

Added note 11B disclosure per NAIC recommendation.



ANNUAL STATEMENT
FOR THE YEAR ENDING DECEMBER 31, 2021
OF THE CONDITION AND AFFAIRS OF THE

CareSource Ohio Inc.

(Name)

NAIC Group Code 03683 (Current Period) , 03683 (Prior Period) NAIC Company Code 95201 Employer's ID Number 31-1143265

Organized under the Laws of Ohio, State of Domicile or Port of Entry Ohio

Country of Domicile United States

Licensed as business type: Life, Accident & Health Property/Casualty Hospital, Medical & Dental Service or Indemnity
Dental Service Corporation Vision Service Corporation Health Maintenance Organization
Other Is HMO, Federally Qualified? Yes No

Incorporated/Organized 06/12/1985 Commenced Business 10/01/1988

Statutory Home Office 230 North Main Street (Street and Number) Dayton, OH, US 45402 (City or Town, State, Country and Zip Code)

Main Administrative Office 230 North Main Street (Street and Number) Dayton, OH, US 45402 (Area Code) 937-224-3300 (Telephone Number)

Mail Address PO Box 2208 (Street and Number or P.O. Box) Dayton, OH, US 45401-8738 (City or Town, State, Country and Zip Code)

Primary Location of Books and Records 230 North Main Street (Street and Number) Dayton, OH, US 45402 (Area Code) 937-531-3614 (Telephone Number) (Extension)

Internet Web Site Address www.caresource.com

Statutory Statement Contact Demetri Inempolidis (Name) 937-531-3614 (Area Code) (Telephone Number) (Extension)
demetri.inempolidis@caresource.com (E-Mail Address) 937-487-1744 (Fax Number)

OFFICERS

Name <u>Stephen L. Ringel</u> ,	Title <u>President, Ohio Market</u>	Name <u>Lawrence R. Smart</u> ,	Title <u>Chief Financial Officer</u>
<u>Erhardt H. Preitauer</u> ,	<u>President and Chief Executive Officer</u>		

OTHER OFFICERS

<u>Jai P. Pillai</u> ,	<u>Chief Operating Officer</u>
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DIRECTORS OR TRUSTEES

<u>Stephen L. Ringel</u>	<u>Scott R. Markovich</u> #	<u>Stephanie A Williams</u> #
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State of Ohio

ss

County of Montgomery

The officers of this reporting entity being duly sworn, each depose and say that they are the described officers of said reporting entity, and that on the reporting period stated above, all of the herein described assets were the absolute property of the said reporting entity, free and clear from any liens or claims thereon, except as herein stated, and that this statement, together with related exhibits, schedules and explanations therein contained, annexed or referred to, is a full and true statement of all the assets and liabilities and of the condition and affairs of the said reporting entity as of the reporting period stated above, and of its income and deductions therefrom for the period ended, and have been completed in accordance with the NAIC *Annual Statement Instructions* and *Accounting Practices and Procedures* manual except to the extent that: (1) state law may differ; or, (2) that state rules or regulations require differences in reporting not related to accounting practices and procedures, according to the best of their information, knowledge and belief, respectively. Furthermore, the scope of this attestation by the described officers also includes the related corresponding electronic filing with the NAIC, when required, that is an exact copy (except for formatting differences due to electronic filing) of the enclosed statement. The electronic filing may be requested by various regulators in lieu of or in addition to the enclosed statement.

Stephen L. Ringel
President, Ohio Market

Lawrence R. Smart
Chief Financial Officer

Jai P. Pillai
Chief Operating Officer

Subscribed and sworn to before me this
day of ,

a. Is this an original filing? Yes No b. If no:
1. State the amendment number 1
2. Date filed 06/15/2022
3. Number of pages attached 9

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE CareSource Ohio Inc.

NOTES TO FINANCIAL STATEMENTS

These items are based on illustrations taken from the NAIC Annual Statement Instructions

1. Summary of Significant Accounting Policies and Going Concern

A. Accounting Practices

Basis of Presentation – CareSource Ohio's (CSOH) statutory-basis financial statements are presented on the basis of accounting practices prescribed or permitted by the Ohio Department of Insurance (ODI). The ODI requires that insurance companies domiciled in the State of Ohio prepare their statutory financial statements in accordance with the National Association of Insurance Commissioners *Accounting Practices and Procedures Manual* (NAIC AP&P) subject to any deviation prescribed or permitted by the ODI.

Accounting practices and procedures of the NAIC, as prescribed or permitted by the insurance department of the applicable states of domicile, comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP).

The effects of the foregoing variances from GAAP on the accompanying statutory-basis financial statements total (\$25,115,839) in net income and \$18,453,363 in net statutory surplus.

CSOH has a permitted practice which is different from the State of Ohio and NAIC SAP concerning the admittance of housing fund investments, as illustrated in the table below.

	SSAP #	F/S Page	F/S Line #	2021	2020
NET INCOME					
(1) Company state basis (Page 4, Line 32, Columns 2 & 3)	XXX	XXX	XXX	\$ 43,858,437	\$ 166,882,055
(2) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(3) State Permitted Practices that are an increase/(decrease) from NAIC SAP:					
(4) NAIC SAP (1-2-3=4)	XXX	XXX	XXX	\$ 43,858,437	\$ 166,882,055
SURPLUS					
(5) Company state basis (Page 3, Line 33, Columns 3 & 4)	XXX	XXX	XXX	\$ 1,142,118,116	\$ 1,059,827,643
(6) State Prescribed Practices that are an increase/(decrease) from NAIC SAP:					
(7) State Permitted Practices that are an increase/(decrease) from NAIC SAP:					
Housing Fund Investments Admitted	00 A-001	2	8	\$ 11,867,171	\$
(8) NAIC SAP (5-6-7=8)	XXX	XXX	XXX	\$ 1,130,250,945	\$ 1,059,827,643

B. Use of Estimates in the Preparation of the Financial Statements

The preparation of financial statements in accordance with statutory accounting principles requires management to make estimates and assumptions that affect the reported amount of admitted assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. Accounting Policy

- (1) Short term investments include investments with remaining maturities of one year or less at the time of acquisition and are principally stated at amortized cost.
- (2) Bonds not backed by other loans are principally stated at amortized cost using the interest method. Realized capital gains and losses are determined using the first in, first out method.
- (3) Common stocks are reported at fair value as determined by the SVO and the related net unrealized capital gains (losses) are reported in unassigned surplus. There are no restrictions on common stock.
- (4) CSH does not hold any preferred stock.
- (5) CSH does not hold any mortgage loans.
- (6) Single class and multi-class mortgage-backed/asset-backed securities are valued at amortized cost using the interest method including anticipated prepayments. Prepayment assumptions are obtained from dealer surveys and are based on the current interest rate and economic environment. The retrospective adjustment method is used to value all such securities.
- (7) CSH does not invest in any subsidiary, controlled or affiliated entities.
- (8) CSH does not invest in any joint ventures, partnerships, or limited liability companies.
- (9) CSH does not hold any derivative instruments.
- (10) CSH does not utilize anticipated investment income in the computation of the premium deficiency calculation in accordance with NAIC guidelines.
- (11) Claims unpaid and unpaid claims adjustment expense liabilities represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred through December 31. Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known; such adjustments are included in current operations.
- (12) CSH does not hold any assets requiring capitalization.
- (13) Pharmacy rebates are attained based on agreements between CSH and a third party administrator for prescription drugs. Pharmacy rebates are admitted if accrued or invoiced within 90 days of the reporting period. Pharmacy rebates are non-admitted if invoiced and uncollected over 90 days prior to the reporting period.

D. Going Concern

Management has determined that there is no doubt about the entity's ability to continue as a going concern.

- (1) Not Applicable
- (2) Not Applicable
- (3) Not Applicable
- (4) Not Applicable

2. Accounting Changes and Corrections of Errors

Not Applicable

3. Business Combinations and Goodwill

Not Applicable

4. Discontinued Operations

Not Applicable

5. Investments

A. Mortgage Loans, including Mezzanine Real Estate Loans

Not Applicable

B. Debt Restructuring

Not Applicable

C. Reverse Mortgages

Not Applicable

D. Loan-Backed Securities

- (1) For fixed-rate agency mortgage-backed securities, Clearwater Analytics calculates prepayment speeds utilizing Mortgage Industry Advisory Corporation (MIAC) Mortgage Industry Medians (MIMs). MIMs are derived from a semi-monthly dealer-consensus survey of long-term prepayment projections. For other mortgage-backed, loan-backed, and structured securities, Clearwater utilizes prepayment assumptions from Moody's Analytics. Moody's applies a flat economic credit model and utilizes a vector of multiple monthly speeds as opposed to a single speed for more robust projections. In instances where Moody's projections are not available, Clearwater uses data from Reuters, which utilizes the median prepayment speed from contributors' models.

- (2) Not Applicable

- (3) Not Applicable

- (4) All impaired securities (fair value is less than cost or amortized cost) for which an other-than-temporary impairment has not been recognized in earnings as a realized loss (including securities with a recognized other-than-temporary impairment for non-interest related declines when a non-recognized interest related impairment remains):

- a. The aggregate amount of unrealized losses:

1. Less than 12 Months	\$ 2,948,462
2. 12 Months or Longer	\$ 30,241

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE CareSource Ohio Inc.

b. The aggregate related fair value of securities with unrealized losses:

1. Less than 12 Months	\$ 272,355,336
2. 12 Months or Longer	\$ 591,542

(5) Management regularly reviews the value of CSOH's investments. If the value of any investment falls below its cost basis, the decline in value is analyzed to determine whether it is other-than-temporary impairment. The decision to record an impairment loss incorporates both quantitative criteria and qualitative information. CSOH considers a number of factors including, but not limited to: (a) the length of time and the extent to which the fair value has been less than book value, (b) the financial condition and near term prospects of the issuer, (c.i.) for non-interest-related declines in corporate and government bonds, the intent and ability of CSOH to retain its investment for a period of time sufficient to allow for any anticipated recovery in value, (c.ii.) for interest related declines in corporate and government bonds, the intent of CSOH to sell the investment at the reporting date, (c.iii.) for mortgage-backed securities, whether CSOH expects to recover the entire amortized cost basis of the security and whether CSOH has the intent to sell or intent and ability to hold the investments 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, and (e) general market conditions and industry or sector specific factors. As of December 31, 2021, CSOH holds \$226.9 million of loan backed securities. As of December 31, 2020 CSOH held \$226.9 million of loan backed securities, none of which met the criteria for impairment.

CSOH does not hold any investments as of December 31, 2021 that are subject to redemption restrictions or penalties therefore all holdings can be liquidated immediately upon request, without penalty.

E. Dollar Repurchase Agreements and/or Securities Lending Transactions

Not Applicable

F. Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

G. Reverse Repurchase Agreements Transactions Accounted for as Secured Borrowing

Not Applicable

I. Reverse Repurchase Agreements Transactions Accounted for as a Sale

Not Applicable

J. Real Estate

Not Applicable

K. Low-Income Housing Tax Credits (LIHTC)

Not Applicable

L. Restricted Assets

(1) Restricted Assets (Including Pledged)

Restricted Asset Category	1	2	3	4	5	6	7
	Total Gross (Admitted & Nonadmitted) Restricted from Current Year	Total Gross (Admitted & Nonadmitted) Restricted From Prior Year	Increase/ (Decrease) (1 minus 2)	Total Current Year Nonadmitted Restricted	Total Current Year Admitted Restricted (1 minus 4)	Gross (Admitted & Nonadmitted) Restricted to Total Assets (a)	Admitted Restricted to Total Admitted Assets (b)
a. Subject to contractual obligation for which liability is not shown	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	0.0 %	0.0 %
b. Collateral held under security lending agreements		0	0		0	0.0	0.0
c. Subject to repurchase agreements		0	0		0	0.0	0.0
d. Subject to reverse repurchase agreements		0	0		0	0.0	0.0
e. Subject to dollar repurchase agreements		0	0		0	0.0	0.0
f. Subject to dollar reverse repurchase agreements		0	0		0	0.0	0.0
g. Placed under option contracts		0	0		0	0.0	0.0
h. Letter stock or securities restricted as to sale – excluding FHLB capital stock		0	0		0	0.0	0.0
i. FHLB capital stock	2,440,100	0	2,440,100		2,440,100	0.1	0.1
j. On deposit with states	3,490,628	3,500,000	(9,372)		3,490,628	0.1	0.1
k. On deposit with other regulatory bodies		0	0		0	0.0	0.0
l. Pledged as collateral to FHLB (including assets backing funding agreements)		0	0		0	0.0	0.0
m. Pledged as collateral not captured in other categories	0	0	0		0	0.0	0.0
n. Other restricted assets	0	0	0		0	0.0	0.0
o. Total Restricted Assets	\$ 5,930,728	\$ 3,500,000	\$ 2,430,728	\$ 0	\$ 5,930,728	0.2 %	0.2 %

(a) Column 1 divided by Asset Page, Column 1, Line 28

(b) Column 5 divided by Asset Page, Column 3, Line 28

(2) Not Applicable

(3) Not Applicable

(4) Not Applicable

M. Working Capital Finance Investments

Not Applicable

N. Offsetting and Netting of Assets and Liabilities

Not Applicable

O. 5GI Securities

Investment	Number of 5GI Securities		Aggregate BACV		Aggregate Fair Value	
	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
(1) Bonds – AC	4	0	\$ 11,867,171	\$ 0	\$ 11,867,171	\$ 0
(2) Bonds - FV		0		0		0
(3) LB&SS – AC		0		0		0
(4) LB&SS – FV		0		0		0
(5) Preferred Stock – AC		0		0		0
(6) Preferred Stock – FV		0		0		0
(7) Total (1+2+3+4+5+6)	4	0	\$ 11,867,171	\$ 0	\$ 11,867,171	\$ 0

AC – Amortized Cost

FV – Fair Value

P. Short Sales

Not Applicable

Q. Prepayment Penalty and Acceleration Fees

(1) Number of CUSIPs

(2) Aggregate Amount of Investment Income

General Account

6

2,151,476

R. Reporting Entity's Share of Cash Pool by Asset type.

Not Applicable

6. Joint Ventures, Partnerships and Limited Liability Companies

Not Applicable

7. Investment Income

All investment income admitted is due within 90 days.

8. Derivative Instruments

Not Applicable

9. Income Taxes

Csoh is an organization exempt from income tax under Section 501 (c)(3) of the Internal Revenue Code whose activities are substantially related to their tax exempt purpose. Activities conducted as part of the commercial line of business are not subject to unrelated business income tax.

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10. Information Concerning Parent, Subsidiaries, Affiliates and Other Related Parties

- A. CSOH's corporate parent is CareSource.
- B. For the years ended December 31, 2021 and 2020, CSOH incurred management fees of \$827.6 million and \$792.3 million to CareSource Management Services (CSMS), respectively. CareSource did not provide CSOH with any capital for the periods ended December 31, 2021 and 2020.
- C. Transactions with related party who are not reported on Schedule Y

Effective March 1, 2012, CSOH entered into a reinsurance agreement with PartnerRe America Insurance Company whereby CareSource Reinsurance serves as a direct reinsurer to PartnerRe America Insurance Company, and no premiums are paid directly to CareSource Reinsurance.

(1) Detail of Material Related Party Transactions

Ref #	Date of Transaction	Name of Related Party	Nature of Relationship	Type of Transaction	Written Agreement (Yes/No)	Due Date	Reporting Period Date Amount Due From (To)
00001	12/31/2021	PartnerRe	Reinsurance	Other	YES	12/31/2021	6,739,220

Options for Type of Transaction:

- Loan
- Exchange of Assets or Liabilities (e.g., buys, sells and secured borrowing transactions)
- Management Services
- Cost-Sharing Agreement
- Other Transactions Involving Services
- Guarantee (e.g. guarantees to related parties, on behalf of, and when beneficiary is related party)
- Other

- D. As of December 31, 2021 and December 30, 2020, CSOH owed related parties \$14.2 million and \$18.6 million, for employee compensation and other administrative expenses incurred by the related party on behalf of CSOH. The terms of the settlement require that these amounts be settled within 30 days.
- E. Effective January 1, 2020, CSOH entered into an Administrative Services Agreement (ASA) with CareSource Management Services (CSMS). This ASA was approved by the ODI on March 20, 2020. Costs are allocated to CSOH based on the line of business and annual net revenues and ranges from 8% to 12.5% of annual net revenues.

F. Not Applicable

G. Not Applicable

H. Not Applicable

I. Not Applicable

J. Not Applicable

K. Not Applicable

L. Not Applicable

M. All SCA Investments

Not Applicable

N. Investment in Insurance SCAs

Not Applicable

O. SCA or SSAP No. 48 Entity Loss Tracking

Not Applicable

11. Debt

A. Not Applicable

B. FHLB (Federal Home Loan Bank) Agreements

(1) As of December 31, 2021 CSOH is a member of the Federal Home Loan Bank (FHLB) of Cincinnati. Through its membership, the Company has conducted business activity with the FHLB. It is part of the Company's strategy to utilize these funds as collateral for the membership stock.

(2) FHLB Capital Stock

a. Aggregate Totals

	Total
1. Current Year	
(a) Membership Stock – Class A	0
(b) Membership Stock – Class B	2,440,022
(c) Activity Stock	78
(d) Excess Stock	78
(e) Aggregate Total (a+b+c+d)	2,440,100
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	
2. Prior Year-end	Total
(a) Membership Stock – Class A	0
(b) Membership Stock – Class B	0
(c) Activity Stock	0
(d) Excess Stock	0
(e) Aggregate Total (a+b+c+d)	0
(f) Actual or estimated Borrowing Capacity as Determined by the Insurer	0

11B(2)a1(f) should be equal to or greater than 11B(4)a1(d)

11B(2)a2(f) should be equal to or greater than 11B(4)a2(d)

b. Membership Stock (Class A and B) Eligible and Not Eligible for Redemption

	1 Current Year Total (2+3+4+5+6)	2 Not Eligible for Redemption	Eligible for Redemption			
			3 Less Than 6 Months	4 6 months to Less Than 1 year	5 1 to Less Than 3 Years	6 3 to 5 Years
1. Class A	0					
2. Class B	2,440,022	2,440,022				

11B(2)b1 Current Year Total (Column 1) should equal 11B(2)a1(a) Total (Column 1)

11B(2)b2 Current Year Total (Column 1) should equal 11B(2)a1(b) Total (Column 1)

12. Retirement Plans, Deferred Compensation, Postemployment Benefits and Compensated Absences and Other Postretirement Benefit Plans

Not Applicable

13. Capital and Surplus, Dividend Restrictions and Quasi-Reorganizations

A. Not Applicable

B. Not Applicable

C. Not Applicable

D. Not Applicable

E. Not Applicable

F. Not Applicable

G. Not Applicable

H. Not Applicable

I. Not Applicable

J. The portion of unassigned funds (surplus) represented or reduced by cumulative unrealized gains and losses is \$

16,684,671

K. Not Applicable

L. Not Applicable

M. Not Applicable

14. Liabilities, Contingencies and Assessments

A. Not Applicable

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE CareSource Ohio Inc.

- B. Assessments
 - Not Applicable
- C. Gain Contingencies
 - Not Applicable
- D. Not Applicable
- E. Joint and Several Liabilities
 - Not Applicable
- F. All Other Contingencies
 - Not Applicable

Other Lawsuits and Claims

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to government review and interpretation, as well as regulatory actions unknown and unasserted at this time. Penalties associated with violations of these laws and regulations include significant fines and penalties, exclusion from participating in publicly-funded programs, and the repayment of previously billed and collected revenues.

From time to time we are involved in legal actions in the ordinary course of business, some of which seek monetary damages. Some lawsuits and claims are covered by insurance and others are not. The outcome of such legal actions is inherently uncertain. Nevertheless, we believe that these actions, when finally concluded and determined, are not likely to have a material adverse effect on our financial position, results of operations, or cash flows.

15. **Leases**

Not Applicable

16. **Information About Financial Instruments With Off-Balance-Sheet Risk And Financial Instruments With Concentrations of Credit Risk**

Not Applicable

17. **Sale, Transfer and Servicing of Financial Assets and Extinguishments of Liabilities**

- A. Transfers of Receivables Reported as Sales
 - Not Applicable
- B. Transfer and Servicing of Financial Assets
 - Not Applicable
- C. Wash Sales
 - Not Applicable

18. **Gain or Loss to the Reporting Entity from Uninsured Plans and the Uninsured Portion of Partially Insured Plans**

The Company has a contract with the Ohio Department of Medicaid to provide case management services for the Home and Community Based Waiver program. The structure of the program as an entity that solely performs administrative services qualifies it for classification as an uninsured, administrative services only (ASO) plan.

A. ASO Plans

The gain from operations from Administrative Services Only (ASO) uninsured plans and the uninsured portion of partially insured plans was as follows during 2021 :

	<u>ASO Uninsured Plans</u>	<u>Uninsured Portion of Partially Insured Plans</u>	<u>Total ASO</u>
a.	Net reimbursement for administrative expenses (including administrative fees) in excess of actual expenses	\$ 3,150,002	\$ 3,150,002
b.	Total net other income or expenses (including interest paid to or received from plans)	\$ 0	\$ 0
c.	Net gain or (loss) from operations	\$ 3,150,002	\$ 3,150,002
d.	Total claim payment volume	\$ 0	\$ 0

B. ASC Plans

Not Applicable

C. Medicare or Other Similarly Structured Cost Based Reimbursement Contract:

- (1) CSOH has recorded no revenues explicitly attributable to cost share and reinsurance components of administered Medicare products
- (2) As of December 31, 2021 CSOH had recorded a receivable from CMS of \$60.5 million related to the cost share and reinsurance components of administered Medicare products.
- (3) As no revenue is recorded in connection with the cost share and reinsurance components of CSOH's Medicare contracts, CSOH has recorded no allowances and reserves for adjustment of recorded revenues and receivables.
- (4) CSOH has made no adjustment to revenue resulting from audit of receivables related to revenues recorded in the prior period.

19. **Direct Premium Written/Produced by Managing General Agents/Third Party Administrators**

Not Applicable

20. **Fair Value Measurements**

- A. CSOH uses fair value measurements to record the fair value of certain assets and to estimate the fair value of financial instruments not recorded at fair value but required to be disclosed at fair value.

(1) Fair Value Measurements at Reporting Date

Fair value is defined as the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. CSOH's financial assets carried at fair value have been classified, for disclosure purposes, based on a hierarchy that prioritizes inputs to valuation techniques used to measure fair value into three levels.

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. CSOH's Level 1 assets and liabilities primarily include exchange-traded equity securities.
- Level 2 – Inputs include quoted prices for similar assets or liabilities in active markets, quoted prices from those willing to trade in markets that are not active, or other inputs that are observable or can be corroborated by market data for the term of the instrument. Such inputs include market interest rates and volatilities, spreads, and yield curves.
- Level 3 – Certain inputs are unobservable (supported by little or no market activity) and significant to the fair value measurement. Unobservable inputs reflect CSOH's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

The following discussion described the valuation methodologies utilized by CSOH for assets measured or disclosed at fair value. Fair value estimates are made at a specific point in time, based on available market information and judgments about the financial instrument, including discount rates, estimates of timing, amount of expected future cash flows, and the credit standing of the issuer.

Debt and Equity Securities

The fair values of actively traded debt and equity securities are determined through the use of third-party pricing services utilizing market observable inputs. Certain mortgage-backed securities for which CSOH does not receive public quotations or for which CSOH believes market activity to reflect distressed sales are valued using current market-consistent rates applicable to yield, credit quality and maturity of each security. When available, market observable inputs are used to estimate the fair values of these securities.

Cash, Cash Equivalents, and Short-Term Investments

The fair values of cash and cash equivalents are based on quoted market prices. Short term investments are stated at amortized cost, which approximates fair value.

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Fair Value Measurements at Reporting Date

Description for each class of asset or liability	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Total
a. Assets at fair value					
Bonds	\$ 1,036,682,836	\$	\$	\$	\$ 1,036,682,836
Common Stock	\$ 169,945,764	\$	\$	\$	\$ 169,945,764
Cash Equivalent	\$ 82,098,959	\$	\$	\$	\$ 82,098,959
Total assets at fair value/NAV	\$ 1,288,727,558	\$ 0	\$ 0	\$ 0	\$ 1,288,727,558

CSOH did not have any significant assets or liabilities measured at fair value on a nonrecurring basis as of December 31, 2021 or December 31, 2020. There were no transfers between Level 1 and Level 2 securities during the year ended December 31, 2021.

- (2) Not Applicable
- (3) CareSource recognizes transfers between fair value levels at the end of the reporting period.

- (4) CareSource does not have any assets with fair value measurements categorized within Level 2 and Level 3

- (5) Not Applicable

B. Not Applicable

C.

Type of Financial Instrument	Aggregate Fair Value	Admitted Assets	(Level 1)	(Level 2)	(Level 3)	Net Asset Value (NAV)	Not Practicable (Carrying Value)
Bonds	\$ 1,041,333,419	\$ 1,036,682,831	\$ 1,041,333,419	\$	\$	\$	\$
Common Stock	\$ 169,945,764	\$ 169,945,764	\$ 169,945,764	\$	\$	\$	\$
Cash, Cash Equivalents and ST Investments	\$ 835,812,820	\$ 835,812,820	\$ 835,812,820	\$	\$	\$	\$

D. Not Practicable to Estimate Fair Value

Not Applicable

E. Not Applicable

21. Other Items

A. Unusual or Infrequent Items

Not Applicable

B. Troubled Debt Restructuring: Debtors

Not Applicable

C. Other Disclosures

Not Applicable

D. Business Interruption Insurance Recoveries

Not Applicable

E. State Transferable and Non-transferable Tax Credits

Not Applicable

F. Subprime-Mortgage-Related Risk Exposure

Not Applicable

G. Retained Assets

Not Applicable

H. Insurance-Linked Securities (ILS) Contracts

Not Applicable

I. The Amount That Could Be Realized on Life Insurance Where the Reporting Entity is Owner and Beneficiary or Has Otherwise Obtained Rights to Control the Policy

Not Applicable

22. Events Subsequent

A. Type I - Recognized Subsequent Events

Subsequent events have been considered through March 1, 2022 for the Statutory Statement issued on March 1, 2022.

B. Type II - Nonrecognized Subsequent Events

Subsequent events have been considered through March 1, 2022 for the Statutory Statement issued on March 1, 2022.

23. Reinsurance

A. Ceded Reinsurance Report

Section 1 - General Interrogatories

Not Applicable

(1) Not Applicable

(2) Not Applicable

Section 2 - Ceded Reinsurance Report - Part A

Not Applicable

(1) Not Applicable

(2) Not Applicable

Section 3 - Ceded Reinsurance Report - Part B

(1) The estimated amount of the aggregate reduction in surplus \$59,204,687.

(2) Not Applicable

B. Uncollectible Reinsurance

Not Applicable

C. Commutation of Reinsurance Reflected in Income and Expenses

Not Applicable

D. Certified Reinsurer Rating Downgraded or Status Subject to Revocation

Not Applicable

E. Reinsurance Credit

Not Applicable

24. Retrospectively Rated Contracts & Contracts Subject to Redetermination

- A. CareSource estimates accrued retrospective premium adjustments for its individual health insurance and Medicare Business through a mathematical approach using an algorithm of CSOH's underwriting rules and experience rating practices.
- B. CareSource records accrued retrospective premiums as an adjustment to earned premiums.
- C. The amounts of net premiums written by CareSource at December 31, 2021 that are subject to retrospective rating features was \$690.2 million that represented 6.8% of the total net premiums written. No other net premiums written by CareSource are subject to retrospective redetermination.

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D. Not Applicable
 E. Risk-Sharing Provisions of the Affordable Care Act (ACA)

(1) Did the reporting entity write accident and health insurance premium that is subject to the Affordable Care Act risk sharing provisions (YES/NO)?

(2) Impact of Risk-Sharing Provisions of the Affordable Care Act on Admitted Assets, Liabilities and Revenue for the Current Year

		<u>AMOUNT</u>
a.	Permanent ACA Risk Adjustment Program	
Assets		
1. Premium adjustments receivable due to ACA Risk Adjustment (including high-risk pool payments)		\$ 15,763,447
Liabilities		
2. Risk adjustment user fees payable for ACA Risk Adjustment		\$ 63,615
3. Premium adjustments payable due to ACA Risk Adjustment (including high-risk pool premium)		\$
Operations (Revenue & Expense)		
4. Reported as revenue in premium for accident and health contracts (written/collected) due to ACA Risk Adjustment		\$ 20,412,991
5. Reported in expenses as ACA risk adjustment user fees (incurred/paid)		\$ 102,557
b.	Transitional ACA Reinsurance Program	
Assets		
1. Amounts recoverable for claims paid due to ACA Reinsurance		\$
2. Amounts recoverable for claims unpaid due to ACA Reinsurance (Contra Liability)		\$
3. Amounts receivable relating to uninsured plans for contributions for ACA Reinsurance		\$
Liabilities		
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as ceded premium		\$
5. Ceded reinsurance premiums payable due to ACA Reinsurance		\$
6. Liabilities for amounts held under uninsured plans contributions for ACA Reinsurance		\$
Operations (Revenue & Expense)		
7. Ceded reinsurance premiums due to ACA Reinsurance		\$
8. Reinsurance recoveries (income statement) due to ACA Reinsurance payments or expected payments		\$
9. ACA Reinsurance contributions – not reported as ceded premium		\$
c.	Temporary ACA Risk Corridors Program	
Assets		
1. Accrued retrospective premium due to ACA Risk Corridors		\$
Liabilities		
2. Reserve for rate credits or policy experience rating refunds due to ACA Risk Corridors		\$
Operations (Revenue & Expense)		
3. Effect of ACA Risk Corridors on net premium income (paid/received)		\$
4. Effect of ACA Risk Corridors on change in reserves for rate credits		\$

(3) Roll-forward of prior year ACA risk-sharing provisions for the following asset (gross of any nonadmission) and liability balances, along with the reasons for adjustments to prior year balance.

	Accrued During the Prior Year on Business Written Before Dec 31 of the Prior Year	Received or Paid as of the Current Year on Business Written Before Dec 31 of the Prior Year	Differences		Adjustments			Unsettled Balances as of the Reporting Date		
			Prior Year Accrued Less Payments (Col 1 – 3)	Prior Year Accrued Less Payments (Col 2 – 4)	To Prior Year Balance	To Prior Year Balances		Cumulative Balance from Prior Years (Col 1 – 3 + 7)	Cumulative Balances from Prior Years (Col 2 – 4 + 8)	
	1	2	3	4	5	6	7	8	9	10
	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Receivable	(Payable)	Ref	Receivable (Payable)
a. Permanent ACA Risk Adjustment Program										
1. Premiums adjustments receivable (including high-risk pool payments)	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	A \$ 0	\$ 0
2. Premium adjustments (payable) (including high-risk pool premium)	\$	\$ (6,277,860)	\$	\$ (7,188,999)	\$ 0	\$ 911,139	\$	\$ (911,139)	B \$ 0	\$ 0
3. Subtotal ACA Permanent Risk Adjustment Program	\$ 0	\$ (6,277,860)	\$ 0	\$ (7,188,999)	\$ 0	\$ 911,139	\$ 0	\$ (911,139)	\$ 0	\$ 0
b. Transitional ACA Reinsurance Program										
1. Amounts recoverable for claims paid	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	C \$ 0	\$ 0
2. Amounts recoverable for claims unpaid (contra liability)	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	D \$ 0	\$ 0
3. Amounts receivable relating to uninsured plans	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	E \$ 0	\$ 0
4. Liabilities for contributions payable due to ACA Reinsurance – not reported as cede premium	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	F \$ 0	\$ 0
5. Ceded reinsurance premiums payable	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	G \$ 0	\$ 0
6. Liability for amounts held under uninsured plans					0	0			H 0	0
7. Subtotal ACA Transitional Reinsurance Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
c. Temporary ACA Risk Corridors Program										
1. Accrued retrospective premium	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	I \$ 0	\$ 0
2. Reserve for rate credits or policy experience rating refunds	\$	\$	\$	\$	\$ 0	\$ 0	\$	\$	J \$ 0	\$ 0
3. Subtotal ACA Risk Corridors Program	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
d. Total for ACA Risk Sharing Provisions	\$ 0	\$ (6,277,860)	\$ 0	\$ (7,188,999)	\$ 0	\$ 911,139	\$ 0	\$ (911,139)	\$ 0	\$ 0

Explanations of Adjustments

A

B Current year adjustment to the 2020 high cost risk pool and 2020 Risk Adjustment payable

C

D

ANNUAL STATEMENT FOR THE YEAR 2021 OF THE CareSource Ohio Inc.

E
F
G
H
I
J

(4) Not Applicable
(5) Not Applicable

25. Changes in Incurred Claims and Claim Adjustment Expenses

A. Reserves as of December 31, 2020 were \$881.7 million. As of December 31, 2021, \$574.3 million has been paid for incurred claims and claim adjustment expenses attributable to insured events of prior years. Reserves remaining for prior years are \$33.7 million, therefore, there has been a \$273.8 million favorable prior-year development since December 31, 2020 to December 31, 2021. The change is generally the result of ongoing analysis of recent loss development trends. Original estimates are increased or decreased, as additional information becomes known regarding individual claims. Included in this decrease, CSOH experienced \$11.1 million of favorable experience in recoveries and health care receivables, and \$262.7 million of favorable prior year claim development on retrospectively rated policies.

B. Not Applicable

26. Intercompany Pooling Arrangements

Not Applicable

27. Structured Settlements

Health Entities should not complete this Note.

28. Health Care Receivables

A. Pharmaceutical Rebate Receivables

Pharmacy rebates - As of December 31, 2021 and December 31, 2020, CSOH recorded a pharmacy rebate receivable of \$10.2 million and \$21.0 million, of which \$0 million and \$0.1 million and was non-admitted, respectively. The receivable is estimated using invoiced prescriptions and rebate dollars sent to drug manufacturers for reimbursement. CSOH utilizes a third party to administer the program.

Quarter	Estimated Pharmacy Rebates as Reported on Financial Statements	Pharmacy Rebates as Billed or Otherwise Confirmed	Actual Rebates Received Within 90 Days of Billing	Actual Rebates Received Within 91 to 180 Days of Billing	Actual Rebates Received More Than 180 Days After Billing
12/31/2021	\$ 10,169,401	\$ 16,594,413	\$	\$	\$
09/30/2021	\$ 13,244,601	\$ 13,244,601	\$ 13,244,601	\$	\$
06/30/2021	\$ 15,054,278	\$ 15,054,278	\$ 13,131,121	\$ 1,923,158	\$
03/31/2021	\$ 13,391,051	\$ 13,391,051	\$ 11,804,325	\$ 1,604,999	\$ (18,273)
12/31/2020	\$ 19,247,981	\$ 20,464,700	\$ 18,739,719	\$ 1,761,656	\$ (36,675)
09/30/2020	\$ 19,143,980	\$ 19,643,704	\$ 17,879,896	\$ 1,858,651	\$ (94,843)
06/30/2020	\$ 18,689,727	\$ 18,578,445	\$ 17,114,776	\$ 1,574,950	\$ (111,282)
03/31/2020	\$ 15,881,283	\$ 15,936,360	\$ 13,692,196	\$ 1,836,304	\$ 407,860
12/31/2019	\$ 36,950,630	\$ 37,358,717	\$ 34,841,213	\$ 277,809	\$ 2,239,694
09/30/2019	\$ 38,621,127	\$ 38,395,500	\$ 36,940,816	\$ 951,997	\$ 502,687
06/30/2019	\$ 37,576,978	\$ 37,739,385	\$ 36,244,105	\$ 953,392	\$ 541,888
03/31/2019	\$ 36,738,933	\$ 35,962,202	\$ 33,664,698	\$ 1,171,894	\$ 1,125,611

B. Not Applicable

29. Participating Policies

Not Applicable

30. Premium Deficiency Reserves

Premium deficiency reserve represents CSOH's estimate of the amount that the expected incurred claims, claims adjustment expenses and certain general administrative costs exceed the expected premiums earned for the remainder of the contract period of CSOH's in-force policies. For purposes of calculating the premium deficiency reserve, contracts are deemed to be short duration and are grouped in a manner consistent with CSOH's method of marketing, servicing and measuring the profitability of such contracts. Once established, the premium deficiency reserve is released commensurate with actual claims experience over the remainder of the contract period. The most recent evaluation date of this reserve was at December 31, 2021 and CSOH recorded a premium deficiency reserve of \$18.3 million.

1. Liability carried for premium deficiency reserves \$ 18,296,329
2. Date of the most recent evaluation of this liability 12/31/2021
3. Was anticipated investment income utilized in the calculation? Yes [] No [X]

31. Anticipated Salvage and Subrogation

Due to the type of business being written, CSOH has no salvage. CSOH took into account estimated recoveries (in the form of coordination of benefits) in its determination of the liability for unpaid claims/losses and reduced such liability by \$9.7 million.