Harvard Pilgrim Health Care, Inc.

Statutory Financial Statements as of and
for the Years Ended December 31, 2022 and 2021,
Schedule of Expenditures of Federal Awards
for the Year Ended December 31, 2022, 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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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5000
ey.com

Report of Independent Auditors

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

Report on the Audit of the Financial Statements

Opinion

We have audited the statutory-basis financial statements of Harvard Pilgrim Health Care, Inc. (the Company), which comprise the statements of admitted assets, liabilities, and capital and surplus as of December 31, 2022 and 2021, and the related statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements (collectively referred to as the "financial statements").

Unmodified Opinion on Statutory Basis of Accounting

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2022 and 2021, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 2.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles section of our report, the financial statements do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Company at December 31, 2022 and 2021, or the results of its operations or its cash flows for the years then ended.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States *(Government Auditing Standards)*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 2 to the financial statements, the Company prepared these financial statements 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. The effects on the financial statements of the variances between these statutory accounting practices described in Note 2 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material and pervasive.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 18, 2023 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.

Ernst + Young LLP

September 18, 2023

Harvard Pilgrim Health Care , Inc.

Statutory Statements of Admitted Assets, Liabilities, and Capital and Surplus

(Dollars In Thousands)

	December 31	
Admitted assets	**2022**	**2021**
Cash and invested assets:		
Cash, cash equivalents and short-term investments	**$ 14,471**	$ 104,291
Bonds	**219,981**	234,241
Common stock	**156,026**	193,950
Common stock - affiliates	**329,456**	335,123
Other invested assets	**139,964**	119,650
Total cash and invested assets	**859,898**	987,255
Premiums receivable	**13,344**	7,354
Accounts receivable related to uninsured plans	**42,724**	27,005
ACA risk adjustment receivable	**25,485**	35,896
Pharmaceutical rebates and healthcare receivable	**51,612**	38,807
Reinsurance recoverable	**17,859**	6,264
Accrued investment income	**691**	1,767
Real estate, furniture, and EDP equipment and software—net	**23,967**	26,293
Receivable from affiliates	**24,322**	24,355
Other assets	**42,009**	49,317
Total admitted assets	**$ 1,101,911**	$ 1,204,313
Liabilities, capital and surplus		
Liabilities:		
Reserves for unpaid claims	**$ 136,819**	$ 166,969
Accrued medical incentive pool	**27,186**	29,044
Accounts payable and accrued expenses	**62,983**	102,303
Unpaid claim adjustment expense	**2,937**	2,461
Unearned premiums	**30,584**	45,889
Borrowed money and interest	**40,110**	40,008
Aggregate health policy reserves	**11,895**	15,338
Amount held under uninsured plans	**85,130**	83,205
Payable to affiliates	**56,771**	-
Other liabilities	**11,519**	8,108
Total liabilities	**465,934**	493,325
Capital and surplus:		
Unassigned surplus	**635,977**	710,988
Total capital and surplus	**635,977**	710,988
Total liabilities, capital and surplus	**$ 1,101,911**	$ 1,204,313

See accompanying notes.

Harvard Pilgrim Health Care, Inc.

Statutory Statements of Operations
(Dollars In Thousands)

	December 31 2022	2021
Net premium income, net of reinsurance	**$ 1,707,416**	$ 1,830,999
Benefits and expenses:		
Health benefits	**1,457,942**	1,650,284
Change in reserves for health contracts	**-**	(9,741)
Claims adjustment expenses	**62,773**	70,181
General and administrative expenses	**232,419**	232,984
Total benefits and expenses	**1,753,134**	1,943,708
Underwriting loss	**(45,718)**	(112,709)
Net investment income	**22,469**	18,214
Net realized capital gains (losses)	**(33)**	61,306
Other loss	**(9,423)**	(13,610)
Net loss	**$ (32,705)**	$ (46,799)

See accompanying notes.

Harvard Pilgrim Health Care, Inc.

Statutory Statements of Changes in Capital and Surplus
(Dollars In Thousands)

	Unassigned Surplus	Special Surplus	Total Capital and Surplus
Balance at January 1, 2021	$ 726,876	$ -	$ 726,876
Net loss	(46,799)	-	(46,799)
Change in net unrealized gain (loss)	(23,097)	-	(23,097)
Capital contribution from Point32Health, Inc.	70,000	-	70,000
Change in net prior service costs and recognized gain for postretirement medical plan	(712)	-	- (712)
Change in nonadmitted assets	(15,280)	-	(15,280)
Balance at December 31, 2021	710,988	-	710,988
Net loss	**(32,705)**	**-**	**(32,705)**
Change in net unrealized gain (loss)	**(83,716)**	**-**	**(83,716)**
Capital contribution from Point32Health, Inc.	**35,000**	**-**	**35,000**
Change in net prior service costs and recognized gain for postretirement medical plan	**860**	**-**	**860**
Change in nonadmitted assets	**5,550**	**-**	**5,550**
Balance at December 31, 2022	**$ 635,977**	**$ -**	**$ 635,977**

See accompanying notes.

Harvard Pilgrim Health Care, Inc.

Statutory Statements of Cash Flow
(Dollars In Thousands)

	Year Ended December 31	
	2022	2021
Operating activities		
Premiums received, net of reinsurance	**$ 1,687,500**	$ 1,788,644
Health benefits paid, net of reinsurance	**(1,521,147)**	(1,633,414)
Operating expenses paid	**(349,521)**	(328,194)
Net investment income received	**25,116**	20,034
Other cash provided by operating activities	**5,807**	6,669
Net cash used in operating activities	**(152,245)**	(146,261)
Investing activities		
Proceeds from investments sold, matured or repaid:		
Bonds	**190,693**	148,910
Stocks	**15,531**	92,983
Other invested assets	**6,725**	27,668
Cost of investments acquired:		
Bonds	**(181,251)**	(63,870)
Stocks	**(43,497)**	(103,449)
Real estate	**(1,619)**	(99)
Other invested assets	**(31,170)**	(42,119)
Net cash (used in) provided by investing activities	**(44,588)**	60,024
Financing activities and miscellaneous sources		
Capital contribution from Point32Health, Inc.	**35,000**	50,000
Borrowed money	**102**	40,008
Other cash provided (applied)	**71,911**	(38,447)
Net cash provided by financing and miscellaneous activites	**107,013**	51,561
Net decrease in cash, cash equivalents and short-term investments	**(89,820)**	(34,676)
Cash, cash equivalents and short-term investments at beginning of year	**104,291**	138,967
Cash, cash equivalents and short-term investments at end of year	**$ 14,471**	$ 104,291
NON-CASH ACTIVITIES DURING THE YEAR:		
Unsettled capital contribution from Point32Health, Inc.	$ –	$ 20,000
Non-cash capital contribution to Harvard Pilgrim Health Care of New England, Inc.	$ 25,000	$ –

See accompanying notes.

1. Organization

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.

HPHC, Inc.'s subsidiary, New HPHC Holding Corporation ("New HPHC Holding"), is a wholly owned Delaware C corporation. All of HPHC Inc's for profit entities are held by New HPHC Holding. New HPHC Holding's board of directors consists entirely of members of management of Point32Health, Inc., the parent organization of HPHC. The for-profit subsidiaries of New HPHC Holding 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. ("PMI") and Care Management Services, Inc. ("CMS"), as well as three subsidiaries that are disregarded entities for tax purposes: TrestleTree LLC ("TrestleTree") MedWatch LLC ("MedWatch"), and Employer's Health Nexus ("EHN"), which are care management companies. HPI's acquisition of EHN was completed on June 30, 2022.

- 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.

(Dollars in Thousands)

1. Organization (continued)

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

- In 2021, Harvard Pilgrim Health Care Foundation, Inc. (HPHCF) a Massachusetts not-for-profit corporation, was an affiliate of HPHC, Inc. and was not included in these statutory financial statements. On January 1, 2022, Tufts Health Plan Foundation, Inc. (THPF), a Massachusetts charitable corporation, and HPHCF merged into one foundation under Point32Health, Inc. to be known as the Point32Health Foundation, Inc.

On August 14, 2019, Point32Health, Inc. (f/k/a Health Plan Holdings, Inc. or HPHI, f/k/a Tufts Health Plan, Inc. or THPI) (parent of Tufts Associated Health Maintenance Organization, Inc. and Tufts Health Public Plans, Inc.) and Harvard Pilgrim Health Care, Inc. announced their intent to combine their nonprofit organizations. After required state and federal regulatory approvals were obtained, the combination became effective on January 1, 2021. As a result of the combination, effective January 1, 2021, Point32Health, Inc. became the corporate parent of Harvard Pilgrim Health Care, Inc. and affiliates, including the Company. This had no impact on the Company's operations in 2022 or 2021.

In the event of the Company's insolvency, contracting providers are required to continue to provide covered services to members through the period for which premium has been paid and, for members who are inpatient on the date of insolvency, until their discharge. Contracting providers are prohibited from seeking compensation for such services from members.

Net premium income by lines of business for the years ended December 31, 2022 and 2021, are as follows:

	2022	**2021**
Comprehensive	**$1,698,729**	$1,716,287
Medicare	**2,235**	105,915
	$ 1,700,964	$1,822,202

2. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying statutory financial statements of the Company 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 are 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:

Statements of Cash Flow: Cash, cash equivalents and short-term investments in the statements of cash flow represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less. 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. 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 bonds are reported at amortized cost or fair value based on their NAIC rating; for GAAP, such fixed maturity investments would be designated at purchase as held-to-maturity, trading, or available-for-sale. Held-to-maturity fixed investments would be reported at amortized cost. Fixed maturity investments designated as trading would be reported at fair value with unrealized holding gains and losses reported in operations. Fixed maturity designated as available-for-sale would be reported at fair value with unrealized gain and loss reported as a separate component of surplus.

Investments in equity securities are reported at fair value with unrealized gain and loss reported as a separate component of surplus. Equity investments for GAAP would be reported at fair value with unrealized holding gains and losses reported in operations.

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.

2. Summary of Significant Accounting Policies (continued)

Subsidiaries: The results of HPHC, Inc.'s investment in affiliates are not consolidated with the accounts and operations of HPHC, Inc. as would be required under GAAP. Insurance subsidiaries are reported in the common stocks-affiliates at their underlying statutory equity. Non-insurance subsidiaries are reported based on the underlying audited GAAP equity, including the admitted portion of goodwill.

Nonadmitted Assets: Certain assets, principally prepaid expenses past due receivables from parent, subsidiaries and affiliates; past due premium, health care, uninsured plan, and risk corridor receivables, furniture, fixtures and equipment, leasehold improvements, non-operating system software, and net deferred tax assets in excess of the admissibility criteria, are nonadmitted and, as such, are not included in statutory capital and surplus and are charged directly to unassigned surplus. Under GAAP, such assets are included in the balance sheets, net of allowance.

Reconciliation of Capital and Surplus: The effects of variances from GAAP on the accompanying statutory basis financial statements have not been determined but are presumed to be material.

Other significant accounting practices are as follows:

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts and disclosures included in the financial statements. Actual results could differ from those estimates.

Cash Equivalents and Short-Term Investments

Cash, cash equivalents and short-term investments include amounts on deposit with banks, and government and corporate debt issues with original maturities of on year 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

2. Summary of Significant Accounting Policies (continued)

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*. The Company did not recognize any impairment write down for its investments in Joint Ventures, Partnerships and Limited Liability Companies during the statement periods for 2022 and 2021. Limited partnership interests and joint ventures of $139,561 and $119,650 are included in other invested assets in the statutory statements of admitted assets, liabilities, and capital and surplus as of December 31, 2022 and December 31, 2021 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 capital and surplus. As of December 31, 2022 and 2021, the Company received $4,939 and $5,600 as a final return of capital from disposed investments. Total commitments for additional investments in the limited partnerships was $21,630 and $38,104 as of December 31, 2022 and 2021, respectively.

Unrealized gains and losses on stocks and bonds deemed ineligible to be held at amortized cost by the SVO are recorded directly to capital and surplus 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 net realized capital gains (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 capital and surplus.

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 average weighted cost.

Common Stock - Affiliates

Common stock – affiliates represents the investments in unconsolidated affiliates. In accordance with SSAP No. 97, New HPHC Holding 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 New

(Dollars in Thousands)

2. Summary of Significant Accounting Policies (continued)

HPHC Holding as an asset to HPHC, Inc. For the Insurance Company, the investments are based on the capital and surplus of each entity under statutory accounting principles. The Insurance Company's net worth was $103,543 and $142,429 as of December 31, 2022 and 2021, respectively, and is accounted for as an Investment in Affiliates for this amount on the Company's balance sheet. For New England, the investments are based on the capital and surplus of the entity under statutory accounting principles. New England's net worth was $63,944 and $62,806 as of December 31, 2022 and 2021, respectively, and is accounted for as an Investment in Affiliates for this amount on the Company's balance sheet. For HPI and the Institute, the investments are based on the equity of each entity recorded under GAAP. The carrying value of HPI is $56,375 and $31,879 as of December 31, 2022 and 2021, respectively. The carrying value of the Institute is $57,975 and $59,049 as of December 31, 2022 and 2021, respectively. The carrying value of the Agency of $351 and $0 as of December 31, 2022 and 2021, respectively. The carrying value of Medwatch is $37,425 and $31,038 as of December 31, 2022 and 2021, respectively. The carrying value of Trestle Tree is $8,132 and $7,922 as of December 31, 2022 and 2021, respectively. The carrying value of EHN is $610 and $0 as of December 31, 2022 and 2021, respectively. 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 capital and surplus.

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	5–7 years
Computer software and operating systems	3–5 years
Leasehold improvement	Shorter of the life or length of the lease

Accounts Receivable Related to Uninsured Plans

The Company's accounts receivable related to uninsured plans includes costs that are reimbursed to the Company by providers as part of the Company's supplemental provider payments program, and receivables associated with the Centers for Medicare & Medicaid Services (CMS) Part D Settlement program.

2. Summary of Significant Accounting Policies (continued)

Premiums Receivable

Premiums receivables are reported net of an allowance for uncollectible accounts based on historical collection trends and management's judgment on the collectability of these accounts.

These collection trends, as well as prevailing and anticipated economic conditions, are routinely monitored by management, and any adjustments required are reflected in current operations.

Pharmaceutical Rebates and Healthcare Receivables

The Company's provider agreements include pharmacy rebates as a component of the risk incentive arrangements, which are included in the balance sheets in pharmaceutical rebates receivable. Rebates are included in the provider settlements on a cash basis through the settlement date. Health care receivables admitted related to rebates include an estimated amount for the most recent quarter and amounts billed and expected to be collected within 60 days of year end. All other amounts are considered to be nonadmitted assets and charged to unassigned surplus.

Premium Stabilization Program and Other ACA Provisions

The Affordable Care Act (ACA) established risk spreading premium stabilization programs effective January 1, 2014. This program includes a permanent risk adjustment program and is taken into consideration to determine compliance with the minimum Medical Loss Ratio (MLR) requirements.

The risk adjustment provisions of the ACA are permanent regulations and apply to market reform compliant individual and small group plans in the commercial markets. Under the program, each covered member is assigned a risk score based upon demographic information and applicable diagnostic codes from current year paid claims, in order to determine an average risk score for each plan in a state and market risk pool. Generally, a plan with a risk score that is less than the state's average risk score will pay into the pool, while a plan with a risk score that is greater than the state's average will receive money from the pool. The Company records its best estimate of the risk adjustment receivable or payable as an adjustment to net premium income in the statements of operations and expects to refine its estimate as new information becomes available.

Premium Deficiency Reserves

A premium deficiency reserve is recognized when the expected claims payments and administrative expenses exceed the premiums to be collected for the remainder of the contract period. A premium deficiency reserve is recorded for the excess costs, with a corresponding charge to operations. Anticipated investment income is considered in the calculation of premium

2. Summary of Significant Accounting Policies (continued)

deficiency reserves. For purposes of determining whether a premium deficiency exists, contracts are grouped in a manner consistent with HPHC Inc.'s method of acquiring, servicing and measuring the profitability of such contracts. No premium deficiency reserve was required to be recorded in either 2022 or 2021.

Revenue Recognition

Premiums are recognized as income in the month in which members are entitled to receive health care services. Premiums are reported net of an allowance for estimated uncollectible amounts. Premiums received in advance of contractual coverage periods are reported as unearned premiums in the Company's statements of admitted assets, liabilities, and capital and surplus and recognized as revenue when earned.

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 CMS has implemented a risk adjustment formula, which apportions premiums paid to all Medicare Advantage health plans according to the health status of each beneficiary enrolled.

Premiums

The Company's Commercial and Medicare contracts establish fixed, monthly premium rates per member (PMPM), which are generally determined at the beginning of each new contract renewal period; however, premiums may be adjusted throughout the term of the contracts in certain cases. Premiums are recognized as income in the month in which members are entitled to receive health care services. Premiums are reported net of an allowance for estimated uncollectible amounts. Premiums received in advance of contractual coverage periods are reported as unearned premiums in the Company's statements of admitted assets, liabilities, and capital and surplus and recognized as revenue when earned.

Risk Adjustment Premiums

The Company's Medicare Part D contracts allow for premiums to be adjusted based on the actual experience, or the relative health status, of members. Under CMS's risk adjustment methodology, the risk adjusted premium payment is calculated using diagnosis data from hospital inpatient, hospital outpatient and physician treatment settings that is captured and submitted by the Company and health care providers within prescribed deadlines. Risk adjustment data for the Company's plans are subject to review by the government, including audit by regulators.

2. Summary of Significant Accounting Policies (continued)

CMS Risk Corridor

The Company's Medicare Part D prescription drug insurance premiums are subject to risk sharing in accordance with CMS and state contractual provisions. The risk corridor calculations compare the actual cost experience to the target amount of prescription drug and medical costs. The Company receives additional premium if the actual cost experience is more than the target amount,

and the Company refunds premiums if the actual cost experience is less than the target amount. Based on the risk corridor provisions and activity-to-date, an estimated receivable or payable is recorded as an adjustment to net premium income. The corresponding asset or liability is reflected in aggregate health reserves.

The monthly payments the Company receives from CMS under the Medicare Part D prescription drug insurance contracts also include:

> **Catastrophic Reinsurance and Low-Income Cost Sharing Subsidies:** CMS subsidizes most of the prescription drug costs which exceed the members' out-of-pocket threshold and all or a portion of cost sharing amounts (deductibles, coinsurance, etc.) for qualifying low-income members. CMS pays the Company a cost reimbursement estimates each month to fund their obligation, and the Company administers and pays the subsidized portion of the claims on their behalf. A final reconciliation and settlement of these subsidies is made with CMS based on actual experience after the end of each contract year. These subsidies represent cost reimbursements under the Medicare Part D plans for which the Company is not at risk. Accordingly, the amounts received for these subsidies are not reflected as premium revenues, but rather are accounted for as receivables and liabilities related to uninsured plans.

> **Coverage Gap Drug Discount:** The ACA mandated a consumer discount on brand name prescription drugs for Medicare Part D participants in the coverage gap (the so-called "donut hole"). This discount is funded by CMS and pharmaceutical manufacturers while the Company administers the application of these funds. Accordingly, amounts received are not reflected as premium revenues, but rather are accounted for as deposits. The Company records a liability when amounts are received from CMS and a receivable when the Company bills the pharmaceutical manufacturers.

Accrued Retrospective Premium and minimum MLR

The Company has a limited number of contracts with retrospective rating features in which the insured client may have a periodic adjustment involving the return of a portion of their premium or a payment of an additional premium based on their actual loss experience over the policy period.

2. Summary of Significant Accounting Policies (continued)

The methods for making such estimates and for establishing the liability are continually reviewed and any adjustments are reflected in current operations and accounted for as changes in estimates.

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 MLR rebates in accounts payable and accrued expenses 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 individual, and 85% for large group. The Commonwealth of Massachusetts has set an MLR threshold of 88% for 2022 and 2021 for the merged market as defined by Massachusetts state law.

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 general and administrative expenses in HPHC, Inc.'s statutory statements of operations. The accounts receivable related to uninsured plans represent receivables for administrative services and for claims and other expenses paid on behalf of self-insured employer groups. The amounts held under 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.

Health Benefits, Reserves for Unpaid Claims and Accrued Medical Incentive Pool

Health benefits include amounts paid or payable to hospitals, physicians, pharmacy benefit managers and providers of ancillary services, and also include certain medically-related administrative costs. The Company recognizes the cost of these services in the period in which services are provided. The costs recognized for accident and health benefits are reduced by the amount of pharmacy rebates earned, which are estimated based on historical utilization of specific

2. Summary of Significant Accounting Policies (continued)

pharmaceuticals, current utilization and contract terms. Pharmacy rebates earned but not yet received from pharmaceutical manufacturers are included in pharmaceutical rebates and healthcare receivable in the accompanying statements of admitted assets, liabilities, and capital and surplus.

Health benefits and reserves for unpaid claims include estimates of the Company's obligations for healthcare services that have been provided to members prior to December 31, but have not been paid, including claims that have been incurred but not reported (IBNR). These estimates are based on actuarial processes that are consistently applied and consider factors such as historical claims experience, claim processing lag times, cost and utilization trends, provider rate changes, membership volume and demographics, benefit plan changes, and business mix changes related to products, customers and geography. The estimate also includes a provision for adverse changes in claim frequency and severity.

The Company's estimate of reserves for unpaid claims represents management's best estimate, which management believes is reasonable and adequate to cover its obligations at December 31 however, actual claim payments may differ from its estimates. Given the extensive degree of judgment inherent in the actuarial processes, and the sensitivity to differences between assumptions and actual experience, the subsequent development of these reserves can vary from the recorded amounts and the differences could be material in some cases. The Company reviews its previous estimates each period based on actual claim submissions, or as more complete claim information becomes available. Any changes in estimates are reflected in health benefits and reserves for unpaid claims in the period in which the change is identified. Although considerable variability is inherent in such estimates, management believes that these reserves are adequate.

The Company records an accrued medical incentive pool liability based on contractual arrangements with various health care providers. Compensation arrangements vary by provider. Hospital and medical expenses include claims payments, capitation payments, and various other costs incurred to provide and manage medical care provided 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 the Company'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. The Company pays capitation under contractual agreements to a number of physicians and provider groups based on the number of enrolled Company members served by each physician or provider group. Certain providers have entered into risk-sharing arrangements with the Company, 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.

2. Summary of Significant Accounting Policies (continued)

Claims Adjustment Expenses

The Company records claims adjustment expenses to cover settlement expenses for all claims incurred through December 31. The amount of the estimated liability is based on current membership statistics, cost and utilization trends and other related information. The methods for making such estimates and for establishing the liability are continually reviewed and any adjustments are reflected in current operations and accounted for as changes in estimates.

Reinsurance

To help manage exposure to loss, the Company has entered into an aggregate stop-loss reinsurance agreement. Premiums ceded in accordance with the agreement are netted against net premium income, and any recoverable losses are treated as an offset to health benefits expense in the statements of operations. The Company remains primarily obligated for amounts ceded in the event that the reinsurer does not meet its obligations and, in such cases, would then be required to recognize the full obligations in its financial statements.

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 3.2% and 2% of HPHC, Inc.'s premium income in 2022 and 2021, respectively.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(Dollars in Thousands)

3. Investments

A summary of bonds and equity securities at December 31, 2022 and 2021, follows:

2022	**Book/Adjusted Carrying Value**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government securities	**$ 32,298**	**$ 100**	**$ (1,805)**	**$ 30,593**
Corporate bonds	**26,954**	**58**	**(1,479)**	**25,533**
Municipal bonds	**2,534**	**-**	**(205)**	**2,329**
MBS and ABS	**158,195**	**782**	**(10,092)**	**148,885**
Total bonds	**219,981**	**940**	**(13,581)**	**207,340**
Common stocks	**129,419**	**33,589**	**(6,983)**	**156,026**
Total bonds and common stocks	**$ 349,400**	**$ 34,529**	**$ (20,564)**	**$ 363,366**

2021	**Book/Adjusted Carrying Value**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
U.S. Government securities	**$ 3,790**	**$ 540**	**$ -**	**$ 4,330**
Corporate bonds	**106,577**	**4,359**	**(121)**	**110,815**
Municipal bonds	**2,010**	**123**	**(15)**	**2,118**
MBS and ABS	**119,867**	**4,469**	**(275)**	**124,061**
Non US Gov	**1,997**	**123**	**-**	**2,120**
Total bonds	**234,241**	**9,614**	**(411)**	**243,444**
Common stocks	**131,706**	**62,454**	**(210)**	**193,950**
Total bonds and common stocks	**$ 365,947**	**$ 72,068**	**$ (621)**	**$ 437,394**

(Dollars in Thousands)

3. Investments (continued)

This investment portfolio includes bonds and equity securities with fair values that have unrealized losses as follows:

	Less than 12 Months		More than 12 Months		Total	
	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses
2022						
U.S. Government securities	**$ 22,413**	**$ (1,805)**	**-**	**$ -**	**$ 22,413**	**$ (1,805)**
Corporate	**22,580**	**(1,323)**	**844**	**(156)**	**23,424**	**(1,479)**
Municipal	**1,917**	**(133)**	**412**	**(73)**	**2,329**	**(205)**
Mortgage Backed securities	**101,667**	**(8,278)**	**11,802**	**(1,814)**	**113,469**	**(10,092)**
Common Stocks	**30,897**	**(4,891)**	**18,144**	**(2,091)**	**49,040**	**(6,983)**
	$ 179,473	**$ (16,431)**	**$ 31,203**	**$ (4,134)**	**$ 210,676**	**$ (20,564)**
2021						
U.S. Government securities	$ -	$ -	$ -	$ -	$ -	$ -
Corporate	5,311	(91)	423	(30)	5,734	(121)
Municipal	470	(15)	-	-	470	(15)
Mortgage Backed securities	16,994	(261)	446	(14)	17,440	(275)
Common Stocks	22,031	(210)	-	-	22,031	(210)
	$ 44,806	$ (577)	$ 869	$ (44)	$ 45,675	$ (621)

The Company has a process in place to identify securities that could potentially have an impairment that is other-than-temporary. This process involves monitoring market events that could impact issuers' credit ratings, business climate, litigation and government actions, and other similar factors. This process also involves monitoring late payments, downgrades by rating agencies, and key financial ratios as indicators of credit issues. The Company considers relevant facts and circumstances in evaluating whether the impairment of the security is other-than-temporary. Relevant facts and circumstances include (1) the length of time the fair value has been below cost; (2) the financial position of the issuer; and (3) the Company's intent to sell the security or if it is more likely than not going to be required to sell the security before its anticipated recovery. To the extent the Company determines that a security is deemed to be other-than-temporarily impaired, the difference between book value and fair value would be charged to realized losses. Realized losses associated with investments that experienced other-than-temporary declines in fair value for the year ended December 31, 2022 and 2021, were $2,680 and $0 respectively.

The Company's investments are managed by management to guidelines approved by the Board of Directors, which includes limiting the amounts which may be invested in any one issuer. As of December 31, 2022 and 2021, the Company had no significant concentrations of credit risk in its investment portfolio.

(Dollars in Thousands)

3. Investments (continued)

The amortized cost and fair value by maturity date for debt securities, other than ABS and MBS, as of December 31, 2022 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:

	Book/Amortized Value	Fair Value
Less than 1 year	$ -	$ -
1–5 years	14,079	13,272
5–10 years	31,469	30,278
Greater than 10 years	16,238	14,906
Subtotal	61,786	58,456
ABS and MBS	158,195	148,884
Total bonds	$ 219,981	$ 207,340

Proceeds from the sale, maturity and principal reductions of debt securities in 2022 and 2021 were $190,693 and $148,910, respectively. There were realized gains of $376 and $791 related to debt securities in 2022 and 2021, respectively. There were realized losses of $4,900 and $486 related to debt securities in 2022 and 2021, respectively.

Proceeds from the sale of equity securities in 2022 and 2021 were $15,531 and $92,983, respectively. There were realized gains of $7,505 and $61,005 related to equity securities in 2022 and 2021, respectively. There were realized losses of $333 and $4 related to equity securities in 2022 and 2021, respectively.

There was no investment income due and accrued with amounts that are over 90 days past due that should be nonadmitted at December 31, 2022 and 2021.

(Dollars in Thousands)

3. Investments (continued)

Major categories of the Company's net investment income are summarized as follows:

	Year Ended December 31	
	2022	**2021**
Income:		
Short-term investments and cash	**$ 902**	$ 12
Bonds	**7,632**	8,653
Common stock	**4,606**	3,940
Common Stock-affiliates	**4,500**	-
Other invested assets	**6,309**	7,526
Total investment income	**$ 23,949**	$ 20,131
Less: investment fees	**1,480**	1,917
Net investment income	**$ 22,469**	$ 18,214

4. Fair Value

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 capital and surplus for cash, cash equivalents, short-term investments, 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.

(Dollars in Thousands)

4. Fair Value (continued)

***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 carrying amounts and fair values of the Company's investments are as follows:

	2022		**2021**	
	Carrying Amount	**Fair Value**	**Carrying Amount**	**Fair Value**
Bonds	**$ 219,981**	**$ 207,338**	$ 234,241	$ 243,444
Common stock	**129,419**	**156,026**	131,706	193,950
Cash, cash equivalents and short-term investments	**14,471**	**14,471**	18,661	18,661
Total	**$ 390,478**	**$ 377,835**	$ 384,608	$ 456,055

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of December 31, 2022 and 2021, along with a brief description of the valuation technique for each type of asset:

(Dollars in Thousands)

4. Fair Value (continued)

	Assets at Fair Value			
	Level 1	**Level 2**	**Level 3**	**Total**
2022				
Investments:				
U.S. government debt securities	**$ -**	**$ 30,593**	**$ -**	**$ 30,593**
Corporate bonds	**-**	**25,533**	**-**	**25,533**
Municipal bonds	**-**	**2,329**	**-**	**2,329**
MBS and ABS	**-**	**148,885**	**-**	**148,885**
Common Stocks	**156,026**	**-**	**-**	**156,026**
	$ 156,026	**$ 207,340**	**$ -**	**$ 363,366**
2021				
Investments:				
U.S. government debt securities	$ -	$ 4,330	$ -	$ 1,534
Non-U.S. government securities	-	2,120	-	2,120
Corporate bonds	-	110,815	-	110,815
Municipal bonds	-	2,118	-	2,118
MBS and ABS	-	124,061	-	124,061
Common Stocks	193,950	-	-	193,950
	$ 193,950	$ 243,444	$ -	$ 437,394

There were no Level 3 assets held at the beginning and end of 2022 and 2021.

There were no transfers into and out of Level 3 during 2022 and 2021.

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

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, 2022 and 2021. FHLB Class B stock is valued based on the par value of the stock.

There are no other financial assets or liabilities recognized at fair value on a recurring basis.

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, 2022 and 2021.

4. Fair Value (continued)

Cash, Cash Equivalents and Short-Term Investments—Cash, cash equivalents, short-term investments, common stock, money market funds and corporate bonds (consisting of exchange traded funds) are classified within Level 1 as fair values are based on quoted market prices. In instances where there are quoted prices in active markets for identical instruments, as is the case within the U.S. Treasury market and Mutual Funds, the securities are categorized as Level 1 of the fair value hierarchy.

Debt Securities, ABS and MBS—Investments are characterized as either Level 1 or Level 2 depending on specific characteristics. In instances where there are quoted prices in active markets for identical instruments, as is the case for US Treasury securities and exchange traded bond funds, the securities are categorized as Level 1 of the fair value hierarchy. For securities where the fair value of fixed income securities is estimated using recently executed transactions, market price quotations, bond spreads, or models that have inputs from published interest rate yield curves, as is the case with corporate bonds, municipal bonds and mortgage-backed securities, the securities are generally categorized as Level 2 of the hierarchy.

Common Stock—Unaffiliated common stock at December 31, 2022 and 2021 have active markets. The fair values for unaffiliated common stocks are based on quoted market values, which approximate market prices and are classified within Level 1.

5. Federal 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, 2022 and 2021.

(Dollars in Thousands)

6. Pharmaceutical Rebates Receivable

The estimated pharmacy rebates receivable of $ 37,803 and $ 27,217 as of December 31, 2022 and 2021, respectively, reported in pharmaceutical rebates and healthcare receivables on the financial statements represents the admitted rebates receivable as described in Note 2.

Quarter	**Estimated Pharmacy Rebates as Reported on Financial Statements**	**Pharmacy Rebates as Invoiced/ Confirmed**	**Actual Rebates Collected Within 90 Days of Invoicing/ Confirmation**	**Actual Rebates Collected Within 91 to 180 Days of Invoicing/ Confirmation**	**Actual Rebates Collected More Than 180 Days After Invoicing/ Confirmation**
12/31/2022	**$ 39,164**				
9/30/2022	**36,885**	**36,885**	**27,013**		
6/30/2022	**36,378**	**36,378**	**26,913**	**(293)**	
3/31/2022	**35,697**	**35,697**	**26,978**	**(979)**	**555**
12/31/2021	32,348	32,348	29,094	1,742	6,265
9/30/2021	31,717	31,717	29,269	495	6,153
6/30/2021	33,755	33,755	28,546	306	6,583
3/31/2021	31,338	31,338	26,643	435	6,390
12/31/2020	22,236	22,236	21,075	2,088	2,552
9/30/2020	23,814	23,752	21,375	1,430	3,907
6/30/2020	26,623	26,623	22,808	1,033	7,718
3/31/2020	27,839	27,839	24,766	1,684	4,756

As of December 31, 2022 and 2021, risk-sharing receivables as estimated are $1,698 and $1,428, respectively. In 2022 and 2021, risk-sharing receivables billed and received related to prior years were both $0.

(Dollars in Thousands)

7. Real Estate, Furniture, and EDP Equipment and Software

Real estate, furniture, and electronic data processing equipment (EDP) and software as of December 31, 2022 and 2021, consist of the following :

	Year Ended December 31	
	2022	**2021**
Land, building, and building improvements	**$ 46,682**	$ 45,063
Furniture and equipment	**19,404**	18,849
Leasehold improvements	**22,790**	22,790
EDP equipment and software	**558,444**	533,948
Total cost	**647,320**	620,650
Accumulated depreciation and amortization	**(562,566)**	(542,511)
Net statutory book value	**84,754**	78,139
Nonadmitted assets	**(60,786)**	(51,846)
Net admitted statutory book value	**$ 23,968**	$ 26,293

Depreciation expense amounted to $20,055 and $21,410 in 2022 and 2021, respectively.

(Dollars in Thousands)

8. Reserves for Unpaid Claims and Accrued Medical Incentive Pool

The changes in the claims unpaid and accrued medical incentive pool, net of healthcare receivable activity, for the years ended December 31, 2022 and 2021, are as follows:

	2022	2021
Balances at January 1:		
Reserves for unpaid claims	**$ 166,969**	$ 125,247
Accrued medical incentive pool	**29,044**	36,575
Pharmaceutical rebates and healthcare	**(52,953)**	(28,024)
	143,060	133,798
Incurred related to:		
Current year	**1,478,920**	1,681,334
Prior year	**(20,978)**	(31,050)
Total incurred	**1,457,942**	1,650,284
Paid related to:		
Current year	**(1,402,422)**	(1,544,368)
Prior year	**(118,725)**	(96,654)
Total paid	**(1,521,147)**	(1,641,022)
Balances at December 31:		
Reserves for unpaid claims	**136,819**	166,969
Accrued medical incentive pool	**27,186**	29,044
Pharmaceutical rebates and healthcare	**(84,150)**	(52,953)
	$ 79,855	$ 143,060

(1) For presentation purposes, the amounts reflect nonadmitted amounts that are excluded from the statements of admitted assets, liabilities and capital and surplus.

The Company uses estimates for determining its claims incurred but not yet reported, which are based on historical claim payment patterns, healthcare trends and membership and includes a provision for adverse changes in claim frequency and severity. Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claims payments become known. This information is compared to the originally established year end liability. Negative amounts reported for incurred related to prior years result from claims being

(Dollars in Thousands)

8. Reserves for Unpaid Claims and Accrued Medical Incentive Pool (continued)

settled for amounts less than originally estimated. The favorable development in medical claims payable for the years ended December 31, 2022 and 2021 is primarily attributable to actual claim payment patterns and cost trends differing from those assumed at the time the liability was established. Management believes its methodologies for reserving for unpaid claims are appropriate and represent its best estimate at December 31, 2022 and 2021. Methodologies utilized for current year reserves for unpaid claims are consistent with prior years.

9. Capital and Surplus

Life/health insurance companies are subject to certain Risk-Based Capital (RBC) requirements as specified by the NAIC. Under those requirements, the amount of capital and surplus maintained by a life/health insurance company is to be determined based on the various risk factors related to it. The Division of Insurance of the Commonwealth of Massachusetts has further required that the Company shall have and maintain capital and surplus in an amount equivalent to 300% of the Authorized Control Level RBC.

	2022	2021
Minimum capital requirements	$ 347,505	$ 373,200
Surplus	635,977	710,988
Excess	$ 288,472	$ 337,788

Without prior approval of the Insurance Commissioner, dividends to shareholders are limited by the laws of the Commonwealth of Massachusetts to the greater of 10% of the Company’s surplus as of December 31st of the preceding year or the net gain from operations for the preceding year ending December 31st to the extent HPHC, Inc. has unassigned surplus. The Company did not declare or pay any dividends in 2022 or 2021.

There are no restrictions placed on the Company’s unassigned surplus other than restrictions on dividend payments.

(Dollars in Thousands)

10. ACA Premium Stabilization Programs and Other ACA Provisions

The Company has written policies in 2022 and 2021 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, 2022 and 2021, is as follows:

	2022	2021
Permanent ACA Risk Adjustment Program		
Assets:		
1. Premium adjustments receivable due to ACA Risk Adjustment (including high risk pool payments)	**$ 25,485**	$ 35,896
Liabilities:		
2. Risk adjustment user fees payable for ACA Risk Adjustment	**198**	225
3. Premium adjustments payable due to ACA Risk Adjustment (including high risk pool payments)	**7,103**	7,203
Operations (revenue and expense):		
4. Reported as revenue in premium for accident and health contracts (written/ collected) due to ACA Risk Adjustment -(increase)/decrease to revenue	**(14,227)**	(48,363)
5. Reported in expenses as ACA Risk Adjustment user fees (incurred/paid)	**129**	328

Roll forward of prior year ACA risk-sharing provisions for the following asset and liability balances, along with the reasons for adjustments to prior year balance is as follows:

			Differences	Adjustments	Unsettled Balances as of the Reporting Date
	Accrued During the Prior Year on Business Written Before December 31	Received or Paid as of the Current Year on Business Written Before December 31 of the prior year	Prior Year Accrued Less Payments	To Prior Year Balances	Cumulative Balance from Prior Years
Permanent ACA Risk Adjustment:	Receivable (Payable)				
Premium adjustments receivable (including high risk pool payments)	$ 35,896	$ 28,131	$ 7,766	$ (7,653)	$ 113
Premium adjustments payable (including high risk pool payments)	(7,203)	3,594	(3,609)	(3,423)	(7,032)
Subtotal ACA Permanent Risk Adjustment	$ 28,693	$ 31,725	$ 4,157	$ (11,076)	$ (6,919)

(Dollars in Thousands)

11. Medical Loss Ratio Rebates

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, 2022 and 2021, that were subject to the retrospective rating features was $1.7 billion and $1.8 billion in 2022 and 2021, respectively, 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 accounts payable and accrued expenses on the statutory statements of admitted assets, liabilities, and capital and surplus:

	Individual	Small Group Employer	Total
Medical loss ratio rebates unpaid as of December 31, 2021	**$ -**	**$ 8,953**	**$ 8,953**
Medical loss ratio rebate incurred	**-**	**(6,699)**	**(6,699)**
Medical loss ratio rebates paid	**-**	**672**	**672**
Medical loss ratio rebates unpaid as of December 31, 2022	**$ -**	**$ 1,582**	**$ 1,582**
Medical loss ratio rebates unpaid as of December 31, 2020	$ 11,686	$ 6,178	$ 17,864
Medical loss ratio rebate incurred	2,914	14,692	17,606
Medical loss ratio rebates paid	14,600	11,917	26,517
Medical loss ratio rebates unpaid as of December 31, 2021	$ -	$ 8,953	$ 8,953

12. Employee Benefit Plans

Defined Contribution Plan—On September 22, 2021 the Human Resources Committee of the Board of Directors voted to approve the merger of the Harvard Pilgrim Health Care, Inc. PRISM 401(k) Savings, Match and Basic Plus Plan (“Plan”) into the Tufts Health Plan Retirement Plan (the “THP Plan”) effective at the stroke of midnight December 31, 2021 in accordance with Section 16.08 of the Plan and in accordance with the terms of the THP Plan and Internal Revenue Code Section 414(l) and regulations thereunder; (ii) allow Harvard Pilgrim Health Care, Inc. and Harvard Pilgrim Health Care Institute, LLC (collectively, the “HPHC Employers”) to become participating employers in the THP Plan effective at the stroke of midnight December 31, 2021 such that eligible employees of the HPHC Employers shall be eligible to participate in the THP Plan on and after such date; and (iii) approve the amendment of the THP Plan effective at the stroke of midnight December 31, 2021 to reflect the merger of the Plan into the THP Plan and the participation of eligible employees of the HPHC Employers in the THP Plan.

12. Employee Benefit Plans (continued)

HPHC, Inc. employees in 2021 participated in a defined contribution plan covering all employees. Participants could make salary deferral contributions up to 50% of their pay, subject to the legally permitted maximum and, after one year of service. In 2021, HPHC, made matching contributions equal to 100% of the first 4% of salary deferrals, subject to the legally permitted maximum. In 2021, HPHC, also made an annual contribution of 2% of pay, respectively, to each participant's account, regardless of whether the employee makes salary deferral contributions or not. In December 2021, it was announced that a discretionary 1% employer contribution would be made to the defined contribution plan for 2021. Employer contributions amounted to $83,000 for the year ended December 31, 2021. HPHC, Inc. moved to the Point32Health plan in 2022.

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 $3,100 and $4,289 for the years ended December 31, 2022 and 2021, 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 capital and surplus, until paid out to a participant or his or her beneficiary. Deferred compensation assets were $4,140 and $3,609 as of December 31, 2022 and 2021, 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.

(Dollars in Thousands)

12. Employee Benefit Plans (continued)

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 benefit obligation was $3,101 and $4,289 as of December 31, 2022 and 2021, respectively. As a result of the plan freeze and employees no longer accruing further benefits, the changes in benefit obligation, components of net periodic benefit cost, and estimated future benefit payments are not material to these statutory financial statements.

13. ASO Business

HPHC, Inc. provides certain benefit administration services for its uninsured customers. The net loss from providing these services as of December 31, 2022 and 2021, is as follows

	2022	2021
Income (Loss) incurred in excess of reimbursement for administrative services provided	**$ (40,394)**	$ (52,379)
Net Loss from operations	**$ (40,394)**	$ (52,379)
Total claim equivalents	**$ 1,130,511**	$ 1,268,331

As of December 31, 2022 and 2021, HPHC, Inc. had admitted assets of $42,724 and $27,005, respectively, in accounts receivable related to uninsured plan. HPHC, Inc. routinely assesses the collectability of its receivables. As of December 31, 2022 and 2021, HPHC, Inc. had a liability of $85,130 and $83,205, respectively, in accounts payable related to uninsured plan.

(Dollars in Thousands)

14. 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. 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 $60,000 borrowing limit to $120,000 to meet short term liquidity requirements. As of December 31, 2021, the Company determined the actual maximum borrowing capacity to be $120,000 and based this amount on anticipated borrowing and cash flow needs. As a requirement of the FHLB membership, the Company owned $600 and $200 of FHLB Class B membership stock as of December 31, 2022 and 2021, respectively. In addition, the Company is required to purchase FHLB activity stock up to 4% of the value of principal borrowed. The Company owned $1,600 and $1,600 of activity stock as of December 31, 2022 and 2021, respectively. Additionally, as of both December 31, 2022 and 2021, the Company owned $0 in excess stock.

The Company is required to pledge collateral for all outstanding borrowings with FHLB. As of December 31, 2022 and 2021, the Company had $40,000 and $40,000 principal borrowings with FHLB, respectively. The total fair value of the collateral pledged as of December 31, 2022 and 2021 was $46,919 and $43,956, respectively. The total carrying value of the collateral pledged as of December 31, 2022 and 2021 was $51,116 and $42,781, respectively. The total pledged amounts as of December 31, 2022 were equal to the maximum amounts pledged during the reporting period.

15. Reinsurance

Effective January 1, 2019, HPHC, Inc. began participating in the Maine Guaranteed Access Reinsurance Association (MGARA), which provides reinsurance for a portion of the Company's Maine high-risk individual health business. The MGARA program changed in 2022, where we don't cede members to a risk pool, instead submit claims over a certain threshold. There were no premium and medical costs assumed as of December 31, 2022 and 2021. A summary of premium and medical costs ceded as of December 31, 2022 and 2021, is as follows :

	2022	2021
Premium income ceded	**$ 16**	$ 14,597
Medical and hospital expenses ceded	**$ 36,835**	$ 23,954

15. Reinsurance (continued)

As of December 31, 2022 and 2021, HPHC, Inc. had net receivables related to the reinsurance agreements of $17,859 and $6,264, 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, 2022 and 2021, HPHC, Inc. had payables of $375 and $2,756, respectively, from the reinsurance agreements, which represent net premiums owed to the reinsurer for ceded business, and are recorded in accounts payable and accrued expenses on the statutory statements of admitted assets, liabilities, and capital and surplus.

16. Related-Party Transactions

Point32Health, Inc. (P32H)

Point32Health, Inc. contributed $35,000 and $50,000 of capital to HPHC, Inc. in 2022 and 2021, respectively. On December 31, 2021, HPHC, Inc. recorded a $20,000 capital contribution receivable from Point32Health, Inc. This contribution was settled on February 22, 2022. In accordance with SSAP No. 72, this contribution will be treated as a Type 1 subsequent event and reflected as a non-admitted receivable for the Company as of December 31, 2021. At December 31, 2022 and 2021, amounts receivable from P32H were $23 and $20,000, respectfully.

Harvard Pilgrim Health Care of New England, Inc. (New England)
HPHC, Inc. provides administrative and operational management services to New England. At December 31, 2022 and 2021, amounts receivable from New England were $ 6,103 and $8,243, respectfully.

Harvard Pilgrim Health Care, Inc. contributed $25,000 of bonds at fair market value to Harvard Pilgrim Health Care of New England, Inc. in 2022.

HPHC, Inc. made a $15,000 capital contribution to New England in 2021. Upon receiving Division of Insurance of the Commonwealth of Massachusetts approval, HPHC, Inc. made a $25,000 capital contribution to New England, which was settled on February 22, 2022. In accordance with SSAP No. 72, this contribution was treated as a Type 1 subsequent event and is reflected as a liability for HPHC, Inc. as of December 31, 2021.

Harvard Pilgrim Health Care Insurance Company, Inc. (the Insurance Company)
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. At December 31, 2022 and 2021, amounts receivable from Insurance Company were $ 15,342 and $9,030, respectfully.

16. Related-Party Transactions (continued)

Harvard Pilgrim Health Care Institute, LLC. (the Institute)

HPHC, Inc. makes contributions to the Institute to support their ongoing operations. At December 31, 2022 and 2021, amounts payable to the Institute were $4,518 and amounts receivable were $1,221, respectfully.

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, $20,000 thousand in the event of an unforeseen and material loss of revenue by the Institute. The Institute must maintain at least $1,000 thousand of net assets to be used in such an event before drawing down on this contingent support. These conditions were not met in 2022 or 2021.

Health Plans, Inc. (HPI)

HPHC, Inc. provides certain administrative and operational services to HPI. At December 31, 2022 and 2021, amounts payable to the HPI were $874 and amounts receivable were $21, respectfully.

Tufts Health Public Plans, Inc. (THPP)

The net amount due from THPP was $952 and $0 at December 31, 2022 and 2021, respectively.

Tufts Insurance Company, Inc. (TICO)

The net amount due from TICO was $61 and $0 at December 31, 2022 and 2021, respectively.

Point32Health Services, Inc (P32HS)

The net amount due to P32HS was $49,346 and $0 thousand at December 31, 2022 and 2021, respectively.

Point32Health Foundation (Foundation)

The net amount due to Foundation was $757 and $0 thousand at December 31, 2022 and 2021, respectively.

16. Related-Party Transactions (continued)

Tufts Associated Health Maintenance Organization, Inc. (TAHMO)

The net amount due to TAHMO was $2,032 and $0 thousand at December 31, 2022 and 2021, respectively.

Tufts Benefit Administrators, Inc. (TBA)

The net amount due from TBA was $17 and $0 thousand at December 31, 2022 and 2021, respectively.

Total Health Plan (THP)

The net amount due from THP was $1,063 and $0 thousand at December 31, 2022 and 2021, respectively.

Care Partners of Connecticut, Inc. (CPCT)

At December 31, 2022 and 2021, $1 and $0 thousand was due from CPCT, respectively.

As a result of significant related party transactions, the Company's financial condition and results from operations may not necessarily be indicative of the financial condition or results of operations that would have occurred if the Company had been operating on a standalone basis.

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, 2022.

Workforce Transfer

On January 1, 2022, Harvard Pilgrim Health Care, Inc. (HPHC) transferred all its employees (herein after referred to as its "Workforce") to P32HS for valuable consideration in the amount of $35,000 in accordance with an agreement effective January 1, 2022.

(Dollars in Thousands)

16. Related-Party Transactions (continued)

P32HS is a for-profit corporation wholly owned by TAHMO, a not-for-profit Massachusetts corporation, and provides management services to TAHMO and its subsidiaries for many of their administrative needs. HPHC and TAHMO share a common parent, P32H and therefore, HPHC, P32HS and P32H are related parties. Under SSAP 25, the transfer of HPHC's workforce constituted a non-economic transaction. SSAP 25 states that non-economic transactions between entities, which meet the definition of related parties, shall be recorded at the lower of existing book values or fair values at the date of the transaction. The transaction of transferring HPHC's workforce to P32HS was not recognized in the financial statements because the existing book value on HPHC's financial statements at the date of the transaction, January 1, 2022, was equal to zero.

17. Commitments and Contingencies

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 2027, 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, 2022 :

Years Ending December 31	Amount
2023	$ 1,872
2024	1,575
2025	1,579
2026	1,583
2027	1,587
Thereafter	9,594
Total	$ 17,791

Total rent expense on all leases was $3,451 and $6,678 in 2022 and 2021, respectively.

17. Commitments and Contingencies (continued)

Legal Matters

From time to time, the Company and certain of its affiliates and subsidiaries are parties to legal actions related to the design and management of the Company's service offerings. The Company records liabilities for estimates of probable costs resulting from these matters which include but are not limited to claims relating to healthcare benefits coverage and contractual interpretation disputes. Management believes that any liability that may result from any one of these actions, or in the aggregate, is unlikely to have a material adverse effect on its financial position or results of operations.

The Company also is involved in various legal actions in the ordinary course of business. In the opinion of management, there are no legal proceedings pending against or involving the Company whose outcome is likely to have a material adverse effect on the financial position or results of operations of the Company as of December 31, 2022.

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 $60,000 and is subject to adjustment for changes in service levels, cost management by HPHC, Inc. and performance incentives for NTT DATA. In July 2023, a bridge extension was executed as the contract is being renegotiated between HPHC, Inc. and NTT DATA.

(Dollars in Thousands)

18. Reconciliation of Annual Statutory Filing to Audited Statutory Financial Statements

December 31, 2022 Annual Statutory filings differ from the Audited Statutory Financial Statements due to an adjustment related to the investment in HPI. This adjustment was booked to March 2023.

	As reported in the 2022 Annual Statements	Difference	As reported in the Audited Statutory Financial Statements
Statement of admitted assets, liabilities, and capital and surplus			
Common stock - affiliates	$ 327,161	$ 2,295	$ 329,456
State of change in capital and surplus			
Change in net unrealized gain (loss)	$ (86,011)	$ 2,295	$ (83,716)

There were no such reclassifications in 2021.

19. Subsequent Events

On April 17, 2023, our parent entity Point32Health, Inc. experienced a ransomware cyberattack. Our parent immediately notified its cyber insurer and engaged external counsel to investigate the matter. External counsel retained a forensic company to assist it in the investigation. As of September 18, 2023, the expenses associated with the ransomware cyberattack do not have a material impact on our parent's operating results or financial position subsequent to December 31, 2022. Our regulatory agencies were notified timely after the attack. The incident does not have an impact on the Company's 2022 financial results or reported amounts.

No other material subsequent events were noted other than those already disclosed. Subsequent events were evaluated through September 18, 2023, the date the financial statements were available to be issued.

Supplementary Information

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Agency for Healthcare Research and Quality				
Improving Missing Data Analysis in Distributed Research Networks	93.226			$ 63,158.76
Developing Evidence-Based Sepsis Time Zero Criteria and Quality Metrics Using Electronic Health Record Data	93.226		75,315.75	529,614.48
Methods for Profiling Hospital Performance Based on Healthcare-Associated Infections	93.226			294,833.34
Improving Antibiotic Treatment Decisions Through Machine Learning	93.226			151,810.26
Reducing Antimicrobial Overuse Through Targeted Therapy for Patients with Community-Acquired Pneumonia	93.226			7,233.12
Passed Through - Children's Hospital Corporation - Spread of Safety Interventions: Planning for Context	93.226	1R18HS027401-01A1		18,296.72
			$ 75,315.75	$ 1,064,946.68
CDC Foundation				
Passed Through - Task Force Global Health - COVID-19 Electronic Health Data Initiative	93.RD	NU38OT000316-03-02		380,208.71
			$ -	$ 380,208.71
Center for Disease Control				
CLUSTER Trial IPA - N Varma	93.220	IPA 22IPA2213004		49,377.44
CLUSTER Trial IPA - A Isaacs	93.220			5,907.25
Vaccine Safety Datalink Project, VSD Infrastructure Activities	93.RD			124,104.31
SHEPheRD TO 0005: Intelligent Stewardship Prompts to Improve Real-Time Empiric Antibiotic Selection (INSPIRE)	93.RD			46,922.89
VSD SME Participation Task Order	93.RD			47,977.23
Harnessing Electronic Health Records to Enhance Reporting to the Vaccine Adverse Event Reporting System (VAERS): Phase 2, Implementation and Update	93.RD			(230.89)
Surveillance for Non-Ventilator Hospital Acquired Pneumonia using Structured Electronic Health Record Data	93.RD			50,717.87
VSD COVID-19 Infrastructure and SME Participating Activities	93.RD			88,496.17
Tree-Based Data Mining for COVID-19 Vaccine Safety Assessment in the Vaccine Safety Datalink (VSD)	93.RD			272,379.84
Epicenter V: Harvard Pilgrim Health Care Institute Center for Excellence in HAI Surveillance	93.084		1,603.23	508,482.97
Epicenter V - Supplement 1 Large: The NEVER Trial (Nursing Excellence to avoid pnEumonia Randomized Trial)	93.084			558,052.61
Epicenter V - Supplement 2 Medium: Deconstructing sepsis bundle compliance and rates of overtreatment	93.084			196,692.58
SHEPheRD Program 2021 Domain 1-A012 for COVID-19	93.RD		345,226.10	394,476.42
Research to Improve National and Global Responses to Emerging Health Threats: Accelerating Mathematical Modeling Development	93.RD		687,857.50	776,063.75
Passed Through -Duke University - Long-term Impact of Reduced Patient Out-of-pocket Costs on Diabetes Complications II	93.945	U18DP006696		451,844.38
Passed Through - Rush University Medical Center - Evaluating Emergence of Resistance and Changes in Clinical Pathogens Following Introduction of Chlorhexidine Bathing	93.RD	75D30119C06549		(514.25)
Passed Through - The Task Force for Global Health, Inc. - Childhood Obesity Data Initiative	93.421	U38OT000216		26,009.46
			$ 1,034,686.83	$ 4,096,760.03
Food and Drug Administration				
Develop and Implement the Sentinel Coordinating Center Work plan	93.RD		0.01	362.93
Sentinel TO 8T: Catalyst and Broader Uses of Sentinel Infrastructure	93.RD			16.61
Sentinel 2014 TO 9T: Standardization and Querying of Data Quality Metrics and Characteristics for Electric Health Data	93.RD			575,730.82
Sentinel 2014 TO 10T: Rapid Safety Surveillance Capability	93.RD			244,301.59
Sentinel 2014 TO 12T: Sentinel Infrastructure, Methods, and Surveillance	93.RD		140,865.73	441,488.57
Sentinel 2014 TO 11T: Office of Medical Policy 21st Century Cures Real World Evidence Demonstration Projects	93.RD		60,941.38	535,906.72
Sentinel 2014 TO 75F40119F19013: Development of Webb App for Individual Patient Expanded Access IND Applications	93.RD			172,502.34
Sentinel Initiative TO 1: Operations Center	93.RD		7,578,000.67	27,144,595.19
Sentinel Initiative TO 2 Innovation Center	93.RD		6,863,981.13	7,982,482.47
Teratogenic Risk Impact and Mitigation (TRIM): An Evidence-based Decision Framework	93.000			8,922.36
Rapid Covid-19 Sentinel Distributed Database (SDD)	93.RD		18,163.73	75,922.57

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
CLIN 3 - EHR Data support FDACHR (38)	93.RD		191,666.66	261,133.62
CLIN 4 - Preserve ARIA Querying for COVID-19 analysis	93.RD			105,377.21
CLIN 5 - Preserve ARIA Querying for COVID-19 analysis	93.RD			133,865.77
CLIN 6- ARIA Tool Enhancement Gen Risk Score	93.RD			111,435.51
CLIN 7 - MarketScan Labs Maintenance	93.RD			12,471.64
CLIN 8 - Code Lookup Tool Maintenance	93.RD			5,063.01
CLIN 9 - MarketScan comparison Report	93.RD			53,182.09
CLIN 10 - ARIA Tool Mantenance for Medication Dose	93.RD			6,787.46
CLIN 11-SCDM v 8.0.0 Maintenance	93.RD			10,167.94
CLIN 12 - ARIA Querying and Reg Support	93.RD			644,451.95
CLIN 13 - ARIA Querying and Reg Support	93.RD			155,202.83
CLIN 14 - ARIA Querying and Reg Support	93.RD			74,129.38
CLIN 15 - ARIA Querying and Reg Support	93.RD			236,033.33
CLIN 16 - Preserve ARIA Querying for COVID-19 analysis	93.RD			8,406.32
Sentinel Initiative TO 6 CLIN 1 -Sentinel IC EHR Data Task Order	93.RD		1,280.78	36,122.88
Sentinel Initiative TO 7 CLIN 1 - Sentinel Website Project 1	93.RD			39,739.69
Sentinel Initiative TO 7 CLIN 2 - Sentinel Website Project 1	93.RD			3,959.61
Sentinel Initiative TO 7 CLIN 3 - Sentinel Website Project 2	93.RD			22,061.82
Sentinel Initiative TO 7 CLIN 5 - Sentinel Website Project 3	93.RD			3,284.72
Passed Through - Kaiser Foundation Research Institute - Effects of Medical Products on Suicidal Ideation and Behavior-Real World Evidence	93.RD	HHSF223201810201C		19,417.12
Passed Through - Medical Device Innovation Consortium - NESTcc Active Surveillance Phase II	93.103	U01FD006292		216.51
			$ 14,854,900.09	$ 39,124,742.58
Nat Institutes of Health - Office of the Director				
Passed Through - Children's Hospital of Philadelphia Research Institute - The PCORnet Pediatric Study of Post-Acute Sequelae of SARS-CoV-2 Infection in Children and Adolescents	93.838	OT2HL161847-01		33,232.62
Passed Through - Cornell University - The PCORnet EHR Study of Post-Acute Sequelae of SARS-CoV-2 Infection in Adults	93.838	OT2HL 161847-01		21,624.64
Passed Through - Duke University - Developing a Grassroot Engagement Framework to Overcome Barriers to African American Participation in Precision Medicine Research	93.000	OT2OD031925		28,719.11
			$ -	$ 83,576.37
National Association of Chronic Disease				
Improving Chronic Disease Surveillance and Management through the Use of EHRs/Health Informat	93.421			55,493.20
			$ -	$ 55,493.20
National Cancer Institute				
Advanced Breast Imaging: Trends and Outcomes Associated with Recent Breast Density Reporting	93.393		(7,670.16)	10,318.99
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		3,161.11
Passed Through - Boston Children's Hospital - Can Risk-Reducing Medications Improve Breast Cancer Prevention in Childhood and Adolescent Cancer Survivors? Comparative Modeling to Inform Care	93.393	R01CA261874-01A1		31,205.66
Passed Through - Geisinger Clinic - Implementing Universal Lynch Syndrome Screening Across Multiple Healthcare Systems	93.353	R01-CA211723		34,254.92
Passed Through - Harvard School of Public Health - ISCCCE: A Competitive Revision to Accelerate COVID Testing in Vulnerable Communities	93.310	P50CA244433		22,548.00
Passed Through - The Regents of the University of California - Risk-Based Breast Cancer Screening and Surveillance in Community Settings	93.393	P01-CA154292		66,509.07
Passed Through - University of Wisconsin-Madison - Comparative Modeling of Precision Breast Cancer Control Across the Translational Continuum	93.393	U01CA253911		149,706.84
Passed Through - Trustees of Boston University - Socio-environmental context in monoclonal gammopathy of undetermined significance (MGUS) disparities	93.393	1R01CA249982-01A1		31,139.03
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		54,663.41
			$ (7,670.16)	$ 403,507.03

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

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 Advancing Translational Sciences				
Implementation of Whole Genome Sequencing as Screening in a Diverse Cohort of Health Infants	93.350			103,330.12
			$ -	$ 103,330.12
National Center for Complementary and Integrative Health				
Passed Through - Duke University - NIH Health Care Systems Research Collaboratory - Coordinating Center	93.213	U24-AT009676		121,639.83
Passed Through - Duke University - HEAL Collaboratory Resource Coordinating Center (PRISM) (U24)	93.213	U24-AT010961		26,653.04
			$ -	$ 148,292.87
National Heart, Lung, & Blood Institute				
Improving Childhood Obesity-Related Behavior Change through Better Risk Communication	93.837			31,745.35
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		813,263.87	970,319.03
Sociomarkers to Predict Asthma Control and Emergency Room Visits (SPACER)	93.838			104,960.90
Parent-Perceived Important Topics for Childhood Obesity	93.837		17,492.55	92,311.66
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		77,946.92
Passed Through - Brigham and Women's Hospital - Impact of Low Flow Nocturnal Oxygen Therapy	93.837	U24-HL140412		38,193.54
Passed Through - Brigham and Women's Hospital - Pharmacogenomics of Adrenal Suppression with Inhaled Corticosteroids (PhASIC)	93.838	R01HL152244		10,505.79
Passed Through - Brigham and Women's Hospital - COPD Susceptibility, Heterogeneity and Progression: Proteomics and Genetics	93.838	2 R02HL133135-05A1		6,307.21
Passed Through - Children's Hospital Medical Center - Randomized Control Trial of oxygen therapy in Children and Adolescents with Down Syndrome and Obstructive Sleep Apnea	93.838	1R61HL165366-01		18,641.54
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		38,148.92
Passed Through - Harvard School of Public Health -Genetic Epidemiology of Chronic Obstructive Pulmonary Disease	93.838	5U01HL089856-15		23,762.75
Passed Through - The Broad Institute Inc - Return of Genomic Results and Estimating Penetrance in Population-Based Cohorts	93.837	R01HL143295		11,585.13
			$ 830,756.42	$ 1,429,428.74
National Human Genome Research Institute				
Cost-effectiveness of Whole Genome Sequencing of Healthy Adults	93.172			24.23
Surveillance for Outcomes of Genomic Medicine Policies	93.172		234,000.76	473,812.35
An ELSI-Integrated Evaluation of the Family-Level Utility of Pediatric Genomic Sequencin	93.172			39,860.46
			$ 234,000.76	$ 513,697.04
National Institute of Alcohol Abuse & Alcoholism				
Passed Through - Duke University - Impact of High Deductible Health Plans and COVID-19 on Alcohol Use Disorder Treatment Access, Outcomes, and Disparities	93.273	1R01AA029819-01		68,118.14
			$ -	$ 68,118.14
National Institute of Allergy and Infectious Diseases				
Network Modeling & Robust Estimation of the Intraclass	93.855		14,444.82	66,889.53
Population-Level Effects of Increasing PrEP Uptake on HIV and Bacterial STIs	93.855		13,985.12	47,960.34
National Institute of Allergy and Infectious Diseases	93.855		280,573.97	1,475,376.39
The Home Mycobiome and Childhood Asthma	93.855		(22,706.29)	(22,706.29)
Modeling of Viral Load Trajectories for HIV Cure Research	93.855			2,875.45
Cabotegravir PrEP: Actionable Robust Evidence for Translation into Practice (CABARET)	93.855		2,755.20	46,128.47
Passed Through - Duke University - Leveraging Local Health System Electronic Health Record Data to Enhance PrEP Access in Southeastern Louisiana: A Community-Informed Approach	98.855	1R01AI169641-01		22,521.25

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed Through -Harvard University - Harvard University Center for AIDS Research: Clinical Decision Support for PrEP	93.855	P30AI060354		127,090.07
Passed Through - Johns Hopkins Bloomberg School Of Public Health - Enhancing Rigor and Generalizability through Technical Support, Mentorship and Collaboration to End the HIV Epidemic in the U.S.	93.855	2P30AI094189-11		13,206.02
Passed Through - Massachusetts General Hospital - S.H.E. PrEP: Sexual Health Empowerment Approach to PrEP Delivery for Black Women in Safety Net Settings	93.855	5T32AI007433-30		14,423.71
Passed Through - The Regents of the University of California -Revealing Reservoirs during Rebound (R3)	93.855	P01-AI131385		78,938.05
			$ 289,052.82	$ 1,872,903.19
National Institute of Arthritis and Musculoskeletal and Skin Diseases				
Passed Through - Brigham and Women's Hospital - Respiratory infections and vaccination behaviors in patients with chronic inflammatory skin diseases	93.846	K23AR073932		8,195.17
			$ -	$ 8,195.17
National Institute of Child Health Human Development				
Age-Dependent Pharmacogenomics of Asthma Treatment (ADAPT)	93.865			(842.20)
Pre- and Peri-natal Predictors of Childhood Obesity	93.865		163,211.64	1,249,474.13
Precision Medicine and Treatment (PreEMT)	93.865		60,246.67	246,966.97
Gestational Diabetes pathophysiology uncovered by placental transcriptomics	93.865		462,493.76	730,995.05
A Life course Approach to Women's Metabolic and Bone Health: from Fertility to Perimenopause	93.865		141,970.29	599,013.49
Prenatal environmental determinants of health in young adulthood: a lifecourse approach	93.865		9,500.00	259,210.00
Big data apprOaches fOr Safe Therapeutics in Healthy Pregnancies (BOOST-HP)	93.865			60,890.26
Passed Through - Harvard School of Public Health - Long-Term Consequences of Birth by Cesarean Section	93.865	1R01HD093761-01A1		98,629.84
Passed Through - Johns Hopkins Bloomberg School Of Public Health - Evaluating a Healthy Restaurant Kids' Meals Policy	93.865	R01HD100983		19,500.57
Passed Through - Tufts - Placental miRNAs paracrine and endocrine roles in insulin sensitivity in pregnancy	93.865	1R01HD109206-01		24,839.14
			$ 837,422.36	$ 3,288,677.25
National Institute of Diabetes, 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		43,626.25	312,492.00
New Insights into Federal Calorie Labeling Law	93.847		362,294.93	682,850.44
Medications and Weight Gain in PCORnet: The MedWeight Study	93.847		322,753.72	827,313.31
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		97,532.85
Passed Through - Boston Medical Center - Boston Nutrition Obesity Research Center	93.847	5P30DK046200-29		5,887.67
Passed Through - Harvard School of Public Health - Robust Methods for Missing Data in Electronic Health Records-Based Studies	93.847	1R01DK128150-01		27,675.49
Passed Through - National Institute of Diabetes, Digestive & Kidney Disorder- Decision to Initiate Lifestyle Changes for Childhood Obesity (DIsCOD)	93.847	3P30DK040561-2451		23,151.56
Passed Through - Trustees of the University of Pennsylvania - Evaluating the influence of a beverage tax on health outcomes	93.847	1R01DK123624-01A1		102,761.91
			$ 728,674.90	$ 2,079,665.23
National Institute of Environmental Health Sciences				
Maintain and Enrich Resource Infrastructure for Project Viva: a pre-birth cohort with follow-up into adolescence	93.113			507,831.21
Passed Through - Brigham & Women's Hospital - Early Life Exposure to the Natural, Built, and Social Environments and Incident Hypertension	93.113	5R01ES029840		73,564.62
Passed Through - Harvard School of Public Health - Maternal and Paternal Preconception Environmental Exposures and Children's Health	93.113	R01-ES027408		16,735.56
Passed Through - Harvard School of Public Health - Per- and Polyfluoroalkyl substances mixtures and maternal cardiovascular disease risk across the reproductive life course	93.113	R01ES031065-01A1		85,742.33
Passed Through - Harvard School of Public Health - Exposure to Air Pollutants and Upper Airway Microbial Communities in Project Viva - FAF Funding	93.113	P30ES000002		9,823.15

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed Through - Icahn School of Medicine at Mt. Sinai - Stress-Chemicals Interactions and Neurobehavior in School Age Children	93.113	R01-ES013744		43,136.94
Passed Through - Maine Medical Center - Environmental chemicals, adiposity, and bone accrual across adolescence	93.113	1R01ES030101-01 REVISED		74,017.06
Passed Through - The Regents of the University of California -Prenatal and Postnatal Exposure to Environmental Mixtures: Neurodevelopment and DNA Methylation Biomarkers	93.113	R01ES031259		32,047.46
Passed Through - University of Cincinnati - Epigenetics, air pollution, and childhood mental health	93.113	5R01ES031054-02		45,530.05
			$ -	$ 888,428.38
National Institute of Mental Health				
Distribution of Child Mental Health Workforce & Health Care for Children with Autism	93.242			55,944.67
Optimizing EHR-Based Prediction Models to Improve HIV PrEP Use in Community Health Centers	93.242		150,508.59	206,260.41
Can the Medicare Quality Payment Program Incentivize Evidence-Based Treatment of Depression and Anxiety Disorders by Primary Care Providers	93.242			14,758.11
The Role of Sex in Genetic Association Studies of Depression	93.242		40,152.34	322,034.14
Hybrid implementation-effectiveness study to optimize HIV testing and PrEP in southern jail (HOTSPOT	93.242			31,920.02
Passed Through - Kaiser Foundation Research Institute - Mental Health Research Network III	93.242	U19MH121738		53,533.72
Passed Through - Emory University - STI Response and Recommendation Under PrEP	93.242	1R01MH128130-01A1		70,004.08
			$ 190,660.93	$ 756,455.35
National Institute of Nursing Research				
Reducing Maternal Health Disparities: Effects of Recent Health Workforce Policies	93.361			128,487.00
			$ -	$ 128,487.00
National Institute on Aging				
Novel Causal Inference Methods to Inform Clinical Decision on when to Discontinue Symptomatic Treatment for Patients with Dementia	93.866			90,823.85
Optimizing Care for Older Adults in the New Treatment Era for Type 2 Diabetes and Heart Failure: Strengthening Causal Inference Through Novel Approaches and Evidence Triangulation	93.866			47,828.41
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		137,137.21
Passed Through - Brigham & Women's Hospital - Center for Stress and Neural Regulation of Reproductive Aging Health Outcomes	93.866	1U54AG062322-01A1		322,983.04
Passed Through - Brown University - NIA AD/ADRD Health Care Systems Research	93.866	U54-AG063546		48,359.57
Passed Through - Brown University - NIA AD/ADRD Health Care Systems Research Collaboratory	93.866	5U54AG063546-03		314,451.85
Passed Through - Harvard School of Public Health - Optimism and Exceptional Longevity	93.866	R01-AG053273		20,297.39
Passed Through - Kaiser Foundation Research Institute - Drug Benefit Design and Adherence Disparities in Older Adults	93.866	2R56AG032249	(73,234.80)	(73,234.80)
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		170,375.40
Passed Through - University of Massachusetts Worcester - Preparing For What Is Next With Aducanumab In Real World Settings MGB/R33	93.866	R33AG057806		59,910.62
			$ (73,234.80)	$ 1,138,932.54
National Institute on Drug Abuse				
Impact of Medicare Part D Opioid Safety Policies on Disabled Beneficiaries Before and During the COVID-19 Pandemic	93.279		15,836.51	115,596.52

(Continued)

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
Passed Through - Trustees of the University of Pennsylvania - Project SMART: Social Media Anti-vaping Messages to Reduce ENDS Use Among Sexual and Gender Minority Teens	93.279	1-R01-DA-054236-01		31,565.18
			$ 15,836.51	$ 147,161.70
National Institute on Minority Health and Health Disparities				
Impact of the National Health Service Corps on Health Disparities	93.307		37,863.44	446,545.48
Sexual orientation-related disparities in obstetrical and perinatal health	93.307		192,486.14	922,635.63
Underdiagnosis of primary immunodeficiency disorders among racial and ethnic minorities: Recognize and Educate	93.307			78,089.13
Improving representation of racial and ethnic minorities in pediatric clinical trials	93.307			62,002.41
			$ 230,349.58	$ 1,509,272.65
National Institutes of Health - Office of the Director				
Common and Distinct Early Environmental Influences on Cardio metabolism	93.310		561,236.29	2,571,514.29
Passed Through - National Institutes of Health -OIF Neighborhood Opportunities and Disparities in Child	93.310	5U2COD023375-07		42,691.70
Passed Through - Duke University- ECHO Coordinating Center OIF Seeing the Forest for the Trees: Developing Google Street View-based Metrics of Nature and Their Influence on Health	93.310	5U2COD023375-04		40,971.96
			$ 561,236.29	$ 2,655,177.95
Total Federal Expenses by Award for FY2022			$ 19,801,988.28	$ 61,945,457.92

(Concluded)

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, 2022, which accounted for all of its federal award expenditures during 2022. 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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Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5000
ey.com

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, 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 (*Government Auditing Standards*), the statutory-basis financial statements of Harvard Pilgrim Health Care, Inc. (the *Company)*, which comprise the statement of admitted assets, liabilities, and capital and surplus as of December 31, 2022, and the related statements of operations, changes in capital and surplus and cash flow for the year then ended, and the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated September 18, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Company's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the 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 a 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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Company's financial statements are free of 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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Ernst & Young LLP

September 18, 2023

Ernst & Young LLP
One Commerce Square
Suite 700
2005 Market Street
Philadelphia, PA 19103

Tel: +1 215 448 5000
Fax: +1 215 448 5000
ey.com

Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report of Independent Auditors on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Harvard Pilgrim Health Care, Inc.'s compliance with the types of compliance requirements identified as subject to audit in the U.S. Office of Management and Budget (OMB) *Compliance Supplement* that could have a direct and material effect on each of Harvard Pilgrim Health Care, Inc.'s major federal programs for the year ended December 31, 2022. Harvard Pilgrim Health Care, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Harvard Pilgrim Health Care, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Harvard Pilgrim Health Care, Inc. and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on compliance for each major federal program. Our audit does not provide a legal determination of Harvard Pilgrim Health Care, Inc.'s compliance with the compliance requirements referred to above.

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Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Harvard Pilgrim Health Care, Inc.'s federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Harvard Pilgrim Health Care, Inc.'s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Harvard Pilgrim Health Care, Inc.'s compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Harvard Pilgrim Health Care, Inc.'s compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Harvard Pilgrim Health Care, Inc.'s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Harvard Pilgrim Health Care, Inc.'s internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations during our audit, we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Ernst & Young LLP

September 18, 2023

HARVARD PILGRIM HEALTH CARE, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I – Summary of Auditor's Results

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?	____	**yes**	X	**no**
Significant deficiencies identified?	____	**yes**	X	**none reported**
Noncompliance material to financial statements noted?	____	**yes**	X	**no**

Federal Awards

Internal control over major federal programs:				
Material weaknesses identified?	____	**yes**	X	**no**
Significant deficiencies identified?	____	**yes**	X	**none reported**
Type of auditor's 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)?	____	**yes**	X	**no**

Identification of major federal programs:

Assistance Listing number:	**Name of federal program or cluster**
Various	Research and Development Cluster

Dollar threshold used to distinguish between Type A and Type B programs:	$ 1,858,364			
Auditee qualified as low-risk auditee?	X	**yes**	____	**no**

Section II – Financial Statement Findings

None reported.

Section III – Federal Award Findings and Questioned Costs

None reported.