Statutory Accounting Principles (E) Working Group

**Maintenance Agenda Submission Form**

**Form A**

## **Issue: Update SSAP No. 107 Disclosures**

**Check (applicable entity):**

 P/C Life Health

Modification of Existing SSAP [x]  [x]  [x]

New Issue or SSAP [ ]  [ ]  [ ]

Interpretation [ ]  [ ]  [ ]

Description of Issue:

## This agenda item recommends updates to disclosure requirements in *Statement of Statutory Accounting Principles No. 107—Risk-Sharing Provisions of the Affordable Care Act* (SSAP No. 107) to remove disclosures related to transitional reinsurance and for the risk corridors programs which have expired.

In December 2014, the NAIC Statutory Accounting Principles Working Group (SAPWG) issued SSAP No. 107 to provide accounting and disclosure guidance for the three risk-sharing provision programs of the Affordable Care Act (the “3Rs programs”). SSAP No. 107 covers the three risk sharing programs that were initially part of the Affordable Care Act, a permanent risk adjustment program, a transitional reinsurance program, and a temporary risk corridors program. Since that time, the 3Rs programs have changed significantly. Most notably, the temporary transitional reinsurance and risk corridors programs terminated at the end of 2016.

SSAP No. 107 introduced significant financial statement disclosure requirements for the 3Rs programs. The disclosures are required by SSAP No. 107, paragraphs 60-62. Exhibit B of SSAP No. 107 illustrates the roll-forward disclosure required by paragraph 61. These disclosure requirements are currently satisfied through detailed data tables included in Footnote 24E of the quarterly and annual financial statements.

Despite the passage of time and the termination of two of the 3Rs programs, the disclosure requirements outlined in SSAP 107 and the disclosure instructions for footnote 24E have not been updated or modified since inception. As a result, companies originally subject to the 3Rs programs are still required by SSAP No. 107 to include several tables in Footnote 24E, even though the majority of the information disclosed is either zero or blank because two of the programs were terminated several years ago. This agenda item proposal removal of the disclosures for the expired programs and also removal of the related roll forward illustration in Exhibit B of SSAP No. 107 for the expired programs.

Existing Authoritative Literature:

## SSAP No. 107—*Risk-Sharing Provisions of the Affordable Care Act*

**Disclosures**

60. The financial statements shall disclose on an annual and quarterly basis beginning in the first quarter of 2014, the assets, liabilities and revenue elements by program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods which are impacted by the programs including the listing in paragraphs 60.a. through 60.c. Reporting entities shall also indicate if they wrote any accident and health insurance premium, which is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc. Asset balances shall reflect admitted asset balances. The disclosure shall include the following:

1. ACA Permanent Risk Adjustment Program

Premium adjustments receivable due to ACA Risk Adjustment (including high-cost risk pool payments)

Risk adjustment user fees payable for ACA Risk Adjustment

Premium adjustments payable due to ACA Risk Adjustment (including high-cost risk pool ceded premium)

Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment

Reported in expenses as ACA risk adjustment user fees (incurred/paid)

1. ACA Transitional Reinsurance Program

Amounts recoverable for claims paid due to ACA Reinsurance

Amounts recoverable for claims unpaid due to ACA Reinsurance (contra-liability)

Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance

Liabilities for contributions payable due to ACA Reinsurance - not reported as ceded premium

Ceded reinsurance premiums payable due to ACA Reinsurance

Liability for amounts held under uninsured plans contributions for ACA Reinsurance

Ceded reinsurance premiums due to ACA Reinsurance

Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments

ACA Reinsurance Contributions – not reported as ceded premium

1. ACA Temporary Risk Corridors Program

Accrued retrospective premium due from ACA Risk Corridors

Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors

Effect of ACA Risk Corridors on net premium income (paid/received)

Effect of ACA Risk Corridors on change in reserves for rate credits

61. In addition, beginning in annual 2014 and both quarterly and annual thereafter, a roll forward of prior year ACA risk-sharing provisions specified asset and liability balances shall be disclosed in the annual statutory Notes to Financial Statements, as illustrated in Exhibit B. Note for the roll forward illustration, assets shall be reflected gross of any nonadmission. The reasons for adjustments to prior year balances (i.e. federal audits, revised participant counts, information which impacted risk score projections, etc.) shall also be disclosed. For year-end 2014, all columns and rows are expected to be zero since 2014 is the first year that a receivable or liability will be recorded. For reporting periods on or after March 31, 2016, the risk corridors roll forward is amended to require disclosure of the risk corridors asset and liability balances and subsequent adjustments by program benefit year. The beginning receivable or payable in the roll forward will reflect the prior year-end balance for the specified benefit.

62. For reporting periods ending on or after March 31, 2016, for both quarterly and annual reporting, the following information is required for risk corridors balances by program benefit year:

1. Estimated amount to be filed or final amounts filed with federal agency
2. Amounts impaired or amounts not accrued for other reasons (not withstanding collectability concerns)
3. Amounts received from federal agency
4. Asset balance gross of nonadmission
5. Nonadmitted amounts
6. Net admitted assets

Exhibit B of SSAP No. 107 illustrates the roll forward required by the SSAP No. 107. paragraph 61 of the disclosures.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

**Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:**

**Convergence with International Financial Reporting Standards (IFRS):Not Applicable**

Sponsor Recommendation

We are respectfully requesting SAPWG to re-evaluate and amend the disclosure requirements of SSAP 107 and request BWG to update the quarterly and annual financial statement instructions for Footnote 24E to eliminate certain tables, or portions of tables, that are no longer applicable. Specifically, we are requesting elimination of the portions of each table related to the transitional reinsurance and risk corridors programs that are no longer valid.

Sherry Gillespie, Senior Director - Regulatory Finance

UnitedHealthcare

2884 School Ln, Green Bay, WI 54313

February 1, 2024

**Staff Recommendation:**

**NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* as illustrated below. The revisions will remove the transitional reinsurance program disclosures and the risk corridor disclosures as both programs have expired. In addition, the roll forward illustration in Exhibit B is also proposed to be updated to remove the portion for the transitional reinsurance program and the risk corridors program. NAIC staff recommends that the Working Group direct a Blanks proposal, allowing for concurrent consideration, to allow for the disclosures to be removed beginning with the year-end 2024 financial statements.**

NAIC staff is aware that some states have federal waivers to operate reinsurance programs, but not all of the federal reinsurance waivers operate the same as the original transition program. To the extent the Working Group decides that new disclosures are needed for these reinsurance waiver programs, a future disclosure can be developed separately.

Staff Review Completed by: Robin Marcotte - NAIC Staff

Status:

On March 16, 2024, the Statutory Accounting Principles (E) Working Group exposed revisions to *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act* which would remove the transitional reinsurance program disclosures and the risk corridor disclosures as both programs have expired. In addition, the roll forward illustration in Exhibit B is also proposed to be updated to remove the portion for the transitional reinsurance program and the risk corridors program. The Working Group also directed NAIC staff to prepare a Blanks proposal, allowing for concurrent consideration, to allow for the disclosures to be removed beginning with the year-end 2024 financial statements.

Proposed Revisions:

### *SSAP No. 107—Risk-Sharing Provisions of the Affordable Care Act Disclosures*

60. The financial statements shall disclose on an annual and quarterly basis beginning in the first quarter of 2014, the assets, liabilities and revenue elements for the permanent risk adjustment program regarding the risk-sharing provisions of the Affordable Care Act for the reporting periods which are impacted by the programs including the listing in paragraph 60.a. . Reporting entities shall also indicate if they wrote any accident and health insurance premium, which is subject to the Affordable Care Act risk-sharing provisions. In the event that the balances are zero, the reporting entity should provide context to explain the reasons for the zero balances, including insufficient data to make an estimate, no balances or premium was excluded from the program, etc. Asset balances shall reflect admitted asset balances. The disclosure shall include the following:

1. ACA Permanent Risk Adjustment Program

Premium adjustments receivable due to ACA Risk Adjustment (including high-cost risk pool payments)

Risk adjustment user fees payable for ACA Risk Adjustment

Premium adjustments payable due to ACA Risk Adjustment (including high-cost risk pool ceded premium)

Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment

Reported in expenses as ACA risk adjustment user fees (incurred/paid)

 61. In addition, beginning in annual 2014 and both quarterly and annual thereafter, a roll forward of prior year ACA risk-sharing provisions for the risk adjustment program specified asset and liability balances shall be disclosed in the annual statutory Notes to Financial Statements, as illustrated in Exhibit B. Note for the roll forward illustration, assets shall be reflected gross of any nonadmission. The reasons for adjustments to prior year balances (i.e. federal audits, revised participant counts, information which impacted risk score projections, etc.) shall also be disclosed. The beginning receivable or payable in the roll forward will reflect the prior year-end balance for the specified benefit.

62. For reporting periods ending on or after March 31, 2016, for both quarterly and annual reporting, the following information is required for risk adjustment balances by program benefit year:

1. Estimated amount to be filed or final amounts filed with federal agency
2. Amounts impaired or amounts not accrued for other reasons (not withstanding collectability concerns)
3. Amounts received from federal agency
4. Asset balance gross of nonadmission
5. Nonadmitted amounts
6. Net admitted assets

**EXHIBIT b – ACA Risk-Sharing Provisions Roll-Forward Illustration**

Receivables are reflected gross of any nonadmission for this illustration.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | Accrued During the Prior Year on Business Written Before December 31 of the Prior Year | Received or Paid as of the Current Year on Business Written Before December 31 of the Prior Year | Differences | Adjustments | Unsettled Balances as of the Reporting Date |
| Prior Year Accrued Less Payments (Col 1 – 3) | Prior Year Accrued Less Payments (Col 2 – 4) | To Prior Year Balances | To Prior Year Balances |  | Cumulative Balance from Prior Years (Col 1 – 3 + 7) | Cumulative Balance from Prior Years (Col 2 – 4 + 8) |
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
| Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | Receivable | (Payable) | Ref | Receivable | (Payable) |
| a. Permanent ACA Risk Adjustment Program |  |  |  |  |  |  |  |  |  |  |  |
| 1. Premium adjustments receivable | 4,000,000 |  | 3,000,000 |  | 1,000,000 |  | -800,000 |  | A | 200,000 | 0 |
| 2. Premium adjustments (payable) |  | 8,000,000 |  | 9,000,000 |  | -1,000,000 |  | 1,000,000 | B |  | 0 |
| **3. Total ACA Permanent Risk Adjustment Program** | **4,000,000** | **8,000,000** | **3,000,000** | **9,000,000** | **1,000,000** | **-1,000,000** | **-800,000** | **1,000,000** |  | **200,000** | **0** |
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Explanation of adjustments:

A. Adjusted due to federal audit.

B. Adjusted because of revised participant count.

C. Adjusted due to poor experience of other participants in the reinsurance pool.

D. Revised risk score information in the state of substantially impacted risk scores.

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/National Meetings/A. National Meeting Materials/2024/03-16-24 Spring National Meeting/Exposures/24-13 - Update SSAP No 107 Disclosures.docx