

Financial Statements and Supplementary Information - Statutory Basis

Community Care Health Plan of Louisiana, Inc.

Years Ended December 31, 2020 and 2019

With Reports of Independent Auditors

Community Care Health Plan of Louisiana, Inc.
Financial Statements and Supplementary Information - Statutory Basis

Years ended December 31, 2020 and 2019

Contents

| | |
|---|----|
| Report of Independent Auditors | 1 |
| Audited Financial Statements - Statutory Basis | |
| Balance Sheets - Statutory Basis | 3 |
| Statements of Operations - Statutory Basis | 4 |
| Statements of Changes in Capital and Surplus - Statutory Basis | 5 |
| Statements of Cash Flow - Statutory Basis | 6 |
| Notes to Financial Statements - Statutory Basis | 7 |
| Supplementary Information - Statutory Basis | |
| Report of Independent Auditors on Supplementary Information | 38 |
| Summary Investment Schedule - Statutory Basis | 39 |
| Investment Risks Interrogatories - Statutory Basis | 40 |
| Note to Supplementary Information - Statutory Basis | 43 |
| Additional Report of Independent Auditors on Supplementary Information..... | 44 |
| Combining Schedule - Statement of Operations | 45 |



Ernst & Young LLP
111 Monument Circle
Suite 4000
Indianapolis, IN 46204

Tel: +1 317 681 7000
Fax: +1 317 681 7216
ey.com

Report of Independent Auditors

Board of Directors
Community Care Health Plan of Louisiana, Inc.

We have audited the accompanying statutory basis financial statements of Community Care Health Plan of Louisiana, Inc. (the Company), which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in capital and surplus and cash flow for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

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

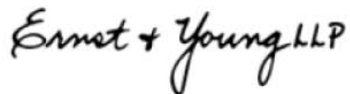
As described in Note 1 to the statutory basis financial statements, the Company prepared these financial statements using accounting practices prescribed or permitted by the Louisiana Department of Insurance, which is a basis of accounting other than U.S. generally accepted accounting principles. The effects on the financial statements of the variances between these statutory accounting practices and U.S. generally accepted accounting principles, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter described in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the statutory basis financial statements referred to above do not present fairly, in conformity with U.S. generally accepted accounting principles, the financial position of the Company at December 31, 2020 and 2019, or the results of its operations or its cash flows for the years then ended.

Opinion on Statutory Basis of Accounting

In our opinion, the statutory basis financial statements referred to above present fairly, in all material respects, the financial position of the Company at December 31, 2020 and 2019, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

The image shows a handwritten signature in black ink that reads "Ernst & Young LLP". The signature is written in a cursive, flowing style.

April 23, 2021

Community Care Health Plan of Louisiana, Inc.

Balance Sheets - Statutory Basis

| | December 31 | |
|--|-----------------------|-------------|
| | 2020 | 2019 |
| | <i>(In Thousands)</i> | |
| Admitted assets | | |
| Cash and invested assets: | | |
| Cash, cash equivalents and short-term investments | \$ 91,675 | \$ 38,296 |
| Bonds | 263,666 | 244,176 |
| Securities lending collateral | 6,071 | 436 |
| Total cash and invested assets | 361,412 | 282,908 |
| Accrued investment income | 1,938 | 1,889 |
| Premiums receivable | 147,240 | 130,687 |
| Current federal income tax recoverable | 1,967 | 425 |
| Net deferred tax asset | 1,234 | 1,712 |
| Receivables from affiliates | 9,648 | — |
| Health care and other receivables | 218 | 121 |
| Other assets | 3 | — |
| Total admitted assets | \$ 523,660 | \$ 417,742 |
| Liabilities and capital and surplus | | |
| Liabilities: | | |
| Unpaid claims and claims adjustment expenses | \$ 142,438 | \$ 96,828 |
| Aggregate policy reserves | 16,208 | — |
| Accounts payable and accrued expenses | 38,235 | 28,616 |
| Remittances and items not allocated | 5,808 | 5,338 |
| Payable to affiliates | — | 1,225 |
| Payable for securities | 360 | 2,760 |
| Payable for securities lending | 6,071 | 436 |
| Liability for amounts held under uninsured plans | 101,780 | 88,196 |
| Escheat liability | 2,925 | 1,623 |
| Other liabilities | 22 | 242 |
| Total liabilities | 313,847 | 225,264 |
| Capital and surplus: | | |
| Common stock, \$0 par value, 1,333 shares authorized, issued and outstanding | — | — |
| Additional paid-in surplus | 200,724 | 200,724 |
| Unassigned surplus (deficit) | 9,089 | (40,915) |
| Special surplus funds | — | 32,669 |
| Total capital and surplus | 209,813 | 192,478 |
| Total liabilities and capital and surplus | \$ 523,660 | \$ 417,742 |

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Operations - Statutory Basis

| | Year Ended December 31 | |
|--|-------------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>(In Thousands)</i> | |
| Premium income | \$ 1,563,096 | \$ 1,285,035 |
| Benefits and expenses: | | |
| Claims and claims adjustment expenses | 1,354,220 | 1,171,667 |
| Operating expenses | 185,779 | 108,389 |
| Change in reserves for accident and health contracts | — | (14,217) |
| Total benefits and expenses | <u>1,539,999</u> | <u>1,265,839</u> |
| Net underwriting gain (loss) | 23,097 | 19,196 |
| Investment gains (losses): | | |
| Net investment income (losses) | 8,359 | 8,370 |
| Net realized capital gains (losses), net of taxes (benefits) | <u>(1,648)</u> | <u>229</u> |
| Total net investment gains (losses) | 6,711 | 8,599 |
| Other income (expense) | <u>566</u> | <u>175</u> |
| Income (loss) before federal income taxes | 30,374 | 27,970 |
| Federal income taxes (benefits) | <u>11,544</u> | <u>1,813</u> |
| Net income (loss) | <u><u>\$ 18,830</u></u> | <u><u>\$ 26,157</u></u> |

See accompanying notes.

Community Care Health Plan of Louisiana, Inc.

Statements of Changes in Capital and Surplus - Statutory Basis

| | Common Stock | Additional Paid-in Surplus | Unassigned Surplus (Deficit) | Special Surplus Funds | Total Capital and Surplus |
|--|-------------------------|---|---|--------------------------------------|--------------------------------------|
| | <i>(In Thousands)</i> | | | | |
| Balance as of January 1, 2019 | \$ — | \$ 200,724 | \$ (26,186) | \$ — | \$ 174,538 |
| Net income (loss) | — | — | 26,157 | — | 26,157 |
| Change in net unrealized capital gains and losses, net of taxes (benefits) | — | — | 135 | — | 135 |
| Change in net deferred income tax | — | — | (2,234) | — | (2,234) |
| Change in nonadmitted assets | — | — | (6,118) | — | (6,118) |
| Change in special surplus funds for ACA health insurer fee | — | — | (32,669) | 32,669 | — |
| Balance as of December 31, 2019 | — | 200,724 | (40,915) | 32,669 | 192,478 |
| Net income (loss) | — | — | 18,830 | — | 18,830 |
| Change in net unrealized capital gains and losses, net of taxes (benefits) | — | — | 32 | — | 32 |
| Change in net deferred income tax | — | — | (449) | — | (449) |
| Change in nonadmitted assets | — | — | (1,078) | — | (1,078) |
| Change in special surplus funds for ACA health insurer fee | — | — | 32,669 | (32,669) | — |
| Balance as of December 31, 2020 | <u><u>\$ —</u></u> | <u><u>\$ 200,724</u></u> | <u><u>\$ 9,089</u></u> | <u><u>\$ —</u></u> | <u><u>\$ 209,813</u></u> |

Community Care Health Plan of Louisiana, Inc.

Statements of Cash Flow - Statutory Basis

| | Year Ended December 31 | |
|--|-------------------------------|-------------------------|
| | 2020 | 2019 |
| | <i>(In Thousands)</i> | |
| Operating activities: | | |
| Premiums collected | \$ 1,562,750 | \$ 1,241,163 |
| Investment income received | 9,309 | 8,970 |
| Claims and claims adjustment expenses paid | (1,309,772) | (1,165,459) |
| General administrative and miscellaneous expenses paid | (161,939) | (79,066) |
| Federal income taxes (paid) recovered | (12,878) | (700) |
| Net cash provided by (used in) operating activities | <u>87,470</u> | <u>4,908</u> |
| Investment activities: | | |
| Proceeds from investments sold, matured or repaid | 61,858 | 50,573 |
| Cost of investments acquired | (86,557) | (104,388) |
| Changes in securities lending collateral | (5,635) | 1,482 |
| Net cash provided by (used in) investment activities | <u>(30,334)</u> | <u>(52,333)</u> |
| Financing or miscellaneous activities: | | |
| Changes in securities lending payable | 5,635 | (1,482) |
| Net transfers from (to) affiliates | (10,873) | (4,622) |
| Other | 1,481 | 1,421 |
| Net cash provided by (used in) financing or miscellaneous activities | <u>(3,757)</u> | <u>(4,683)</u> |
| Change in cash, cash equivalents and short-term investments | 53,379 | (52,108) |
| Cash, cash equivalents and short-term investments at beginning of year | 38,296 | 90,404 |
| Cash, cash equivalents and short-term investments at end of year | <u><u>\$ 91,675</u></u> | <u><u>\$ 38,296</u></u> |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis

(Dollars In Thousands)

December 31, 2020

1. Nature of Operations and Significant Accounting Policies

Community Care Health Plan of Louisiana, Inc. (the “Company”) is a Louisiana domiciled stock health maintenance organization (“HMO”). The Company serves children, families, seniors and people with disabilities through the Bayou Health program. The Company provides Medicaid and Children's Health Insurance Program (“CHIP”) products through its contract with the Louisiana Department of Health and Hospitals (“LA DHH”). The Company provides Medicare products through its contract with Centers for Medicare & Medicaid Services (“CMS”). The Company’s current service areas are statewide. The Company operates as a licensee of the Blue Cross and Blue Shield Association (“BCBSA”). The Company is owned 75% by Anthem Partnership Holding Company, LLC (“APHC”), which is an indirect wholly-owned subsidiary of Anthem, Inc. (“Anthem”), a publicly traded company, and owned 25% by Louisiana Health Service & Indemnity Company, d/b/a Blue Cross and Blue Shield of Louisiana (“BCBS LA”), which is a Louisiana health insurance company.

A contract with the LA DHH authorized and enabled the Company to manage healthcare to eligible Medicaid recipients and a contract with CMS authorized the Company to offer Medicare coverage. The loss of these contracts would have material effect on the Company’s operations.

Basis of Presentation

The accompanying financial statements have been prepared in accordance with accounting practices prescribed or permitted by the Louisiana Department of Insurance (“LDI”). The LDI has adopted the Statement of Statutory Accounting Principles (“SSAP”) found in the National Association of Insurance Commissioners’ (“NAIC”) *Accounting Practices and Procedures Manual* (“NAIC SAP”) as a component of prescribed accounting practices. For the years ended December 31, 2020 and 2019, there were no differences between the Company’s statutory net income or capital and surplus under NAIC SAP and practices prescribed or permitted by the LDI.

Various statutory accounting principles differ from U.S. generally accepted accounting principles (“GAAP”). The more significant differences from GAAP, applicable to the Company, are as follows:

Investments: Investments in bonds are reported at amortized cost or fair value based on their NAIC rating. Changes in value in investments carried at fair value are included in unassigned surplus. Other than temporary impairments (“OTTI”) of bonds result in a permanent write-down in the carrying value of the investment. For GAAP, investments in bonds designated at purchase as available-for-sale are reported at fair value with unrealized holding gains and

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

losses, net of tax, reported as a separate component of capital and surplus. Impairments of bonds are reflected in valuation allowance which is adjusted for improvements in the fair value of the investment.

Premiums receivable: Premiums receivable are recorded at the billed amount and reduced by any amounts not deemed collectible. Generally, amounts aged ninety days and older are nonadmitted assets, with the exception of government receivables. For GAAP, these amounts are recorded at the billed amount and are reported net of a valuation allowance based upon historical collection trends and management's judgment on the expected collectability of these accounts.

Nonadmitted assets: Certain assets designated as nonadmitted, including deferred federal income taxes in excess of certain statutory limits, furniture and equipment, leasehold improvements, prepaid expenses, and certain health care and other receivable balance are excluded from the balance sheets by a direct charge to unassigned surplus. These nonadmitted assets totaled \$19,445 and \$18,367 at December 31, 2020 and 2019, respectively. For GAAP, these amounts are carried as assets, net of a valuation allowance, if necessary.

Income taxes: Statutory deferred tax assets are subject to certain statutory limitations with amounts in excess of these limitations being nonadmitted. Changes in deferred taxes are recognized as a separate component of gains and losses in unassigned surplus ("Change in net deferred income tax"). State income taxes are included as a component of operating expenses but are not considered in the computation of deferred taxes. In addition, income taxes on investment realized gains and losses are reported as a component of net realized capital gains (losses). For GAAP, a deferred tax asset is recorded for the amount of gross deferred tax assets expected to be realized in future years and a valuation allowance is established for deferred tax assets estimated to be unrealizable. Excluding the tax impact of unrealized investment gains and losses and certain other items, the change in deferred income taxes is recorded in the statements of operations. State income taxes are considered in the computation of deferred taxes and are included as a component of income tax expense. Income taxes on investment realized gains and losses are included as a component of income tax expense.

Statements of cash flow: Cash, cash equivalents and short-term investments in the statements of cash flow represent cash balances, and investments with initial maturities of less than one year and more than three months at the date of acquisition. If in the aggregate, the Company has a negative cash balance, it is reported as a negative asset and not as a liability. For GAAP, the corresponding captions of cash and cash equivalents include cash balances and

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

investments with initial maturities of three months or less. Short-term investments are reported separately and negative cash balances are also reported separately as liabilities.

Uninsured accident and health plans: The Company provides administrative services to various customers on an uninsured basis. Administrative fees earned under these arrangements are deducted from operating expenses. For GAAP, these administrative fees are reported as revenue in the statements of operations.

Leases: Obligations under noncancelable operating leases are not reflected on the balance sheet. Under GAAP, all lease obligations are reported as liabilities along with an asset representing its right to use the underlying assets over the lease terms adjusted for initial direct costs, prepaid lease payments and lease incentives.

The effects of the foregoing variances from GAAP on the accompanying statutory financial statements have not been determined but are presumed to be material.

Other significant accounting policies are as follows:

Use of Estimates

Preparation of statutory financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Investments

Bonds not backed by loans are stated at amortized cost, with amortization of premium or discount calculated based on the modified scientific method, using lower of yield to call or yield to maturity. Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions for loan-backed securities and structured securities are obtained from broker-dealer survey values or internal estimates. These assumptions are consistent with the current interest rate and economic environment. The retrospective adjustment method is used to value all loan-backed securities. Non-investment grade bonds are stated at the lower of cost or fair value.

The Company holds hybrid securities. These bonds generally combine elements of both debt securities and equity securities. The current hybrid bond holdings do not contain embedded derivatives and are being accounted for in a manner consistent with our other bond holdings.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Unrealized losses on non-investment grade bonds are reflected directly in unassigned surplus, net of federal income taxes, unless there is deemed to be an other-than-temporary decline in value, in which case the loss is charged to income. Realized gains and losses on investments sold are determined using the specific identification method and are included in net realized capital gains (losses), net of taxes (benefits). Investment income is not accrued on bonds with interest payments in default.

In accordance with SSAP No. 26R, *Bonds*, it is the Company's policy to assess for OTTI when fair value falls below amortized cost and record an OTTI when it becomes probable that the Company will be unable to collect all amounts due according to the contractual terms of the security in effect at the date of acquisition. In accordance with SSAP No. 43 Revised, *Loan-backed and Structured Securities* ("SSAP No. 43R"), OTTI on loan-backed or structured securities are recorded when fair value of the security is less than its amortized cost basis at the balance sheet date and (1) the Company intends to sell the investment or (2) the Company does not have the intent and ability to retain the investment for the time sufficient to recover the amortized cost basis or (3) if the Company does not expect to recover the entire amortized cost basis of the security, even if it does not intend to sell the investment and the Company has the intent and ability to hold the investment.

Short-term investments include investments with maturities of less than one year and more than three months at the date of acquisition and are reported at amortized cost, which approximates fair value. Cash equivalent investments include money market mutual funds and investments with maturities of less than or equal to three months at the date of acquisition. Money market mutual funds are reported at fair value. Investments with maturities of less than or equal to three months at the date of acquisition are reported at amortized cost, which approximates fair value. Non-investment grade short-term and cash equivalent investments are stated at the lower of amortized cost or fair value.

The Company participates in a securities lending program whereby marketable securities in its investment portfolio are transferred to independent brokers or dealers in exchange for collateral initially equal to at least 102% of the fair value of the securities on loan, and is thereafter maintained at a minimum of 100% of the fair value of the securities loaned. The fair value of the securities on loan to each borrower is monitored daily and the borrower is required to deliver additional collateral if the fair value of the collateral falls below 100% of the fair value of the securities on loan. The Company has no loaned portfolio securities with terms exceeding one year.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Furniture, Fixtures and Leasehold Improvements

Furniture, fixtures and leasehold improvements are capitalized and depreciated on a straight-line basis over its useful life. The net book value is charged in full to unassigned surplus as a nonadmitted asset. Depreciation expense in 2020 and 2019 was \$78 and \$177, respectively. Accumulated depreciation at December 31, 2020 and 2019 was \$25 and \$1,686, respectively.

Health Care Receivables

Health care receivables represent amounts related to pharmacy rebate receivables and other health care related receivables other than premiums. Pharmacy rebate receivables are recorded when earned, based upon actual rebate receivables and an estimate of receivables based upon current utilization of specific pharmaceuticals and provider contract terms. Health care receivables are subject to various admittance tests based on the nature of the receivable balance. Health care receivables relating to insured plans are reported in health care and other receivables and health care receivables that are not for insured plans are included in amounts receivable relating to uninsured plans on the statutory balance sheets.

Unpaid Claims and Claims Adjustment Expenses

Unpaid claims and claims adjustment expenses include management's best estimate of amounts based on historical claim development patterns and certain individual case estimates. The established liability considers health benefit provisions, business practices, economic conditions and other factors that may materially affect the cost, frequency and severity of claims. Reserves for unpaid claims and claims adjustment expenses are based on assumptions and estimates, and while management believes such estimates are reasonable, the ultimate liability may be in excess of or less than the amount provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed and changes in estimates are incorporated into current operating results.

There were no significant changes in methodologies and assumptions used in calculating the liability for unpaid claims and claims adjustment expenses.

Provider Risk Share and Other Reserves

The Company contracts with physicians or provider groups to provide medical services to the Company's members. The Company pays capitation or negotiated fees for defined services provided by the physicians. Under the terms of these agreements, certain providers are eligible to receive provider incentives based on qualitative and quantitative factors. Estimated risk-sharing

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

settlements are continually reviewed, and necessary adjustments are included in current operations. Claims and claims adjustment expenses include all amounts incurred by the Company under these arrangements.

Premium Deficiency Reserves

Premium deficiency reserves are established for the amount of the anticipated claims and claims adjustment expenses that have not been previously expensed in excess of the recorded unearned premium reserve and future premiums on existing policies. The Company does not use anticipated investment income as a factor in the premium deficiency reserve calculation. The Company did not record premium deficiency reserves as of December 31, 2020 or 2019.

Revenue Recognition

Premiums are recognized as revenue during the period in which the Company is obligated to provide service to members. Premium payments from contracted government agencies are based on eligibility lists produced by the government agencies. Adjustments to eligibility lists produced by the government agencies result from retroactive application of enrollment or disenrollment of members or classification changes between rate categories. The Company estimates the amount of retroactive premium owed to or from the government agencies each period and adjusts premium revenue accordingly. Expenses incurred in connection with acquiring insurance business are charged to operations as incurred.

Delays in approval of annual premium rate changes require that the Company defer the recognition of any increases to the period in which the premium rates become final. The value of the impact can be significant in the period in which it is recognized, dependent on the magnitude of the premium rate increase, the membership to which it applies and the length of the delay between the effective date of the rate increase and the final contract date. Premium rate decreases are recognized in the period the change in premium rate becomes effective and the change in the rate is known, which may be prior to the period when the contract amendment affecting the rate is finalized.

Funds received from the LA DHH, representing pass through payments to be paid to hospitals and other health care providers, in which the Company does not assume insurance risk, are not reported as premium revenue from LA DHH and as benefit expense to providers.

Revenue includes premium revenue generated from Medicare. The Company's contract with CMS entitles the Company to receive premium payments from CMS on behalf of each Medicare beneficiary enrolled in the Company's plans, generally on a per member, per month "PMPM"

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

basis. The Company recognizes revenue during the month in which the Company is obligated to provide services to an enrolled member.

Premiums from Medicare are generally fixed by contract in advance of the period during which the health care is covered. Each of the Company's Medicare plans submit rate proposals to CMS, generally by county or service area, in June for each Medicare plan that will be offered beginning January 1 of the subsequent year. Premium rates are adjusted with respect to each of the Company's Medicare plan members based on their aggregate health status and risk score.

At December 31, 2020 and 2019, the Company reported admitted assets of \$147,240 and \$130,687, respectively, in premiums receivables. The receivables are not deemed to be uncollectible; therefore, no provision for uncollectible amounts have been recorded. The potential for any additional loss is not believed to be material to the Company's financial condition.

Retrospectively Rated Contracts

Medical loss ratio ("MLR") rebates per the Affordable Care Act ("ACA") are reported in accordance with SSAP No. 66, *Retrospectively Rated Contracts*. A retrospectively rated contract is one that has the final policy premium calculated based on the loss experience of the insured during the term of the policy (including loss development after the term of the policy) and the stipulated formula set forth in the policy, or in the case of MLR rebates, pursuant to the *Public Health Services Act*, a formula required by law. The Company's contracts with CMS and LA DHH include a provision for which premiums vary based on loss experience. The Company estimates accrued retrospective premium adjustments through the review of each retrospectively rated contract, comparing the claim development with that anticipated in the contract. Any adjustment made to the estimated liability as a result of a final settlement is included in current operations. The Company uses estimates to report in the statutory financial statements the aggregate policy reserve amounts for retrospectively rated contracts based on its underwriting experience; actuarial, tax, and accounting estimates and assumptions at the financial statement date and regulations and guidance available that is subject to change prior to settlement. Accordingly, the company's use of estimates and assumptions in the preparation of the statutory financial statements and related footnote disclosures may differ from actual results.

All of the Company's premiums written in 2020 and 2019 are subject to retrospective rating features, including MLR rebate regulations.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Medicare Advantage

The Company's Medicare Advantage ("Medicare") premium income is subject to adjustment based on the health risk of its members. Risk adjustment uses health status indicators to correlate the payments to the health acuity of the member, and consequently establish incentives for plans to enroll and treat less healthy Medicare beneficiaries. This process for adjusting premiums is referred to as the CMS risk adjustment payment methodology. Under the risk adjustment payment methodology, managed care plans must capture, collect, and report diagnosis code information to CMS. After reviewing the respective submissions, CMS establishes the payments to Medicare plans generally at the beginning of the calendar year, and then adjusts premium levels on two separate occasions on a retroactive basis. The first retroactive risk premium adjustment for a given fiscal year generally occurs during the third quarter of such fiscal year. This initial settlement represents the updating of risk scores for the current year based on the prior year's dates of service. CMS then issues a final retroactive risk premium adjustment settlement for the fiscal year in the following year. The Company estimates and records CMS settlement amounts on a monthly basis. All such estimated amounts are periodically updated as necessary as additional diagnosis code information is reported to CMS and adjusted to actual amounts when the ultimate adjustment settlements are either received from CMS or the Company receives notification from CMS of such settlement amounts.

As a result of the variability of factors, including plan risk scores, that determine such estimations, the actual amount of CMS's retroactive risk premium settlement adjustments could be materially more or less than the Company's estimates. The Company's risk adjustment payments are subject to review and audit by CMS, which can potentially take several years to resolve completely. Any adjustment to premium income and the related medical expense for risk-sharing arrangements with providers as a result of such review and audit would be recorded when estimable.

Medicare Part D

The Company serves as a plan sponsor, offering Medicare Part D prescription drug insurance coverage under a contract with CMS. The CMS premium and the member premium represent payments for the Company's insurance risk coverage under the Medicare Part D program and therefore are recorded as premium income in operations. Premium income is recognized ratably over the period in which eligible individuals are entitled to receive prescription drug benefits. Pharmacy benefit costs and administrative costs under the contract are expensed as incurred.

Funds received from the government include payments for reinsurance, low income subsidy cost sharing or coverage gap discount program component. The payments for a portion of claims

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

above the out-of-pocket threshold are for the reinsurance component and those related to payments for all or a portion of the deductible, the coinsurance and the co-payment amounts for low income subsidy cost sharing component. Under the coverage gap discount component, Part D sponsors receive monthly prospective payments from CMS. These prospective payments provide cash flow to Part D sponsors for advancing the gap discounts at the point of sale, and are reduced by the discount amounts invoiced to manufacturers. These offsets ensure that Part D sponsors do not receive duplicate payments for discounts made available to their enrollees. The subsidies from CMS representing reinsurance, low income subsidy cost sharing or coverage gap discount program components, under the Medicare Part D program, are not reflected as premium revenues, but rather are accounted for as deposits in amounts receivable for uninsured plans in the accompanying balance sheets. The related liabilities are reported in the accompanying balance sheets in liability for amounts held under uninsured plans.

Uninsured Accident and Health Plans

The Company provides administrative services to various customers on an uninsured basis. Under these arrangements, the customer retains the risk of funding payments for health benefits provided, the Company may be subject to credit risk of the customer from the time of the Company's claim payment until the Company receives the claim reimbursement. In accordance with SSAP No. 47, *Uninsured Plans*, these claims payments and subsequent reimbursements are excluded from the Company's statutory statements of operations. Administrative fees for administering these arrangements are recognized as administrative services are performed and recorded as a reduction to operating expenses.

Federal Income Taxes

The Company participates in a tax sharing agreement with Anthem and its subsidiaries. Allocation of federal income taxes is based upon separate return calculations with credit for net losses that can be used on a consolidated basis. Intercompany income tax balances are settled based on the Internal Revenue Service ("IRS") due dates.

Deferred tax assets ("DTA") are limited to an amount equal to the sum of: (1) federal income taxes paid in prior years that can be recovered through loss carrybacks for existing temporary differences that reverse by the end of the subsequent calendar year; (2) depending on the Company's Authorized Control Level ("ACL") Risk Based Capital ("RBC") ratio exclusive of the DTA, the lesser of (a) the amount of gross DTAs expected to be realized within three years after the application of (1) or 15% of surplus, if the ratio is greater than 300%, (b) the amount of gross DTAs expected to be realized within one year after the application of (1) or 10% of surplus, if the ratio is between 200% and 300%, or (c) if the ratio is below 200%, no DTA can be

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

realized; and (3) the amount of gross DTAs, after the application of (1) and (2), that can be offset against gross deferred tax liabilities (“DTL”). DTAs in excess of these limitations are nonadmitted.

Deferred taxes do not include amounts for state taxes. Changes in DTAs and DTLs are recognized as a separate component of gains and losses in surplus (“Change in net deferred income tax”).

Health Insurer Fee

ACA Section 9010 imposed a mandatory annual fee on health insurers that write certain types of health insurance on U.S. risks for each calendar year beginning on or after January 1, 2014. The annual fee is allocated to health insurers based on the ratio of the amount of an insurer’s premium written during the preceding calendar year to the amount of health insurance for all U.S. health risk for those certain lines of business that were written during the preceding calendar year. This fee is non-deductible for income tax purposes. The health insurer fee is reported in operating expenses in the same year it is paid. The health insurer fee to be paid in the following year is segregated in special surplus funds until the beginning of the year in which it is to be paid. The health insurer fee was temporarily suspended for 2019 and resumed in 2020. The health insurer fee has been permanently eliminated beginning in 2021.

2. Investments

A summary of the Company’s investments in bonds is as follows:

| | | | <u>Gross Unrealized Losses</u> | | |
|--|------------------------|-------------------------------|--------------------------------|-----------------------------|-------------------|
| | <u>Statement Value</u> | <u>Gross Unrealized Gains</u> | <u>Less Than 12 Months</u> | <u>12 Months or Greater</u> | <u>Fair Value</u> |
| <i>December 31, 2020</i> | | | | | |
| States, territories and political subdivisions | \$ 64,607 | \$ 4,822 | \$ — | \$ — | \$ 69,429 |
| Industrial and miscellaneous | 118,574 | 14,048 | — | — | 132,622 |
| Loan-backed and structured securities | 80,485 | 2,603 | (24) | (13) | 83,051 |
| Total bonds | <u>\$ 263,666</u> | <u>\$ 21,473</u> | <u>\$ (24)</u> | <u>\$ (13)</u> | <u>\$ 285,102</u> |
| <i>December 31, 2019</i> | | | | | |
| States, territories and political subdivisions | \$ 48,897 | \$ 2,376 | \$ (54) | \$ (26) | \$ 51,193 |
| Industrial and miscellaneous | 121,456 | 6,227 | (52) | — | 127,631 |
| Loan-backed and structured securities | 73,823 | 735 | (85) | (47) | 74,426 |
| Total bonds | <u>\$ 244,176</u> | <u>\$ 9,338</u> | <u>\$ (191)</u> | <u>\$ (73)</u> | <u>\$ 253,250</u> |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The statement and fair values of bonds at December 31, 2020, by contractual maturity, are shown below. Expected maturities may differ from contractual maturities because the issuers of the securities may have the right to prepay obligations.

| | Statement Value | Fair Value |
|---------------------------------------|----------------------------|-----------------------|
| Due in one year or less | \$ 678 | \$ 688 |
| Due after one through five years | 39,132 | 42,191 |
| Due after five through ten years | 92,355 | 102,397 |
| Due after ten years | 51,016 | 56,775 |
| Loan-backed and structured securities | 80,485 | 83,051 |
| | <u>\$ 263,666</u> | <u>\$ 285,102</u> |

Proceeds from sales of bonds during 2020 and 2019 were \$53,236 and \$39,588, respectively. The Company realized gross gains of \$1,304 and gross losses of \$441, during 2020, and gross gains of \$713 and gross losses of \$413 during 2019.

Investments with a statement value of \$1,020 and \$1,029 were on deposit with the LDI at December 31, 2020 and 2019, respectively.

A significant judgment in the valuation of investments is the determination of when an other-than-temporary decline in value has occurred. The Company follows a consistent and systematic process for recognizing impairments on securities that sustain other-than-temporary declines in value. The Company has established a committee responsible for the impairment review process. The decision to impair a security incorporates both quantitative criteria and qualitative information.

The impairment review process considers a number of factors, including but not limited to (a) the length of time and the extent to which a security's fair value has been less than statement value; (b) the financial condition and near term prospects of the issuer; (c) the intent to sell, and the intent and ability of the Company to retain its investment for a period of time sufficient to allow for any anticipated recovery in value; (d) whether the debtor is current on interest and principal payments; (e) the reasons for the decline in value (i.e., credit event compared to liquidity, general credit spread widening, currency exchange rate or interest rate factors) and (f) general market conditions and industry or sector specific factors. For securities that are deemed to be other-than-temporarily impaired, the security is adjusted to its fair value or present value of its discounted cash flows, and the resulting losses are recognized in net realized gains or losses in the statutory statements of operations. The new cost basis of the impaired securities is not increased for future recoveries in fair value. The Company recognized \$2,706 for OTTI on securities for the year

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

ended December 31, 2020. The Company did not recognize OTTI on securities for the year ended December 31, 2019.

A summary of unaffiliated investments with unrealized losses along with the related fair value, aggregated by the length of time that investments have been in a continuous unrealized loss position, is as follows:

| | December 31, 2020 | | | December 31, 2019 | | |
|----------------------|-------------------------------------|-----------------------|--------------------------------------|-------------------------------------|-----------------------|--------------------------------------|
| | Number of Securities | Fair Value | Gross Unrealized Loss | Number of Securities | Fair Value | Gross Unrealized Loss |
| Bonds: | | | | | | |
| Less than 12 months | 5 | \$ 6,795 | \$ (24) | 18 | \$ 35,843 | \$ (191) |
| 12 months or greater | 1 | 2,987 | (13) | 7 | 9,743 | (73) |
| Total bonds | <u>6</u> | <u>\$ 9,782</u> | <u>\$ (37)</u> | <u>25</u> | <u>\$ 45,586</u> | <u>\$ (264)</u> |

The Company's bond portfolio is sensitive to interest rate fluctuations, which impact the fair value of individual securities. Unrealized losses on bonds reported above were primarily caused by the effects of the interest rate environment and the widening of credit spreads on certain securities. The Company currently has the ability and intent to hold these securities until their full cost can be recovered. Therefore, the Company does not believe the unrealized losses represent an OTTI as of December 31, 2020 or 2019.

The Company is required to categorize its loan-backed and structured securities by the reason for which the Company recognized an OTTI during the years ended December 31, 2020 and 2019. The Company did not recognize an OTTI on loan-backed and structured securities in 2020 and 2019.

In accordance with its impairment policy, the Company recognized OTTI on investments other than loan-backed and structured securities during the year ended December 31, 2020 of \$2,706. The Company did not recognize OTTI on investments other than loan-backed and structured securities during the year ended December 31, 2019.

Securities Lending Programs

The Company's investment portfolio includes loaned securities with a carrying value of \$5,133 and \$401 at December 31, 2020 and 2019, respectively. The fair value of the loaned securities are \$5,945 and \$427 at December 31, 2020 and 2019, respectively.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The Company reinvests the collateral received under the securities lending program. The aggregate amount of cash collateral reinvested at December 31, 2020, categorized by the contractual maturity of the investment, is as follows:

| | Amortized Cost | Fair Value |
|-----------------------------|---------------------------|-------------------|
| 30 days or less | \$ 3,167 | \$ 3,167 |
| 31 to 60 days | 1,571 | 1,571 |
| 61 to 90 days | 908 | 908 |
| 91 to 120 days | — | — |
| 121 to 180 days | 103 | 103 |
| 181 to 365 days | 322 | 322 |
| Total collateral reinvested | <u>\$ 6,071</u> | <u>\$ 6,071</u> |

3. Fair Value

Assets and liabilities recorded at fair value in the statutory balance sheets are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Level inputs are as follows:

| <u>Level Input</u> | <u>Input Definition:</u> |
|---------------------------|--|
| Level I | Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date. |
| Level II | Inputs other than quoted prices included in Level I that are observable for the asset or liability through corroboration with market data at the measurement date. |
| Level III | Unobservable inputs that reflect management's best estimate of what market participants would use in pricing the asset or liability at the measurement date. |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The following table summarizes the assets and/or liabilities measured and reported at fair value in the balance sheets as of December 31, 2020 and 2019, respectively:

| | Level I | Level II | Level III | Total |
|---|------------------|---------------|-------------|------------------|
| December 31, 2020 | | | | |
| Industrial and miscellaneous money market funds | \$ 86,967 | \$ — | \$ — | \$ 86,967 |
| Total cash equivalents | 86,967 | — | — | 86,967 |
| Total assets at fair value | <u>\$ 86,967</u> | <u>\$ —</u> | <u>\$ —</u> | <u>\$ 86,967</u> |
| December 31, 2019 | | | | |
| Hybrid bonds | \$ — | \$ 465 | \$ — | \$ 465 |
| Total bonds | — | 465 | — | 465 |
| Industrial and miscellaneous money market funds | 36,994 | — | — | 36,994 |
| Total cash equivalents | 36,994 | — | — | 36,994 |
| Total assets at fair value | <u>\$ 36,994</u> | <u>\$ 465</u> | <u>\$ —</u> | <u>\$ 37,459</u> |

Fair values of bonds are based on quoted market prices, where available. These fair values are obtained primarily from third party pricing services, which generally use Level I or Level II inputs, for the determination of fair value and to facilitate fair value measurements and disclosures. Level II securities primarily include United States government securities, corporate securities, securities from states, municipalities and political subdivisions, residential mortgage-backed securities and certain other asset-backed securities. For securities not actively traded, the pricing services may use quoted market prices of comparable instruments or discounted cash flow analyses, incorporating inputs that are currently observable in the markets for similar securities. Inputs that are often used in the valuation methodologies include, but are not limited to, broker quotes, benchmark yields, credit spreads, default rates and prepayment speeds. For certain investments in bonds, primarily corporate debt securities, the valuation methodologies may incorporate broker quotes or discounted cash flow analyses using assumptions for inputs such as expected cash flows, benchmark yields, credit spreads, default rates and prepayment speeds that are not observable in the markets. These securities are designated Level III.

Cash equivalents primarily consist of highly rated money market funds or bonds with original maturities of three months or less. Due to the high ratings and short-term nature, of these investments, they are designated as Level I. The fair value of certain bonds purchased with less than three months to maturity are based on quoted market prices obtained from third party pricing services which may use Level II inputs.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The Company has controls in place to review the pricing services' qualifications and procedures used to determine fair values. In addition, the Company periodically reviews the pricing services' pricing methodologies, data sources and pricing inputs to ensure the fair values obtained are reasonable.

There were no securities reported at fair value on the statutory balance sheets using Level III inputs during the years ended December 31, 2020 and 2019. There were no transfers between levels during the years ended December 31, 2020 and 2019. The Company's policy is to recognize transfers between levels, if any, as of the beginning of the reporting period.

The Company recognized \$2,706 of OTTI for the year ended December 31, 2020 on securities that were not carried at fair value on the statutory balance sheets at December 31, 2020 or were not held as of December 31, 2020. The Company did not recognize OTTI on securities that were not carried at fair value at December 31, 2019.

The following table summarizes the fair value of financial instruments by types:

| December 31, 2020 | | | | | |
|-------------------------------|----------------------|-----------------|---------|------------|-----------|
| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | Level I | Level II | Level III |
| Bonds | \$ 285,102 | \$ 263,666 | \$ — | \$ 285,102 | \$ — |
| Cash equivalents | 86,967 | 86,967 | 86,967 | — | — |
| Securities lending collateral | 6,071 | 6,071 | — | 6,071 | — |

| December 31, 2019 | | | | | |
|-------------------------------|----------------------|-----------------|---------|------------|-----------|
| Type of Financial Instrument | Aggregate Fair Value | Admitted Assets | Level I | Level II | Level III |
| Bonds | \$ 253,250 | \$ 244,176 | \$ — | \$ 253,250 | \$ — |
| Cash equivalents | 36,994 | 36,994 | 36,994 | — | — |
| Securities lending collateral | 439 | 436 | — | 439 | — |

The Company has no investments measured at net asset value.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

4. Unpaid Claims and Claims Adjustment Expenses

The following table provides a reconciliation of the beginning and ending balances for unpaid claims and claims adjustment expenses:

| | 2020 | 2019 |
|-------------------------------------|-------------------|------------------|
| Balances at January 1 | \$ 96,828 | \$ 86,181 |
| Incurred (redundancies) related to: | | |
| Current year | 1,345,481 | 1,165,612 |
| Prior years | 8,739 | 6,055 |
| Total incurred | 1,354,220 | 1,171,667 |
| Paid related to: | | |
| Current year | 1,207,178 | 1,071,563 |
| Prior years | 101,432 | 89,457 |
| Total paid | 1,308,610 | 1,161,020 |
| Balances at December 31 | <u>\$ 142,438</u> | <u>\$ 96,828</u> |

Amounts incurred related to prior years vary from previously estimated liabilities as the claims are ultimately settled. Liabilities at any year end are continually reviewed and re-estimated as information regarding actual claim payments becomes known. This information is compared to the originally established year end liability. Positive amounts reported for incurred claims related to prior years are due to claims being settled for amounts greater than originally estimated. This experience is primarily attributable to actual medical cost experience that differs from that assumed at the time the liability was established. The impact from COVID-19 on healthcare utilization and medical claims submission patterns has increased estimation uncertainty on our incurred but not reported liability at December 31, 2020. Slowdowns in claims submission patterns and increases in utilization levels for COVID-19 testing and treatment during the fourth quarter of 2020 are the primary factors that lead to the increased estimation uncertainty.

The Company took into account estimated anticipated subrogation and other recoveries in its determination of the liability for unpaid claims based on historical recovery patterns.

5. Federal Income Taxes

The Company has a current federal income tax recoverable (payable) of \$1,967 and \$425 as of December 31, 2020 and 2019, respectively.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The components of net deferred tax assets (liabilities) at December 31 are as follows:

| | 2020 | | |
|--|-----------------|----------------|--------------|
| | Ordinary | Capital | Total |
| Gross deferred tax assets | \$ 5,460 | \$ 152 | \$ 5,612 |
| Statutory valuation allowance | — | — | — |
| Adjusted gross deferred tax assets | 5,460 | 152 | 5,612 |
| Gross deferred tax liabilities | 4,356 | — | 4,356 |
| Net deferred tax asset before admissibility test | \$ 1,104 | \$ 152 | \$ 1,256 |

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101, *Income Taxes* ("SSAP No. 101") as of December 31, 2020 is:

| | | | |
|--------------------------------------|----------|-------|----------|
| Admitted pursuant to paragraph 11.a. | \$ 5,356 | \$ 72 | \$ 5,428 |
| Admitted pursuant to paragraph 11.b. | 24 | 58 | 82 |
| Admitted pursuant to paragraph 11.c. | 80 | — | 80 |
| Admitted deferred tax asset | 5,460 | 130 | 5,590 |
| Deferred tax liability | 4,356 | — | 4,356 |
| Net admitted deferred tax asset | 1,104 | 130 | 1,234 |
| Nonadmitted deferred tax asset | \$ — | \$ 22 | \$ 22 |

| | 2019 | | |
|--|-----------------|----------------|--------------|
| | Ordinary | Capital | Total |
| Gross deferred tax assets | \$ 4,928 | \$ 5 | \$ 4,933 |
| Statutory valuation allowance | — | — | — |
| Adjusted gross deferred tax assets | 4,928 | 5 | 4,933 |
| Gross deferred tax liabilities | (3,220) | — | (3,220) |
| Net deferred tax asset before admissibility test | \$ 1,708 | \$ 5 | \$ 1,713 |

The amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 as of December 31, 2019 is:

| | | | |
|--------------------------------------|----------|------|----------|
| Admitted pursuant to paragraph 11.a. | \$ 1,084 | \$ 4 | \$ 1,088 |
| Admitted pursuant to paragraph 11.b. | 2,328 | — | 2,328 |
| Admitted pursuant to paragraph 11.c. | 1,516 | — | 1,516 |
| Admitted deferred tax asset | 4,928 | 4 | 4,932 |
| Deferred tax liability | (3,220) | — | (3,220) |
| Net admitted deferred tax asset | 1,708 | 4 | 1,712 |
| Nonadmitted deferred tax asset | \$ — | \$ 1 | \$ 1 |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The change in the amount of admitted adjusted gross deferred tax assets under each component of SSAP No. 101 during 2020 is:

| | Ordinary | | Capital | | Total | |
|--------------------------------------|-----------------|---------|----------------|-----|--------------|---------|
| Admitted pursuant to paragraph 11.a. | \$ | 4,272 | \$ | 68 | \$ | 4,340 |
| Admitted pursuant to paragraph 11.b. | | (2,304) | | 58 | | (2,246) |
| Admitted pursuant to paragraph 11.c. | | (1,436) | | — | | (1,436) |
| Admitted deferred tax asset | | 532 | | 126 | | 658 |
| Deferred tax liability | | 1,136 | | — | | 1,136 |
| Net admitted deferred tax asset | | (604) | | 126 | | (478) |
| Nonadmitted deferred tax asset | \$ | — | \$ | 21 | \$ | 21 |

| | 2020 | | 2019 | |
|--|-------------|----------------|-------------|---------|
| Ratio percentage used to determine recovery period and threshold limitation amount | | 383 % | | 413 % |
| Amount of adjusted capital and surplus used to determine recovery period and threshold limitations | \$ | 208,579 | \$ | 190,766 |

The impact of tax planning strategies is as follows:

| | 2020 | | 2019 | | Change | |
|--|-----------------|----------------|-----------------|----------------|-----------------|----------------|
| | Ordinary | Capital | Ordinary | Capital | Ordinary | Capital |
| Adjusted gross deferred tax assets amount | \$ 5,460 | \$ 152 | \$ 4,928 | \$ 5 | \$ 532 | \$ 147 |
| Percentage of adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |
| Net admitted adjusted gross deferred tax assets amount | \$ 5,460 | \$ 130 | \$ 4,928 | \$ 4 | \$ 532 | \$ 126 |
| Percentage of net admitted adjusted gross deferred tax assets by tax character attributable to the impact of tax planning strategies | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % | 0.00 % |

Current federal income taxes (benefits) consist of the following major components:

| | 2020 | | 2019 | | Change | |
|--|-------------|---------------|-------------|-------|---------------|-------|
| Federal income taxes (benefits) on operations | \$ | 11,544 | \$ | 1,813 | \$ | 9,731 |
| Federal income tax expense (benefit) on net capital gains (losses) | | (208) | | 73 | | (281) |
| Federal income taxes | \$ | 11,336 | \$ | 1,886 | \$ | 9,450 |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The components of deferred income taxes are as follows:

| | December 31 | | |
|---|--------------------|-------------|---------------|
| | 2020 | 2019 | Change |
| Deferred tax assets: | | | |
| Ordinary: | | | |
| Amortization | \$ 93 | \$ 109 | \$ (16) |
| Accounts receivable | 4,016 | 3,806 | 210 |
| Claims discount reserve | 460 | 225 | 235 |
| Fixed assets | 2 | 193 | (191) |
| Other insurance reserves | 831 | 553 | 278 |
| Payroll related reserves | — | 16 | (16) |
| Section 467 lease expense | 56 | 26 | 30 |
| Personal property tax accrual | 2 | — | 2 |
| Subtotal | 5,460 | 4,928 | 532 |
| Admitted ordinary deferred tax assets | 5,460 | 4,928 | 532 |
| Capital: | | | |
| Investments in securities | 152 | 5 | 147 |
| Subtotal | 152 | 5 | 147 |
| Nonadmitted deferred tax assets | (22) | (1) | (21) |
| Admitted capital deferred tax assets | 130 | 4 | 126 |
| Admitted deferred tax assets | 5,590 | 4,932 | 658 |
| Deferred tax liabilities: | | | |
| Ordinary: | | | |
| Discount of coordination of benefits | (11) | (12) | 1 |
| Prepaid expense | (4,345) | (3,208) | (1,137) |
| Subtotal | (4,356) | (3,220) | (1,136) |
| Deferred tax liabilities | (4,356) | (3,220) | (1,136) |
| Net admitted deferred tax asset (liability) | \$ 1,234 | \$ 1,712 | \$ (478) |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The changes in deferred tax assets and deferred tax liabilities are as follows:

| | December 31 | | |
|---|--------------------|-------------|-----------------|
| | 2020 | 2019 | Change |
| Total deferred tax assets | \$ 5,612 | \$ 4,933 | \$ 679 |
| Total deferred tax liabilities | 4,356 | 3,220 | 1,136 |
| Net deferred tax asset | \$ 1,256 | \$ 1,713 | (457) |
| Tax effect of unrealized gains (losses) | | | 8 |
| Change in net deferred income tax | | | \$ (449) |

The Company has no repatriation transition tax or alternative minimum tax credit.

The Company's income tax expense and change in deferred income taxes differs from the amount obtained by applying the federal statutory income tax rate of 21% for the years ended December 31, 2020 and 2019 as follows:

| | 2020 | 2019 |
|--|------------------|-----------------|
| Tax expense (benefit) computed using the federal statutory rate | \$ 6,335 | \$ 5,889 |
| ACA health insurer fee | 5,817 | — |
| Change in nonadmitted assets | (222) | (1,285) |
| Tax exempt income and dividend received deduction net of proration | (179) | (189) |
| Prior year true-ups and adjustments | 1 | — |
| Tax settlements and contingencies | — | (333) |
| Other, net | 33 | 38 |
| Total | \$ 11,785 | \$ 4,120 |
| Federal income taxes expense (benefit) | \$ 11,544 | \$ 1,813 |
| Tax on capital gain/(losses) | (208) | 73 |
| Change in net deferred income taxes | 449 | 2,234 |
| Total statutory income taxes | \$ 11,785 | \$ 4,120 |

At December 31, 2020, the Company has no operating loss carryforwards or tax credit carryforwards.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

The following are income taxes incurred in the current and prior years that will be available for recoupment in the event of future net losses:

| | Ordinary | Capital | Total |
|-------------|-----------------|----------------|--------------|
| 2020 | \$ 11,352 | \$ — | \$ 11,352 |
| 2019 | 1,008 | 73 | 1,081 |
| 2018 | — | — | — |

The Company's federal income tax return is a separate filing. No owner has the required 80% to include them in a consolidated return. Thus, no tax sharing agreement is in place for federal income taxes. As of December 31, 2020, the examination of the 2019 and 2020 tax years continue to be in process.

6. Health Insurer Fee

The Company's portion of the annual health insurance industry fee paid during 2020 was \$27,698 and is included in operating expenses. This payment was based on \$1,270,732 of premium written subject to assessment under ACA Section 9010 as of December 31, 2019. The Company paid no annual health insurance industry fee during 2019 due to the 2019 temporary suspension of this assessment. The Company had no premiums written subject to assessment under ACA Section 9010 and did not record special surplus funds on the balance sheet as of December 31, 2020 due to the permanent elimination of this assessment beginning in 2021.

7. Capital and Surplus

The LDI requires the Company to maintain a minimum surplus as set forth in the state statutes. In addition, the State of Louisiana has adopted RBC requirements as specified by the NAIC. Under those requirements, the amount of surplus to be maintained is determined based on various risk factors. The Company also is required to maintain certain capital and liquidity levels in conjunction with its BCBSA licensing. At December 31, 2020 and 2019, the Company's capital and surplus exceeded all regulatory requirements.

Under Louisiana statutes, the Company is limited in the amount of dividends that can be declared without regulatory approval. Per Louisiana statute, an extraordinary dividend or distribution shall include any dividend or distribution of cash or other property, whose fair market value, together with that of other dividends or distributions made within the preceding twelve months, exceeds the lesser of: (i) Ten percent of the unassigned surplus of the insurer as regards policyholders as of the thirty-first day of December next preceding; or (ii) The net gain from operations of such insurer, not including realized capital gains, for the twelve-month period ending the thirty-first day of December next preceding, but shall not include pro rata distributions of any class of the

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

insurer's own securities. In determining whether a dividend or distribution is extraordinary, an insurer may carry forward net income from the previous two calendar years that has not already been paid out as dividends. The carry forward shall be computed by taking the net income from the second and third preceding calendar years, not including realized capital gains, less dividends paid in the second and immediate preceding calendar years. The Company may pay \$909 in dividends during 2021 without prior approval.

The portion of unassigned surplus (deficit) representing cumulative unrealized gains (losses), net of taxes, was (\$14) and (\$46) at December 31, 2020 and 2019, respectively.

8. Leases

The Company leases office space and EDP equipment and other miscellaneous items under various non-cancelable operating leases. There are no escalation clauses for any lease. Related lease expense for 2020 and 2019 was \$959 and \$912, respectively.

Obligations under noncancelable operating leases are not reflected on the balance sheet. At December 31, 2020, future lease payments for operating leases with initial or remaining noncancelable terms of one year or more consisted of the following: 2021, \$423.

During the third quarter of 2020, the Company reevaluated its future office space needs and determined that it would permanently cease use of space under certain operating leases. At December 31, 2020, the Company has recorded a liability for lease exit costs of \$200.

9. Contingencies

Litigation and regulatory proceedings

Blue Cross Blue Shield Antitrust Litigation

Anthem Inc. ("Anthem") is a defendant in multiple lawsuits that were initially filed in 2012 against the BCBSA and Blue Cross and/or Blue Shield licensees ("Blue Plans") across the country. Cases filed in twenty-eight states were consolidated into a single, multi-district proceeding captioned *In re Blue Cross Blue Shield Antitrust Litigation* that is pending in the United States District Court for the Northern District of Alabama (the "Court"). Generally, the suits allege that the BCBSA and the Blue plans have conspired to horizontally allocate geographic markets through license agreements, best efforts rules that limit the percentage of non-Blue revenue of each plan, restrictions on acquisitions, rules governing the BlueCard[®] and National Accounts program and other arrangements in violation of the Sherman Antitrust Act

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

("Sherman Act"), and related state laws. The cases were brought by two putative nationwide classes of plaintiffs, health plan subscribers and providers.

In response to cross motions for partial summary judgement by plaintiffs and defendants, the Court issued an order in April 2018 determining that the defendants' aggregation of geographic market allocations and output restrictions are to be analyzed under a per se standard of review, and the BlueCard[®] program and other alleged Section 1 Sherman Act violations are to be analyzed under the rule of reason standard of review. The Court also found that there remain genuine issues of material fact as to whether defendants operate as a single entity with regard to the enforcement of the Blue Cross Blue Shield trademarks. In April 2019, plaintiffs filed their motions for class certification in conjunction with their supporting expert reports, and the defendants filed their motions to exclude plaintiffs' experts, as their opposition to plaintiffs' motions for class certification, in July 2019.

The BCBSA and Blue plans have approved a settlement agreement and release (the "Subscriber Settlement Agreement"), with the subscriber plaintiffs. If approved by the Court, the Subscriber Settlement Agreement will require defendants to make a monetary settlement payment, Anthem's portion of which is estimated to be \$594,000 and will contain certain non-monetary terms including (i) eliminating the "national best efforts" rule in the BSBSA license agreements (which rule limits the percentage of non-Blue revenue permitted for each Blue plan) and (ii) allowing for some large national employers with self-funded benefit plans to be able to request a bid for insurance coverage from a second Blue plan in addition to the local Blue plan. On November 30, 2020, the Court issued an order preliminarily approving the Subscriber Settlement Agreement. All terms of the Subscriber Settlement Agreement are subject to final approval by the Court before they become effective. A final approval hearing has been scheduled for October 20, 2021. Anthem's estimated payment obligation, net of third party insurance coverage, is \$548,000.

In October 2020, after the Court lifted the stay as to the provider litigation, provider plaintiffs filed a renewed motion for class certification, and defendants filed an opposition to that motion. Anthem intends to continue to vigorously defend the provider suit; however, its ultimate outcome cannot be presently determined.

Express Scripts, Inc. Pharmacy Benefit Management Litigation

In March 2016, Anthem filed a lawsuit against Express Scripts, Inc. ("Express Scripts"), their vendor at the time for PBM services, captioned *Anthem, Inc. v. Express Scripts, Inc.*, in the U.S. District Court for the Southern District of New York. The lawsuit seeks to recover over \$14,800,000 in damages for pharmacy pricing that is higher than competitive benchmark pricing

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

under the agreement between the parties (the “ESI PBM Agreement”), over \$158,000 in damages related to operational breaches, as well as various declarations under the ESI PBM Agreement, including that Express Scripts: (i) breached its obligation to negotiate in good faith and to agree in writing to new pricing terms; (ii) was required to provide competitive benchmark pricing to Anthem through the term of the ESI PBM Agreement; (iii) has breached the ESI PBM Agreement; and (iv) is required under the ESI PBM Agreement to provide post-termination services, at competitive benchmark pricing, for one year following any termination.

Express Scripts has disputed Anthem’s contractual claims and is seeking declaratory judgments: (i) regarding the timing of the periodic pricing review under the ESI PBM Agreement, and (ii) that it has no obligation to ensure that Anthem receives any specific level of pricing, that Anthem has no contractual right to any change in pricing under the ESI PBM Agreement and that its sole obligation is to negotiate proposed pricing terms in good faith. In the alternative, Express Scripts claims that Anthem has been unjustly enriched by its payment of \$4,675,000 at the time they entered into the ESI PBM Agreement. In March 2017, the court granted Anthem’s motion to dismiss Express Scripts’ counterclaims for (i) breach of the implied covenant of good faith and fair dealing, and (ii) unjust enrichment with prejudice. The only remaining claims are for breach of contract and declaratory relief. Rebuttal expert reports were submitted in October, discovery must be completed in April 2021, and motions for summary judgment must be filed in May 2021. Anthem intends to vigorously pursue their claims and defend against any counterclaims, which they believe are without merit; however, the ultimate outcome cannot be presently determined.

In re Express Scripts/Anthem ERISA Litigation

Anthem is a defendant in a class action lawsuit that was initially filed in June 2016 against Anthem, Inc. and Express Scripts, which has been consolidated into a single multi-district lawsuit captioned *In Re Express Scripts/Anthem ERISA Litigation*, in the U.S. District Court for the Southern District of New York. The consolidated complaint was filed by plaintiffs against Express Scripts and Anthem on behalf of all persons who are participants in or beneficiaries of any ERISA or non-ERISA healthcare plan from December 1, 2009 to December 31, 2019 in which Anthem provided prescription drug benefits through the ESI PBM Agreement and paid a percentage based co-insurance payment in the course of using that prescription drug benefit. The plaintiffs allege that Anthem breached their duties, either under ERISA or with respect to the implied covenant of good faith and fair dealing implied in the health plans, (i) by failing to adequately monitor Express Scripts’ pricing under the ESI PBM Agreement, (ii) by placing their own pecuniary interest above the best interests of their insureds by allegedly agreeing to higher pricing in the ESI PBM Agreement in exchange for the purchase price for their NextRx PBM business, and (iii) with respect to the non-ERISA members, by negotiating and entering into the

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

ESI PBM Agreement that was allegedly detrimental to the interests of such non-ERISA members. Plaintiffs seek to hold Anthem and Express Scripts jointly and severally liable and to recover all losses suffered by the proposed class, equitable relief, disgorgement of alleged ill-gotten gains, injunctive relief, attorney's fees and costs and interest.

In April 2017, Anthem filed a motion to dismiss the claims brought against them, and it was granted, without prejudice, in January 2018. Plaintiffs filed a notice of appeal with the United States Court of Appeals for the Second Circuit, which was heard in October 2018 but has not yet been decided. In December 2020, the Court affirmed the trial court's decision dismissing the ERISA complaint. Plaintiffs have filed a Petition for Rehearing and Rehearing En Banc. Anthem intends to vigorously defend this suit; however, its ultimate outcome cannot be presently determined.

Cigna Corporation Merger Litigation

In July 2015, Anthem and Cigna Corporation, or Cigna, announced that Anthem entered into the Agreement and Plan of Merger, or Cigna Merger Agreement, pursuant to which Anthem would acquire all outstanding shares of Cigna. In July 2016, the U.S. Department of Justice, or DOJ, along with certain state attorneys general, filed a civil antitrust lawsuit in the U.S. District Court for the District of Columbia, or District Court, seeking to block the merger. In February 2017, Cigna purported to terminate the Cigna Merger Agreement and commenced litigation against Anthem in the Delaware Court of Chancery, or Delaware Court, seeking damages, including the \$1,850,000 termination fee pursuant to the terms of the Cigna Merger Agreement, and a declaratory judgment that its purported termination of the Cigna Merger Agreement was lawful, among other claims, which is captioned *Cigna Corp. v. Anthem Inc.*

Also in February 2017, Anthem initiated their own litigation against Cigna in the Delaware Court seeking a temporary restraining order to enjoin Cigna from terminating the Cigna Merger Agreement, specific performance compelling Cigna to comply with the Cigna Merger Agreement and damages, which is captioned *Anthem Inc. v. Cigna Corp.* In April 2017, the U.S. Circuit Court of Appeals for the District of Columbia affirmed the ruling of the District Court, which blocked the merger. In May 2017, after the Delaware Court denied Anthem's motion to enjoin Cigna from terminating the Cigna Merger Agreement, Anthem delivered to Cigna a notice terminating the Cigna Merger Agreement.

In the Delaware court litigation, trial commenced in late February 2019 and concluded in March 2019. The Delaware Court held closing arguments in November 2019 and took the matter under consideration. In February 2020, the Delaware Court requested supplemental briefing, which has been submitted. On August 31, 2020, the Delaware Court issued an opinion finding that neither

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

party was owed damages and that Anthem did not owe Cigna the \$1,850,000 termination fee. The Delaware Court issued an order implementing its opinion in October 2020. Cigna filed its notice of appeal in November 2020 challenging the trial court's opinion that Anthem did not owe Cigna a termination fee. Cigna filed its appellate brief in December 2020. Anthem's response was filed in January 2021. Anthem believes Cigna's allegations are without merit and they intend to vigorously defend against Cigna's allegations; however, the ultimate outcome of any appeal of this litigation with Cigna cannot be presently determined.

In October 2018, a shareholder filed a derivative lawsuit in Marion County Superior Court, captioned *Henry Bittmann, Derivatively, et al. v. Joseph R Swedish, et al.*, on behalf of Anthem and its shareholders against certain current and former directors and executives alleging breaches of fiduciary duties, unjust enrichment and corporate waste associated with the Cigna Merger Agreement. Anthem intends to vigorously defend this lawsuit; however, its ultimate outcome cannot be presently determined.

Cyber Attack Regulatory Proceedings and Litigation

In February 2015, Anthem reported that they were the target of a sophisticated external cyber attack during which the attackers gained unauthorized access to certain of their information technology systems and obtained personal information related to many individuals and employees. To date, there is no evidence that credit card or medical information was accessed or obtained. Upon discovery of the cyber attack, Anthem took immediate action to remediate the security vulnerability and have continued to implement security enhancements since this incident.

Federal and state agencies have investigated events related to the cyber attack, including how it occurred, its consequences and Anthem's responses. In September 2020, Anthem entered into a settlement to resolve the investigation by a multi-state group of attorneys general, which was the final outstanding matter related to the 2015 cyber attack. Anthem has undertaken commitments that align with their ongoing and consistent focus to protect information in addition to the monetary payment of \$39,000, which was fully accrued in a prior period.

Anthem has contingency plans and insurance coverage for certain expenses and potential liabilities of this nature and will pursue coverage for all applicable losses; however, the ultimate outcome of Anthem's pursuit of insurance coverage cannot be presently determined.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Other Contingencies

From time to time, the Company is party to various legal proceedings, many of which involve claims for coverage encountered in the ordinary course of business. The Company, like HMOs and health insurers generally, exclude certain healthcare and other services from coverage under their HMO, PPO and other plans. The Company is, in the ordinary course of business, subject to the claims of their enrollees arising out of decisions to restrict or deny reimbursement for uncovered services. The loss of even one such claim, if it results in a significant punitive damage award, could have a material adverse effect on them. In addition, the risk of potential liability under punitive damage theories may increase significantly the difficulty of obtaining reasonable reimbursement of coverage claims.

In addition to the lawsuits described above, the Company is also involved in other pending and threatened litigation of the character incidental to their business, and is from time to time involved as a party in various governmental investigations, audits, reviews and administrative proceedings. These investigations, audits, reviews and administrative proceedings include routine and special inquiries by state insurance departments, state attorneys general, the U.S. Attorney General and subcommittees of the U.S. Congress. Such investigations, audits, reviews and administrative proceedings could result in the imposition of civil or criminal fines, penalties, other sanctions and additional rules, regulations or other restrictions on the Company's business operations. Any liability that may result from any one of these actions, or in the aggregate, could have a material adverse effect on the Company's financial position or results of operations.

The Company has no other known material contingencies.

10. Employee Benefits

The Company participates in a deferred compensation plan sponsored by Anthem, which covers certain employees once the participant reaches the maximum contribution amount for the Anthem 401(k) Plan (the "401(k) Plan"). The deferred amounts are payable according to the terms and subject to the conditions of the deferred compensation plan. Anthem allocates a share of the total accumulated costs of this plan to the Company based on the number of allocated employees subject to the deferred compensation plan. The Company has no legal obligation for benefits under this plan.

The Company participates in the 401(k) Plan, sponsored by ATH Holding and covering substantially all employees. Voluntary employee contributions are matched by ATH Holding, subject to certain limitations. ATH Holding allocates a share of the total costs of the plan to the

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

The Company participates in a stock incentive compensation plan, sponsored by Anthem, providing incentive awards to non-employee directors and employees, consisting of Anthem stock options, restricted stock, restricted stock units, stock appreciation rights, performance shares, and performance units. Anthem allocates a share of the total share-based compensation expense of this plan to the Company based on the number of allocated employees. The Company has no legal obligation for benefits under this plan.

During 2020 and 2019, the Company was allocated the following costs or (credits) for these retirement benefits:

| | 2020 | 2019 |
|-----------------------------------|--------------|-------------|
| Defined compensation plan | \$ 20 | \$ 31 |
| Defined contribution plan | 1,363 | 1,253 |
| Stock incentive compensation plan | 1,614 | 1,483 |

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

11. Uninsured Accident and Health Plans

The net gain (loss) from operations and total claim payment volume from administrative services only (“ASO”) plans was:

| | ASO Uninsured Plans | Uninsured Portion of Partially Insured Plans | Total ASO |
|--|---------------------------|--|------------|
| For the year ended December 31, 2020 | | | |
| Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses | \$ (2,037) | \$ — | \$ (2,037) |
| Total net other income or expenses (including interest paid to or received from plans) | — | — | — |
| Net gain (loss) from operations | \$ (2,037) | \$ — | \$ (2,037) |
| Total claim payment volume | \$ 205,239 | \$ — | \$ 205,239 |
| For the year ended December 31, 2019 | | | |
| Net reimbursement for administrative expenses (including administrative fees) in excess of (less than) actual expenses | \$ (7,384) | \$ — | \$ (7,384) |
| Total net other income or expenses (including interest paid to or received from plans) | — | — | — |
| Net gain (loss) from operations | \$ (7,384) | \$ — | \$ (7,384) |
| Total claim payment volume | \$ 245,589 | \$ — | \$ 245,589 |

12. Health Care Receivables

Pharmaceutical rebate receivables consist of reasonably estimated and billed amounts. Amounts not collected within 90 days of the invoice or confirmation date are nonadmitted. Total admitted and nonadmitted pharmaceutical rebates receivables at December 31 are as follows:

| | 2020 | | 2019 | |
|--|----------|-------------|----------|-------------|
| | Admitted | Nonadmitted | Admitted | Nonadmitted |
| Pharmaceutical rebate receivables, reported in health care and other receivables | \$ 218 | \$ — | \$ 121 | \$ — |
| Total pharmaceutical rebate receivables | \$ 218 | \$ — | \$ 121 | \$ — |

Admitted pharmaceutical rebate receivables at December 31, 2020 and 2019, include \$218 and \$121 due from IngenioRx, Inc., an affiliated company.

During 2020, the Company did not sell pharmaceutical rebate receivables to Blue Cross of California.

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

During 2019, the Company sold \$3,952 of pharmaceutical rebate receivables without recourse to Blue Cross of California, an affiliated entity. The proceeds received by the Company represented the expected pharmaceutical rebates recoverable in 90 days or more at the end of each quarter, less a \$20 discount fee.

Claim overpayment receivables consist of amounts that have been invoiced and meet the setoff conditions. Amounts that have not been invoiced and do not meet the setoff conditions are nonadmitted. Total admitted and nonadmitted claim overpayment receivables at December 31 are as follows:

| | 2020 | | 2019 | |
|--|----------|-------------|----------|-------------|
| | Admitted | Nonadmitted | Admitted | Nonadmitted |
| Claim overpayment receivables, reported in health care and other receivables | \$ — | \$ 19,123 | \$ — | \$ 16,883 |
| Total claim overpayment receivables | \$ — | \$ 19,123 | \$ — | \$ 16,883 |

Other health care receivables at December 31 are as follows:

| | 2020 | | 2019 | |
|--|----------|-------------|----------|-------------|
| | Admitted | Nonadmitted | Admitted | Nonadmitted |
| Other health care receivables, reported in health care and other receivables | \$ — | \$ — | \$ — | \$ 1,175 |
| Total other health care receivables | \$ — | \$ — | \$ — | \$ 1,175 |

13. Related Party Transactions

The Company has entered into administrative services agreements with its affiliated companies. Pursuant to these agreements, various administrative, management and support services are provided to or provided by the Company. The expenses related to these administrative management and support services are allocated to or allocated by the Company in an amount equal to the direct and indirect costs and expenses incurred in providing these services. Costs include expenses such as salaries, benefits, information technology, pharmacy benefits management services, advertising, consulting services, rent, utilities, accounting, underwriting, and product development, which support the operations of the Company. These costs are allocated based on various utilization statistics.

In addition, the Company is party to a Fair Market Value (“FMV”) Services Attachment to its administrative services agreement which was approved by the LA DHH on May 1, 2019. Pursuant to this attachment, certain member quality improvement and other services are provided to the Company by affiliated companies. The expenses related to these services are allocated to the Company in an amount equal to the price (“Market Price”) that would be paid for materially

Community Care Health Plan of Louisiana, Inc.

Notes to Financial Statements - Statutory Basis (continued)

(Dollars In Thousands)

similar, stand-alone services purchased by knowledgeable, willing parties in an arm's length transaction. The Market Price may be determined, for example, through various benchmarking studies and analyses or may be based upon the price at which any providing affiliate provides such services to non-affiliated third parties in the normal course of its business. Under all circumstances, the compensation paid by any receiving company for services under these agreements shall be fair and reasonable.

During 2020, the Company added the Beacon Management Services Agreement which will provide behavioral health services. The agreement was approved on August 3, 2020 and is effective beginning January 1, 2021.

Net payments to affiliated companies pursuant to the above administrative service agreements were \$118,716 and \$81,916 in 2020 and 2019, respectively, and are included in operating expenses and claims and claims adjustment expenses in the statutory statements of operations.

The Company has a royalty agreement with an affiliated company, AMERIGROUP Corporation ("AGP"). Royalties charged to the Company for the year ended December 31, 2020 was \$23,722, which is included in operating expenses in the accompanying statutory statements of operations. There were no royalties charged for the year ended December 31, 2019.

At December 31, 2020, the Company reported \$9,648 due from affiliates. At December 31, 2020, the Company reported no amounts due to affiliates. At December 31, 2019, the Company reported no amounts due from affiliates. At December 31, 2019, the Company reported \$1,225 due to affiliates. The receivable and payable balances represent intercompany transactions that are settled in accordance with the settlement terms of the intercompany agreement.

14. Subsequent Events

Management of the Company has evaluated all events occurring after December 31, 2020 through April 23, 2021, the date the financial statements were available to be issued, to determine whether any event required either recognition or disclosure in the financial statements. It was determined there were no events that require recognition or disclosure in the financial statements through the report date.

Supplementary Information - Statutory Basis



Ernst & Young LLP
111 Monument Circle
Suite 4000
Indianapolis, IN 46204

Tel: +1 317 681 7000
Fax: +1 317 681 7216
ey.com

Report of Independent Auditors on Supplementary Information

Board of Directors
Community Care Health Plan of Louisiana, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of Community Care Health Plan of Louisiana, Inc. for the years ended December 31, 2020 and 2019, and have issued an adverse opinion with respect to conformity with U.S. generally accepted accounting principles and an unmodified opinion with respect to conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance thereon dated April 23, 2021. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplemental investment disclosures are presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the statutory basis financial statements as a whole.

This report is intended solely for the information and use of the Company and state insurance departments to whose jurisdiction the Company is subject and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

April 23, 2021

Community Care Health Plan of Louisiana, Inc.

Summary Investment Schedule - Statutory Basis

(Dollars In Thousands)

December 31, 2020

| | Gross Investment Holdings | | Admitted Assets as Reported in the Annual Statement | | | |
|---|---------------------------|---|---|---|------------|--|
| | Amount | Percentage of Gross Investment Holdings | Amount | Securities Lending Reinvested Collateral Amount | Total | Percentage of Total Admitted Invested Assets |
| Long-Term Bonds: | | | | | | |
| U.S. states, territories and possessions, etc. guaranteed | \$ 5,457 | 1.5 % | \$ 5,457 | \$ — | \$ 5,457 | 1.5 % |
| U.S. political subdivisions of states, territories, and possessions, guaranteed | 12,692 | 3.5 % | 12,692 | — | 12,692 | 3.5 % |
| U.S. special revenue and special assessment obligations, etc. non-guaranteed | 42,414 | 11.7 % | 42,414 | — | 42,414 | 11.7 % |
| Industrial and miscellaneous | 201,963 | 55.9 % | 201,963 | 29 | 201,992 | 55.9 % |
| Hybrid securities | 1,140 | 0.3 % | 1,140 | — | 1,140 | 0.3 % |
| Total long-term bonds | 263,666 | 72.9 % | 263,666 | 29 | 263,695 | 72.9 % |
| Cash, cash equivalents and short-term investments: | | | | | | |
| Cash | 4,708 | 1.3 % | 4,708 | 1,416 | 6,124 | 1.7 % |
| Cash equivalents | 86,967 | 24.1 % | 86,967 | 4,465 | 91,432 | 25.3 % |
| Short-term investments | — | — % | — | 161 | 161 | 0.1 % |
| Total cash, cash equivalents and short-term investments | 91,675 | 25.4 % | 91,675 | 6,042 | 97,717 | 27.1 % |
| Securities lending | 6,071 | 1.7 % | 6,071 | XXX | XXX | XXX |
| Total invested assets | \$ 361,412 | 100.0 % | \$ 361,412 | \$ 6,071 | \$ 361,412 | 100.0 % |

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories - Statutory Basis

(Dollars In Thousands)

December 31, 2020

1. The Company's total admitted assets as reported on Page 2 of the Annual Statement are: \$ 523,660

2. Ten largest exposures to a single issuer/borrower/investment:

| | Investment | Description of Exposure | Amount | Percentage of Total Admitted Assets |
|------|-------------------------------------|-------------------------|----------|-------------------------------------|
| 2.01 | City of Houston TX | Bonds | \$ 7,994 | 1.5 % |
| 2.02 | UBS Commercial Mortgage Trust | Bonds | 6,543 | 1.2 |
| 2.03 | Massachusetts Mutual Life Insurance | Bonds | 5,536 | 1.1 |
| 2.04 | UDR, Inc. | Bonds | 5,261 | 1.0 |
| 2.05 | Citigroup Commercial Mortgage | Bonds | 5,181 | 1.0 |
| 2.06 | WF-RBS Commercial Mortgage Trust | Bonds | 5,075 | 1.0 |
| 2.07 | Mercedes-Benz Master Owner Trust | Bonds | 5,069 | 1.0 |
| 2.08 | SBA Communications Corporation | Bonds | 5,015 | 1.0 |
| 2.09 | AbbVie, Inc. | Bonds | 4,344 | 0.8 |
| 2.10 | New Jersey Turnpike Authority | Bonds | 4,197 | 0.8 |

3. The Company's total admitted assets held in bonds by NAIC designation are:

| | Bonds | Amount | Percentage of Total Admitted Assets |
|------|----------|------------|-------------------------------------|
| 3.01 | NAIC - 1 | \$ 156,620 | 29.9 % |
| 3.02 | NAIC - 2 | 104,390 | 19.9 |
| 3.03 | NAIC - 3 | 2,656 | 0.5 |
| 3.04 | NAIC - 4 | — | — |
| 3.05 | NAIC - 5 | — | — |
| 3.06 | NAIC - 6 | — | — |

The Company has no investments in preferred stock at December 31, 2020.

4. Assets held in foreign investments:

- 4.01 Are assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets?

Yes [X] No []

| | Amount | Percentage of Total Admitted Assets |
|--|-----------|-------------------------------------|
| 4.02 Total admitted assets held in foreign investments | \$ 10,951 | 2.1 % |
| 4.03 Foreign-currency-denominated investments | — | — |
| 4.04 Insurance liabilities denominated in that same foreign currency | — | — |

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories - Statutory Basis (continued)

(Dollars In Thousands)

5. Aggregate foreign investments are less than 2.5% of the total admitted assets.
6. Aggregate foreign investments are less than 2.5% of the total admitted assets.
7. The Company has no unhedged foreign currency exposure.
8. The Company has no unhedged foreign currency exposure.
9. The Company has no unhedged foreign currency exposure.
10. Aggregate foreign investments are less than 2.5% of the total admitted assets.
11. Assets held in Canadian investments are less than 2.5% of the total admitted assets.
12. Assets held in investments with contractual sales restrictions are less than 2.5% of the total admitted assets.
13. Assets held in equity interests are less than 2.5% of total admitted assets.
14. Assets held in equity interest are less than 2.5% of total admitted assets,

Ten largest fund managers:

| | Fund Manager | Total Invested | Diversified | Non- Diversified |
|-------|--------------------------|-------------------|-------------|---------------------|
| 14.06 | Federated Investors Inc. | \$ 19,978 | \$ 19,978 | |
| 14.07 | Deutsche Bank AG | 19,000 | 19,000 | |
| 14.08 | JPMorgan Chase & Company | 18,991 | 18,991 | |
| 14.09 | Morgan Stanley | 17,998 | 17,998 | |
| 14.10 | US Bancorp | 11,000 | 11,000 | |

15. Investments in general partnership interests are less than 2.5% of the total admitted assets.
16. The Company has no investments in mortgage loans.
17. The Company has no investments in mortgage loans.
18. The Company has no investments in real estate, other than property owned and occupied by the Company.
19. The Company has no potential exposure for mezzanine real estate loans.

Community Care Health Plan of Louisiana, Inc.

Investment Risks Interrogatories - Statutory Basis (continued)

(Dollars In Thousands)

20. Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements:

| | | At Year-end | | At End of Each Quarter (Unaudited) | | |
|-------|--------------------------------------|-------------|-------------------------------|------------------------------------|----------|----------|
| | | Amount | Percentage of Admitted Assets | 1st qtr | 2nd qtr | 3rd qtr |
| 20.01 | Securities lending | \$ 5,133 | 1.0 % | \$ 8,419 | \$ 3,890 | \$ 3,136 |
| 20.02 | Repurchase agreements | — | — | — | — | — |
| 20.03 | Reverse repurchase agreements | — | — | — | — | — |
| 20.04 | Dollar repurchase agreements | — | — | — | — | — |
| 20.05 | Dollar reverse repurchase agreements | — | — | — | — | — |

21. The Company held no admitted assets for warrants not attached to other financial instruments, options, caps and floors.

22. The Company held no admitted assets with potential exposure for collars, swaps and forwards.

23. The Company held no admitted assets with potential exposure for futures contracts.

Community Care Health Plan of Louisiana, Inc.

Note to Supplementary Information - Statutory Basis

(Dollars In Thousands)

December 31, 2020

Note-Basis of Presentation

The accompanying supplemental schedules present selected statutory financial information as of December 31, 2020 and for the year then ended for purposes of complying with the National Association of Insurance Commissioners' *Annual Statement Instructions* and the National Association of Insurance Commissioners' *Accounting Practices and Procedures Manual*, and agrees to or is included in the amounts reported in the Community Care Health Plan of Louisiana, Inc.'s 2020 Annual Statement as filed with the Louisiana Department of Insurance.

Captions or amounts that are not applicable have been omitted.



Ernst & Young LLP
111 Monument Circle
Suite 4000
Indianapolis, IN 46204

Tel: +1 317 681 7000
Fax: +1 317 681 7216
ey.com

Report of Independent Auditors on Supplementary Information

Board of Directors
Community Care Health Plan of Louisiana, Inc.

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statutory basis financial statements of Community Care Health Plan of Louisiana, Inc. for the years ended December 31, 2020 and 2019 (not presented herein), and have issued an adverse opinion with respect to conformity with U.S. generally accepted accounting principles and an unmodified opinion with respect to conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance thereon dated April 23, 2021. Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying information for the year ended December 31, 2020, is not intended to present the financial position, results of operations, and cash flows of the specific business subject to the Medicaid contract, as would complete financial statements including necessary disclosures, and should be read in conjunction with the financial statements and our report thereon. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The scope of our auditing procedures was not designed to provide a basis for expressing opinions on the presentations of the accounts of the individual Medicaid program on a stand-alone basis and, accordingly, we do not express such opinions. However, the information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the statutory basis financial statements as a whole.

This report is intended solely for the information and use of the Company and the Louisiana Department of Health and is not intended to be and should not be used by anyone other than these specified parties.

Ernst & Young LLP

April 23, 2021

Community Care Health Plan of Louisiana, Inc.

Combining Schedule - Statement of Operations

(Dollars In Thousands)

Year ended December 31, 2020

| | Medicaid Program | All Other Programs | Combined |
|--|-----------------------------|-------------------------------|---------------------|
| Premium income | \$ 1,552,590 | \$ 10,506 | \$ 1,563,096 |
| Benefits and expenses: | | | |
| Claims and claims adjustment expenses | 1,345,791 | 8,429 | 1,354,220 |
| Operating expenses | 183,677 | 2,102 | 185,779 |
| Total benefits and expenses | 1,529,468 | 10,531 | 1,539,999 |
| Net underwriting gain (loss) | 23,122 | (25) | 23,097 |
| Investment gains (losses): | | | |
| Net investment income (losses) | 8,305 | 54 | 8,359 |
| Net realized capital gains (losses), net of taxes (benefits) | (1,637) | (11) | (1,648) |
| Total net investment gains (losses) | 6,668 | 43 | 6,711 |
| Other income (expense) | 562 | 4 | 566 |
| Income (loss) before federal income taxes | 30,352 | 22 | 30,374 |
| Federal income taxes (benefits) | 11,536 | 8 | 11,544 |
| Net income (loss) | \$ 18,816 | \$ 14 | \$ 18,830 |