

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

REPORT OF EXAMINATION OF THE
TUFTS HEALTH PUBLIC PLANS, INC.

Canton, Massachusetts

As of December 31, 2020

NAIC GROUP CODE 4742

NAIC COMPANY CODE 14131

EMPLOYER ID NUMBER 80-0721489

TUFTS HEALTH PUBLIC PLANS, 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

TUFTS HEALTH PUBLIC PLANS, 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 Health Public Plans, Inc. (“THPP” 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 Associated Health Maintenance Organization, Inc. (“TAHMO”)
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 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, 2017.

COMPANY HISTORY

THPP, formerly known as Network Health, LLC has been licensed as a Massachusetts domestic health maintenance organization (“HMO”) since November 2011. Network Health, LLC was formed in May 2011 by TAHMO for the purpose of purchasing the assets and liabilities of Network Health, Inc. from Cambridge Health Alliance.

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 the formation of THPI, TAHMO distributed its ownership of the Company to THPI, resulting in TAHMO and THPP becoming direct wholly owned subsidiaries of THPI. As of September 24, 2020, THPI was renamed Health Plan Holdings, Inc. (“HPHI”).

THPP is contracted by the Massachusetts Executive Office of Health and Human Services (“EOHHS”) and the Centers for Medicare and Medicaid (“CMS”) to provide coverage for the Massachusetts Medicare, Medicaid and the State’s Children’s Health Insurance programs population, as well as the Commonwealth Health Insurance Connector Authority to provide Qualified Health Plans. As of August 2017, THPP entered a contract with the Rhode Island Executive Office of Health and Human Services to provide Medicaid Managed Care Services.

The Comprehensive line of business is comprised of the coverage offered to individuals and small groups under the Patient Protection and Affordable Care Act. Medicaid includes Medicaid Managed Care, Mass Health, and OneCare Plan; which are demonstration program initiative integrated Mass Health and CMS to integrate delivery to dual eligible, Medicare and Medicaid eligible members. Rhode Island Medicaid Managed Care products consist of Rite Care, Medicaid Expansion and Rhody Health Partners.

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.

Tufts Health Public Plans, Inc.

Articles of Organization and Bylaws

The THPP articles of non-profit conversion effective July 1, 2014 were reviewed, and there were no changes during the examination. The bylaws were amended effective October 1, 2017, that reflect the restructuring of the insurance holding company.

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 two and not more than five Directors and the Chief Executive Officer shall serve, ex officio, as the Chair and shall preside at all meetings of the Board.

At December 31, 2020, the Company's Board consisted of the following:

<u>Director</u>	<u>Title</u>
Thomas A. Croswell	President and Chief Executive Officer
Umesh Kurpad	Chief Financial Officer
Mary O'Toole Mahoney, Esq.	Senior Vice President, Chief Legal Officer

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
Umesh Kurpad	Senior Vice President and Chief Financial Officer
Roland Price	Treasurer
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

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

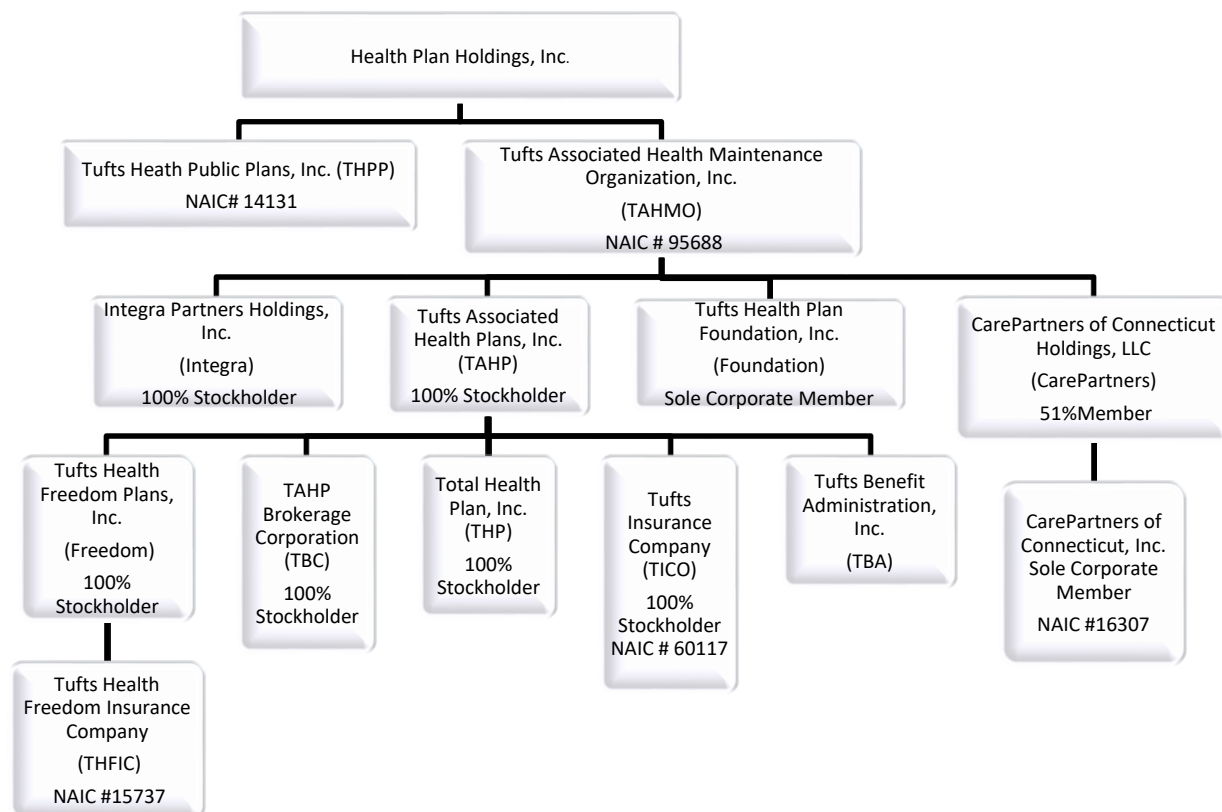
Each HPHI Board committee is responsible for oversight of critical risk areas that fall in its charter and to report on such risks to the overall Board. This includes the Finance Committee's oversight of financial risks and investment policies, the Technology Committee's oversight of systems infrastructure 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 HPHI 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 as filed with the Division, the Company is a member of a insurance holding company system and is subject to the registration requirements of Massachusetts General Law Chapter 175, Section 206C, Chapter 176G, Section 28 and Regulation 211 CMR 7.00. TAHMO was formerly the "ultimate controlling person" of the insurance holding company system, however, with restructuring in October 2017, THPI was formed and became the ultimate controlling person in the holding company structure and TAHMO is its subsidiary.

Tufts Health Public Plans, Inc.

Organization Chart



Transactions and Agreements with Subsidiaries and Affiliates

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

Management Agreement

Effective November 1, 2011, THPP and Tufts Associated Health Plans, Inc. ("TAHP") executed a Management Agreement in which TAHP agrees to provide THPP management, administrative and clerical services suitable for the operations of THPP. Services provided by TAHP under the agreement include, though are not limited to: financial management, business development and strategy, credentialing, property management, record retention, information systems, and human resources. THPP pays an annual management fee consistent with the U.S. Transfer Pricing Regulations under Section 482 of the code. The agreement was amended, effective January 1, 2013, to include Exhibit B – Medicare-Medicaid Demonstration CMS Contract Requirements provisions to the agreement. The total management fees for 2020 and 2019 were \$99,913,598 and \$86,093,014, respectively.

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.

Administrative Service Agreement- THPP – Integra Partners, LLC

THPP entered into an Administrative Services Agreement effective January 10, 2018, where Integra Partners, LLC (“Integra”) is administrator. Integra may modify such Assigned DMEPOS Ancillary Provider Agreements in its discretion of durable medical equipment and prosthetics/orthotics, and supplies (“DMEPOS”) network of Integra Participating Providers that arrange for the delivery or provision of Covered Services. The First Amendment Tufts Health Plan/Integra Partners, LLC Administrative Services Agreement is made effective February 26, 2019. THPP agrees to assign those Massachusetts DMEPOS Ancillary Provider Agreements that permit assignment without the written consent of the ancillary provider for which Integra does not have a current ancillary agreement with to Integra by May 1, 2019. Integra agrees to assume THPP’s obligations under the DMEPOS Ancillary Provider Agreement as of the Assignment Effective Date. Integra shall not terminate any Assigned DMEPOS Ancillary Provider Agreement without the prior written approval of THPP.

Capital Contributions / Dividends

The Massachusetts Division of Insurance 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.

In 2020, TAHMO declared and made a contribution to HPHI in the total amount of \$80,000,000. HPHI then made \$80,000,000 capital contributions to THPP.

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 \$2,394 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

Effective July 1, 2019, the Company entered into a stop loss reinsurance agreement with TICO. THPP is responsible for 100% of its ultimate net loss in respect of losses incurred for each covered person that does not exceed the company's retention of \$2,000,000.

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 Health Public Plans, Inc.

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

	Per Annual Statement
Assets	
Bonds	\$ 241,336,400
Common stocks	354,625,273
Cash, cash equivalents and short-term investments	61,566,247
Other invested assets	3,498,386
Subtotals, cash and invested assets	<u>661,026,306</u>
Investment income due and accrued	926,065
Premiums and considerations:	
Uncollected Premiums and agents balances	28,574,090
Accrued retrospective premium and contracts subject to redetermination	91,597,828
Amounts receivable relating to uninsured plans	456,827
Electronic data processing equipment and software	10,942,301
Receivables from parent, subsidiaries and affiliates	3,052,214
Health care and other amounts receivable	69,673,985
Aggregate write-ins for other-than-invested assets	12,999,792
Total assets	<u><u>\$ 879,249,408</u></u>
Liabilities	
Claims unpaid	\$ 280,377,060
Accrued medical incentive pool and bonus amounts	3,719,121
Unpaid claims adjustment expenses	6,092,970
Aggregate health policy reserves	187,990,213
Premiums received in advance	4,756,104
General expenses due or accrued	9,134,471
Amounts due to parent, subsidiaries and affiliates	10,502,040
Payable for securities	18,417,484
Liability for amounts held under uninsured plans	20,012,359
Total liabilities	<u><u>\$ 541,001,822</u></u>
Gross paid in and contributed surplus	394,000,000
Unassigned funds (surplus)	(55,752,412)
Total capital and surplus	<u><u>\$ 338,247,588</u></u>
Total liabilities capital, and surplus	<u><u>\$ 879,249,408</u></u>

Tufts Health Public Plans, Inc.

Statement of Income
For the Year Ended December 31, 2020

	Per Annual Statement
Member Months	<u>5,872,412</u>
Net premium income	\$ 2,456,581,293
Change in unearned premium reserves and reserve for rate credits	27,708,000
Aggregate write-ins for other non-health revenues	208,150
Total revenues	<u>\$ 2,484,497,443</u>
Deductions:	
Hospital/medical benefits	1,719,366,229
Other professional services	1,375,179
Emergency room and out-of-area	81,716,542
Prescription drugs	503,756,466
Aggregate write-ins for other hospital and medical	19,786,820
Incentive pool, withhold adjustment and bonus amounts	(18,945,653)
Subtotal	<u>\$ 2,307,055,583</u>
Net reinsurance recoveries	299,132
Total hospital and medical	<u>\$ 2,306,756,451</u>
Claims adjustment expenses	49,681,643
General administrative expenses	204,181,226
Increase in reserves for life and accident and health contracts	28,828,000
Total underwriting deductions	<u>\$ 2,589,447,320</u>
Net underwriting loss	(104,949,878)
Net investment income earned	12,755,292
Net realized capital gains less capital gains tax	29,872,030
Net investment gain	<u>42,627,322</u>
Net loss, after capital gains tax and before all other federal income taxes	\$ (62,322,556)
Federal and foreign income taxes incurred	-
Net loss	<u>\$ (62,322,556)</u>

Tufts Health Public Plans, Inc.

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

	2020	2019	2018
Capital and surplus, December 31 prior year	\$330,512,868	\$278,729,458	\$247,330,188
Net income (loss)	(62,322,556)	7,562,937	53,963,713
Change in net unrealized capital gains (losses)	2,711,363	43,820,299	(39,375,410)
Change in nonadmitted assets	(12,654,093)	400,174	(8,189,066)
Surplus adjustments - paid in	80,000,000	-	25,000,000
Aggregate write-ins for gains or (losses) in surplus	6	-	33
Net change in capital and surplus for the year	7,734,720	51,783,410	31,399,270
Capital and surplus, December 31 current year	\$338,247,588	\$330,512,868	\$278,729,458

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 THPP'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 THPP. 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 Tufts Health Freedom 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.

SUMMARY OF RECOMMENDATIONS

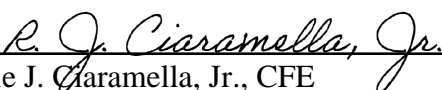
There were no significant recommendations noted in this report.

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 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