



**COMMONWEALTH OF MASSACHUSETTS**  
**OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION**  
**DIVISION OF INSURANCE**

*REPORT OF EXAMINATION OF THE*  
**BLUE CROSS AND BLUE SHIELD OF MASSACHUSETTS, INC.**

**Boston, Massachusetts**

**As of December 31, 2021**

**NAIC GROUP CODE 3637**

**NAIC COMPANY CODE 53228**

**EMPLOYER ID NUMBER 04-1045815**

BLUE CROSS AND BLUE SHIELD OF MASSACHUSETTS, INC.

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**COMMONWEALTH OF MASSACHUSETTS**  
**Office of Consumer Affairs and Business Regulation**  
**DIVISION OF INSURANCE**

1000 Washington Street, Suite 810 • Boston, MA 02118-6200  
(617) 521-7794 • Toll-free (877) 563-4467  
<http://www.mass.gov/doi>

**MAURA HEALEY**  
GOVERNOR

**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

**KIM DRISCOLL**  
LIEUTENANT GOVERNOR

May 31, 2023

The Honorable Gary D. Anderson  
Commissioner of Insurance  
Commonwealth of Massachusetts  
Division of Insurance  
1000 Washington Street, Suite 810  
Boston, MA 02118-6200

Honorable Commissioner:

Pursuant to your instructions and in accordance with Massachusetts General Laws, Chapter 176A, Section 6, Chapter 176B, Section 9, and other applicable statutes, an examination has been made of the financial condition and affairs of

**BLUE CROSS AND BLUE SHIELD OF MASSACHUSETTS, INC.**

at its home office located at 101 Huntington Avenue, Suite 1300, Boston, MA 02199-7611. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Blue Cross and Blue Shield of Massachusetts, Inc. ("Company" or "BCBSMA") was last examined as of December 31, 2018 by the Massachusetts Division of Insurance ("Division"). The current examination was also conducted by the Division and covers the three-year period from January 1, 2019 through December 31, 2021, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

The examination was conducted in accordance with standards and procedures established by the National Association of Insurance Commissioners ("NAIC") Financial Condition (E) Committee and prescribed by the current NAIC *Financial Condition Examiners Handbook*, the examination standards of the Division and with Massachusetts General Laws. The Handbook requires that we plan and perform the examination to evaluate the financial condition and identify current and prospective risks of the Company by obtaining information about the Company, including corporate governance, identifying and assessing inherent risks within the Company, and evaluating system controls and procedures used to mitigate those risks.

All accounts and activities of the Company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact, as mentioned in the Massachusetts General Laws, Chapter 176A, Section 6, Chapter 176B, Section 9, and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

The Company is audited annually by Ernst & Young ("E&Y"), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company's financial statements for calendar years 2019 through 2021. A review and use of the Certified Public Accountants' work papers were made to the extent deemed appropriate and effective. The Company has an internal audit department. Work papers prepared by the Company's internal audit department have been reviewed as a source of information and were tested and leveraged as deemed appropriate and effective.

Representatives from the firm of KPMG LLP ("KPMG") were engaged by the Division to assist in the examination by performing certain examination procedures at the direction of and under the overall management of the Division's examination staff. KPMG's Health Actuaries were involved in the performance of those procedures to the extent that such procedures related to the Company's reserves for unpaid claims and loss adjustment expenses and provider risk sharing settlements as of December 31, 2021.

KPMG's Information Technology Advisory Services personnel were engaged to review the Company's Information Technology environment to assist in determining the level of reliance to be placed on the information generated by the data processing systems.

### **SUMMARY OF SIGNIFICANT FINDINGS OF FACT**

There were no significant findings identified during the previous examination, and there are no significant findings related to the current examination.

### **COMPANY HISTORY**

Blue Cross and Blue Shield of Massachusetts began as the Associated Hospital Service Corporation of Massachusetts in 1937. The corporation aimed to spread the cost of hospital treatment among a large group of employed persons and, upon its opening, was the twenty-sixth plan of its kind in the United States, differing from others in its offering of statewide coverage. In 1939, the name Blue Cross was officially adopted by the American Hospital Association as the national symbol for the Hospital Service movement and in 1941, Blue Shield was established as a result of physician interest in the prepayment concept of financing health care.

Over the years, Blue Cross and Blue Shield of Massachusetts continued to grow and adapt to the needs of consumers, offering ever-increasing comprehensive coverage. The two separate organizations merged to become Blue Cross and Blue Shield of Massachusetts, Inc. and continued as part of a national network of affiliated plans, the Blue Cross and Blue Shield Association.

In 1992, BCBSMA launched an insured Health Maintenance Organization ("HMO") line of business branded as HMO Blue. The product reflected a change that was in line with the interests of the emerging market and represented a transition from traditional health insurance to managed care.

BCBSMA is also the sole corporate members of two foundations; The Blue Cross Blue Shield of Massachusetts Foundation ("BCBSF") founded in 2001 which is committed to expanding high quality care access to the underserved in Massachusetts consistent with its original charter and the Health Care Assistance Foundations, Inc. (HCAF), inactive since 2005.

In January 2005, BCBSMA transferred its insured HMO business to a separately incorporated, not-for-profit subsidiary, Blue Cross and Blue Shield of Massachusetts HMO Blue, Inc. ("HMO Blue"). HMO Blue provides hospitalization, medical and other health benefits as a licensed health maintenance organization. HMO Blue and BCBSMA operate under common management and Board of Directors ("Board") control. HMO Blue was licensed by the Division effective January 1, 2005. As a condition of granting an HMO license to HMO Blue, the Division required BCBSMA and HMO Blue to enter into an agreement to issue a surplus note to the other company if either entity's health risk based capital ("RBC") falls outside a specified range. BCBSMA also entered into a unilateral agreement with HMO Blue to guarantee all of HMO Blue's current and future financial obligations.

## Blue Cross and Blue Shield of Massachusetts, Inc.

Effective January 1, 2014, the Company adopted Statement of Statutory Accounting Principles No. 106, Affordable Care Act Assessments ("SSAP 106"). SSAP 106 provides accounting treatment for the assessment under Section 9010 of the Patient Protection and Affordable Care Act (ACA) of entities issuing health insurance. Additionally, the Company also adopted SSAP No. 107, Accounting for the Risk- Sharing Provisions of the Affordable Care Act ("SSAP 107"). The Affordable Care Act ("ACA") imposes fees and premium stabilization provisions on health insurance issuers offering commercial health insurance. The risk-sharing provisions include three programs known as risk adjustment, reinsurance, and risk corridor. The required payments to the programs are reported as assessments and amounts distributed back to the insurance companies are presented as recoverables or receivables on the balance sheet.

BCBSMA has one wholly controlled subsidiary; HMO Blue, and two wholly owned subsidiaries; FERM Captive, LLC ("FERM Captive") established in 2021, and Zaffre Health Solutions, LLC ("Zaffre Health Solutions") established in 2012. Zaffre Health Solutions has one active wholly owned subsidiary: Zaffre Health Plan Solutions, LLC ("Zaffre Health Plan Solutions"). Zaffre Health Plan Solutions has one active wholly owned subsidiary: Zaffre Investments, LLC ("Zaffre Investments") and an ownership interest in one affiliated company, Evio Pharmacy Solutions, LLC (Evio). The general business of Zaffre Health Solutions, Zaffre Health Plan Solutions, And Zaffre Investments are to engage in certain strategic investment that provide services to a wide array of business in the healthcare industry. Furthermore, Zaffre Investments has four wholly controlled subsidiaries, and two affiliated companies. The four subsidiaries of Zaffre Investments are CASI, Indigo, MBA, and HealthBox II, LLC. The two affiliated companies of Zaffre Investments are Cobalt Benefits Group, LLC and HealthBox Boston I, LLC.

In addition, the Company has two other affiliated companies, BlueCross BlueShield Venture Partners, L.P. ("BCBS Venture") and BlueCross BlueShield Venture Partners II, L.P. ("BCBS Venture II"). BCBS Venture is a strategic corporate venture fund formed by eleven Blue Cross and Blue Shield plans to invest in emerging companies that will bring greater innovation, efficiency, consumer-focus, and transparency to healthcare. BCBS Venture II is a strategic corporate venture fund formed by twenty Blue Cross and Blue Shield plans to primarily make equity investments in emerging companies of strategic interest to Blue Plans while pursuing positive financial returns.

## **MANAGEMENT AND CONTROL**

### Board of Directors Minutes

The minutes of meetings of the Board of Directors ("Board") and its Committees for the period under examination were read and they indicated that all meetings were held in accordance with the Company's bylaws and the laws of the Commonwealth of Massachusetts. Activities of the Committees were ratified at meetings of the Board.

Articles of Organization and Bylaws

The articles of organization and bylaws of the Company were reviewed, and there were no changes during the examination period. The bylaws provide guidance related to corporate governance, including the roles and responsibilities of the Directors and officers of the Company.

Board of Directors

In accordance with the bylaws, the members may determine the size of the Board and shall annually elect or reelect directors to succeed the directors whose terms then expire for a term of 3 years. The Board shall be divided into three classes such that the term of one class of directors expires each year. If the members increase the number of directors, the additional directors shall be placed into the existing classes such that the terms of the directors expire (as nearly may be) one third each year. Directors elected into a class mid-term shall complete the term of the class into which he or she was elected. The president and chief executive officer, if also a director, shall not be a part of any class and shall serve a term coterminous with his or her employment as chief executive officer and president of the corporation. Except for the president and chief executive officer, no director may serve more than four (4) consecutive three (3) year terms (the "Term Limit").

The Board shall have a chair of the Board. The chair of the Board shall preside at all meetings of the members, the directors and the executive committee, if any. He or she shall also have such other powers and duties as may be given to or imposed upon him or her by these bylaws or by the directors.

The Board shall have one or more vice chairs. The vice chairs of the Board, or one of the vice chairs of the Board if there are more than one, shall act as chair of the Board in the chair of the Board's absence. The vice chair or vice chairs of the Board shall have such other powers and duties as the directors may from time to time determine.

Except as otherwise provided by law vacancies in the Board occurring during the year may be filled for the unexpired term by a majority vote of the remaining directors, though less than a quorum, at any meeting of the Board, provided that after such vacancies are filled the composition of the Board complies with the law and Company bylaws. Notwithstanding any vacancy on the Board, the Board shall continue to act on behalf of the Company with its full authority and effect thereof.

Any director may resign by written notice given to the chair of the Board, the president, the secretary or the Board. Directors may be removed from office at any time for cause by vote of a majority, and without cause by vote of two thirds, of the directors then in office, provided that a director may be removed for cause only after a reasonable notice and opportunity to be heard before the Board.

Blue Cross and Blue Shield of Massachusetts, Inc.

At December 31, 2021, the Company's Board consisted of the following:

<u>Director</u>	<u>Title</u>
Andrew C. Dreyfus	President & Chief Executive Officer, BCBSMA, Inc.
Paula A. Price	Senior Lecturer, Harvard Business School
Lauren A. Smith	Chief Health Equity and Strategy Officer, CDC Foundation
Dorothy E. Puhly	Executive Vice President and Chief Operating Officer, Dana-Farber Cancer Institute
Francis X. Callahan	President, Massachusetts Building Trades Council
George R. Alcott III	Past Vice President, Massachusetts AFL-CIO
Timothy M. Sweeney	President, Global Retail Markets, Liberty Mutual Insurance
Ami Parekh	Chief Health Officer, Included Health
Phyllis R. Yale	Advisory Partner, Bain & Company, Inc.
Donald K. Stern	Managing Director, Corporate Monitoring and Consulting Services at Affiliated Monitors, Inc. and Of Counsel at Yurko Partners
Marcy L. Reed	President MA and Executive Vice President, US Policy & Social Impact, National Grid
Martin T. Meehan	President, University of Massachusetts
Quincy L. Miller	President, Eastern Bankshares, Inc. and Vice Chair and President, Eastern Bank
Corey E. Thomas	Chairman & Chief Executive Officer, Rapid7

Officers

The corporation shall have as its officers a president, one or more executive vice presidents, one or more senior vice presidents, a chief financial officer, a chief actuary, a chief legal officer, a secretary, a treasurer, one or more assistant secretaries, and one or more assistant treasurers. Beginning at the 1989 annual meeting, the secretary, treasurer, assistant secretaries and assistant treasurers shall be elected by the members annually at their annual meeting, and the other officers designated above shall be elected by the directors annually at the first meeting of the directors following the annual meeting of the members, provided that each officer shall continue to hold office after the expiration of his or her elected term until a successor is elected and qualified. The officers shall not be chosen from the Board.

The officers of the Company as of December 31, 2021, were as follows:

<u>Officer</u>	<u>Title</u>
Andrew C. Dreyfus	President & Chief Executive Officer
Richard D. Lynch	Chief Operating Officer
Andreana Santangelo	EVP & Chief Financial Officer



Blue Cross and Blue Shield of Massachusetts, Inc.

Donald Savery	SVP, General Counsel & Secretary
Linda Williams	SVP & Chief Audit Executive
Alona G. Abalos	VP & Assistant Secretary
Michael Guerriere	Chief Actuary
Anthony C. Criscuolo	Treasurer
Enrico A. Giammarco	Assistant Treasurer
Mark R. Collura	Assistant Treasurer
Patrick Gilligan	EVP, Chief Commercial Officer
Jay McQuaide	SVP, Chief Communications and Citizenship Officer
Raymond Burke	SVP, Operations Management
Sukanya Soderland	SVP, Chief Strategy Officer
Ryan O'Donnell	SVP, Customer Service & PBM Integration
Manuel A. Lopes	EVP, Public Markets & Government Relations
Brett Painchaud	SVP, Controller
Anthony Centrella	SVP, Financial Services
Matthew Day	SVP, Network Payment Innovation & Contract Management
Victoria Hildebrand	SVP, Chief Investment Officer
Sandhya Rao	SVP, Chief Medical Officer
Audrey Shelto	President & CEO at BCBSMA Foundation
Susan L. Sgroi	EVP, Chief Human Resources Officer
Debra Williams	SVP, Chief Sales and Marketing Officer
Mark Friedberg	SVP, Performance Measurement & Improvement
Tonya Webster	SVP, Service Center Operations

Committees of the Board of Directors

According to the bylaws, except as otherwise provided by law, by the articles of organization or these bylaws, all corporate powers shall be exercised by or under the authority of the directors. The affairs, property and business of the corporation shall be managed under the direction of the directors, and the directors may adopt such rules and regulations for that purpose and for the conduct of its meetings as they may deem proper. The directors shall have the power from time to time to appoint such committees with such membership and duties as they may determine; to appoint, prescribe the duties of and determine the salaries or compensation of officers, agents and employees; to authorize employment contracts which may extend beyond the terms of the directors and may create contract rights which do not prevent but are not otherwise prejudiced by the removal of or failure to reelect any officer; and to delegate to the extent permitted by law any of their powers to committees, officers, agents and employees of the corporation subject to such limitations as the directors may impose.

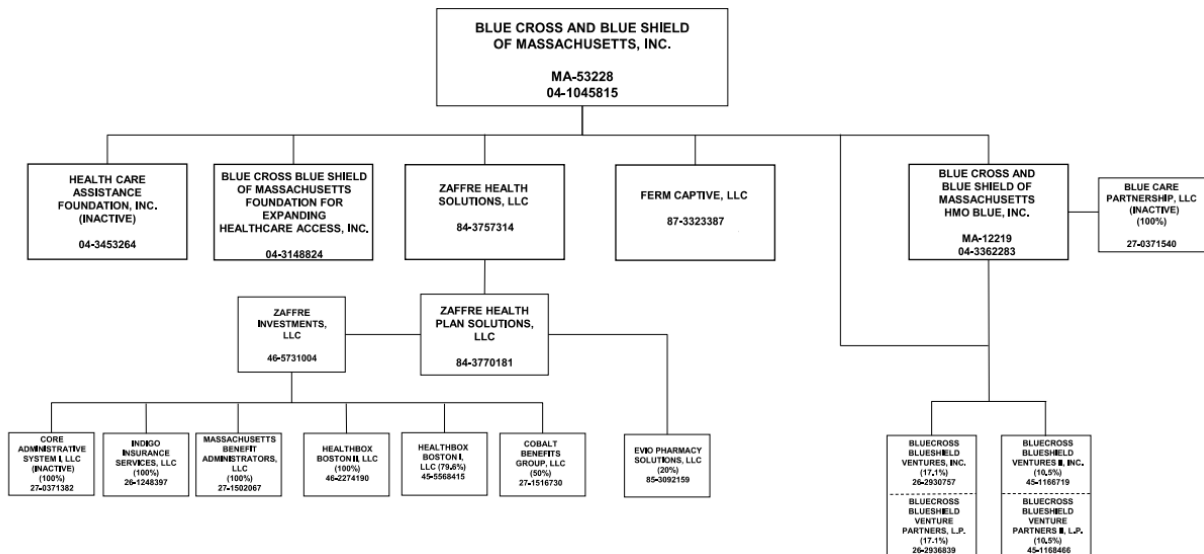
Affiliated Companies

As stated in the Insurance Holding Company System Form B, Form C and Form F as filed with the Division, the Company is a member of a holding company system and is subject to the

## Blue Cross and Blue Shield of Massachusetts, Inc.

registration requirements of Massachusetts General Law Chapter 175, Section 206C, Chapter 176G, Section 28 and Regulation 211 CMR 7.00. BCBSMA is the “ultimate controlling person” of the holding company system.

### Organizational Chart



### Transactions and Agreements with Subsidiaries and Affiliates

#### *Tax Sharing Agreement*

BCBSMA files a consolidated tax return with Zaffre Health Plan Solutions, LLC. Taxes are allocated among members of the consolidate tax return under the terms of the agreement.

#### *Inter-company Agreement*

BCBSMA and HMO Blue operate under a common Board of Directors management and control. The Company participates in a bilateral inter-company agreement with BCBSMA to settle any claims, fees, administrative cost expense allocation, and pass-through cash and expenses paid by one company on behalf of the other company.

#### *Inter-company Guarantees*

As a condition of granting an HMO license to HMO Blue, the Division required HMO Blue and BCBSMA to enter into an agreement with the Division granting the Division discretionary authority to require either company to issue a surplus note to the other company if either of the company’s health risk-based capital (RBC) is more than seventy-five percentage points higher than the other company’s RBC. Under the terms of its license with the Blue Cross and Blue Shield Association, BCBSMA has also entered into a unilateral agreement with HMO Blue to guarantee all current and future financial obligations of HMO Blue.

## Blue Cross and Blue Shield of Massachusetts, Inc.

### *Inter-company Loan Agreement*

BCBSMA and HMO Blue have an inter-company loan agreement, which allows borrowings between the companies, however, such amounts are limited to predetermined levels based on certain financial measures.

### *Senior Management Agreement*

Under the existing structure BCBSMA and its senior level management team oversee daily operations and set strategic direction for both companies. Pursuant to the Senior Management Service Agreement BCBSMA will provide the services of the Senior Level Management team in exchange for an arm's length payment

### *Committed Investments to affiliates*

BCBSMA and HMO Blue each committed to invest \$10,000,000 in BlueCross BlueShield Ventures, Inc. and BlueCross BlueShield Venture Partners, L.P., in the form of 20 Class A shares of the General Partner and 17.1% limited interest in the Partnership. As of December 31, 2021, BCBSMA has contributed \$9,555,000 to the Partnership and \$100,000 to the General Partner.

BCBSMA and HMO Blue each committed to invest \$10,000,000 in BlueCross BlueShield Ventures II, Inc. and Blue Cross BlueShield Venture Partners II, L.P, in the form of 200 Class A shares of the General Partner II and 10.5% limited interest in the Partnership II. As of December 31, 2021, BCBSMA has contributed \$9,734,000 to the Partnership II and \$100,000 to the General Partner II.

### *Asset Transfer and Usage Fee Agreement*

Effective May 31, 2020, BCBSMA, in accordance with the Asset Transfer and Usage Fee Agreement, transferred an internally developed software assets with a book value of \$70,639,000 to HMO Blue in exchange for cash. Beginning June 1, 2020, the Company pays HMO Blue a monthly software usage fee, based on a mutually agreed upon methodology, equal to the fair market value of such usage and calculated in accordance with the U.S. Treasury Transfer Pricing Regulations.

### *Leased Employment Agreement*

Effective January 1, 2019, BCBSMA and HMO Blue terminated its Leased Employment Agreement as the employees leased have become exclusively employed by HMO Blue.

### *Tri-party Employment Agreement*

BCBSMA, HMO Blue and Indigo, a subsidiary of Zaffre Investments have a Tri-party Employment Agreement which covers the terms and conditions upon which BCBSMA, HMO Blue and Indigo will concurrently employ associates who provide sales, account relations and sale related administrative services for all three entities. This agreement allows the Companies and Indigo to contract for employment services through the issuance of multiple employee work assignments. A common paymaster arrangement has been established for payroll and payroll related benefits. BCBSMA charges HMO Blue a fee based on the Company's allocated share of the Benefit Plans expenses.

## Blue Cross and Blue Shield of Massachusetts, Inc.

### *Management and Administrative Service Agreement*

BCBSMA provides Core, non-core and routine administrative support services including personnel, office space, equipment, computer processing, office and professional services to Zaffre Investments, Zaffre Health Solutions, Zaffre Health Plan Solutions, Indigo and MBA. Additionally, each subsidiary pays a senior management fee to BCBSMA as its non-exclusive controller to manage and supervise its business through BCBSMA's senior management personnel in accordance with applicable federal, state, and local laws and regulations.

### *General Service Agreement*

Zaffre Health Plan Solutions provides BCBSMA, HMO Blue and Indigo the service of those Companies employees. The Company compensates Zaffre Health Plan Solutions by paying a management fee.

### *Zaffre Statutory Merger*

In October 2021, Zaffre Investments made a cash distribution of \$75,000,000 to Zaffre Affiliated Services, and thereafter Zaffre Affiliated Services was immediately merged into BCBSMA. This restructuring was treated as a Statutory merger with no recognition of gain or loss recorded in the Company's books. Subsequently, BCBSMA contributed \$40,000,000 of cash and all Zaffre Affiliated Services investment assets to Zaffre Health Solutions, including its 100% owned Zaffre investments subsidiary. The purpose of this merger was to simplify the reporting structure of BCBSMA and its related subsidiaries.

### *FERM Captive*

In September 2021, the Company approved the creation of FERM Captive as a 100% wholly-owned subsidiary of BCBSMA. It is a single-parent captive insurer created to finance the risks and liabilities, not otherwise reasonably insurable under Director and Officers, Errors and Omissions, and Cyber Liability policies. FERM Captive is registered and operates under the permitted insurance companies' laws in Vermont. BCBSMA made an initial cash contribution of \$100,000,000 to capitalize the new entity.

## **TERRITORY AND PLAN OF OPERATION**

Blue Cross and Blue Shield of Massachusetts, Inc. is headquartered in Boston, Massachusetts. The Company is licensed to transact business in the Commonwealth of Massachusetts. As of December 31, 2021, BCBSMA's service area included all of Massachusetts with a focus on the greater metropolitan Boston area.

### **Treatment of Policyholders – Market Conduct**

During the course of the examination, a general review was made of the manner in which the Company conducts its business practices and fulfills its contractual obligations to members and claimants. This review was limited in nature and was substantially narrower than a full scope market conduct examination.

**REINSURANCE**

The Company has a specific excess of loss reinsurance agreement with Axis Specialty Company. This ceding reinsurance agreement provides the Company with increased capacity to write larger risks and maintain its exposure to loss within its capital resources.

BCBSMA also has a specific and aggregate excess of loss reinsurance agreement with Gerber Life Insurance Company and Independence Life and Annuity Insurance Company. These assumed reinsurance agreements provide the Company with the ability to expand into the National Stop Loss market.

Commencing January 1, 2014, BCBSMA had written health insurance premiums that were subject to the temporary ACA reinsurance program. The reinsurance program, in accordance with the risk sharing provisions of the ACA, ended December 31, 2016.

**FINANCIAL STATEMENTS**

The following financial exhibits are based on the statutory financial statements prepared by management and filed by the Company with the Division and present the financial condition of the Company for the period ending December 31, 2021. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2021

Statement of Income for the Year Ended December 31, 2021

Reconciliation of Capital and Surplus for Each Year in the Three Year Period Ended December 31, 2021

Blue Cross and Blue Shield of Massachusetts, Inc.

**Statement of Assets, Liabilities, Capital, and Surplus**  
**As of December 31, 2021**

	Per Annual Statement
<b>Assets</b>	
Bonds	\$852,216,751
Preferred stocks	1,054,783
Common stocks	243,540,657
Real estate properties occupied by the Company	93,788,529
Cash, cash equivalents and short-term investments	28,186,158
Other invested assets	589,191,048
Receivables for securities	26,438,464
Subtotals, cash and invested assets	<u>1,834,416,390</u>
Investment income due and accrued	3,723,513
Premiums and considerations:	
Uncollected premiums and agents' balances	259,050,515
Accrued retrospective premium and contracts subject to redetermination	3,344,526
Amounts receivable relating to uninsured plans	270,442,632
Current federal and foreign income tax recoverable and interest	111,967
Net deferred tax asset	
Electronic data processing equipment and software	6,312,985
Receivables from parent, subsidiaries and affiliates	8,762,764
Health care and other amounts receivable	257,769,326
Aggregate write-ins for other than invested assets	83,551,041
Total assets	<u><u>\$2,727,485,659</u></u>
<b>Liabilities</b>	
Claims unpaid	\$387,780,466
Unpaid claims adjustment expenses	4,828,764
Aggregate health policy reserves	148,432,933
Premiums received in advance	100,847,118
General expenses due or accrued	287,232,237
Ceded reinsurance premiums payable	426,957
Amounts withheld or retained for the account of others	7,730,834
Borrowed money and interest thereon	322,610,159
Payable for securities	7,976,598
Liability for amounts held under uninsured plans	430,366,250
Aggregate write-ins for other liabilities	147,839,174
Total liabilities	<u><u>1,846,071,490</u></u>
Surplus notes	285,000,000
Unassigned funds (surplus)	596,414,169
Total capital and surplus	<u><u>881,414,169</u></u>
Total liabilities capital, and surplus	<u><u>\$2,727,485,659</u></u>

Blue Cross and Blue Shield of Massachusetts, Inc.

**Statement of Income**  
**For the Year Ended December 31, 2021**

	Per Annual Statement
<b>Member Months</b>	<u>16,874,794</u>
Net premium income	\$3,151,516,585
Change in unearned premium reserves and reserves for rate credits	<u>16,744,682</u>
Total revenues	<u><u>3,168,261,267</u></u>
<b>Deductions:</b>	
Hospital/medical benefits	1,973,715,877
Other professional services	297,388,565
Emergency room and out-of-area	44,721,272
Prescription drugs	526,527,087
Incentive pool, withhold adjustments and bonus amounts	<u>1,626,514</u>
Subtotal	<u>2,843,979,315</u>
Net reinsurance recoveries	<u>(1,945,219)</u>
Total hospital and medical	<u>2,845,924,534</u>
Claims adjustment expenses	192,606,790
General administrative expenses	<u>187,816,011</u>
Total underwriting deductions	<u>3,226,347,335</u>
Net underwriting gain or loss	(58,086,068)
Net investment income earned	35,857,502
Net realized capital gains (losses) less capital gains tax	<u>27,122,300</u>
Net investment gains	62,979,802
Aggregate write-ins for other income or expenses	<u>2,125,505</u>
Net income, after capital gains tax and before all other federal income taxes	<u>7,019,239</u>
Federal and foreign income taxes incurred	<u>(1,200,000)</u>
Net income	<u><u>\$8,219,239</u></u>



Blue Cross and Blue Shield of Massachusetts, Inc.

**Reconciliation of Capital and Surplus  
For Each Year in the Three-Year Period Ended December 31, 2021**

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital and surplus, December 31 prior year	\$837,478,588	\$820,462,156	\$779,297,635
Net income or (loss)	8,219,239	47,125,180	103,346,876
Change in net unrealized capital gains	98,403,101	17,709,396	(35,499,746)
Change in net unrealized foreign exchange capital gain	(1,041,213)	455,579	-
Change in net deferred income tax	5,516,680	(72,772,008)	(46,972,678)
Change in nonadmitted assets	(151,495,512)	43,283,424	94,430,962
Aggregate write-ins for gains or (losses) in surplus	84,333,286	(18,785,139)	(74,140,893)
	<u>43,935,581</u>	<u>17,016,432</u>	<u>41,164,521</u>
Net change in capital and surplus for the year			
Capital and surplus, December 31 current year	<u><u>\$881,414,169</u></u>	<u><u>\$837,478,588</u></u>	<u><u>\$820,462,156</u></u>

**ANALYSIS OF CHANGES IN FINANCIAL STATEMENTS RESULTING FROM THE EXAMINATION**

There have been no changes made to the financial statements as a result of the examination.

**COMMENTS ON FINANCIAL STATEMENT ITEMS**

As a result of the examination, no issues with non-compliance, adverse findings, or material changes to the financial statements were identified.

The Company uses estimates for determining its claims incurred but not yet reported which are based on historical claim payment patterns, healthcare trends and membership and includes a provision for adverse changes in claim frequency and severity. Amounts incurred related to prior years may vary from previously estimated liabilities as the claims are ultimately settled.

KPMG Health Actuaries prepared independent estimates of the unpaid claim liabilities (“UCL”) as of December 31, 2021. For December 31, 2021, completion factors for the projection of ultimate claims were developed using historical payment patterns and actuarial judgment. “Low” and “High” estimates were developed by subtracting the claims paid-to-date from the actuarial range of incurred estimates. The actuarial estimates, as determined by KPMG Health Actuaries, indicate that BCBSMA 's UCL are reasonable as of December 31, 2021.

**SUBSEQUENT EVENTS**

In August 2022, Sarah Iselin was named as the new Chief Executive Officer of BCBSMA; replacing Andrew Dreyfus who announced in January 2022 his intention to retire by the end of the year.

**SUMMARY OF RECOMMENDATIONS**

There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

**SIGNATURE PAGE**

Acknowledgement is made of the cooperation and courtesies extended by the officers and employees of the Company during the examination.

The assistance rendered by KPMG LLP and the following Division examiners who participated in this examination hereby is acknowledged:

Carla Mallqui, CFE, Examiner II  
Guangping Wei, CFE, Examiner III

*Robert G. Dynan*

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Robert G. Dynan, CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance