

Report on Examination  
of  
**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
Smithfield, Rhode Island  
as of  
December 31, 2022



State of Rhode Island  
Department of Business Regulation  
Insurance Division



**State of Rhode Island  
OFFICE OF THE HEALTH INSURANCE COMMISSIONER  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, Rhode Island 02920**

**ADOPTION ORDER**

The attached Report on Examination as of December 31, 2022, of the condition and affairs of  
of

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**

was recently completed by duly qualified examiners, pursuant to the provisions of the  
Rhode Island General Laws.

Due consideration has been given to the comments of the examiners regarding the  
operation of the Company and its financial condition, as reflected in the report.

It is therefore ORDERED that said Report be, and it is hereby, adopted and filed and made  
an official record of this Department as of this date.

Office of the Health Insurance Commissioner

Dated: May 15, 2024

A handwritten signature in blue ink that reads "Cory King".

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Cory King  
Health Insurance Commissioner

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March 29, 2024

Mr. Cory King  
Health Insurance Commissioner  
State of Rhode Island  
Office of the Health Insurance Commissioner  
1511 Pontiac Avenue, Bldg. 69-1  
Cranston, Rhode Island 02920

Dear Commissioner King:

In accordance with your instructions and pursuant to Chapters 13.1 and 35 of Title 27 of the General Laws of the State of Rhode Island, an examination has been made as of December 31, 2022, of the financial condition and affairs of

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**

located at 910 Douglas Pike, Smithfield, Rhode Island. The report of such examination is herewith submitted.

Neighborhood Health Plan of Rhode Island (also referred to as “NHPRI,” or “the Company”) was previously examined as of December 31, 2017, and both the current and prior examinations were conducted by the Insurance Division of the State of Rhode Island (“Insurance Division”).

## **SCOPE OF EXAMINATION**

The last examination of the Company covered the four-year period from January 1, 2014 through December 31, 2017. The current examination covered the five-year period from January 1, 2018 through December 31, 2022 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. We conducted our single-state examination in accordance with the NAIC *Financial Condition Examiners Handbook* (“Handbook”) risk-focused examination process.

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 was 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 Company 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 were separately communicated to other regulators and/or the Company.

## SUMMARY OF SIGNIFICANT FINDINGS

The following is a summary of significant findings of fact resulting from the current examination, including material adverse findings, significant non-compliance findings (such as non-compliance with state law(s), Statements of Statutory Accounting Principles (“SSAPs”), annual statement instructions, etc.), and/or material changes in the financial statements.

<b>No.</b>	<b>Finding</b>	<b>Page No.</b>
1	At December 31, 2022, NHPRI recorded a Medicare Risk Adjustment (“MRA”) receivable of \$17,378,649 on page 2, line 15.1, “Uncollected Premiums,” which should have been recorded on page 2, line 15.3, “Accrued Retrospective Premiums and Contracts Subject to Redetermination.”	27
2	At December 31, 2022, NHPRI recorded a net Affordable Care Act (“ACA”) risk adjustment liability of \$2,898,229 on page 3, line 4, “Aggregate Health Policy Reserves.” The asset and liability components of this balance should have been recorded separately as a receivable of \$4,101,767 on page 2, line 15.3, “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” and a payable of \$6,999,994 on page 3, line 4.	27
3	At December 31, 2022, NHPRI recorded a Medicaid risk-sharing liability of \$15,424,547 on page 3, line 9, “General Expenses Due or Accrued,” which should have been recorded on page 3, line 4, “Aggregate Health Policy Reserves.”	28

## **COMPANY HISTORY**

The Company, under the name of Neighborhood Health Plan of Rhode Island, Inc., was incorporated as a Delaware business corporation and commenced business on December 9, 1993. Subsequently, the Department of Health of the State of Rhode Island licensed the Company to transact business. The Company, in accordance with the provisions of Rhode Island General Laws §27-41, applied for and received licensing with the Insurance Division of the Rhode Island Department of Business Regulation on December 1, 1994, and began operations on December 10, 1994.

On December 31, 1996, a new Rhode Island corporation was formed under the name of NHPRI, Inc. On the same day, a Certificate of Merger was filed with the Secretary of State of Delaware to combine the Delaware based Neighborhood Health Plan of Rhode Island, Inc. with the Rhode Island based NHPRI, Inc. Subsequent to the merger, the Rhode Island Corporation remained as the surviving entity and pursuant to the Agreement and Plan of Merger between the merged corporation and the surviving corporation; the name of the surviving corporation was changed to “Neighborhood Health Plan of Rhode Island, Inc.” The previous Delaware Company applied for a Certificate of Withdrawal from the Delaware Secretary of the State, which was approved.

On September 22, 2000, the Corporation filed Articles of Incorporation with the Office of the Secretary of State in the State of Rhode Island, to incorporate the not-for-profit entity. The Corporation also filed Articles of Merger or Consolidation with the Office of the Secretary of State in the State of Rhode Island on December 21, 2000, merging Neighborhood Health Plan of Rhode Island, Inc. into NHPRI, Inc. with the surviving company’s name being Neighborhood Health Plan of Rhode Island, Inc.

Effective January 1, 2001, Neighborhood Health Plan of Rhode Island, Inc. organized a non-stock, not-for-profit organization, and contributed all of its assets and liabilities to the new not-for-profit organization. Concurrently, the preferred and common shareholders of Neighborhood Health Plan of Rhode Island, Inc. exchanged their shares of stock for member interests in the new not-for-profit organization.

On May 9, 2001, the Corporation also filed Articles of Amendment to its Articles of Incorporation with the Office of the Secretary of State in the State of Rhode Island, to amend Article IV, Section B in its entirety as follows: “Except as otherwise provided by law, the Corporation may at any time dissolve by the affirmative vote of two-thirds of the total number of Members of the Corporation. Upon dissolution, the Board of Directors shall, after paying or making provision for the payment of all of the liabilities of the Corporation, distribute all of the assets of the Corporation to those of its Members which are then engaged in the direct provision of health care to patients, and are organizations described in Section 501(c)(3) of the Code, pursuant to a resolution of the Board of Directors of the Corporation or failing such resolution, the order of a court of competent jurisdiction in the State of Rhode Island, specifying the methodology for such distribution.”

On September 29, 2015, the Company updated the Bylaws to delete references to the Rhode Island Foundation (“RIF”) and to replace the appointed RIF Member with a community Member.

## **MANAGEMENT AND CONTROL**

The Company's Bylaws state that the Company shall have the power, either directly or indirectly, either alone or in conjunction or cooperation with others, to do any and all lawful acts and things and to engage in any and all lawful activities in accordance with the provisions of these Bylaws which may be necessary, useful, suitable, desirable or proper for the furtherance, accomplishment, fostering or attainment of any or all of the purposes for which the Company is organized, and to aid or assist other organizations whose activities are such as to further accomplish, foster, or attain any of the Company's purposes. Notwithstanding anything herein to the contrary, the Company shall not engage, other than as an insubstantial part of its activities, in activities which in themselves are not in furtherance of one or more purposes exempt from taxation under the Internal Revenue Code ("Code").

The Bylaws also stipulate that the Company shall be organized and operated as a non-profit corporation under Rhode Island law and under Section 501(a) of the Code, as amended, or any corresponding provision of any future United States Internal Revenue Law. No part of the net earnings of the Company shall inure to the benefit of its Members, except that reasonable compensation may be paid to the Members for services rendered to and for the Company. In the event of the liquidation, dissolution, termination or winding up of the Company, whether voluntary, involuntary or by operation of law, the property or assets of the Company remaining after providing for the payment of its debts and obligations shall be distributed to those of its Members which are then engaged in the direct provision of health care to patients and are organizations described in Section 501(c)(3) of the Code pursuant to a resolution of the Board of Directors of the Company, or, failing such resolution, the order of a court of competent jurisdiction in the State of Rhode Island, specifying the methodology for such

distribution.

### **Members**

Article II, Section 1 of the Bylaws specifies the Members of the Company and notwithstanding this provision, only entities which meet the following criteria may become or remain Members of the Company:

- (a) A Member must be exempt from taxation under the Internal Revenue Code as an organization described in Section 501(c)(3) of the Code;
- (b) Any Member must be a member in good standing of the Rhode Island Health Center Association, a Rhode Island non-profit corporation exempt from taxation under the Code as an organization described in Section 501(c)(3) of the Code (the “Association”); and
- (c) Any Member other than the Association must have in effect with the Corporation a “Participating Provider Agreement” (or similarly named contract) pursuant to which the Member agrees to provide health care services for the Corporation’s enrollees in exchange for payment by the Corporation.

Unless otherwise provided in the Bylaws, the Members shall have the responsibilities ascribed to Members under the Rhode Island Non-Profit Corporation Act, including, without limitation, the right to amend the Corporation’s Bylaws, approve amendments to the Corporation’s Articles of Incorporation, and approve the merger, consolidation, dissolution and/or sale of all or substantially all of the Company’s assets.

Membership status in the Company is not transferable to any other person or entity. If two or more Members “affiliate,” only one of the entities may remain a Member. At any time, the Members may admit as an additional Member, any entity meeting all of the criteria for membership set forth in Article II, Section 2 of the Bylaws. Each Member shall be entitled to one vote. All decisions must be made by a majority of the Members present at a meeting at which a quorum is present and voting.

### **Board of Directors**

The Bylaws provide that all of the affairs of the Company shall be managed by a Board of no more than seventeen (17) directors. The Board shall be comprised of one person designated by each Member provided that Member is the designated primary care provider for individuals who are entitled to receive covered services from the Company in its capacity as a health maintenance organization and represent at least six thousand (6,000) member months over the prior calendar year. Other directors include seven (7) persons nominated by the Corporation’s Nominating Committee; the Executive Director of the Association (ex officio with vote); and the President of the Corporation, (ex officio with vote).

Regular meetings of the Board shall be held in Providence, Rhode Island, or at such other place, either within or without the State of Rhode Island, as the Directors or the Chair may determine. The Secretary, President of the Corporation, or other officer of the Corporation shall give notice of meetings to each Director in writing, at least three (3) days before the meeting. Notices of such meetings may be waived, in writing, by the Director entitled to notice, whether or not she or he is present. The Chair shall preside over and conduct such meetings.

The membership of the Board, together with their principal business or professional affiliation is as follows at December 31, 2022:

<b>Name</b>	<b>Occupation</b>
Brenda Dowlatsahi, <i>Chair</i>	Chief Operating Officer Tri-County Community Action Agency
Alison Croke, <i>Vice-Chair</i>	President & Chief Executive Officer Wood River Health Services, Inc.
Merrill R. Thomas, <i>Treasurer</i>	President & Chief Executive Officer Providence Community Health Centers, Inc.
Keith Oliveira, <i>Secretary</i>	Executive Director TIMES2 Academy
Peter J. Bancroft, CPA	President & Chief Executive Officer WellOne Primary Medical & Dental Care
Daniel Da Ponte, AIF®	Founder and Managing Principal Axis Advisors, LLC and Axis Risk Management
Dennis Roy	President & CEO East Bay Community Action Program
Gary E. Furtado	President and Chief Executive Officer Navigant Credit Union
Dioscaris Garcia, PhD	Assistant Professor of Orthopedics Brown University
Elena Nicolella	President and Chief Executive Officer Rhode Island Health Center Association
William Hochstrasser-Walsh	Senior Vice President & Chief Operating Officer Comprehensive Community Action Program
Jeanne LaChance	President & Chief Executive Officer Thundermist Health Center
Raymond Lavoie	Executive Director Blackstone Valley Community Health Care, Inc.
Peter M. Marino	President & Chief Executive Officer Neighborhood Health Plan of Rhode Island
Yahaira Placencia	Senior Vice President and Private Client Advisor Bank of America
Lisa Ranglin	Vice President and Regulatory Compliance Program Manager Citizens Bank
Pablo Rodriguez, MD	Chief Executive Officer Nuestra Salud Productions

## **Committees**

The Bylaws stipulate that the following standing committees of the Board of Directors shall be established:

- Executive Committee
- Finance & Audit Committee
- Nominating Committee
- Planning Committee

In addition to the standing committees, the Board of Directors may designate such other committees as the Board deems appropriate, each of which shall consist of at least two (2) or more Directors. The Chair or President shall appoint the chair of each committee and the Nominating Committee shall appoint its members, except that: (i) the Treasurer of the Corporation shall be the Chair of the Finance Committee, ex officio; (ii) the Executive Committee will be composed of the Chair, Vice Chair, President, Secretary, Treasurer and the Chair of the Nominating Committee, and; (iii) the Nominating Committee shall be appointed by the Board. In that regard, the Company has also established an Investment Committee.

Off-Board committee members may be appointed and shall have the right to vote on committee matters in the case of advisory committees that do not have the authority to bind the Board or the Corporation. Each committee shall have and may exercise all of the authority delegated to it by the Board in the resolution that establishes the committee, except that no committee shall have the authority of the Board with respect to amending, altering or repealing the Bylaws; electing, appointing or removing any member of any such committee or any Director or officer of the Company; restating the Company's

Articles of Incorporation; adopting a plan of merger or adopting a plan of consolidation with another corporation; authorizing the sale, lease, exchange or mortgage of all or substantially all of the property and assets of the Company; authorizing the voluntary dissolution of the Company; or amending, altering or repealing any resolution of the Board which by its terms provides that it shall not be amended, altered or repealed by such committee.

Committees elected by the Board of Directors consisted of the following at December 31, 2022:

**Finance & Audit Committee**

Merrill Thomas, *Chair*  
Alison Croke  
Brenda Dowlatsahi  
Daniel Da Ponte  
Gary Furtado  
Jeanne LaChance  
Raymond Lavoie  
Peter Marino

**Planning Committee**

Alison Croke, *Chair*  
Peter Bancroft  
Elena Nicolella  
Keith Oliveira  
Yahaira Placencia  
Lisa Ranglin  
Larry Warner  
Peter Marino  
Dennis Roy  
Merrill Thomas  
Brenda Dowlatsahi

**Investment Committee**

Ray Lavoie, *Chair*  
Gary Furtado  
Jeffrey Hanna  
Merrill Thomas  
James Worrell  
Katie Umile  
Daniel Da Ponte

**Public Policy Committee**

Daniel Da Ponte, *Chair*  
Brenda Dowlatsahi  
Patricia Martinez  
William Hochstrasser-Walsh  
Dennis Roy  
Elena Nicolella  
Keith Oliveira  
Peter Marino

### **Nominating Committee**

Pablo Rodriguez, *Chair*

Peter Bancroft

Brenda Dowlatshahi

Peter Marino

Keith Oliveira

### **Officers**

The Bylaws provide that the principal officers of the Company shall be a Chair, a Vice Chair, a President, a Secretary, and a Treasurer. The Board may appoint Vice Presidents and such other officers as they may from time to time authorize, which additional officers shall have the powers and duties assigned by the Board. To the extent permitted by law and the Bylaws, any two or more offices may be held by the same person.

The Bylaws provide that each officer other than the President (who serves at the will of the Board) shall be elected by the Board for a term of two (2) years, or until a respective successor is duly elected and qualified, or until such officer's earlier death, removal or resignation. All principal officers, except the President, shall be elected from the Board of Directors. Officers, other than the President, may serve a maximum of two (2) consecutive two (2) year terms in the same office.

The Bylaws state that the principal officers shall have the powers and perform the duties commonly incident to their respective offices, including the power and duties listed in the Bylaws. Officers shall have such additional powers and duties as the Directors may designate from time to time. A principal officer may delegate such of his or her powers as he/she deems advisable, except those powers which

by law, the Articles of Incorporation, or the Bylaws may not be so delegated, to such persons as the Board or the principal officer may designate from time to time.

The officers elected or approved by the Board of Directors and serving at December 31, 2022, are as follows:

<b>Name</b>	<b>Title</b>
Peter Marino	President & Chief Executive Officer
Brenda Dowlatshahi	Secretary
Merrill Thomas	Treasurer
Michelle Sears	Chief Financial Officer
Karen Carlson	Chief Operating Officer
Mary Eldridge	General Counsel, Vice President
Melissa Husband	Chief of Staff
David Burnett	Chief Growth Officer
Talia Brookshire	Chief Diversity Officer
Christopher Ottiano <sup>1</sup>	Chief Medical Officer
Gregory Gitlitz	Compliance and Privacy Officer
Rob Francis	Enterprise Risk and Information Security Officer

### **Corporate Structure**

The Company is a stand-alone non-stock, not-for-profit organization. The Company has no investments in parent, subsidiaries, or affiliates. The Company is owned by its members which, according to its Bylaws, includes certain Rhode Island Community Health Centers (“CHCs”) to be “Members of the Corporations” so long as specific criteria continue to be met, which includes having a contract in effect with the Company to provide healthcare services for the Company’s enrollees in exchange for payment.

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<sup>1</sup> Effective May 15, 2023, Kristin Russell was appointed to replace Christopher Ottiano as Chief Medical Officer.

## **Related Party Transactions and Agreements**

The Company has certain contracts with Members of the Company to provide healthcare services for the Company's enrollees in exchange for payment. Contracts between the Company and Members of the Company provide for capitation-based reimbursement to manage and deliver primary care medical services and fee-for-service based reimbursement to deliver other medical services.

### **Risk/Gain Sharing Agreement**

The Company has a Risk/Gain Sharing Agreement (the "Agreement") with the State of Rhode Island ("State") as an attachment to the RIte Care, Rhody Health Partners ("RHP"), Rhody Health Options ("RHO"), and Rhody Health Expansion ("RHE") contracts. Under the risk sharing portion of the Agreement, the State pays the Company a stated percentage of eligible medical and hospital expenses in excess of a stated percentage of medical portion of premiums, as defined in the Agreement. Under the gain sharing portion of the Agreement, the Company pays the State a stated percentage of eligible medical and hospital expenses below a stated percentage of the medical portion of premiums, as defined in each Agreement.

Risk/gain share settlements are computed and settled twelve months after the close of the applicable risk period. Since medical and hospital expenses used to determine risk/gain share settlements are based in part on actuarially determined estimates which could vary materially in the near term, there is at least a reasonable possibility that amounts recorded as risk/gain share settlements might change by a material amount in the near term.

Due to the risk/gain share, the Company's contracts with the State are accounted for as a retrospectively rated contract. The amount of net premiums written during 2022 and 2021 that were subject to the retrospective rating feature was \$1,506,000,000 and \$1,413,000,000 which represents 92% and 91% of total premiums written excluding the risk/gain share adjustment, respectively.

For the years ended December 31, 2022 and 2021, the Company was in a gain share position. The risk/gain share incurred totaled \$3,959,000 and \$27,021,000 in 2022 and 2021, respectively. Risk/gain share are considered an adjustment to premiums earned. At December 31, 2022 and 2021, the gain share payable is \$15,425,000 and \$11,465,000, respectively.

## **TERRITORY AND PLAN OF OPERATION**

The Company is licensed to operate only in the State of Rhode Island and is organized as a network model HMO with headquarters in Smithfield, Rhode Island, and serves members in Bristol, Kent, Newport, Providence and Washington counties in the State of Rhode Island.

The Company contracts for the provision of comprehensive health care services to its membership with participating provider groups (eight of which are founding non-profit Community Health Centers), hospitals and other specialty health care providers. The Company delivers comprehensive healthcare services on a prepaid basis principally to Medicaid recipients and participants in HealthSource RI (the Rhode Island Health Benefits Exchange).

As of December 31, 2022, the Company serves the following Medicare (Part A and Part B) and Medicaid populations in Rhode Island: 1) Families with low to moderate income; 2) Children with special health care needs; 3) All children in the Rhode Island foster care system; 4) Medicaid-only adults with disabilities; and; 5) Dually eligible Medicare/Medicaid beneficiaries (Medicaid and Medicare Part A and Part B eligibility). The Company is one of three companies presently under contract to serve Medicaid managed care populations. Since 2014, the Company also serves low-income individuals and small businesses through HealthSource RI and the Medicaid expansion population.

## **REINSURANCE**

On a yearly basis, the Company enters into a reinsurance agreement with an independent reinsurer to limit its losses on individual claims. Under the terms of the reinsurance agreement effective January 1, 2022, the reinsurer provides coverage for inpatient, outpatient, professional, pharmacy, behavioral health, and durable medical equipment medical expenses incurred by covered persons. Covered persons include members who are covered under the Company's policies issued for Medicaid, Medicare Dually Eligible, and Commercial Exchange.

Under the terms of the reinsurance agreement, the reinsurer will reimburse the Company for 90% of eligible hospital and other inpatient hospital expenses, in excess of a \$600,000 deductible, limited to a maximum of \$3,000,000 per covered person per contract period.

In addition to the reinsurance agreement, the RItE Care contract includes stop-loss provisions for certain services, including transplant, skilled nursing facilities, early intervention services, and drugs related to Hepatitis C treatment. Certain neonatal services are carved out of the RItE Care contract and in exchange for a reduction in premium to the plan, the State of Rhode Island assumes the medical costs for certain neonatal services.

## **FINANCIAL STATEMENTS**

The following financial statements are based on the statutory financial statements filed by the Company with the Rhode Island Insurance Division and present the financial condition of the Company for the period ending December 31, 2022. The accompanying comments on financial statements reflect any examination adjustments to the amounts reported in the annual statement and should be considered an integral part of the financial statements:

Comparative Statement of Assets  
December 31, 2022 and December 31, 2017

Comparative Statement of Liabilities, Capital and Surplus  
December 31, 2022 and December 31, 2017

Statement of Revenue and Expenses  
Year Ended December 31, 2022

Reconciliation of Capital and Surplus  
December 31, 2017 to December 31, 2022

Analysis of Examination Adjustments  
December 31, 2022

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
**Comparative Statement of Assets**  
**December 31, 2022 and December 31, 2017**

	December 31, 2022	December 31, 2017	Increase (Decrease)
Bonds	\$146,225,220	\$102,349,117	\$43,876,103
Cash, cash equivalents, and short-term investments	185,287,007	243,611,242	(58,324,235)
Receivables for securities	-	10,836	(10,836)
Investment income due and accrued	1,020,552	846,575	173,977
Uncollected premiums and agents' balances in the course of collection	70,493,910	9,528,369	60,965,541
Accrued retrospective premiums	26,446,127	15,356,078	11,090,049
Amounts recoverable from reinsurers	12,180,211	1,085,347	11,094,864
Amounts receivable relating to uninsured plans	34,159,014	-	34,159,014
Electronic data processing equipment and software	1,014,759	1,361,628	(346,869)
Healthcare and other amounts receivable	27,303,875	5,352,352	21,951,523
Aggregate write-ins for other than invested assets	1,555,453	3,071,213	(1,515,760)
Total Assets	<u>\$505,686,129</u>	<u>\$382,572,757</u>	<u>\$123,113,372</u>

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
**Comparative Statement of Liabilities, Capital and Surplus**  
**December 31, 2022 and December 31, 2017**

	December 31, 2022	December 31, 2017	Increase (Decrease)
Claims unpaid	\$151,536,322	\$154,720,427	(\$3,184,105)
Accrued medical incentive pool and bonus amounts	37,199,999	3,190,351	34,009,648
Unpaid claims adjustment expenses	3,892,203	3,816,620	75,583
Aggregate health policy reserves	22,424,543	10,413,158	12,011,385
Premiums received in advance	117,211,502	91,787,572	25,423,930
General expenses due and accrued	27,942,336	14,148,523	13,793,813
Amounts withheld or retained for the account of others	16,136,123	1,765,572	14,370,551
Liability for amounts held under uninsured plans	-	2,446,518	(2,446,518)
Payable for securities	103,706	-	103,706
Aggregate write-ins for other liabilities	67,976	6,447	61,529
Total Liabilities	<u>376,514,710</u>	<u>282,295,188</u>	<u>94,219,522</u>
Unassigned funds (surplus)	<u>129,171,419</u>	<u>100,277,568</u>	<u>28,893,851</u>
Total Capital and Surplus	<u>\$129,171,419</u>	<u>\$100,277,568</u>	<u>\$28,893,851</u>
Total Liabilities, Capital and Surplus	<u>\$505,686,129</u>	<u>382,572,757</u>	<u>\$123,113,372</u>

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2022**

Revenues:

Net premium income	\$1,632,840,364
Aggregate write-ins for other health care related items	2,034,657
Total Revenues	1,634,875,021

Hospital and Medical:

Hospital/medical benefits	516,647,203
Other professional services	369,830,795
Outside services	235,067,913
Emergency room and out-of-area	57,223,070
Prescription drugs	256,995,616
Aggregate write-ins for other hospital and medical	(40,309)
Incentive pool, withhold adjustment and bonus amounts	33,111,710
Subtotal	<u>1,468,835,998</u>

Less:

Net reinsurance recoveries	<u>14,601,783</u>
Total hospital and medical	1,454,234,215

Claims adjustment expenses, including \$33,103,510 of claims containment expenses

	47,736,858
General administrative expenses	<u>130,265,017</u>

Total underwriting deductions 1,632,236,090

Net underwriting gains (losses) 2,638,932

Net investment income earned 2,610,232

Net realized capital gains (losses) less capital gains taxes (609,319)

Net investment gain (loss) 2,000,913

Net gain (loss) from agents' or premium balances charged off (2,953,364)

Aggregate write-ins for other income or expenses (74,999)

Net income \$1,611,482

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
**Reconciliation of Capital and Surplus**  
**December 31, 2017 to December 31, 2022**

Capital and Surplus, December 31, 2017			\$100,277,568
	<u>Gains</u>	<u>Losses</u>	
Net Income	\$39,615,343		
Change in net unrealized capital gains	4,006,320		
Change in nonadmitted assets	<u>                    </u>	<u>(\$14,727,812)</u>	
Total Gains and Losses	<u>43,621,663</u>	<u>(14,727,812)</u>	
Net change in Capital and Surplus for the period			<u>28,893,851</u>
Capital and Surplus, December 31, 2022			<u>\$129,171,419</u>

**NEIGHBORHOOD HEALTH PLAN OF RHODE ISLAND**  
**Analysis of Examination Adjustments**  
**December 31, 2022**

The examination of Neighborhood Health Plan of Rhode Island, performed as of December 31, 2022, resulted in a reclassification of certain amounts reported in its 2022 Annual Statement filing, as presented below:

<b>Summary of Reclassifications</b>				
<b>Annual Statement Line Item</b>	<b>Balance per Annual Statement</b>	<b>Increase</b>	<b>(Decrease)</b>	<b>Adjusted Balance</b>
<i>Page 2, Line 15.1 – Uncollected premiums and agents' balances in the course of collection</i>	\$ 87,872,559		(17,378,649)	\$ 70,493,910
<i>Page 2, Line 15.3 – Accrued retrospective premiums and contracts subject to redetermination</i>	\$ 4,965,711	21,480,416		\$ 26,446,127
<i>Page 3, Line 4 – Aggregate health policy reserves</i>	\$ 2,898,229	19,526,314		\$ 22,424,543
<i>Page 3, Line 9 – General expenses due or accrued</i>	\$ 43,366,883		(15,424,547)	\$ 27,942,336

No adjustments to capital or surplus were made as a result of the reclassifications detailed above.

## COMMENTS ON FINANCIAL STATEMENTS

### Bonds

**\$ 146,225,220**

The above amount is the net admitted value of long-term bonds held by the Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement.

All bonds are held in accordance with the terms of custodial agreements with third-party financial institutions. Approximately 66.9% of the bond portfolio, or \$97,833,088, is held in the form of special deposits with the State of Rhode Island.

In addition to the value of long-term bonds stated above, the Company's bond portfolio also includes \$77,301,366 of short-term and cash equivalent bonds recorded within the balance of "Cash, Cash Equivalents, and Short-Term Investments" below. The quality designations of all securities included in the Company's bond portfolio were reviewed based upon criteria established by the NAIC's Securities Valuation Office. It was noted that 98.4% of the bond portfolio were designated NAIC 1, which are bonds of the "highest" quality, according to the NAIC Designation system, and 1.6% were designated NAIC 2 ("high" quality).

The aggregate book/adjusted carrying value, fair value, actual cost, and par value of the long-term bond portfolio at December 31, 2022, is as follows:

Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value
\$146,225,220	\$133,622,531	\$142,174,611	\$144,646,443

<b><u>Cash, Cash Equivalents, and Short-Term Investments</u></b>	<b><u>\$ 185,287,007</u></b>
Cash	\$106,725,025
Cash Equivalents	12,101,286
Short-Term Investments	66,460,696

The above amount is the net admitted value of cash, cash equivalents, and short-term investments held by the Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement.

<b><u>Uncollected Premiums and Agents' Balances in the Course of Collection</u></b>	<b><u>\$ 70,493,910</u></b>
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The above amount is the net admitted value of uncollected premiums and agents' balances in the course of collection held by the Company at December 31, 2022. The balance primarily consists of Medicaid premiums receivable, and quality incentives receivable under Alternative Payment Models and/or Quality Withhold arrangements.

The amount shown above is \$17,378,649 less than the amount reported by the Company in its 2022 Annual Statement, and reflects an examination adjustment to reclassify a portion of the balance as “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” as explained within “Actuarially Determined Assets and (Liabilities)” below.

**Actuarially Determined Assets and (Liabilities)**

Accrued Retrospective Premiums and Contracts Subject to Redetermination	\$26,446,127
Amounts Recoverable from Reinsurers	12,180,211
Amounts Receivable Relating to Uninsured Plans	34,159,014
Health Care and Other Amounts Receivable	27,303,875
Claims Unpaid	(151,536,322)
Accrued Medical Incentive Pool and Bonus Amounts	(37,199,999)
Unpaid Claims Adjustment Expenses	(3,892,203)
Aggregate Health Policy Reserves	(22,424,543)

The above amount for “Accrued Retrospective Premiums and Contracts Subject to Redetermination” is the net admitted value held by the Company at December 31, 2022. The balance primarily consists of Affordable Care Act (“ACA”) risk adjustment receivables and Medicare risk adjustment (“MRA”) receivables from the Centers for Medicare & Medicaid Services (“CMS”). The amount shown above is \$21,480,416 greater than the amount reported by the Company in its 2022 Annual Statement, and reflects two examination adjustments, as follows:

- A reclassification of the \$17,378,649 MRA receivable from “Uncollected Premiums and Agents' Balances in the Course of Collection” to “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” as noted in Recommendation #1 below.
- A reclassification of the \$4,101,767 ACA risk adjustment receivable, which was recorded as an offset to the risk adjustment payables within “Aggregate Health Policy Reserves,” to “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” as noted in Recommendation #2 below.

The above amount for “Aggregate Health Policy Reserves” represents the Company’s aggregate

reserves for accident and health policies at December 31, 2022, including payables for return premium for contracts subject to redetermination. The balance primarily consists of ACA risk adjustment payments due to CMS, and Medicaid risk-sharing payments due to the State of Rhode Island. The amount shown above is \$19,526,314 greater than the amount reported by the Company in its 2022 Annual Statement, and reflects two examination adjustments, as follows:

- A reclassification of the \$4,101,767 ACA risk adjustment receivable from an offset to “Aggregate Health Policy Reserves” to “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” as noted in Recommendation #2 below.
- A reclassification of the \$15,424,547 Medicaid risk-sharing liability from “General Expenses Due and Accrued” to “Accrued Retrospective Premiums and Contracts Subject to Redetermination,” as noted in Recommendation #3 below.

The above amount for “Amounts Receivable Relating to Uninsured Plans” is the net admitted value held by the Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement. This amount consists primarily of Medicare Part D Low Income Subsidy and Reinsurance Subsidy receivables.

The above amount for “Healthcare and Other Amounts Receivable” is the net admitted value held by the Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement. This amount consists primarily (90.7%) of pharmaceutical rebates receivable.

The above amount for “Amounts Recoverable from Reinsurers” is the net admitted value held by the

Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement. This amount consists primarily (96%) of amounts receivable from the State of Rhode Island under a reinsurance program for ACA individual exchange plans created under a State Innovation Waiver under Section 1332 of the ACA.

The above amount for “Accrued Medical Incentive Pool and Bonus Amounts” represents the Company’s liability at December 31, 2022 and is the same amount reported in its 2022 Annual Statement. The balance primarily consists of shared savings arrangements with contracted provider organizations, under which payments are based on attainment of certain quality objectives.

The above amounts for “Claims Unpaid” and “Unpaid Claims Adjustment Expense” represent the Company’s unpaid claim liabilities reserve and unpaid claims adjustment expense reserve at December 31, 2022 and are the same amounts reported in its 2022 Annual Statement.

The Company’s reported reserves were reviewed for reasonableness by Risk & Regulatory Consulting, LLC (“RRC”), consulting actuaries for the Rhode Island Insurance Division. RRC relied upon the underlying data reported by the Company, and their analyses included a review of the actuarial assumptions and methods utilized in determining the reserves, and such tests of actuarial calculations as deemed necessary. The examination team either independently performed or relied upon the procedures performed by the Company’s independent accounting firm to verify the integrity of the underlying claims data, including completeness and accuracy testing. A combination of subjective and statistical sampling techniques was utilized in testing the claims data, as deemed appropriate.

RRC concluded that the methodologies and assumptions used by the Company's actuarial staff to set Claims Unpaid liabilities are reasonable and appropriate. RRC also concluded that the estimates for significant actuarial amounts are reasonable.

Recommendation #1

It is recommended that the Company report the Medicare risk adjustment ("MRA") receivable within page 2 line 15.3, "Accrued Retrospective Premiums and Contracts Subject to Redetermination".

Recommendation #2

It is recommended that the Company comply with the provisions of SSAP 64 relating to the offsetting of assets and liabilities with the same counterparty into a single net balance. In particular, it is recommended that the Company report the ACA risk adjustment receivable within page 2 line 15.3, "Accrued Retrospective Premiums and Contracts Subject to Redetermination" when this receivable is not expected to settle at the same time as the related payables.

Recommendation #3

It is recommended that the Company report the Medicaid gain share payable within page 3 line 4, "Aggregate Health Policy Reserves."

After discussion between Company management and the Rhode Island Insurance Division, it was agreed

that the Company would reclassify the above balances on a prospective basis, beginning with the December 31, 2023 Annual Statement.

Subsequently, based on the Division's review of the 2023 Annual Statement, it was determined that the Company has made the correcting entries to classify the respective balances in accordance with the above recommendations.

**Premiums Received in Advance**

**\$ 117,211,502**

The above amount represents total premiums received in advance by the Company at December 31, 2022 and is the same amount reported in its 2022 Annual Statement. This amount consists primarily (97.6%) of Medicaid premium for January 2023 paid by the State of Rhode Island in December 2022.

## **SUBSEQUENT EVENTS**

A review of financial information, the Company's records, and the minutes of the Board of Directors' meetings and its various committees for the period subsequent to the examination period was performed to ascertain whether any subsequent events have occurred which would have a material impact on the Company's operations or financial statements. In addition, an inquiry was made of the Company's management regarding subsequent events. Based upon our review, there were no significant events and/or transactions which occurred subsequent to the period covered by this examination.

**SUMMARY OF RECOMMENDATIONS**

<b>No.</b>	<b>Recommendation</b>	<b>Page No.</b>
1	It is recommended that the Company report the Medicare risk adjustment (“MRA”) receivable within page 2 line 15.3, “Accrued Retrospective Premiums and Contracts Subject to Redetermination”.	30
2	It is recommended that the Company comply with the provisions of SSAP 64 relating to the offsetting of assets and liabilities with the same counterparty into a single net balance. In particular, it is recommended that the Company report the ACA risk adjustment receivable within page 2 line 15.3, “Accrued Retrospective Premiums and Contracts Subject to Redetermination” when this receivable is not expected to settle at the same time as the related payables.	30
3	It is recommended that the Company report the Medicaid gain share payable within page 3 line 4, “Aggregate Health Policy Reserves.”	30

## CONCLUSION

We have applied verification procedures to the data and information contained in this report using sampling techniques and other examination procedures as deemed appropriate. While sampling and other examination procedures do not give complete assurance that all errors and irregularities will be detected, had any been detected during the course of this examination, such errors and/or irregularities would have been disclosed in this report. Other than what has been noted in the body of this report, we were not informed of, and did not become aware of, any errors or irregularities that could have a material effect on the financial condition of the Company as presented in this report.

Participating in the examination with the undersigned were various staff insurance examiners from the Rhode Island Insurance Division. In addition, acknowledgment is made of Risk & Regulatory Consulting, LLC for the services rendered to assist with the examination by providing consulting actuaries and information technology specialists.

Respectfully submitted,



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Joseph R. Rapczak, CPA, CIA, CFE  
Insurance Examiner-In-Charge  
Rhode Island Insurance Division