ 1,270,473,032	1,096,011,963

(Continued)

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Financial Position

December 31, 2022 and 2021

Liabilities and Net Assets		2022	2021
Current liabilities:			
Accrued medical claims payable	$	176,405,172	175,942,315
Purchased healthcare pending payment		85,235,681	11,487,609
Accounts payable and accrued expenses		113,981,091	59,818,114
Medicare advances payable		4,606,936	—
Risk corridor payable		30,453,025	15,540,201
Accrued payroll and benefits		31,028,362	24,890,359
Premium recoupment payable		32,374,378	43,043,518
Pay for performance incentive payable		79,823,716	71,019,932
Other current liabilities		1,207,400	1,588,152
Total current liabilities		555,115,761	403,330,200
Other liabilities		3,389,584	4,473,486
Net assets:			
Without donor restrictions		711,257,820	687,667,707
With donor restrictions		709,867	540,570
Total net assets		711,967,687	688,208,277
Total liabilities and net assets	$	1,270,473,032	1,096,011,963

See accompanying notes to consolidated financial statements.

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Activities

Years ended December 31, 2022 and 2021

	2022	2021
Revenues:		
Net premium	$ 2,338,705,384	2,064,973,947
Patient service	11,014,514	9,554,370
Management services	14,201,987	14,103,401
Other	2,568,760	1,434,300
Total revenues	2,366,490,645	2,090,066,018
Operating expenses:		
Purchased healthcare	2,025,286,251	1,727,340,560
Salaries and benefits – medical	14,662,422	12,388,984
Salaries and benefits – other	113,761,428	101,739,833
Claims administration	8,237,792	6,991,025
Other administrative	59,760,147	46,849,678
Management services	18,892,463	17,109,391
Charitable contributions	45,746,365	11,488,841
Total operating expenses	2,286,346,868	1,923,908,312
Revenues over operating expenses	80,143,777	166,157,706
Other income (expense):		
Investment (loss) income	(56,554,274)	13,892,098
Other expense	610	(929,062)
Total other income (expense)	(56,553,664)	12,963,036
Change in net assets without donor restrictions	$ 23,590,113	179,120,742

See accompanying notes to consolidated financial statements.

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Net Assets

Years ended December 31, 2022 and 2021

	2022	2021
Net assets without donor restrictions:		
Change in net assets without donor restrictions	$ 23,590,113	179,120,742
Net assets with donor restrictions:		
Change in net assets with donor restrictions	169,297	(201,493)
Change in net assets	23,759,410	178,919,249
Net assets, beginning of year	688,208,277	509,289,028
Net assets, end of year	$ 711,967,687	688,208,277

See accompanying notes to consolidated financial statements.

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Change in net assets	$ 23,759,410	178,919,249
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation and amortization	1,975,928	3,414,436
Change in net unrealized and realized loss on investments	72,210,957	3,818,301
In-kind contribution	833,883	—
Loss on disposal of property, building and equipment	—	58,718
Changes in operating assets and liabilities:		
Maternity case rate receivable	212,968	(917,165)
Reinsurance recoveries receivable	(3,228,585)	(607,512)
Interest receivable	(1,043,642)	(7,685)
Pharmacy rebates receivable	(92,318)	3,035,471
Premium receivable	11,179,489	(6,135,777)
Risk corridor receivable	5,239,356	193,052
Pay for performance incentive receivable	2,831,482	(42,206,725)
Other receivables	(17,307,112)	(853,539)
Prepaid expenses and other current assets	6,436,829	(27,433,904)
Other assets	1,600,248	(186,992)
Accrued medical claims payable	462,857	32,364,777
Purchased healthcare pending payment	73,748,072	(170,744)
Managed care contract payable	—	(628,059)
Accounts payable and accrued expenses	53,947,698	20,569,103
Medicare advances payable	4,606,936	—
Risk corridor payable	14,912,824	13,913,703
Accrued payroll and benefits	6,138,003	8,598,036
Premium recoupment payable	(10,669,140)	20,231,125
Pay for performance incentive payable	8,803,784	12,908,096
Other current liabilities	(380,752)	899,515
Other liabilities	(1,083,902)	(600,396)
Net cash provided by operating activities	255,095,273	219,175,084

(Continued)

CAREOREGON, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended December 31, 2022 and 2021

		2022	2021
Cash flows from investing activities:			
Proceeds from investment sales	$	149,194,591	138,203,996
Purchase of investments		(258,579,898)	(330,116,616)
Purchase of property, building and equipment		(2,397,148)	(1,086,099)
Issuance of surplus note receivable		(39,402,452)	(32,823,000)
Repayment on surplus note receivable		32,823,000	20,710,000
Net cash used in investing activities		(118,361,907)	(205,111,719)
Net increase in cash and cash equivalents		136,733,366	14,063,365
Cash and cash equivalents, beginning of year		181,153,084	167,089,719
Cash and cash equivalents, end of year	$	317,886,450	181,153,084
Supplementary cash flow information:			
Cash paid for interest	$	5,217	543
Cash paid for income taxes		250	39,898
Non-cash investing and financing activities:			
Operating lease recognized via adoption of ASC 842	$	—	5,014,842

See accompanying notes to consolidated financial statements.

(1) Nature of Business and Organization

CareOregon, Inc. (CareOregon) has contracted with several Coordinated Care Organizations (CCOs) and with the Oregon Health Authority (OHA) to manage care and provide healthcare services to Medicaid enrollees. CareOregon contracts with a network of community and private medical providers throughout the State of Oregon, paying negotiated fees for health services to these providers. The contracts with the CCOs and OHA are renewable after terms ranging from one to five years.

CareOregon is organized and operated exclusively for charitable, educational, and scientific purposes, including, for such purposes, making distributions to organizations that qualify as exempt organizations under Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC). CareOregon's mission is to inspire and partner to create quality and equity in individual and community health. CareOregon's vision is healthy communities for all individuals, regardless of income or social circumstances.

CareOregon has organized its activities around the principles of the Triple Aim, as articulated by the Institute for Healthcare Improvement, to achieve high standards of population health for its members, to promote and provide health and other care, which is patient centered and results in high levels of patient satisfaction, and to provide services at reasonable per capita costs.

CareOregon works strategically with its board of directors, provider network and community benefit organizations and demonstrates its commitment to eliminate health disparities for its members of color and those most harmed by systematic and structural oppression by playing a vital role in non-traditional medical and/or social determinants of health spending in the communities it serves. CareOregon focuses on its members' access to essential services such as housing, education and healthy food, and care integration by ensuring its members have access to culturally and linguistically appropriate care that is coordinated across primary, specialty, behavioral and oral health.

CareOregon has two wholly owned limited liability company (LLC) CCOs: Columbia Pacific CCO, LLC and Jackson County CCO, LLC. All covered members of these health plans are covered by the Oregon Health Plan (OHP) and associated risks related to the members are transferred from these CCOs to CareOregon as well as the members of an independently formed CCO, Health Share of Oregon (Health Share), through risk delegation agreements.

CareOregon holds Management Service Agreements (MSAs) with its subsidiaries. CareOregon also holds an Administrative Service Agreement (ASA) with Health Share. Under the terms of the MSAs or ASA, the entities utilize CareOregon's personnel, office space, equipment, computer systems, software, and operating methodologies to operate their business.

On December 14, 2022, CareOregon and California-based SCAN Group announced that they have entered into a definitive agreement to combine as a mission-driven not-for-profit healthcare organization under the name HealthRight Group, subject to approvals from their regulators. HealthRight Group will bring together the expertise and resources of two organizations to improve access for people traditionally underserved by the U.S. healthcare system.

The consolidated financial statements include the financial statements of CareOregon and following subsidiaries (the Organization):

(a) Coordinated Care Organizations

Columbia Pacific CCO, LLC – CareOregon formed a wholly owned, single-member subsidiary, Columbia Pacific CCO, LLC (Columbia Pacific) in April 2012. Columbia Pacific serves OHP members in Clatsop, Columbia, and Tillamook counties of Oregon and is regulated by the OHA.

Jackson County CCO, LLC – CareOregon formed a wholly owned, single-member subsidiary, Jackson County CCO, LLC (Jackson Care Connect) in May 2012. Jackson Care Connect serves OHP members in Jackson County of Oregon and is regulated by the OHA.

(b) Other Subsidiaries

Health Plan of CareOregon, Inc. – CareOregon formed Health Plan of CareOregon, Inc. (Health Plan) in 2005 as a wholly owned subsidiary. Health Plan is a domestic Oregon nonprofit benefit corporation, wholly owned by CareOregon.

Health Plan is a Health Care Service Contractor (HCSC) domiciled in the state of Oregon and is regulated by the Department of Consumer and Business Services (DCBS), Division of Financial Regulation (the Insurance Division). Health Plan offers a Special Needs Medicare Advantage and Prescription Drug Plans (MA-PD Plan) with the Center for Medicare and Medicaid Services (CMS). The Special Needs MA-PD Plan primarily targets enrollment of Medicaid and Medicare dual eligible members.

Care Access LLC – Formed in July 2009, Care Access LLC (Care Access) purchased a medical office building in July 2009 to improve access to primary care services in the underserved Rockwood area of Gresham, Oregon. Care Access improved the building and receives rental income from its medical clinic tenant, Multnomah County Health Department.

900 S Holladay Dr, LLC – 900 S Holladay Dr, LLC was formed in September 2022 for the purpose of acquiring a property in Seaside, Oregon in the future. The property will be converted into supportive housing for the region's healthcare workforce and OHP members with behavioral health needs. Columbia Pacific will operate the housing with its local community based partners.

Housecall Providers Services, LLC – Organized in April 2017 as an Oregon LLC and disregarded entity for tax purposes, Housecall Providers Services, LLC (HCP LLC) provides home-based care and hospice services.

Housecall Providers, PC – Organized in April 2017 as an Oregon professional corporation, Housecall Providers, PC (HCP PC) is 51% owned by CareOregon's chief medical officer and 49% owned by CareOregon. Although CareOregon owns the minority interest of HCP PC, it retains ultimate control. Upon the dissolution of HCP PC, its net assets would be distributed to CareOregon, which makes CareOregon the primary beneficiary of HCP PC. For purposes of financial reporting, HCP PC is consolidated as a wholly owned subsidiary.

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting and Presentation

The accompanying consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States (GAAP). The Organization presents its financial statements in accordance with Financial Accounting Standards Board's (FASB) Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*. Under ASC Topic 958, the Organization is required to report information regarding its financial position and activities according to two classes of net assets: net assets without donor restrictions and net assets with donor restrictions.

(b) Principles of Consolidation

The consolidated financial statements include the accounts of CareOregon and its subsidiaries. All material interorganization transactions have been eliminated.

(c) Use of Estimates

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

Significant estimates in these consolidated financial statements include accrued medical claims payable, investments, premium deficiency reserve (PDR), pay for performance (P4P) receivable and payable, and minimum medical loss ratio rebate liabilities.

(d) Concentrations of Risk

Financial instruments, which potentially subject the Organization to concentrations of credit risk, consist of cash and cash equivalents and investments – unrestricted. The Organization maintains its cash and cash equivalents in accounts that, at times, may exceed federally insured limits. Investments are primarily fixed-income securities and by their nature are subject to changes in vale caused by market interest rate fluctuations. Potential concentrations of credit risk exist due to market concentrations of high-quality-fixed-income investments, which react similarly to changing economic conditions.

The Organization's revenue was primarily generated by providing healthcare services in accordance with the terms of OHA, Health Share or CMS contracts or by providing management services in accordance with the terms of the MSAs or ASA to the entities that contract with OHA. Loss of the contract or agreement due to nonrenewal, federal and state health policy changes, or legislative funding decisions could materially affect the financial position of the Organization. The OHA contracts are currently in effect through December 31, 2024. Health Share and CMS contracts are renewable on an annual basis.

Segments of the member population are served by concentrations of clinics and hospitals in counties throughout Oregon. Nonrenewal of provider contracts could result in limited member access to care. The Organization's personnel, members, patients, and provider networks are geographically concentrated in the state of Oregon.

(e) Revenue Recognition

The Organization follows revenue recognition guidance under ASC Topic 606, *Revenue from Contracts with Customers*. The core principle behind ASC Topic 606 is that an entity should recognize revenue to depict the transfer of promised goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for delivering those goods and services.

Disaggregation of revenue by contract type was as follows:

	2022	2021
Medicaid and related contracts	$ 2,079,435,202	1,846,843,956
Medicare contract	259,270,182	218,129,991
Patient services	11,014,514	9,554,370
Management service contracts	14,201,987	14,103,401
Other	2,568,760	1,434,300
	$ 2,366,490,645	2,090,066,018

Medicaid and related contracts – Medicaid premium revenues are derived from risk-based health insurance contracts with OHA or Health Share in which the premium is a capitated rate per member per month based on OHP member eligibility category (transaction price). The performance obligation is the Organization's assumption of the economic risk of funding assigned members' health care and related administrative costs. Medicaid premium revenues are recognized when the Organization satisfies the performance obligation, net of applicable gross premium tax.

Pay for performance (P4P) incentive is recognized as performance obligations are satisfied in the period earned. OHA incentivizes CCOs to perform against pre-defined metrics by setting aside a certain percentage of Medicaid capitation premium for the P4P pool and paying based on the percentage of metrics met. Some examples of the metrics include clinical measures and member surveys. Each CCO determines how to use the funds. Amounts intended for providers or other spending are recorded as pay for performance incentive payables. The transaction price is defined in the CCO contract and initial allocation amount by CCO is published by OHA toward the end of each contract year. P4P incentive is recognized in the period earned based on these initial allocations and estimated percentage of the metrics met and is included in net premium revenue. For the years ended December 31, 2022 and 2021, the P4P incentive revenues were $76,916,535 and $60,604,842, respectively.

Maternity case rate premiums are paid based on a case rate established by OHA and are recognized as a maternity case rate receivable in the period that a birth occurs based on estimated number of births. For the years ended December 31, 2022 and 2021, maternity case rate premium revenue was $41,378,520 and $42,060,051, respectively.

OHA and the Organization share profit and losses on certain benefits within defined risk corridors around a target amount determined in the contract. Estimated adjustments from these risk corridors are reflected in premium revenue.

Qualified Directed Payments (QDP) are payments made by OHA to CCOs from three Quality and Access pools; Rural Type A & B hospitals, DRG (Diagnosis-Related Group) hospitals and Public Academic Health Centers. Such payments are then passed through to providers at rates set by the OHA. QDPs are tied to inpatient discharges and outpatient encounters by Medicaid members enrolled in a CCO. QDP payments are reported on a net basis and accordingly, are not recorded as premium revenue or purchased healthcare expenses. The QDP payments for the years ended December 31, 2022 and 2021 were $99,931,352 and $97,671,980, respectively.

The Ground Emergency Medical Transportation (GEMT) CCO Supplemental Payment Program was developed by OHA late 2021 and the program seeks to increase reimbursements to emergency medical systems that provide GEMT services by maximizing the federal funding available. GEMT amounts received are to be paid in full to designated emergency medical systems. GEMT payments are recorded as amounts withheld or retained for the account of others when received. The receipts and payments are reported on a net basis and accordingly are not recognized as premium revenue or expense. The GEMT amounts received and paid for the year ended December 31, 2022 were $902,549.

Medicare contract **–** Medicare premium revenues are derived from risk-based health insurance contracts with CMS. Medicare premiums receivable and revenue are recorded when the Organization satisfies the performance obligation. Premiums earned represent amounts received from CMS for healthcare services and are recognized as revenue in the period in which the enrolled members are entitled to receive healthcare services. Costs incurred in connection with acquiring new insurance business, such as sales commissions, are expensed as incurred.

CMS calculates the premiums the Organization receives using risk scores assigned to its enrolled members. These risk scores are derived from the severity of illness evidenced by claims the Organization receives from providers and other data, which are submitted to CMS. The Organization recognized premium revenue and premium receivables from CMS for these risk score adjustments. For the years ended December 31, 2022 and 2021, prior year risk score adjustments included in premium revenue were $1,914,664 and $1,416,000, respectively. Risk score receivables are $8,441,000 and $4,953,288 at December 31, 2022 and 2021, respectively. These amounts are included on the consolidated statements of financial position as premium receivable.

The Medicare Part D federal reinsurance reimbursements and low-income cost sharing (LICS) subsidy payments received are typically advance payments from CMS and therefore, these subsidy amounts received in excess of payments made are reported as Medicare advances payable. The Medicare Part D federal reinsurance reimbursements and LICS subsidies are eventually recognized as a reduction in pharmacy claims paid as gross pharmacy claim expenses are recorded based on Prescription Drug Event data returned from CMS. The amounts of reimbursement and subsidy payments received for 2022 and 2021 were $58,519,435 and $47,384,668, respectively.

CMS and the Organization share profit and losses on the Medicare Part D benefit within defined risk corridors around a target amount determined in the contract. At December 31, 2022 and 2021, the Organization had an experience rating refund receivable of $2,488,285 and $4,768,313, respectively, and an increase in premiums earned of $1,387,350 and $2,372,980, respectively, related to the anticipated risk corridor adjustment. The amount of net premiums written by the Organization in the

years ended December 31, 2022 and 2021 subject to retrospective rating features were $19,264,239 and $15,138,221, respectively.

Patient services – Patient service revenue is recorded at the time clinical services are provided based on estimated amounts due from third-party payors and patients. Patient service revenue is recorded net of explicit and implicit price concessions. Accounts receivable related to net patient service revenue is included in other receivables.

Management services – Management services revenue is recognized in the period in which management services are provided. Under the terms of these contracts, the Organization is entitled to receive a monthly fee which is calculated at the transaction price defined in the agreements. Revenues are recognized as the Organization performs, or makes available, the applicable services to the client entities.

Other – Other revenue is recognized when performance obligations defined in the contract/agreement are satisfied and the transaction price defined in the contract is realized or realizable and earned. Contributions received are recognized under the guidance under ASC Topic 958 unless the agreement or arrangement related to the contribution received is determined to be an exchange transaction. In such cases, the Organization follows the revenue recognition guideline under ASC Topic 606.

(f) Minimum Medical Loss Ratios

As part of the Patient Protection and Affordable Care Act (Healthcare Reform), minimum medical loss ratios (MLR) were mandated for all commercial fully insured medical plans with annual rebates owed to policyholders if the actual loss ratios, calculated in a manner prescribed by the U.S. Department of Health and Human Services (HHS) fall below certain targets. HHS issued guidance specifying the types of costs that should be included in benefit expense for purposes of calculating MLR.

The target MLR for the Medicare plans is 85% for the years ended December 31, 2022 and 2021. CCOs are also required to maintain a minimum medical loss ratio of at least 85% for the total Medicaid member population for the three-year period ending December 31, 2023 and the year ended December 31, 2020. CCOs and Medicare plans are required to rebate to OHA, CMS or Health Share any dollar amounts short of these target ratios. For the three-year period ending December 31, 2023, some of the Organization's MLRs for Medicaid contracts are expected to be below the minimum target levels. Accordingly, MLR rebate liabilities totaling $26,656,261 and $21,605,000 were included in premium recoupment payable as of December 31, 2022 and 2021, respectively. For the contract year ended December 31, 2020, the Organization's MLR for Medicare contract was below the minimum target levels and MLR rebate liability of $20,236,000 was recorded as of December 31, 2021. This amount was recouped by CMS during the year ended December 31, 2022. No MLR liability was considered necessary related to plan year 2022 for Medicare.

(g) Risk Delegation Agreements

CareOregon accepts, through risk delegation agreements, the CCO health capitation and associated financial risk for Jackson Care Connect and Columbia Pacific CCOs' members and for those Health Share members assigned to CareOregon.

(h) Net Investment Income

Investment income consists of interest earnings, dividends, and both realized and unrealized gains and losses. Investment income is presented net of investment transaction, custodial, and advisory fees, which are expensed as incurred. Interest and dividends represent amounts earned on investment holdings and are accrued when earned. Realized investment gains and losses are recorded upon sale of securities. Unrealized gains or losses represent net changes in fair market value.

(i) Reinsurance

In the normal course of business, the Organization 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 Organization 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. Reinsurance premiums and recoveries are reported as components of medical costs. In addition, the Organization is required to obtain certain reinsurance coverage as a contractor of OHA and CMS.

Total reinsurance premiums incurred in 2022 and 2021 were $8,137,380 and $7,715,842, respectively. Reinsurance recoveries earned in 2022 and 2021 were $7,330,141 and $3,649,001, respectively.

(j) Income Taxes

The Internal Revenue Service has recognized CareOregon and its subsidiaries as exempt from federal income taxes under provisions of Section 501(c)(3) of the Internal Revenue Code.

The Organization recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by the tax authorities, based on the technical merits of the position. The tax benefit is measured based on the benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The Organization recognizes interest and penalties related to income tax matters in interest expense and other administrative expenses, respectively.

(k) Fair Value Measurements

Fair value is the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction among market participants at the measurement date. Market participants are buyers and sellers who are independent, knowledgeable and willing and able to transact in the principal (or most advantageous) market for the asset or liability being measured.

Fair value is based on quoted market prices, when available, for identical or similar assets or liabilities. In the absence of quoted market prices, management determines the fair value of the Organization’s assets and liabilities using valuation models or third-party pricing services, both of which rely on market-based parameters when available, such as interest rate yield curves, option volatilities, and credit spreads. The valuation techniques used are based on observable and unobservable inputs.

Observable inputs are those assumptions which market participants would use in pricing the particular asset or liability. These inputs are based on market data and are obtained from a source independent of the Organization.

Unobservable inputs are assumptions based on the Organization's own information or estimate of assumptions used by market participants in pricing the asset or liability. Unobservable inputs are based on the best and most current information available on the measurement date.

ASC Topic 820, *Fair Value Measurement*, establishes a three-level valuation hierarchy for determining fair value that is based on the transparency of the inputs used in the valuation process. The inputs used in determining fair value in each of the three levels of the hierarchy are as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – Either (i) quoted prices for similar assets or liabilities; (ii) observable inputs, such as interest rates or yield curves; or (iii) inputs derived principally from or corroborated by observable market data or other pricing sources with reasonable levels of transparency

Level 3 – Unobservable inputs

The hierarchy gives the highest ranking to Level 1 inputs and the lowest ranking to Level 3 inputs. The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest-level input that is significant to the overall fair value measurement.

The carrying amount is stated at fair value, and amounts are based on quoted market prices or alternative pricing sources with reasonable levels of transparency. Fair values and pricing methodology of investments are disclosed in notes 3 through 6.

(l) Cash and Cash Equivalents

The Organization considers cash to be cash in the bank or on hand and available for current use. Cash equivalents are investments with original maturities of three months or less at date of purchase and approximate fair value. Cash equivalents exclude such amounts held as part of the investment portfolio.

(m) Investments – Unrestricted

Investments are stated at fair market value based on quoted market prices as of the statement of financial position dates (notes 3 and 6). Changes in fair value are recorded in investment income.

(n) Investments – Statutory Reserves

The statutory reserves are required by the Insurance Division for Health Plan, and include treasury bonds and cash, stated at fair market value (note 4). Changes in fair value are recorded in investment income.

(o) Investments – Contractual Reserves

The contractual reserves are required by OHA for CareOregon, Columbia Pacific, and Jackson Care Connect and include cash and securities stated at fair market value. OHA requires these funds to be held for the purpose of making payments to providers in the event of CareOregon's insolvency (note 5). Changes in fair value are recorded in investment income.

(p) Receivables

Receivables consist primarily of amounts owed to the Organization for capitated premiums, maternity case rate premiums, P4P payments, reinsurance recoveries, and pharmacy rebates receivables. The Organization does not require collateral or other security to support the recorded receivable amounts. Management has estimated an allowance against maternity case rate receivables based on an aging analysis and the likelihood of collection.

(q) Property, Building and Equipment, Net

Property, building and equipment, net are stated at cost, and are depreciated or amortized using the straight-line method over the estimated useful life. Useful lives are determined by the asset type, and can range from 3 to 30 years. Repairs and maintenance related to property, building and equipment are expensed as incurred. Land is not depreciated.

(r) Leases

In accordance with ASC Topic 842, *Leases*, CareOregon determines if an arrangement is a lease or contains a lease at inception of a contract and when the terms of an existing contract are modified in order to determine if a lease liability and a right of use (ROU) asset should be recognized at the commencement of the lease. On the consolidated statements of financial position, ROU assets are included in other assets and the current portion of lease liabilities are included in other current liabilities, whereas the long-term portion of lease liabilities is included in other liabilities. The lease liability is initially recognized based on the present value of its future lease payments. The ROU asset is initially measured at the amount of the lease liability, plus unamortized initial direct costs, plus or minus any prepaid or accrued lease payments, less the unamortized balance of lease incentives, and any impairment recognized. Lease cost for lease payments is recognized on a straight-line basis over the lease term.

(s) Accrued Medical Claims Payable and Purchased Healthcare Pending Payment

Accrued medical claims payable represents an estimate of medical costs incurred, but not yet billed and processed, through the date of the consolidated statement of financial position. The purchased healthcare pending payment includes amounts billed, processed, and pending payment for purchased healthcare.

Management's evaluation of the adequacy of the accrued medical claims payable is based on a review of utilization data, and an actuarial review of historical claims experience. It is reasonably possible that the estimated accrued medical claims payable will change in the near term.

(t) Premium Deficiency Reserve

In accordance with ASC Topic 450, *Contingencies*, the Organization records a PDR to recognize anticipated losses on contracts. A premium deficiency shall be recognized if the sum of expected claim costs, claim adjustment expenses, and maintenance costs exceeds related premiums revenue. The Organization uses anticipated investment income as a factor in the PDR calculation. The evaluations are subjected to an actuarial review and analysis. No PDR was deemed necessary for the Organization as of December 31, 2022 or 2021 based on anticipated financial performance.

(u) Managed Care Contracts Payable

The Organization accrues QDP payables as these payments are received from OHA in conjunction with their Medicaid premiums. Also included in managed care contracts payable is a 2.0% gross premium tax imposed on CCOs, payable to OHA on a quarterly basis.

(v) Medicare Advances

The Organization receives federal reinsurance and low-income cost sharing subsidy payments from CMS related to its Medicare Part D coverage. Amounts received are recorded as Medicare advances payable until the related claim payments are made. At December 31, 2022 and 2021, Medicare Part D subsidy payments received did not exceed expenses incurred, and therefore, the Organization recorded premium receivable.

(w) Risk Corridor Receivable or Payable

Risk corridor receivable or payable of the Organization includes receivables or liabilities related to the following risk sharing arrangements.

Medicare Part D – The federal government and the Organization share profit and losses on the Medicare Part D benefit around a target amount within defined risk corridors determined in the annual Medicare contract. At December 31, 2022 and 2021, the Organization had an experience rating refund receivable and revenue adjustments of $2,488,285 and $4,768,313, respectively, related to the anticipated risk corridor adjustment.

Hepatitis C (Hep C) – In 2017, OHA began providing a risk sharing arrangement with the CCO's for Hep C services with no risk share if actual experience is within +/-5% of the target and 100% risk share if actual is more than 5% greater or lower than the target. With expenses less than target, the Organization had estimated payables of $21,238,280 and $13,392,273 for the years ended December 31, 2022 and 2021, respectively, included in the risk corridor payable.

Healthier Oregon Program (HOP) including Cover All Kids (CAK) – In 2018, OHA began providing a risk sharing arrangement with the CCO's for the services related to the CAK Program with no risk share if the actual expense is within +/-10% of the target, a 50% risk share if actual is 10 to 20% from target, and 100% share if actual is more than 20% greater or lower than the target. In 2022, the CAK Program has been extended to the adult population and was renamed as HOP. With expenses less than target, the Organization had estimated liabilities of $9,151,691 and $2,122,934 at December 31, 2022 and 2021, respectively, included in the risk corridor payable.

(x) Reclassifications

Certain reclassifications have been made to the 2021 consolidated financial statements to conform with the 2022 presentation.

(y) Recent Accounting Pronouncements

In September 2020, the FASB issued ASU No. 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, with the goal of increasing the transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. This standard is effective for the Organization's 2022 consolidated financial statements. The adoption of this standard did not have any impact to the Organization's consolidated financial statements.

(z) Subsequent Events

Subsequent events are events or transactions that occur after the financial statement date but before consolidated financial statements are available to be issued. The Organization recognizes in the consolidated financial statements the effect of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements.

The Organization has evaluated subsequent events through April 26, 2023, which is the date the consolidated financial statements were available to be issued.

(3) Investments – Statutory Reserves

Investments – statutory reserves, as of December 31, 2022 and 2021, consist of U.S. Treasury Notes. These funds are required for Health Plan by the Insurance Division.

As of December 31, 2022, the amortized cost basis and estimated fair market value of the statutory reserves are $370,318 and $318,171, respectively, as compared to $373,344 and $373,037 as of December 31, 2021, respectively.

(4) Investments – Contractual Reserves

Investments – contractual reserves, as of December 31, 2022 and 2021, consist of government bonds, certificate of deposits, U.S. Treasury notes, and money market funds. These funds are restricted as to their use and are held to satisfy required risk-based reserves established by the OHA.

As of December 31, 2022, the amortized cost basis and the estimated fair market value of the contractual reserves are $24,049,878 and $23,053,615, respectively, as compared to $18,718,114 and $18,637,157 as of December 31, 2021, respectively.

(5) Fair Value of Investments

The table below shows the Organization's investments as of December 31, 2022 and 2021 measured at fair value on a recurring basis and indicates the fair value hierarchy of the valuation techniques utilized by the Organization to determine such fair value. Assets and liabilities are considered to be "fair value on a recurring basis" if fair value is regularly measured.

While estimates of fair value are based on management's judgment of the most appropriate factors, had the Organization disposed of such items at December 31, 2022 and 2021, the actual sales prices may have differed. Since market values may differ depending on various circumstances, the estimated fair values as of December 31, 2022 and 2021 should not necessarily be considered to apply at subsequent dates.

Investments measured at fair value comprise marketable securities. Marketable security fair values are based on quoted market prices. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

	Fair value measurements at December 31, 2022			
	Total	Level 1	Level 2	Level 3
Restricted investments:				
Money markets	$ 810,067	810,067	—	—
Certificates of deposit	11,785,593	—	11,785,593	—
U.S. Treasury notes	5,095,690	5,095,690	—	—
U.S. agency bonds	5,680,436	—	5,680,436	—
Government:				
U.S. Treasury notes	288,368,131	288,368,131	—	—
Canadian government agency bonds	488,765	—	488,765	—
U.S. agency bonds	85,100,544	—	85,100,544	—
Corporate bonds	162,802,535	—	162,802,535	—
Municipal bonds	30,277,789	—	30,277,789	—
Mutual and commingled funds	128,695,018	86,257,685	42,437,333	—
Other asset-backed securities	37,046,433	—	37,046,433	—
	$ 756,151,001	380,531,573	375,619,428	—

	Fair value measurements at December 31, 2021			
	Total	Level 1	Level 2	Level 3
Restricted investments:				
Money markets	$ 3,683,564	3,683,564	—	—
Certificates of deposit	8,027,298	—	8,027,298	—
U.S. Treasury notes	5,322,932	5,322,932	—	—
U.S. agency bonds	1,976,400	—	1,976,400	—
Government:				
U.S. Treasury notes	253,273,185	253,273,185	—	—
Canadian government agency bonds	1,533,200	—	1,533,200	—
U.S. agency bonds	77,496,884	—	77,496,884	—
Corporate bonds	166,637,713	—	166,637,713	—
Municipal bonds	30,018,171	—	30,018,171	—
Mutual and commingled funds	138,257,057	138,257,057	—	—
Other asset-backed securities	32,750,247	—	32,750,247	—
	$ 718,976,651	400,536,738	318,439,913	—

(Continued)

The Organization's investments in mutual and commingled funds include units held in a fund that is valued at fair value using the NAV as a readily determinable fair value. The NAV of the fund is calculated based on a compilation of primarily observable market information. The NAV of the fund is determined daily based on net assets at fair market value, and the Organization can transact at that NAV on a daily basis. The number of units of the fund that is outstanding on the calculation date is derived from observable purchase and redemption activity in the fund. The minimum initial investment in this fund is $10 million. The redemption frequency of this fund is on any business day with a written notice by no later than 4:00 p.m. Eastern Standard Time. There is no outstanding unfunded commitments as of December 31, 2022.

(6) Property, Building and Equipment, Net

Property, building and equipment, net at December 31 consists of the following:

	2022	2021
Land	$ 2,704,520	2,704,520
Building and improvements	24,025,540	23,655,859
Computer software	14,228,247	14,173,652
Computer equipment	4,162,850	3,999,253
Furniture and equipment	4,088,113	3,749,760
Other	2,390,300	919,380
	51,599,570	49,202,424
Less accumulated depreciation and amortization	(36,656,504)	(33,846,695)
	$ 14,943,066	15,355,729

Total depreciation and amortization expense at 2022 and 2021 was $1,975,928 and $3,414,436, respectively, and is included in other administrative expenses on the consolidated financial statements.

(7) Change in Accrued Medical Claims Payable

Accrued medical claims payable includes unpaid claims (both reported and unreported) and claims adjustment expense. Unpaid claims incurred but not reported represent an estimate of claims incurred for or on behalf of the Organization's members that had not yet been reported to the Organization in the consolidated statements of financial position. Unpaid claims incurred but not reported are based on a number of factors including hospital admission data and prior claims experience, as well as claims processing patterns. Adjustments, if necessary, are made to medical expense in the period the actual claims costs are ultimately determined.

Claims adjustment expense represents costs incurred related to the claim settlement process, such as costs to record, process, and adjust claims. These expenses are calculated based on current claim adjustment costs.

For the years ended December 31, activity in the reserves for unpaid claims and claims adjustment expense was as follows:

	2022	2021
Balances at January 1	$ 175,942,315	143,577,538
Incurred related to:		
Current year	1,397,345,694	1,286,797,111
Prior years	(28,995,323)	(17,361,772)
Total incurred	1,368,350,371	1,269,435,339
Paid related to:		
Current year	1,224,145,362	1,112,794,092
Prior years	143,742,152	124,276,470
Total paid	1,367,887,514	1,237,070,562
Balances at December 31	$ 176,405,172	175,942,315

In addition to total incurred claims above, the Organization's purchased healthcare expense includes non-claim healthcare expenses.

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately adjudicated and paid. Liabilities are reviewed and revised as information regarding actual claims payments becomes known.

As a result of changes in estimates of insured events in the prior years, the provision for unpaid claims and claims adjustment expense decreased by $31,126,223 and $17,361,772 in 2022 and 2021, respectively, due to actual expenses related to prior years totaling less than estimated by the Organization.

(8) Employee Benefit Plans

CareOregon has established a 401(k) plan covering all employees who are at least 18 years of age. CareOregon matches employee deferrals and allows supplemental discretionary employer contributions as determined each year by the Organization's board of directors. CareOregon made 401(k) contributions of $9,670,488 and $8,009,424 for the years ended December 31, 2022 and 2021, respectively.

CareOregon has two voluntary deferred compensation plans under Sections 457(b) and 457(f) of the Internal Revenue Code. Qualification for participation in those plans is limited to management personnel. Section 457 plans result in unsecured liabilities owed by CareOregon to the participants for future payments. Should CareOregon become insolvent, the employee deferrals would be considered "unsecured assets" and, as such, would be available to satisfy all creditor claims. CareOregon made no voluntary employer contributions to Section 457 plans during 2022 and 2021. Contribution payable to Section 457 plans was $974,392 and $834,124 as of December 31, 2022 and 2021, respectively.

CareOregon has established an employee sabbatical plan for eligible employees. Employees are eligible to take sabbatical leave of 4 to 12 weeks, partially or fully paid by CareOregon, depending on the years of

service. The eligibility was implemented retroactively for all eligible employees based on their prior service. The total sabbatical leave liability was $5,913,271 and $4,159,402 at December 31, 2022 and 2021, respectively.

(9) Related-Party Transactions

In 2022 and 2021, the Organization's Boards of Directors included representatives of provider organizations that maintain contractual agreements or other transactions with the Organization. The contractual agreements cover transactions in the normal course of business for medical services, network development, operating agreements, and charitable contributions. Further, the Organization's management has one board seat on Health Share of Oregon. As a result, each of these entities is considered a related party, but such relationships do not create control or equity method accounting requirements.

Health Share: CareOregon provides certain management services to Health Share including employee leasing, human resources, financial services, IT services, and customer services. Management services revenue earned under this agreement totaled $12,117,229 and $12,562,587 for the years ended December 31, 2022 and 2021, including leased employees' charges that represented 69% and 70% of management services revenue, respectively.

In August 2012, CareOregon and Health Share entered into a Grant Agreement. Under the agreement, CareOregon contributed $16,500,000 to Health Share to establish their restricted reserve account required under the OHA contract. This contribution was reflected in other administrative expenses. Under the terms of the OHA contract, the amount of the primary and secondary reserve requirements for Health Share on September 1, 2022 was higher than the amount of the grant and therefore Health Share was not required to return to CareOregon any portion of the grant and the restrictions were released.

In December 2020, CareOregon and Health Share entered into a surplus note agreement under the approval by OHA in order for Health Share to maintain a sufficient level of risk-based capital required under the OHA contract. Other plan partners of Health Share concurrently entered into the same agreements with their respective share. The surplus note carries a variable interest determined by the 3-year U.S. Treasury rate. Principal and interest payments under the surplus note are made only with an approval by OHA. The surplus note is renewed every 12 months generally with the same terms with the new amount deemed necessary for Health Share to meet the risk-based capital requirement. Because similar renewals are anticipated in future years, the surplus note receivable is classified as a noncurrent asset on the accompanying consolidated statements of financial position. The balance of this surplus note including accrued interest at December 31, 2022 and 2021 was $39,535,435 and $32,740,704, respectively. The current surplus note matures on November 30, 2023.

CareOregon and Health Share have entered into an Integrated Community Network Participation Contract (ICN Contract), which is automatically renewed for successive one-year terms until it is terminated. Under the ICN Contract, CareOregon arranges for services to members on a fully capitated basis, where CareOregon retains the risk. Capitated premium revenue received from Health Share under the ICN Contract during 2022 and 2021 equaled $1,514,816,239 and $1,238,211,667, respectively. Total net amounts receivable from (payable to) Health Share as of December 31, 2022 and 2021 were ($9,442,307) and $2,570,136, respectively.

(10) Lease Commitments

(a) Operating Lease Agreements – Lessee

The Organization holds commercial office lease contracts for some of its operating space. These lease contracts expire from March 2021 through October 2025.

The following table represents lease information as of and for the year ended December 31:

		2022	2021
Operating lease cost	$	1,268,161	1,419,886
Short-term lease cost		70,804	67,205
Total lease cost	$	1,338,965	1,487,091
Operating lease liabilities	$	2,753,874	4,102,615
Operating lease ROU assets		2,741,496	4,056,460

Maturities of lease liabilities under non-cancellable operating leases as of December 31 are as follows:

Year ending December 31:		
2023	$	974,274
2024		923,510
2025		802,587
2026		72,353
Total undiscounted lease payments		2,772,724
Less interest portion		(18,850)
Total lease liabilities	$	2,753,874

As of December 31, 2022 and 2021, weighted average lease term of operating leases was 3.1 years and 3.6 years, respectively; and weight average discount rate was 0.41% and 0.40%, respectively.

Total lease expense was $1,338,965 and $1,487,091 for the years ended December 31, 2022 and 2021, respectively.

(b) Lease Agreements – Lessor

The building owned by Care Access was leased to Multnomah County Health Department (MCHD) under a lease agreement that expired on August 1, 2022. Lease income earned was $336,845 and $332,395, for the years ended December 31, 2022 and 2021, respectively. Upon expiration of the lease, Care Access agreed to transfer the ownership of the building to MCHD in exchange for a consideration of $1 million and extended the lease on a month-to-month basis until the sale was closed. Because the carrying value of the building was in excess of the consideration for the building

(Continued)

and the transfer was made with a charitable intent, an in-kind contribution of $833,883 was recorded on the accompanying consolidated financial statements.

(11) Commitments and Contingencies

(a) Regulatory

The Organization is subject to numerous and complex laws and regulations of federal, state, and local governments, and accreditation requirements. Compliance with such laws, regulations, and accreditation requirements can be subject to retrospective review and interpretation, as well as regulatory actions. These laws and regulations include, but are not necessarily limited to, requirements of tax exemption, government reimbursement, government program participation, privacy and security, false claims, accreditation, and healthcare reform. In recent years, government activity has increased with respect to compliance and enforcement actions.

In the ordinary course of business operations, the Organization is subject to periodic reviews, investigations, and audits by various federal, state, and local regulatory agencies and accreditation agencies.

The Organization's compliance with a wide variety of rules and regulations and accreditation requirements applicable to its business may result in certain remediation activities and regulatory fines and penalties, which could be substantial. Where appropriate, reserves have been established for such sanctions.

(b) Industry Regulations

The healthcare industry is subject to numerous laws and regulations of federal, state, and local governments. These laws and regulations included, but are not necessarily limited to, matters such as licensure, accreditations, government healthcare 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 healthcare providers. Violations of these laws and regulations could result in expulsion from government healthcare programs together with the imposition of significant fines and penalties. Management is not aware of any noncompliance 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.

(c) Payments from Federal and State Healthcare Programs

Entities doing business with government payors, including Medicare and Medicaid, are subject to risks unique to the government contracting environment that are difficult to anticipate and quantify. Revenue is 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. Resolution of such audits or reviews often extend (and in some cases does not even commence until) several years beyond the year in which services were rendered and/or fees received.

(12) Net Assets with Donor Restrictions

Net assets with donor restrictions represents resources, which are subject to restrictions specified by the grantors or donors. As of December 31, 2022 and 2021, all of the Organization's net assets with donor restrictions were temporary in nature, specified for a particular purpose. During 2022 and 2021, net assets released from donor restrictions by incurring expenses satisfying the restricted purposes totaled $169,203 and $201,493, respectively. For the years ended December 31, 2022 and 2021, the Organization received grants totaling $338,500 and $0, respectively, that are restricted based on passage of time or other events.

(13) Board-Designated Net Assets

The Organization's governing boards have not designated any net assets without donor restrictions for the specific purposes as of December 31, 2022 or 2021.

(14) Functional Expenses

The consolidated financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include salaries and benefits and other administrative expenses. Salaries and benefits are allocated based on estimated time and effort related to applicable entities, departments and/or specific functions. Other administrative expenses that are allocated include depreciation, office and occupancy and dues and subscription that are allocated based on specific identification, revenues, claim cost or member months.

Tables below present expenses by both their nature and their function for the year ended December 31, 2022 and 2021:

	For the year ended December 31, 2022			
	Member benefits	Management and general	Fund-raising	Total
Purchased healthcare	$ 2,025,286,251	—	—	2,025,286,251
Salaries and benefits – medical	14,662,422	—	—	14,662,422
Salaries and benefits – other	74,014,870	39,478,513	268,045	113,761,428
Claims administration	8,237,792	—	—	8,237,792
Other administrative	12,981,637	46,758,363	20,147	59,760,147
Management services	18,892,463	—	—	18,892,463
Charitable contributions	45,746,365	—	—	45,746,365
	$ 2,199,821,800	86,236,876	288,192	2,286,346,868

(Continued)

	For the year ended December 31, 2021			
	Member benefits	Management and general	Fund-raising	Total
Purchased healthcare	$ 1,727,340,560	—	—	1,727,340,560
Salaries and benefits – medical	12,388,984	—	—	12,388,984
Salaries and benefits – other	67,065,373	34,468,209	206,251	101,739,833
Claims administration	6,991,025	—	—	6,991,025
Other administrative	6,532,576	40,303,167	13,935	46,849,678
Management services	17,109,391	—	—	17,109,391
Charitable contributions	11,488,841	—	—	11,488,841
	$ 1,848,916,750	74,771,376	220,186	1,923,908,312

(15) Liquidity and Availability

The following table reflects the Organization's financial assets as of the date of the consolidated statements of financial position, reduced by amounts not available for general use because of statutory, contractual or donor-imposed restrictions within one year of the date of the consolidated statements of financial position. Amounts not available can include amounts set aside for specific programs that could be drawn upon if the governing board approves that action.

	2022	2021
Financial assets at year-end	$ 1,074,037,451	900,129,735
Less those unavailable for general expenditures within one year due to:		
Statutory or contractual restrictions:		
Statutory reserve	(318,171)	(373,037)
Contractual reserves	(23,053,615)	(18,637,157)
Donor-imposed restrictions:		
Restricted by donor with purpose restrictions	(709,867)	(540,570)
Financial assets available to meet cash needs for general expenditures within one year	$ 1,049,955,798	880,578,971

The Organization is substantially supported by premium revenue established by OHA or the federal government. The Organization must maintain sufficient resources to meet those responsibilities to its members including but not limited to statutory and contractual reserves. As part of the Organization's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. As of December 31, 2022 and 2021, the Organization held available financial assets, which consisted of cash and cash equivalents and investments – unrestricted, on hand to cover its normal operating expense for approximately 170 days.

(Continued)

(16) Dental Care Organization 2022 Grant Funds

In 2021, the Oregon legislature authorized a statewide grant for a one-time increase in amounts paid to dental care providers. In total, the dental care organizations of Oregon received $19 million to support costs associated with maintaining access and service levels for medical assistance enrollees. OHA allocated available funds to the Organization based on a relative percentage of Oregon Medicaid enrollee's dental funding in 2021. Each of the participating dental organizations were required to submit a distribution plan, detailing the Organization's plans for their allocation of the grant funds. Distribution plans were submitted to, and were subject to, OHA review and approval. The Organization's distribution plan is available for review on the OHA website. For 2022, the Organization's share of the grant funds was $1,606,075 which was distributed in full during 2022. As of December 31, 2022, all grants received have been disbursed.

Provider		Amount
Acorn Dentistry For Kids Hillsboro	$	9,680
Benzi Kang		1,825
Carlos Ugalde		11,504
Cedar Hills Dentistry for Kids		6,828
Clackamas County		145,002
Hai Pham		2,245
Jiyoung E Lee		9,119
Kyoko Abe		18,098
Lee Denture Clinic		5,004
Little Smiles Pediatric Dentistry		2,198
Mark D Mutschler		8,277
Melanie Block		10,849
Multnomah County Health Department		704,755
Native American Rehabilitation Association of the NW		20,198
Neighborhood Health Center		133,213
NoPo Kids Dentistry		2,338
Philipp Kupfer		10,662
Precision Fit Dentures		17,116
Reza Sharifi		9,119
Steven Beadnell		4,115
Suk Ki Lee		8,979
Sunnyside Dentistry For Children PC		2,245
Terry L Isom		2,525
Tillamook County Health Department		110,548
Virginia Garcia Memorial Health Center		280,975
Wallace Medical Concern: 2022 DCO Grant		61,830
World of Smiles Pediatric Dentistry		6,828
	$	1,606,075

All payments listed above were related to stabilization of the dental workforce, maintaining access and service levels, managing assigned population, supporting clinical integration, and supporting OHA-CCO metrics.

SUPPLEMENTARY INFORMATION – CONSOLIDATING SCHEDULES

CAREOREGON, INC. AND SUBSIDIARIES

Consolidating Schedule of Financial Position

December 31, 2022

Assets	CareOregon	Columbia Pacific LLC	Jackson Care Connect LLC	Other Subsidiaries	Combined	Eliminations	Consolidated
Current assets:							
Cash and cash equivalents	$ 260,772,880	21,999,492	10,615,692	24,498,386	317,886,450	—	317,886,450
Investments – unrestricted	671,894,963	3,606,073	3,051,301	54,226,878	732,779,215	—	732,779,215
Maternity case rate receivable	3,807,992	651,331	731,943	—	5,191,266	(1,363,062)	3,828,204
Reinsurance recoveries receivable	5,668,890	—	—	364,312	6,033,202	—	6,033,202
Interest receivable	2,858,973	26,563	38,638	264,431	3,188,605	—	3,188,605
Pharmacy rebates receivable	1,661,385	—	—	4,308,489	5,969,874	—	5,969,874
Premium receivable	1,774,832	33,281	36,256	8,441,000	10,285,369	(1,650,000)	8,635,369
Risk corridor receivable	62,713	3,924,407	5,738,392	2,488,285	12,213,797	(9,662,458)	2,551,339
Pay for performance incentive receivable	38,590,000	6,900,000	10,200,000	—	55,690,000	—	55,690,000
Other receivables	22,734,700	—	—	1,405,475	24,140,175	—	24,140,175
Prepaid expenses and other current assets	7,617,080	—	5,465	21,330,175	28,952,720	—	28,952,720
Intercompany receivable	6,965,259	30,773,695	26,230,701	2,885,309	66,854,964	(66,854,964)	—
Total current assets	1,024,409,667	67,914,842	56,648,388	120,212,740	1,269,185,637	(79,530,484)	1,189,655,153
Assets limited as to use:							
Investments – statutory reserves	—	—	—	318,171	318,171	—	318,171
Investments – contractual reserves	275,739	8,783,268	13,994,608	—	23,053,615	—	23,053,615
Total assets limited as to use	275,739	8,783,268	13,994,608	318,171	23,371,786	—	23,371,786
Property, building and equipment, net	13,558,644	—	130,383	1,254,039	14,943,066	—	14,943,066
Other assets:							
Other assets	2,499,420	—	320,159	148,013	2,967,592	—	2,967,592
Surplus note receivable	49,535,435	—	—	—	49,535,435	(10,000,000)	39,535,435
Total other assets	52,034,855	—	320,159	148,013	52,503,027	(10,000,000)	42,503,027
Total assets	$ 1,090,278,905	76,698,110	71,093,538	121,932,963	1,360,003,516	(89,530,484)	1,270,473,032
Liabilities and Net Assets							
Current liabilities:							
Accrued medical claims payable	$ 143,978,806	316,723	561,459	31,548,184	176,405,172	—	176,405,172
Purchased healthcare pending payment	78,096,962	—	—	7,138,719	85,235,681	—	85,235,681
Accounts payable and accrued expenses	91,685,215	18,877,879	5,397,369	11,033,690	126,994,153	(13,013,062)	113,981,091
Medicare advance payable	—	—	—	4,606,936	4,606,936	—	4,606,936
Risk corridor payable	33,590,137	2,931,197	3,594,149	—	40,115,483	(9,662,458)	30,453,025
Accrued payroll and benefits	31,028,362	—	—	—	31,028,362	—	31,028,362
Premium recoupment payable	5,287,551	16,025,000	10,580,000	481,827	32,374,378	—	32,374,378
Pay for performance incentive payable	49,557,866	13,501,545	16,764,305	—	79,823,716	—	79,823,716
Other current liabilities	903,240	—	97,934	206,226	1,207,400	—	1,207,400
Intercompany payable	57,345,248	1,204,903	1,667,148	6,637,665	66,854,964	(66,854,964)	—
Total current liabilities	491,473,387	52,857,247	38,662,364	61,653,247	644,646,245	(89,530,484)	555,115,761
Other liabilities	3,154,981	—	234,603	—	3,389,584	—	3,389,584
Net assets:							
Without donor restrictions	595,650,537	23,840,863	32,196,571	59,569,849	711,257,820	—	711,257,820
With donor restrictions	—	—	—	709,867	709,867	—	709,867
Total net assets	595,650,537	23,840,863	32,196,571	60,279,716	711,967,687	—	711,967,687
Total liabilities and net assets	$ 1,090,278,905	76,698,110	71,093,538	121,932,963	1,360,003,516	(89,530,484)	1,270,473,032

See accompanying independent auditors' report.

CAREOREGON, INC. AND SUBSIDIARIES

Consolidating Schedule of Activities and Changes in Net Assets

Year ended December 31, 2022

	CareOregon	Columbia Pacific LLC	Jackson Care Connect LLC	Other Subsidiaries	Combined	Eliminations	Consolidated
Revenues:							
Net premium	$ 1,992,525,326	225,398,002	338,969,604	259,270,182	2,816,163,114	(477,457,730)	2,338,705,384
Patient service	—	—	—	14,759,153	14,759,153	(3,744,639)	11,014,514
Management services	63,301,704	—	—	663,826	63,965,530	(49,763,543)	14,201,987
Other	1,928,171	2,117	—	975,870	2,906,158	(337,398)	2,568,760
Total revenues	2,057,755,201	225,400,119	338,969,604	275,669,031	2,897,793,955	(531,303,310)	2,366,490,645
Operating expenses:							
Purchased healthcare	1,742,456,595	214,833,681	319,956,741	227,940,238	2,505,187,255	(479,901,004)	2,025,286,251
Salaries and benefits – medical	10,754,509	—	—	3,907,913	14,662,422	—	14,662,422
Salaries and benefits – other	78,254,729	3,138,543	1,997,617	33,278,892	116,669,781	(2,908,353)	113,761,428
Claims administration	5,405,870	—	—	2,831,922	8,237,792	—	8,237,792
Other administrative	41,883,599	653,773	1,314,052	17,547,486	61,398,910	(1,638,763)	59,760,147
Management services	65,747,653	—	—	—	65,747,653	(46,855,190)	18,892,463
Charitable contributions	44,809,490	5,275	97,717	833,883	45,746,365	—	45,746,365
Total operating expenses	1,989,312,445	218,631,272	323,366,127	286,340,334	2,817,650,178	(531,303,310)	2,286,346,868
Revenues over operating expenses	68,442,756	6,768,847	15,603,477	(10,671,303)	80,143,777	—	80,143,777
Other income (expense):							
Investment loss	(51,368,524)	(79,819)	(401,904)	(4,704,027)	(56,554,274)		(56,554,274)
Other income	610	—	—	—	610		610
Total other income (expense)	(51,367,914)	(79,819)	(401,904)	(4,704,027)	(56,553,664)	—	(56,553,664)
Change in net assets without donor restrictions	17,074,842	6,689,028	15,201,573	(15,375,330)	23,590,113	—	23,590,113
Change in net assets with donor restrictions	—	—	—	169,297	169,297		169,297
Change in net assets	17,074,842	6,689,028	15,201,573	(15,206,033)	23,759,410	—	23,759,410
Net assets, beginning of year	591,225,695	17,151,835	16,994,998	62,835,749	688,208,277	—	688,208,277
Equity transfer	(12,650,000)	—	—	12,650,000	—	—	—
Net assets, end of year	$ 595,650,537	23,840,863	32,196,571	60,279,716	711,967,687	—	711,967,687

See accompanying independent auditors' report.