

STATE OF CONNECTICUT

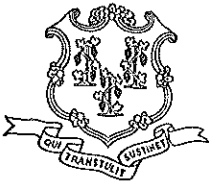
INSURANCE DEPARTMENT

ORDER ADOPTING REPORT OF EXAMINATION

I, Andrew N. Mais Insurance Commissioner of the State of Connecticut, having fully considered and reviewed the Examination Report (the "Report") of **CarePartners of Connecticut, Inc.** (the "Company") as of December 31, 2020, do hereby adopt the findings and recommendations contained therein based on the following findings and conclusions,

TO WIT:

1. I, Andrew N. Mais, as the Insurance Commissioner of the State of Connecticut, and as such is charged with the duty of administering and enforcing the provisions of Title 38a of the Connecticut General Statutes ("CGS").
2. The Company is a domestic insurer authorized to transact the business of insurance in the State of Connecticut.
3. On May 19, 2022, the verified Report of the Company was filed with the Connecticut Insurance Department ("Insurance Department").
4. In accordance with Section 38a-14(e)(3) of the CGS, the Company was afforded a period of thirty (30) days within which to submit to the Insurance Department a written submission or rebuttal with respect to any matters contained in the Report.
5. On June 17, 2022, the Company filed a written submission indicating that they were in agreement with all of the recommendations contained in the Report. A copy of the Report is attached hereto and incorporated herein as Exhibit A.



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NOW, THEREFORE, it is ordered as follows:

1. That the Report of the Company hereby is adopted as filed with the Insurance Department.
2. That the Company shall comply with all of the recommendations set forth in the Report, and that failure by the Company to so comply shall result in sanctions or administrative action as provided by Title 38a of the CGS.
3. Section 38a-14(e)(4)(A) of the CGS requires that:

"The secretary of the board of directors or similar governing body of the entity shall provide a copy of the report or summary to each director and shall certify to the commissioner, in writing, that a copy of the report or summary has been provided to each director."

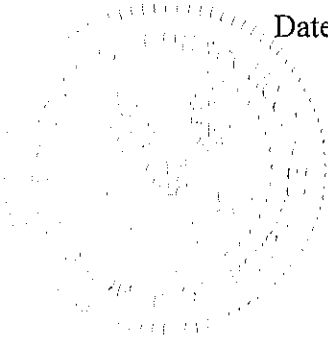
Please address the certification to the commissioner but send[ing] to the care/attention of William Arfanis, Division Director, of the Financial Regulation Division.

4. Section 38a-14(e)(4)(B) of the CGS requires that:

"Not later than one hundred twenty days after receiving the report or summary, the chief executive officer or the chief financial officer of the entity examined shall present the report or summary to the entity's board of directors or similar governing body at a regular or special meeting."

This will be verified by the Insurance Department either through analysis or examination follow-up.

Dated at Hartford, Connecticut, this 20th day of June, 2022.



A handwritten signature in black ink, appearing to read "Andrew N. Mais", is written over a horizontal line.

Andrew N. Mais
Insurance Commissioner

EXHIBIT A

EXAMINATION REPORT

OF

**CAREPARTNERS OF CONNECTICUT, INC.
(NAIC # 16307)**

AS OF DECEMBER 31, 2020

BY THE

CONNECTICUT INSURANCE DEPARTMENT



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May 19, 2022

The Honorable Andrew N. Mais
Insurance Commissioner
State of Connecticut Insurance Department
153 Market Street, 6th Floor
Hartford, Connecticut 06103

Dear Commissioner Mais:

In compliance with your instructions and pursuant to the requirements of Section 38a-14 of the Connecticut General Statutes (CGS), the undersigned has conducted a financial examination of the condition and affairs of

CarePartners of Connecticut, Inc.

(hereinafter referred to as the Company or CPCT), a corporation incorporated under the laws of the State of Connecticut and having its home and administrative office located at 705 Mount Auburn Street, Watertown, Massachusetts. The report of such examination is submitted herewith.

SCOPE OF EXAMINATION

The examination was conducted virtually by the Financial Regulation Division of the Connecticut Insurance Department (the Department) and covers the period from January 1, 2018 through December 31, 2020.

As part of the examination planning procedures, the Department reviewed the following materials from 2018 through 2020:

- Board of Director (Board) minutes and other committee minutes through the latest 2021 minutes;
- statutory audit reports completed by the Company's independent certified public accountants, Ernst & Young, LLP (E&Y);
- Management's Discussion and Analysis;
- Statements of Actuarial Opinion;
- documentation supporting Section 404 of the Sarbanes-Oxley Act of 2002;
- Annual Statements filed with the Department; and
- reports of the Internal Audit Department.

CAREPARTNERS OF CONNECTICUT, INC.

A comprehensive review was made of the financial analysis files and documents submitted to the Financial Analysis Unit of the Department, reports from the National Association of Insurance Commissioners (NAIC) database, as well as the independent audit report which indicated no material concerns with respect to financial condition or regulatory compliance issues.

Work papers prepared by E&Y, in connection with its 2020 annual statutory audit were reviewed and relied upon to the extent deemed appropriate.

A coordinated examination of the insurance affiliates of Health Plan Holding, Inc., (HPHI), the Company's parent, was conducted by the Commonwealth of Massachusetts Division of Insurance (MDOI).

Under the supervision of the MDOI, The INS Companies (INS) was engaged to conduct the examination for the HPHI insurance subsidiaries, with the assistance of the Department.

The examination was conducted in accordance with the NAIC Financial Condition Examiners Handbook (the Handbook). The Handbook requires that we plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the company and evaluate system controls and procedures used to mitigate those risks. An examination also includes identifying and evaluating significant risks that could cause an insurer's surplus to be materially misstated both currently and prospectively.

All accounts and activities of the company were considered in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management's compliance with Statutory Accounting Principles. The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the Company's financial statements.

This examination report includes significant findings of fact and general information about the insurer and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Company.

Failure of items in this report to add to totals or for totals to agree with captioned amounts is due to rounding.

CAREPARTNERS OF CONNECTICUT, INC.

HISTORY

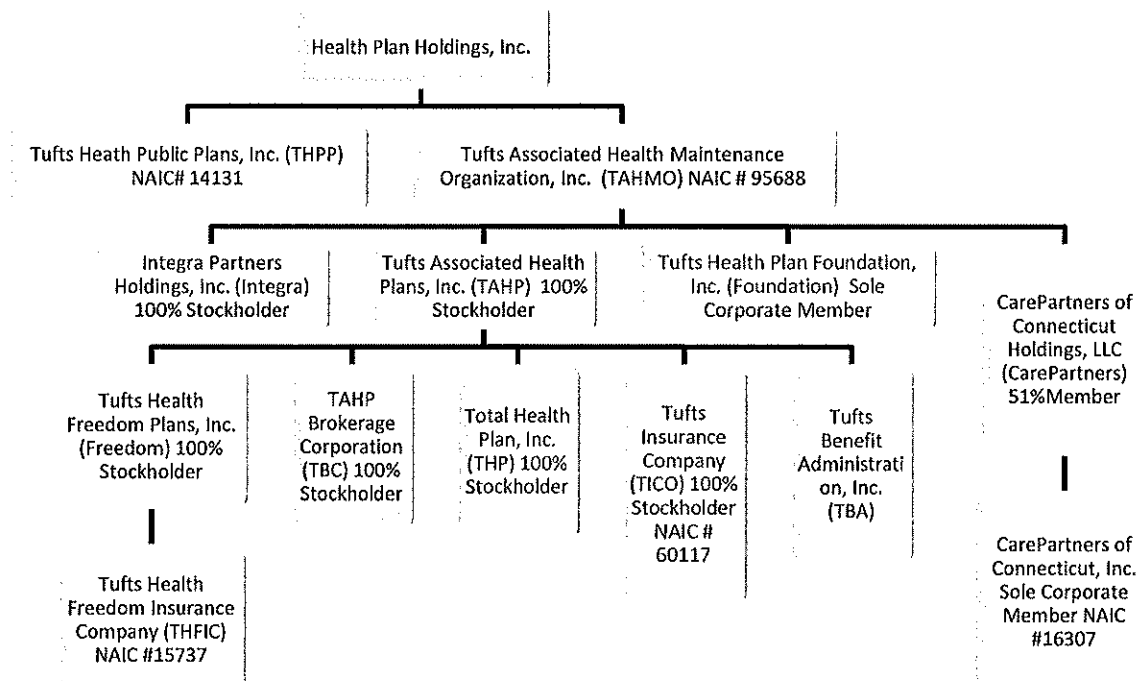
CPCT was established on August 23, 2017 as a not-for-profit corporation domiciled in Connecticut, established for the purpose of arranging for delivery of comprehensive health care services, on a prepaid basis, to subscribing individuals and groups. CPCT had no activity in 2017, only startup activities in 2018, and began providing services to members in 2019.

CPCT is a wholly owned subsidiary of CarePartners of Connecticut Holdings, LLC, (CPCT Holdings) a Delaware domiciled company. CPCT Holdings is a joint venture between Tufts Associated Health Maintenance Organization, Inc. (TAMHO), domiciled in Massachusetts (51%) and Hartford Healthcare Inc., recognized by the IRS as a section 501(c)(3) organization, domiciled in Connecticut (49%).

Effective January 1, 2019, CPCT offered Medicare Advantage individual and group products to the citizens of Connecticut..

ORGANIZATIONAL CHART

The following is an organizational chart that identifies the relationship of the Company and its parent and affiliates as of December 31, 2020:



CAREPARTNERS OF CONNECTICUT, INC.

MANAGEMENT AND CONTROL

CPCT is a not-for-profit Connecticut corporation established for the purpose of arranging for the delivery of comprehensive health care services, on a prepaid basis, to subscribing individuals and groups. The Company shall have a single member, and such member shall be CarePartners of Connecticut Holdings, LLC (Member).

According to the bylaws the Board shall exercise its delegated powers in support of, and consistent with, the mission, vision, and values of the Company and the Member.

Individuals shall be elected to serve as directors of the Board by the Member. The President may recommend candidates to serve as directors to the Member. The Board shall consist of not more than twelve (12) directors, inclusive of any Ex-Officio Directors. Each director shall serve for a term of three (3) years, unless otherwise provided herein or for such shorter term as determined by the Member in order to achieve continuity in Board composition.

The Board may hold its meetings—annual, regular or special—at such place or places within or outside of the State of Connecticut as the Member or the Board may from time to time by resolution determine or as shall be specified or fixed in the notice or waiver of notice thereof. A majority of the number of Directors shall constitute a quorum for the transaction of business.

The Board may establish such committees, work groups, task forces, or advisory bodies as it determines necessary to provide the Board with information, advice, or recommendations in connection with its responsibilities under the bylaws.

The Audit & Compliance Committee of Health Plan Holding, Inc. (HPHI), formerly Tufts Health Plan, Inc. (THPI), provides oversight of critical risk areas impacting the business activities of the Company through the Committee's oversight of the Company's Enterprise Risk Management program.

Directors serving the Company at December 31, 2020, were as follows:

<u>Director</u>	<u>Title and Principal Business Affiliation</u>
John Dillaway	Executive Vice President, Ascend Laboratories
Derek Abruzzese	Senior Vice President, Corporate Strategy, Point32Health, Inc.
Debra K. Hayes	Vice President, Chief Operating Officer, Integrated Care Partners, Hartford Healthcare Corporation
Patricia Blake	Senior Vice President, President Medicare Point32Health, Inc.
Charles L Johnson, III	Retired - Former Chief Financial Officer, Hartford HealthCare Corporation

CAREPARTNERS OF CONNECTICUT, INC.

Officers serving the Company as of December 31, 2020, were as follows:

<u>Officer</u>	<u>Title</u>
Marla Pantano	President
Roland Price	Treasurer
Debra K. Hayes	Secretary

RELATED PARTY TRANSACTIONS

Intercompany Services Agreement

CPCT and TAHMO have an agreement whereby CPCT will pay administrative and implementation fees for the management and administrative services provided by TAHMO. Administrative fees paid to TAHMO for the twelve months ending December 31, 2020 and 2019 were \$11,468,000 and \$6.850,000, respectively.

Capital Contribution

CPCT Holdings has made capital contribution to CPCT of \$14,790,000 during 2018. CPCT Holdings made additional capital contributions to CPCT of \$15,000,000 during 2019, and \$12,000,000 in 2020.

Income Taxes

CPCT is exempt from federal income taxes under Section 501(c)(4) of Internal Revenue Code on related income. Accordingly, no provision for federal income taxes has been made in its financial statements.

INSURANCE COVERAGE

CPCT maintains fidelity bond coverage through its ultimate parent, Health Plan Holdings, Inc. Coverage is provided by Travelers Casualty and Surety Company of America. This bond protects for a single loss liability limit of \$10,000,000 and an aggregate amount of \$20,000,000, against losses resulting from dishonest or fraudulent acts of its employees. This exceeds the suggested minimum limits of insurance pursuant to the Handbook. In addition to the fidelity bond insurance, CPCT maintains General Liability and Cyber coverages.

TERRITORY AND PLAN OF OPERATION

CPCT is licensed only in the state of Connecticut to write health coverage lines of business, with the Company writing approximately \$15 million in premium in 2020 for Medicare Advantage individual and group products to the citizens of Connecticut.

CPCT makes plans available through two channels of distribution. The direct channel allows prospective members to enroll directly via the Centers for Medicare & Medicaid Services (CMS) website, CPCT's own website or directly through licensed sales agents. In addition, the plan sells through independent brokers, ebrowsers and broker agencies.

CAREPARTNERS OF CONNECTICUT, INC.

CPCT is planning to expand the volume of premiums written through their direct and broker channels within Connecticut. The Company's strategy is to educate potential members through the use of, community-based sales meetings, in-home presentations and by visiting senior centers and senior housing, in compliance with CMS regulations. The Company will use a variety of channels but will rely heavily on direct mail and digital advertising.

INFORMATION TECHNOLOGY CONTROLS

INS performed an evaluation of the Information Technology (IT) IT controls in accordance with the guidelines and procedures set forth in Exhibit C Evaluation of Controls in Information Technology of the Handbook (Exhibit C).

INS's objectives were to determine whether IT resources align with the Company's objectives and to ensure that significant risk (strategic, operational, reporting, and compliance) arising out of its IT environment was appropriately mitigated by strategies and controls as outlined in the Handbook's Exhibit C Part Two – Evaluation of Controls in IT Work Program.

The objectives above were achieved through a combination of reviewing the Company's policies and procedures, testing in key areas related to Exhibit C, interviewing the Company's senior IT management, reviewing IT risk assessment processes, and leveraging the risk assessment procedures performed by the Company and by E&Y.

Based upon the overall risk-focused assessment and review, no material findings were noted which would have a significant effect on the annual statement. As a result of this review, it was determined that the IT general controls at the Company were effective.

ACCOUNTS AND RECORDS

The Company utilizes ORACLE software applications for major business functions. The ORACLE Health Insurance application is used for Claim Management. The Oracle E –Business application is used for Policy Management and Financial Reporting (General Ledger and Accounting). Investment and Fund Management transactions are processed by a system developed by Clearwater Analytics.

General ledger account balances were reconciled and traced to the amounts reported in the Annual Statement for 2020. Further detail analyses were performed on the individual accounts throughout the examination.

CAREPARTNERS OF CONNECTICUT, INC.

FINANCIAL STATEMENTS

The following statements represent the Company's financial position, as filed by the Company as of December 31, 2020. No adjustments were made to surplus as a result of the examination.

ASSETS

	Assets	Nonadmitted Assets	Net Admitted Assets
Bonds	\$6,064,666		\$6,064,666
Cash, cash equivalents and short-term investments	8,864,589		8,864,589
Subtotals, cash and invested assets	14,929,255		14,929,255
Investment income due and accrued	25,861		25,861
Premiums and considerations:			
Uncollected premiums and agents' balances in course of collections	95,813		95,813
Amounts receivable relating to uninsured plans	33,795		33,795
Furniture and equipment, including health care delivery assets	66,099	66,099	
Health care and other amounts receivable	946,933	301,440	645,493
Aggregate write-ins for other than invested assets	440,090	440,090	0
Totals	<u>\$16,540,846</u>	<u>\$810,629</u>	<u>\$15,730,217</u>

LIABILITIES, CAPITAL AND SURPLUS

Claims Unpaid (less \$0 reinsurance ceded)	\$1,983,108
Accrued medical incentive pool and bonus amounts	60,109
Unpaid claims adjustment expenses	32,222
Aggregate health policy reserves, including the liability for \$0 for medical loss ratio rebate per the Public Health Service Act	5,936,728
Premiums received in advanced	11,056
General expenses due or accrued	187,900
Amounts due to parent, subsidiaries and affiliates	1,918,948
Total liabilities	10,130,071
Gross paid in and contributed surplus	41,790,000
Unassigned funds (surplus)	(36,189,856)
Total capital and surplus	5,600,144
Total liabilities and surplus	<u>\$15,730,215</u>

CAREPARTNERS OF CONNECTICUT, INC.

STATEMENT OF REVENUE AND EXPENSES

Member Months	21,050
Net Premium income (including \$0 non-health premium income)	\$15,548,713
Total revenue	15,548,713
Hospital and Medical:	
Hospital/medical benefits	12,011,267
Other professional services	395,853
Prescription drugs	1,192,127
Aggregate write-ins for other hospital and medical	27,656
Incentive pool, withhold adjustments and bonus amounts	82,102
Subtotal	13,709,005
Less:	
Total Hospital and medical (Subtotal)	13,709,005
Claims adjustment expenses, including \$221,385 cost containment expenses	561,027
General administrative expenses	11,750,781
Increase in reserves for life and accident and health contracts	1,179,000
Total underwriting deductions	27,199,813
Net underwriting gain or (loss)	(11,651,100)
Net investment income earned	132,296
Net realized capital gains (losses) less capital gains for tax of \$0	(2,004)
Net investment gains (losses)	130,292
Net income or (loss) after capital gains tax and before all other federal income taxes	(11,520,808)
Federal and foreign income taxes incurred	0
Net income	<u>(\$11,520,808)</u>

CAPITAL AND SURPLUS ACCOUNT

Capital and surplus, December 31, prior year	\$5,727,663
Net income	(11,520,808)
Change in net unrealized capital gains (losses)	8,844
Change in nonadmitted assets	(615,556)
Surplus adjustment:	12,000,000
Paid in	
Net change in capital and surplus for the year	(127,520)
Capital and surplus, December 31, current year	<u>\$5,600,144</u>

<u>CLAIMS UNPAID</u>	<u>\$1,983,108</u>
<u>UNPAID CLAIM ADJUSTMENT EXPENSES</u>	<u>\$32,222</u>
<u>AGGREGATE HEALTH POLICY RESERVES</u>	<u>\$5,936,728</u>

INS and the Department conducted in accordance with the risk focused approach as detailed in the Handbook. The scope of the review included assisting with the assessment of reserve risk and pricing risk for the Company.

Premium Deficiency Reverses (PDR) of \$5,920,000 comprised the majority of the Aggregate Health Policy Reserves. Department actuaries reviewed the 2020 Actuarial Memorandum and

CAREPARTNERS OF CONNECTICUT, INC.

E&Y workpapers to assess the PDR calculation, reasonableness of assumptions used and adequacy of the PDR.

Based on the scope of work conducted, the Department did not identify any material concerns that affected the Company's ability to manage its reserving and pricing risks.

CAPITAL AND SURPLUS \$5,600,144

The reconciliation of surplus for the period under examination, was as follows:

Surplus, as of December 31, 2017	\$0
Net income	(35,421,356)
Change in net unrealized capital gains (losses)	42,129
Change in nonadmitted assets	(810,629)
Surplus adjustment, paid in	<u>41,790,000</u>
Surplus, December 31, 2020	<u>\$5,600,144</u>

The Company's current surplus position was primarily driven by capital contributions from CPCT Holdings offset by net losses.

SUBSEQUENT EVENTS

- On August 14, 2019, HPHI (formerly known as Tufts Health Plan, Inc. or THPI) (parent of TAHMO. and THPP) and Harvard Pilgrim Health Care, Inc. (HPHC Inc.) announced their intent to combine their nonprofit organizations. The combination became effective on January 1, 2021. As a result of the combination, HPHI became the corporate parent of HPHC Inc.
- The COVID-19 pandemic has continued to develop throughout 2020 and 2021, with significant uncertainty remaining regarding the full effect of COVID-19 on the U.S. and global insurance and reinsurance industry. At the time of releasing this report, the Department's review of the Company noted that there has not been a significant impact to the Company. The Department has been in communication with the Company regarding the impact of COVID-19 on its business operations and financial position. The Department continues to closely monitor the impact of the pandemic on the Company and will take necessary action if a solvency concern arises.
- In 2021, the company began offering Medicare Advantage Preferred Provider Organization (PPO) business.

CONCLUSION

As of December 31, 2020, the Company reported admitted assets of \$15,730,217, liabilities of \$10,130,073, and capital and surplus of \$5,600,144.

CAREPARTNERS OF CONNECTICUT, INC.

SIGNATURE

In addition to the undersigned, the following members of the State of Connecticut Insurance Department participated in the examination: William Arfanis, CFE, William Tacy, CPA, CISA, Ellen McCarthy, AFE, Kent Krajick, CFE, Dawn Cormier, CPA and Lei Rao-Knight, FSA, MAAA.

I, Kevin Beaudoin, CFE, do solemnly swear that the foregoing report on examination is hereby represented to be a full and true statement of the condition and affairs of the subject insurer as of December 31, 2020, to the best of my information, knowledge and belief.

Respectfully submitted,

Kevin Beaudoin

Kevin Beaudoin, CFE
Examiner-In-Charge
State of Connecticut
Insurance Department

State of Connecticut

ss.

County of Hartford

Subscribed and sworn to before me,

[Signature]

Notary Public on this 19 day of May, 2022

