

Report on Examination  
of  
**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
Providence, Rhode Island  
as of  
December 31, 2023



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

**FINAL ORDER (OHIC)**

The attached Report of Examination as of December 31, 2023, of the condition and affairs of **BLUE CROSS & BLUE SHIELD 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.

DEPARTMENT OF BUSINESS REGULATION

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

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Cory B. King  
Health Insurance Commissioner

DATED: 12/31/2024

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November 15, 2024

Honorable 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, 2023, of the financial condition and affairs of

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**

located at 500 Exchange Street, Providence, Rhode Island. The report of such examination is herewith submitted.

Blue Cross & Blue Shield of Rhode Island (also referred to as “BCBSRI,” or “the Company”) was previously examined as of December 31, 2018, 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 five-year period from January 1, 2014 through December 31, 2018. The current examination covered the five-year period from January 1, 2019 through December 31, 2023 and was performed in compliance with the above-mentioned sections of the General Laws of the State of Rhode Island, as amended. The current examination was conducted in accordance with the National Association of Insurance Commissioners (“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**

There were no material adverse or significant non-compliance findings noted during the examination conducted as of December 31, 2023.

### **COMPANY HISTORY**

The Company was organized on February 27, 1939, as the Hospital Service Corporation of Rhode Island, under the provisions of the enabling act passed by the Rhode Island General Assembly in that year. It commenced business the same year under non-business Articles of Incorporation, for the purpose of conducting business as a non-profit hospital service corporation, as defined and authorized by an act entitled “An Act Providing for the Incorporation of Non-Profit Hospital Service Corporations and Defining Their Powers,” Chapter 719 of the Rhode Island Public Laws, 1939.

On November 20, 1973, the corporate name was changed to Blue Cross of Rhode Island under an amendment to the Articles of Incorporation.

A separate entity, the Rhode Island Medical Society Physicians Service, was organized on May 2, 1949, under the provisions of an enabling act passed in 1945 by the Rhode Island General

Assembly. It commenced business in 1950 under non-business Articles of Incorporation, for the purpose of providing voluntary insurance against the cost of medical care to the people of the State of Rhode Island. On March 25, 1974, the corporate name was changed to Blue Shield of Rhode Island under an amendment to the Articles of Incorporation.

Subsequently, on October 1, 1982, with the approval of the Board of Directors (“Board”) of both Blue Cross of Rhode Island and Blue Shield of Rhode Island, the two corporations merged through an “Agreement of Merger.” Blue Cross of Rhode Island remained as the continuing corporation and the name was changed to Blue Cross & Blue Shield of Rhode Island. The Company does business under the Enabling Act of Blue Cross, as it is sufficiently flexible to allow activities of both corporations without legislative change.

On August 8, 1985, the Board approved a resolution describing the formation, structure, and operation of a health maintenance organization (“HMO”) called HMO Rhode Island, Inc. In May 1996, HMO Rhode Island, Inc., changed its name to Coordinated Health Partners (“CHiP”). CHiP, a wholly owned subsidiary of the Company, received its license to transact business from the Rhode Island Department of Business Regulation on August 12, 1986. As a for-profit federally qualified, individual practice association model health maintenance organization, CHiP provided comprehensive medical services to its members, generally for a fixed, prepaid fee. Effective January 1, 2005, the Company liquidated CHiP and consolidated its product lines into Blue Cross & Blue Shield of Rhode Island.

In January of 2007, the Company formed a wholly owned subsidiary, The Health & Wellness Institute (“HWI”). HWI operated as a non-insurance limited liability corporation extending beyond the State of Rhode Island. The purpose of HWI was to provide comprehensive healthcare wellness solutions to improve the health of Rhode Islanders. In addition, HWI contracted with out-of-state clients to provide health and wellness programs to their members. On May 31, 2013, HWI ceased operations and subsequently, a filing was made on June 3, 2013 to the Rhode Island Secretary of State to officially affirm its dissolution. The HWI assets net of outstanding obligations were transferred to the Company.

Effective September 10, 2018, the Company became part of an Insurance Holding Company System. The Company and Oak Street Health entered into a limited liability company agreement as the sole members of OSH-RI, LLC, a company formed to provide health care assistance to those in certain Rhode Island communities. The Company holds a 49.9% interest and Oak Street Health holds a 50.1% interest in OSH-RI, LLC.

## **MANAGEMENT AND CONTROL**

### **Members**

The Company’s bylaws provide that the members of the Company shall be a number not less than fifty (50) or more than one-hundred-thirty (130) members. The bylaws also stipulate that Emeritus Directors shall have the option to serve as lifetime members of the corporation and shall be counted towards the total membership. The annual meeting of the members shall be held in the State of Rhode Island, in April of each year, at the time and place designated by the Company’s Board, for the election of directors and members, and the transaction of such other business that may come



before the meeting. Special meetings may be called by the Chair, Vice Chair, President, a majority of the Board, or by the written request of 25 percent of the members.

A quorum for the transaction of business requires the presence of at least 25 members. Unless required otherwise by law or by the bylaws, all questions shall be decided by a vote of the majority of the members present.

### Board of Directors

The Company's bylaws provide that its affairs, business, and property shall be managed by a Board of not less than ten (10) or more than nineteen (19) directors. At no time may hospital trustees, directors, administrators or employees, in the aggregate, represent a majority of the Board. Not more than twenty-five percent (25%), or as near as may be, of the Directors shall be physicians. No officer or employee of the Company or any of its affiliates or subsidiaries shall serve as a Director.

In accordance with Rhode Island General Laws §27-19.2-5, six (6) publicly appointed directors shall be appointed, two each by the Governor of the State of Rhode Island, Speaker of the Rhode Island House of Representatives, and the President of the Rhode Island Senate. Once the public appointments are made, vacancies will be filled for a maximum of three (3) year terms.

The Board may, from time to time, elect Emeritus Directors in accordance with guidelines established by the Board. Emeritus Directors shall be members of the Company but will not be eligible to serve additional terms on the Board.

At each annual meeting, the members of the Company shall fix the total number of directors for the ensuing year. In all cases, the directors shall serve until their successors are elected and qualified.

Vacancies in the Board occurring from any cause may be filled for the unexpired term by a majority vote of the remaining directors. In the case of a publicly appointed director, the office of the public official who appointed the director will appoint a new director.

Regular meetings of the Board may be held from time to time at such times and places as the Board shall determine and shall take place no less than four (4) times per year. Special meetings shall be held whenever called by or at the direction of the Chair of the Board, Vice Chair, President, or any seven (7) members of the Board. A majority of the directors shall constitute a quorum for the transaction of business at all meetings.

The members of the Board together with the principal business or professional affiliation of each director was as follows at December 31, 2023:

<b>Name</b>	<b>Business Affiliation</b>	<b>Term Expires</b>
Peter Quattromani, <i>Chair</i>	United Cerebral Palsy of Rhode Island Executive Director & Chief Executive Officer	2024
Stephen Cohan, <i>Vice Chair</i>	One River Art School Franchise Owner, Consultant	2024
Ernest Almonte	Rhode Island League of Cities and Towns Executive Director	2026
Christopher Buffery	IBEW Local Union 2323 Business Manager	2025

Christopher Crosby	Nautic Partners Managing Director	2025
Nicholas Denice, Esq., CFE	Hinckley Allen Attorney	2025
Michael DiChiro *	Rhode Island Traffic Tribunal Court Magistrate	2023
Joseph Diaz, M.D.	Brown University Professor of Medicine	2024
Louis Giancola	South County Health Retired – Chief Executive Officer	2025
Karen Hammond	Fidelity Investments Retired – Managing Director	2025
Margaret Holland-McDuff	Family Service of Rhode Island Chief Executive Officer	2025
Donna Huntley-Newby, Ph.D., RN	Rhode Island College Associate Professor/RN – BSN Director Adjunct Professor at Salve Regina	2024
Michael Israelite	MAI Career Coaching LLC Owner	2025
Sharon Morris	Omni Development Corporation Executive Director	2024
William Murray	Best Practice Energy Consultant	2025
Debra Paul	Fellowship Health Resources President & Chief Executive Officer	2024
Robert A. Sanders	U.S. Naval War College Attorney, Captain – Military Professor	2024
Martha Temple	406 Ventures Executive	2026
Vicki Virgilio	Public Employee’s Local Union 1033 President	2026

- Cara Cromwell was elected as a Director, effective January 1, 2024, by the Board during its December 13, 2023 meeting, to replace Michael DiChiro, whose term expired in 2023.

### **Committees**

The bylaws provide that the Executive Committee shall be elected by the Board and shall consist of the Chair of the Board, Vice Chair of the Board, the Secretary if such secretary is not an employee of the Company, and the Chair of the standing committees of the Board, and one

publicly appointed director. Not more than 40% of the members of the Executive Committee shall be physicians.

The Executive Committee shall, when the Board is not in session, have and may exercise oversight of the general management, control, and direction of the affairs, business and property of the Company possessed by the Board, unless any such duties shall have been expressly given or delegated by the Board to other committees, except that the Executive Committee shall not have the authority to fill vacancies on the Board or on the Executive Committee, nor to elect any of the officers, nor to amend bylaws.

In addition to the Executive Committee, other standing committees of the Board shall include: the Audit Committee, Compensation Committee, Finance Committee, Governance Committee, and the Social Mission Committee. Other committees may be established as approved by the Board.

As of December 31, 2023, the committees of the Board were comprised of the following individuals:

**Executive Committee**

Peter Quattromani, *Chair*  
Steve Cohan, *Vice Chair*  
Donna Huntley-Newby  
Debra Paul  
Karen Hammond  
Michael DiChiro

**Finance Committee**

Karen Hammond, *Chair*  
Debra Paul, *Vice Chair*  
Christopher Crosby  
Sharon Morris  
Margaret Holland-McDuff  
William Murray  
Ernest Almonte  
Martha Temple  
Robert Sanders

**Compensation Committee**

Steve Cohan, *Chair*  
Michael Israelite, *Vice Chair*  
Peter Quattromani  
Christopher Crosby  
Michael DiChiro  
Louis Giancola  
Debra Paul  
Martha Temple

**Governance Committee**

Joseph Diaz, *Chair*  
Vicki Virgilio  
Steve Cohan  
Donna Huntley-Newby  
Nicholas Denice  
Peter Quattromani  
Chris Buffery

**Audit Committee**

Debra Paul, *Chair*  
Nicholas Denice, *Vice Chair*  
Karen Hammond  
Michael Israelite  
Louis Giancola  
Ernest Almonte  
William Murray  
Vicki Virgilio

**Social Mission Committee**

Donna Huntley-Newby, *Chair*  
Michael DiChiro, *Vice Chair*  
Joseph Diaz  
Sharon Morris  
Robert Sanders  
Margaret Holland-McDuff  
Christopher Buffery  
Yvette Mendez\*  
Carrie Bridges-Feliz\*  
Derek Collamati\*  
Scott Duhamel\*  
Elizabeth Lange, M.D.\*

\*Corporation Members

**Officers**

The bylaws provide that the officers of the Company shall be elected annually by the Board. The officers of the Company shall consist of the following: a Chair of the Board, a Vice Chair, and a Secretary. Other officers of the Company who are not also members of the Board include: a President, one or more Vice Presidents, a Treasurer, a Secretary in the event that the Board decides not to elect a Board member to serve in such position, and such other officers as the Board in its discretion may from time to time determine. All officers, unless sooner removed by the Board, hold their respective positions until their successors are elected and qualified or until an officer's resignation or removal. Committee Chairs and Board Officers who are directors may serve a maximum of six (6) years in a position.

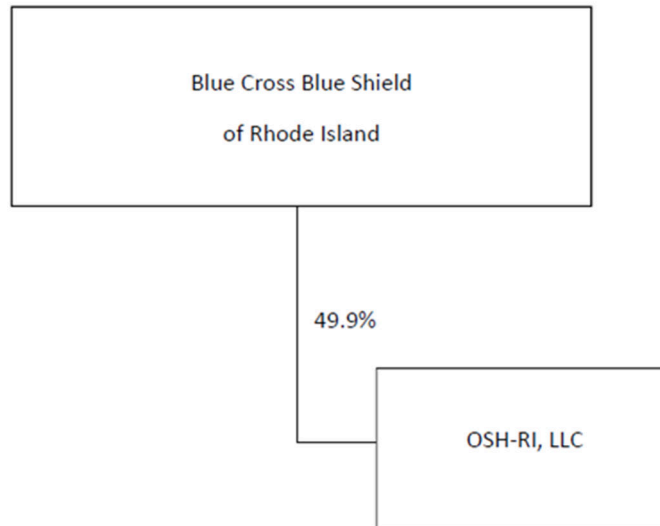
The Officers serving, and their respective titles as of December 31, 2023, are as follows:

<b>Name</b>	<b>Title</b>
Peter Quattromani	Chairman of the Board
Stephen Cohan	Vice Chairman of the Board
Martha Wofford	President & Chief Executive Officer
Michele Lederberg	Executive Vice President, Chief Administrative Officer & Chief Legal Officer
Michael Marrone	Executive Vice President & Chief Financial Officer
Farah Shafi	Executive Vice President – Chief Medical Officer
Melissa Cummings	Executive Vice President – Chief Customer Officer
Tara Demoura	Senior Vice President – Employer Segment
Peter Lefeber	Senior Vice President – Value Based Care
Christina Pitney	Senior Vice President – Government Programs
Christopher Bush	Senior Vice President – Network Management
Anastasia Bergman	Vice President – Chief People Officer
David Comella	Vice President – Chief Information Officer
Jeremy Duncan	Vice President – Marketing
Brian Mackintosh	Vice President – Actuarial and Underwriting
Michael Menard	Vice President – Medicare
Linda Winfrey	Vice President – Chief Auditor
John Donohue	Vice President – Group Sales
Kristen McLean	Vice President – General Counsel
Christine Musial	Vice President – Shared Services

### **Organizational Structure**

The Company is part of an Insurance Holding Company System under Title 27, Chapter 35 of the Rhode Island General Laws entitled “Insurance Holding Company Systems.”

The following represents an organizational chart as of December 31, 2023, which illustrates the identity and interrelationship between the Company and its subsidiary, OSH-RI, LLC:



### **TERRITORY AND PLAN OF OPERATION**

The Company, which is authorized to conduct business only in Rhode Island, markets, administers, services, and underwrites health and dental insurance plans for organizations, groups and governmental agencies that provide such coverage to their employees or members. The Company also provides claims administration services for groups that elect to assume partial or full risk of medical expenses incurred by their employees or members. In addition, the Company offers fully insured medical insurance plans to individuals through its “Direct Pay” program.

The Company’s health plans include contractual agreements with a network of participating providers to file claims, obtain the necessary pre-authorizations and hold members harmless from any balance billing beyond the normal allowances for services. The Company’s medical and

dental plans offered also provide such services as the issuance of identification cards and plan literature, membership and claim administration, and customer service.

The Company offers a full range of products and plan designs to accommodate group commercial market needs. Products range from traditional plans with first-dollar coverage to Health Savings Account (“HSA”) compatible, High Deductible Health Plans, Coordinate Care Plan, and Value Based Benefit Plans.

National Network Products:

HEALTHMATE COAST TO COAST is a traditional preferred provider organization (“PPO”) health plan that provides fully covered benefits for hospital, ancillary, and medical/surgical care through negotiated contractual arrangements with Blue Cross network providers.

VANTAGEBLUE SELECTRI is a tiered network plan that includes all the benefits of VantageBlue and has lower member cost for using Tier 1 providers.

BLUESOLUTIONS FOR HSA is a high deductible health plan (“HDHP”) that can be paired with a tax-advantage HSA, so members can pay medical expenses, like deductibles, with tax advantaged dollars.

VANTAGEBLUE is a value-based benefit (“VBB”) design that provides traditional benefits with added features and incentives for healthy living. This plan empowers members with many preventive benefits that make it easier to be healthier and take an active role in their healthcare.



BASICBLUE is a traditional plan that provides coverage for office visits and most generic with copays and covers the remaining services with a combination of deductibles and coinsurance with the in-network benefits only.

BLUE HPN - The Blue Cross and Blue Shield Association (“BCBSA”) developed, and the Company provides the Blue High-Performance Network (“Blue HPN”) product as a national narrow network solution designed to reduce costs by selecting only the highest quality and lowest cost providers for the network. There are currently 55 service areas, called HPN Markets, which represent the largest metropolitan areas in the country. Blue HPN is currently available to all large group fully-insured and self-insured employer groups.

Regional Network Products:

NETWORK BLUE NEW ENGLAND is a traditional HMO-style health plan with copayments, coinsurance and deductibles with in-network benefits only. Members have access to providers in New England are required to choose a primary care physician (“PCP”) and are encouraged to get referrals to see a specialist to promote high levels of coordinated care.

BLUE CHOICE NEW ENGLAND is a traditional point of service (“POS”) style health plan with copayments, coinsurance and deductibles with in-network benefits, along with out-of-network options. Members who have access to providers in New England are required to choose a PCP, and are encouraged to get referrals to see a specialist to promote high levels of coordinated care. Members also have the option to leave the network or self-refer to a specialist at a higher cost.

ACCESS BLUE NEW ENGLAND is an HDHP that can be paired with a tax-advantaged HSA, so members can pay medical expenses, like deductibles, with tax advantaged dollars. Members have access to providers in New England and are required to choose a PCP.

Local Network Products:

BLUECHIP is a traditional HMO-style health plan with copayments, coinsurance and deductibles with in-network benefits only. Members who have access to providers in Rhode Island are required to choose a PCP, and are encouraged to get referrals to see a specialist to promote high levels of coordinated care.

When necessary, the Company utilizes the BCBSA BlueCard Program to administer services rendered to members who are outside of the local area. The medical services are reimbursed at the prevailing rates negotiated by the local Blue Cross Blue Shield Plans.

The Company administers medical benefits for the U.S. Office of Personnel Management - Federal Employee Program. The terms of the agreement are similar to a cost-plus arrangement where, for an agreed upon administrative fee, the Company will administer the program and be reimbursed for its benefit payments and administrative costs up to a maximum amount, as approved by the Washington Office of the Federal Employee Program. The Company shares in underwriting this national program through a participation agreement with the BCBSA.

In the individual market, there are a number of plans offered by the Company with varying levels of coinsurance amounts and network access. A HDHP is also offered, and can be coupled with a

HSA to pay for healthcare expenses, reducing taxable income. The individual plans are fully insured with premiums due in monthly installments.

The Company offers dental coverage to group accounts and individual members and offers a full range of products and plan designs to accommodate commercial market needs. Dental offers all of the same features and provider guarantees included in the Company medical plans, such as hold harmless protection and administration for claims filed by participating dentists.

The Company offers vision coverage to group accounts and individual members. Vision offers a full range of products and plan designs including a hardware benefit to accommodate commercial market needs.

The Company offers a Wellness Works program to educate employees about the long-term benefits of a healthy lifestyle. This program provides customized on-site and virtual interactive seminars in English or foreign languages.

The Company offers products in the senior markets that include a Medicare Supplement (“Plan 65”) product, a full replacement product for traditional Medicare, known as Medicare Advantage (“MA”) and a stand-alone Prescription Drug Plan (“PDP”). MA is offered with or without prescription drug benefits. In addition, MA offers supplemental benefits such as vision, hearing and limited dental. The PDP program is administered in a four (4) state joint operating venture arrangement with Blue Cross plans in Massachusetts, Connecticut, and Vermont per The Center for Medicare and Medicaid Region 1 assignment that provides a stand-alone prescription drug

benefit plan as part of the 2006 Medicare Modernization Act. The Plan 65, MA and PDP products are offered both to direct and group business.

While most Blue Cross accounts are funded under a fully insured, prospective premium arrangement, the Company offers several alternative funding arrangements, each with incrementally increasing levels of risk to the account. A self-insured account can also purchase stop-loss insurance from the Company or a third-party reinsurer, to cover catastrophic claims expense.

The Company also maintains contractual agreements with each hospital in the State of Rhode Island and several nearby Massachusetts hospitals to provide medically necessary, covered healthcare services to its members. These agreements define the various reimbursement mechanisms negotiated with each hospital, including global per diem, diagnosis-related group, global per case, fixed-fee and discounted fee for service. Arrangements with non-hospital providers include both fixed global provider group payments per member per month, adjusted retroactively for actual services utilized on a shared-risk basis and discounted fee for service arrangements. The Company contracts with healthcare providers and physician organizations that enter into participating provider agreements to provide covered services to the Company's members and who may share in the premium revenues and medical expenses of these members. Prescription drug services are provided through third-party vendors under fee for service arrangements.

All hospitals in Rhode Island are participating hospitals. For commercial products, the payment allowance for covered services provided by a hospital outside of Rhode Island that is not participating with their local Blue Cross Blue Shield plan is the lower of: a) the hospital's charge or b) the Company's weighted average of local allowance calculated at the service level. Depending on the particular benefit and/or product, the member may be responsible for cost share e.g., co-payments and/or deductibles or may be balance-billed by the non-participating provider. For Medicare Advantage, payment allowance for covered services provided by a hospital outside of Rhode Island and not participating with their local Blue Cross Blue Shield plan is the allowance that Fee for Service Medicare would apply to that facility, including any geographic adjustments.

### **REINSURANCE**

At December 31, 2023, the Company had the following reinsurance agreements in effect:

- 1.) The Company and Sun Life Insurance Company ("Sun Life") entered into a 70% / 30% quota share or proportional risk agreement, effective January 1, 2020, to provide reinsurance for the Company's self-funded health plans. Under this arrangement, the Company assumes 70% risk and Sun Life assumes 30% risk.
  
- 2.) The Company and BCS Insurance Company ("BCS") entered into a 70 / 30% quota share or proportional risk agreement, effective July 1, 2021, to provide reinsurance for the Company's self-funded health plans. Under this arrangement, the Company assumes 70% risk and BCS assumes 30% risk.

The following is a summary of the primary provisions of each reinsurance agreement in effect at December 31, 2023:

### Self-Funded Health Plans

Effective January 1, 2020 for Sun Life and July 1, 2021 for BCS, the Company entered into reinsurance agreements with unaffiliated reinsurers to provide stop-loss insurance to self-funded health plans in the State of Rhode Island on a quota share or proportional arrangement. At December 31, 2023, the reinsurers and the Company share in the risk 70% / 30%. The reinsurance agreement provides for specific, aggregate and aggregating specific coverage based on the terms of the contract negotiated with the self-funded group. The contract is between the self-funded group and the Company. The contract terms negotiated include a covered line of business, attachment point, benefit accumulation period, benefit exclusions, lasering and a maximum retained liability. The contract with the self-funded group is negotiated on an annual basis that coincides with the group's renewal period.

## **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, 2023. 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, 2023 and December 31, 2018

Comparative Statement of Liabilities and Capital and Surplus  
December 31, 2023 and December 31, 2018

Statement of Revenue and Expenses  
Year Ended December 31, 2023

Reconciliation of Capital and Surplus  
December 31, 2018 to December 31, 2023

Analysis of Examination Adjustments  
December 31, 2023

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**Comparative Statement of Assets**  
**December 31, 2023 and December 31, 2018**

	<u>December 31</u> 2023	<u>December 31</u> 2018	<u>Increase</u> <u>(Decrease)</u>
Bonds	\$462,559,415	\$314,102,016	\$148,457,399
Preferred stocks	21,128,948	45,225	21,083,723
Common stocks	105,454,145	108,095,353	(2,641,208)
Real estate occupied by the company	45,321,428	37,693,095	7,628,333
Cash, cash equivalents, and short-term investments	24,864,668	14,745,766	10,118,902
Other invested assets	39,562,025	16,852,066	22,709,959
Receivables for securities	191	2,896	(2,705)
Investment income due and accrued	3,190,224	1,893,771	1,296,453
Uncollected premiums and agents' balances in the course of collection	27,400,929	30,530,022	(3,129,093)
Accrued retrospective premiums	36,632,012	35,672,098	959,914
Amounts receivable from reinsurers	18,373,777	815,020	17,558,757
Amounts receivable relating to uninsured plans	112,611,425	22,670,406	89,941,019
Electronic data processing equipment and software	49,420	298,359	(248,939)
Health care and other amounts receivable	81,745,555	20,498,523	61,247,032
Aggregate write-ins for other than invested assets	46,900,191	34,327,824	12,572,367
 Total Assets	 <u>\$1,025,794,353</u>	 <u>\$638,242,440</u>	 <u>\$387,551,913</u>



**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**Comparative Statement of Liabilities and Capital and Surplus**  
**December 31, 2023 and December 31, 2018**

	December 31 2023	December 31 2018	Increase (Decrease)
Claims unpaid	\$172,331,717	\$120,163,351	\$52,168,366
Accrued medical incentive pool and bonus amounts	53,315,471	27,714,000	25,601,471
Unpaid claims adjustment expense	20,437,460	18,365,862	2,071,598
Aggregate health policy reserves	91,542,426	23,786,238	67,756,188
Aggregate health claim reserves	4,496,000	3,418,000	1,078,000
Premiums received in advance	17,915,388	20,029,112	(2,113,724)
General expenses due or accrued	49,481,505	44,605,768	4,875,737
Current federal and foreign income tax payable	918,410	335,172	583,238
Ceded reinsurance premium payable	654,765	372,895	281,870
Amounts withheld or retained for the account of others	1,189,803	7,201,386	(6,011,583)
Remittances and items not allocated	4,910,614	2,596,568	2,314,046
Borrowed money and interest thereon	70,098,133	25,196,659	44,901,474
Payable for securities	-	1,633,075	(1,633,075)
Liability for amounts held under uninsured plans	78,641,032	27,531,217	51,109,815
Aggregate write-ins for other liabilities	20,313,132	16,634,513	3,678,619
<b>Total Liabilities</b>	<b>\$586,245,856</b>	<b>\$339,583,816</b>	<b>\$246,662,040</b>
Unassigned funds (surplus)	439,548,497	298,658,624	140,889,873
<b>Total Capital and Surplus</b>	<b>\$439,548,497</b>	<b>\$298,658,624</b>	<b>\$140,889,873</b>
<b>Total Liabilities, Capital and Surplus</b>	<b>\$1,025,794,353</b>	<b>\$638,242,440</b>	<b>\$387,551,913</b>

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**Statement of Revenue and Expenses**  
**Year Ended December 31, 2023**

Revenues:

Net premium income	\$2,049,694,139
Aggregate write-ins for other health care related revenues	(4,562,057)
Total revenues	<u>2,045,132,082</u>

Hospital and Medical:

Hospital /medical benefits	\$1,289,823,555
Other professional services	20,628,281
Emergency room and out-of-area	201,393,758
Prescription drugs	238,972,726
Aggregate write-ins for other hospital and medicine	80,210,775
Incentive pool, withhold adjustments and bonus amounts	8,192,675
Subtotal	<u>1,839,221,770</u>

Less:

Net reinsurance recoveries	13,294,780
Total hospital and medical	<u>1,825,926,990</u>

Claims adjustment expenses, including \$30,072,099 cost containment expenses	63,506,822
General administrative expenses	172,654,392
Increase in reserves for life and accident and health contracts	9,000,000
Total underwriting deductions	<u>2,071,088,204</u>

Net underwriting gain (or loss) (25,956,122)

Net investment income earned	14,859,094
Net realized capital gains (losses) less capital gains tax	(5,342,130)
Net investment gains (losses)	<u>9,516,964</u>

Aggregate write-ins for other income or expenses 17,040,901

Net income (or loss) after capital gains tax and before all other federal income taxes	601,743
Federal and foreign income taxes incurred	-
Net income	<u><u>\$601,743</u></u>

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**Reconciliation of Capital and Surplus**  
**December 31, 2018 to December 31, 2023**

Capital and Surplus, December 31, 2018: \$298,658,624

	<u>Gains</u>	<u>Losses</u>	
Net Income	\$146,067,581		
Change in net unrealized capital gains	35,321,837		
Change in net deferred income tax		\$72,516,208	
Change in nonadmitted assets	28,632,891		
Aggregate write-in for surplus gains or (losses)	<u>3,383,772</u>		
 Total Gains and Losses	 <u>213,406,081</u>	 <u>72,516,208</u>	
 Net change in Capital and Surplus for the period			 <u>140,889,873</u>
 Capital and Surplus, December 31, 2023			 <u><u>\$439,548,497</u></u>

**BLUE CROSS & BLUE SHIELD OF RHODE ISLAND**  
**Analysis of Examination Adjustments**  
**December 31, 2023**

The examination of Blue Cross & Blue Shield of Rhode Island, performed as of December 31, 2023, did not disclose any material misstatements to the financial statements contained in its 2023 Annual Statement filing. Accordingly, the amounts reported by the Company have been accepted for purposes of this report.

## COMMENTS ON FINANCIAL STATEMENTS

### Bonds

\$462,559,415

The above amount is the net admitted value of bonds held by the Company at December 31, 2023 and is the same amount reported in its 2023 Annual Statement. All bonds are held in accordance with the terms of custodial agreements with third-party financial institutions.

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 80% of the bond portfolio were designated NAIC 1, which are bonds of the “highest” quality, according to the NAIC Designation system, and 17% were designated NAIC 2 (“high” quality).

The aggregate book/adjusted carrying value, fair value, actual cost, and par value of the bond portfolio at December 31, 2023, is as follows:

Book/Adjusted Carrying Value	Fair Value	Actual Cost	Par Value
\$ 462,559,414	\$ 433,368,718	\$ 464,540,483	\$ 462,611,317

Securities with a combined par value of \$35,958,000 are pledged to satisfy The Blue Cross Blue Shield Association’s membership standards for out-of-area provider claim settlements. Securities with a combined par value of \$171,821,623 are pledged as collateral for a line of credit.

**Actuarially Determined Assets and (Liabilities)**

<b>Accrued Retrospective Premiums</b>	<b>\$ 36,632,012</b>
<b>Amounts Recoverable From Reinsurers</b>	<b>16,801,790</b>
<b>Health Care and Other Amounts Receivable</b>	<b>53,299,810</b>
<b>Claims Unpaid</b>	<b>(172,331,717)</b>
<b>Accrued Medical Incentive Pool and Bonus Amounts</b>	<b>(53,315,471)</b>
<b>Unpaid Claims Adjustment Expenses</b>	<b>(20,437,460)</b>
<b>Aggregate Health Policy Reserves</b>	<b>(91,542,426)</b>
<b>Aggregate Health Claim Reserves</b>	<b>(4,496,000)</b>

The significant actuarially determined amounts above are the same as those reported in the Company's 2023 Annual Statement. The calculations prepared by the Company were reviewed by INS Consultants, Inc., consulting actuaries for the State of Rhode Island Insurance Division. INS Consultants, Inc., relied upon the underlying data reported by the Company, and their analyses included a review of the actuarial assumptions and methods used by the Company in determining the reserves, and such tests of actuarial calculations as deemed necessary.

In assisting INS Consultants, Inc., with their analysis, the examiners 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. INS Consultants, Inc. reviewed the actuarially determined liabilities as of December 31, 2023 and rendered an opinion that the amounts carried in the balance sheet as of December 31, 2023, are fairly stated.

## **SUBSEQUENT EVENTS**

A review of financial information, the Company's records, and the minutes to 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 was one significant event which is anticipated to occur subsequent to December 31, 2023 as follows:

### **Provider Settlement Payment**

Blue Cross Blue Shield Association and Individual Plans, which includes Blue Cross & Blue Shield of Rhode Island, are defendants in an ongoing class action lawsuit in which the parties are engaged in settlement negotiations. During August of 2024 a tentative settlement was reached, and was subsequently approved by the BCBSA Board of Directors in September of 2024. Pending final court approval, the settlement is anticipated to result in a \$16.25 million liability which the Company anticipates recording in its financial statements as of December 31, 2024.

## 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 financial examiners from INS Regulatory Insurance Services, Inc. In addition, acknowledgment is made of INS Consultants, Inc., and INS Services, Inc., for the services rendered to assist with the examination by providing actuaries and information technology specialists.

Respectfully submitted,



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Kelly Willison, CPA, CFE, CFE (Fraud)  
Insurance Examiner-In-Charge  
INS Regulatory Insurance Services, Inc., on behalf of  
Rhode Island Insurance Division



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John Tudino Jr., CFE, CIE, CFSA  
Chief Insurance Examiner  
Rhode Island Insurance Division