

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

***REPORT OF EXAMINATION OF THE***  
**HARVARD PILGRIM HEALTH CARE OF NEW ENGLAND, INC.**

**Canton, Massachusetts**

**As of December 31, 2020**

**NAIC GROUP CODE 0595**

**NAIC COMPANY CODE 96717**

**EMPLOYERS ID NUMBER 04-2663394**

HARVARD PILGRIM HEALTH CARE OF NEW ENGLAND, INC.

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**COMMONWEALTH OF MASSACHUSETTS**  
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**GARY D. ANDERSON**  
COMMISSIONER OF INSURANCE

May 25, 2022

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 176G, Section 10 and other applicable statutes, an examination has been made of the financial condition and affairs of

**HARVARD PILGRIM HEATH CARE OF NEW ENGLAND, INC.**

at its home office located at One Wellness Way, Canton, Massachusetts, 02021-1166. The examination was conducted remotely. The following report thereon is respectfully submitted.

## **SCOPE OF EXAMINATION**

Harvard Pilgrim Health Care of New England, Inc. (“Company” or “HPHC-NE”) was last examined as of December 31, 2016 by the Massachusetts Division of Insurance (“Division”). The current examination was also conducted by the Division and covers the four-year period from January 1, 2017 through December 31, 2020, including any material transactions and/or events occurring subsequent to the examination date and noted during the course of this examination.

Concurrent with this examination, the following insurance affiliates in the Harvard Pilgrim Group (“Group”) were also examined and separate Reports of Examination have been issued:

Harvard Pilgrim Health Care, Inc. (“HPHC, Inc.”)  
HPHC Insurance Company, Inc. (“HPIC”)

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 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 176G, Section 10, 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 Deloitte & Touche LLP (“D&T”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2017 through 2020. A review and use of the Certified Public Accountants’ work papers were made to the extent deemed appropriate and effective.

The INS Companies (“INS”) was 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. The assistance included a review of accounting records, information systems, investments and actuarially determined loss and loss adjustment expense reserves, as well as other significant actuarial estimates.

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

There were no significant findings identified during the examination nor during the prior examination as of December 31, 2016.

## **COMPANY HISTORY**

HPHC-NE, a Massachusetts corporation, operates as a not-for-profit health plan, providing comprehensive health insurance, access to health care, and other related services in New Hampshire primarily to group, individuals and Medicare members through contracts with physicians, established primary care and multi-specialty physician groups, hospitals, and other health care providers. HPHC-NE also administers comprehensive health benefit plans for certain self-insured employer groups. HPHC-NE was incorporated on November 16, 1978, and commenced operations as a health plan on October 1, 1980. HPHC-NE is a subsidiary of HPHC, Inc. a Massachusetts corporation, operating as a not-for-profit health plan.

As of December 31, 2016, HPHC, Inc. had the following wholly owned subsidiaries: HPHC-NE and HPIC, a Massachusetts for-profit insurance company underwriting health benefit plans in Massachusetts, Maine, Connecticut and New Hampshire for PPO and Medicare products and health risks related to out-of-network coverage for HPHC, Inc. members.

## **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 of the Company were reviewed. No changes were noted during the examination period. On November 12, 2018, the bylaws were amended and restated to give the members the reserved power to designate Board Committees and it modified the term for Directors and Officers. Each Director shall serve until the next annual meeting or special meeting held in lieu thereof, or until the Director's successor is elected and qualified, or until the Director sooner dies, resigns, is removed or becomes disqualified. If a Director is an employee of the Corporation, or of any entity controlled by, controlling or related to the Corporation, such Director's tenure shall be coterminous with the Director's employment with the Corporation or related entity. The Board of Directors shall annually, at the first meeting after the annual meeting of the Member, appoint a President, Treasurer, and a Clerk to serve for terms of one (1) year or until their successors are elected and duly qualified, unless a shorter period shall have been specified by the terms of his or her election or appointment; or in each case until he or she sooner dies, resigns, is removed or becomes disqualified. Notwithstanding the foregoing, if an officer is an employee of the

## Harvard Pilgrim Health Care of New England, Inc.

Corporation, or of any entity controlled by, controlling or related to the Corporation, such officer's tenure shall be coterminous with the Director's employment by the Corporation or related entity.

### Board of Directors

The Board shall be composed of a number of Directors to be fixed each year by the member and designated at the annual meeting or at any special meeting in lieu thereof. Each Director shall serve until the next annual meeting or special meeting held in lieu thereof, and until his/her successor is chosen.

At December 31, 2020, the Board was comprised of three Directors, which is in compliance with the Company's bylaws.

The Directors of the Company at December 31, 2020, are as follows:

<u>Director</u>	<u>Title</u>
Charles R. Goheen	Chief Financial Officer and Treasurer Harvard Pilgrim Health Care, Inc.
Tisa K. Hughes	Chief Legal Officer and Clerk Harvard Pilgrim Health Care, Inc.
Michael A. Carson	President and Chief Executive Officer Harvard Pilgrim Health Care, Inc.

### Officers

The Company's officers consist of a Chairperson, President, Treasurer and Clerk to serve for terms of one year or until their successors are elected and duly qualified. The Board may appoint such additional officers as it shall deem fit. The officers so elected and appointed shall be the officers of the Company. The President shall be the Chief Executive Officer of the Company.

The Officers of the Company at December 31, 2020, are as follows:

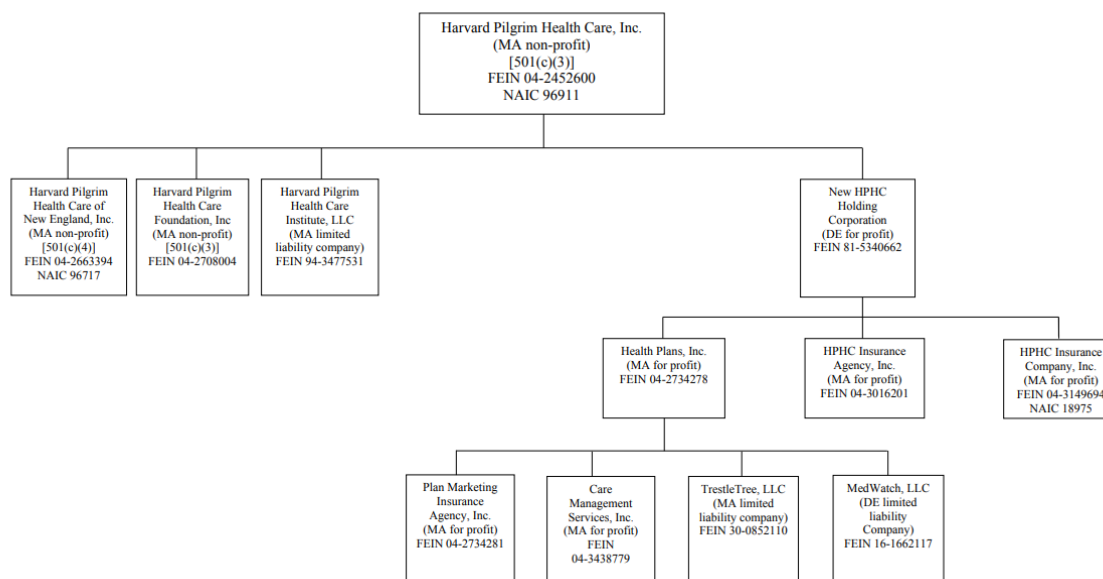
<u>Officer</u>	<u>Title</u>
Michael A. Carson	President and Chief Executive Officer
Charles R. Goheen	Chief Financial Officer and Treasurer
Michelle J. Clayman	Senior VP of Finance & Assistant Treasurer
Tisa K. Hughes	Chief Legal Officer and Clerk

## Harvard Pilgrim Health Care of New England, Inc.

### 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 registration requirements of Massachusetts General Law, Chapter 176G, Section 28 and Regulation 211 CMR 7.00. HPHC, Inc. is the “ultimate controlling person” of the Holding Company System.

### Organization Chart



### Transactions and Agreements with Subsidiaries and Affiliates

#### *Guaranty and Indemnity Agreement*

The Company, HPHC, Inc., and HPIC participate in an intercompany Guaranty and Indemnity Agreement (“G&I Agreement”) dated April 10, 2013. In 2014 the agreement was amended to include Harvard Pilgrim Health Care of Connecticut, Inc. Under the terms of the G&I Agreement, each company guarantees the payment and performance of each other. In addition, each company is jointly and severally liable for all obligations that may arise out of this G&I Agreement. The Company had no contingent liabilities related to this G&I Agreement as of December 31, 2020.

#### *Administrative Services Agreements*

The Company has a Management and Medical Services Agreement (“MMSA”) with HPHC, Inc., which provides for an allocation of hospital and medical administrative costs from Harvard Pilgrim

to the Company. Administrative expenses are charged to HPHC-NE based on Harvard Pilgrim Group's departmental cost allocation methodology.

*Reconciliation and Settlement Agreement*

Effective December 1, 2007 and amended and restated January 1, 2019, this agreement provides that financial transactions between companies are reconciled on a quarterly basis and if reconciliation requires a settlement payment, such payment will be made within 90 days of reconciliation.

**TERRITORY AND PLAN OF OPERATION**

The Company is licensed in Massachusetts and New Hampshire. The Company reported \$7.1 million of premium written in Massachusetts in 2020 and \$537 million of direct premium written in New Hampshire in 2020.

**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 carries reinsurance against excessive utilization on a per-member basis. Under the policy, the Company is reimbursed 90% of certain hospital inpatient, outpatient and pharmacy claims in excess of the policy deductible, which is \$1.1 million for fully insured commercial members. The policy deductible is \$1 million for Medicare members. The impact of reinsurance recoveries on the statutory financial statements was immaterial.



**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, 2020. The financial statements are the responsibility of Company management.

Statement of Assets, Liabilities, Capital and Surplus as of December 31, 2020

Statement of Income for the Year Ended December 31, 2020

Reconciliation of Capital and Surplus for Each Year in the Three Year Period Ended December 31, 2020

Harvard Pilgrim Health Care of New England, Inc.

**Statement of Assets, Liabilities, Capital and Surplus**  
**As of December 31, 2020**

	Per Annual Statement
<b>Assets</b>	
Bonds	\$135,107,669
Cash, cash equivalents and short-term investments	8,267,977
Subtotals, cash and invested assets	143,375,646
Investment income due and accrued	684,400
Premiums and considerations:	
Uncollected premiums and agents' balances	3,176,760
Accrued retrospective premiums	8,552,634
Amounts receivable relating to uninsured plans	698,736
Health care and other amounts receivable	6,687,313
Total assets	\$163,175,488
<b>Liabilities</b>	
Claims unpaid	\$44,673,368
Accrued medical incentive pool and bonus amounts	22,301,693
Unpaid claims adjustment expenses	599,383
Aggregate health policy reserves	14,387,836
Premiums received in advance	11,273,702
General expenses due or accrued	5,997,353
Amounts due to parent, subsidiaries and affiliates	5,041,022
Payable for securities	750,000
Liability for amounts held under uninsured plans	1,770,446
Total liabilities	106,794,803
Gross paid in and contributed surplus	15,000,000
Unassigned funds (surplus)	41,380,685
Total capital and surplus	56,380,685
Total liabilities capital, and surplus	\$163,175,488

Harvard Pilgrim Health Care of New England, Inc.

**Statement of Income**  
**For the Year Ended December 31, 2020**

	Per Annual Statement
<b>Member Months</b>	<u>914,591</u>
Net premium income	\$543,798,898
Change in unearned premium reserves and reserve for rate credits	(11,353)
Total revenues	<u>\$543,787,545</u>
<b>Deductions:</b>	
Hospital/medical benefits	321,522,635
Other professional services	17,945,714
Outside referrals	12,607,575
Emergency room and out-of-area	4,909,531
Prescription drugs	71,647,316
Incentive pool, withhold adjustment and bonus amounts	24,335,653
Subtotal	<u>452,968,424</u>
Net reinsurance recoveries	359,240
Total hospital and medical	<u>452,609,184</u>
Claims adjustment expenses	21,942,365
General administrative expenses	70,761,158
Increase in reserves for life and accident and health contracts	11,980,137
Total underwriting deductions	<u>557,292,844</u>
Net underwriting gain or loss	(13,505,299)
Net investment income earned	2,827,022
Net realized capital gains less capital gains tax	999
Net investment gain	<u>2,828,021</u>
Aggregate write-ins for other income or expenses	<u>(1,294,688)</u>
Net loss, after capital gains tax and before all other federal income taxes	(11,971,966)
Federal and foreign income taxes incurred	-
Net loss	<u><u>(\$11,971,966)</u></u>

Harvard Pilgrim Health Care of New England, Inc.

**Reconciliation of Capital and Surplus**

**For Each Year in the Four-Year Period Ended December 31, 2020**

	<u><b>2020</b></u>	<u><b>2019</b></u>	<u><b>2018</b></u>	<u><b>2017</b></u>
Capital and surplus, December 31 prior year	\$69,014,851	\$58,930,834	\$56,039,729	\$60,085,978
Net income (loss)	(11,971,966)	11,069,387	2,457,295	(2,928,177)
Change in net unrealized capital gains (losses)	2,490	22,300	(20,049)	6,794
Change in nonadmitted assets	<u>(664,690)</u>	<u>(1,007,670)</u>	<u>453,859</u>	<u>(1,124,866)</u>
Net change in capital and surplus for the year	<u>(12,634,166)</u>	<u>10,084,017</u>	<u>2,891,105</u>	<u>(4,046,249)</u>
Capital and surplus, December 31 current year	<u><u>\$56,380,685</u></u>	<u><u>\$ 69,014,851</u></u>	<u><u>\$58,930,834</u></u>	<u><u>\$56,039,729</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 adverse findings, or 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.

INS Health Actuaries prepared independent estimates of the unpaid claim liabilities (“UCL”) as of December 31, 2020. For December 31, 2020, completion factors for the projection of ultimate claims were developed using historical payment patterns and actuarial judgment. Estimates were developed by subtracting the claims paid-to-date from the actuarial incurred estimates. The actuarial estimates, as determined by INS, indicate that HPHC-NE's UCL is reasonable as of December 31, 2020. The Company's premium deficiency reserve calculation was also reviewed and found to be reasonable as of December 31, 2020.

### **SUBSEQUENT EVENTS**

On January 1, 2021, HPHI (formerly Tufts Health Plan, Inc.), entered into an agreement with Harvard Pilgrim Health Care, Inc. (“HPHC, Inc.”) to combine the two insurance holding company organizations under one parent company, HPHI. HPHI became the ultimate controlling person in the insurance holding company system. HPHI remained the sole corporate parent of Tufts Associated Health Maintenance Organization, Inc. (“TAHMO”). On July 1, 2021, HPHI changed its name to Point32Health, Inc.

Tufts Associated Health Plans, Inc. (“TAHP”), an affiliate, entered into a stock purchase agreement with United Healthcare Service, Inc. (“UHC”) in which UHC purchased 100% of TAHP's ownership interest in Tufts Freedom Health Plans, Inc. (“THFP”). The sale was effective as of January 1, 2021. As a result, effective January 1, 2021, TAHP has no ownership interest in THFP. This agreement had no impact on the Company's operations in 2020 or 2019.

The Company recorded a \$25 million capital contribution receivable from its parent on December 31, 2021. This contribution was settled in cash on February 22, 2022 and received prior approval from the Division. In accordance with SSAP No. 72 this contribution will be treated as a Type I subsequent event and is reflected as an admitted receivable for the Company.

**SUMMARY OF RECOMMENDATIONS**

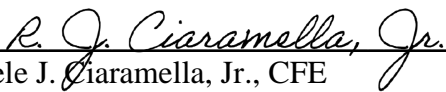
There were no significant recommendations noted by the examination team for improvements in process, activities and/or controls that should be noted in this report.

**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 INS and the following Division examiners who participated in this examination hereby is acknowledged:

Carla Mallqui, CFE, Insurance Examiner II

  
\_\_\_\_\_  
Raffaele J. Ciaramella, Jr., CFE  
Supervising Examiner & Examiner-In-Charge  
Commonwealth of Massachusetts  
Division of Insurance