NovaRest

Financial and Community Impact Analysis

Evergreen Health, Inc.

April 27, 2017

NovaRest
ACTUARIAL CONSULTING

April 27, 2017

Peter Beilenson, M.D., M.P.H.
Evergreen Health, Inc.
3000 Falls Road
Baltimore, MD 21211

Dear Dr. Beilenson:

Evergreen Health, Inc. ("Evergreen") retained NovaRest, Inc. ("NovaRest"), to provide an independent financial and community impact analysis of the contemplated conversion and acquisition of Evergreen by a third party. NovaRest is providing this report as an independent analysis regarding this acquisition following requirements of Title 6.5 of the State Government Article for analyzing the Acquisition as well as addressing some additional considerations.

Distribution of this report to parties other than Evergreen does not constitute advice from or by us to those parties. The reliance of parties, other than Evergreen, on any aspect of our work is not authorized by us and is done at their own risk.

To arrive at our opinion, we made use of information provided by Evergreen and obtained from other sources as described in our analysis without independent investigation or verification. If this information is in any way inaccurate, incomplete, or out of date, the findings and conclusions in this report may require revision. While we have relied on the data provided by Evergreen and obtained from other sources without independent investigation or verification, we have reviewed the information for consistency and reasonableness. Where we found the data to be inconsistent or unreasonable we have requested clarification.

The actuarial methodologies utilized in order to arrive at our opinion were those which were considered generally accepted within the industry.

I am a member of the American Academy of Actuaries and meet that body's Qualification Standards to render this opinion.

Sincerely,

signature on original

Donna C. Novak FCA, ASA, MAAA, MBA

President and CEO of NovaRest, Inc.

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Purpose of the Report

Evergreen Health, Inc. (Evergreen) retained NovaRest, Inc. (NovaRest) to provide an independent financial and community impact analysis of the contemplated conversion and acquisition of Evergreen by a third party (the "Acquisition").

NovaRest is providing this report as an independent analysis regarding the following requirements of Title 6.5 of the State Government Article for analyzing whether the Acquisition:

- Has the likelihood of creating a significant adverse effect on the availability or accessibility of health care services in the affected community;

- Includes sufficient safeguards to ensure that the affected community will have continued access to affordable health care;

- Is equitable to enrollees, shareholders and certificate holders of Evergreen;

- Ensures that the transferee possesses surplus in an amount sufficient to: (i) comply with the surplus required by law; and (ii) provide security of its certificate holders and policyholders; and

- Whether the Acquisition would result in diseconomies of scale.

In addition, NovaRest was asked to provide a written independent analysis regarding the following matters.

- The projected impact of the Acquisition on underwriting losses or gains, loss and claims reserves, and administrative expenses of Evergreen.

- The projected impact the Acquisition may have on provider compensation, prompt payment of claims, the terms of provider contracts and other factors which could impact the development of provider networks.

- Whether the control of Evergreen by the acquirers would be equitable to Evergreen's insureds.

- Whether there are aspects of the Acquisition which could otherwise impact or have an adverse effect on the availability or accessibility of health insurance, particularly regarding the extent of coverage provided to insureds.

- Whether the Acquisition would have an impact on Maryland's hospital rate setting system.

NovaRest's analysis is based on the information and data available in the time frame of the assignment. NovaRest believes that the information used is reliable for purposes of this report.

We have not interviewed any competitors, stakeholders, or any members of the Evergreen provider network. NovaRest relied on public sources of information, including news articles, National Association of Insurance Commissioner Annual and Quarterly Statements, and information provided by Evergreen's General Counsel and a representative of the acquirers. We have not verified the accuracy of financial and other information from public sources.

Executive Summary

Evergreen Financials

Evergreen was established in accordance with Affordable Care Act (ACA) provisions that encouraged the formation and funding of Consumer Operated and Oriented Plans (CO-OP) to promote competition in health insurance markets.

Evergreen and CMS entered an agreement to compromise Evergreen's start-up and solvency loans. Evergreen repaid approximately $3.2 million of the approximately $65 million loan amount, and Evergreen ceased to operate as an ACA CO-OP (stated differently, they are no longer an ACA qualified nonprofit health insurance issuer).[1]

According to the CMS Summary Report on Transitional Reinsurance Payments and Permanent Risk Adjustment Transfers for the 2015 Benefit Year[2], Evergreen owed $3,443,885.20 with respect to the 2015 individual market transfer and $20,766,948.84 with respect to the 2015 small group market transfer. Evergreen currently owes approximately $13.9 million of the approximately $24.2 million initial risk adjustment balance with respect to 2015.

If Evergreen cannot make significant changes to its capital and surplus levels, which we understand will require converting to a for-profit status and an acquisition by another entity (or entities) that will provide the needed surplus, Evergreen will become insolvent and will need to be liquidated. Accordingly, the focus of the analysis in this report is on the impact to the Maryland health insurance markets, providers, and residents if the Acquisition does not take place as well as the impact if the Acquisition does take place.

At the time of Acquisition, the acquirers must provide the amount of capital necessary to ensure that Evergreen has no less than 71% risk-based capital (RBC). The acquirers have also agreed to

[1] http://www.baltimoresun.com/business/bs-bz-evergreen-health-deal-20170118-story.html
[2] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/June-30-2016-RA-and-RI-Summary-Report-5CR-063016.pdf

use commercially reasonable efforts to cause Evergreen's RBC level to be at least equal to 200% as of December 31, 2018.

The amount of capital needed to raise Evergreen's RBC to the required levels will be less than it would have been if Evergreen participated in the individual market in 2017 as the MIA required Evergreen to cease selling and renewing policies in the individual market for 2017. This, in turn, will reduce Evergreen's 2017 premiums, claims and capital requirements by the end of 2017. Of course, if Evergreen is allowed to re-enter the individual market at a later date and is planning to re-enter in 2018, it may need additional capital to retain minimum RBC levels associated with increased premium and claim levels.

Concerning other financial impacts, we do not anticipate that the Acquisition will impact claims reserves and will have only a minimal impact on administrative expenses. We do not know what the specific return on investment expectation is of the acquiring organizations, but the "Profit and Risk Load" may increase. Once Evergreen completes its conversion to for-profit status, Evergreen will be subject to Maryland premium taxes at 2 percent for renewals and new business. Since the 2017 rates did not include provision for a premium tax, Evergreen may decide to increase future rates by an additional 2 percent to pay for the premium tax.

Provider impact

Evergreen has a close business relationship with Your Health Network Inc. (known as Evergreen Health Care), a health care center system of physicians and ancillary providers. Evergreen Health Care is a separate legal entity from Evergreen and is not being acquired as part of the Acquisition of Evergreen; however, since 80 to 90 percent of Evergreen Health Care patients are insured with Evergreen, Evergreen Health Care providers will be significantly impacted should the Acquisition not occur and Evergreen is forced into insolvency because of lack of sufficient RBC levels.

Currently, Evergreen employs 63 employees.[3] Should the Acquisition not occur, which in turn would cause Evergreen to cease operations, these employees, health care providers and others, will be significantly and adversely impacted.

Per Evergreen's management, Evergreen does not foresee changing its current provider contracting, group product offerings, rating methodology, or large group underwriting methodology due to the Acquisition. The acquirers are having ongoing discussions with the current management team to maintain continuity, but there are openings in senior-level management that are being reviewed and they may promote from within.[4] We anticipate Evergreen's enrollees would continue to receive the same product offerings and provider service.

[3] Source – Evergreen management

[4] Source – Representative for one of the investors.

JARS Health Investments, LLC is one of the acquirers. JARS Health Investments, LLC is a consortium of investors, including several healthcare executives with significant experience in the insurance industry.

Anne Arundel Health System, Inc. is one of the acquirers and is a Maryland not-for-profit corporation.[5] The company is a regional health system headquartered in Annapolis, MD that has more than 5,000 employees, medical staff members and volunteers.[6] Anne Arundel Health System's wholly owned subsidiaries include a not-for-profit hospital (which recently completed a $424 million expansion project)[7], a medical group, imaging services, a substance use treatments center, and other health enterprises.[8]

LifeBridge Health, Inc. is also an acquirer and a provider of health-related services to northwest Baltimore.[9] LifeBridge Health consists of Sinai Hospital of Baltimore, Northwest Hospital, Carroll Hospital, Levindale Hebrew Geriatric Center and Hospital, and its subsidiaries and affiliated units, including LifeBridge Health & Fitness and the LifeBridge Medical Care Centers in Eldersburg, Mays Chapel and Reisterstown.[10] A new LifeBridge entity is being created to hold the investment in Evergreen. The new entity's name is "LBH Evergreen Holdings, LLC".

Some of the acquirers who have experience with running health insurance companies will be looking at best practices and how to apply them, but at this time no changes have been decided.[11] Because two of the acquirers are hospital groups with wide holdings it is possible that integration with Evergreen's established network may expand access to care. The acquirers are looking to increase membership and expect to increase the network as membership increases.[12] Also, we do not anticipate that the Acquisition will have an impact on Maryland's hospital rate setting system. The acquirers will review providers and provider contracting from a patient care perspective and a financial perspective.[13]

Based on our discussions with Evergreen senior provider contracting staff, we understand that Evergreen does not anticipate changes in contracting or claims payment processes. Accordingly, we do not anticipate that the Acquisition will impact these operational areas in the near future.

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5 http://www.hscrc maryland.gov/documents/Hospitals/ReportsFinancial/Audited/fy-2014/0023_AAGH_AFS_FY14.pdf
6 http://www.aahs.org/aboutus/history.php
7 Ibid
8 http://www.aahs.org/aboutus/
9 http://www.lifebridgehealth.org/Main/AboutLifeBridgeHealth.aspx
10 Ibid.
11 Source – Representative for one of the investors.
12 Ibid.
13 Ibid.

The acquirers will review operational systems and best practices and may make some changes to improve operations.[14] We do not anticipate that any changes in these areas will negatively impact Maryland providers or residents.

However, Evergreen's liquidation, which would occur if the Acquisition is not approved, could adversely impact Maryland providers and residents. If the Acquisition is not approved, creditors may not be paid what is owed them.

Product and Premium Impact

From 2014 through December 31, 2016, Evergreen's enrollment and market share has shown consistent growth. In 2014, Evergreen's market share was 0.16 percent in the individual market, 0.89 percent in the small group market, and 0.00 percent in the large group market. In 2015, Evergreen's market share was 1.18 percent in the individual market, 5.65 percent in the small group market, and 0.02 percent in the large group market. Market share information is not available for 2016, but Evergreen's membership has grown in all markets. For 2017, Evergreen will not have individual market membership due to the MIA decision that prohibited Evergreen from selling in the individual market.

If the Acquisition does not take place so that Evergreen is forced to cease operations, Evergreen's exit from the market will reduce health insurance competition in Maryland's group market, and Evergreen's currently affordable products will no longer be available to Maryland residents.

Evergreen management has reported that the acquirers do not have any significant insurer holdings. Neither LifeBridge Health, Inc. nor Anne Arundel Health System, Inc. has investments in commercial health plans that would directly compete with Evergreen. JARS Health Investments do not have any insurer holdings although an investor in JARS has a personal interest in a company which provides Medicare Advantage only plans, which also do not compete with Evergreen.[15] Based on these facts, we conclude that the Acquisition will produce neither economies of scale nor diseconomies of scale. The acquirers will be looking to grow membership as the company moves forward which they hope will promote economies of scale.[16] Economies of scale is the lowering of average costs when membership increases since cost are spread over a larger base. Diseconomies of scale is the opposite and is where costs increase due to a smaller base of membership.

If the Acquisition does not take place, enrollees must find other coverage and may pay higher premiums than would be charged by Evergreen. Also, if Evergreen cannot continue in business,

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[14] Ibid.
[15] Ibid.
[16] Ibid.

Evergreen's closure will significantly impact Evergreen Health Care. Enrollees who currently use Evergreen Health Care providers as their primary care physicians may have to change providers, impacting the enrollees' continuation of care.

If Evergreen completes its conversion to for-profit status, Evergreen will be subject to Maryland premium taxes at a 2 percent tax rate. Accordingly, future premiums will need to be adjusted to account for these new expenses. Management has not decided if they will revise small group premium rates for the fourth quarter of 2017, but small group rates will be adjusted for 2018. Large group premium rates can be adjusted for additional expenses at renewal.

We anticipate the following effects of the Acquisition on premiums to be paid by Evergreen's insureds:

- Individual market rates – For 2017, the Maryland Insurance Administration prohibited Evergreen from selling on the individual market (on and off exchange). For 2018 and beyond, we anticipate rates could be approximately 2 percent higher due to additional state premium taxes resulting from the conversion to for-profit and the Acquisition. Premium rates will also have to be adjusted from the 2016 level for projected risk adjustment, any rate deficiency in 2016, and to provide a return on investment for the new owners, among other potential premium impacts such as trends.

- Small employer market rates – For 2017, for future quarters, rates could be raised up to 2 percent to account for state premium taxes, but that would be subject to management decision to change rates and regulatory approval of rate changes. For 2018 and beyond, we anticipate rates could be approximately 2 percent higher due to additional state premium taxes resulting from the conversion to for-profit and the Acquisition. Premium rates will also have to be adjusted for projected risk adjustment, any rate deficiency in 2017, and to provide a return on investment for the new owners, in addition to the typical premium impacts such as trends.

- Large employer market rates – For 2017 and beyond, we anticipate rates could be approximately 2 percent higher than they would otherwise be due to additional state premium taxes resulting from the conversion to for-profit and the Acquisition. Premium rates will also have to be adjusted to provide a return on investment for the new owners.

We do not anticipate changes resulting from the Acquisition that would be inequitable to Evergreen's insureds or result in material changes to benefit levels with respect to any of Evergreen's market products.

We do not anticipate that there are aspects of the Acquisition that could have an adverse effect on the availability or accessibility of health insurance, particularly regarding the extent of coverage provided to insureds.

History of Evergreen

Evergreen Health Cooperative Inc. was founded by its President and CEO, Dr. Peter Beilenson, and became the 22nd Consumer Operated and Oriented Plan (CO-OP) in September 2012[17]. Evergreen, as with most CO-OPs, received more than $65 million in federal startup funds, most of which were deposited in a required reserve fund and accounted for as a surplus note. For statutory accounting purposes, surplus notes are not recorded as liabilities and are treated as surplus.

Evergreen was the first new commercial insurer to be established in Maryland the last 20 years.[18] In early 2017, Evergreen repaid approximately $3.2 million of the approximately $65 million federal startup and solvency loan and released its right to any amounts that may be payable from CMS under the federal risk corridors program. Evergreen also ceased to be an ACA cooperative.

The Evergreen model is built in part on the Healthy Howard Health Plan, a successful model for delivering health care to uninsured residents of Howard County, Maryland that began under Beilenson's leadership in 2008. Healthy Howard is a patient-centered primary care model that is combined with an integrated health coaching and care coordination program.[19] Evergreen contracts with Evergreen Health Care to provide primary care services to Evergreen's members. Currently, Evergreen Health Care has four centers that share staff.[20]

Evergreen's members can receive primary care services through Evergreen Health Care offices in Baltimore City, Greenbelt, White Marsh, and Columbia. Evergreen Health Care has extended hours for the convenience of members. Evergreen Health Care describes a member's health care team as including:[21]

> •***A Primary Care Provider (a Physician or a Nurse Practitioner)*** *is the person primarily responsible for managing your health care needs, whether you need to be seen for a sick visit, a yearly physical or a health care consultation.*
> •***A Behavioral Health Specialist*** *answers questions about a variety of wellness topics including nutrition, fitness, mental health and substance use. Your specialist can help you design a personalized wellness plan and can also provide counseling or therapy.*

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[17] https://www.evergreenmd.org/aboutus/company-information/the-history-of-evergreen-health-clone/
[18] http://www.baltimoresun.com/health/bs-hs-evergreen-CO-OP-20150117-story html
[19] https://www.evergreenmd.org/aboutus/company-information/the-history-of-evergreen-health-clone/
[20] http://www.baltimoresun.com/health/bs-hs-evergreen-CO-OP-20150117-story html
[21] https://www.evergreenmd.org/health-care-centers/what-makes-us-different/

*•**A Care Coordinator** helps to coordinate follow up appointments, lab tests and outside specialist care. He or she explains treatment regimens, care options and provides information on community health resources.*
*•**A Medical Assistant** schedules patient appointments and assists with routine office procedures like drawing blood and taking vital signs.*

Products Offered and Target Market

The Maryland Insurance Administration (MIA) prohibited Evergreen from selling in the individual market (on and off exchange). Since this is an MIA decision, and Evergreen did not leave the individual market on its own accord, Evergreen has filed forms and intends to file rates for the individual market in 2018.

Evergreen supplied the following information on its individual and group products offered and the target market for those products in 2016 and 2017:

a. Major product categories with target markets:
   In 2016, Evergreen offered a POS, HMO Open Access, and Select product in the individual and small group markets inside and outside of the Maryland Health Connection. The POS product was available to individuals that live or work in Maryland and features an out-of-network benefit. The POS network was a national network that consists of directly contracted providers and providers contained in Evergreen's leased network, PHCS.

   The HMO Open Access product was available to individuals that live or work in Maryland and consisted of no out-of-network benefits. The HMO Open Access network in the individual market consisted of network providers in Maryland and the District of Columbia. These network providers were directly contracted or contained in Evergreen's leased network, PHCS. The HMO Open Access network in the small group market contained network providers in Maryland, the District of Columbia and the counties that border the State of Maryland. These network providers were also directly contracted or contained in Evergreen's leased network, PHCS.

   The Select product was an HMO product that features a high-performance network of providers. These providers are affiliated with the following hospital systems: St. Agnes Healthcare, Anne Arundel Medical Center and Greater Baltimore Medical Center. There were no out-of-network benefits for the Select product and the network consists of network providers located in Baltimore City, Baltimore County, Anne Arundel County, and Howard County. The Select product was only available to individuals that live or work in Baltimore City, Baltimore County, Anne Arundel County and Howard County.

   In 2017, Evergreen is offering a POS, HMO Open Access, HMO National, and Select product in the small group market inside and outside of the Maryland Health Connection. The POS product is available to employees that live or work in Maryland and features an out-of-network benefit. The POS network has a national network that consists of directly contracted providers and providers contained in Evergreen's leased network, PHCS.

The HMO Open Access product is available to employees that live or work in Maryland and contains no out-of-network benefits. The HMO Open Access network contains network providers in Maryland, the District of Columbia and the counties that border the State of Maryland. These network providers are directly contracted or contained in Evergreen's leased network, PHCS.

The HMO National product is only offered outside of the Maryland Health Connection in the small group market. The HMO National product is available to employees that live or work in Maryland and contains no out-of-network benefits. The HMO National network has a national network composed of directly contracted providers and providers leased through Evergreen's leased network, PHCS.

The Select product is offered to employees that live or work in Baltimore City, Baltimore County, Anne Arundel County, Howard County, Washington County, Wicomico County, Somerset County, and Worcester County. The network consists of network providers located in these aforementioned jurisdictions and affiliated with the following hospital systems: St. Agnes Healthcare, Anne Arundel Medical Center, Greater Baltimore Medical Center, Peninsula Regional Medical Center, and Meritus Health. There are no out-of-network benefits for this product.

b. Metal levels offered in individual and small group markets:
   In 2016, Evergreen offered the following base metal level plans in the individual market: two platinum plans; four gold plans; four silver plans; two bronze plans; and one catastrophic plan. In 2016, Evergreen offered the following base metal level plans in the small group market: three platinum plans; six gold plans; six silver plans; and two bronze plans.

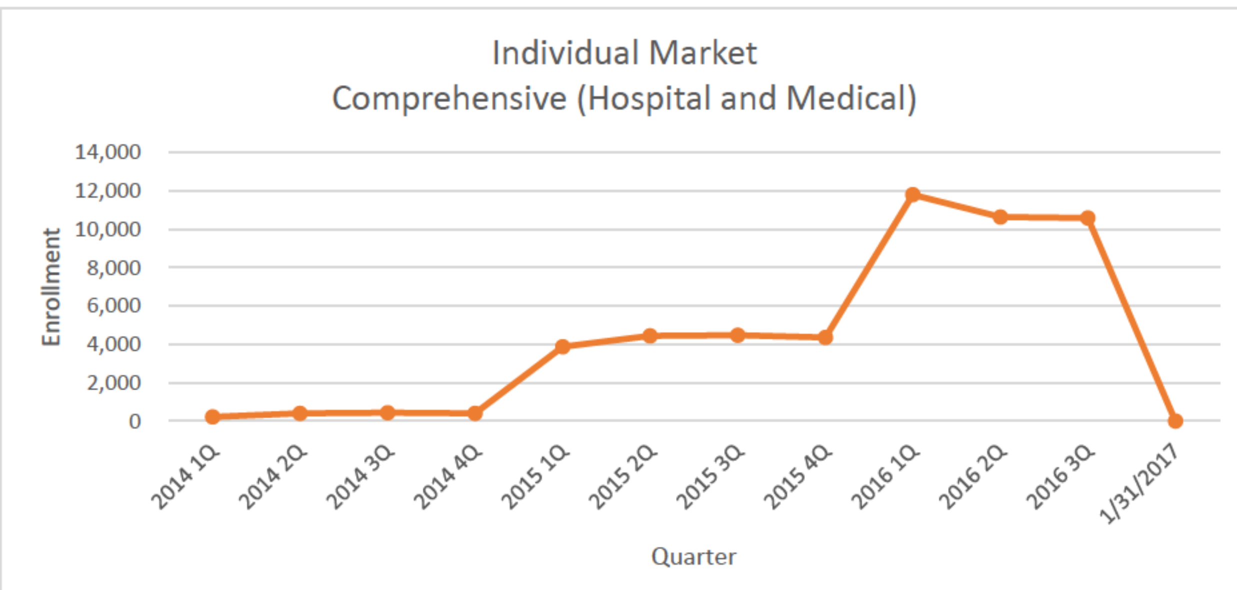
   In 2017, Evergreen does not offer plans in the individual market. In 2017, Evergreen offers the following base metal level plans in the small group market: three platinum plans; five gold plans; seven silver plans; and two bronze plans.

c. Geographic areas where Evergreen has small group rates filed:
   Evergreen has small group rates filed in the State of Maryland. The rates for all the major products described previously in subsection a., cover the four rating regions in Maryland.

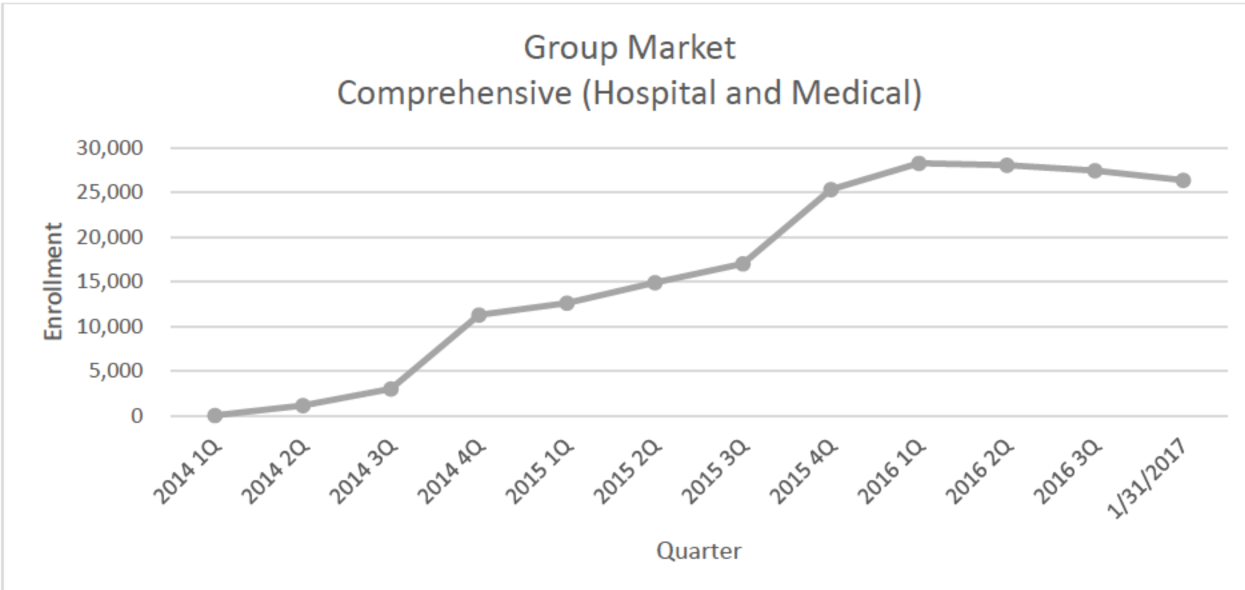
Evergreen Growth

Since it began operations in 2014, Evergreen has grown from 295[22] members to 26,357[23] members at the end of January 2017 with its membership comprised of 78 percent small group coverage; and 22 percent large group coverage[24]. In 2015, Evergreen reported total premium revenue of $83,626,515.[25] For the first three-quarters of 2016, total premium revenue was $119,786,059[26]. Evergreen indicated $10,042,436 in revenue for the month ended January 31, 2017[27].

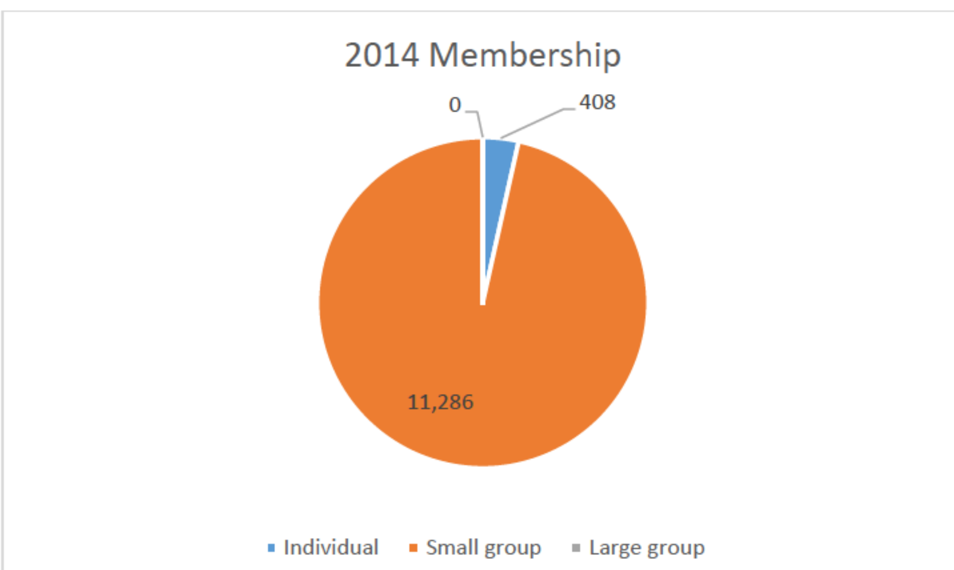
Evergreen has experienced steady growth in membership from inception through the end of December, 2016. Due to its forced exit from the individual market required by MIA, membership decreased to 0 in January 2017. The following graphs detail its total membership by quarter from the 1st quarter of 2014 to January 31, 2017 (most recent available information) for the individual and group market, as reported on the Exhibit of Premiums, Enrollment and Utilization from Evergreen's Quarterly and Annual statements from 2014 to 3rd quarter 2016 (membership split for small group and large group markets by quarter is not available) and provided by Evergreen for the January 31, 2017 data as the Annual Statement for year-end 2016 is not yet available.

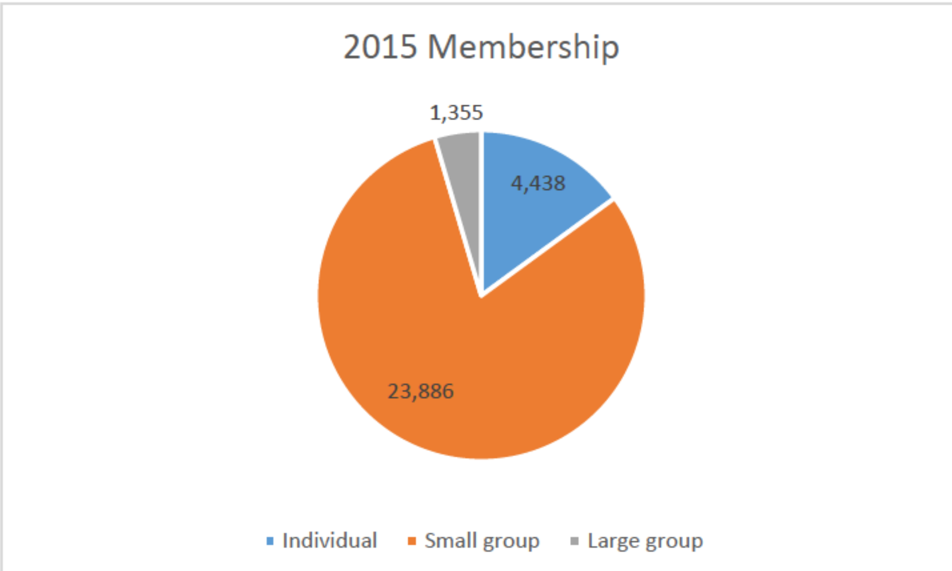


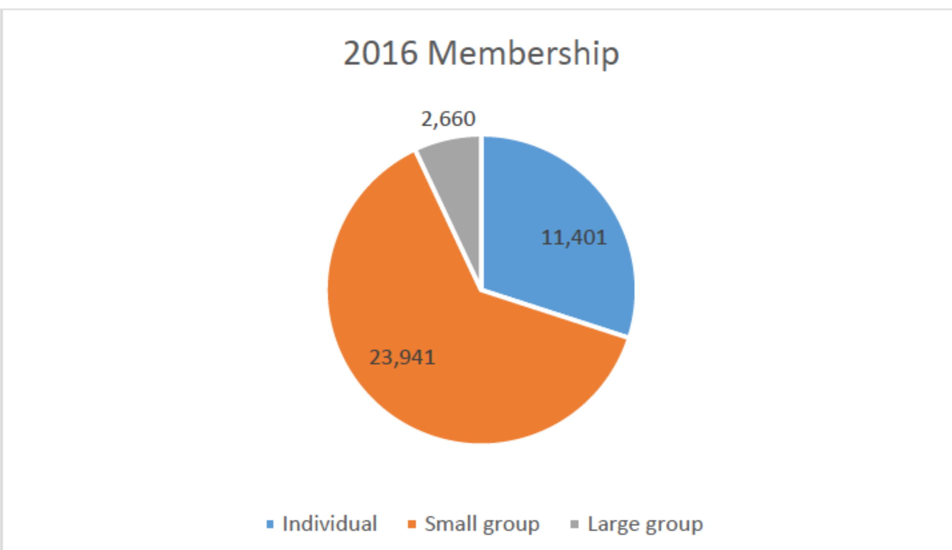
[22] Exhibit of Premiums, Enrollment and Utilization. Insurance Regulatory Filing Health Quarterly Statement, 3/31/2014.
[23] Premium and Membership_January_2017 provided by Evergreen
[24] Percentages calculated from file 'Premium and Membership_January_2017'
[25] Statement of Revenue and Expenses. Insurance Regulatory Filing Health Annual Statement, 12/31/2015.
[26] Statement of Revenue and Expenses. Insurance Regulatory Filing Health Quarterly Statement, 9/30/2016.
[27] Premium and Membership_January_2017.

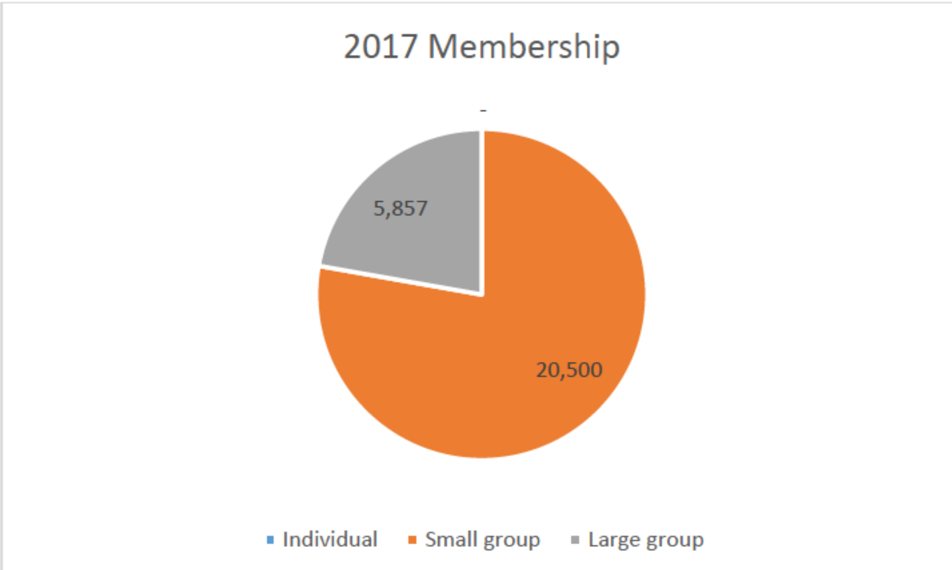


The membership composition for each year is demonstrated in the following charts. Information for 2014 and 2015 is based on the Supplemental Health Care Exhibit Part 1 from Evergreen's Annual Statements for 2014 and 2015. The 2016 estimate is based on the most recent membership (reported in the Exhibit of Premiums, Enrollment and Utilization from Evergreen's 2016 Quarterly Statements) and composition percentages provided by Evergreen (since Quarterly Statements do not separate small group and large group membership). The 2017 amount was provided by Evergreen using membership from January 31, 2017.



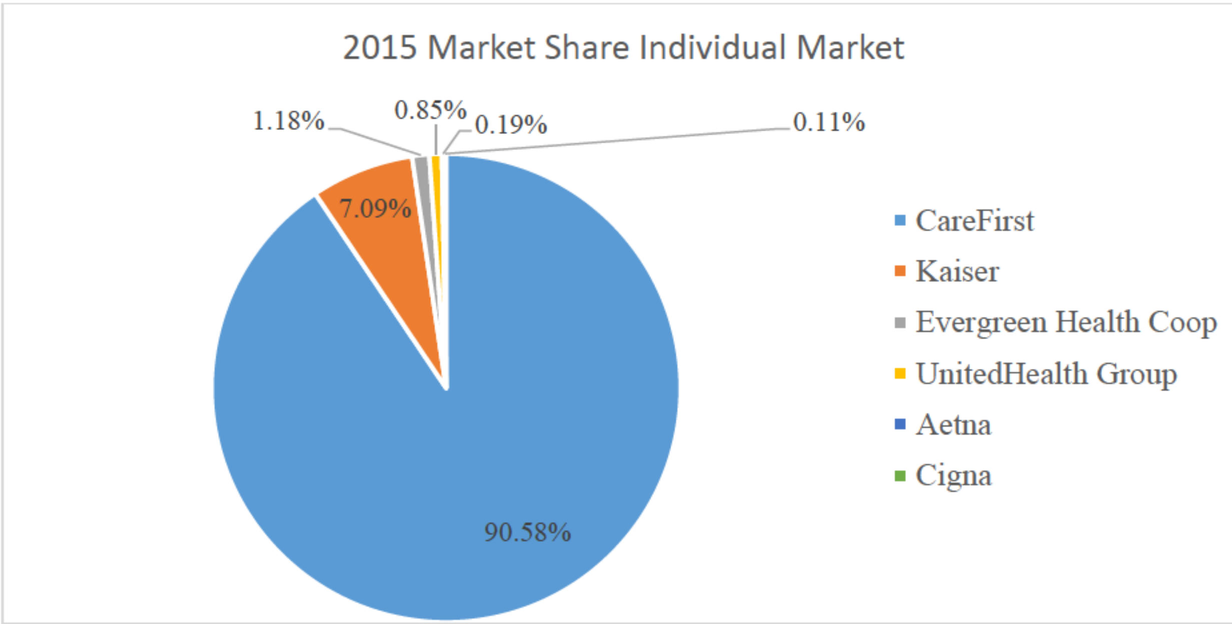

2015 Membership
1,355
4,438
23,886
Individual
Small group
Large group

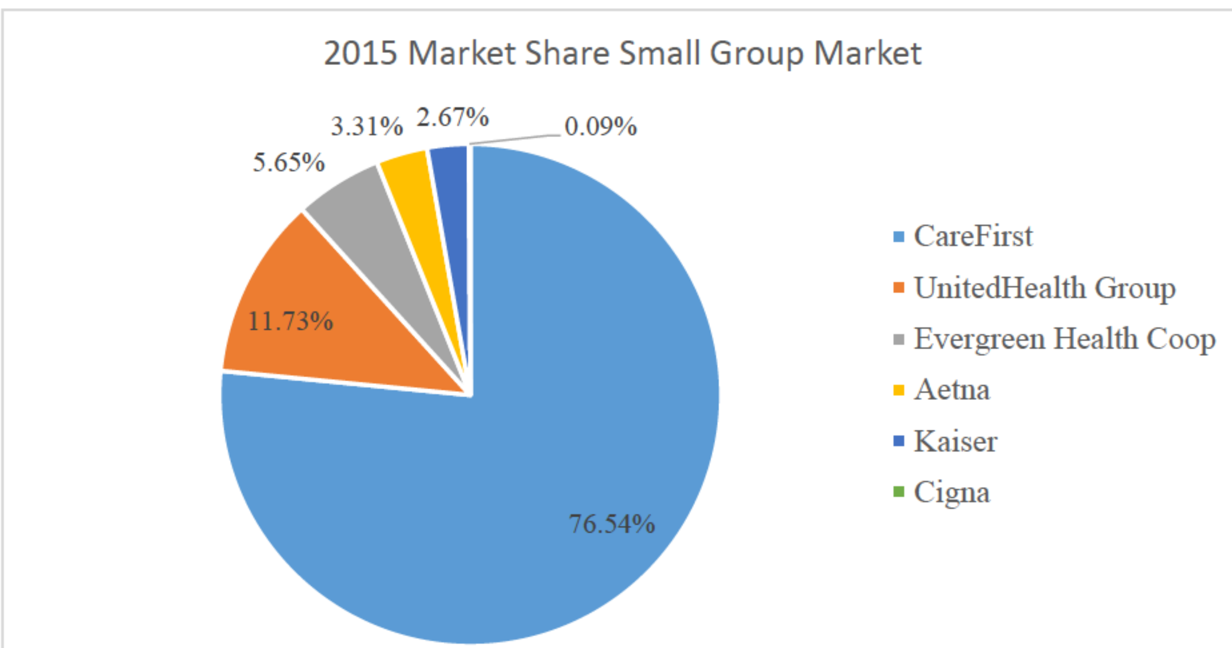

2016 Membership
2,660
11,401
23,941
Individual
Small group
Large group

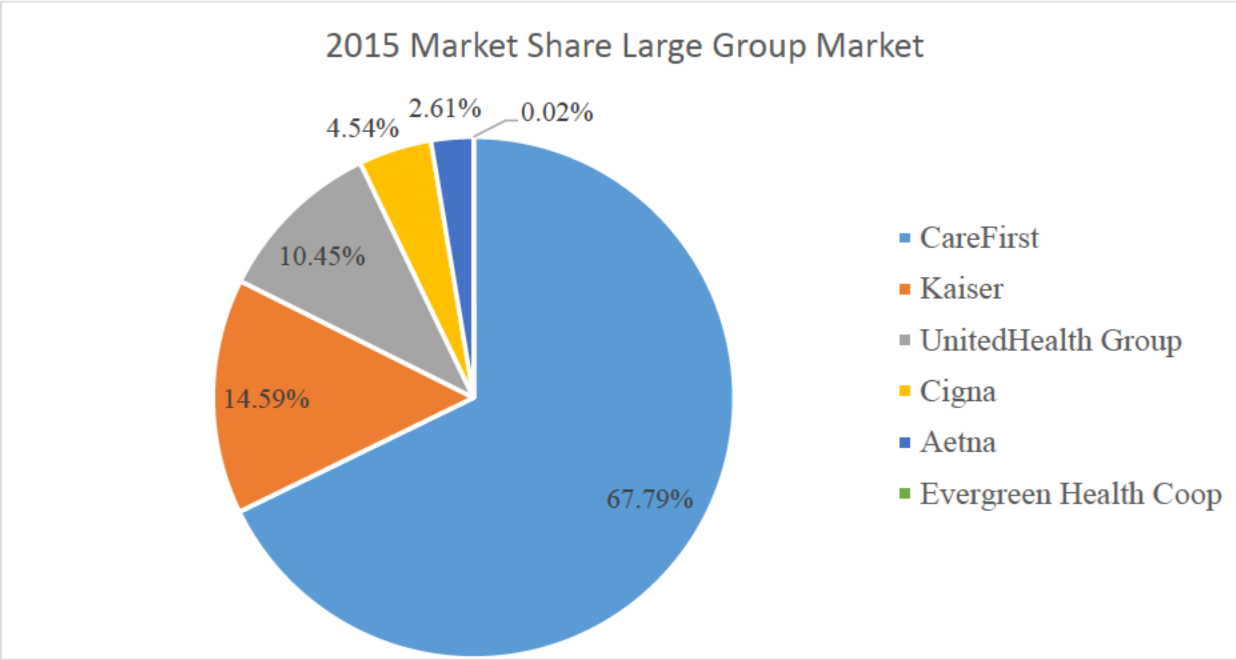


According to the member months included in the Supplemental Health Care Exhibit Part 1 from the Annual Statements for all health carriers in the Maryland market, Evergreen held a 2014 market share of 0.16 percent in the individual market, 0.89 percent in the small group market, and 0.00 percent in the large group market. In 2015, Evergreen held a market share of 1.18 percent in the individual market, 5.65 percent in the small group market, and 0.02 percent in the large group market.

The graphs below show the 2015 market share percentages. Note that we have combined insuring entities based on their holding company systems.


2015 Market Share Individual Market
1.18%
0.85%
0.19%
0.11%
7.09%
90.58%
CareFirst
Kaiser
Evergreen Health Coop
UnitedHealth Group
Aetna
Cigna


2015 Market Share Small Group Market
3.31%
2.67%
0.09%
5.65%
11.73%
76.54%
CareFirst
UnitedHealth Group
Evergreen Health Coop
Aetna
Kaiser
Cigna



Evergreen is projecting growth the second half of 2017 after the acquisition due to the improved reputation by associating with the acquiring companies.[28]

Risk Adjustment Overview

The intent of the permanent risk adjustment program is to support the concept that premiums should reflect differences in plan benefits and plan efficiency, and not the health status of the enrolled population. To accomplish this, HHS's risk adjustment methodology relies on data provided by a carrier with respect to operations in each state to determine the carrier's risk, as compared to the particular market's risk. HHS then develops a risk adjustment formula, which normalizes a carrier's risk to a state baseline risk, to determine a transfer amount that will either be payable or receivable by the carrier.

To calculate the risk adjustment transfer amounts, carriers provide data to the EDGE server, which HHS employs in the risk adjustment formula to determine risk adjustment transfer amounts. The risk adjustment transfer formula determines the difference between a premium based on plan-specific risk selection and a premium without risk selection.

Impact of Risk Adjustment on Small and New Carriers

Small and new health insurers, such as CO-OPs, report that because of their lack of claims data, the health status of their enrollees may be misrepresented in the early years, causing those

[28] Evergreen management.

carriers to pay more into the program.[29] The release of the actual risk adjustment transfers for 2015 provided by CMS shows that many of the smaller insurers, including the remaining CO-OPs, are facing large risk adjustment payments.[30]
In March of 2016, CMS held a forum to discuss possible changes to the risk adjustment formula, which would go into effect in the future. Evergreen's CEO Dr. Peter Beilenson has stated: "They [CMS] are making all the changes we argued for, but the timing isn't great."[31] He also stated: "It will have great impact but it's delayed over when it needs to be done."

Evergreen's CMS risk adjustment and reinsurance results from 2014 and 2015 are shown in the table below:

Evergreen Health Cooperative Inc.			
Year	Reinsurance Payment Amount	Individual Risk Adjustment Transfer Amount	Small Group Risk Adjustment Transfer Amount
2014[32]	$311,875.67	($360,466.32)	0
2015[33]	$725,535.87	($3,443,885.20)	($20,766,948.84)

One of the critical components to an accurate risk adjustment score is proficiency in coding conditions on claims. Organizations that have experience in other markets that have required this skill, such as the Medicare Advantage product, have the systems and expertise in place to ensure that all health conditions are reflected in the claims data submitted. It is more challenging for smaller and/or newer organizations to develop these skills and systems, which puts them at a technical disadvantage in the risk adjustment process. This is something that Evergreen will and can improve upon in the future.

Relative Premium Rates

Evergreen offers many plans with below average rates and, in many cases, offers the lowest rates in an area and metal level.

Evergreen Rate Increases

Evergreen rate increases from 2014 to 2016 are set forth below.

	2015	2016	2017
Individual	-10%	10%	N/A

[29] http://www.modernhealthcare.com/article/20160319/MAGAZINE/303199944
[30] http://www.modernhealthcare.com/article/20160630/NEWS/160639997
[31] http://www.wsj.com/articles/marylands-health-CO-OP-sues-over-health-laws-risk-adjustment-formula-1465847988
[32] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/RI-RA-Report-Draft-6-30-15.pdf
[33] https://www.cms.gov/CCIIO/Programs-and-Initiatives/Premium-Stabilization-Programs/Downloads/June-30-2016-RA-and-RI-Summary-Report-5CR-063016.pdf

Small group	0%	8.9%	9.8%

These rate increases are very moderate compared to the market in general.

Analysis

We note that the following analysis is only for the result of the Acquisition. These issues can be impacted by other factors, but we are only addressing the Acquisition.

Title 6.5 of the State Government Article for analyzing whether the Acquisition:

1. Has the likelihood of creating a significant adverse effect on the availability or accessibility of health care services in the affected community.

   Access to health care services for individuals and employees often depends on their health insurance coverage. The insurer pays most of the cost of the health care services, but the cost sharing may be more or less depending on the insurers' benefit plan structure. Evergreen does not plan to change its benefit structures due to the Acquisition.[34]

   Since Evergreen Health Care receives 80 percent to 90 percent of its patients from Evergreen,[35] if Evergreen is forced to cease operations, Evergreen Health Care's financial position will be significantly impacted. Conceivably, Evergreen Health Care also would cease operations. Under this scenario, patients' short-term care needs will be jeopardized and conceivable, courses of treatment interrupted. In addition, even if patients' providers could eventually contract with other insurers, such a process will take time that will continue to impact patients' care needs.

   If Evergreen ceases operations, availability and accessibility of health care services provided by providers other than Evergreen Health Care, should not be impacted, assuming sufficient funds are available through the liquidation proceeding for providers to receive full payment for services already provided. Because Maryland hospitals do not negotiate with individual insurance carriers, patients' access to hospital services will not be impacted, and as stated previously, hospital payments will not be impacted assuming sufficient funds are available through the liquidation proceeding for hospitals to receive full payment for services already provided.

   In addition, Evergreen, which is built in part on the Healthy Howard Health Plan, has been implementing innovative changes to the Maryland health insurance market, which has been shown effective at providing comprehensive health care for low income individuals and families. Evergreen has also reintroduced capitation which aids in controlling costs and

[34] Source – Evergreen management
[35] Ibid.

improving care.[36] Evergreen already covered emergency contraception at minimal expense when Maryland became the first state requiring insurance plans to cover over-the-counter emergency contraceptives at no cost.[37] If Evergreen ceases operations, it will no longer be able to implement innovative changes.

If Evergreen is acquired, access to other providers should not change, since Evergreen does not intend to change its non-hospital provider contracting approach,[38] and providers' compensation for services provided will not be impacted.

2. Includes sufficient safeguards to ensure that the affected community will have continued access to affordable health care.

The acquisition is structured to provide funds to Evergreen to meet its ongoing RBC needs so the company can continue to operate and offer its products.

In the small group market, Evergreen offers at least one plan with a premium below the average in every metal level and geographic area, although some of Evergreen's other small group rates are above the average. Since Evergreen offers some of the lowest small group premium rates in Maryland, Evergreen's exit from the market would mean that these small group communities would lose access to Evergreen's low premium rates.

Although Evergreen's premiums rates in the small group and large group markets might increase after the Acquisition to account for state premium tax requirements, required return on investment, or other economic factors, such increases will be dependent on Evergreen's financial circumstances at the time those decisions are made.

Generally, increased competition in a health insurance market results in lower premium rates. Researchers found in the first year of the federal exchanges that premiums for the 34 federally facilitated exchanges could have been 5.4% lower if one additional major carrier had participated, and if every insurer entered the exchanges could have been 11.1% lower.[39] Other research showed that the average growth rate in the second lowest silver premium between 2014 and 2015 was 8.4 percentage points lower in counties that experience a net gain in issuers than in other counties.[40] One of the most common strategies that carriers employ to compete for customers is to offer lower priced products. In a competitive environment, carriers have more incentive to administer plans efficiently and manage care so that excessive and expensive services do not result in premium increases.

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[36] http://www.baltimoresun.com/health/bs-hs-evergreen-co-op-20150117-story html

[37] http://www.baltimoresun.com/news/maryland/politics/bs-md-birth-control-copay-20160509-story html

[38] Source - Evergreen senior provider contracting staff

[39] https://insight kellogg.northwestern.edu/article/more_insurers_lower_premiums

[40] https://aspe.hhs.gov/basic-report/competition-and-choice-health-insurance-marketplaces-2014-2015-impact-premiums

3. Is equitable to enrollees, shareholders and certificate holders of Evergreen.

Equitable pricing among Evergreen enrollees is not expected to change. If Evergreen's insurance products and rating structure do not change, we would not anticipate changes in the premium rates for insurance among the currently insured, other than for the reasons cited in the previous section. With the passage of the Affordable Care Act (ACA), plans are no longer allowed to underwrite policies based on health status in the individual and small group markets. Individual and small group markets are required to use a single risk pool methodology, which prohibits using relative morbidity in pricing market segments.

Since Evergreen does not intend to change its large group underwriting policies,[41] large group enrollees should not experience higher or unequitable premiums because of a change in underwriting guidelines.

If the Acquisition does not take place, and Evergreen cannot continue its business, enrollees must find other coverage and may pay higher rates than they would be charged by Evergreen due to Evergreen's low rates compared to other carriers. Also, if Evergreen cannot continue in business, Evergreen's closure will significantly impact Evergreen Health Care. Enrollees who currently use Evergreen Health Care providers as their primary care physicians may have to change providers, impacting the enrollees' continuation of care.

Enrollees and non-enrollees will also see a reduction in competition if the Acquisition does not take place. Originally, CO-OPs were created under ACA to enhance competition in states. [42]

Evergreen does not currently have shareholders.

4. Ensures that the transferee possesses surplus in an amount sufficient to: (i) comply with the surplus required by law; and (ii) provide security of its certificate holders and policyholders.

At closing, the acquirers must provide the amount of capital necessary to ensure that Evergreen has no less than 71% RBC. The acquirers have also agreed to use commercially reasonable efforts to cause Evergreen's RBC level to be at least equal to 200% as of December 31, 2018.

The minimum required capital levels could be impacted by any of the following:

1. Premium tax;
2. Risk adjustment for 2016 individual and small group markets;
3. Underwriting losses;

[41] Source – Evergreen management
[42] http://www.thefiscaltimes.com/2016/03/18/More-Bad-News-Remaining-Obamacare-Co-ops

4. Changes in Other Reserves; and
5. Any other economic events impacting surplus.

As of September 30, 2016, Evergreen had -$95,299 in surplus -- after the impact of the 2015 Risk Transfer was recorded.[43] At the end of 2015, Evergreen's authorized level ACL of RBC equaled $2,975,908,[44] which will increase for year-end 2016. However, with the withdrawal from the individual market effective January 1, 2017, the authorized RBC level will decrease by the end of 2017.

If a carrier does not maintain 70 percent of ACL RBC the MIA shall take any action that may be necessary to place the carrier under conservation, rehabilitation, or liquidation. The terms of the acquisition require the acquirers to provide the funding so that Evergreen meets this minimum RBC requirement at closing and that the acquirers use commercially reasonable efforts to further increase Evergreen's RBC as indicated above.

5. Whether the Acquisition would result in diseconomies of scale.

If the Acquisition takes place, Evergreen will be able to focus its operations and care management on a smaller group operation as it prepares for continued future growth. This will give Evergreen the opportunity to improve its claim coding practices, which in turn, should improve its risk scores and enable it to reduce the risk adjustment payments and continue to provide competitive premiums. This expertise will be important if Evergreen re-enters the individual market, which it intends to do for 2018. Neither LifeBridge Health, Inc. nor Anne Arundel Health System, Inc. has investments in commercial health plans that would directly compete with Evergreen. JARS Health Investments do not have any insurer holdings although an investor in JARS has a personal interest in a company which provides Medicare Advantage only plans, which also do not compete with Evergreen. The investors are having ongoing discussions with the current management team to maintain continuity, but there are openings in senior-level management that are being looked at and could be filled by promoting within.[45] Based on these facts, we conclude that the Acquisition will produce neither economies of scale nor diseconomies of scale.

Additional Considerations

We note that the following analysis is only for the result of the Acquisition. These issues can be impacted by other factors, but we are only addressing the Acquisition.

[43] Exhibit of Liability, Capital and Surplus. Insurance Regulatory Filing Health Quarterly Statement, 9/30/2016.
[44] ANNUAL STATEMENT FOR THE YEAR December 31, 2015 OF THE Evergreen Health Coop Inc. (NAIC #15090)
[45] Source – Representative of one of the investors.

1. The projected impact of the Acquisition on the premiums to be paid by Evergreen's insureds, with particular focus on rates in the small group and individual market.

For 2017, rates have already been filed and Evergreen has not made a decision on changing small group premium rates for the fourth quarter of 2017.

For 2018 and beyond, we anticipate that individual and small group premiums rates will be approximately 2 percent higher than they would otherwise be due to state premium taxes. In addition, overall premium rates might increase over what they would otherwise be due to the Acquisition, depending on target profit levels and required capital needs of the acquirers.

2. The projected impact of the Acquisition on underwriting losses or gains, loss and claims reserves, and administrative expenses of Evergreen.

There are five areas where we reviewed the projected impact:

A. Tax Impact

Because of the Acquisition, Evergreen will be subject to state premium taxes at a 2 percent rate. If no changes are made to 2017 rates for small and large employer group rates, the underwriting gains would be reduced by or, in the cases of losses, the losses would be increased by the effect of the state premium tax requirements for the period after the Acquisition during which the premium tax requirements are in effect.

B. Claim Reserves

Claim reserves are held for claims incurred but not paid, which are recorded as claims unpaid liabilities. This liability is impacted by changes in the speed of claims payment and in claim levels. The Acquisition is not expected to impact the speed of claims payment or claims level. Accordingly, we do not anticipate that the Acquisition will impact claims reserves unless Evergreen finds itself in a cash flow situation which requires it to slow down payments of claims. The probability of this occurring increases if the Acquisition is delayed or does not occur.

C. Administrative Expenses

We anticipate that the Acquisition's impact on administrative cost, including administrative expenses associated with paying the claim adjustments costs (loss adjustment expense), would at most be minimal, assuming there is no change in Evergreen's management or vendors. As the acquirers review best practices, they may make improvements.

With the loss of the individual market, it is possible that overhead costs per member will increase for the remaining members assuming no large growth in the group market.

D. Profit and Maintenance of Surplus

The individual and small group rate filings contain a provision for "Profit and Risk Load." If the income statement shows an underwriting gain equal to the amount included in the rate filings, then gains will be generated that can fund both contributions to surplus and investor expected profit. We do not know what the specific return on investment expectation is of the acquiring organizations, but combined with the necessary contribution to Evergreen's surplus, the "Profit and Risk Load" included for small group, and large group may increase to provide the acquirers a return on its investment.

E. Other Reserves

An insurance carrier is required to establish a liability when future premiums are not sufficient to pay future claims and administrative expenses. The liability is called a Premium Deficiency Reserve (PDR). If the 2 percent state premium taxes result in expenses that exceed the profit margin, it may be necessary for Evergreen to establish a PDR in 2017. This assumes that the original 2017 premium rates were adequate. If not, Evergreen should establish a PDR for any short fall, independent of whether or not the Acquisition occurs.

3. The projected impact the Acquisition may have on provider compensation, prompt payment of claims, the terms of provider contracts and other factors which could impact the development of provider networks.

Impact on Compensation with Respect to Providers and Non-Hospital Facilities

Based on our recent discussions with Evergreen senior provider contracting staff, it is our understanding that Evergreen staff does not anticipate changes in its provider compensation structure, regardless of the Acquisition occurring. The acquirers will be reviewing provider contracts and contracting methodology, which may impact compensation in the future.

To understand Evergreen's current provider and non-hospital facility compensation rating structure has on its total claims paid, we analyzed Evergreen's provider and facility networks that had the largest impact on its 2015 paid claims. In other words, we attempted to determine whether revising the provider compensation rate structure for a particular Evergreen provider network could impact Evergreen's future financial results.

As with several aspects of the Acquisition, it is very difficult to determine the effect the Acquisition might have on Evergreen's provider compensation structure. Even though Evergreen's provider contracting staff does not anticipate changes in Evergreen's provider compensation structure, acquiring parties may review all aspects of an acquired insurer's operations and could decide to pursue a different approach to any operational area, including provider contracting.

One area of focus of the acquirers may be achieving a return on their investment, which could lead to more stringent financial discipline to ensure more predictable, stable earnings. Such a focus could require provider compensation rate structure changes.

It is important to note that our analysis of the impact the Acquisition might have on provider and non-hospital facility compensation focuses on the rating structure for these providers. Another important component of total provider compensation is utilization, which can be impacted by a payer's medical management efforts.

Impact on Compensation with Respect to Hospital Providers

Pursuant to Maryland laws and the State of Maryland's partnership with CMS, the State of Maryland operates a unique all-payer rate-setting system for hospital services. Under this system, all payers of health care services compensate Maryland hospitals at the same rate for specified services performed at hospital facilities.

The rates paid to Maryland hospitals for specific service are established by the Maryland Health Services Cost Review commissions (HSCRC), a volunteer commission appointed by the Maryland Governor. The HSCRC has rate-setting authority for all inpatient hospital services, hospital–based outpatient services, and hospital emergency services. This authority extends to rates charged by 47 acute general, three specialty, and three private psychiatric hospitals in the State of Maryland.

Because of the unique rate-setting system for hospital services provided in Maryland hospital facilities, the Acquisition cannot affect the rates paid by Evergreen to hospital facilities for inpatient hospital services, hospital–based outpatient services, and hospital emergency services. Regardless of the unique characteristics of a payer of health care services in Maryland – for example, its nonprofit or for-profit status or the financial strength of its parent company – the rates paid by the payer to Maryland hospital facilities will not and cannot vary.

Since the Acquisition will not affect Evergreen's rate structure for hospital services, we analyzed the effect that the Maryland hospital rate structure currently has on Evergreen's recent claims payments. Specifically, we analyzed Evergreen's recent claims payments to analyze the magnitude of claims that ***cannot be*** affected by the Acquisition (hospital service claims subject to HSCRC rate-setting authority) and the magnitude of claims that ***could be*** affected by the Acquisition (all other rates for provider services that are not subject to HSCRC rate-setting authority).

It is important to note that our analysis of the impact the Acquisition might have on provider compensation with respect to hospital compensation focuses on the rate structure for hospital services. Another important component of total hospital provider compensation is utilization, which can be impacted by a payer's medical management efforts with respect to hospital services (for example, the use of emergency services and length of inpatient hospital stays).

Impact on Prompt Payment of Claims, Terms of Provider Contracts and Other Factors Which Could Impact the Development of Provider Networks

Based on our recent discussions with Evergreen' management, it is our understanding that Evergreen staff does not anticipate changes in its operations that could impact prompt payment of claims, the terms of its provider contracts, or other factors which could impact the development of its provider network, provider compensation structure, regardless of whether the Acquisition occurs. Particularly, Evergreen management is not considering changes to its operational areas affecting prompt payment of claims or provider contracting operations either now or in the future because of a change in its ownership. However, given that two of the acquirers are health systems with their own provider contracting models, Evergreen will likely experience growth in provider networks after the Acquisition and as membership grows.

Evergreen's management does not anticipate changes in these operational areas, an acquiring party likely would review all aspects of an acquired insurer's operations and could decide to pursue a different approach to any operational area. The acquirers will be reviewing best practices in operational areas and may make improvements in the future.

Evergreen's management told us that Evergreen's current TPA is Cicerone Health and that Evergreen does not anticipate changing its current TPA arrangement, regardless of whether the Acquisition occurs. The acquirers will be reviewing the TPA's performance and may make changes.

Since compliance with Maryland prompt payment requirements applies to all claims administration processes, regardless of the TPA, it seems likely that even if the acquirers decide to change Evergreen's current TPA arrangement, such a change will not impact Evergreen's compliance with Maryland prompt pay requirements. In other words, regardless of how Evergreen decides to process claims in the future – under an arrangement with a different TPA either now or after the Acquisition is completed – Evergreen still will be required to comply with Maryland prompt payment requirements.

4. Whether the control of Evergreen by the acquirers would be equitable to Evergreen's insureds.

ACA established standardized rating structures and eliminated underwriting in the individual and small group markets. The Acquisition will not change these rating requirements in the individual and small group markets.

The investors are having ongoing discussions with the current management team to maintain continuity, but there are openings in senior-level management that are being looked at.[46] Evergreen's current management does not intend to change its large group underwriting or rating methodology.[47] The acquirers may make changes, but no decisions have been made.

We do not anticipate changes resulting from the Acquisition that would be inequitable to Evergreen's insureds, although we cannot know the impact of the acquirers' future decisions.

5. Whether there are aspects of the Acquisition which could otherwise impact or have an adverse effect on the availability or accessibility of health insurance, particularly regarding the extent of coverage provided to insureds.

To analyze the impact the Acquisition might have on the availability or accessibility of health insurance to Maryland residents, we began with a review of Evergreen's current market share for various segments of the Maryland health insurance market. By analyzing its current market share, we can determine the impact that decisions made after the Acquisition might have on health insurance availability in Maryland. For example, if Evergreen has a large share of the individual market offered in the Maryland Health Connection, a future decision by Evergreen to withdraw from this line of business could have a significant impact on the availability of individual Maryland Health Connection, or exchange, products for Maryland residents.

Individual Maryland Health Connection Products.

We understand that Evergreen's share of the individual Maryland Health Connection market was 2.90 percent as of October 26, 2015 and 6.67 percent as of June 3, 2016.[48] We also noted that the following insurers are offering individual Maryland Health Connection products in 2017:[49]

- CareFirst BlueChoice, Inc.
- CareFirst of Maryland, Inc.
- Cigna Health and Life Insurance Co.
- Group Hospitalization and Medical Services, Inc.[50]
- Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.

Since Evergreen is not participating in the individual market in 2017, there would be no impact on that market in 2017. Evergreen is planning to file premium rates for the

[46] Source – Representative of one of the investors
[47] Source – Evergreen management
[48] Source – Evergreen management
[49] Source – Maryland Insurance Administration February 21, 2017 Notice re: Carriers with Approved Individual Health Benefit Plans.
[50] Group Hospitalization and Medical Services, Inc. is included in the CareFirst group in the market share graphs.

individual market in 2018. If the Acquisition does take place, it is possible that Evergreen would be allowed to return to the individual market, which could increase carrier and product choice in the individual market.

Group Maryland Health Insurance Market Segments

As previously indicated, Evergreen's 2015 market share of all health insurance market segments in Maryland are as follow:[51]

Total small group market (SHOP and off exchange small group) – 5.65 percent
Large group market – 0.02 percent

Because of the way small group market SHOP business is administered and reported, we understand that it is not possible to determine Evergreen's market share of SHOP business and off-exchange small group business on a separate basis.

We also noted that the following insurers are offering SHOP products on the Maryland Health Connection in 2017:[52]

- Aetna Health Inc.
- Aetna Life Insurance Co.
- CareFirst BlueChoice, Inc.
- CareFirst of Maryland, Inc.
- Evergreen Health, Inc.
- Group Hospitalization and Medical Services, Inc.
- Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc.
- MAMSI Life and Health Insurance Co.[53]
- Optimum Choice, Inc.
- UnitedHealthcare Insurance Co.
- UnitedHealthcare of the Mid-Atlantic, Inc.

Because of the relative size of Evergreen's share of the small group market in 2015 (5.65 percent), it appears that if Evergreen were not able to offer these products in the future, Maryland residents would be negatively impacted by the loss of a carrier choice. We did note that there are more choices in carriers for SHOP exchange business in 2017; however, it is our understanding that frequently, small employers choose to purchase coverage outside of the Maryland Health Connection SHOP options. Accordingly, since Evergreen's share of the small group market, both on and off exchange, is not

[51] Supplemental Health Care Exhibit Part 1 from the Annual Statements for all health carriers in the Maryland market for 2015
[52] Source – Maryland Insurance Administration March 8, 2017 Notice re: Carriers with Approved Small Employer Group Benefit Plans.
[53] MAMSI Life and Health Insurance Co. and Optimum Choice, Inc. are included in the UnitedHealthcare group in the market share graphs.

insignificant, the loss of Evergreen as a small group carrier will impact Maryland small employers and residents.

6. Whether the Acquisition would have an impact on Maryland's hospital rate setting system.

As previously indicated, the State of Maryland operates a unique all-payer rate-setting system for hospital services under which all payers of health care services compensate Maryland hospitals the same rate for specified services performed at hospital facilities. The HSCRC has rate-setting authority for all inpatient hospital services, hospital–based outpatient services, and hospital emergency services. This authority extends to rates charged by forty-seven acute general, three specialties, and three private psychiatric hospitals in the State of Maryland.

In determining rates to be set for hospital services, the HSCRC is required to consider the following:

- The total costs of all services offered by a hospital are reasonable;
- Aggregate revenues of a hospital are reasonably related to its aggregate costs; and
- Rates are set equitably among all purchasers of hospital services.

With respect to the first two factors to be considered, the HSCRC's focus appears to be on the aggregate revenue and costs of a hospital with respect to all payers – so that the HSCRC's analysis of these factors would not be affected by the experience of one particular payer with respect to its insured population. Accordingly, with respect to those factors that focus on a hospital's overall revenue and cost experience, it does not appear that the Acquisition would have an impact on Maryland's hospital rate setting system.

With respect to the final factor – rates are equitably set among all purchasers of hospital services – the HSCRC might interpret this factor to require it to analyze the effect its rate structure decisions will have on individual purchasers, or payers, of hospital services. Even if the HSCRC would consider the impact of its decision on Evergreen, however, it is still difficult to envision how the Acquisition could impact the HSCRC's analysis of appropriate rate setting for hospital services. Even if the HSCRC accounts for the effect its hospital rate setting structure would have on Evergreen, the fact that Evergreen is acquired by another entity (or entities) should not affect its analysis of equitable rates among all Maryland payers.

Even if the HSCRC accounts for the effect its hospital rate-setting structure would have on Evergreen, the HSCRC is to set rates equitably among all purchasers of hospital services. Of the 12 insurance carriers in the combined individual and group health insurance market in Maryland, Evergreen had a 3.2 percent market share in 2015. In addition, Evergreen's inpatient hospital days in 2015 equaled 2,576, which was 1.5 percent of the total inpatient hospital days in 2015 for all carriers (178,098 total inpatient hospital days in 2015). Based on the percentage of market share and inpatient hospital days attributable to Evergreen and its insured population, it seems unlikely that the HSCRC will give disproportionate weight to the effect its decisions on a rate-setting structure will have on Evergreen and its financial situation.

7. Whether the Acquisition would likely result in material changes to benefit levels, particularly for the individual and small group market products.

Based on our recent discussions with senior Evergreen staff, it is our understanding that Evergreen staff does not anticipate material changes in benefit levels for its products, regardless of whether the Acquisition occurs. In addition, the benefit levels for Evergreen's Maryland Health Connection individual and small group products are mandated by ACA and Maryland law. Thus, even if new management wished to change the benefit structure of Evergreen's products, changes to Evergreen's individual and small group ACA-compliant products would have to follow the rules of ACA.

8. Whether Evergreen's underwriting standards would likely change as a result of the Acquisition.

With the passage of the ACA, health plans are no longer allowed to underwrite policies in the individual and small group markets.

Evergreen does not plan to change its underwriting standards for large group products and will continue to use their in-house underwriter.[54] The acquirers may make changes to the large group underwriting in the future.

[54] Ibid.

Appendix I - Information Reviewed

	Document	Author
1	2015 Evergreen Health Cooperative NAIC Annual Statement	EHC
2	Acquisition Letter	EHC
3	EHC 5 year proforma model - For External Distribution 9.27hc REVISED BASE	Evergreen
4	EHC 5 year proforma model with actual amounts through June 30, 2016	EHC
5	EHC Proforma for September 15th CMS Submission - Base Case - 9-1-2016	Milliman
6	EHC Summary Balance Sheet 8 31 2016	Evergreen
7	EHC YTD Summary P L versus Budget thru 8 2016	Evergreen
8	EHC YTD summary P l versus Budget thru 8 2016	EHC
9	Evergreen Health Cooperative 2017 individual URRT	EHC
10	Evergreen Health Cooperative 2017 small group URRT	EHC
11	Evergreen Q2 2016 Pro forma financials 9-1-2016 - REVISED	Milliman
12	First Quarter 2014 Evergreen Health Cooperative NAIC Quarterly Statement	EHC
13	Jan 31 2017 analysis	EHC
14	Loan Letter	EHC
15	Milliman 2016 risk adjuster estimates as of June 30 2016	Milliman
16	PBM Arrangement	EHC
17	Premium and Membership_January_2017	EHC
18	Provider Network and Payments Overview Community Impact	EHC
19	Second Quarter 2016 Evergreen Health Cooperative NAIC Quarterly Statement	EHC
20	SUMMARY REPORT ON TRANSITIONAL REINSURANCE PAYMENTS AND PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2014 BENEFIT YEAR Released: June 30, 2015	CMS
21	SUMMARY REPORT ON TRANSITIONAL REINSURANCE PAYMENTS AND PERMANENT RISK ADJUSTMENT TRANSFERS FOR THE 2015 BENEFIT YEAR Released: June 30, 2016	CMS
22	Surplus Note – AAHS	EHC
23	Surplus Note – JARS	EHC
24	Surplus Note – LifeBridge	EHC
25	Third Quarter 2016 Evergreen Health Cooperative NAIC Quarterly Statement	EHC