Exhibit 13

VERMONT
HEALTH
CO-OP

April 5, 2013

<u>Delivered via electronic mail to susan.donegan@state.vt.us</u>

Commissioner Susan Donegan
Department of Financial Regulation
89 Main Street
Montpelier, Vermont 05620-3101

Re: Response to the Report on the Examination of the Consumer Health Coalition of Vermont, Inc. d/b/a Vermont Health CO-OP (the "CO-OP")

Dear Commissioner Donegan:

The CO-OP received and reviewed the Report on the Examination of the Consumer Health Coalition of Vermont, Inc. ("Examination Report") composed by the Department of Financial Regulation, Division of Insurance ("Department") dated April 1, 2013. The CO-OP does not materially dispute any of the information provided in the Examination Report but offers the following responses to further clarify information the Department may consider relevant to assessing the CO-OP's ability to mitigate the identified risks.

With this response, the CO-OP waives the remainder of the thirty (30) day response period provided under Title 8 V.S.A. § 3574. For ease of review, we have copied each risk directly from the Examination Report followed by the CO-OP's response.

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Risk #1: Access to Capital:
There is a risk that the applicant is unable to access the available funding and necessary capital to maintain the Vermont minimum regulatory requirements, threatening its ability to continue as a going concern.

CO-OP Response:
The Centers for Medicare and Medicaid Service ("CMS") confirmed that justifiable requests for additional funds will not be denied unless there are instances of material non-compliance with state insurance laws or federal laws applicable to Consumer Operated and Oriented Plans. In addition, CMS is prepared to approve an additional draw on the CO-OP's solvency loan should the Department require additional reserves to further mitigate this risk and increase the Department's confidence in the CO-OP's access to adequate reserve funds.

Risk #2.1: Assumption of Allowable Costs:
Oliver Wyman developed independent estimates of allowable costs based on analysis of the Vermont rate filings of two major carriers. Substituting the Applicants projections with the Oliver Wyman estimated allowable costs produce a materially different result in all scenarios related to profitability. There is a risk that the allowable costs assumptions made by the applicant are materially different from the actual costs it will encounter in the Vermont market, resulting in operating losses rather than gains at the Applicant's enrollment target.

CO-OP Response:
The assumptions that were initially submitted with the CO-OP application were developed by Milliman and were extensively vetted by CMS and their financial consultants, Deloitte. Actuaries from both CMS and Deloitte reviewed the initial assumptions, ultimately approving Milliman's approach.

However, since the time of the CO-OP's initial application and Oliver Wyman's review of the financial assumptions, the CO-OP has further refined those assumptions as part of its rate development. Proposed rates were submitted to the Department of Vermont Health Access ("DVHA") for approval for use on the Exchange on March 25, 2013. The CO-OP realizes the Department will not see the rates or their underlying assumptions until the CO-OP is licensed but the CO-OP believes its rates are more in-line with other carriers in the Vermont marketplace which will reduce the risk that the CO-OP will experience operating losses.

The CO-OP understands that the report detailing the Oliver Wyman analysis is an internal workpaper of the Department which it wishes to protect. However, the discrepancy in the results of the Oliver Wyman analysis and Milliman analysis are of concern to the CO-OP. The CO-OP would welcome the opportunity to discuss the analysis in more detail so that we may better understand the reason for the varied results.

<u>Risk #2.2: Enrollment Assumptions</u>:
As with any insurers entry into a new market, there is a risk that enrollment targets are not met, resulting in an inadequate volume of business for profitability. As a start-up entity in a brand new market (Exchange), this risk is particularly acute.

CO-OP Response:
The CO-OP developed rates to be competitive within the Vermont marketplace. Additionally, although the CO-OP will be a new insurer in Vermont, it will enter the marketplace at a unique time when individuals and small groups in Vermont are being directed to a single marketplace and required, in most cases, to pick a new health insurance policy. This environment creates a better opportunity for the CO-OP as there is less inertial tendency for consumers to remain with their current carrier thereby making it less risky for a new insurer to enter the market now than in prior periods. There will also be a new population on the Exchange due to the expiration of certain government programs. This confluence of events coupled with the limited number of carriers offering plans over the Exchange in Vermont will give the CO-OP a concentrated audience in the individual and small group markets upon which to focus enrollment efforts.

Additionally, the 'CO-OP difference,' which refers to the CO-OP's appeal as a consumer operated and oriented plan designed to operate as a health care cooperative under federal law, will have appeal to Vermonters. We do not suggest that this will wholly support enrollment numbers but we do think it is worth consideration in a market where there are few other options and where cooperative models are widely supported.

<u>Risk #2.3: Actual Premiums Inconsistent with Pro-Formas</u>:
There is a risk that the rates filed and ultimately approved by the Green Mountain Care Board in accordance with Vermont law are materially different from the rates assumed in the Applicant's pro-formas, resulting in unanticipated results, such as the inability to operate profitably in scenarios previously assumed to be profitable per the original pro-formas.

CO-OP Response:
As explained in response to Risk #2.1, the CO-OP submitted proposed rates to DVHA. These rates are different from the rates assumed in the CO-OP's pro-formas. Once the Department has the opportunity to review the proposed rates it will see that they are aligned with other carriers in the market.

Additionally, the loan documents between the CO-OP and CMS allow repayments of the loans to subordinate to any state interest on behalf of the Vermont insured. This added protection will further reduce any risk that a Vermonter might be harmed if the CO-OP cannot fully perform during start-up.

<u>Risk #3.1: Oversight of Healthcare Vendors</u>:
There is a risk that the Applicant may not have requisite in-house knowledge or experience in the functions delegated to properly supervise and monitor the vendors, resulting in a failure to prevent or quickly address critical issues.

CO-OP Response:
Since the CO-OP's last correspondence with the Department regarding the development of its vendor oversight program, the CO-OP has finalized its Vendor Oversight Policy, developed a Compliance Committee and continues to develop vendor oversight plans for each vendor. The CO-OP is required to have a demonstrable comprehensive vendor oversight program to satisfy CMS, Rule H-2009-03, and National Committee for Quality Assurance ("NCQA") accreditation standards. As discussed in more detail under Risk #4, the CO-OP staff has significant industry experience. While in some instances the experience is not direct in-house insurance experience, it nonetheless equips the CO-OP team to effectively manage vendors, identify and address issues, and meet implementation and operation timelines during its initial years of operation.

<u>Risk #3.2: Vendor Performance</u>:
There is a risk that vendors may not perform as expected under their contracts, including allocating adequate resources to the Applicant's operations and execution of the necessary coordination between vendors required, resulting in customer service, compliance or other issues.

CO-OP Response:
The risk that vendors will not comply with their contract terms is a risk for any company, regardless of how long they have been in operation. To help mitigate this risk when the CO-OP is in a start-up phase, it selected vendors with a positive reputation for providing the services sought, many of whom have experience providing these services to Vermonters. The CO-OP also carefully crafted its contracts to include clear performance parameters, baseline services levels, detailed implementation timelines, and specific reporting obligations to ensure that vendor expectations are not misunderstood. Finally, as the Department will see in the Vendor Oversight Policy, the CO-OP has developed a program that will help ensure that any problems are quickly identified and addressed. These additional protections should help mitigate the risk of harm to the CO-OP.

<u>Risk #4: Experience of Management</u>:
There is a risk that the lack of insurance experience and business qualifications of certain key officers will result in problems with identification and resolution of strategic and operational issues, or results in less than optimal oversight of contractors (Risk #3.1).

CO-OP Response:

The CO-OP understands that this risk is primarily focused on its officers and that Bostick Crawford Consulting Group ("BCCG") was primarily focused on in-house insurance experience as a measure of risk. However, there is other relevant experience of the identified officers that the CO-OP has disclosed to the Department in the examination process that mitigates Risk #4. Further, the CO-OP's extended team includes extensive in-house insurance experience.

Further, the CO-OP made a conscious decision to recruit some leaders that did not have a traditional in-house insurance background but had related experience that would bring a fresh perspective to insurance company operations. This strategy was also discussed and approved by CMS.

<u>Risk #5: Inability to Pay Commissions</u>:
To the extent that the MGA contract with FJG is a key component of the Applicant's enrollment strategy, significant changes in the nature of that arrangement may have an adverse impact. There is a risk that the any necessary changes in the Applicant's plans will further exacerbate the risk related to achieving enrollment targets (Risk #2.2).

CO-OP Response:
The CO-OP clarified its relationship with Fleischer Jacobs Group ("FJG") in an email to the Department sent March 11, 2013. The CO-OP will not pay FJG broker commissions in the small group and individual markets. FJG will receive a flat rate for education and outreach services in these markets. FJG will continue to serve as the MGA for the CO-OP's large group business. The CO-OP's arrangement with FJG to provide services in the individual, small group and large group markets is designed to further the CO-OP's enrollment strategy within the boundaries of Vermont law.

<u>Risk #6: Administrative Costs</u>:
There is a risk that administrative costs, observed to be significantly higher than the administrative costs of existing Vermont health insurers, will result in the Applicant being unable to effectively compete on price and will exacerbate the risk of missing enrollment targets (Risk #2.2), and/or affect the company's ability to maintain profitability, both of which could result in financial losses.

CO-OP Response:
As discussed above in response to Risk #2.3, when the Department has the opportunity to review the CO-OP's proposed rates it will find that they are in line with rates proposed by the other carriers in the market.

Risk #7: Repayment of Loans:
There is a risk that the obligation to repay the Solvency and Start-up loans will adversely affect the Applicants ability to offer both profitable and competitive rates in 2014 and beyond. This may result in an inability to achieve its financial projections, affecting the viability of the Applicant.

CO-OP Response:
In a worst case scenario, the CO-OP's obligation to repay its start-up loan and/or solvency loan may be delayed if CMS finds that those funds are needed to cover claims costs or meet state obligations.

We appreciate the opportunity to respond to your findings in more detail and are available to discuss any of this information at your convenience.

Sincerely,

Christine M Oliver

Christine M. Oliver
Chief Executive Officer

cc: David Cassidy, General Counsel
Ryan Chieffo, Assistant General Counsel