

Examination Warrant Number 21-00812-96938-R1

Report of Examination of

**Gateway Health Plan, Inc.
Pittsburgh, Pennsylvania**

As of December 31, 2021

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Harrisburg, Pennsylvania
May 31, 2023

Honorable Diana L. Sherman, CPA, CFE (Fraud), CISA, CITP
Acting Deputy Insurance Commissioner
Commonwealth of Pennsylvania
Insurance Department
Harrisburg, Pennsylvania

Dear Madam:

In accordance with instructions contained in Examination Warrant Number 21-00812-96938-R1, dated August 9, 2021, an examination was made of the Gateway Subgroup (“Subgroup”) of the Highmark Insurance Group, NAIC Group Code 00812, hereinafter referred to as (“Group”). The following report pertains to the Pennsylvania domestic companies within the Subgroup:

Gateway Health Plan, Inc., NAIC Code: 96938

a Pennsylvania domiciled, single-state, Health Maintenance Organization (“HMO”) company hereinafter referred to as (“GHPI”). GHPI’s main administrative office is located at Four Gateway Center, 444 Liberty Avenue, Suite 2100, Pittsburgh, Pennsylvania. The examination was conducted remotely.

A report of this examination is hereby respectfully submitted.

SCOPE OF EXAMINATION

The Pennsylvania Insurance Department (“Department”) has performed a multi-state, full-scope, coordinated examination of GHPI, collectively referred to as (“Gateway Subgroup”) or (“Subgroup”). The Subgroup was last examined as of December 31, 2016. This coordinated examination covered the five-year period from January 1, 2017 through December 31, 2021.

Work programs employed in the performance of this examination were designed to comply with the standards promulgated by the Department and the National Association of Insurance Commissioners (“NAIC”) *Financial Condition Examiners Handbook* (“Handbook”).

The Handbook requires that the Department plan and perform the examination to evaluate the financial condition, assess corporate governance, identify current and prospective risks of the Subgroup, evaluate system controls and procedures used to mitigate those risks, and review subsequent events. An examination also includes identifying and evaluating significant risks that could cause an insurer’s surplus to be materially misstated, both currently and prospectively.

All accounts and activities of the Subgroup were considered, in accordance with the risk-focused examination process. This may include assessing significant estimates made by management and evaluating management’s compliance with statutory accounting principles.

The examination does not attest to the fair presentation of the financial statements included herein. If, during the course of the examination an adjustment is identified, the impact of such adjustment will be documented separately following the financial statements.

This examination report includes significant findings of fact, in accordance with 40 P.S. § 323.5(a), and general information about the Subgroup and its financial condition. There may be other items identified during the examination that, due to their nature (e.g., subjective conclusions, proprietary information, etc.), are not included within the examination report but separately communicated to other regulators and/or the Subgroup Management.

For each year during the period under examination, the certified public accounting firm of PricewaterhouseCoopers, LLP (“CPA”) has provided unmodified audit opinions based on statutory accounting principles. Relevant work performed by the CPA, during the annual audits of the Subgroup, was reviewed during the examination and incorporated into the examination workpapers.

For examination efficiency, the Highmark Insurance Group (“Group”) was separated by the Department into the following four (4) Subgroups: Highmark Health Subgroup, UCCI Subgroup, HMIG Subgroup, and Gateway Subgroup. Concurrent and coordinated financial examinations were conducted for each of the subgroups by the Lead State of Pennsylvania in coordination with the participating states of Arizona, Delaware, Maryland, Michigan, New York, Ohio, Texas and West Virginia.

The following companies were examined at the same time during the above examination:

<u>Company</u>	<u>Abbreviation</u>	<u>State of Domicile</u>	<u>NAIC Code</u>
<u>Highmark Health Subgroup</u>			
Highmark, Inc.	(“HMINC”)	PA	54771
Highmark Select Resources, Inc.	(“HSR”)	PA	10131
Highmark Senior Health Company	(“HSHC”)	PA	15460
Highmark Coverage Advantage, Inc.	(“HCA”)	PA	15507
Highmark Benefits Group, Inc.	(“HBG”)	PA	15508
First Priority Life Insurance Company, Inc.	(“FPLIC”)	PA	60147
HM Health Insurance Company	(“HMHIC”)	PA	71768
Highmark Choice Company	(“HCC”)	PA	95048
HMO of Northeastern Pennsylvania, Inc.	(“HMONEPA”)	PA	96601
Highmark BCBSD, Inc.	(“HBCBSD”)	DE	53287
Highmark Western and Northeastern New York	(“HMWNENY”)	NY	55204
Highmark Senior Solutions Company	(“HSSC”)	WV	15459
West Virginia Family Health Plan, Inc.	(“WV FHP”)	WV	15020
Highmark West Virginia Inc. d/b/a Highmark Blue Cross Blue Shield West Virginia	(“HBCBSWV”)	WV	54828
<u>UCCI Subgroup</u>			
United Concordia Companies, Inc.	(“UCCI”)	PA	89070
United Concordia Dental Plans of Pennsylvania, Inc.	(“UCDPPA”)	PA	47089

Gateway Health Plan, Inc.

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United Concordia Insurance Company	("UCIC")	AZ	85766
United Concordia Dental Plans, Inc.	("UCDPI")	MD	95253
United Concordia Dental Plans of the Midwest, Inc.	("UCDPMID")	MI	96150
United Concordia Insurance Company of New York	("UCICNY")	NY	60222
United Concordia Dental Plans of Texas, Inc.	("UCDPTX")	TX	95160

HMIG Subgroup

HM Life Insurance Company	("HMLICPA")	PA	93440
Highmark Casualty Insurance Company	("HCIC")	PA	35599
HM Life Insurance Company of New York	("HMLICNY")	NY	60213

Gateway Subgroup

Gateway Health Plan, Inc.	("GHPI")	PA	96938
Gateway Health Plan of Ohio, Inc.	("GHPOI")	OH	12325

HISTORY

GHPI was incorporated on July 15, 1985, licensed by the Department and commenced business on August 21, 1986. Effective August 31, 2021, GHPI began doing business as "Highmark Wholecare" for marketing purposes.

Prior to August 31, 2021, Gateway Health LLC's interests were held by HMINC (50% member) and Mercy Health Plan (50% member). Prior to 2020, the partnership interests were held by Mercy Health Plan (49% limited/1% general partner), HMINC (49% limited partner) and Highmark Ventures, Inc. (1% general partner).

Effective August 31, 2021, HMINC acquired 49% of Gateway Health LLC, increasing its direct ownership of Gateway Health LLC from 50% to 99%. Gateway Health LLC wholly-owns GHPI and GHPOH. As part of the acquisition, Jenkins-Empire Associates, Inc. ("JEA, Inc."), a wholly owned subsidiary of HMINC, acquired the remaining 1% of Gateway Health LLC.

GHPI is currently authorized to transact business as an HMO as described in 40 P.S. § 1554.

MANAGEMENT AND CONTROL

CAPITALIZATION

As of December 31, 2021, GHPI's total capital was \$330,390,113, with \$30,128 of gross paid in and contributed surplus and \$330,359,985 in unassigned funds (surplus).

GHPI's minimum capital and minimum surplus requirements for the types of business for which it is licensed, pursuant to 40 P.S. § 386, is \$1,000,000 in capital, or an amount equal to three (3) months uncovered health care expenditures for Pennsylvania enrollees as reported on

the most recent financial statement filed with the Commissioner, as per 31 Pa. Code § 301.121(b)(2). GHPI has met all governing requirements throughout the examination period.

STOCKHOLDERS

HMINC is a directly controlled subsidiary of Highmark Health, a Pennsylvania non-profit corporation and federally recognized 501(c)(3).

As of December 31, 2021, HMINC directly owns 99% and indirectly controls 1% of the issued and outstanding voting common stock of Gateway Health LLC, the parent and controlling company of GHPI.

During the examination period, GHPI paid to Gateway Health LLC the following member dividends and other distributions:

Year	Company	Amount	Dividend Type	Date Approved by BOD
2017	GHPI	\$15,000,000	Ordinary	11/09/2017
2019	GHPI	\$55,000,000	Other distribution	10/30/2019
2020	GHPI	\$44,300,000	Other distribution	12/18/2019
2021	GHPI	\$125,000,000	Extraordinary	07/01/2021

GHPI reported all ordinary and extraordinary dividends and other distributions to the Department in compliance with 40 P. S. § 991.1404(e). The Department approved the extraordinary dividend and the other distributions in compliance with 40 P.S. § 991.1405(b), 40 P.S. § 459.8, and 31 Pa. Code § 25.22.

On December 22, 2017, GHPI repaid \$32,000,000 in surplus notes to Gateway Health, LLC.

INSURANCE HOLDING COMPANY SYSTEM

The Group meets the requirements for filing an insurance holding company system annual registration statement ("Annual Registration Statement"), in accordance with 40 P.S. § 991.1404. For each year of the examination period, the Group filed the required Annual Registration Statement with the Department.

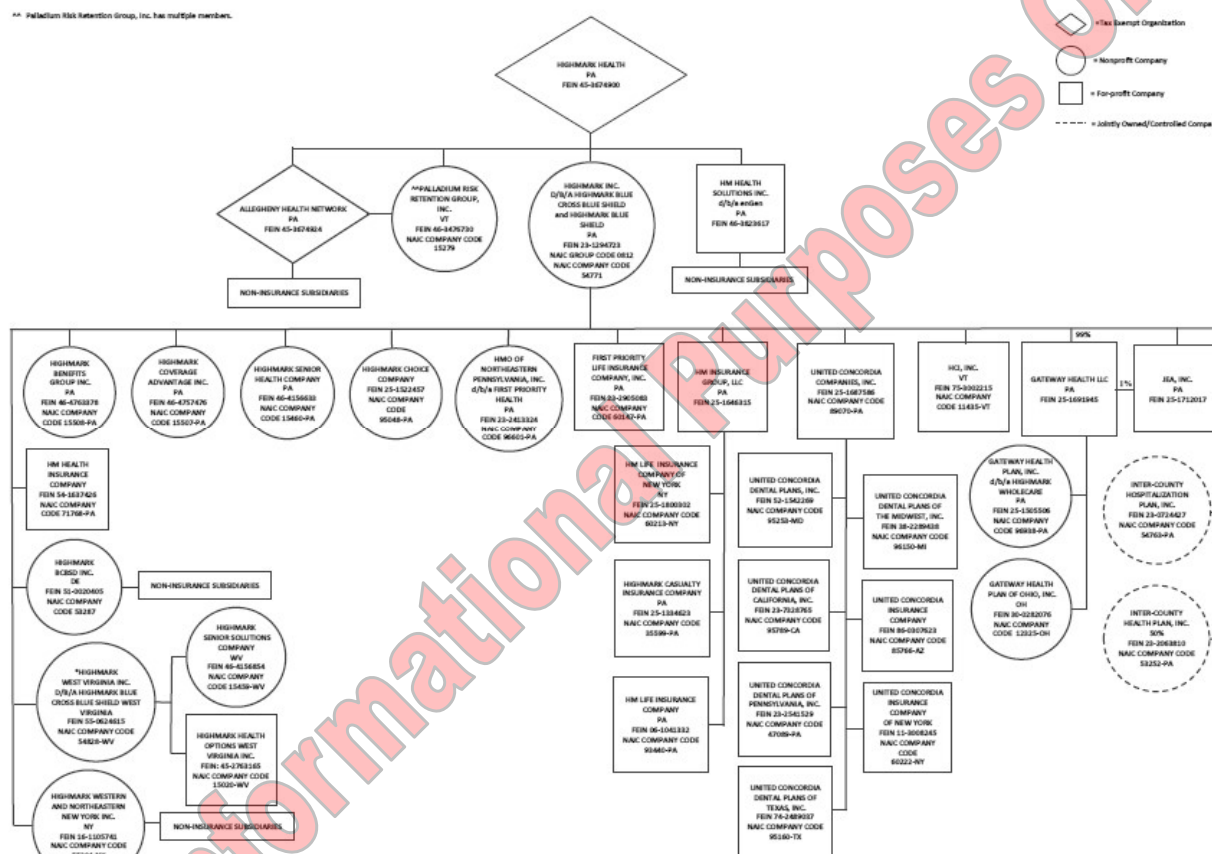
The Group is a holding company system with HMINC as the primary insurance company. In 2013, Highmark Health, a Pennsylvania non-profit corporation and federally recognized 501(c)(3) was established with a 100% controlling interest in HMINC. The direct and indirect subsidiaries of Highmark Health include the following non-insurance subsidiaries including, but not limited to: Allegheny Health Network, an integrated health care delivery system serving western Pennsylvania; HM Health Solutions Inc., specializing in IT administration services for health plans; HM Home and Community Services, specializing in skilled nursing and post-acute care; and multiple charitable foundations.

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The thirty-one (31) insurance companies in the Group, are 100% wholly owned or fully controlled direct or indirect subsidiaries of HMINC.

The simplified organizational chart below depicts the Group’s direct and indirect ownership with its holding company system as of December 31, 2021. The organizational chart does not depict all entities contained within the holding company system due to the size and complexity of the business operations within the holding company system. The holding company system consists of various insurance and non-insurance entities.



BOARD OF DIRECTORS

Management of GHPI is vested in the Board of Directors (“Board”), which was comprised of the following members as of December 31, 2021:

Principal Occupation

Chief Medical Officer
Highmark Health

Chief Operating Officer
Highmark Health

Chief Executive Officer
Serenity Living Transitional Home

In accordance with the By-Laws of GHPI, members of the Board are elected annually at the annual stockholder meeting to serve a term of one (1) year or until successors are duly elected and qualified.

As of December 31, 2021, Gateway Health LLC's conflict of interest policy applied to all of GHPI's directors, officers and employees. The policy requires disclosure of potential conflicts of interest on an annual basis. The Corporate Compliance Department reviewed any such disclosures and the Chief Compliance Officer provided a report to the Board of Gateway Health LLC.

COMMITTEES

The Board of GHPI had delegated certain responsibilities for governance to Committees.

As of December 31, 2021, the following key committees were appointed by GHPI's Board and serving in accordance with the By-Laws:

Compliance Committee

Philip Barr
Brett Bissey*
Ja'Ron Bridges
Rhonda Curry
Matt Putila
Mala Siri
Anthony Solemn
Frances Woodward

Independent Committee

David Blandino, M.D.
Peter Schied

Investment Committee

Dennis Cronin*
Kevin Marpoe

* Denotes Committee Chair

Subsequently, effective January 31, 2022, the Board of GHPI has delegated committee responsibilities for governance to the Board of HMINC and its Committees.

As of December 31, 2021, the following key committees were appointed by HMINC's Board and serving in accordance with the By-Laws:

Personnel & Compensation Committee

David Arthur Blandino, MD
Joseph Clinton Guyaux
Calvin Barksdale Johnson, MD, MPH
Gregory Baldwin Jordan, Esquire
David John Malone
Victor Alvarez Roque*

Audit & Compliance Committee

Steven Murray Hoffman, CPA *
Rosario Yvonne Campos
Gary Frances Lamont
Victor Alvarez Roque
Susan Weiss Shoval
Doris Annette Carson Williams

Governance & Nominating Committee

David Arthur Blandino, MD
Rosario Yvonne Campos*
Don Parks Foster, Esquire
Mark Scott Kamlet, PhD
John Donald McCarthy, Jr.
Glen Theodore Meakem
Susan Weiss Shoval
Mary Anne Simmonds, MD

Investment Committee

Don Parks Foster, Esquire *
Richard Wallace Bloomingdale
Steven Murray Hoffman, CPA
Gary Frances Lamont
John Donald McCarthy, Jr. L
Glen Theodore Meakem
Susan Weiss Shoval

Executive Committee

David Arthur Blandino, MD
Don Parks Foster, Esquire
Joseph Clinton Guyaux
David Lynn Holmberg*
Victor Alvarez Roque
Doris Annette Carson Williams

* Denotes Committee Chair

Diversity & Inclusion Committee

Mark Scott Kamlet, PhD
Richard Wallace Bloomingdale
Rosario Yvonne Campos
Kevin Lee Jenkins
Calvin Barksdale Johnson MD, MPH
Doris Annette Carson Williams*

OFFICERS

As of December 31, 2021, the following officers were appointed and serving in accordance with GHPI's By-Laws:

Name

Ellen Marie Duffield
Ja'Ron Malon Bridges
Frances Ann Woodward
Christopher Michael Cogan

Title

President and Chief Executive Officer
Treasurer and Chief Financial Officer
Secretary and Chief Legal Officer
Assistant Treasurer

CORPORATE RECORDS

MINUTES

A compliance review of corporate minutes of GHPI revealed the following:

- The Annual Meetings of the member were held in compliance with the By-Laws.
- The member elected directors at such meetings in compliance with the By-Laws.
- The member ratified the actions of the officers and directors.
- Quorums were present at all directors' meetings.
- The investment transactions were approved quarterly by the GHPI Investment Committee and/or the respective Board.
- All directors attended Board meetings regularly.
- The Board meeting minutes show approval of the reinsurance contracts.

ARTICLES OF INCORPORATION

Effective March 1, 2018, GHPI filed amended Articles of Incorporation to change the registered office.

BY-LAWS

Effective January 1, 2020, GHPI filed amended By-Laws to name Gateway Health, LLC as the sole member of the Corporation after Gateway Health, LLC converted from a limited partnership to a limited liability company.

Effective November 1, 2021, GHPI filed amended and restated By-Laws to eliminate all references to the Independent Committee and to independent directorship.

SERVICE AND OPERATING AGREEMENTS

GHPI is party to various service and operating agreements, which includes several intercompany and related-party agreements. The intercompany agreements described below meet the fair and reasonable standards in 40 P.S. § 991.1405(a)(1)(i). The following significant agreement was in place during the examination period:

Program Service Agreement

Effective March 2, 2021, a Program Service Agreement was entered into between Gateway Health, LLC and GHPI under which, Gateway Health, LLC provides various program services to GHPI for its Medicaid and Medicare program. This Agreement supersedes a July 1, 2014 Program Service Agreement between Gateway Health, LLC and GHPI.

REINSURANCE

CEDED

As of December 31, 2021, there were no significant reinsurance agreements in place for GHPI.

ASSUMED

GHPI did not assume any business during the examination period.

TERRITORY AND PLAN OF OPERATIONS

As of December 31, 2021, GHPI is licensed in Pennsylvania only.

The following chart summarizes GHPI's direct and assumed, ceded and net written premiums by line of business as of December 31, 2021:

Line of Business	Direct and Assumed Premium	Ceded Premium	Net Premium	Percentage of Total
December 31, 2021				
Title XVII - Medicare	798,553,191	0	798,553,191	32.1%
Title XIX - Medicaid	1,691,296,651	0	1,691,296,651	67.9%
Health subtotal	2,489,849,842	0	2,489,849,842	100.0%
Totals	\$ 2,489,849,842	\$ 0	\$ 2,489,849,842	100.0%

SIGNIFICANT OPERATING TRENDS

The following tables indicate the growth of GHPI during the period covered by this examination:

	2021	2020	2019	2018	2017
Admitted Assets	\$ 760,848,204	\$ 832,086,333	\$ 746,368,075	\$ 702,432,625	\$ 652,565,102
Liabilities	\$ 430,458,091	\$ 379,864,794	\$ 329,077,530	\$ 299,427,151	\$ 321,040,958
Capital and Surplus Funds	\$ 330,390,113	\$ 452,221,539	\$ 417,290,543	\$ 403,005,470	\$ 331,524,142
Net Premium Income	\$ 2,489,849,842	\$ 2,355,290,356	\$ 2,369,647,073	\$ 2,357,337,049	\$ 2,329,624,887
Benefits to Members	\$ 2,186,091,970	\$ 1,987,117,528	\$ 2,049,318,755	\$ 2,005,767,979	\$ 2,010,691,126
Net Investment Income	\$ 16,159,558	\$ 12,839,075	\$ 12,806,291	\$ 11,443,355	\$ 9,111,379
Net Income	\$ 12,658,377	\$ 74,231,262	\$ 47,835,511	\$ 85,095,132	\$ 75,885,059

PENDING LITIGATION

As of the date of this examination report, the GHPI Management attested that GHPI is not party to any material litigation or arbitration and was not aware of any threatened litigation which could have a material adverse effect on its financial condition.

FINANCIAL STATEMENTS

The financial condition of GHPI, as of December 31, 2021, and the results of operations for the five-year period under examination, are reflected in the following statements*:

- Comparative Statement of Assets, Liabilities, Surplus and Other Funds;
- Comparative Statement of Income;
- Comparative Statement of Capital and Surplus; and
- Comparative Statement of Cash Flow

**Note: Some financials shown in this report may contain subtotal errors or discrepancies between statements and were presented as reported in the filed Annual Statements.

Comparative Statement of Assets, Liabilities, Surplus and Other Funds As of December 31,

	2021	2020	2019	2018	2017
Bonds	\$ 239,261,134	\$ 244,767,128	\$ 215,415,666	\$ 201,325,087	\$ 166,605,665
Common stocks	190,239,083	221,957,153	183,930,995	151,656,459	122,434,545
Cash, cash equivalents and short-term investments	48,463,142	110,392,748	80,223,833	52,564,918	161,073,468
Other invested assets	990,457	1,017,816	1,044,134	393,531	0
Receivable for securities	184,232	324,488	0	1,037	0
Subtotal, cash and invested assets	479,138,048	578,459,333	480,614,628	405,941,032	450,113,678
Investment income due and accrued	1,373,085	1,396,141	1,743,499	1,578,445	1,186,105
Premiums and considerations	226,254,900	213,116,163	203,570,013	233,585,350	171,544,072
Amounts recoverable from reinsurers	0	0	0	743,655	0
Amounts receivable relating to uninsured plans	17,087,933	9,985,897	28,756,660	28,801,327	2,832,124
Current federal and foreign income tax recoverable and interest thereon	4,837,251	6,733,914	1,108,140	0	0
Net deferred tax asset	0	0	0	2,418,428	0
Health care and other amounts receivable	32,156,987	22,394,885	30,575,135	29,140,283	26,889,123
Aggregate write-ins for other than invested assets	0	0	0	224,105	0
Total assets excluding Separate Accounts, Segregated Accounts and Protected Cell Accounts	760,848,204	832,086,333	746,368,075	702,432,625	652,565,102
Total	<u>\$ 760,848,204</u>	<u>\$ 832,086,333</u>	<u>\$ 746,368,075</u>	<u>\$ 702,432,625</u>	<u>\$ 652,565,102</u>
Claims unpaid	\$ 297,641,573	\$ 219,557,418	\$ 222,357,351	\$ 191,715,030	\$ 204,701,998
Unpaid claims adjustment expenses	7,203,728	4,869,175	3,758,423	5,059,906	5,424,895
Aggregate health policy reserves	1,731,170	65,199,632	63,984,759	63,984,759	78,548,339
Premiums received in advance	0	0	0	1,026	1,453
General expenses due or accrued	77,286,268	64,902,188	18,505,689	20,289,714	16,007,831
Current federal and foreign income tax payable and interest thereon	0	0	0	160,725	2,596,932
Net deferred tax liability	1,059,888	3,810,339	1,496,504	0	161,895
Ceded reinsurance premiums payable	0	0	0	92,624	0
Remittances and items not allocated	2,052,166	1,413,844	1,350,912	1,273,213	2,285,491
Borrowed money and interest thereon	130,000	0	19,836	0	0
Amounts due to parent, subsidiaries and affiliates	38,288,476	18,418,025	17,209,417	13,956,610	9,464,954
Payable for securities	1,197,811	1,638,067	287,874	2,762,584	568,948
Liability for amounts held under uninsured plans	3,789,274	128	0	0	1,151,102
Aggregate write-ins for other liabilities	77,737	55,978	106,765	130,960	127,120
Total liabilities	430,458,091	379,864,794	329,077,530	299,427,151	321,040,958
Gross paid in and contributed surplus	30,128	30,128	44,330,128	99,330,128	99,330,128
Surplus notes	0	0	0	0	0
Unassigned funds (surplus)	330,359,985	452,191,411	372,960,415	303,675,342	232,194,014
Total capital and surplus	330,390,113	452,221,539	417,290,543	403,005,470	331,524,142
Totals	<u>\$ 760,848,204</u>	<u>\$ 832,086,333</u>	<u>\$ 746,368,073</u>	<u>\$ 702,432,621</u>	<u>\$ 652,565,100</u>

**Comparative Statement of Income
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Net premium income	\$ 2,489,849,842	\$ 2,355,290,356	\$ 2,369,647,073	\$ 2,357,337,049	\$ 2,329,624,887
Total revenues	2,489,849,842	2,355,290,356	2,369,647,073	2,357,337,049	2,329,624,887
Hospital/medical benefits	1,076,404,038	928,287,840	1,013,430,221	988,003,232	1,020,278,762
Other professional services	409,589,131	350,494,620	343,550,476	326,295,981	332,962,449
Emergency room and out-of-area	86,759,116	74,397,266	90,648,512	77,121,586	70,225,289
Prescription drugs	529,285,112	560,577,843	530,518,411	552,334,495	531,970,787
Aggregate write-ins for other hospital and medical	84,054,573	73,359,959	71,171,135	62,012,685	55,253,839
Subtotal (hospital and medical)	2,186,091,970	1,987,117,527	2,049,318,755	2,005,767,979	2,010,691,126
Net reinsurance recoveries	0	263,953	175,702	2,115,303	883,335
Total hospital and medical	2,186,091,970	1,986,853,574	2,049,143,053	2,003,652,676	2,009,807,791
Claims adjustment expenses, including cost containment expenses	120,926,380	115,645,759	122,258,550	98,826,281	85,943,272
General administrative expenses	207,551,412	189,260,757	160,897,188	176,596,720	143,489,478
Total underwriting deductions	2,514,569,762	2,291,760,090	2,332,298,791	2,279,075,677	2,239,240,541
Net underwriting gain or (loss)	(24,719,920)	63,530,265	37,348,282	78,261,372	90,384,346
Net investment income earned	16,159,558	12,839,075	12,806,291	11,443,355	9,111,379
Net realized capital gains or (losses)	19,288,168	10,074,624	5,638,454	7,583,442	(15,675)
Net investment gains or (losses)	35,447,726	22,913,699	18,444,745	19,026,797	9,095,704
Net gain or (loss) from agents' or premium balances charged off	0	(16,541)	(275,211)	(245,096)	(1,352,329)
Net income or (loss) before federal income taxes	10,727,806	86,427,423	55,517,816	97,043,073	98,127,721
Federal income taxes incurred	(1,930,571)	12,196,161	7,682,305	11,947,941	22,242,662
Net income (loss)	\$ 12,658,377	\$ 74,231,262	\$ 47,835,511	\$ 85,095,132	\$ 75,885,059

**Comparative Statement of Capital and Surplus
For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Capital and surplus, December 31, previous year	\$ 452,221,540	\$ 417,290,543	\$ 403,005,470	\$ 331,524,142	\$ 299,567,327
Net income or (loss)	12,658,377	74,231,262	47,835,511	85,095,132	75,885,059
Change in net unrealized capital gains and (losses)	(7,620,427)	13,340,554	19,213,504	(19,540,479)	9,156,660
Change in net deferred income tax	570,770	1,232,224	785,400	(2,210,647)	(1,813,276)
Change in nonadmitted assets	(2,440,147)	(9,573,043)	1,450,658	8,137,323	(4,271,629)
Change in surplus notes	0	0	0	0	(32,000,000)
Surplus adjustments:					
Paid in	0	(44,300,000)	(55,000,000)	0	(15,000,000)
Dividends to stockholders	(125,000,000)	0	0	0	0
Net change in capital and surplus	\$ (121,831,427)	34,930,997	14,285,073	71,481,329	31,956,814
Capital and surplus, December 31, current year	\$ 330,390,113	\$ 452,221,540	\$ 417,290,543	\$ 403,005,471	\$ 331,524,141

For Informational Purposes Only

Comparative Statement of Cash Flow **For the Year Ended December 31,**

	2021	2020	2019	2018	2017
Cash from Operations					
Premiums collected net of reinsurance	\$ 2,413,242,643	\$ 2,346,959,079	\$ 2,399,572,920	\$ 2,280,924,918	\$ 2,155,175,635
Net investment income	18,603,181	14,338,185	13,155,114	11,479,138	9,364,603
Total	<u>2,431,845,824</u>	<u>2,361,297,264</u>	<u>2,412,728,034</u>	<u>2,292,404,056</u>	<u>2,164,540,238</u>
Benefit and loss related payments	2,118,337,888	1,990,862,797	2,018,151,544	2,019,339,224	2,078,597,808
Commissions, expenses paid and aggregate write-ins for deductions	317,245,929	238,623,166	286,379,035	298,864,031	227,663,640
Federal and foreign income taxes paid (recovered)	1,300,001	20,499,999	5,346,380	16,400,001	12,673,607
Total deductions	<u>2,436,883,818</u>	<u>2,249,985,962</u>	<u>2,309,876,959</u>	<u>2,334,603,256</u>	<u>2,318,935,055</u>
Net cash from operations	<u>(5,037,994)</u>	<u>111,311,301</u>	<u>102,851,075</u>	<u>(42,199,200)</u>	<u>(154,394,817)</u>
Cash from Investments					
Proceeds from investments sold, matured or repaid:					
Bonds	364,571,147	156,644,812	233,100,903	269,143,324	217,942,867
Stocks	76,500,000	23,700,000	25,600,000	63,788,866	0
Other invested assets	0	0	0	0	150,011
Net gain or (loss) on cash, cash equivalents and short term investments	(984)	0	0	0	0
Miscellaneous proceeds	187,268	1,733,425	0	2,192,610	0
Total investment proceeds	<u>441,257,431</u>	<u>182,078,237</u>	<u>258,700,903</u>	<u>335,124,800</u>	<u>218,092,878</u>
Cost of investments acquired (long-term only):					
Bonds	357,877,122	180,895,511	243,954,930	308,023,261	221,403,438
Stocks	33,620,004	38,328,664	30,231,558	100,705,680	6,521,496
Other invested assets	0	0	672,247	394,588	144,536
Miscellaneous applications	440,255	710,441	7,684,599	506	4,631,665
Total investments acquired	<u>391,937,381</u>	<u>219,934,616</u>	<u>282,443,334</u>	<u>409,124,035</u>	<u>232,701,135</u>
Net cash from investments	<u>49,320,050</u>	<u>(37,856,379)</u>	<u>(23,742,431)</u>	<u>(73,999,235)</u>	<u>(14,608,257)</u>
Cash from Financing and Miscellaneous Sources					
Cash provided (applied):					
Surplus notes, capital notes	0	0	0	0	(32,000,000)
Capital and paid in surplus, less treasury stock	0	(44,300,000)	(55,000,000)	0	(15,000,000)
Borrowed funds	130,000	(19,836)	19,836	0	0
Dividends to stockholders	125,000,000	0	0	0	0
Other cash provided or (applied)	18,658,338	1,033,831	3,530,431	3,287,027	3,861,127
Net cash from financing and miscellaneous sources	<u>(106,211,662)</u>	<u>(43,286,005)</u>	<u>(51,449,733)</u>	<u>3,287,027</u>	<u>(43,138,873)</u>
Reconciliation of cash and short-term investments:					
Net change in cash and short-term investments	<u>(61,929,606)</u>	<u>30,168,918</u>	<u>27,658,911</u>	<u>(112,911,408)</u>	<u>(212,141,947)</u>
Cash and short-term investments:					
Beginning of the year	110,392,748	80,223,832	52,564,921	165,476,329	377,618,275
End of the year	<u>\$ 48,463,142</u>	<u>\$ 110,392,749</u>	<u>\$ 80,223,832</u>	<u>\$ 52,564,918</u>	<u>\$ 165,476,329</u>

SUMMARY OF EXAMINATION CHANGES

There were no examination changes to the preceding financial statements as filed with regulatory authorities over the review period.

NOTES TO FINANCIAL ITEMS**ASSETS****INVESTMENTS**

As of December 31, 2021, GHPI's invested assets were distributed as follows:

	Amount	Percentage
Bonds	\$ 239,261,134	49.9%
Common stocks	190,239,083	39.7%
Cash	31,992,460	6.7%
Cash equivalents	15,890,448	3.3%
Short-term investments	580,234	0.1%
Other invested assets	990,457	0.2%
Receivable for securities	184,232	0.0%
Totals	<u>\$ 479,138,046</u>	<u>100.0%</u>

GHPI's bond and short-term investment portfolio had the following quality and maturity profiles:

NAIC Designation	Amount	Percentage
1 - highest quality	\$ 191,914,215	80.0%
2 - high quality	47,016,961	19.6%
3 - medium quality	49,403	0.0%
4 - low quality	860,792	0.4%
Totals	<u>\$ 239,841,371</u>	<u>100.0%</u>

Years to Maturity	Amount	Percentage
1 year or less	\$ 27,517,014	11.5%
2 to 5 years	91,896,401	38.3%
6 to 10 years	60,247,559	25.1%
11 to 20 years	31,752,732	13.2%
over 20 years	28,427,665	11.9%
Totals	<u>\$ 239,841,371</u>	<u>100.0%</u>

As of December 31, 2021, GHPI maintains a diversified investment portfolio with 49.9% of invested assets in bonds. GHPI has 99.6% of all bonds rated NAIC 1 (highest quality) or NAIC 2 (high quality) by the NAIC's Securities Valuation Office (SVO). GHPI holds bonds with various maturity dates, with 74.9% having a maturity of 10 years or less.

GHPI has a written investment policy as required by 40 P.S. § 653b(b). The investment policy is reviewed and approved on an annual basis by the Board of Directors. GHPI was following its investment policy as of December 31, 2021.

As of December 31, 2021, GHPI held its invested assets with the qualified custodian, Bank of New York Mellon, under custodial agreements that were in compliance with 31 PA Code § 148a.3.

LIABILITIES

POLICYHOLDER AND CLAIM RESERVES

As of December 31, 2021, the reported policyholder and claims reserves were as follows:

<u>Reserves</u>	<u>12/31/2021</u>
Claims unpaid	\$ 297,641,573
Accrued medical incentive pool and bonus amounts	\$ 0
Unpaid claims adjustment expenses	\$ 7,203,728
Aggregate health policy reserves	\$ 1,731,170
Aggregate health claim reserves	\$ 0

As of December 31, 2021, John Thompson, FSA, MAAA of Milliman, Inc. was the appointed actuary for the Subgroup.

As of December 31, 2021, the appointed actuary issued Statements of Actuarial Opinion ("Opinion") stating that the reserves and related actuarial values:

- A) Are in accordance with accepted actuarial standards consistently applied and are fairly stated, in accordance with sound actuarial principles;
- B) Are based on actuarial assumptions relevant to contract provisions and appropriate for the purpose for which the statement was prepared;
- C) Meet the requirements of the laws of Pennsylvania and are at least as great as the minimum aggregate amounts required by any state in which this statement is filed;
- D) Make a good and sufficient provision for all unpaid claims and other actuarial liabilities of the organization under the terms of its contracts and agreements;
- E) Are computed on the basis of assumptions and methods consistent with those used in computing the corresponding items in the annual statement of the preceding year-end;
- F) Include appropriate provision for all actuarial items that ought to be established.

In order for the examination team to gain an adequate comfort level with reserve estimates for the Subgroup, the Department utilized the actuarial services of Taylor-Walker Consulting, LLC, through an engagement with Johnson Lambert LLP, to assist the examination team in performing a risk-focused review of the reserving and pricing/underwriting processes for the Subgroup. Certain risks required Phase 5 substantive test work.

Based on the procedures performed and the results obtained, the actuarial and examination team obtained sufficient documentation to support the conclusion that the reserve amounts reported for GHPI are reasonably stated as of December 31, 2021.

SUBSEQUENT EVENTS

The following corporate, operational, and regulatory events occurred subsequent to the examination period:

Effective January 1, 2022, Gateway Health LLC and GHPI, entered into the First Amendment to the Administrative Services Agreement originally entered into April 13, 2020 between Highmark Health, HMINC, HM Centered Health Inc., HM Health Solutions Inc., HMLICPA, Jenkins-Empire Associates, Inc. ("JEA"), and UCCI (collectively "Service Providers") and FPLIC, HCI Inc., HBG, HCC, HCA, HSR, HSC, HSHC, HM Ventures LLC, HM Health Holdings Company, HMHIC, HMONEPA, and JEA (collectively "Affiliates") under which the Service Providers provide certain services and make available certain facilities and equipment to Affiliates for their business operations.

Effective January 1, 2022, GHPI entered into an Agreement with Highmark Health under which Highmark Health will serve as Investment Manager and provide investment management services as necessary for GHPI's investment operations.

Effective January 1, 2022, HMINC and GHPI entered into a Quota Share Reinsurance Agreement under which GHPI cedes 100% of the premium written and corresponding losses to HMINC. On December 8, 2021, this Agreement was approved by the Department.

On January 30, 2022, the Line of Credit Agreement between GHPI and PNC Bank expired and GHPI elected not to renew.

The Department is monitoring the impact of the COVID-19 global pandemic. The Department recognizes that COVID-19 could have a significant financial and operational impact on all of its domestic insurers, including the Company. As such, the Department will continue to monitor and share information with the Company as appropriate related to COVID-19 developments.

RECOMMENDATIONS

PRIOR EXAMINATION

The prior examination report contained no recommendations.

CURRENT EXAMINATION

There are no recommendations being made as a result of the current examination.

CONCLUSION

As a result of this examination, the financial condition of GHPI, as of December 31, 2021, was determined to be as follows:

	Amount	Percentage
Admitted assets	\$ 760,848,204	100.0 %
Liabilities	\$ 430,458,091	56.6 %
Capital and Surplus	330,390,113	43.4 %
Total liabilities, capital and surplus	\$ 760,848,204	100.0 %

Since the previous examination, made as of December 31, 2016, the GHPI's assets increased by \$6,130,604, its liabilities decreased by \$24,692,182, and its surplus increased by \$30,822,786.

This examination was conducted by financial examiners from the Department including Mark A. Swearingen, CFE, examining actuaries from Taylor-Walker Consulting, LLC supervised by Scott S. Garduno FSA, MAAA, and financial examiners and IT examiners from Johnson Lambert LLP supervised by Richard J. Nelson, CFE, CIE, MCM, Joanne R. Smith, CFE, MCM, Carl P. Richard, Jr., CFE, and Kim L. Stevenson, CFE, and Megan E. Hubbuch, CFE, CPA, MCM with the latter in charge.

Respectfully submitted,

William M. Fedak

William M. Fedak, CFE
Examination Manager

Megan E. Hubbuch

Megan E. Hubbuch (Jun 28, 2023 09:07 EDT)

Megan E. Hubbuch, CFE, CPA, MCM
Examiner-in-Charge

The CFE designation has been conferred by an organization not affiliated with the federal or any state government. However, the CFE designation is the only designation recognized by the NAIC for the purposes of directing statutory Association examinations of insurance companies.