

COMMONWEALTH OF MASSACHUSETTS

OFFICE OF CONSUMER AFFAIRS AND BUSINESS REGULATION

DIVISION OF INSURANCE

REPORT OF EXAMINATION OF THE

TUFTS ASSOCIATED HEALTH MAINTENANCE ORGANIZATION, INC.

Canton, Massachusetts

As of December 31, 2020

NAIC GROUP CODE 4742

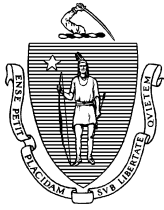
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EMPLOYER ID NUMBER 04-2674079

TUFTS ASSOCIATED HEALTH MAINTENANCE ORGANIZATION, 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>

CHARLES D. BAKER
GOVERNOR

KARYN E. POLITO
LIEUTENANT GOVERNOR

MIKE KENNEALY
SECRETARY OF HOUSING AND
ECONOMIC DEVELOPMENT

EDWARD A. PALLESCHI
UNDERSECRETARY OF CONSUMER AFFAIRS
AND BUSINESS REGULATION

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

TUFTS ASSOCIATED HEALTH MAINTENANCE ORGANIZATION, INC.

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

SCOPE OF EXAMINATION

Tufts Associated Health Maintenance Organization, Inc. (“TAHMO” or “Company”) was last examined as of December 31, 2017 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, 2018 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 Tufts Health Plan, Inc. (“Group”) were also examined, and separate Reports of Examination have been issued:

Tufts Health Public Plans, Inc. (“THPP”)
Tufts Insurance Company (“TICO”)

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 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 Ernst & Young (“E&Y”), an independent certified public accounting firm. The firm expressed unqualified opinions on the Company’s financial statements for calendar years 2018 through 2020. A review and use of the Certified Public Accountants’ work papers was 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, 2017.

COMPANY HISTORY

TAHMO was incorporated on November 2, 1979, as a Massachusetts not-for-profit corporation, established for the purpose of arranging for the delivery of comprehensive health care services, on a prepaid basis, to subscribing individuals and groups. The Company was licensed as a Health Maintenance Organization (“HMO”) by the Massachusetts Division of Insurance on October 26, 1981 and commenced business as of this same date.

As a result of the passage of Chapter 141 of the Acts of 2003, TAHMO became part of a “Health Maintenance Organization holding company system” effective January 1, 2004. Prior to September 1, 2008, Tufts Associated Health Plans, Inc. (“TAHP”) was the ultimate controlling person of the holding company system and TAHMO’s sole corporate member. TAHMO entered into a corporate restructuring transaction with TAHP, whereby effective September 1, 2008, TAHMO became the owner of TAHP, and the affiliated companies became direct or indirect subsidiaries of TAHMO.

On September 28, 2016, Tufts Health Plan, Inc. (“THPI”), an insurance holding company and the ultimate controlling person, was formed as a not-for-profit Massachusetts organization. Effective October 1, 2017, THPI assumed control of TAHMO. In conjunction with THPI becoming the direct parent of TAHMO, the Company distributed its ownership of Tufts Health Public Plans, Inc. (“THPP”), resulting in TAHMO and THPP being direct wholly owned subsidiaries of THPI. On September 24, 2020, THPI was renamed Health Plan Holdings, Inc. (“HPHI”).

The Company is licensed in Massachusetts and Rhode Island, and the Company writes in all of Rhode Island and all of Massachusetts, except for Dukes and Nantucket counties. The Company’s primary product is an HMO product, but the Company writes several lines of business: Comprehensive (Hospital & Medical), Title XVIII Medicare, Title XIX Medicaid (MassHealth), and Other Health.

TAHMO owns greater than 99% of Integra Partners Holdings, Inc. (“Integra”), a for-profit durable medical equipment provider, with the remaining less than 1% interest in Integra owned by a small number of former Integra employees. It purchased 92% of Integra in September 2015 and the remaining 8% interest in 2019.

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 the meetings of the Board.

Articles of Organization and Bylaws

A review was performed of the articles of organization of TAHMO effective September 1, 2008, and there were no changes during the examination period. The amended and restated bylaws of TAHMO effective October 1, 2017, that reflect the restructuring of the insurance holding company were reviewed.

Board of Directors

In accordance with the bylaws, the affairs of the Company shall be managed by the Board who shall have and may exercise all the powers of the Company. The Board shall consist of not less than seven and not more than fourteen Directors, and the majority of such Directors shall be “independent.” The Board shall include not less than one and not more than two Directors who serve as management of the Corporation (each such Director, a "Management Director"), one of whom shall be the Chief Executive Officer of the Corporation (“CEO”) serving ex officio; provided that, if there is more than one Management Director, the Management Directors will be limited to one vote and the Management Director entitled to vote will be determined by the CEO; provided further that, if the CEO has been designated as the Chair of the Board (hereinafter, the “Chair”), the Board shall designate a Director who is not a Management Director to act as "Lead Director" and serve in place of the Chair in each instance where it would be inappropriate for a Management Director to be acting as the Chair.

On December 31, 2020, the Company’s Board consisted of the following:

<u>Director</u>	<u>Title</u>
Robert Spellman, Chair	Retired, Chief Financial Officer, The Yankee Candle Company
Eileen Auen	Consultant
Thomas Croswell	President & Chief Executive Officer, TAHMO
Peter Drotch	Retired, Pricewaterhouse Coopers, LLP
Charlotte Golar Richie	Retired, Service as TAHMO Director
Michael McColgan	Retired, Pricewaterhouse Coopers, LLP
Thomas O’Neill, III	Chief Executive Officer, O’Neill & Associates
Bertram Scott	Sr. VP of Population Health, Novant Health, Inc.
Irina Simmons	Retired, Chief Risk Officer, EMC Corporation
Mary Anna Sullivan, M.D.	Retired, Chief Quality and Safety Officer, Lahey Clinic
Frank Torti, M.D.	Physician, University of CT Health

Tufts Associated Health Maintenance Organization, Inc.

Greg Tranter	Retired, Exec. VP, CIO & COO, The Hannover Insurance Group
Jeff Weiss	President, Lesley University
Todd Whitbeck	CFO, KidKraft
Susan Windham-Bannister	President & CEO, Biomedical Growth Strategies, LLC

Officers

The officers shall be a President, a Treasurer and a Clerk, each of whom shall be elected by the Board; the Clerk shall be a resident of the Commonwealth of Massachusetts unless the Corporation has appointed a resident agent to receive service and process. The Board may appoint such other officers as they deem necessary who shall have such authority and shall perform such duties as from time to time may be prescribed by the Board. Any person may simultaneously hold more than one office of the Corporation and may simultaneously be a Board officer and an officer of the Corporation.

The officers of the Company as of December 31, 2020 were as follows:

<u>Officer</u>	<u>Title</u>
Thomas A. Croswell	President and Chief Executive Officer
Greg Tranter	Board Chair
Umesh Kurpad	Senior Vice President and Chief Financial Officer
Roland Price	Treasurer and Vice President
Mary O'Toole Mahoney, Esq.	Clerk, Senior Vice President, Chief Legal Officer
Tracey Carter	Senior Vice President and Chief Actuary
Susan A. Kee, Esq.	Assistant Clerk
Thomas P. O'Neill, III	Vice Chairman
Susan Windham Bannister	Vice Chairman

Committees of the Board of Directors

As described in the HPHI bylaws, the Board has designated the following standing committees, which are governed by committee charters:

- Audit & Compliance
- Care Management
- Compensation
- Finance (including Investment Subcommittee)
- Governance
- Technology
- Transaction

Each HPHI Board committee is responsible for oversight of critical risk areas that fall in its charter and to report on such risks to the overall Board. This includes the Finance Committee's oversight

of financial risks and investment policies, the Technology Committee's oversight of systems infrastructure adequacy, the Care Management Committee's oversight of critical and quality issues, and the Governance Committee's oversight of key governance matters. The Audit & Compliance Committee exercises oversight of critical risk areas impacting the business activities of THPI and its subsidiaries through the Committee's oversight of the company Enterprise Risk Management program. The Chief Audit Executive of the Company has a direct reporting line to the Chair of the Audit & Compliance Committee. Management is responsible for the identification, remediation, and disclosure of critical risk areas.

Affiliated Companies

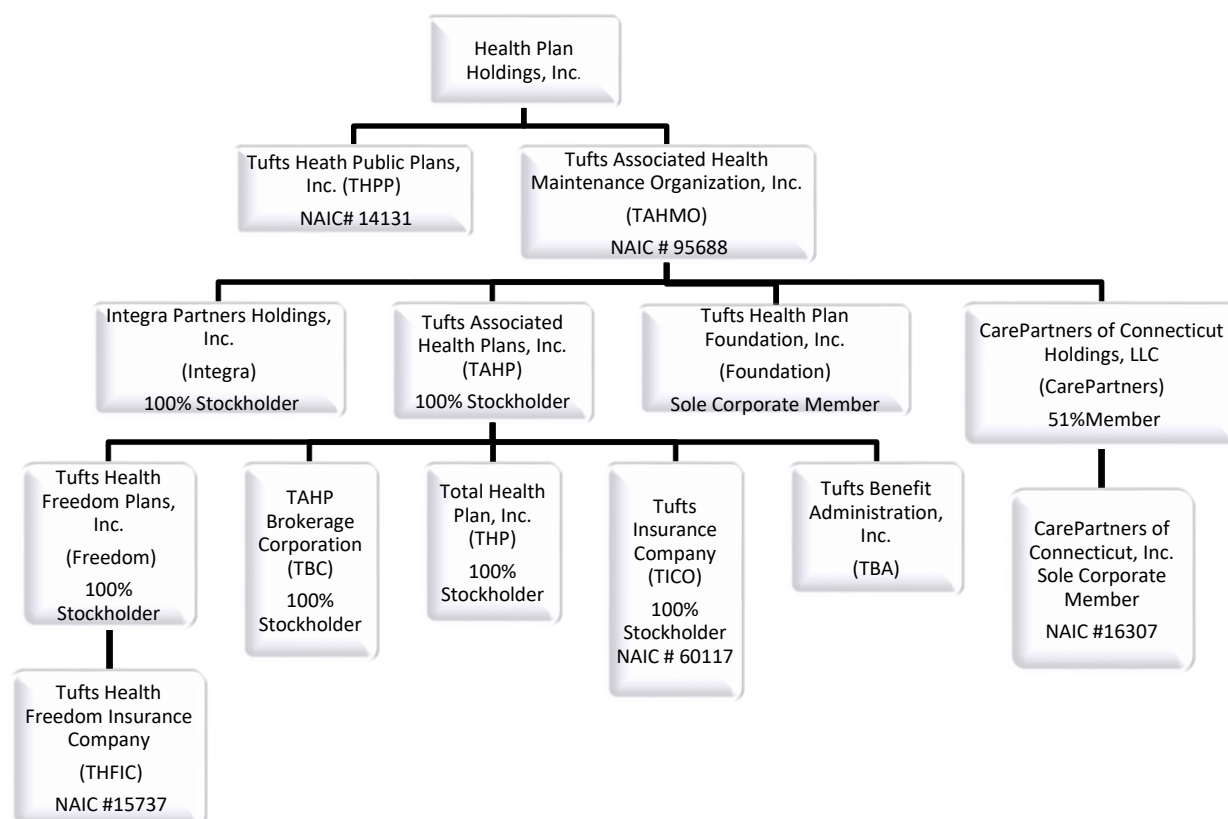
As stated in the Insurance Holding Company System Form B, Form C and Form F filed with the Division, the Company is a member of an insurance holding company system, and it is subject to the registration requirements of Massachusetts General Law Chapter 175, Section 206C, Chapter 176G, Section 28 and Regulation 211 CMR 7.00. HPHI is the ultimate controlling person. TAHMO and THPP are direct subsidiaries of HPHI, due to the restructuring on October 1, 2017.

The Company owns 100% of TAHP, a for-profit corporation organized to perform certain management, administrative and marketing services for its affiliates and subsidiaries. TAHP has five wholly owned subsidiaries, Tufts Insurance Company ("TICO"), Tufts Benefit Administration, Inc. ("TBA"), Total Health Plan, Inc. ("THP"), TAHP Brokerage Corporation ("TBC") and Tufts Health Freedom Plans, Inc. ("THFP").

The Company also owns 100% of Integra Partners Holdings, Inc. and 51% of CarePartners of Connecticut Holdings LLC ("CarePartners"), a Delaware limited liability company. The remaining 49% of CarePartners is owned by Hartford Healthcare Corporation, a nonaffiliate. CarePartners owns 100% of CarePartners of Connecticut, Inc. ("CPCT"), a Connecticut domestic not-for-profit HMO. CPCT is licensed in Connecticut only and began writing Medicare business in 2019.

Tufts Associated Health Maintenance Organization, Inc.

Organization Chart



Transactions and Agreements with Subsidiaries and Affiliates

The following document the Company's transactions and agreements with subsidiaries and affiliates executed and completed during the examination period.

Inter-affiliate Agreement

Under the terms of the agreement, effective with respect to TAHMO and THP, January 1, 1995; June 15, 1995; with respect to TBA, January 1, 1996; and with respect to TICO as of the date of enrollment of its first member, the parties agree to be Network Affiliates allowing each entities covered members access to the Participating Providers of each affiliate. Through this arrangement, the parties to the agreement shall include in its provider contracts provisions which require the provider to provide covered services to Members of the other Tufts Companies. These services should be provided consistently with that of services provided to a Member of the Network Affiliate executing the contract with the provider. Each Tufts Health Plan Company shall be responsible for paying the applicable participating provider for the covered service, including out-of-plan referral rendered for such services.

Intercompany Agreement

This agreement is executed, effective June 30, 2008, by and among TAHMO, TAHP, THP, TBA, TICO, and Tufts Health Plan Foundation, Inc. (“Foundation”) to provide for the allocation of shared expenses of the related parties. Payment for expenses incurred by one Tufts entity on behalf of another, and/or for transactions between one Tufts entity and another, shall be due and payable within ninety days following the end of the month in which the expense was incurred or the transaction occurred. This agreement was subsequently amended, on November 1, 2011 to include THPP as a party to the agreement.

Management Agreement

Effective January 1, 2009, TAHMO and TAHP executed a Management Agreement in which TAHP agrees to provide TAHMO management, administrative and clerical services suitable for the operations of TAHMO. Services provided by TAHP under the agreement include, though are not limited to: financial management, insurance, enrollment, claims processing, premium collection, legal and regulatory, compliance, information systems, and human resources. TAHMO pays a management fee consisting of a mark-up of total costs determined each year based on a defined fee allocation methodology. The agreement was amended, effective January 1, 2009, to include Exhibit C – Medicare Advantage and Medicare Part D Contracting Requirements provisions to the agreement. The total management fees for 2019 and 2020 were \$179,990,000 and \$194,919,000, respectively.

Administrative Services Agreement – TBA

This agreement, effective January 7, 1997, was executed between TAHMO and TBA establishing TBA as the Administrator responsible for administrative services to self-insured employers, insurers and other entities legally responsible for payment of health benefits for individuals entitled to such health benefits. As the Administrator, TBA shall provide services related to this operation to include, but not limited to: enrollment, premiums, claims, underwriting, member materials, grievances, marketing, accounting, government regulations, and record keeping / reporting. TAHMO’s responsibilities under the agreement consist of funding all claims for members, maintain policies with each employer, and pay all taxes and other charges that may be applicable. The agreement was subsequently amended, on January 1, 2006, in which TAHMO will pay as compensation all direct administrative and medical costs incurred by TBA, with a mark-up, plus the management fee allocated to TBA. Effective 2018, TAHMO and TBA also have an agreement whereby TAHMO will provide administrative services for a Medicare supplement ASO plan. Administrative fees paid to TBA were \$422,000 and \$510,000 for 2019 and 2020, respectively.

Administrative Services Agreement - THP

Effective October 1, 1990, TAHMO and THP entered an agreement establishing THP as the Administrator, contracting with providers of medical care to create, and now market and manage a preferred provider arrangement (“PPA”) called Total Health Plan, offered by TAHMO. Services provided by THP to self-insured employers, insurers and other entities legally responsible for payment of health benefits for individuals entitled to such health benefits and seeking a specific

insured PPA to offer employers include: enrollment, premiums, claims, record keeping / reporting, and member satisfaction. TAHMO's responsibilities under the agreement consist of funding all claims for members, maintain policies with each employer, and pay all taxes and other charges that may be applicable. As compensation for these services TAHMO shall pay THP the Group Policy Base Commission plus the Group Policy Contingent Commission consisting of; 50% of the PPA Product Surplus or Deficit but never more than 5% of the Gross Premium for a calendar year. This agreement was subsequently amended, effective January 1, 2006, to update the Member Satisfaction Process service, as well as establish a new administrative fee consisting of direct administrative and medical costs incurred by THP, with a mark-up, plus the management fee allocated to the administrator. Administrative fees paid to THP were \$90,000 and \$77,000 for 2019 and 2020, respectively.

Administrative Services Agreement – TICO

This agreement, effective February 26, 2009, established TAHMO as the Administrator of TICO's Medicare Supplement ("Med Supp") and Medicare Prescription Drug Plan ("PDP"). As Administrator, TAHMO's responsibilities include, though are not limited to: enrollment, premiums, claims, underwriting, member materials, marketing, accounting, compliance, and record keeping / reporting. TICO is responsible for funding all claims and maintain in full force and effect a policy with each employer and/or individual. In exchange for these services, TICO will pay compensation in the form of an administrative fee that will be determined each year based on a defined allocation methodology that is consistent with the U.S. Transfer Pricing Regulations. The agreement was subsequently amended, effective May 23, 2014, to allow TAHMO to invest premiums collected on behalf of TICO consistent with TICO's investment strategy. Administrative fees paid to TAHMO were \$6,089,000 and \$5,979,000 for 2019 and 2020, respectively.

Administrative Service Agreement – CPCT

TAHMO and CPCT, a wholly owned subsidiary of CarePartners, have an agreement whereby TAHMO will administer a Medicare Advantage plan insured by CarePartners. Administrative fees paid to TAHMO for the twelve months of 2020 and 2019 were \$11,468,000 and \$6,865,000, respectively. At December 31, 2020 and 2019, amounts payable to TAHMO were \$1,902,000 and \$542,000, respectively. The terms of the agreement require that these amounts be paid within 30 days.

Administrative Service Agreement- – TAHMO –THPP – Integra Partners Holding, Inc.

Effective October 1, 2017, an Administrative Services Agreement was made and entered into individually, by each of the Tufts Health Plan companies, namely, TAHMO, THP, TBA, THPP and THFIC and Integra Partners, LLC ("Integra" or "Administrator"), subject to approval by the Division. Upon approval by the Division, which occurred on January 10, 2018, the Division approved the Administrative Services Agreement between TAHMO, THPP, THP, TBA, THFIC and Integra Partners, LLC ("Integra") in which Integra will provide its network of Durable Medical Equipment, Prosthetic and Orthotic ("DMEPOS") providers and arrange for the provision of DMEPOS services for TAHMO, THPP, THP, TBA, and THFIC members. The agreement provides for the provision of covered services for members, compensated on a fee for services basis and the provision of a network of participating providers, network management and delegated services, compensated on a per member per month basis. Integra is required to build and maintain a network of participating DMEPOS providers that meets all required credentialing

standards and supplies the full spectrum of DMEPOS products and services to members. This includes but is not limited to a network recruitment function, network management, call center and claims operations to facilitate transactions for the network of providers, finance and accounting functions, credentialing and quality oversight. Either party may terminate this Agreement for cause at any time upon a material breach of this Agreement by the other party; provided that the party which seeks to terminate shall give the other party written notice one hundred eighty days prior to the effective date of such termination, which notice shall contain the specific details of the alleged material breach and provided that the alleged breaching party shall have an opportunity to cure the alleged material breach within sixty days.

Federal Tax Allocation Agreement

This agreement, effective September 1, 2008, was entered into by TAHMO, TAHP Brokerage Corporation, THP, TICO, and TBA whereas the group has elected to file a consolidated Federal income tax return. The consolidated Federal income tax liability of the group shall be allocated to each Member in accordance with Treasury Regulations, allowing for certain members to have reduced liability while others may have an increased liability. Payments of each Member's portion of the Federal tax liability will be paid to TAHMO, with additional payments being made and payments made from TAHMO to Members with reduced liabilities. TAHMO has the ability to collect from each Member their portion of estimated tax payments. Adjustments to the Federal tax liability are allocated to the Members and will be paid to or received by TAHMO upon notification.

Capital Contributions / Dividends

TAHMO made capital contributions to its subsidiary, TAHP, of \$37,500,000, \$15,000,000 and \$46,000,000 during 2020, 2019 and 2018, respectively, which used the funds for additional capitalization for its subsidiaries, TICO, TBA and THP.

TAHMO issued dividends to HPHI of \$25,000,000 in July 2018. In 2020, TAHMO declared and paid \$80,000,000 of dividends to HPHI which were subsequently contributed to THPP.

TAHMO made capital contributions to CPCT of \$6,120,000 and \$7,650,000 and \$7,548,000 in 2020, 2019 and 2018, respectively.

The Division required that THPP shall have and maintain capital and surplus in an amount equivalent to 300% of the Authorized Control Level RBC. TAHMO, has provided a guarantee that if the Company's capital and surplus falls below this level, TAHMO will contribute capital to bring THPP within regulatory compliance.

TAHMO has provided a parental guarantee that if TICO's capital and surplus fall below defined regulatory levels it will contribute capital to bring TICO to within regulatory compliance.

TERRITORY AND PLAN OF OPERATION

The Company is licensed and writing business in Massachusetts and Rhode Island, with the largest numbers of insurance risks written in Massachusetts. The Company reported \$2.76 billion of 2020 direct premium written in Massachusetts.

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 is not a party to any assumed or ceded reinsurance agreements

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

Tufts Associated Health Maintenance Organization, Inc.

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

Assets	Annual Statement
Bonds	\$ 404,802,360
Common stocks	654,307,964
Real Estate	253,253,486
Cash, cash equivalents and short-term investments	30,297,362
Other Invested Assets	92,190,451
Subtotals, cash and invested assets	<u>1,434,851,623</u>
Investment income due and accrued	1,138,124
Premiums and considerations:	
Uncollected premiums and agents' balances	7,595,502
Accrued retrospective premiums and contracts	1,044,333
Amounts receivable relating to uninsured plans	11,694,706
Electronic data processing equipment and software	18,821,308
Receivables from parent, subsidiaries and affiliates	22,061,616
Health care and other amounts receivable	97,509,750
Aggregate write-ins for other than invested assets	473,125
Total assets	<u><u>\$ 1,595,190,087</u></u>
 Liabilities	
Claims unpaid	\$ 250,317,454
Accrued medical incentive pool and bonus amounts	33,945,300
Unpaid claims adjustment expenses	3,555,672
Aggregate health policy reserves	44,792,186
Premiums received in advance	24,950,887
General expenses due or accrued	36,581,016
Borrowed money	375,291,683
Amounts due to parent, subsidiaries and affiliates	36,701,536
Payable for securities	31,132,429
Liability for amounts held under uninsured plans	120,518
Aggregate write-ins for other liabilities	18,931,085
Total liabilities	<u><u>\$ 856,319,766</u></u>
 Unassigned funds (surplus)	<u>738,870,321</u>
Total capital and surplus	<u>\$ 738,870,321</u>
Total liabilities, capital, and surplus	<u><u>\$1,595,190,087</u></u>

Tufts Associated Health Maintenance Organization, Inc.

Statement of Income
For the Year Ended December 31, 2020

	Per Annual Statement
Member Months	<u>3,296,723</u>
Net premium income	\$ 2,802,177,444
Change in unearned premium reserves and reserves for rate credits	<u>(3,285,000)</u>
Total Revenues	<u>\$ 2,798,892,444</u>
Deductions:	
Hospital/medical benefits	1,985,089,352
Other professional services	57,106,029
Emergency room and out-of-area	19,541,745
Prescription drugs	225,859,674
Aggregate write-ins for other hospital and medical	20,138,170
Incentive pool, withhold adjustment and bonus amounts	<u>35,006,503</u>
Subtotal	<u>\$ 2,342,741,473</u>
Total hospital and medical	<u>\$ 2,342,741,473</u>
Claims adjustment expenses	74,667,751
General administrative expenses	<u>304,907,014</u>
Total underwriting deductions	<u>\$ 2,722,316,238</u>
Net underwriting gain	76,576,206
Net investment income earned	12,970,154
Net realized capital gains or losses less capital gains tax	<u>(11,125,740)</u>
Net investment gain	1,844,414
Aggregate write-ins for other income or expenses	<u>189,577</u>
Net income, after capital gains tax and before all other federal income taxes	\$ 78,610,197
Federal and foreign income taxes incurred	<u>-</u>
Net income	<u><u>\$ 78,610,197</u></u>

Tufts Associated Health Maintenance Organization, Inc.

Reconciliation of Capital and Surplus
For the Three-Year Period Ended December 31, 2020

	2020	2019	2018
Capital and surplus, December 31 prior year	\$ 748,323,163	\$ 642,456,738	\$ 644,286,474
Net income	78,610,197	81,211,520	89,095,745
Change in net unrealized capital gains or (losses)	6,823,023	37,722,430	(64,810,410)
Change in nonadmitted assets	(14,886,057)	(13,067,525)	(1,115,071)
Dividends to stockholders	(80,000,000)		(25,000,000)
Aggregate write-ins for gains or (losses) in surplus	(5)	-	(1)
Net change in capital and surplus for the year	(9,452,842)	105,866,425	(1,829,737)
Capital and surplus, December 31 current year	\$ 738,870,321	\$ 748,323,163	\$ 642,456,738

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 TAHMO'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 TAHMO. On July 1, 2021, HPHI changed its name to Point32Health, 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 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.

On December 28, 2021, the Division approved an extraordinary distribution request on behalf of TAHMO, in an amount equal to \$120.0 million to its corporate parent, Point32Health, Inc., and payable on a date in December 2021, which was submitted in accordance with M.G.L. c. 176G, §§ 28(e) and (q) and 211CMR 7.08. Upon the distribution from TAHMO, Point32Health, Inc. would contribute \$50 million to THPP and \$50 million HPHC, Inc. while \$20 million would be left in Point32Health, Inc. as a reserve for future subsidiary capital needs.

SUMMARY OF RECOMMENDATIONS

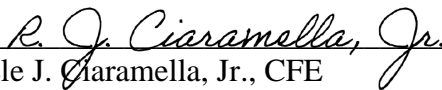
There were no significant recommendations noted in this report.

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 examiner who participated in this examination is hereby acknowledged:

Carla Mallqui, CFE, Insurance Examiner II



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