

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Administrative Services Contracts Disclosure Clarification

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue:

The purpose of this agenda item is to provide clarifications to the Administrative Services Contracts (ASC) disclosure in *SSAP No. 47—Uninsured Plans* and the related annual statement note 18B. Under an Administrative Services Contract plan the reporting entity pays claims from its own bank accounts, and only subsequently receives reimbursement from the uninsured plan sponsor. The purpose of annual statement note 18B is to disclose the gain or loss from ASC contracts. However, the existing disclosure wording and annual statement instructions have resulted in inconsistent reporting.

The queries that NAIC staff received were regarding annual statement cross checks and instructions for the table which data captures the required disclosure. The existing note and the annual statement instructions are excerpted below in the “Existing Authoritative Literature” section. Although the *SSAP No. 47* disclosure does not have a formula, the existing data captured Note 18B includes a formula that does not result in a net gain or loss on the ASC contract. After review, NAIC staff are recommending updates to the disclosure in *SSAP No. 47* and updates to the annual statement instructions and data captured table for note 18B to more accurately reflect the objective of showing the profitability of ASC contracts.

Existing Authoritative Literature:

SSAP No. 47—Uninsured Plans:

Revenue/Expense Recognition

5. The administrator’s statement of operations shall exclude all income and expenses related to claims, losses, premiums, and other amounts received or paid on behalf of uninsured ASO or uninsured ASC plans. An administrator acting as a provider of services, that provides such services through a salaried network, where the cost allocation of the service provided to insured vs. uninsured plans cannot be reasonably determined, shall report medical and hospital expenses on a gross basis by type of expense and report revenue from uninsured plans on a gross basis as fee for service income.

6. Commissions, expenses, and taxes paid by the administrator to administer such plans shall be reported on a gross basis by type of expense. Where the only functions provided are administrative, administrative fees and related reimbursements from the plan shall be deducted from general expenses. Reporting entities filing the health blank should deduct administrative fees and related reimbursements from general administrative expenses or claim adjustment expenses if the administrative services provided include services for claim adjustment expenses as defined in *SSAP No. 55—Unpaid Claims, Losses and Loss Adjustment Expenses*. Where the reporting entity provides both administration and health care services directly, income from Medicare or similarly structured cost based reimbursement contracts is not recorded as premium but is recorded as revenue in the appropriate category. Health care services rendered as “medical and hospital” categorized by type and administrative expenses by type of expense shall be reported on an incurred basis.

7. Income from cost based reimbursement contracts is recorded as revenue because the service provided is for the direct delivery of care to recipients. There are risks associated with these plans in that all costs incurred under the contract may not be reimbursable and revenues may be adjusted based on subsequent challenges of costs included in filed cost reports. In addition, revenue may also be adjusted based on the performance under the terms of the contract or other external factors.

Amounts Receivable

8. Amounts receivable from uninsured plans for (a) claims and other costs paid by the administrator on behalf of the third party at risk and (b) fees related to services provided by the administrator to the plan meet the definition of assets as set forth in *SSAP No. 4—Assets and Nonadmitted Assets*. A receivable shall not be recorded for unpaid claims. A receivable related to Medicare or a similarly structured cost based reimbursement contract shall only be recorded when services have been rendered.

Disclosures

13. The statutory financial statements shall provide the following (bolding added):

- a. Information with regard to the profitability to the administrator of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASO administrator;

For the total and each category separately provided: (i) net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses, (ii) total net other income or expense (including interest paid to or received from plans), and (iii) total net gain or loss from operations and (iv) the claim payment volume;

- b. Information with regard to the profitability to the administrator of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator;**

For the total and each category separately provided: (i) gross reimbursement for medical cost incurred, (ii) gross administrative fees accrued, (iii) other income or expense (including interest paid to or received from plans), (iv) gross expenses incurred (claims and administrative), and (v) total net gain or loss from operations.

- c. Information with regards to Medicare or similarly structured cost based reimbursement contracts shall include: (i) major components of revenue by payor, (ii) receivables from payors with account balances the greater of 10% of gross amounts receivable relating to uninsured accident and health plans or \$10,000, (iii) recorded allowances and reserves for adjustment of recorded revenues, (iv) adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) plan administrator.

- A. ASO Plans

For ASO plans, provide the following information with regard to the profitability to the reporting entity of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an administrator.

For the total and each category separately provide:

- Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses
- Total net other income or expense (including interest paid to or received from plans)
- Total net gain or loss from operations
- The claim payment volume

B. ASC Plans

For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provide:

- **Gross reimbursement for medical cost incurred**
- **Gross administrative fees accrued**
- **Other income or expense (including interest paid to or received from plans)**
- **Gross expenses incurred (claims and administrative)**
- **Total net gain or loss from operations.**

Illustration:

THIS EXACT FORMAT MUST BE USED IN THE PREPARATION OF THIS NOTE FOR THE TABLE BELOW. REPORTING ENTITIES ARE NOT PRECLUDED FROM PROVIDING CLARIFYING DISCLOSURE BEFORE OR AFTER THIS ILLUSTRATION.

A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 20__:

	<u>ASO Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASO</u>
a. Net reimbursement for administrative expenses			

(including administrative fees) in excess of actual expenses	\$ _____	\$ _____	\$ _____
b. Total net other income or expenses (including interest paid to or received from plans)	\$ _____	\$ _____	\$ _____
c. Net gain or (loss) from operations (a+b)	\$ _____	\$ _____	\$ _____
d. Total claim payment volume	\$ _____	\$ _____	\$ _____

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B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 20__:

	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ _____	\$ _____	\$ _____
b. Gross administrative fees accrued	\$ _____	\$ _____	\$ _____
c. Other income or expenses (including interest paid to or received from plans)	\$ _____	\$ _____	\$ _____
d. Gross expenses incurred (claims and administrative) (a+b+c)	\$ _____	\$ _____	\$ _____
e. Total net gain or loss from operations	\$ _____	\$ _____	\$ _____

Drafting Note: The formula shaded above has been identified as problematic. Lines a, b include reimbursement amounts and do not represent gross expense incurred.

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):

An annual statement vendor comment prompted a cross check to be added to Note 18B in 2022. This cross check was identified as problematic in 2023 and disabled.

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

None

Convergence with International Financial Reporting Standards (IFRS): Not applicable

Staff Review Completed by: Robin Marcotte – NAIC Staff

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. 47 and the related annual statement note 18B as illustrated below. The main reason for this clarification is to have a resulting that details the net gain or loss on the ASC plans. With the exposure, NAIC staff will also prepare a Blanks proposal for simultaneous exposure.

Because the insurer pays the claims on an ASC contract and is subsequently reimbursed, the note is data capturing gross inflows for reimbursements and gross administrative fees accrued. The existing other income interest line could reflect both inflows and outflows. To make the data capture easier, the other amounts/ interest received are proposed to be reported on a separate line from the other amounts/ interest paid by the insurer. The formula in the annual statement instructions is also proposed to be updated. The proposed revisions should result in consistent reporting of net gains from operations on ASC contracts.

Proposed Revisions to SSAP No. 47:

Disclosures

13. The statutory financial statements shall provide the following (bolding added):

- a. Information with regard to the profitability to the administrator of all ASO plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASO administrator.

For the total and each category separately provided: (i) net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses; (ii) total net other income or expense (including interest paid to or received from plans); (iii) total net gain or loss from operations; and (iv) the claim payment volume.

- b. Information with regard to the profitability to the administrator of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provided: (i) gross reimbursement for medical cost incurred; (ii) gross administrative fees accrued; (iii) other ~~income or expense~~ amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans); (iv) other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans); (v) gross expenses incurred (claims and administrative); and (vi) total net gain or loss from operations.

- c. Information with regards to Medicare or similarly structured cost based reimbursement contracts shall include: (i) major components of revenue by payor; (ii) receivables from payors with account balances the greater of 10% of gross amounts receivable relating to uninsured accident and health plans or \$10,000; (iii) recorded allowances and reserves for adjustment of recorded revenues; and (iv) adjustments to revenue resulting from audit of receivables related to revenues recorded in the prior period.

Proposed Revisions to Annual statement Instructions:

Drafting Note: The formula has been updated to better reflect net gain or loss on the ASC plans.

Note 18 - Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans

Instruction:

Provide information with regard to the profitability to the reporting entity of uninsured accident and health plans and the uninsured portions of partially insured plans for which the reporting entity serves as an Administrative Services Only (ASO) or an Administrative Services Contract (ASC) plan administrator.

B. ASC Plans

For ASC plans, provide information with regard to the profitability to the reporting entity of all ASC plans and the uninsured portions of partially insured plans for which the reporting entity serves as an ASC administrator.

For the total and each category separately provide:

- Gross reimbursement for medical cost incurred
- Gross administrative fees accrued
- Other ~~income or expense~~ amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans)
- Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans)
- Gross expenses incurred (claims and administrative)
- Total net gain or loss from operations.

Illustration:

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B. ASC Plans

The gain from operations from Administrative Services Contract (ASC) uninsured plans and the uninsured portion of partially insured plans was as follows during 20___:

	<u>ASC Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASC</u>
a. Gross reimbursement for medical cost incurred	\$ _____	\$ _____	\$ _____

b. Gross administrative fees accrued	\$ _____	\$ _____	\$ _____
c. Other income or expenses amounts received by the insurance reporting entity (including interest paid to the insurer or received from ASC plans)	\$ _____	\$ _____	\$ _____
d. <u>Other amounts paid by the insurance reporting entity (including interest paid to or on behalf of the ASC plans)</u>	<u>\$ _____</u>	<u>\$ _____</u>	<u>\$ _____</u>
e. Gross expenses incurred (claims and administrative) (a+b+c-d)	\$ _____	\$ _____	\$ _____
f. Total net gain or loss from operations <u>(a+b+c)-(d+e)</u>	\$ _____	\$ _____	\$ _____

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to SSAP No. 47—*Uninsured Plans* and the related annual statement note 18B to correct the net gain or loss calculation on Administrative Services Contract plans.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to SSAP No. 47 and communicated support for the related annual statement blanks proposal to update Note 18B gains/losses on administrative services contracts (ASCs), as illustrated above.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/03-25-30-ASCdisclosureclarification.docx>