NAIC National Association of Insurance Commissioners

Conference Call

HEALTH RISK-BASED CAPITAL (E) WORKING GROUP
Tuesday, August 18, 2020
3:00 p.m. ET / 2:00 p.m. CT / 1:00 p.m. MT / 12:00 p.m. PT / 11:00 a.m. AT / 9:00 a.m. HT

ROLL CALL

Steve Drutz, Chair	Washington	Rhonda Ahrens/ Michael Muldoon	Nebraska
Steve Ostlund	Alabama		
Eric Unger/Rolf Kaumann	Colorado	Kelsey Barlow	Nevada
Wanchin Chou	Connecticut	Tom Dudek	New York
Carolyn Morgan/Kyle Collins	Florida	Kimberly Rankin	Pennsylvania
Tish Becker	Kansas	Mike Boerner/Aaron Hodges	Texas

NAIC Support Staff: Crystal Brown

AGENDA

1. Consider Adoption of its July 30, 2020, Virtual Meeting Minutes—*Steve Drutz (WA)* — Attachment A

2. Consider Adoption of the 2020 Health Risk-Based Capital (RBC) Newsletter—*Steve Drutz (WA)* — Attachment B

3. Discuss and Expose the Referral Letter to the American Academy of Actuaries to add Investment Income to the Underwriting Risk of the Health RBC Formula—*Steve Drutz (WA)* — Attachment C

4. Consider Updates to the 2020 Working Agenda—*Steve Drutz (WA)* — Attachment D

5. Consider Exposure of Health Care Receivable Guidance—*Steve Drutz (WA) and Kevin Russell (American Academy of Actuaries)* — Attachment E

6. Discuss the Impact of COVID-19 and Pandemic Risk in the Health RBC Formula —*Steve Drutz (WA)* — Attachment F

7. Discuss Any Other Matters Brought Before the Working Group—*Steve Drutz (WA)*

8. Adjournment

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Draft: 8/5/20

Health Risk-Based Capital (E) Working Group
Virtual Meeting
July 30, 2020

The Health Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met via conference call July 30, 2020. The following Working Group members participated: Steve Drutz, Chair (WA); Steve Ostlund (AL); Eric Unger (CO); Wanchin Chou (CT); Carolyn Morgan (FL); Tish Becker (KS); Rhonda Ahrens (NE); Kelsey Barlow (NV); Tom Dudek (NY); Kimberly Rankin (PA); and Mike Boerner (TX).

1. Adopted its Dec. 17, 2019, Minutes

The Working Group met Dec. 17, 2019, and took the following action: 1) adopted its 2019 Fall National Meeting minutes; 2) discussed the draft health bond structure and factors; 3) discussed the bond portfolio adjustment; 4) discussed investment grade bond factors; 5) discussed investment income included in the development of the bond factors; and 6) discussed using a five-year time horizon in the development of the bond factors.

Mr. Ostlund made a motion, seconded by Mr. Dudek, to adopt the Working Group's Dec. 17, 2019, minutes (Attachment Two-A). The motion passed unanimously.

2. Approved the 2019 Health RBC Statistics

Mr. Drutz said the 2019 health statistics were run on July 13, and there were 1,012 health risk-based capital (RBC) filings loaded onto the NAIC database compared to 965 in 2018. He said there were 15 companies that triggered an action level and 14 companies that triggered the trend test. He noted that an inconsistency was found and corrected in the 2017 Health RBC Excluding ACA Fees in Companies column on the "Action Level" lines and the "# of companies with an RBC ratio less < 200%" line.

Hearing no objections, the Working Group approved the 2019 Health RBC Statistics (Attachment Two-B). They will be posted on the Working Group's webpage.

3. Referred the ACA Fee Sensitivity Test Proposal (2020-02-CA) to the Capital Adequacy (E) Task Force for Exposure

Mr. Drutz said the federal Affordable Care Act (ACA) fee was repealed for 2021. As a result, proposal 2020-02-CA was developed to delete the sensitivity test from the health, life and fraternal, and property/casualty (P/C) RBC formulas. Mr. Drutz suggested that the Working Group refer the proposal to the Capital Adequacy (E) Task Force for a 30-day public comment period.

Hearing no objections, the Working Group referred proposal 2020-02-CA to the Capital Adequacy (E) Task Force for a 30-day public comment period.

4. Adopted Proposal 2020-04-H for the MAX Function in Line 17 of the Excessive Growth Charge

Mr. Drutz said NAIC staff received an inquiry from a software vendor on an inconsistency between the health RBC forecasting formula and the validation in Line 17 of the excessive growth charge on page XR021. The validation included the MAX function, while the formula in the forecasting spreadsheet did not. The MAX function will convert a negative amount to zero. Mr. Drutz said the proposal was exposed for comment in April to incorporate the MAX function, and no comments were received.

Mr. Boerner made a motion, seconded by Mr. Unger, to adopt proposal 2020-04-H (Attachment Two-C) to add the MAX function to Line 17 of the health RBC forecasting formula for 2021 reporting. The motion passed unanimously.

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5. Received an Update on the Health Bond Factors

a. Investment Income

Mr. Drutz said the Working Group asked the American Academy of Actuaries (Academy) to address comments brought forward on the inclusion of investment income in the proposed bond factors. Derek Skoog (Academy) summarized the Academy's response letter (Attachment Two-D) that considering investment income is a reasonable argument; and while the Academy's approach does consider the investment income on the assets that underly the asset risk that is being evaluated, it does not contemplate all of the investment income. He said based on the comments received, the desire is to account for investment income in the asset risk charges, and that would result in diluting the size of the asset risk charges and potentially have zero asset risk charges for some asset risk classes. He said that understates the risk of default because there is real default risk. He said the Academy suggests that an alternative way forward may be to match the P/C approach, where investment income for other assets like the assets that underly a company's reserves are used as an offset for underwriting risk, rather than applying all investment income to the bond default risk.

James Braue (UnitedHealth Group—UHG) said the suggestion of investment income was proposed in a previous comment letter from UHG, and the Academy's response does not fully address the issue that was raised. He said in the Academy's letter, it noted that using a discount rate on the factor only reflects investment income on the bonds that support the RBC for bond default itself, which, generally speaking, is only going to be a tiny fraction of the total bond holdings. He said some portion of that investment income is essentially, explicitly for bond default risk. He said bonds generally have a spread above the risk free rate, unless you are talking about U.S. Treasury in which there is usually a proxy for the risk free rate, and the purpose of that spread is to compensate for the bond default risk; so not reflecting this is comparable to modeling underwriting losses on the assumption that there is no premium so that the first dollar of losses has to be paid out of surplus. He said this is not a conceptually correct approach to the modeling. He said it is true that the spread is not the entire amount of interest income, and UHG suggested using the entire interest rate as a matter of simplicity, not just the credit spread, and this approach still has merit, particularly when you consider how the risk free portion of the rate would otherwise be reflected. He said the Academy suggested including it in other risk factors, such as underwriting risk. He said there are several issues with this: 1) it is unlikely that it would happen in practice, as there is no current initiative to update the underwriting risk factors, and it is unknown on when it would be taken into account; and 2) if it were done, the Academy group responsible for doing modeling might decline to include investment income on the grounds that difficulties and uncertainties related to doing so outweigh the usefulness of the inclusion. He said even if it was included in the modeling, the current unwriting factors are pretty heavily rounded, so it is very possible that the impact would be rounded away; or conversely, if the rounding went in the other direction, the factors might be reduced by much more than the investment income actually warranted. He said this seems to be a problem with saying that it should be included in the underwriting risk factors. He said applying interest income to underwriting risk rather than default risk is actually a lot less risk-based from an RBC perspective. He said if you are modeling investment income in your underwriting risk factors, assumptions have to be made about the amount of assets held for a given line of business, how much of those assets are bonds versus things like premiums receivables or health care receivables or other types of investments, and the credit quality distribution or average credit quality of the bond held. He said if you model investment income in bond default risk, you automatically take into account the actual amount of bonds held and the actual credit quality distribution of the bond. He said UHG believes it is more appropriate to apply the investment income in the credit risk default factors, and the Working Group was correct in directing the Academy to do that; and if there is a concern about the factors being reduced too much, there is already a minimum being applied. Given the simplified approach that UHG has suggested, it believes that it would be possible for someone other than the Academy to undertake doing that work if the Working Group agreed that it should be done. Mr. Braue said if there were no preferable alternatives, UHG would undertake to do that itself.

Mr. Skoog said the overarching idea from the Academy was to ascribe investment income to the assets that were underlying to the risk-factor risks, as opposed to all of the investment income, with the understanding that a significant portion of the assets of a health insurer balance sheet would be supporting underwriting risk; therefore, it thought it was more appropriate to mirror the P/C approach and not create a third approach between each of the formulas, but instead ascribe investment income to the assets underlying the underwriting risk. He said the Academy understands the arguments on both sides, but the most straight forward approach would be to ascribe the investment income to the assets that underly each respective risk type.

Mr. Drutz suggested that based on the Academy's findings, and for added consistency between the health and P/C formulas, the Working Group requests that the Academy look at adding investment income into the underwriting portion of the health formula. He suggested that this project would run parallel to the bond risk factors project, and it would look at changing the

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underwriting risk factors to include the investment income, such that both could occur within a reasonable amount of time to each.

Mr. Braue said this approach would address his concerns if it was shown that investment income could, as a practical matter, be properly reflected in the underwriting risk factors. He said the Academy may be overlooking some of the practical difficulties associated with that. He said he would be happy to see it attempted; however, depending on the outcome, we could be back in the same place we are now.

The Working Group agreed to direct NAIC staff to draft a letter to the Academy to request that it evaluate and consider incorporating investment income into the underwriting risk factors. The Working Group will review the letter on its Aug. 18 conference call.

b. Time Horizon

Mr. Drutz said during the Dec. 17, 2019, call, the Working Group discussed incorporating a longer time horizon of five years into the bond factors, due to several factors: 1) the duration of assets for health insurers is about 5.2 years, which is longer than the duration of liabilities; 2) using a two-year time horizon makes it harder from regulatory framework to support an amortized cost basis rather than a market value-based valuation; and 3) increased consistency with the P/C formula. During this call, the Working Group asked the Academy to provide it with both two-year and five-year time horizon factors.

Lou Felice (NAIC) said amortized cost is a key underpinning of our solvency system and accounting basis. When you have a two-year duration, it is hard to make a case that it is compatible with amortized cost since it is more compatible with the risk of changes in value; so for bonds, that would be interest rate fluctuations and other mechanisms that adjust the value of the bond. He said in the current formula, NAIC designation 1 and 2 bonds are treated at amortized cost; if a two-year duration is applied that is more generally associated to market risk, it does open it up for criticism for use of amortized cost more generally. He said based on the Academy report, health bond investments cover both claims and surplus, so there is no reason that you should solely look to the duration of liabilities for a health filer. He said it is important to keep a strong adherence to what amortized cost was intended to mean. He said the data seems to indicate a five-year holding period for these bonds, then the default risk should relate more to that holding period. That being said, something less than five or more than two could still be considered. Mr. Ostlund said he is concerned that a company with shorter duration bonds would be penalized for going to a longer duration due to the significant difference in the two-year and five-year factors. Mr. Felice said every formula uses some duration that is applied to the factor, and the durations used in the other formulas are more consistent with an amortized cost or smoothing over time of the change in the value of investment grade bonds. He said the fact that the factor is more in a five-year versus a two-year duration is something to consider; however, it should be balanced against the potential of losing value on the valuation side when using a two-year duration, because it would be unlikely to continue to use amortized cost if a two-year duration was used.

Mr. Ostlund asked if the intent of the change was to decrease the RBC ratio for all companies. Mr. Felice said the intent of the project was to be more risk-focused and expand the designations from six to 20. He said the current NAIC 1 and 2 designations would expand into about 11 designations under the new structure, and the idea would be that the spectrum of the NAIC 1 and 2 designations would be split out, and that would determine if it increased or decreased. He also said they would still go through covariance, which would further reduce the impact of the increase or decrease. Mr. Ostlund said he would not want the expansion of the bond factors to cause a reduction in the RBC ratio for the additional designation classes; he would want the effect to be neutral. He said if this is for allocation between categories, he does not have a concern, but if the change would affect every company's RBC ratio because of the increase in the designations, it seems inappropriate.

Mr. Drutz said the original intent of the project was to increase the bond designations from six to 20, and the appropriate factors then have to be applied to each of those new designations. He suggested that the Working Group expose the Academy's letter containing the two- and five-year factors for comment. Those factors would then be used in an impact analysis in early 2021 to evaluate the differences of the two sets of factors based on the data reported in the new bond structure implemented for year-end 2020. This will allow the Working Group to get a handle on the whether it is causing a significant change in the RBC ratio. Mr. Drutz said the Working Group is not making a determination of the final factors, but instead on which factors to use in an impact analysis, and then using that analysis to make the final determination of the factors.

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Mr. Skoog summarized the Academy's letter (Attachment Two-E), which included the two- and five-year duration; the model was run using the five-year time horizon. He said the significant differences in the factors was because with a longer time horizon, there is a greater chance that a particular bond would default over that time horizon. He said the model is reflecting that increased probability. Otherwise, an identical methodology was maintained to the two-year factors that were previously exposed.

Crystal Brown (NAIC) noted that the proposed factors include an adjustment for the bond portfolio adjustment since the current health formula does not have a bond portfolio adjustment calculation. Mr. Chou asked if the Working Group is ready to finalize the factors for the health formula, because the bond factors in the life formula have not yet been finalized. Mr. Drutz said the health factors were separated from the life factors at this time due to differences in a life and health company. He said before final factors are determined for year-end 2021, the Working Group plans to do the impact analysis on the year-end 2020 data.

Hearing no objections, the Working Group agreed to expose the Academy's bond factor letter for a 32-day public comment period ending Aug. 31.

6. Adopted Updates to its 2020 Working Agenda

Mr. Drutz said the 2020 working agenda has been updated to add the following items: 1) proposal 2020-02-CA for the deletion of the ACA Fee Sensitivity Test that was originally added as part of the evaluation of the impact of the Federal Health Care Law; 2) review and consideration of the formula for the inclusion of the MAX function on Line 17 of the excessive growth charge as proposal 2020-04-H; and 3) consideration of the impact of COVID-19 and pandemic risk on the health RBC formula.

Mr. Ostlund made a motion, seconded by Mr. Chou, to adopt the updates to the 2020 health RBC working agenda. The motion passed unanimously.

7. Discussed the Impact of COVID-19 and Pandemic Risk in the Health RBC Formula

Mr. Drutz said the Solvency Modernization Initiative Risk-Based Capital (E) Subgroup tasked the Working Group in 2011 with looking at catastrophic risks, such as pandemic and biological risks, should such an event occur. He said the Working Group added interrogatory questions for informational purposes only that were included in the formula for several years. However, the Working Group found that only a small number of companies indicated that they allocated a component of surplus for pandemic and biological risks. Mr. Drutz asked the Working Group if there is a need to reevaluate the pandemic and biological risk interrogatories that had previously been included in the health RBC formula. He said with the information that we have currently, it seems like it would be timely for the Working Group to review the previous interrogatories and expand upon those based on the real time lessons we are learning now.

The Working Group agreed to discuss this topic on future calls.

8. Exposed the Health Care Receivable Guidance

Mr. Drutz said the health care receivable guidance was exposed for comment at the 2019 Fall National Meeting, and one comment letter was received.

Connie Jasper Woodroof (Sapiens) summarized her comments on the health care receivable guidance (Attachment Two-F). She agreed that extra guidance on the health care receivables would be beneficial, and she suggested incorporating this language into the official annual statement instructions. She also suggested including examples of how Exhibit 3 and Exhibit 3A should be completed.

Mr. Drutz said based on the comments received and ongoing conversations with the Academy, we are working to better clarify the instructions and develop examples. He said the plan is to work on guidance for 2020 annual statement reporting and a proposal to clarify the annual statement instructions for 2021 reporting. He said the goal is to bring the guidance and proposal to the Working Group on either the August or September call to expose for comment and then refer them to the Blanks (E) Working Group for consideration.

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9. Received an Update on the Health Test Ad Hoc Group

Mr. Drutz said the Health Test Ad Hoc Group has not met since prior to the COVID-19 pandemic; however, the revised health test language was exposed on Feb. 13, and one comment letter was received during that exposure period from America's Health Insurance Plans (AHIP).

Ray Nelson (AHIP) summarized his comment letter (Attachment Two-G), which included editorial changes to the health test language.

Mr. Drutz said since the exposure, NAIC staff have performed additional analysis of the companies that could be affected by the changes to the health test language, and through this analysis, additional questions were brought to light. NAIC staff sent a brief survey to the states regarding the methodology to be used in modifying the health test. Mr. Drutz said based on the responses received, he plans to ask the Ad Hoc Group to re-evaluate the approach, put a pause on the health test language, and begin looking at changes that could be considered in the annual statement blanks. He said the Ad Hoc Group has developed a good starting point with the current revisions; however, it may be beneficial to first look at the annual statement blanks to determine how to continue to move forward. He said the Ad Hoc Group will meet again on Sept. 1 and discuss how to continue moving the project forward. He asked that anyone interested in participating in the Ad Hoc Group contact Ms. Brown.

Having no further business, the Health Risk-Based Capital (E) Working Group adjourned.

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NAIC Health Risk-Based Capital Newsletter

July 2020
Volume 22.1

What RBC Pages Should Be Submitted?

For the year-end 2020 health risk-based capital (RBC) filing, submit hard copies of pages **XR001 through XR026** to any state that requests a hard copy in addition to the electronic filing. Beginning with year-end 2007, a hard copy of the RBC filings was not required to be submitted to the NAIC. Other pages, such as the capitations worksheet, do not need to be submitted. Those pages would need to be retained by the company as documentation.

Capitation Tables

The Capital Adequacy (E) Task Force adopted proposal 2018-17-CA to capture the capitation tables electronically through the file submission of the health RBC formula during its June 28, 2019, conference call.

RBC Preamble

As a result of the adoption of proposal 2019-07-CA by the Capital Adequacy (E) Task Force at the 2019 Fall National Meeting, the Risk-Based Capital Preamble was added to the RBC instructions to provide a clear understanding of the purpose of RBC and goals of RBC as the Task Force and Working Groups review referrals and proposals.

Bond Designation Structure

The Capital Adequacy (E) Task Force adopted proposal 2019-16-CA to incorporate the 20 designation categories for bonds into the health RBC formula to be used in conducting an impact analysis study for year-end 2020 reporting during its April 30, 2020, conference call. The 20 bond designation categories were incorporated into the Off-Balance Sheet Security Lending Collateral and Schedule DL, Part 1 Assets page (XR006), Fixed Income Assets page (XR007) and the Asset Concentration page (XR011).

Overview and Table of Contents

As a result of the adoption of proposal 2020-05-CA by the Capital Adequacy (E) Task Force during its June 30, 2020, conference call, the page iv instructions were modified to insert the word "Overview" in the page heading and the Table of Contents was modified to include only the page heading and delete references to the individual sections of the Overview.

In This Issue:

Editorial Changes

1. Editorial changes were made to the Health RBC Blank and Forecasting files for consistent referencing to the Annual Statement Source columns, column headings and footnotes (e.g., Column, Line, Schedule, etc.).
2. As a result of the adoption of Blanks (E) Working Group proposal 2019-30-BWG, references to reciprocal jurisdictions (Lines 4099999 and 4399999) were added to Lines (9), (10), (11), (13), (14), and (15) of page XR019—Credit Risk.

RBC Forecasting and Instructions

The Health RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2020 NAIC Health Risk-Based Capital Report Including Overview & Instructions for Companies*, and is available to download from NAIC Account Manager. The *2020 NAIC Health Risk-Based Capital Report Including Overview & Instructions for Companies* publication is available for purchase in hardcopy or electronic format through the NAIC Publications Department. This publication is available for purchase on or about Nov. 1 each year. The User Guide is no longer included in the Forecasting & Instructions.

WARNING: The RBC Forecasting Spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not have been filed.

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National Association of Insurance Commissioners & The Center for Insurance Policy and Research

TO: Derek Skoog, Chair of the Health Solvency Subcommittee of the American Academy of Actuaries

FROM: Steve Drutz, Chair of the Health Risk-Based Capital (E) Working Group

Date: September ____, 2020

RE: Request for Analysis to Incorporate Investment Income into the Underwriting Risk Component of the Health Risk-Based Capital Formula

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On July 30, 2020 the Health Risk-Based Capital (E) Working Group agreed to request assistance from the Health Solvency Subcommittee of the American Academy of Actuaries (Academy) to evaluate incorporating and including investment income into the Underwriting Risk component of the Health RBC formula. In a letter sent to the Working Group dated March 4, 2020, the Academy responded to comments made requesting that investment income be included in the proposed bond factors for the new 20 designations. The Academy noted that they did not believe it would be appropriate to ascribe all investment income to offset default risk and suggested utilizing investment income to offset specific risk charges, such as in Underwriting Risk.

The Health Risk-Based Capital (E) Working Group requests that the Health Solvency Subcommittee evaluate including investment income in the Underwriting Risk factors. Please notify the Working Group by _____, 2020 if the Academy can move forward with this project and provide an estimated timeline for completion.

Please forward a copy of your analysis to Crystal Brown via email cbrown@naic.org.

cc: Devin Boerm, Staff Support- Health Solvency Subcommittee of the American Academy of Actuaries

Priority 1 – High priority
Priority 2 – Medium priority
Priority 3 – Low priority

CAPITAL ADEQUACY (E) TASK FORCE
WORKING AGENDA ITEMS FOR CALENDAR YEAR 2020

2020 #	Owner	2020 Priority	Expected Completion Date	Working Agenda Item	Date Added to Agenda Source	Comments	Proposal Number
				Ongoing Items – Health RBC			
23	Health RBC WG	3	Year-end 2021 RBC or later	Evaluate the impact of Federal Health Care Law on the Health RBC Formulas	4/13/2010 CATF Call	Adopted 2014-01H Adopted 2014-02H Adopted 2014-05H Adopted 2014-06H Adopted 2014-24H Adopted 2014-25H Adopted 2016-01-H Adopted 2017-09-CA Adopted 2017-10-H The Working Group will continually evalaute any changes to the health formula as a rsult of ongoing federal discsussions and legislation.	
		1	2021 Spring Meeting		07/30/2020	Consider and refer proposal to the TF for the deletion of the ACA Fee Sensitivity Test.	2020-02-CA
24	Health RBC WG	3	Year-end 2021 RBC or later	Discuss and monitor the development of federal level programs and actions and the potiential impact of these changes to the HRBC formula: - Development of the state reinsurance programs; - Association Health Plans; - Cross-border sales	1/11/2018	Discuss and monitor the development of federal level programs and the potential impact on the HRBC formula.	
				Carry-Over Items Currently being Addressed – Health RBC			
25	Health RBC WG	3	Year-End 2023 RBC or Later	Consider changes for stop-loss insurance or reinsurance.	AAA Report at Dec. 2006 Meeting	(Based on Academy report expected to be received at YE-2016) 2016-17-CA	
26	Health RBC WG	2	Year-end 2023 RBC or later	Review the individual factors for each health care receivables line within the Credit Risk H3 component of the RBC formula.	HRBC WG	Adopted 2016-06-H Rejected 2019-04-H	
27	Health RBC WG	1	Year-end 2022 or later	Establish an Ad Hoc Group to review the Health Test and annual statement changes for reporting health business in the Life and P/C Blanks	8/4/2018	Evaluate the applicability of the current Health Test in the Annual Statement instructions in today's health insurance market. Discuss ways to gather additional information for health business reported in other blanks.	
28	Health RBC WG	1	Year-end 2020 RBC or later	Review the Managed Care Credit calculation in the Health RBC formula - specifically Category 2a and 2b.	12/3/2018	Review the Managed Care Category and the credit calculated, more specifically the credit calculated when moving from Category 0 & 1 to 2a and 2b.	
29	Health RBC WG	1	Year-end 2020 or later	Review referral letter from the Operational Risk (E) Subgroup on the excessive growth charge and the development of an Ad Hoc group to charge.	4/7/2019	Review if changes are required to the Health RBC Formula	
30	Health RBC WG	1	2021 Spring Meeting	Review and consider the formula for the MAX function in Line 17 of the Excessive Growth Charge.	4/3/2020		2020-04-H
31	Health RBC WG	1	Year-End 2021 or later	Consider impact of COVID-19 and pandemic risk in the Health RBC formula.	7/30/2020		
				New Items – Health RBC			
32	**Health RBC WG**	**1**	**Year-End 2021 or later**	**Work with the Academy to evaluate incorporating and including investment income in the Underwriting Risk component of the Health RBC formula.**	**7/30/2020**	**Referral letter drafted to be sent to the Academy for assistance. Letter will be exposed on 8/18/20202 HRBC call.**	

Guidance on Reporting Exhibit 3A Collection and Offset Amounts

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Pharmaceutical Rebates Receivable

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $10 million of Pharmaceutical Rebates Receivable. The insurer's contract with its pharmaceutical benefits manager provides that the PBM will make quarterly payments to the insurer consisting of a minimum guaranteed amount for the prior quarter and additional amounts for older quarters based on actual rebates collected from manufacturers. During 20x3 the PBM makes quarterly payments summarized for 20x3 as follows:

$500,000 Rebates paid in 20x3 for scripts with fill dates in 20x1
$9 million Rebates paid in 20x3 for scripts with fill dates in 20x2
$33.5 million Rebates paid in 20x3 for scripts with fill dates in 20x3

Based on contract values and past rebate history the valuation actuary accrues the following as of 12/31/20x3:

$600,000 Rebates to be collected for scripts with fill dates in 20x2 (drug claim paid as of 12/31/20x3)
$10,000,000 Rebates to be collected for scripts with fill dates in 20x3 (drug claims paid as of 12/31/20x3)
$100,000 Rebates to be collected for scripts with fill dates in 20x3 (drug claims unpaid as of 12/31/20x3)

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ 10,700,000
Claim overpayment receivables					$ -	$ -
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ -	$ -
Risk sharing receivables					$ -	$ -
Other receivables					$ -	$ -
Gross health care receivables					$ -	$ 10,700,000
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ (9,500,000)	$ (33,500,000)			$ (9,500,000)	
Claim overpayment receivables	$ -	$ -			$ -	
Loans and advances to providers	$ -	$ -			$ -	
Capitation arrangement receivables	$ -	$ -			$ -	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ 600,000	$ 10,000,000	$ -	$ 100,000	$ 600,000	$ 10,000,000
Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
Risk-sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9–10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ 9,500,000	$ 33,500,000	$ 600,000	$ 10,100,000	$ 10,100,000	$ 10,000,000
2. Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
3. Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
4. Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
5. Risk sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
6. Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
7. Totals (Lines 1 through 6)	$ 9,500,000	$ 33,500,000	$ 600,000	$ 10,100,000	$ 10,100,000	$ 10,000,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

Guidance on Reporting Exhibit 3A Collection and Offset Amounts

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Claim Overpayments Receivable

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $6 million of Claim Overpayment Receivables. The overpayments had been made because the claim payment system had been paying incorrect amounts to a contracted hospital system, which affected claims incurred July 20x1 through June 20x2. ABC HMO notified the hospital system of the $6 million overpayment issue in November 20x2. Claims paid in December 20x2 and later month were paid correctly, but as of 12/3/20x2, no recovery had been started for claims paid in November 20x2 or prior.

During 20x3 and 20x4, the following happened:

1. There was no claim overpayment recovery for any provider other than this hospital system.
2. For claims incurred January through June 20x2, ABC HMO collected the entire $3.1 million of overpayment by offsetting against claim payments made in CY 20x3.
3. For claims incurred July through December 20x1, the hospital system and the ABC HMO negotiated that the $2.9 million overpayment by ABC HMO would be fully settled by the following schedule of payments from the hospital system, which would not run through the claim payment system.
   a. $725,000 on 6/15/20x3
   b. $725,000 on 9/15/20x3
   c. $725,000 on 12/15/20x3
   d. $725,000 on 3/15/20x4 (which was recorded as a claim overpayment receivable as of 12/31/20x3)

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ -
Claim overpayment receivables					$ -	$ 725,000
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ -	$ -
Risk sharing receivables					$ -	$ -
Other receivables					$ -	$ -
Gross health care receivables					$ -	$ 725,000
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
Line of Business	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ -	$ -			$ -	
Claim overpayment receivables	$ (5,275,000)	$ -			$ (5,275,000)	
Loans and advances to providers	$ -	$ -			$ -	
Capitation arrangement receivables	$ -	$ -			$ -	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
Claim overpayment receivables	$ 725,000	$ -	$ -	$ -	$ 725,000	$ 6,000,000
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
Risk-sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9–10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
Type of Health Care Receivable	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
2. Claim overpayment receivables	$ 5,275,000	$ -	$ 725,000	$ -	$ 6,000,000	$ 6,000,000
3. Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
4. Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
5. Risk sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
6. Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
7. Totals (Lines 1 through 6)	$ 5,275,000	$ -	$ 725,000	$ -	$ 6,000,000	$ 6,000,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

Guidance on Reporting Exhibit 3A Collection and Offset Amounts

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Loans and Advances to Providers

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $3 million of Loans and Advances to Providers. The advances were made in December 20x2 because an update to the claim payment system inadvertently blocked payments to a group of providers. The amounts loaned were based on unpaid claims received through December 20x2. In January 20x3 the claim payment system problem was resolved. As the unpaid claims were adjudicated, the loan balances were reduced by the claim payments that would have been made. By 12/31/20x3, all loan amounts had been satisfied except $1,000 for one provider whose practice was closed. That balance was determined to be uncollectable as of 12/31/20x3.

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ -
Claim overpayment receivables					$ -	$ -
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ -	$ -
Risk sharing receivables					$ -	$ -
Other receivables					$ -	$ -
Gross health care receivables					$ -	$ -
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ -	$ -			$ -	
Claim overpayment receivables	$ -	$ -			$ -	
Loans and advances to providers	$ (2,999,000)	$ -			$ (2,999,000)	
Capitation arrangement receivables	$ -	$ -			$ -	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ 3,000,000
Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
Risk-sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
Other health care receivables			$ -		$ -	$ -
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9−10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
2. Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
3. Loans and advances to providers	$ 2,999,000	$ -	$ -	$ -	$ 2,999,000	$ 3,000,000
4. Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
5. Risk sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
6. Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
7. Totals (Lines 1 through 6)	$ 2,999,000	$ -	$ -	$ -	$ 2,999,000	$ 3,000,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Capitation Arrangement Receivables

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $200,000 of Capitation Arrangement Receivables. The capitation payments were made in December 20x2 to providers who had cancelled their capitation contract effective 11/30/20x2. The HMO requested providers to refund the capitation payments – most did, with $190,000 collected from in this manner. A few providers did not send refund payments. For these, the HMO collected $7,000 by means of offsets against fee-for-service claims during 20x3. The HMO is carrying the remaining $3,000 as an unadmitted health care receivable as of 12/31/20x3.

EXHIBIT 3 − HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ -
Claim overpayment receivables					$ -	$ -
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ 3,000	$ -
Risk sharing receivables					$ -	$ -
Other receivables					$ -	$ -
Gross health care receivables					$ 3,000	$ -
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ -	$ -			$ -	
Claim overpayment receivables	$ -	$ -			$ -	
Loans and advances to providers	$ -	$ -			$ -	
Capitation arrangement receivables	$ (197,000)	$ -			$ (197,000)	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
Capitation arrangement receivables	$ -	$ -	$ 3,000	$ -	$ 3,000	$ 200,000
Risk-sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9−10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
2. Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
3. Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
4. Capitation arrangement receivables	$ 197,000	$ -	$ 3,000	$ -	$ 200,000	$ 200,000
5. Risk sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
6. Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
7. Totals (Lines 1 through 6)	$ 197,000	$ -	$ 3,000	$ -	$ 200,000	$ 200,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Risk Sharing Receivables

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $900,000 of Risk-Sharing Receivables. The accrual was for a contract with a multi-specialty provider group that looks at actual incurred claims compared to a target for those claims. The period for the agreement is the 12 months ending 3/31/20x3, so the accrual as of 12/31/20x2 was for the first nine months of the risk-sharing contract period. The contract provides that the final accounting is to be made using claims runout paid through 3/31/20x4, with nothing to be paid by the provider group until 5/31/20x4. The calculations as of 12/31/20x3 resulted in a $1.6 million accrual, of which $1.2 million was allocated to the incurred period 4/1/20x2 through 12/31/20x2 and $400,000 was allocated to the incurred period 1/1/20x3 through 3/31/20x3.

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ -
Claim overpayment receivables					$ -	$ -
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ -	$ -
Risk sharing receivables					$ -	$ 1,600,000
Other receivables					$ -	$ -
Gross health care receivables					$ -	$ 1,600,000
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ -	$ -			$ -	
Claim overpayment receivables	$ -	$ -			$ -	
Loans and advances to providers	$ -	$ -			$ -	
Capitation arrangement receivables	$ -	$ -			$ -	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
Risk-sharing receivables	$ 1,190,000	$ 370,000	$ 10,000	$ 30,000	$ 1,200,000	$ 900,000
Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9−10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
2. Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
3. Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
4. Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
5. Risk sharing receivables	$ -	$ -	$ 1,200,000	$ 400,000	$ 1,200,000	$ 900,000
6. Other health care receivables	$ -	$ -	$ -	$ -	$ -	$ -
7. Totals (Lines 1 through 6)	$ -	$ -	$ 1,200,000	$ 400,000	$ 1,200,000	$ 900,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

This document was developed for assistance only and has not been adopted as part of the Annual Statement instructions.

Example of Other Health Care Receivables

The example below illustrates how the Exhibit 3A is used to record information on the collection of amounts that had been accrued as health care receivables. Note that such collection can be in the form of cash received or as offsets against amounts that would otherwise have been payable to health care providers. The format of the example below is for illustration purposes only and is not reflective of the format that it would be in when filed as part of the Annual Statement.

The 12/31/20x2 annual statement had an accrual for $4 million of Other Health Care Receivables. The accrual was for an incentive payment for a Medicaid contract, with the amount of the incentive payment based on the health plan's Healthcare Effectiveness Data and Information Set (HEDIS) score. The HEDIS score was for the 12-month period ending 6/30/20x2. The HEDIS measurements were complete by the time the 12/31/20x2 annual statement was completed and the $4 million amount was determined by the state Medicaid agency, with the contract calling for the payment to be made by 6/30/20x3. However, the state did not make the payment then and did not make the payment in the remaining months of 20x3, citing budget problems. In December 20x3 the state sent the health plan a letter reiterating that the state still owed the $4 million payment. For 12/31/20x3 the health plan accrued the full $4 million as an admitted health care receivable asset, citing that the amount was undisputed.

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20X3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ -
Claim overpayment receivables					$ -	$ -
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ -	$ -
Risk sharing receivables					$ -	$ -
Other receivables					$ -	$ 4,000,000
Gross health care receivables					$ -	$ 4,000,000
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20X3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ -	$ -			$ -	
Claim overpayment receivables	$ -	$ -			$ -	
Loans and advances to providers	$ -	$ -			$ -	
Capitation arrangement receivables	$ -	$ -			$ -	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7a. Medicaid before collected receivables						
7b. Medicaid collected receivables						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
Risk-sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
Other health care receivables	$ -	$ -	$ 4,000,000	$ -	$ 4,000,000	$ 4,000,000
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9–10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20X3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ -	$ -	$ -	$ -	$ -	$ -
2. Claim overpayment receivables	$ -	$ -	$ -	$ -	$ -	$ -
3. Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ -
4. Capitation arrangement receivables	$ -	$ -	$ -	$ -	$ -	$ -
5. Risk sharing receivables	$ -	$ -	$ -	$ -	$ -	$ -
6. Other health care receivables	$ -	$ -	$ 4,000,000	$ -	$ 4,000,000	$ 4,000,000
7. Totals (Lines 1 through 6)	$ -	$ -	$ 4,000,000	$ -	$ 4,000,000	$ 4,000,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

EXHIBIT 3 – HEALTH CARE RECEIVABLES

ANNUAL STATEMENT FOR THE YEAR 20x3

1 Name of Debtor	2 1 – 30 Days	3 31 – 60 Days	4 61 – 90 Days	5 Over 90 Days	6 Non-admitted	7 Admitted
Pharmaceutical rebate receivables					$ -	$ 10,700,000
Claim overpayment receivables					$ -	$ 725,000
Loans and advances to providers					$ -	$ -
Capitation arrangement receivables					$ 3,000	$ -
Risk sharing receivables					$ -	$ 1,600,000
Other receivables					$ -	$ 4,000,000
Gross health care receivables					$ 3,000	$ 17,025,000
					R6	R7

UNDERWRITING AND INVESTMENT EXHIBIT

ANNUAL STATEMENT FOR THE YEAR 20x3

PART 2B - ANALYSIS OF CLAIMS UNPAID - PRIOR YEAR - NET OF REINSURANCE

Line of Business	Claims Paid During the Year		Claim Reserve and Claim Liability December 31 of Current Year		5	6
	1 On Claims Incurred Prior to January 1 of Current Year	2 On Claims Incurred During the Year	3 On Claims Unpaid December 31 of Prior Year	4 On Claims Incurred During the Year	Claims Incurred in Prior Years (Columns 1 + 3)	Estimated Claim Reserve and Claim Liability December 31 of Prior Year
1. Comprehensive (hospital and medical)						
Pharmaceutical rebate receivables	$ (9,500,000)	$ (33,500,000)			$ (9,500,000)	
Claim overpayment receivables	$ (5,275,000)	$ -			$ (5,275,000)	
Loans and advances to providers	$ (2,999,000)	$ -			$ (2,999,000)	
Capitation arrangement receivables	$ (197,000)	$ -			$ (197,000)	
Risk-sharing receivables	$ -	$ -			$ -	
Other health care receivables	$ -	$ -			$ -	
2. Medicare Supplement						
3. Dental						
4. Vision						
5. Federal Employees Health Benefits Plan						
6. Title XVIII - Medicare						
7. Title XIX - Medicaid						
8. Other health						
9. Health subtotal (Lines 1 to 8)						
10. Health care receivables (a)	B1	B2	B3	B4		B6 = Prior Yr(R6+R7)
Pharmaceutical rebate receivables	$ 600,000	$ 10,000,000	$ -	$ 100,000	$ 600,000	$ 10,000,000
Claim overpayment receivables	$ 725,000	$ -	$ -	$ -	$ 725,000	$ 6,000,000
Loans and advances to providers	$ -	$ -	$ -	$ -	$ -	$ 3,000,000
Capitation arrangement receivables	$ -	$ -	$ 3,000	$ -	$ 3,000	$ 200,000
Risk-sharing receivables	$ 1,190,000	$ 370,000	$ 10,000	$ 30,000	$ 1,200,000	$ 900,000
Other health care receivables			$ 4,000,000		$ 4,000,000	$ 4,000,000
11. Other non-health						
12. Medical incentive pools and bonus amounts						
13. Totals (Lines 9−10+11+12)						

(a) excludes _____ loans or advances to providers not yet expensed

B1 + B2 + B3 + B4 = R6 + R7 [assumes no amounts in the 10(a) footnote]

ANNUAL STATEMENT FOR THE YEAR 20x3

EXHIBIT 3A – ANALYSIS OF HEALTH CARE RECEIVABLES COLLECTED AND ACCRUED

Type of Health Care Receivable	Health Care Receivables Collected During the Year		Health Care Receivables Accrued as of December 31 of Current Year		5	6
	1 On Amounts Accrued Prior to January 1 of Current Year	2 On Amounts Accrued During the Year	3 On Amounts Accrued December 31 of Prior Year	4 On Amounts Accrued During the Year	Health Care Receivables in Prior Years (Columns 1 + 3)	Estimated Health Care Receivables Accrued as of December 31 of Prior Year
1. Pharmaceutical rebate receivables	$ 9,500,000	$ 33,500,000	$ 600,000	$ 10,100,000	$ 10,100,000	$ 10,000,000
2. Claim overpayment receivables	$ 5,275,000	$ -	$ 725,000	$ -	$ 6,000,000	$ 6,000,000
3. Loans and advances to providers	$ 2,999,000	$ -	$ -	$ -	$ 2,999,000	$ 3,000,000
4. Capitation arrangement receivables	$ 197,000	$ -	$ 3,000	$ -	$ 200,000	$ 200,000
5. Risk sharing receivables	$ -	$ -	$ 1,200,000	$ 400,000	$ 1,200,000	$ 900,000
6. Other health care receivables	$ -	$ -	$ 4,000,000	$ -	$ 4,000,000	$ 4,000,000
7. Totals (Lines 1 through 6)	$ 17,971,000	$ 33,500,000	$ 6,528,000	$ 10,500,000	$ 24,499,000	$ 24,100,000
			A3 = B1 + B3	A4 = B2 + B4		A6 = Prior Yr(R6+R7)

Note that the accrued amounts in columns 3, 4, and 6 are the total health care receivables, not just the admitted portion.

Pandemic and Biological Risk - Interrogatories
(FOR INFORMATIONAL PURPOSES ONLY)

In 2011, the Solvency Modernization Initiative Risk-Based Capital (E) Subgroup tasked the Health Risk-Based Capital (E) Working Group to look at catastrophe risks (such as pandemic and biological risks) and consider the impact to a health insurer should a major health catastrophe occur. The Working Group understands that some health insurers currently hold a certain amount of capital should such a catastrophic or tail event occur. In order to evaluate these potential risks, the Health Risk-Based Capital (E) Working Group asks that health insurers complete the interrogatory questions for informational purposes only.

	Yes/No Response
(1) Do you allocate a component of surplus for pandemic or bio risks? Yes or No.	
(2.1) Do you use modeling for this? Yes or No.	
(2.2) If yes, describe modeling.	
(3.1) Do you have a computation for this? Yes or No.	
(3.2) If yes, describe computation.	

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