

BULLETIN NO. 01-2

To: Chief Financial Officer,
Maryland-Licensed Health Maintenance Organizations

Re: Policy for Reporting Self-Funded Plan Business by
Maryland-Licensed Health Maintenance Organizations

Date: January 31, 2001

On February 5, 1998, the Maryland Insurance Administration issued a policy for reporting self-funded plan business by Maryland-licensed health maintenance organizations (HMOs). This policy required HMOs to report Administrative Services Only (ASO) plans, Administrative Service Contracts (ASC), and the self-funded component of partially self-funded plans as follows:

- Amounts receivable should be reported as “Aggregate Write-ins for Current Assets” (except for amounts over 90 days old or amounts deemed uncollectible which should be non-admitted);
- Claims payable and other liabilities should be reported as “Aggregate Write-ins for Current Liabilities”;
- All receipts and disbursements should be included on the Statement of Revenues and Expenses, as “Aggregate Write-ins for Other Revenue” and “Aggregates Write-ins for Other Medical and Hospital Expenses”.

The main purpose of this policy was to ensure that HMOs reported self-funded plans on a consistent basis, and to ensure information was disclosed to the Administration regarding the level of activity for these types of plans.

National Association of Insurance Commissioner’s Codification of Statutory Accounting Principles that became effective for quarterly and annual statements covering periods beginning on or after January 1, 2001 requires different treatment of financial activity related to self-funded plans. Specifically, Statement on Statutory Accounting Principle #47 generally requires the income and expenses related to claims, losses, premiums and other amounts received or paid on behalf of these self-funded plans to be omitted from the HMO’s statement of operations. [Note: there are some exceptions to this rule (e.g., income from cost based reimbursement contracts such as Medicare are required to be recorded as revenue)]. Instead, this Statement requires the HMO to provide disclosures in their notes to the statutory financial statements that provide detail information regarding the level of this activity. In addition, Statement on Statutory Accounting Principle #47 generally requires commissions, expenses and taxes paid by the

administrator to be reported on a gross basis by type of expense. Finally, this Statement indicates that amounts receivable from these plans for (a) claims and other costs paid by the administrator on behalf of the third party at risk and (b) fees related to services provided by the administrator to the plan meet the definition of assets and may be admitted to the extent that they are deemed collectible and are not over 90 days due (Note: accounts receivable from Medicare or other government plans are exempt from the 90 day requirement). However, this Statement does not permit the recordation of accounts receivable for unpaid claims.

As previously stated in the Maryland Insurance Administration Bulletin #00-16, dated June 25, 2000, the Maryland Insurance Administration intends to adopt the NAIC Codification. Therefore, this Bulletin hereby rescinds the aforementioned MIA policy dated February 5, 1998, and requires the Maryland-licensed HMOs to adopt Statement on Statutory Accounting Principle #47. However, since this Statement only requires the HMOs to report the level of activity for these plans on an annual basis in the notes to the financial statements, the MIA reserves the right to request the information required in the notes more frequently (e.g., quarterly) on a case-by-case basis. This Bulletin will become effective for quarterly and annual statements covering periods beginning on or after January 1, 2001.

All correspondence and questions regarding this Bulletin should be directed to:

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