




Date: September 18, 2014

To: Oregon Medical Insurance Pool

From: Stacy J. Simpson 
Vice President and Corporate Controller
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Regence BlueCross BlueShield of Oregon (Regence) is the third party administrator (TPA) for the Oregon Medical Insurance Pool (OMIP), Federal Medical Insurance Pool (FMIP) and Temporary Medical Insurance Pool (TMIP) (collectively, the "Pool", "Pools" or "Program"). The Pools are in various stages of claims run-out. The run-out period concludes on 9/30/14 for FMIP, and on 4/30/15 for OMIP and TMIP. Coverage end dates were 6/30/13 for FMIP, 12/31/13 for OMIP and 3/31/14 for TMIP.

The financial activity of the FMIP and OMIP/TMIP Pools is managed from two bank accounts for each program, an operating account and a general account. As TPA, Regence has access to and executory authority over solely the operating account. Certain Program staff have executory authority over the general account. As payments are made from the operating account for program expenses, the TPA submits documentation summarizing payment of program expenses to the Pool staff who in turn authorize release of funds from the general account to the operating account. All Program disbursements (expenses and premium refunds) are paid directly from the operating account except for pharmaceutical drug claims and claims incurred outside of the TPA's service area. Drug and out-of-area claims are paid by Regence and then reimbursed to Regence via payments from the Pools' operating accounts. Average annual claims volume for OMIP and FMIP programs were \$160 million and \$35 million, respectively.

As we perform the final reconciliations in preparation for the Program end dates, we have identified a population of payments from the Program operating accounts totaling approximately \$10 million that remain unfunded by the Program's general account. At this time, we are working to identify and accumulate transaction detail for the unfunded items. The items identified thus far consist of non-routine transactions such as claims adjustments, premium refunds, and producer referral fees which were not included on system generated Program invoicing reports. The invoicing reports are provided to Program staff and trigger release of funds from the Program's general account to the operating account.

An insufficiency of funds in the Program operating accounts to reimburse Regence for recent drug and out-of-area claims paid on behalf of the Program brought to light the presence of the unfunded items. Prior to this run-out period, there was typically one to two months of funds flow in Pool operating accounts, which contributed to the unfunded disbursements not being detected earlier.

We have transaction level detail for approximately one-half of the unfunded items and are in the process of reviewing this information with Program staff. We converted claims processing systems in 2011 and the items related to activity processed on the new claims system surfaced early in our reconciliation process. The remaining items likely relate to legacy system activity. We are gathering details for the balance of the items and expect that work to be completed by the end of the month.