Harvard Pilgrim Health Care, Inc.

Statutory Financial Statements as of and for the Years Ended December 31, 2020 and 2019 (restated), Schedule of Expenditures of Federal Awards for the Year Ended December 31, 2020, and Independent Auditors' Reports in accordance with *Government Auditing Standards* and the Uniform Guidance

EIN#: 04-2452600

HARVARD PILGRIM HEALTH CARE, INC.

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Deloitte.

Deloitte & Touche LLP
200 Berkeley Street
10th Floor
Boston, MA 02116
USA

Tel:+1 617 437 2000
Fax:+1 617 437 2111
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Harvard Pilgrim Health Care, Inc.
Wellesley, Massachusetts

We have audited the accompanying statutory financial statements of Harvard Pilgrim Health Care, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities, and statutory net worth as of December 31, 2020 and 2019 (restated), and the related statutory statements of operations, changes in statutory net worth, and cash flows for the years then ended, and the related notes to the statutory financial statements.

Management's Responsibility for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of these statutory financial statements in accordance with accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these statutory financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statutory financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the statutory financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the statutory financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the statutory financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the statutory financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, and statutory net worth of Harvard Pilgrim Health Care, Inc. as of December 31, 2020 and 2019 (restated), and the results of its operations and its cash flows for the years then ended in accordance with accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts as described in Note 2 to the statutory financial statements.

Basis of Accounting

We draw attention to Note 2 of the statutory financial statements, which describes the basis of accounting. As described in Note 2 to the statutory financial statements, the statutory financial statements are prepared by the Company using accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the Division of Insurance of the Commonwealth of Massachusetts. Our opinion is not modified with respect to this matter.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021 on our consideration of the Company's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control over financial reporting and compliance.

Restriction on Use

Our report is intended solely for the information and use of the Board of Directors and the management of the Company, federal awarding agencies, and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte + Touche LLP

April 19, 2021

HARVARD PILGRIM HEALTH CARE, INC.

STATUTORY STATEMENTS OF ADMITTED ASSETS, LIABILITIES, AND STATUTORY NET WORTH AS OF DECEMBER 31, 2020 AND 2019 (RESTATED)
(Amounts in thousands)

	2020	2019 Restated
ADMITTED ASSETS		
CASH AND CASH EQUIVALENTS	$ 138,967	$ 1,403
BONDS	320,413	345,780
COMMON STOCK	191,270	160,101
PREMIUM AND HEALTH CARE RECEIVABLES—Net	39,956	57,718
UNINSURED PLAN RECEIVABLES	33,377	55,039
REINSURANCE RECOVERABLE	2,460	6,872
INVESTMENTS IN AFFILIATES	305,644	282,156
OTHER INVESTED ASSETS	92,012	86,000
REAL ESTATE, FURNITURE, AND EDP EQUIPMENT AND SOFTWARE—Net	24,537	27,332
INVESTMENT INCOME DUE AND ACCRUED	2,134	2,336
DUE FROM AFFILIATES	8,124	16,342
OTHER ASSETS	50,422	22,241
TOTAL ADMITTED ASSETS	$1,209,316	$ 1,063,320
LIABILITIES AND STATUTORY NET WORTH		
LIABILITIES:		
Claims unpaid and accrued medical incentive pool	$ 161,822	$ 163,213
Unpaid claim adjustment expense	1,760	1,708
Premiums received in advance	52,159	41,744
General expenses due or accrued	110,089	88,877
Aggregate health policy reserves	14,601	8,955
Liability for uninsured plans	124,551	110,564
Due to affiliates	59	-
Other liabilities	17,399	10,252
Total liabilities	482,440	425,313
COMMITMENTS AND CONTINGENCIES (Note 11)		
STATUTORY NET WORTH:		
Special surplus—ACA industry fee	-	18,302
Unassigned funds and surplus	726,876	619,705
Total statutory net worth	726,876	638,007
TOTAL LIABILITIES AND STATUTORY NET WORTH	$1,209,316	$ 1,063,320

See notes to statutory financial statements.

HARVARD PILGRIM HEALTH CARE, INC.

STATUTORY STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (RESTATED)
(Amounts in thousands)

	2020	2019 Restated
REVENUE—Premium income	$ 1,731,378	$ 1,696,834
EXPENSES:		
Medical and hospital	1,428,223	1,441,365
Claims adjustment (including $33,674 and $30,058 of cost containment expenses in 2020 and 2019, respectively)	63,562	56,060
General administrative	210,115	185,109
Increase in reserves for health contracts	2,730	2,538
Total expenses	1,704,630	1,685,072
NET UNDERWRITING INCOME	26,748	11,762
OTHER INCOME:		
Net investment income	14,895	16,950
Net realized capital gains	6,038	919
Miscellaneous expense	(43,243)	(15,957)
Total other (expense) income	(22,310)	1,912
NET INCOME	$ 4,438	$ 13,674

See notes to statutory financial statements.

HARVARD PILGRIM HEALTH CARE, INC.

STATUTORY STATEMENTS OF CHANGES IN STATUTORY NET WORTH FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (RESTATED)
(Amounts in thousands)

	Special Surplus	Unassigned Funds and Surplus	Total Statutory Net Worth
STATUTORY NET WORTH—January 1, 2019 (restated)	$ -	$ 552,748	$ 552,748
Net income	-	13,674	13,674
Increase in nonadmitted assets	-	(560)	(560)
Change in net unrealized gain	-	72,435	72,435
Special surplus reclassification	18,302	(18,302)	-
Change in net prior service costs and recognized loss for postretirement medical plan	-	(290)	(290)
STATUTORY NET WORTH—December 31, 2019 (restated)	18,302	619,705	638,007
Net income	-	4,438	4,438
Decrease in nonadmitted assets	-	9,943	9,943
Change in net unrealized gain	-	73,529	73,529
Special surplus reclassification	(18,302)	18,302	-
Change in net prior service costs and recognized gain for postretirement medical plan	-	959	959
STATUTORY NET WORTH—December 31, 2020	$ -	$ 726,876	$ 726,876

See notes to statutory financial statements.

HARVARD PILGRIM HEALTH CARE, INC.

STATUTORY STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019 (RESTATED)
(Amounts in thousands)

	2020	2019 Restated
CASH FROM OPERATIONS:		
Premiums collected—net of reinsurance	$ 1,767,889	$ 1,692,068
Benefit and loss-related payments—net of reinsurance	(1,432,459)	(1,459,501)
Commissions and expenses paid	(260,730)	(244,293)
Net investment income	16,532	17,926
Miscellaneous income (expense)	6,155	(16,016)
Net cash provided by (used in) operations	97,387	(9,816)
CASH FROM INVESTMENTS:		
Proceeds from investments sold, matured, or repaid:		
Bonds	68,797	63,173
Stocks	36,449	1,024
Other invested assets	14,408	5,766
Miscellaneous proceeds	1,500	17
Total proceeds from investments sold, matured, or repaid	121,154	69,980
Cost of investments acquired:		
Bonds	(44,849)	(90,168)
Stocks	(14,546)	(4,291)
Real estate	(228)	(1,295)
Other invested assets	(18,404)	(5,900)
Total cost of investments acquired	(78,027)	(101,654)
Net cash provided by (used in) investments	43,127	(31,674)
CASH FROM FINANCING AND MISCELLANEOUS SOURCES—Other cash applied	(2,950)	(29,033)
Net cash used in financing and miscellaneous sources	(2,950)	(29,033)
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	137,564	(70,523)
CASH AND CASH EQUIVALENTS:		
Beginning of year	1,403	71,926
End of year	$ 138,967	$ 1,403

See notes to statutory financial statements.

1. ORGANIZATION AND NATURE OF BUSINESS

General—Harvard Pilgrim Health Care, Inc. ("HPHC, Inc." or the "Company"), a Massachusetts corporation, operates as a not-for-profit health plan providing comprehensive health benefits insurance, access to health care, and other related services in Massachusetts, Maine, and Connecticut to group, individual, and Medicare members through contracts with physicians, established primary care and multispecialty physician groups, hospitals, and other health care providers. HPHC, Inc. also administers comprehensive health benefit plans for certain self-insured employer groups. In February 2020, HPHC, Inc. received its license to begin writing health insurance policies in Connecticut.

Upon receipt of all necessary corporate and regulatory approvals, Harvard Pilgrim Health Care of Connecticut, Inc. ("HPHC of CT") merged with and into HPHC, Inc., effective July 1, 2020, and HPHC of CT was dissolved as of such effective date. The statutory financial statements presented as of and for the year ended December 31, 2020 reflect the merger of HPHC, Inc. and HPHC of CT. The statutory financial statements presented herein as of and for the year ended December 31, 2019 have been restated to reflect the merger of HPHC, Inc. and HPHC of CT.

HPHC, Inc.'s subsidiary, New HPHC Holding Corporation ("NEWCO"), is a wholly owned Delaware C corporation. All of the Company's for-profit subsidiaries are held by NEWCO. NEWCO's board of directors consists entirely of HPHC, Inc. management. The for-profit subsidiaries of NEWCO are as follows:

- HPHC Insurance Company, Inc. (the "Insurance Company"), a Massachusetts for-profit corporation, underwrites individual and group health insurance in Massachusetts, New Hampshire, Maine, and Connecticut and underwrites health risks related to out-of-network coverage for HPHC, Inc. members.

- Health Plans, Inc. ("HPI"), a Massachusetts for-profit corporation, is a third-party administrator providing health, dental and short-term disability benefits administration for self-insured employer groups primarily in the Northeast. HPI has two for-profit subsidiaries: Plan Marketing Insurance Agency, Inc. and Care Management Services, Inc., as well as two subsidiaries that are disregarded entities for tax purposes: TrestleTree LLC and MedWatch LLC ("MedWatch"), which are care management companies.

- HPHC Insurance Agency (the "Agency"), a Massachusetts for-profit corporation, is an insurance broker.

The not-for-profit subsidiaries of HPHC, Inc. are as follows:

- Harvard Pilgrim Health Care of New England, Inc. ("New England"), a Massachusetts not-for-profit corporation, provides comprehensive health insurance, access to health care, and other related services in New Hampshire primarily to group and Medicare members through contracts with physicians, established primary care and multispecialty physician groups, hospitals, and other health care providers.

- Harvard Pilgrim Health Care Institute, LLC (the "Institute") performs research and research administration for grants and contracts awarded to HPHC, Inc.

Harvard Pilgrim Health Care Foundation, Inc. (the "Foundation"), a Massachusetts not-for-profit corporation, is an affiliate of HPHC, Inc. and is not included in these statutory financial statements.

HPHC, Inc., together with NEWCO, the Insurance Company, HPI, the Agency, New England, and the Institute are collectively referred to herein as "Harvard Pilgrim."

The Federal Affordable Care Act (ACA) enacted reforms to various aspects of the U.S. health insurance industry, and had a significant impact on the statutory financial statements of HPHC, Inc. Provisions of the ACA include, but are not limited to, mandated coverage requirements, mandated benefits and guarantee issuance, rebates to policyholders based on minimum benefit ratios, adjustments to Medicare Advantage premiums, the establishment of federally facilitated or state-based exchanges coupled with programs designed to spread risk among insurers, an annual insurance industry premium-based assessment, and a three-year commercial reinsurance fee. Refer to Notes 2, 8, and 15 for the impact of the ACA on the results of operations of the Company.

On August 14, 2019, Harvard Pilgrim and Health Plan Holdings, Inc. ("HPHI", formerly known as Tufts Health Plan, Inc., and the corporate parent of Tufts Associated Health Maintenance Organization, Inc. and Tufts Health Public Plans, Inc.) announced their intent to combine their respective nonprofit organizations. After the parties obtained required federal and state regulatory approvals, the combination became effective on January 1, 2021. As a result of the combination, effective as of January 1, 2021, HPHI became the direct corporate parent of Harvard Pilgrim and ultimate corporate parent for Harvard Pilgrim's affiliates. The Company recorded $29.0 million and $9.9 million in transaction costs related to the combination in 2020 and 2019, respectively, which are included in miscellaneous expense on the statutory statements of operations.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying statutory financial statements of HPHC, Inc. have been prepared in accordance with the National Association of Insurance Commissioners' (NAIC) *Accounting Practices and Procedures Manual for Statutory Accounting Principles* ("NAIC SAP"), which do not differ from the accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts. NAIC SAP does differ from the accounting principles generally accepted in the United States of America (GAAP).

The significant variances from GAAP are as follows:

- GAAP requires classification of aggregate negative cash balances for an individual financial institution as a current liability. For NAIC SAP, these balances are recorded in cash.

- Investments in bonds are carried at fair value for GAAP, whereas for NAIC SAP they are carried at amortized cost or fair value based on the NAIC designation.

- The Company's share of undistributed earnings and losses on its investments in limited partnerships, joint ventures, and common stock are reported in net unrealized gains and losses directly through surplus for NAIC SAP, but are recorded in investment income for GAAP.

- Health care receivables that do not meet the admissibility criteria under Statement of Statutory Accounting Principles (SSAP) No. 84, *Certain Health Care Receivables and Receivables Under Government Insured Plans*, and other accounts receivable over 90 days past due are charged directly to statutory net worth as a nonadmitted asset for NAIC SAP. Under GAAP, a reserve is established based on their estimated collectibility and charged to operations.

- Certain fixed assets that are carried at cost, less accumulated depreciation for GAAP are considered nonadmitted assets and charged against statutory net worth for NAIC SAP.

- Prepaid expenses are capitalized and amortized through operations for GAAP. For NAIC SAP, these amounts are charged directly to statutory net worth as nonadmitted assets.

- The amortization of goodwill is charged directly to statutory net worth for NAIC SAP, but goodwill is not amortized under GAAP.

- The results of HPHC, Inc.'s investment in unconsolidated affiliates are accounted for on the equity method under GAAP, whereas under NAIC SAP the investment is valued at book value with unrealized gains or losses recorded directly to net worth.

- GAAP requires the consolidation of the Foundation and the Agency in the consolidated financial statements. The statutory financial statements do not include the Foundation in statutory net worth and the investment in the Agency is treated as a nonadmitted asset in accordance with SSAP No. 97, *Investments in Subsidiary, Controlled and Affiliated Entities* ("SSAP No. 97").

- Leases are classified as either capital or operating for GAAP. For NAIC SAP, all leases are classified and accounted for as operating leases.

- For NAIC SAP, there is a requirement to restrict surplus for the estimated liability for the following year ACA Section 9010 assessment beginning in the year ended December 31, 2015. GAAP does not require this restriction. Special surplus funds as of December 31, 2019 were recorded due to the estimated ACA Industry Fee to be paid during 2020. There were no amounts recorded as special surplus funds as of December 31, 2020 because 2019 represented the final data year for the ACA Industry Fee and no payment is due in 2021.

The financial statements of the Company prepared in accordance with GAAP would report net income of $101.4 million and $110.6 million for the years ended December 31, 2020 and 2019, respectively, and net assets of $787.1 million and $685.7 million as of December 31, 2020 and 2019, respectively.

Cash and Cash Equivalents—Cash and cash equivalents include amounts on deposit with banks, and government and corporate debt issues with original maturities of three months or less. Money market mutual funds registered under the Investment Company Act of 1940 and regulated under Rule 2a-7 of the Act are accounted for and reported as cash equivalents.

Investments—Investments in corporate and government agency bonds, asset-backed securities (ABS), and mortgage-backed securities (MBS) are carried at amortized cost, except for those securities that are deemed ineligible to be held at amortized cost by the NAIC Securities Valuation Office (SVO), which instead are carried at the lower of amortized cost or fair value. Amortized cost is determined using the scientific interest method with retrospective adjustments for principal pay downs on ABS and MBS. In addition, the amortized costs for loan backed securities and structured securities take into consideration anticipated prepayments at the date of purchase and significant changes in estimated cash flows from the original purchase assumptions, and are accounted for using the retrospective method. Prepayment speed assumptions for fixed-rate agency MBS are provided by Mortgage Industry Advisory Corporation or Mortgage Industry Medians. Prepayment speed assumptions for other mortgage-backed, loan-backed, and structured securities are provided by Moody's Analytics or Reuters. In all cases, 12-month prepayment assumptions are utilized when available. Investments in common stocks are stated at fair value.

HPHC, Inc. has investments in joint ventures and limited partnerships that invest primarily in certain corporate and real estate assets, and carries these investments based on its ownership interest in the underlying GAAP equity of the investee in accordance with SSAP No. 48, *Joint Ventures, Partnerships and Limited Liability Companies*. Limited partnership interests and joint ventures of $92.0 million and $86.0 million are included in other invested assets in the statutory statements of admitted assets, liabilities, and statutory net worth as of December 31, 2020 and 2019, respectively. All changes to the carrying value of these investments are recorded as a component of unrealized gains and losses, which are recorded directly to statutory net worth. Impairment charges were $0 and $0.7 million in 2020 and 2019, respectively. As of both December 31, 2020 and 2019, total impairment were $2.5 million. Total commitments for additional investments in the limited partnerships was $32.0 million and $50.8 million as of December 31, 2020 and 2019, respectively.

Unrealized gains and losses on stocks and bonds deemed ineligible to be held at amortized cost by the SVO are recorded directly to statutory net worth, unless that loss is deemed to be an other-than-temporary impairment (OTTI). HPHC, Inc. regularly reviews the portfolio of securities to determine whether an OTTI has occurred. Any identified OTTI is recorded in realized gains or losses in the statutory statements of operations.

Investment income is recognized as income when earned. Investment transactions are accounted for on a trade-date basis with any unsettled transactions recorded as payable or receivable for securities in the statutory statements of admitted assets, liabilities, and statutory net worth. Realized gains and losses on fixed income securities are calculated using the specific identification method and realized gains and losses on common stock are calculated using the first-in first-out method.

Investments in Affiliates—Investments in affiliates represents the investments in unconsolidated affiliates. In accordance with SSAP No. 97, NEWCO is considered a look-through entity of HPHC, Inc. This treatment allows for admission of the equity of each of the audited downstream entities of NEWCO as an asset to HPHC, Inc. For the Insurance Company, and New England, the investments are based on the statutory net worth of each entity under statutory accounting principles. For HPI and the Institute, the investments are based on the equity of each entity recorded under GAAP. The carrying value of the Agency of $2.1 million and $1.1 million as of December 31, 2020 and 2019, respectively, is treated as a nonadmitted asset in accordance with SSAP No. 97. All changes to the carrying value of the admitted subsidiaries are recorded as a component of unrealized gains and losses. Unrealized gains and losses are recorded directly to statutory net worth.

Real Estate, Furniture, and EDP Equipment and Software—Real estate (including improvements), furniture, and electronic data processing (EDP) equipment and software are carried at depreciated cost. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements	20–40 years
Equipment, furniture, and fixtures	3–20 years
Computer software and operating systems	3–5 years

Amortization of leasehold improvements is calculated using the shorter of the asset's estimated useful life or related lease term.

Pharmaceutical Rebate Receivables—HPHC, Inc. contracts with pharmaceutical manufacturers, some of which provide rebates based on use of the manufacturers' products by HPHC, Inc. members. HPHC, Inc. accrues rebates receivable, which are included as a component of premium and health care receivables or uninsured plan receivables in the statutory statements of admitted assets, liabilities, and statutory net worth on a monthly basis based on the terms of the applicable contracts, historical data, and current estimates. HPHC, Inc. bills these rebates to the manufacturers on a quarterly basis. HPHC, Inc. records rebates attributable to fully insured members as a reduction in medical and hospital expenses.

Nonadmitted Assets—Certain assets, principally furniture, leasehold improvements, prepaid expenses, past due premium, health care, and uninsured plan receivables, investments in and past due amounts from certain affiliates, EDP equipment, and capitalized software in excess of the admissibility criteria, are nonadmitted and, as such, are not included in statutory net worth.

Revenue Recognition—Premiums are recorded as revenue in the month for which members are entitled to service. Premium income collected prior to the month for which the member is entitled to service is recorded as premiums received in advance.

HPHC, Inc.'s government contracts establish monthly rates per member, and there may be additional amounts due to HPHC, Inc. based on items such as age, working status, or specific health issues of the member. The Centers for Medicare & Medicaid Services (CMS) have implemented a risk adjustment formula, which apportions premiums paid to all Medicare Advantage health plans according to the health status of each beneficiary enrolled.

In September 2020, the Company issued $16.4 million of premium refunds which was reflected on the September invoices. In accordance with INT 20-08: *COVID-19 Premium Refunds, Rate Reductions and Policyholder Dividends*, the Company's accrual for health premium refunds attributable to COVID-19 was recorded as an immediate reduction of earned premium.

Risk-Sharing Provisions of the Federal Affordable Care Act—Beginning in 2014, the ACA has included three programs designed to stabilize the health insurance market ("3Rs"): a transitional reinsurance program ("ACA Reinsurance"), a temporary risk corridors program ("Risk Corridor"), and a permanent risk adjustment program ("Risk Adjustment").

ACA Reinsurance—The ACA established a temporary three-year reinsurance program, whereby all issuers of major medical commercial insurance products and self-insured plan sponsors are required to contribute funding in amounts set by HHS. Funds collected will be utilized to reimburse issuers' high-cost claim expense incurred for qualified individual members. The expense related to this required funding is reflected in general administrative expenses for all of HPHC, Inc.'s insurance products with the exception of products associated with qualified individual members; this expense for qualified individual members is reflected as a reduction of premium income. If annual claim costs incurred by HPHC, Inc.'s qualified individual members exceed a specified attachment point, the Company is entitled to certain reimbursements from this program, which are recorded as a reduction in medical and hospital expenses. The ACA Reinsurance program expired at the end of 2016.

Risk Corridor—The ACA established a temporary three-year risk-sharing program for qualified individual and small group insurance plans. Under this program, HPHC, Inc. could make or receive payments to or from HHS based on the ratio of allowable costs to target costs as defined by the ACA. HPHC, Inc. records a risk corridor receivable or payable as an adjustment to premium income. When risk corridor collections for a particular year have been insufficient to meet the full payment obligation for that year, HHS has reduced payments to the health plans owed monies for that year on a pro rata basis. Additionally, any collections made in subsequent years would first be applied to the unpaid balances of preceding years in accordance with NAIC Interpretation 15-01: *ACA Risk Corridors Collectibility*. The Risk Corridor program expired at the end of 2016. Refer to Note 8.

Risk Adjustment—The ACA established a permanent risk adjustment program to transfer funds from qualified individual and small group insurance plans with below-average risk scores to those respective plans with above-average risk scores. Based on the risk of the HPHC, Inc.'s qualified plan members relative to the average risk of members of other qualified plans in comparable markets, HPHC, Inc. estimates its risk adjustment receivable or payable and reflects the impact as an adjustment to premium income. Beginning with the 2018 benefit year, the ACA risk adjustment methodology incorporates a high-cost risk pool calculation, which adds a reinsurance element to the risk adjustment program which is referred to as high-cost risk pooling. The adjustments to premium revenue are calculated including the high cost risk pool aspect of this program.

Self-Insured Contracts—HPHC, Inc. administers employee health benefits for certain self-insured employer groups under various administrative services only (ASO) arrangements wherein it performs eligibility management, medical management, claims processing, and disbursement activities in return for an administrative fee. The employer assumes all insurance risks under these arrangements. Premium and claim expenses are not included in HPHC, Inc.'s statutory financial statements. The administrative fees earned are reported as a reduction of claim adjustment expense and general administrative expenses in HPHC, Inc.'s statutory statements of operations. The uninsured plan receivables represent receivables for administrative services and for claims and other expenses paid on behalf of self-insured employer groups. The liability for uninsured plans represents deposits received from employers or liabilities to third parties for claims or other expenses incurred on behalf of self-insured employer groups.

Claims Unpaid, Accrued Medical Incentive Pool, and Unpaid Claim Adjustment Expenses—HPHC, Inc. records claims unpaid for both reported and incurred but not reported claims, which are expected to be paid after year-end for services provided to members in the current year based on HPHC, Inc.'s claim experience. This liability includes the estimated cost of services that will continue to be rendered after year-end for which HPHC, Inc. is obligated to pay for such services in accordance with contract provisions or regulatory requirements. The amount of the estimated liability is actuarially determined based on historical claims data, current membership statistics, cost and utilization trends, and other related information and considers expected losses, if any, on existing contracts. This liability is an estimate, which is subject to the impact of changes in claim severity and frequency, as well as numerous other factors. Accordingly, this estimate is continuously reviewed and, as adjustments become necessary, they are reflected in current operations.

HPHC, Inc. records an accrued medical incentive pool liability based on contractual arrangements with various health care providers. Compensation arrangements vary by provider. Medical and hospital expenses include claims payments, capitation payments, and various other costs incurred to provide and manage medical care to members, as well as estimates of future payments to hospitals and others for medical care provided to members in the current year based on HPHC, Inc.'s claims experience. Certain providers are paid on a fee-for-service basis and can be eligible for bonuses based on meeting prescribed quality performance measures. HPHC, Inc. pays capitation under contractual agreements to a number of physicians and provider groups based on the number of enrolled HPHC, Inc. members served by each physician or provider group. Certain providers have entered into risk-sharing arrangements with HPHC, Inc., whereby a settlement is calculated by comparing actual medical claims experience to a budgeted amount based upon contractual arrangements. These settlements are estimated and accrued during the period the related services were rendered and adjusted in future periods as final settlements are determined. Estimated settlements for these risk-sharing arrangements are reflected either in the accrued medical incentive pool liability or health care receivables in the accompanying statutory statements of admitted assets, liabilities, and statutory net worth.

HPHC, Inc. records a related unpaid claim adjustment expense liability to reflect the cost to adjudicate the claims unpaid as of year-end. The unpaid claim adjustment expense liability is estimated as a percentage of the claims unpaid based on historical information on the administrative cost to adjudicate a claim.

Retrospectively Rated Premium—HPHC, Inc. sells health policies for which the premiums vary based on loss experience. The Company estimates retrospective premium adjustments through the review of each retrospectively rated account, comparing the claim development with that anticipated in the policy contracts. Any accrued retrospective premiums are recorded through premiums. HPHC, Inc. records its liability for Medical Loss Ratio (MLR) rebates in general expenses due or accrued based on the requirements of the ACA in accordance with SSAP No. 66, *Retrospectively Rated Contracts* ("SSAP No. 66"). SSAP No. 66 requires the Company to accrue for the estimated amount of premiums to be returned retrospectively to an employer group or member as an adjustment to premium income. HPHC, Inc. estimates the amount of the retrospective rebate based on the difference between the estimated MLR of each employer group segment as defined in the ACA, as of December 31st of each year, and the minimum MLR requirements for those employer group segments either under the ACA requirements or individual state requirements, if the state has a higher MLR standard than the ACA. The ACA sets an MLR threshold of 80% for small group and 85% for large group. The Commonwealth of Massachusetts has set an MLR threshold of 88% for 2020 and 2019 for the merged market as defined by Massachusetts state law (refer to Note 8).

Premium Deficiency Reserves—HPHC, Inc. evaluates its health care contracts to determine if it is probable that a loss will be incurred. A premium deficiency loss is recognized when it is probable that expected future paid claims, administrative expenses, and reserves will exceed existing reserves, plus anticipated future premiums on existing contracts. Anticipated investment income is not considered in the calculation of premium deficiency losses. As of December 31, 2020 and 2019, HPHC, Inc. recorded $9.7 million and $7.0 million, respectively, for premium deficiency reserves for its Medicare Advantage product and comprehensive health business.

Assessments—In accordance with SSAP No. 35R, *Guaranty Fund and Other Assessments*, insurance-related assessments are recognized as liabilities when certain conditions are met. The assessments are recorded as general administrative expenses, except for certain health-related assessments, which are recorded as a component of medical and hospital expenses.

Use of Estimates—The preparation of the statutory financial statements in accordance with NAIC SAP requires that management make estimates and assumptions, which affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the statutory financial statements. Estimates also affect the reported amounts of revenue and expenses during the reporting period. The methods and assumptions used for making such estimates are reviewed regularly. Actual results could differ from those estimates. The claims unpaid and accrued medical incentive pool liability, valuation of investments, MLR rebate accrual, premium deficiency reserves, and accruals for risk-sharing provisions under the ACA represent HPHC, Inc.'s most significant estimates.

Risk Due to Certain Concentrations—HPHC, Inc. maintains evergreen contracts with certain providers under which a significant portion of hospital and medical services are provided. Financial terms are subject to renegotiations periodically. Management believes the risks associated with the loss of any one employer group contract are mitigated by the existence of a competitive environment within the geographical area in which HPHC, Inc. operates. No single customer constituted more than 2% of HPHC, Inc.'s premium income for both 2020 and 2019.

Income Taxes—HPHC, Inc. is a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code and, therefore, is not subject to income tax. HPHC, Inc. has evaluated its uncertain tax positions and determined that it did not have any unrecognized tax benefits as of December 31, 2020 and 2019.

3. INVESTMENTS

The fair value and amortized cost of investments as of December 31, 2020 and 2019, are summarized as follows (amounts in thousands):

	2020			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 3,851	$ 831	$ -	$ 4,682
Corporate and other obligations	157,105	9,979	(29)	167,055
ABS and MBS	159,472	8,796	(40)	168,228
Total bonds	320,428	19,606	(69)	339,965
Common stock	106,542	84,729	(1)	191,270
Total investments	$ 426,970	$ 104,335	$ (70)	$ 531,235

	2019			
	Cost or Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. government and agencies	$ 3,909	$ 588	$ -	$ 4,497
Corporate and other obligations	160,583	4,870	(19)	165,434
ABS and MBS	181,288	4,205	(526)	184,967
Total bonds	345,780	9,663	(545)	354,898
Common stock	93,601	66,504	(4)	160,101
Total investments	$ 439,381	$ 76,167	$ (549)	$ 514,999

The investment portfolio includes bonds with fair values of $0.4 million and $27.4 million that have unrealized losses of $0 and $0.4 million as of December 31, 2020 and 2019, respectively, that have been in a loss position for greater than 12 months.

On a quarterly basis, investments are reviewed with HPHC, Inc.'s investment managers to determine if an impairment has occurred. Some of the factors considered include the asset quality, credit related issues, consistency of cash flow, length of time the value has been depressed, intent to hold a security until maturity, intent to sell a security, the financial condition of the industry, and expected recoverability of principal. There was no OTTI recorded during fiscal year 2020 or 2019, except as disclosed in Note 2. As of December 31, 2020 and 2019, HPHC, Inc. did not hold any securities with recognized OTTI except as disclosed in Note 2.

Included in net investment income are gross realized gains on the sale of bonds of approximately $10 thousand and $73 thousand for 2020 and 2019, respectively, and gross realized losses on the sale of bonds of $12 thousand and $4 thousand for 2020 and 2019, respectively. Total proceeds from the sale of bonds for 2020 and 2019 are $2.5 million and $2.4 million, respectively.

The amortized cost and fair value by maturity date for debt securities, other than ABS and MBS, as of December 31, 2020, are shown below. Actual maturities may differ from contractual maturities on ABS and MBS because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties; accordingly, the contractual maturities for those securities are not shown (amounts in thousands):

	Cost or Amortized Cost	Fair Value
Due in 1 year or less	$ 14,786	$ 14,917
Due after 1–5 years	113,534	120,539
Due after 5–10 years	32,566	36,208
Due after 10 years	70	73
Subtotal	160,956	171,737
ABS and MBS	159,472	168,228
Total bonds	$ 320,428	$ 339,965

The Company's subprime exposure primarily comes from its holdings in ABS and MBS. On a quarterly basis, these holdings are reviewed with the Company's various investment managers to determine the rationale for continuing to hold these securities and to determine if an impairment has occurred. Some of the factors considered include the asset quality, credit related issues, consistency of cash flow, and expected recoverability of principal. Direct exposure through other investments as of December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020			
	Actual Cost	Book/Adjusted Carrying Value	Fair Value	OTTI Losses Recognized
Residential MBS	$ 111,287	$ 110,107	$ 114,989	$ -
Commercial MBS	35,787	35,668	39,049	-
Structured securities	13,707	13,697	14,190	-
Total	$ 160,781	$ 159,472	$ 168,228	$ -

	2019			
	Actual Cost	Book/Adjusted Carrying Value	Fair Value	OTTI Losses Recognized
Residential MBS	$ 129,046	$ 127,644	$ 129,910	$ -
Commercial MBS	35,369	35,272	36,581	-
Structured securities	18,371	18,372	18,476	-
Total	$ 182,786	$ 181,288	$ 184,967	$ -

4. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is the amount at which the financial instrument could be exchanged for in a current transaction between willing parties without giving consideration to selling expenses and potential taxes. The fair value amounts are determined using available market information or, if quoted market prices are not readily available for a financial instrument, management estimates fair value using the various valuation methodologies described below. Accordingly, the estimates may not be indicative of the amounts the financial instruments could be exchanged for in a current or future market transaction.

The fair value of HPHC, Inc.'s financial instruments approximates the carrying amount reported in the statutory statements of admitted assets, liabilities, and statutory net worth for cash and cash equivalents, special deposits, receivables, and payables. The fair value does not approximate the carrying amount for bonds (refer to Note 3).

Assets recorded at fair value can be categorized based upon the level of judgment associated with the inputs used to measure their fair value and the level of market price observability as follows:

Level 1—Quoted prices (unadjusted) in active markets for identical assets or liabilities at the measurement date.

Level 2—Inputs other than quoted prices included in Level 1, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs for which all significant inputs are observable or can be corroborated by observable market data.

Level 3—Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of input that is significant to the fair value measurement. SSAP No. 100R requires HPHC, Inc. to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

The fair values of HPHC, Inc.'s financial instruments measured and recorded at fair value as of December 31, 2020 and 2019, are as follows (amounts in thousands):

	2020				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Corporate and other obligations	$ -	$ 232	$ -	$ -	$ 232
Unaffiliated common stock	191,270	-	-	-	191,270
Total investments	$ 191,270	$ 232	$ -	$ -	$ 191,502

	2019				
	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Total
Unaffiliated common stock	$ 160,101	$ -	$ -	$ -	$ 160,101
Total investments	$ 160,101	$ -	$ -	$ -	$ 160,101

There were no Level 3 assets held at the beginning and end of 2020 and 2019.

Note:

(a) There were no transfers between Level 1 and Level 2 during 2020 and 2019.

(b) There were no transfers into and out of Level 3 during 2020 and 2019.

(c) HPHC, Inc.'s policy is to recognize transfers between levels as of the end of the reporting period.

(d) Fair value measurements of securities within the Level 2 and Level 3 hierarchy are determined using an NAIC approved independent third-party pricing vendor as of December 31, 2020 and 2019. FHLB Class B stock is valued based on the par value of the stock.

(e) There was no interest income for Level 3 investments held as of December 31, 2020 and 2019.

The aggregate fair value by hierarchical level as of December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020						
Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	$ 339,965	$ 320,413	$ -	$ 339,965	$ -	$ -	$ -
Common stock	191,270	191,270	191,270	-	-	-	-
Cash equivalents	78,754	78,754	78,754	-	-	-	-
Total	$ 609,989	$ 590,437	$ 270,024	$ 339,965	$ -	$ -	$ -

	2019						
Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	Level 1	Level 2	Level 3	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	$ 354,898	$ 345,780	$ -	$ 354,898	$ -	$ -	$ -
Common stock	160,101	160,101	160,101	-	-	-	-
Cash equivalents	35,259	35,259	35,259	-	-	-	-
Total	$ 550,258	$ 541,140	$ 195,360	$ 354,898	$ -	$ -	$ -

Asset Valuation Techniques—Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs. The following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used as of December 31, 2020 and 2019.

U.S. Government and Agencies, Corporate and Other Obligations, and ABS and MBS—The values utilized for these securities are obtained from an observable independent third-party pricing service that derives the prices through recently reported trades for identical or similar securities with adjustments for trading volumes and market observable information through the reporting date.

Unaffiliated Common Stock—The fair values for unaffiliated common stocks are based on quoted NAIC market values, which approximate market prices.

Cash Equivalents—The fair value of HPHC, Inc.'s financial instruments approximates the carrying amount reported in the statutory statements of admitted assets, liabilities, and statutory net worth for cash equivalents.

5. PREMIUM AND HEALTH CARE RECEIVABLES

As of December 31, 2020 and 2019, premium and health care receivables consist of the following (amounts in thousands):

	2020	2019
Member premiums	$ 7,910	$ 11,372
ACA Risk Adjustment premium receivable	13,463	26,089
Pharmaceutical rebates receivables	23,575	21,476
Risk share receivables	41	400
Capitation arrangement receivables	1,640	453
Other health care receivables	308	390
Gross premium and health care receivables	46,937	60,180
Nonadmitted amounts	(6,981)	(2,462)
Net premium and health care receivables	$ 39,956	$ 57,718

Pharmaceutical rebate receivables by quarter as of December 31, 2020 and 2019, are as follows (amounts in thousands):

			Actual Rebates Received		
Quarter	Estimated Pharmacy Rebates	Pharmacy Rebates Billed or Otherwise Confirmed	Within 90 Days of Billing	Within 91 to 180 Days of Billing	More than 180 Days After Billing
December 31, 2020	$ 22,875	$ -	$ -	$ -	$ -
September 30, 2020	24,486	24,425	21,982	-	-
June 30, 2020	27,367	27,367	23,425	21	-
March 31, 2020	28,580	28,574	25,411	1,724	118
December 31, 2019	15,509	15,473	8,694	7,970	204
September 30, 2019	16,214	16,682	10,994	5,187	427
June 30, 2019	16,614	16,681	7,065	9,678	345
March 31, 2019	15,935	16,042	7,404	5,562	2,904

As of December 31, 2020 and 2019, risk-sharing receivables as estimated are $40 thousand and $0.4 million, respectively. In 2020, risk-sharing receivables billed and received related to prior years were both $0. In 2019, risk-sharing receivables billed and received related to prior years were both $1.5 million.

6. REAL ESTATE, FURNITURE, AND EDP EQUIPMENT AND SOFTWARE

Real estate, furniture, and EDP equipment and software as of December 31, 2020 and 2019, consist of the following (amounts in thousands):

	2020	2019
Land, building, and building improvements	$ 44,964	$ 44,735
Furniture and equipment	18,735	18,653
Leasehold improvements	22,656	22,286
EDP equipment and software	518,313	498,455
Total cost	604,668	584,129
Accumulated depreciation and amortization	(521,101)	(494,235)
Net statutory book value	83,567	89,894
Nonadmitted assets	(59,030)	(62,562)
Net admitted statutory book value	$ 24,537	$ 27,332

Depreciation expense amounted to $26.9 million and $29.1 million in 2020 and 2019, respectively.

7. CLAIMS UNPAID AND ACCRUED MEDICAL INCENTIVE POOL

The changes in the claims unpaid and accrued medical incentive pool, net of health care receivable activity, for the years ended December 31, 2020 and 2019, are as follows (amounts in thousands):

	2020	2019
Claims unpaid and accrued medical incentive pool—beginning of year	$ 163,213	$ 178,551
Incurred claims:		
Current year	1,465,193	1,464,190
Prior years	(36,970)	(22,825)
Total incurred claims	1,428,223	1,441,365
Paid claims:		
Current year	(1,336,384)	(1,341,259)
Prior years	(96,075)	(118,242)
Total paid claims	(1,432,459)	(1,459,501)
Increase in health care receivables	2,845	2,798
Claims unpaid and accrued medical incentive pool—end of year	$ 161,822	$ 163,213

Claim reserves and health care receivables as of December 31, 2019, were $163.2 million and $22.7 million, respectively. As of December 31, 2020, $96.1 million has been paid for incurred claims, net of health care receivables collected, attributable to insured events of prior years. Reserves remaining for prior years are now $7.4 million, and health care receivables remaining for prior years are $0. Therefore, there has been a $37.0 million favorable prior-year development since December 31, 2019. The favorable development is generally a result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. The Company does not have any retrospectively rated policies. There have been no changes in the methodologies and assumptions used in calculating the liability for unpaid losses and loss adjustment expenses.

8. RETROSPECTIVELY RATED CONTRACTS AND CONTRACTS SUBJECT TO REDETERMINATION

Premiums written by HPHC, Inc. included amounts subject to retrospective rating features pursuant to both the risk-sharing provisions and the medical loss rebate requirements of the ACA. HPHC, Inc. records accrued retrospective premium as an adjustment to earned premium. The amount of net premiums written by the Company for the years ended December 31, 2020 and 2019, that were subject to the retrospective rating features was $1.7 billion in both 2020 and 2019, which represented 100% of total net premiums written for both years. MLR rebates required pursuant to the ACA and state law were as follows and included in general expenses due or accrued on the statutory statements of admitted assets, liabilities, and statutory net worth (amounts in thousands):

	Individual	Small Group Employer	Total
2019 Reporting Year			
Medical loss ratio rebates incurred	$ 5,463	$ 6,637	$12,100
Medical loss ratio rebates paid	-	-	-
Medical loss ratio rebates unpaid—December 31, 2019	5,463	6,637	12,100
2020 Reporting Year			
Medical loss ratio rebates incurred	11,425	7,353	18,778
Medical loss ratio rebates paid	5,202	7,812	13,014
Medical loss ratio rebates unpaid—December 31, 2020	$ 11,686	$ 6,178	$17,864

The Company has written policies in 2020 and 2019 that are subject to the ACA risk-sharing provisions. The impact of risk-sharing provisions of the ACA on admitted assets, liabilities, and revenue for the years ended December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	**2019**
Permanent ACA risk adjustment:		
Premium adjustments receivable due to ACA risk adjustment (including high risk pool payments)	$ 13,463	$ 26,089
Risk adjustment user fees payable for ACA risk adjustment	95	75
Premium adjustments payable due to ACA risk adjustment (including	3,533	1,767
high risk pool payments)	-	-
Reported as revenue in premium for accident and health contracts (written/collected) due to ACA risk adjustment (increase) decrease to revenue	(21,887)	(63,831)
Reported in expenses as ACA risk adjustment user fees (incurred/paid)	180	165
Transitional ACA 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	-	-
Liabilities 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	-	67
ACA reinsurance contributions—not reported as ceded premium	-	-
Temporary ACA risk corridors program:		
Accrued retrospective premium due to 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)	(9,883)	-
Effect of ACA risk corridors on change in reserves for rate credits	-	-

On April 27, 2020, the U.S. Supreme Court issued its decision in the case of *Maine Community Health Options vs. the United States* and held that the Federal Government was obligated to make payments on amounts due to insurers under the ACA Risk Corridors Program. The Company received a court judgment on its case as of July 7, 2020. The Company received the $9.9 million from CMS in August 2020.

Rollforward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior-year balance is as follows (amounts in thousands):

	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: Prior-Year Accrued Less Payments (Col 1 - 3)	Differences: Prior-Year Accrued Less Payments (Col 2 - 4)	Adjustments: To Prior-Year Balances	Adjustments: To Prior-Year Balances		Unsettled Balances as of the Reporting Date: Cumulative Balance from Prior Years (Col 1 - 3 + 7)	Unsettled Balances as of the Reporting Date: Cumulative Balance from Prior Years (Col 2 - 4 + 8)
	1	2	3	4	5	6	7	8		9	10
	Receivable	Payable	Receivable	Payable	Receivable	Payable	Receivable	Payable	Ref	Receivable	Payable
Permanent ACA Risk Adjustment:											
Premium adjustments receivable (including high risk pool payments)	$ 26,089	$ -	$ 39,449	$ -	$ (13,360)	$ -	$ 13,360	$ -	A	$ -	$ -
Premium adjustments payable (including high risk pool payments)	-	(1,767)	-	(3,171)	-	1,404	-	(1,404)	B	-	-
Subtotal ACA Permanent Risk Adjustment	26,089	(1,767)	39,449	(3,171)	(13,360)	1,404	13,360	(1,404)		-	-
Transitional ACA Reinsurance program:											
Amounts recoverable for claims paid	-	-	-	-	-	-	-	-		-	-
Amounts recoverable for claims unpaid (contra liability)	-	-	-	-	-	-	-	-		-	-
Amounts receivable relating to uninsured plans	-	-	-	-	-	-	-	-		-	-
Liabilities for contributions payable due to ACA reinsurance—not reported as ceded premiums	-	-	-	-	-	-	-	-		-	-
Ceded reinsurance premiums payable	-	-	-	-	-	-	-	-		-	-
Liabilities for amounts held under uninsured plans	-	-	-	-	-	-	-	-		-	-
Subtotal Transitional ACA Reinsurance program	-	-	-	-	-	-	-	-		-	-
Temporary ACA Risk Corridors program:											
Accrued retrospective premium	-	-	9,883	-	(9,883)	-	9,883	-	C	-	-
Reserve for rate credits or policy experience rating refunds	-	-	-	-	-	-	-	-		-	-
Subtotal ACA Risk Corridors program	-	-	9,883	-	(9,883)	-	9,883	-		-	-
Total for ACA risk-sharing provisions	$ 26,089	$ (1,767)	$ 49,332	$ (3,171)	$ (23,243)	$ 1,404	$ 23,243	$ (1,404)		$ -	$ -

Explanation of adjustments:

A. The premium adjustments receivable under the permanent ACA Risk Adjustment program represents a change in previously estimated amounts to reflect the final settlement notification for the year ended December 31, 2019. The Company had not recorded a remaining receivable for the 2017 Risk Adjustment program of $4.5 million as of December 31, 2018 due to the uncertainty of the available transfer payment funds resulting from the insolvency and ongoing liquidation of Minuteman Health, Inc., a significant payer of transfer funds in Massachusetts for the 2017 Risk Adjustment program. The Company received $1.1 million in payments related to the 2017 Risk Adjustment program in November 2020.

B. The premium adjustments payable under the permanent ACA Risk Adjustment Program represents a change in previously estimated amounts to reflect the final settlement notification for the year ended December 31, 2019.

C. The premium adjustments under the ACA Risk Corridor Program represent CMS receipts that were previosuly not recognized due to the uncertainty of collectibility.

9. EMPLOYEE BENEFIT PLANS

Defined Contribution Plan—HPHC, Inc. employees participate in a defined contribution plan covering all employees. Participants can make salary deferral contributions up to 50% of their pay, subject to the legally permitted maximum and, after one year of service. HPHC, Inc. will make matching contributions equal to 100% of the first 4% of salary deferrals, subject to the legally permitted maximum. HPHC, Inc. also makes an annual contribution of 2% of pay to each participant's account, regardless of whether the employee makes salary deferral contributions or not. In December 2020 and 2019, it was announced that a discretionary 2% employer contribution will be made to the defined contribution plan in 2020 and 2019, respectively. HPHC, Inc.'s contributions amounted to $9.1 million and $8.4 million for the years ended December 31, 2020 and 2019, respectively.

Deferred Compensation Plan—HPHC, Inc. established a nonqualified deferred compensation plan (the "Plan"), effective July 1, 2005, which allows certain highly compensated employees the option to defer specified amounts of their annual compensation on a pretax basis and also allows HPHC, Inc., at its discretion, the option to provide deferred compensation to key employees. A participant in the Plan is notified if a voluntary contribution is made by HPHC, Inc. to that participant's account. In addition, the participant's account is credited to reflect investment returns based on measuring investments selected by either the participant or the Plan administrator in accordance with the Plan document. The participants receive a distribution of their account, in its entirety, upon severance from employment with HPHC, Inc. HPHC, Inc. has recorded a liability of $5.3 million and $4.5 million for the years ended December 31, 2020 and 2019, respectively, which represents its obligation for benefits payable under the Plan. All amounts of compensation deferred under the Plan remain the assets of HPHC, Inc., and are reflected in other assets in the statutory statements of admitted assets, liabilities, and statutory net worth, until paid out to a participant or his or her beneficiary. Deferred compensation assets were $5.3 million and $4.5 million as of December 31, 2020 and 2019, respectively. HPHC, Inc. is not required to segregate or set aside any assets to meet its obligation under the Plan.

Postretirement Medical Plan—HPHC, Inc. has one postretirement medical life insurance plan. The health care benefits are contributory with participant's contributions adjusted annually and the life insurance benefits are noncontributory. HPHC, Inc.'s postretirement medical plan allows employees who have attained age 60 and completed 10 years of continuous service to remain in HPHC, Inc.'s group health care coverage upon retirement and until they qualify for Medicare coverage. In accordance with the provisions of the postretirement medical plan, the employee will pay 100% of the monthly premium until they reach age 65. Once they reach age 65 and enroll in both Medicare A and B, HPHC, Inc. will provide a maximum monthly contribution of $150 to each retiree (and spouse, if applicable), provided the employee is transitioning from an active HPHC, Inc. employee medical plan. Additionally, there are certain grandfathered participants whom HPHC, Inc. pays their entire benefit. The Plan is not currently funded.

Effective December 31, 2016, the Company amended the postretirement medical plan to freeze participation and benefit accruals. Retiree eligible participants had until December 31, 2017, to retire and elect coverage. The Company announced these changes in December 2016. As a result, employees will not accrue further benefits under the cash balance formula of the plan, although interest will continue to accrue to existing account balances. In connection with the plan freeze, the period for amortizing actuarial gains and losses was changed from the average expected future service of active participants to the average expected future lifetime as a plan participant for all participants. The plan freeze was accounted for as a curtailment, and resulted in a credit to net periodic benefit cost in prior years.

The change in benefit obligation for the years ended December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	2019
Benefit obligation—beginning of year	$ 5,345	$ 5,332
Interest cost	147	202
Contributions by plan participants	544	579
Actuarial loss (gain)	(959)	290
Benefits paid	(1,138)	(1,058)
Benefit obligation—end of year	$ 3,939	$ 5,345

The change in plan assets for the years ended December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	2019
Fair value of plan assets—beginning of year	$ -	$ -
Reporting entity contribution	594	479
Contributions by plan participants	544	579
Benefits paid	(1,138)	(1,058)
Fair value of plan assets—end of year	$ -	$ -

The liability recognized for the plan is classified as general expenses due and accrued on the statutory statements of admitted assets and net worth. The funded status of the plan as of December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	2019
Components:		
Accrued benefit costs	$ 4,667	$ 5,113
(Assets) liabilities for pension benefits	(728)	231
Total liabilities recognized	$ 3,939	$ 5,344
Unrecognized liabilities	$ -	$ -

The components of net periodic benefits cost as of December 31, 2020 and 2019, are as follows (amounts in thousands):

	2020	2019
Interest cost	$ 147	$ 202
Total net periodic benefit cost	$ 147	$ 202

Amounts in unassigned funds (surplus) recognized as components of net periodic benefit cost as of December 31, 2020 and 2019, are as follows (amounts in thousands):

	2020	2019
Items not yet recognized as a component of net periodic cost—prior year	$ 231	$ (59)
Net loss (gain) arising during the period	(959)	290
Items not yet recognized as a component of net periodic cost—current year	$ (728)	$ 231

Amounts in unassigned funds (surplus) that have not yet been recognized as components of net periodic benefit cost as of December 31, 2020 and 2019, are as follows (amounts in thousands):

	2020	2019
Net recognized gains (losses)	$ (728)	$ 231

Weighted-average assumptions used to determine net periodic benefit cost as of December 31, 2020 and 2019, are as follows:

	2020	2019
Weighted-average discount rate	2.90 %	4.00 %

Weighted-average assumptions used to determine projected benefit obligations as of December 31, 2020 and 2019, are as follows:

	2020	2019
Weighted-average discount rate	1.95 %	2.90 %

For measurement purpose, the actual observed 2020 per capita cost of covered health care benefits was used. The rate of increase for these costs was assumed to be 5.83% for 2021, and decrease gradually to 4.00% for 2045, and remain at that level thereafter.

The following estimated future payments, which reflect expected future service, as appropriate, are expected to be paid in the years indicated (amounts in thousands):

Years Ending December 31	Amount
2021	$ 381
2022	356
2023	332
2024	310
2025	289
2026–2030	1,164

10. ASO BUSINESS

HPHC, Inc. provides certain benefit administration services for its uninsured customers. The net loss from providing these services as of December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	2019
Expenses incurred in excess of reimbursement for administrative services provided	$ (41,669)	$ (36,525)
Net loss from operations	$ (41,669)	$ (36,525)
Total claim equivalents	$ 1,145,054	$ 1,496,286

As of December 31, 2020 and 2019, HPHC, Inc. had admitted assets of $33.4 million and $55.0 million, respectively, in uninsured plan receivables. HPHC, Inc. routinely assesses the collectibility of its receivables.

11. COMMITMENTS AND CONTINGENCIES

An outbreak of respiratory disease caused by a novel coronavirus was first detected in China in December 2019 (COVID-19) and subsequently spread internationally. COVID-19 has resulted in closing borders, enhanced health screenings, quarantines, cancellations, disruptions to supply chains and customer activity, as well as general concern and uncertainty. The impact of COVID-19 may continue to last for an extended period of time, has resulted in substantial market volatility and significant economic downturn. It is not possible to reliably estimate the length and severity of these developments and the impact on the financial results and condition of the Company in future periods.

Operating Leases—HPHC, Inc. has entered into several long-term noncancelable operating leases for buildings and equipment. The terms of the leases vary through the year 2023, with various renewal options.

The following is a schedule, by year, of future minimum rental payments required under all operating leases for buildings and equipment that have initial or remaining noncancelable lease terms of one year or more as of December 31, 2020 (amounts in thousands):

Years Ending December 31	Amount
2021	$ 6,704
2022	3,658
2023	706
2024	-
2025	-
Thereafter	-
Total	$ 11,068

Total rent expense on all leases was $7.1 million and $6.9 million in 2020 and 2019, respectively.

Legal Proceedings—HPHC, Inc. is involved in legal actions in the ordinary course of business. In the opinion of management, there are no legal proceedings pending against or involving HPHC, Inc., the outcome of which is likely to have a material adverse effect upon the statutory financial statements.

Related-Party Guarantees—HPHC, Inc. and its insurance affiliates, the Insurance Company and New England, participate in a guaranty and indemnity agreement ("G&I Agreement"). Under the terms of the G&I Agreement, each entity guarantees the payment and performance of the others. In addition, each entity is jointly and severally liable for all obligations that may arise out of the G&I Agreement. HPHC, Inc. has no contingent liabilities related to the G&I Agreement as of December 31, 2020.

HPHC, Inc. has a Management and Administrative Service Agreement (the "Agreement") with the Institute. In accordance with the requirements of the Agreement, HPHC, Inc. will provide the Institute with financial support in an amount up to, but not to exceed, $20 million in the event of an unforeseen and material loss of revenue by the Institute. The Institute must maintain at least $1 million of net assets to be used in such an event before drawing down on this contingent support. These conditions were not met in 2020 or 2019.

Long-Term Service Contract with NTT DATA—HPHC, Inc. has a long-term services agreement (the "NTT Agreement") with NTT DATA International, LLC ("NTT DATA"). Under the NTT Agreement, NTT DATA provides information technology operations, development, and claims related processing services under the direction of HPHC, Inc. staff. Services include operational services for technology and claims operations and business project services. The NTT Agreement calls for an annual minimum commitment of $60 million, and is subject to adjustment for changes in service levels, cost management by HPHC, Inc. and performance incentives for NTT DATA. In March 2019, HPHC, Inc. and NTT DATA signed a change order to extend the Agreement through July 2023.

Minimum Net Worth—The Commonwealth of Massachusetts, under the Acts of 2003, Chapter 141, Sections 46 and 83, amended the General Laws of Massachusetts, Chapter 176G Health Maintenance Organizations by adding Section 25 Net Worth of Health Maintenance Organizations, which took effect on January 1, 2004. Section 25 sets forth minimum adjusted net worth requirements for health maintenance organizations. In addition, health maintenance organizations must maintain a minimum deposit of at least $1 million with a trustee acceptable to the Department of Insurance. The State of Connecticut General Statute 38a-72 requires health insurers to have at least $1 million in surplus; and the State of Connecticut General Statute 38a-193(f) requires health insurers maintain a minimum of $0.5 million deposit with the State of Connecticut. As of December 31, 2020 and 2019, the minimum net worth requirement for HPHC, Inc. was $69.3 million and $80.4 million, respectively. As of December 31, 2020 and 2019, the minimum net worth and deposit requirements had been satisfied.

Health insurance companies are also subject to certain risk-based capital requirements as specified by the NAIC. The risk-based capital calculation serves as a benchmark for the regulation of health insurance companies' solvency by the state insurance regulators. As of December 31, 2020 and 2019, HPHC, Inc. exceeded the minimum risk-based capital requirements.

12. FEDERAL HOME LOAN BANK (FHLB) AGREEMENTS

Effective April 2015, the Company became a member of the Federal Home Loan Bank of Boston (FHLB). Through its membership, the Company has conducted business activity (borrowings) with FHLB. As of December 31, 2019, the Company determined the actual maximum borrowing capacity to be $60.0 million and based this amount on anticipated borrowing and cash flow needs. On April 15, 2020, the Board of Directors voted to authorize the Company to increase its borrowing limit with the FHLB from the Company's $60.0 million borrowing limit to $120.0 million to meet short term liquidity requirements. As a requirement of the FHLB membership, the Company owned $0.3 million of FHLB Class B membership stock as of both December 31, 2020 and 2019. In addition, the Company is required to purchase FHLB activity stock up to 4% of the value of principal borrowed. As of both December 31, 2020 and 2019, the Company owned $0 of activity stock. Additionally, as of December 31, 2020 and 2019, the Company owned $0 and $1 thousand, respectively, in excess stock.

The Company is required to pledge collateral for all outstanding borrowings with FHLB. As of both December 31, 2020 and 2019, the Company had no principal borrowings with FHLB.

13. REINSURANCE

HPHC, Inc. carries reinsurance against excessive utilization on a per-member basis. Under the policy, HPHC, Inc. is reimbursed for certain hospital inpatient, outpatient and pharmacy claims in excess of the policy deductible. HPHC, Inc. is reimbursed 90% for large group, fully-insured commercial and Medicare members, and 40% for small group, fully-insured commercial and individual members. The policy deductibles are $1.1 million for Maine and Connecticut fully-insured, large and small group, commercial members, and $1.75 million for Massachusetts fully-insured, large and small group, commercial members. The policy deductible is $1.0 million for Medicare members. There is no limit to the amount recoverable in excess of the Specific Deductible and Reimbursement Percentage. The impact of reinsurance recoveries on the statutory financial statements is immaterial for 2020 and 2019.

Effective January 1, 2019, HPHC, Inc. began participating in the Maine Guaranteed Access Reinsurance Association, which provides reinsurance for a portion of the Company's Maine high-risk individual health business. There were no premium and medical costs assumed as of December 31, 2020 and 2019. A summary of premium and medical costs ceded as of December 31, 2020 and 2019, is as follows (amounts in thousands):

	2020	**2019**
Premium income ceded	$ 12,482	$ 11,583
Medical and hospital expenses ceded	$ 23,782	$ 32,970

As of December 31, 2020 and 2019, HPHC, Inc. had net receivables related to the reinsurance agreements of $2.5 million and $6.9 million, respectively, which represent the net amount of premiums due from the reinsurer offset by the amount of paid claims HPHC, Inc. owes to the reinsurer. As of December 31, 2020 and 2019, HPHC, Inc. had payables of $2.1 million and $3.5 million, respectively, from the reinsurance agreements, which represent net premiums owed to the reinsurer for ceded business, and are recorded in general expenses due or accrued on the statutory statements of admitted assets, liabilities, and statutory net worth. The claims unpaid and accrued medical incentive pool liability is net of ceded losses of $4.0 million and $3.5 million as of December 31, 2020 and 2019, respectively.

14. RELATED-PARTY TRANSACTIONS

HPHC, Inc. conducts transactions with a number of affiliates (see Note 1). HPHC, Inc. provides all administrative and operational management services to the Insurance Company and New England. HPHC, Inc. also provides certain administrative and operational services to HPI. Administrative expenses, including claims adjustment expenses ("CAE"), are allocated to the Insurance Company, New England, and HPI based on HPHC, Inc.'s departmental cost allocation methodology. There are certain operating expenses incurred by HPI and the Agency, which are initially paid for by HPHC, Inc. and reimbursed to the Company.

HPHC, Inc. makes contributions to the Foundation and the Institute to support their ongoing operations. The Foundation reimburses HPHC, Inc. for expenses paid on its behalf. HPI administers certain products on behalf of the Insurance Company. The Insurance Company pays a fee to HPI for the services performed administering those products. HPI pays fees to access the Harvard Pilgrim provider network.

Intercompany balances are settled quarterly, following the close of the quarter. Below is a summary of transactions with affiliates for the years ended December 31, 2020 and 2019 (amounts in thousands):

	2020			
Affiliate	**Capital Contributions/ (Return of Capital)**	**Administrative Expenses and CAE**		**HPHC, Inc. Receivable/ (Payable)**
The Insurance Company	$ (30,000) (a)	$ 71,737	(b)	$ 1,823
New England	-	58,079		5,041
HPI	-	5,402	(b)	358
The Foundation	7,727	843		902
The Institute	7,526	7,076		(59)
Total	$ (14,747)	$ 143,137		$ 8,065

(a) On December 30, 2020, the Insurance Company made an extraordinary distribution of $30 million to HPHC, Inc., which was approved by the Massachusetts Division of Insurance.

(b) Amounts include administrative fees paid by the Insurance Company to HPI of $34 thousand. Amounts also include $2.7 million in HPI access fees, which were paid by HPI and earned by the Insurance Company.

	2019			
Affiliate	**Capital Contributions/ (Return of Capital)**	**Administrative Expenses and CAE**		**HPHC, Inc. Receivable/ (Payable)**
The Insurance Company	$ -	$ 83,104	(a)	$ 1,020
New England	-	51,016		12,063
HPI	-	5,386	(a)	452
The Foundation	6,339	879		2,128
The Agency	-	-		54
The Institute	4,958	6,563		625
Total	$ 11,297	$ 146,948		$ 16,342

(a) Amounts include administrative fees paid by the Insurance Company to HPI of $94 thousand. Amounts include $2.5 million in HPI access fees, which were paid by HPI and earned by the Insurance Company.

15. SUBSEQUENT EVENTS

HPHC, Inc. has evaluated events and transactions subsequent to December 31, 2020, through April 19, 2021, the date the statutory financial statements were available for issuance, and has determined there were no material events or transactions that require adjustments to the statutory financial statements other than described in the paragraphs below.

TYPE I—Recognized Subsequent Events

There were no material events or transactions that require adjustment to the statutory financial statements.

TYPE II—Nonrecognized Subsequent Events

As discussed in Note 1, effective as of January 1, 2021, HPHI became the direct corporate parent of Harvard Pilgrim and ultimate corporate parent for Harvard Pilgrim's affiliates after the parties obtained the required federal and state regulatory approvals for the combination.

The Company has an unfunded commitment in a new limited partnership interest of $30 million, which will become effective in 2021. Funding date(s) remain unannounced as of April 19, 2021.

The impact of the ACA fee assessments and surplus adjustment for the years ended December 31, 2020 and 2019, was as follows (amounts in thousands):

	2020	**2019**
ACA fee assessment payable for the upcoming year	$ -	$ 18,302
ACA fee assessment paid	16,249	-
Premium written subject to ACA 9010 assessment	1,753,233	1,722,405
Total adjusted capital before surplus adjustment	726,876	
Total adjusted capital after surplus adjustment	726,876	
Authorized control level	104,164	

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HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
RESEARCH AND DEVELOPMENT:				
United States Department of Health and Human Services Agency for Healthcare Research and Quality				
Decision Making Challenges and Needs for Health Insurance Exchange Enrollees	93.226		$ 51,374	$ 238,843
Objective Evaluation of Variation in Sepsis Incidence, Mortality, and Care	93.225		-	97,062
Improving Missing Data Analysis in Distributed Research Networks	93.226		-	379,742
Developing Evidence-Based Sepsis Time Zero Criteria and Quality Metrics Using Electronic Health Record Data	93.226		-	115,584
Methods for Profiling Hospital Performance Based on Healthcare-Associated Infections	93.226		-	72,856
Passed Through—RAND Corporation—Health Insurance Expansion & Physician Distribution	93.226	R01HS025750	-	64,174
			51,374	968,261
Centers for Disease Control				
Long-term Impact of Reduced Patient Out-of-pocket Costs on Diabetes Complications	93.945		-	87,723
SHEPheRD TO 2: Regional Mathematical Modeling and Intervention for the Prevention of Healthcare-Associated Transmission of Infectious Pathogens (SHIELD OC)	93.RD		-	(610)
Impact of HSA Cost Sharing Reductions on High-Deductible Members with Diabetes	93.RD		-	500,694
Epicenter IV: Harvard Pilgrim-UCI Center for HAI Prevention	93.084		116,558	817,644
Regional Mathematical Modeling to Develop an Intervention Strategy that Reduces Healthcare-Associated Transmission of Infections Pathogen and Demonstration of Region Wide Impact (PROJECT)	93.RD		483,328	508,083
SHEPheRD TO 0005: Intelligent Stewardship Prompts to Improve Real-Time Empiric Antibiotic Selection (INSPIRE)	93.RD		220,365	499,683
VSD SME Participation Task Order	93.RD		-	56,020
Surveillance for Non-Ventilator Hospital Acquired Pneumonia using Structured Electronic Health Record Data	93.RD		170,175	404,499
Passed Through—Task Force Global Health—COVID-19 Electronic Health Data Initiative	93.421	NU38OT000316-03-02	-	54,877
Passed Through—Duke University—Antimicrobial Therapy, the Cutaneous Microbiome, and Risk Factors for Surgical Site Infection	93.084	U54-CK000483	74,587	145,484
Passed Through—Duke University—Duke Epicenter Large Multicenter Collaborative Project: The DETOURS Trial: De-escalating Empiric Treatment: Opting-out of Rx for Selected Patients with Suspected Sepsis	93.084	5U54 CK000483-02	42,217	144,444
Passed Through—Rush University Medical Center—Chicago Prevention and Intervention Epicenter II (CPIE-II): CHECkuP	93.084	U54-CK000481	-	(2,635)

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Centers for Disease Control (Continued)				
Passed Through—Rush University Medical Center—Evaluating Emergence of Resistance and Changes in Clinical Pathogens Following Introduction of Chlorhexidine Bathing	93.RD	75D30119C06549	-	66,031
Passed Through—The Task Force for Global Health, Inc.—Childhood Obesity Data Initiative	93.421	U38OT000216	-	36,463
			1,107,230	3,318,400
Food and Drug Administration				
Efforts to Develop the Sentinel Initiative	93.RD		8,906	2,815,319
HMORN CERT Scientific Program to Support Epidemiologic Investigations of Safety-related Issues of Marketed Drugs	93.RD		(1,350)	(1,350)
Develop and Implement the Sentinel Coordinating Center Work plan	93.RD		63,808	1,325,638
Sentinel 2014 to 1T Sentinel Core Activities	93.RD		-	389,806
FDA CDER to HHSF22301009T Retrospective Cohort Study of Risk of Hip Fractures Associated with High Dose, Long-Term Proton Pump Inhibitor (HD-PPI) Use and Cytochrome P450 Pharmacogenomics	93.RD		-	1,247
Sentinel 2014 TO HHSF22301002T: CDER Assessment of Potential Exposure/Outcome Associations and Related Issues, Using the Sentinel System	93.RD		174,792	263,621
Sentinel 2014 TO HHSF22301003T: Core Activities Year 2	93.RD		958,165	1,616,482
Sentinel 2014 TO 6T: Patient Centered Outcomes Research Trust Activities	93.RD		-	1,005,703
Sentinel 2014 TO 7T: FY2015 CBER	93.RD		-	4,169
Sentinel TO 8T: Catalyst and Broader Uses of Sentinel Infrastructure	93.RD		357,365	658,769
Sentinel 2014 TO 9T: Standardization and Querying of Data Quality Metrics and Characteristics for Electric Health Data	93.RD		-	43,213
Sentinel 2014 TO 10T: Rapid Safety Surveillance Capability	93.RD		-	2,312,072
Sentinel 2014 TO 12T: Sentinel Infrastructure, Methods, and Surveillance	93.RD		8,461,648	17,676,040
FDA Epidemiology Studies TO 1T: Maintenance and Operation for the Medication Exposure in Pregnancy Risk Evaluation Program (MEPREP)	93.RD		144,041	240,144
FDA Epidemiology Studies TO 2T: Risk of NTD Among Live Births Exposed to Maternal Rx Opioids During Early Pregnancy	93.RD		39,402	56,227
A Reusable Generalizable Method to Link Health Plan Claims Data with the National Death Index Plus to Examine the Association Between Medical Products and Death and Causes of Death	93.RD		266,374	424,816

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Food and Drug Administration (Continued)				
Sentinel 2014 TO 4T: OCET/Sentinel Activities	93.RD		$ 48,065	$ 253,486
Sentinel 2014 TO 11T: Office of Medical Policy 21st Century Cures Real World Evidence Demonstration Projects	93.RD		113,238	806,431
Sentinel 2014 TO 75F40119F19013: Development of Webb App for Individual Patient Expanded Access IND Applications	93.RD		-	230,171
Sentinel Initiative TO 1: Operations Center	93.RD		881,904	6,993,521
Sentinel Initiative TO 2 Innovation Center	93.RD		110,000	184,004
Passed Through—Kaiser Foundation Research Institute—Effects of Medical Products on Suicidal Ideation and Behavior-Real World Evidence	93.RD	HHSF223201810201C	-	549,822
			11,626,358	37,849,351
National Association of Chronic Disease				
Improving Chronic Disease Surveillance and Management through the Use of EHRs/Health Information Systems	93.421		-	67,646
			-	67,646
National Cancer Institute				
Advanced Breast Imaging: Trends and Outcomes Associated with Recent Breast Density Reporting	93.393		275,460	618,797
High Resolution Measures of Behavioral Cancer Risk Factors from Mobile Technology	93.393		28,856	100,913
Passed Through—Harvard University—ISCCCE RADx-UP Supplement	93.310	P50CA244433	-	2,245
Passed Through—Beckman Research Institute of the City of Hope—Risk Factors for Molecular Subtypes of NHL a Prospective Evaluation	93.393	5R01CA202712-04 REVISED	-	5,961
Passed Through—Geisinger Clinic—Implementing Universal Lynch Syndrome Screening Across Multiple Healthcare Systems	93.353	R01-CA211723	-	21,528
Passed Through—Georgetown University—Comparative Modeling: Informing Breast Cancer Control Practice and Policy (CISNET II)	93.393	U01-CA253911	-	29,848
Passed Through—Seattle Children's Hospitals—Structural & Programmatic Effects of Bus Rapid Transit on Physical Activity	93.393	5R01CA178343-06	-	24,215
Passed Through—The Regents of the University of California—Risk of Pediatric and Adolescent Cancer Associated with Medical Imaging	93.393	R01-CA185687	-	11,813
Passed Through—The Regents of the University of California—Risk-Based Breast Cancer Screening and Surveillance in Community Settings	93.393	P01-CA154292	-	13,380
Passed Through—The University of North Carolina at Chapel Hill—UNC Oncology Clinical/Translational Research	93.398	5K12CA120780-12	-	33,987
Passed Through—University of Vermont and State Agricultural College—Identifying Effective Risk-Based Supplemental Ultrasound Screening Strategies for Women with Dense Breasts	93.393	R01CA248068	-	27,657
Passed Through—University of Wisconsin-Madison—Comparative Modeling of Precision Breast Cancer Control Across the Translational Continuum	93.393	U01-CA253911	-	8,930
			304,316	899,274

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Center for Complementary and Alternate Medicine				
Passed Through—Duke University—NIH Health Care Systems Research Collaboratory—Coordinating Center	93.213	U24-AT009676	$ -	$ 149,131
Passed Through—Duke University—HEAL Collaboratory Resource Coordinating Center (PRISM) (U24)	93.213	U24-AT010961	-	30,884
			-	180,015
National Center on Minority Health and Health Disparities				
Passed Through—Harvard School of Public Health—Pilot Project: CRESSH Built Environment Deep Learning Algorithms for MA Study	93.307	5P50MD01428-05		4,904
Passed Through—RAND Corporation—Policy Impacts on Behavioral Health Care Disparities	93.307	R01-MD010274	-	25,064
			-	29,968
National Heart, Lung, and Blood Institute				
Common Genetic Pathways Underlying CVD and COPD	93.837		-	78,322
Improving Childhood Obesity-Related Behavior Change through Better Risk Communication	93.837		-	158,765
Built Environment Assessment through Computer visiON (BEACON): Applying Deep Learning to Street-Level and Satellite Images to Estimate Built Environment Effects on Cardiovascular Health	93.837		-	68,348
Passed Through—Brigham and Women's Hospital—Impact of Treatment of Mild Sleep Disordered Breathing on Children's Health-DCC (PATS)	93.838	U01-HL125307	-	75,489
Passed Through—Brigham and Women's Hospital—Impact of Low Flow Nocturnal Oxygen Therapy	93.837	U24-HL140412	-	74,125
Passed Through—Harvard School of Public Health—Integrating Life course Approaches, biologic and digital phenotypes in support of heart and lung disease epidemiological research	93.837	1U01HL145386-01	-	23,960
Passed Through—Massachusetts General Hospital—How to Reach Women of Reproductive Age With Obesity to Support Weight Loss Before Pregnancy	93.847	P30-DK040561	-	(6)
			-	479,003
National Human Genome Research Institute				
Cost-effectiveness of Whole Genome Sequencing of Healthy Adults	93.172		-	73,904
Surveillance for Outcomes of Genomic Medicine Policies	93.172		-	74,429
			-	148,333

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Institute of Allergy and Infectious Disease				
Optimizing Care for HIV/HCV-Coinfected Patients in the New HCA Treatment Era	93.855		$ -	$ 137,420
Network Modeling & Robust Estimation of the Intraclass	93.855		19,486	258,231
Population-Level Effects of Increasing PrEP Uptake on HIV and Bacterial STIs	93.855		46,152	232,562
National Institute of Allergy and Infectious Diseases Intelligent Stewardship Prompts to Improve Real-Time Empiric Antibiotic Selection for Patients for Abdominal and Skin and Soft Tissue Infections - INSPIRE II	93.855		4,839	402,267
The Home Mycobiome and Childhood Asthma	93.855		-	14,670
Passed Through—Harvard University—CFAR EHE Harvard Supplement	93.855	P30AI060354	-	25,821
Passed Through—Brigham and Women's Hospital—The Fetal and Childhood Environment, Oxidative Balance, inflammation & Asthma	93.855	R01-AI102960	-	(10,816)
Passed Through—Harvard School of Public Health—Methods to Advance the HIV Prevention Research Agenda	93.855	R37-AI051164	-	46,219
Passed Through—Harvard University—Harvard University Center for AIDS Research: HER's to scale up PrEP in the South	93.855	2P30 AI060354-16	-	67,558
Passed Through—PhAST Corporation—Using combinations of single-cell phenotypes for rapid antibiotic susceptibility testing	93.855	R34AI45769	-	14,315
Passed Through—The Regents of the University of California—Revealing Reservoirs during Rebound (R3)	93.855	P01-AI131385	46,066	69,342
			116,543	1,257,589
National Institute of Biomedical Imaging and Bioengineering				
Privacy-Protecting Distributed Analysis of Biomedical Big Data	93.310		7,663	69,345
			7,663	69,345
National Institute of Child Health and Human Development				
Passed Through—Harvard School of Public Health—Long-Term Consequences of Birth by Cesarean Section	93.865	1R01HD093761-01A1	-	104,771
Passed Through—Johns Hopkins Bloomberg School Of Public Health—Evaluating a Healthy Restaurant Kids' Meals Policy	93.865	R01HD100983	-	15,266
Age-Dependent Pharmacogenomics of Asthma Treatment (ADAPT)	93.865		254,002	566,769
Pre- and Peri-natal Predictors of Childhood Obesity	93.865		80,997	1,517,012
Precision Medicine and Treatment (PreEMT)	93.865		170,013	689,259

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Institute of Child Health and Human Development (Continued)				
Gestational Diabetes pathophysiology uncovered by placental transcriptomics	93.865		$ 310,497	$ 578,543
A Life course Approach to Women's Metabolic and Bone Health: from Fertility to Perimenopause	93.865		20,537	721,849
			836,046	4,193,469
National Institute of Diabetes and Digestive Kidney Disorder				
Clinical and Health Care Use Outcomes for Vertical Sleeve Gastrectomy vs. Rouxen-Y Gastric Bypass Using a Nat'l Commercial Insurance Claims Dataset	93.847		141,543	615,646
New Insights into Federal Calorie Labeling Law	93.847		328,607	656,910
Medications and Weight Gain in PCORnet: The MedWeight Study	93.847		24,808	337,755
Passed Through—Ann & Robert H. Lurie Children's Hospital of Chicago—Aberrant DNA Methylation Underlying Adverse Prenatal Exposures and Increased Newborn Adiposity	93.847	1R01DK118403-01A1	-	25,952
Passed Through—Kaiser Foundation Research Institute—HMORN UCSF Center for Diabetes Translational Research	93.847	P30-DK092924	-	53,589
Passed Through—Kaiser Foundation Research Institute—Does Free Medicines Coverage Improve Diabetes Self-Care and Outcomes for Diverse Population	93.847	R18-DK110773	-	32,251
Passed Through—Massachusetts General Hospital—Psychological, Cognitive, and Genetic Factors in Behavioral Intervention to Prevent Weight Gain	93.847	R01-DK114735	-	34,584
Passed Through—Seattle Children's Hospitals—Parents as Peer Interventionists in TX for Pediatric Weight Manage (SHIFT)	93.847	R01DK104863	-	12,052
			494,958	1,768,739
National Institute of Environmental Health Science				
Longitudinal Association of PFCs with Obesity, Diabetes, and Metabolic Syndrome	93.113		82,269	312,439
Maintain and Enrich Resource Infrastructure for Project Viva: a pre-birth cohort with follow-up into adolescence	93.113		-	275,641
Passed Through—Brigham & Women's Hospital—Early Life Exposure to the Natural, Built, and Social Environments and Incident Hypertension	93.113	R01-ES029840	-	16,622
Passed Through—Brown University—Early life perfluoroalkyl substance exposure & obesity: Mechanisms & phenotyping	93.113	5R01 ES025214	-	13,111
Passed Through—Harvard School of Public Health—Maternal and Paternal Preconception Environmental Exposures and Children's Health	93.113	R01-ES027408	-	40,597
Passed Through—Harvard School of Public Health—Per- and Polyfluoroalkyl substances mixtures and maternal cardiovascular disease risk across the reproductive life course	93.113	R01-ES031065-01A1	-	9,692

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Institute of Environmental Health Science (Continued)				
Passed Through—Icahn School of Medicine at Mt. Sinai—Stress-Chemicals Interactions and Neurobehavior in School Age Children	93.113	R01-ES013744	$ -	$ 31,903
Passed Through—Maine Medical Center—Environmental chemicals, adiposity, and bone accrual across adolescence	93.113	1R01ES030101-01 REVISED	-	53,428
Passed Through—The Regents of the University of California—Prenatal and Postnatal Exposure to Environmental Mixtures: Neurodevelopment and DNA Methylation Biomarkers	93.113	R01ES031259	-	9,241
			82,269	762,674
National Institute of Health—Office of the Director				
Common and Distinct Early Environmental Influences on Cardio metabolism	93.310		623,234	2,273,928
Passed Through—Duke University—Developing Google Street View-based Metrics of Nature	93.310	5U2COD023375-04	-	56,147
Passed Through—Duke University—ECHO OIF Identifying Dynamic Change Processes in Growth Trajectories from Infancy to Early Adolescence	93.310	5U2COD23375-05	-	1,509
			623,234	2,331,584
National Institute of Mental Health				
Distribution of Child Mental Health Workforce & Health Care for Children with Autism	93.242		228,624	310,948
Optimizing EHR-Based Prediction Models to Improve HIV PrEP Use in Community Health Centers	93.242		98,727	193,831
Passed Through—Henry Ford Health System—Treatment Utilization before Suicide	93.242	R01-MH103539	-	4,600
Passed Through—Kaiser Foundation Research Institute—Mental Health Research Network III	93.242	U19MH121738	-	50,304
			327,351	559,683
National Institute on Aging				
Passed Through—Beth Israel Deaconess Medical Center—A Conversation Aid on Mammography Screening to Support Shared Decision Making between Clinicians and Women Aged 75 and Older	93.866	R01AG065311	-	93,405
Passed Through—Brigham & Women's Hospital—Center for Stress and Neural Regulation of Reproductive Aging Health Outcomes	93.866	1U54AG062322-01A1	-	21,444
Passed Through—Brown University—NIA AD/ADRD Health Care Systems Research	93.866	U54-AG063546	-	43,577
Passed Through—Harvard School of Public Health—Optimism and Exceptional Longevity	93.866	R01-AG053273	-	22,298
Passed Through—Kaiser Foundation Research Institute—Drug Benefit Design and Adherence Disparities in Older Adults	93.866	2R56AG032249	-	58,956

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
National Institute on Aging (Continued)				
Passed Through—Northeastern University—Exploring New Measures of the Affordability of Healthcare for Patients in Medicare	93.866	R21AG060401	$ -	$ 52,265
Passed Through—University of Massachusetts Worcester—Controlling and Stopping Cascades leading to Adverse Drug Effects Study in Alzheimer's Disease (CASCADES-AD)	93.866	R56-AG061813	-	(1,826)
Passed Through—University of Massachusetts Worcester—Developing a Program to Educate and Sensitize Caregivers to Reduce the Inappropriate Prescription Burden in Elderly with Alzheimer's Disease Study (D-PRESCRIBE-AD)	93.866	1R61AG069794-01	-	48,232
Passed Through—Brigham & Women's Hospital—Center for Stress and Neural Regulation of Reproductive Aging Health Outcomes	93.866	1U54AG062322-01A1	-	29,995
			-	368,346
National Institute on Minority Health and Health Disparities				
Impact of the National Health Service Corps on Health Disparities	93.307		26,445	332,757
Passed Through—The Regents of the University of California—Offering Women PrEP with Education, Shared Decision-Making and Trauma-Informed Care: The Opens Trial	93.307	R01-MD013565	-	28,216
			26,445	360,973
National Center for Complementary and Alternate Medicine				
Passed Through—Duke University—Using the NIH Collaboratory Distributed Research Network to Identify and Characterize ADRD Patients	93.213	U24-AT009676	7,890	57,667
			7,890	57,667
			$ 15,611,677	$55,670,320

(Concluded)

HARVARD PILGRIM HEALTH CARE, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Harvard Pilgrim Health Care, Inc. (the "Company") operates as a health plan providing comprehensive health benefit plans, access to health care, and other related services in Massachusetts, New Hampshire, Maine, and Connecticut to group, individual, and Medicare members through contracts with physicians, established primary care and multi-specialty provider groups, hospitals, and other health care providers.

Operations related to the Company's federal grant programs are included in the scope of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Company had one major program (research and development cluster) during the year ended December 31, 2020, which accounted for all of its federal award expenditures during 2020. The federal oversight agency for the Company is the Department of Health and Human Services (DHHS).

Receipts from federal grants and disbursements of federal grant funds are recorded on the accrual basis of accounting. The accompanying statutory financial statements of the Company are also prepared on the accrual basis of accounting.

2. SUMMARY OF FACILITIES AND ADMINISTRATIVE COST RECOVERIES

The Company has elected not to use the 10% indirect cost rate allowed under Uniform Guidance, and instead uses the modified total direct cost basis to determine the facilities and administrative rate. The modified total direct cost rate of 66%, effective during fiscal year 2020, was approved by DHHS.

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Deloitte & Touche LLP
200 Berkeley Street
10th Floor
Boston, MA 02116
USA

Tel:+1 617 437 2000
Fax:+1 617 437 2111
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF STATUTORY FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors of
Harvard Pilgrim Health Care, Inc.
Wellesley, Massachusetts

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the statutory financial statements of Harvard Pilgrim Health Care, Inc. (the "Company"), which comprise the statutory statements of admitted assets, liabilities, and statutory net worth as of December 31, 2020 and 2019 (restated), and the related statutory statements of operations, changes in statutory net worth, and cash flows for the years then ended, and the related notes to the statutory financial statements, and have issued our report thereon dated April 19, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the statutory financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the statutory financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's statutory financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the statutory financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Company's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Company's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

April 19, 2021

Deloitte.

Deloitte & Touche LLP
200 Berkeley Street
10th Floor
Boston, MA 02116
USA

Tel:+1 617 437 2000
Fax:+1 617 437 2111
www.deloitte.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE, AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE *UNIFORM GUIDANCE*

To the Board of Directors of
Harvard Pilgrim Health Care, Inc.
Wellesley, Massachusetts

Report on Compliance for Each Major Federal Program

We have audited Harvard Pilgrim Health Care, Inc.'s (the "Company") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on its major federal program for the year ended December 31, 2020. The Company's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Company's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Company's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Company's compliance.

Opinion on Each Major Federal Program

In our opinion, the Company complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

Report on Internal Control over Compliance

Management of the Company is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Company's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control over compliance.

A *deficiency in internal control over compliance exists* when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the statutory financial statements of Harvard Pilgrim Health Care, Inc. as of and for the year ended December 31, 2020, and have issued our report thereon dated April 19, 2021, which contained an unmodified opinion on those statutory financial statements. Our audit was conducted for the purpose of forming an opinion on the statutory financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the statutory financial statements. Such information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory financial statements. The information has been subjected to the auditing procedures applied in the audit of the statutory financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory financial statements or to the statutory financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the statutory financial statements as a whole.

Deloitte + Touche LLP

June 28, 2021

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020

I. SUMMARY OF AUDITORS' RESULTS

Statutory Financial Statements:

Type of report the auditor issued on whether the statutory financial statements audited were prepared in accordance with accounting practices prescribed or permitted by the Division of Insurance of the Commonwealth of Massachusetts:	Unmodified.
Internal control over financial reporting:	
Material weaknesses identified?	No.
Significant deficiencies identified?	None reported.
Noncompliance material to the statutory financial statements noted?	No.

Federal Awards:

Internal control over major federal programs:	
Material weaknesses identified?	No.
Significant deficiencies identified?	None reported.
Type of auditors' report issued on compliance for major federal programs:	Unmodified.
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)?	No.

Identification of major programs:

CFDA Number	Name of Federal Program
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs: $	1,670,110
Auditee qualifies as a low-risk auditee?	Yes.

(Continued)

II. STATUTORY FINANCIAL STATEMENT FINDINGS

None reported.

III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

(Concluded)

HARVARD PILGRIM HEALTH CARE, INC.

SUMMARY SCHEDULE OF PRIOR-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

1. STATUTORY FINANCIAL STATEMENT FINDINGS

No findings have been reported.

2. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

No findings have been reported.

HARVARD PILGRIM HEALTH CARE, INC.

STATUS OF PRIOR-YEAR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020

None noted.

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