



# **AlohaCare**

**Statutory Financial Statements  
and Supplemental Schedules**

**December 31, 2023 and 2022**



# AlohaCare

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## Report of Independent Auditors

To the Board of Directors of  
AlohaCare

### Opinions

We have audited the accompanying statutory financial statements of AlohaCare which comprise the statutory statements of admitted assets, liabilities, capital and surplus as of December 31, 2023 and 2022, and the related statutory statements of operations and changes in capital and surplus, and cash flows for the years then ended, and the related notes to the statutory financial statements.

In our opinion, the statutory financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities, capital and surplus of AlohaCare as of December 31, 2023 and 2022, and the results of its operations and changes in capital and surplus and cash flows for the years then ended, in accordance with the financial reporting provisions prescribed or permitted by the Insurance Division of the Department of Commerce and Consumer Affairs of the State of Hawai'i ("Insurance Division") as described in Note 2.

### Basis for Opinions

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audits of the Statutory Financial Statements section of our report. We are required to be independent of AlohaCare and to meet our ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Basis of Accounting

We draw attention to Note 2 of the statutory financial statements, which describes the basis of accounting. The statutory financial statements are prepared on the basis of the financial reporting provisions prescribed or permitted by the Insurance Division, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to comply with the requirements of the Insurance Division. As a result, the statutory financial statements may not be suitable for another purpose. Our opinion is not modified with respect to that matter.

### Responsibilities of Management for the Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the statutory financial statements in accordance with the financial reporting provisions prescribed or permitted by the Insurance Division, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of statutory financial statements that are free from material misstatement, whether due to fraud or error.

999 Bishop Street  
Suite 2300  
Honolulu, HI 96813

OFFICE 808.531.3400  
FAX 808.531.3433  
accuityllp.com



## **Auditors' Responsibilities for the Audits of the Statutory Financial Statements**

Our objectives are to obtain reasonable assurance about whether the statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the statutory financial statements.


In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the statutory financial statements.
- Obtain an understanding of internal control relevant to the audit 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 AlohaCare's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about AlohaCare's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

## **Required Supplementary Information**

Financial reporting provisions prescribed or permitted by the Insurance Division require that the Supplemental Investment Summary Schedule, Investment Risk Interrogatories, and Reinsurance Summary Schedule as of December 31, 2023 on pages 21–27 be presented to supplement the basic statutory financial statements. Such information is the responsibility of management and, although not part of the basic statutory financial statements, is required by the National Association of Insurance Commissioners, who considers it to be an essential part of financial reporting for placing the basic statutory financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic statutory financial statements, and other knowledge we obtained during our audit of the basic statutory financial statements. We do not express an opinion or provide any assurance



on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Restriction on Use**

This report is intended solely for the information and use of the Board of Directors and management of AlohaCare, the Insurance Division, and the Centers for Medicare and Medicaid Services and is not intended to be and should not be used by anyone other than these specified parties.

Accuity LLP

Honolulu, Hawaii  
May 24, 2024

**AlohaCare****Statutory Statements of Admitted Assets, Liabilities, Capital and Surplus  
December 31, 2023 and 2022**

	2023	2022
<b>Admitted Assets</b>		
Investments		
Bonds (\$31,582,915 and \$31,368,458 restricted at December 31, 2023 and 2022, respectively)	\$ 50,631,620	\$ 48,810,442
Mutual funds	2,675,112	3,225,573
Exchange traded funds	25,906,191	24,291,732
Total investments	79,212,923	76,327,747
Cash, cash equivalents, and short-term investments (\$1,644,213 and \$529,385 restricted at December 31, 2023 and 2022, respectively)	87,860,968	104,629,461
Total invested assets	167,073,891	180,957,208
Receivables		
Receivables from State of Hawaii	132,376	17,860,067
Retrospective premiums and contracts subject to redetermination	263,378	2,142,794
Reinsurance receivable	5,365,276	4,890,447
Pharmacy rebates	1,313,839	879,572
Other receivables	247,696	208,066
Electronic data processing equipment at cost, less accumulated depreciation of \$1,924,451 and \$1,739,498 at December 31, 2023 and 2022, respectively	327,614	357,848
Total admitted assets	<u>\$ 174,724,070</u>	<u>\$ 207,296,002</u>
<b>Liabilities and Capital and Surplus</b>		
Liabilities		
Accounts payable and accrued expenses	\$ 12,595,473	\$ 34,699,553
Accrued medical claims	63,403,855	64,559,246
Premium deficiency reserve	4,000,000	1,500,000
State risk-share and risk adjustment payable	32,973,223	35,742,470
Payable to risk pools	2,092,313	2,770,956
Total liabilities	115,064,864	139,272,225
Capital and surplus		
Gross paid in and contributed surplus	1,512,000	1,512,000
Unassigned surplus	58,147,206	66,511,777
Total capital and surplus	59,659,206	68,023,777
Total liabilities and capital and surplus	<u>\$ 174,724,070</u>	<u>\$ 207,296,002</u>

The accompanying notes are an integral part of the statutory financial statements.

**AlohaCare****Statutory Statements of Operations and Changes in Capital and Surplus**  
**Years Ended December 31, 2023 and 2022**

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	2023	2022
<b>Revenue</b>		
Capitation premiums, net	\$ 451,221,796	\$ 468,280,406
Other income	102,228	117,656
	<u>451,324,024</u>	<u>468,398,062</u>
<b>Cost of services rendered</b>		
Medical expenses, net	413,715,261	408,861,021
Claims adjustment expenses	5,523,867	5,122,970
Cost containment expenses	6,562,272	6,584,012
Quality program expenses	1,181,885	1,766,939
Administrative expenses	41,720,345	39,225,116
	<u>468,703,630</u>	<u>461,560,058</u>
Net underwriting income (loss)	(17,379,606)	6,838,004
Investment income	4,351,203	1,576,582
Net income (loss)	<u>(13,028,403)</u>	<u>8,414,586</u>
<b>Capital and surplus</b>		
Beginning of year	68,023,777	59,026,193
Change in unrealized gain (loss) on investments	2,611,636	(4,050,882)
Change in nonadmitted assets	2,052,196	4,633,880
End of year	<u>\$ 59,659,206</u>	<u>\$ 68,023,777</u>

The accompanying notes are an integral part of the statutory financial statements.

**AlohaCare****Statutory Statements of Cash Flows****Years Ended December 31, 2023 and 2022**

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	<b>2023</b>	<b>2022</b>
<b>Cash received from operations</b>		
Premiums collected	\$ 457,374,374	\$ 504,460,231
Benefit and loss related payments	(418,282,945)	(412,592,250)
Commissions, expenses paid, and aggregate write-ins	<u>(60,014,886)</u>	<u>(46,022,723)</u>
Cash received from (applied for) underwriting	(20,923,457)	45,845,258
Investment income	<u>4,075,493</u>	<u>1,523,924</u>
Net cash received from (applied for) operations	<u>(16,847,964)</u>	<u>47,369,182</u>
<b>Proceeds from investments sold or matured</b>		
Bonds	8,162,460	7,721,869
Mutual funds	1,035,387	-
Exchange traded funds	<u>1,931,670</u>	<u>-</u>
Total investment proceeds	<u>11,129,517</u>	<u>7,721,869</u>
<b>Cost of investments acquired</b>		
Bonds	(9,907,502)	(9,228,453)
Mutual funds	(392,836)	(9,300)
Exchange traded funds	<u>(887,640)</u>	<u>-</u>
Total cost of investments acquired	<u>(11,187,978)</u>	<u>(9,237,753)</u>
Net cash applied for investments	<u>(58,461)</u>	<u>(1,515,884)</u>
<b>Cash received from (applied for) financing and miscellaneous sources</b>		
Other cash	<u>137,932</u>	<u>(166,050)</u>
Net cash received from (applied for) financing and miscellaneous sources	<u>137,932</u>	<u>(166,050)</u>
Net change in cash, cash equivalents, and short-term investments	<u>(16,768,493)</u>	<u>45,687,248</u>
<b>Cash, cash equivalents, and short-term investments</b>		
Beginning of year	<u>104,629,461</u>	<u>58,942,213</u>
End of year	<u>\$ 87,860,968</u>	<u>\$ 104,629,461</u>

The accompanying notes are an integral part of the statutory financial statements.



**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

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**1. Summary of Organization**

AlohaCare is a Hawaii non-profit corporation that contracts with the State of Hawaii (the “State”), Department of Human Services (“DHS”) to provide medical and behavioral health services to certain residents of the State under the “Hawaii QUEST” waiver-only demonstration program (“QUEST”) approved by the Centers for Medicare & Medicaid Services (“CMS”) under the authority of the Social Security Act.

In January 1, 2015, AlohaCare was awarded a contract with the State under the QUEST Integration program. The contract has been amended multiple times since contract inception primarily to adjust the contract’s scope of services and compensation and payment schedule. This contract included QUEST eligible recipients on all islands while also integrating aged, blind and disabled recipients. AlohaCare provides medical, behavioral health, and long-term care services for all QUEST recipients as well as long-term care and home and community-based services for aged, blind and disabled recipients. In March 2021, AlohaCare was awarded a new contract (collectively the “Contract”) with the State for the QUEST Integration program to continue serving QUEST eligible recipients on all islands effective July 1, 2021.

AlohaCare contracts with physicians, hospitals and other providers to provide services to QUEST members in a managed care environment. Certain underwriting gains and losses are subject to a risk-sharing program with the providers. Underwriting gains or losses remaining after the risk-sharing provisions with participating providers are subject to risk sharing with the State.

On January 1, 2006, AlohaCare commenced a Medicare Parts A, B and D risk-based contract with CMS that provides for inpatient, outpatient and prescription drug benefits based on Medicare regulations. The Medicare contract is renewed annually and currently covers the period from January 1 to December 31. Effective January 1, 2015, AlohaCare terminated its Medicare Advantage Plan, but still offers a Medicare Advantage Special Needs Plan.

**2. Accounting Policies**

**Basis of Presentation**

The accompanying statutory financial statements have been prepared in conformity with statutory accounting practices (“SAP”) as prescribed or permitted by the Insurance Division, which varies in some respects from accounting principles generally accepted in the United States of America (“GAAP”).

The National Association of Insurance Commissioners (“NAIC”) has adopted the codification of statutory accounting principles project (“Codification”) as the NAIC-supported basis of accounting. The Codification was approved with the provision for commissioner discretion in the determination of appropriate statutory accounting for insurers. Such discretion will allow prescribed or permitted accounting practices that may differ from state to state. The State, and accordingly AlohaCare, adopted the Codification effective January 1, 2001.

# AlohaCare

## Notes to Statutory Financial Statements

### December 31, 2023 and 2022

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The more significant differences between GAAP for non-profit entities and SAP were as follows:

- Certain assets designated as “nonadmitted” are charged to unassigned surplus under SAP.
- The presentation of the statutory statements of admitted assets, liabilities, capital and surplus, and cash flows is not in conformity with GAAP with regard to the reporting of short-term investments with cash and cash equivalents. The statutory statements of cash flows also do not include a reconciliation of net income (loss) to net cash received from (applied for) operations. Under SAP, the statutory statements of cash flows reconcile changes in cash on hand and on deposit, cash equivalents, and short-term investments with original maturities of one year or less. Under GAAP, the statements of cash flows reconcile changes in cash and cash equivalents and restricted cash and cash equivalents. Cash equivalents are financial instruments with an original maturity of three months or less.
- Investments are accounted for as explained below under SAP, while GAAP requires investments in equity securities with readily determinable fair values and all investments in debt securities classified as available for sale to be measured at fair value, with changes in fair value included in the statements of activities as increases or decreases in net assets.
- Under SAP, amounts receivable from reinsurers are based on covered policy claims paid, with the difference between covered policy claims incurred and covered policy claims paid netted against accrued medical claims. Under GAAP, amounts receivable from reinsurers are based on covered policy claims incurred.
- GAAP requires lessees to classify a lease as either a finance or operating lease, and recognize a right-of-use asset and lease liability associated with the lease. Under SAP, all leases are treated as operating leases without the recognition of a right-of-use asset or lease liability. Additionally, the practical expedient under GAAP to not separate non-lease components from the associated lease component is only available under SAP when non-lease components are an insignificant part of a lease agreement.

#### Use of Estimates

The preparation of statutory basis financial statements requires management to make estimates and assumptions that affect the reported amounts of admitted assets and liabilities and disclosure of contingent assets and liabilities as of the date of the statutory financial statements, and the reported amounts of revenues and expenses during the period. Actual results could materially differ from those estimates.

AlohaCare has entered into risk-sharing government agreements. Management’s accrual of risk sharing assets and liabilities at December 31, 2023 and 2022 was based on preliminary performance data and is subject to change once actual data becomes available.

#### Concentrations of Risk

Financial instruments that potentially subject AlohaCare to significant concentrations of credit risk consist principally of cash, cash equivalents, and short-term investments, bonds, mutual funds, exchange traded funds (“ETFs”), and receivables. AlohaCare has various investments in bonds, mutual funds, and ETFs which are exposed to interest rate and market risks. AlohaCare’s cash, cash equivalents, and short-term investment balances exceed depository insurance limits; however, AlohaCare’s invested assets are with high credit quality financial institutions. Credit risk from receivables is inherently limited as the amounts are primarily due from the government or a reinsurer with a high credit rating.

# AlohaCare

## Notes to Statutory Financial Statements

### December 31, 2023 and 2022

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AlohaCare's primary source of revenue is earned under a single contract with the DHS under the QUEST program. The QUEST program is subject to a periodic renewal and renegotiation of capitated rates which comprised approximately 90% of AlohaCare's revenues in 2023 and 2022, respectively.

#### **Fair Value Measurements**

For financial and nonfinancial assets and liabilities reported at fair value, AlohaCare defines fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants. AlohaCare measures fair value using observable and unobservable inputs based on the following hierarchy:

- **Level 1** – Quoted prices (unadjusted) in active markets for identical assets or liabilities that AlohaCare has the ability to access at the measurement date.
- **Level 2** – Inputs, other than quoted market prices, included within Level 1 that are observable for an asset or liability, directly or indirectly.
- **Level 3** – Unobservable inputs for an asset or liability reflecting the AlohaCare's own assumptions. Level 3 inputs are used to measure fair value to the extent that observable Level 1 or Level 2 inputs are not available.

The level in the fair value hierarchy within which the fair value measurement in its entirety falls is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

#### **Cash, Cash Equivalents, and Short-Term Investments**

AlohaCare considers all highly liquid debt instruments, except for certificates of deposit, purchased with an original maturity of three months or less to be cash equivalents, and an original maturity of one year or less (excluding cash equivalents) to be short-term investments. Certificates of deposit with original maturity dates of one year or less are classified as cash. Cash, cash equivalents, and short-term investments are admitted at cost or amortized cost.

#### **Investments**

Investments in bonds also include NAIC Securities Valuation Office ("SVO")-identified ETFs which qualify for bond treatment. Investments in bonds and securities that qualify for bond treatment are reported at admitted values (generally amortized cost for bonds or fair value for SVO-identified ETFs) established by the NAIC or Insurance Division. Discounts and premiums related to bonds are amortized into investment income. Investments in mutual funds and ETFs are reported at fair value, with changes in unrealized gains and losses accounted for as a direct increase or decrease in unassigned surplus. Realized gains and losses are computed using the specific identification method.

#### **Pharmacy Rebates Receivable**

Pharmacy rebate payments to AlohaCare are delayed until after they are billed and collected from pharmacy manufacturers. AlohaCare recognizes pharmaceutical rebates receivable based on past collection patterns. Estimated pharmacy rebates receivable associated with the three months prior to December 31, 2023 and 2022 are considered admitted assets.

#### **Capitation Revenue**

AlohaCare receives capitation payments under the QUEST and Medicare contracts based on monthly member enrollment. AlohaCare is required to provide all covered healthcare services to its members. Capitation is recognized as revenue in the month that members are entitled to the benefits or upon execution of a retroactive amendment to capitated rates in the QUEST contract.

# AlohaCare

## Notes to Statutory Financial Statements

### December 31, 2023 and 2022

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#### Reinsurance

Capitation premiums and medical expenses are reported net of reinsurance amounts. AlohaCare remains obligated for amounts ceded in the event the reinsurer does not meet its obligation. Reinsurance recoverables have been reported based on the amount of claims incurred.

#### Depreciation

Depreciation is computed using the straight-line method over the assets' estimated useful lives; leasehold improvements are amortized using the straight-line method over the lesser of the lease term or the estimated useful lives of the assets. Generally, the estimated useful lives of the assets are as follows:

	Years
Electronic data processing equipment	3
Furniture and equipment	5 – 7
Leasehold improvements	3
Computer software	3 – 5

Depreciation expense amounted to \$2,698,167 and \$2,961,043 in 2023 and 2022, respectively.

#### Accrued Medical Claims

Accrued medical claims include claims in process and a provision for incurred but not reported claims, which are actuarially determined based on historical claims payment experience and other industry statistics. Claim processing expenses are also accrued based on an estimate of expenses necessary to process such claims. Such reserves are continually monitored and reviewed with any adjustments reflected through medical and claims adjustment expenses. Management believes that accrued medical claims are sufficient to satisfy AlohaCare's ultimate claims liability. These estimates are inherently subject to a number of highly variable circumstances, and consequently, the actual results could differ materially from the amount recorded in the statutory financial statements.

#### Premium Deficiency Reserve

AlohaCare recognizes a liability for probable losses on unprofitable insurance contracts if the sum of expected claims costs, net of reinsurance, and claims adjustment expenses exceed the sum of expected premiums for a particular line of business. At December 31, 2023 and 2022, AlohaCare recognized a premium deficiency reserve associated with its Medicare special needs line of business.

#### State Risk-Share and Risk Adjustment Programs

For 2022, the Contract included a retroactive concurrent risk adjustment program to transfer revenues from managed care organizations with lower risk populations to managed care organizations with higher risk populations within the State prior to applying the risk-sharing program. The Contract also includes a risk-share program which serves to address unknown circumstances beyond the control of health plans and the State. The program evaluates the established capitated rates against actual performance or utilization of services of different enrolled populations. Underwriting gains and losses by population and contract year are subject to settlement corridors that adjust the amount of capitated revenues recognized.

At December 31, 2023 and 2022, the estimated retroactive concurrent risk adjustment payable related to the 2022 contract year amounted to \$9,822,651 and \$5,074,410, respectively, and was included in the State risk-share and risk adjustment payable.

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

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The risk share for the retroactive enrollment (“retro”) group is separately calculated for the Medicaid Expansion and Family and Children (“F&C”) populations, and excludes the aged, blind and disabled (“ABD”) population. Retro group gains and losses are calculated as a percentage of total revenue as defined in the Contract. Retro group gains and losses are shared equally within a risk corridor ranging from 0% to 2.5%. Retro group gains exceeding 2.5% are recoverable by the State, while retro group losses exceeding 2.5% are recoverable by AlohaCare. In 2023, the 2021 retro group risk-share receivable was settled with the State. In 2022, the 2020 retro group risk-share payable was settled with the State. At December 31, 2023, \$7,281,332 of retro group gains related to the 2023 year and \$132,376 of retro group losses related to the 2022 year were included in the State risk-share and risk adjustment payable and receivables from the State of Hawaii, respectively. At December 31, 2022, \$131,616 and \$1,947,793 of retro group losses related to the 2022 and 2021 years, respectively, were included in the receivables from State.

The risk share for the non-retroactive enrollment (“aggregate”) group is calculated for Medicaid Expansion, ABD, and F&C populations in the aggregate. Aggregate group gains and losses are calculated as a percentage of total revenue as defined under the Contract. Aggregate group gains and losses up to 3% are retained by AlohaCare. Aggregate group gains exceeding 5% are recoverable by the State, while aggregate group losses exceeding 5% are recoverable by AlohaCare. Aggregate group gains and losses are shared equally within a risk corridor ranging from 3% to 5%. In 2023, the 2021 aggregate risk-share payable was settled with the State. In 2022, the 2020 aggregate risk-share payable was settled with the State. At December 31, 2023, \$1,257,089 and \$9,498,722 of aggregate group gains related to the 2023 and 2022 years, respectively, were included in the State risk-share and risk adjustment payable. At December 31, 2022, \$24,410,698 of aggregate group gains related to the 2021 year were included in the State risk-share and risk adjustment payable. No amount of aggregate group gains or losses were expected to be received from or paid to the State for the 2022 year.

The risk share for the high cost drug group is separately calculated for the Medicaid Expansion, ABD and F&C populations. High cost drug gains and losses are calculated as a percentage of total revenue as defined by the Contract. High cost drug group gains and losses up to 3% are retained by AlohaCare. High cost drug group gains exceeding 6% are recoverable by the State, while high cost drug group losses exceeding 6% are recoverable by AlohaCare. High cost drug group gains and losses are shared equally within a risk corridor ranging from 3% to 6%. In 2023, the 2021 high cost drug risk-share payable was settled with the State. In 2022, the 2020 high cost drug risk-share payable was settled with the State. At December 31, 2023, \$2,203,062 and \$2,453,669 of high cost drug group gains related to the 2023 and 2022 years, respectively, were included in the State risk-share and risk adjustment payable. At December 31, 2022, \$3,328,249 and \$1,993,639 of high cost drug group gains related to the 2022 and 2021 years, respectively, were included in the State risk-share and risk adjustment payable.

Due to the volatility of high-risk newborn (“HRNB”) costs, the Contract includes a specific HRNB group risk corridor. The HRNB group is budget-neutral from the State’s perspective, shifting funds between the managed care organizations that provide services under their respective Contract, based on the managed care organization’s share of HRNB costs. In 2023, the 2021 HRNB risk-share receivable was settled with the State. In 2022, the 2020 HRNB risk-share receivable was settled with the State. At December 31, 2023, \$441,262 in HRNB funds expected to be paid related to the 2022 year were included in the State risk-share and risk adjustment payable. HRNB funds expected to be received for the 2023 year were not significant. At December 31, 2022, \$10,927,915 in HRNB funds expected to be received related to the 2021 year were included in receivables from State. No amount of HRNB funds were expected to be received from or paid related to the 2022 year.

# **AlohaCare**

## **Notes to Statutory Financial Statements**

### **December 31, 2023 and 2022**

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In 2023, due to the uncertainty introduced by changes in eligibility and previous observed differences in pregnancy-related expenditures between managed care organizations, the State introduced a delivery case rate settlement for the Medicaid Expansion and F&C populations. Deliveries assumed in rate development is calculated based on eligibility data. The difference in the assumed and actual deliveries is multiplied by the average cost per delivery assumed will result in either a positive or negative settlement. At December 31, 2023, \$15,437 was included in the State risk-share and risk adjustment payable.

Community Integration Services ("CIS") have been added to the Quest Integration program since 2020. Given the slower adoption rate, the State introduced a CIS risk corridor during 2023. CIS gains and losses are calculated as a percentage of total revenue as defined under the Contract. CIS group gains exceeding 2.5% are recoverable by the State, while CIS group losses exceeding 2.5% are recoverable by AlohaCare. CIS group gains and losses are shared equally within a risk corridor ranging from 0% to 2.5%. At December 31, 2023, losses related to the 2023 year were not significant.

#### **Payable to Risk Pools**

AlohaCare has risk-sharing arrangements with certain QUEST providers who assume the risk of providing healthcare to AlohaCare's members. A portion of QUEST revenues are allocated to the risk pools, with healthcare costs deducted from the risk pools as incurred. Surplus amounts accumulated in the pools (after the application of a provider incentive payment limit) are payable to QUEST providers.

#### **Advertising**

Advertising costs are expensed as incurred. Advertising expenses amounted to approximately \$73,000 and \$82,000 in 2023 and 2022, respectively.

#### **Income Taxes**

AlohaCare is exempt from federal and State income taxes under Section 501(c)(4) of the Internal Revenue Code ("IRC") and similar State provisions. AlohaCare is also exempt from State premium taxes under the Hawaii Revised Statutes.

#### **Reclassifications**

Certain balances in the 2022 statutory financial statements have been reclassified to the 2023 presentation. These reclassifications had no effect on the net income or surplus as previously reported.

#### **Subsequent Events**

AlohaCare has reviewed all events that have occurred from January 1, 2024 through May 24, 2024, the date that the statutory financial statements were available to be issued, for proper accounting and disclosure in the statutory financial statements.

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

**3. Investments**

Investments at December 31, 2023 and 2022 were comprised of the following:

	<b>Amortized Cost or Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>2023</b>				
<b>Bonds</b>				
U.S. government	\$ 41,942,529	\$ 85,831	\$ (2,216,171)	\$ 39,812,189
Industrial and miscellaneous (unaffiliated)	8,689,091	68,362	(275,595)	8,481,858
Total bonds	<u>\$ 50,631,620</u>	<u>\$ 154,193</u>	<u>\$ (2,491,766)</u>	<u>\$ 48,294,047</u>
<b>Mutual funds – Fixed income</b>	<u>\$ 3,055,139</u>	<u>\$ 15,878</u>	<u>\$ (395,905)</u>	<u>\$ 2,675,112</u>
<b>Exchange traded funds</b>				
Domestic equity	\$ 15,998,209	\$ 1,644,899	\$ (68,026)	\$ 17,575,082
Fixed income	887,639	12,254	-	899,893
Foreign equity	7,268,465	306,245	(143,494)	7,431,216
Total exchange traded funds	<u>\$ 24,154,313</u>	<u>\$ 1,963,398</u>	<u>\$ (211,520)</u>	<u>\$ 25,906,191</u>
<b>2022</b>				
<b>Bonds</b>				
U.S. government	\$ 42,105,322	\$ 56,658	\$ (3,097,913)	\$ 39,064,067
Industrial and miscellaneous (unaffiliated)	6,705,120	-	(484,983)	6,220,137
Total bonds	<u>\$ 48,810,442</u>	<u>\$ 56,658</u>	<u>\$ (3,582,896)</u>	<u>\$ 45,284,204</u>
<b>Mutual funds – Fixed income</b>	<u>\$ 3,763,035</u>	<u>\$ -</u>	<u>\$ (537,462)</u>	<u>\$ 3,225,573</u>
<b>Exchange traded funds</b>				
Domestic equity	\$ 17,212,482	\$ 142,523	\$ (176,388)	\$ 17,178,617
Foreign equity	7,781,574	-	(668,459)	7,113,115
Total exchange traded funds	<u>\$ 24,994,056</u>	<u>\$ 142,523</u>	<u>\$ (844,847)</u>	<u>\$ 24,291,732</u>

The amortized cost and estimated fair value of bonds included in cash equivalents, short-term investments, and bonds at December 31, 2023, by contractual maturity, are as follows:

	<b>U.S. Government</b>		<b>Industrial and Miscellaneous (Unaffiliated)</b>	
	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>	<b>Amortized Cost</b>	<b>Estimated Fair Value</b>
Due one year or less	\$ 11,649,602	\$ 11,421,725	\$ 1,383,891	\$ 1,361,113
Due after one to five years	23,187,324	22,127,880	4,563,359	4,419,173
Due after five to ten years	6,533,044	5,830,978	2,741,841	2,701,572
Due after ten years	572,559	431,606	-	-
	<u>\$ 41,942,529</u>	<u>\$ 39,812,189</u>	<u>\$ 8,689,091</u>	<u>\$ 8,481,858</u>

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

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Information pertaining to securities with gross unrealized losses at December 31, 2023 and 2022, aggregated by investment category and length of time that the individual securities have been in a continuous loss position, is as follows:

	<u>Less Than Twelve Months</u>		<u>Twelve Months or Greater</u>	
	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
<b>2023</b>				
<b>Bonds</b>				
U.S. government	\$ (11,929)	\$ 2,215,423	\$ (2,204,242)	\$ 28,435,318
Industrial and miscellaneous (unaffiliated)	-	-	(275,595)	5,117,642
<b>Mutual funds – fixed income</b>	(67)	19,932	(395,838)	2,266,465
<b>Exchange traded funds</b>				
Domestic equity	(32,846)	2,843,757	(35,180)	1,536,078
Foreign equity	-	-	(143,494)	4,615,080
<b>2022</b>				
<b>Bonds</b>				
U.S. government	\$ (279,290)	\$ 12,344,669	\$ (2,818,623)	\$ 22,534,126
Industrial and miscellaneous (unaffiliated)	(177,310)	3,026,568	(307,673)	3,193,569
<b>Mutual funds – fixed income</b>	(223,308)	962,689	(314,154)	2,262,884
<b>Exchange traded funds</b>				
Domestic equity	(145,792)	8,608,493	(30,596)	829,971
Foreign equity	(337,134)	4,755,156	(331,325)	2,357,959

Management evaluates securities for other-than-temporary impairment on a regular basis, and when economic or market concerns warrant such evaluation. Consideration given to bonds where fair value is less than cost is based on whether AlohaCare (1) intends to sell the security, (2) has evidence indicating the need to sell the security before a recovery of its cost, (3) determined the decline in value to be interest related, (4) would be unable to collect all amounts due according to the contractual terms in effect at the date of acquisition, and (5) has determined any other factors indicating that an impairment should be recorded, such as the length of time and the extent to which the fair value has been less than cost or the financial condition and near-term prospects of the issuer. Consideration given to mutual funds and ETFs is based on (1) the length of time and the extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of AlohaCare to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery of fair value.

The majority of investments with unrealized losses resulted principally from changes to interest rates during the year. Management considered whether downgrades by rating agencies have occurred, and whether any reviews have identified problems with the issuer's financial condition.

Management has also determined that AlohaCare has the ability to hold their securities in an unrealized loss position until a recovery of fair value or maturity of the underlying debt. Accordingly, no declines were deemed to be other-than-temporary in 2023 or 2022.



**AlohaCare**  
**Notes to Statutory Financial Statements**  
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The total amounts of restricted assets by category at December 31, 2023 or 2022 were as follows:

	Total Admitted	Total Nonadmitted	Total From Prior Year (Admitted & Nonadmitted)	Increase (Decrease)	Total Current Year Admitted Restricted	Total Admitted & Nonadmitted Restricted to Total Assets	Admitted Restricted to Total Admitted Assets
<b>2023</b>							
Pledged as collateral not captured in other categories	\$ 32,927,128	\$ -	\$ 31,597,843	\$ 1,329,285	\$ 32,927,128	19 %	19 %
On deposit with the State	300,000	-	300,000	-	300,000	0 %	0 %
	<u>\$ 33,227,128</u>	<u>\$ -</u>	<u>\$ 31,897,843</u>	<u>\$ 1,329,285</u>	<u>\$ 33,227,128</u>	<u>19 %</u>	<u>19 %</u>
<b>2022</b>							
Pledged as collateral not captured in other categories	\$ 31,597,843	\$ -	\$ 29,454,126	\$ 2,143,717	\$ 31,597,843	15 %	15 %
On deposit with the State	300,000	-	300,000	-	300,000	0 %	0 %
	<u>\$ 31,897,843</u>	<u>\$ -</u>	<u>\$ 29,754,126</u>	<u>\$ 2,143,717</u>	<u>\$ 31,897,843</u>	<u>15 %</u>	<u>15 %</u>

AlohaCare elected one of the alternative forms of compliance with the performance bond requirements under the Contract by having its lender issue a letter of credit for \$28,800,000 and \$27,800,000 in 2023 and 2022, respectively, with the State listed as the sole beneficiary. Under the terms of a security agreement with its lender, the balance of AlohaCare's hypothecated account amounting to \$32,927,128 and \$31,597,844 at December 31, 2023 and 2022, respectively, was pledged as collateral.

A certificate of deposit of \$300,000 was held in the name of the State Insurance Commissioner to satisfy minimum capital and surplus requirements at December 31, 2023 and 2022.

**4. Accrued Medical Claims**

Activity in the accrued medical claims liability for the years ended December 31, 2023 and 2022 is summarized as follows:

	<b>2023</b>	<b>2022</b>
<b>Balance at beginning of year, net of reinsurance recoverable</b>	\$ 64,559,246	\$ 66,815,110
Total incurred		
Current year	430,235,518	430,721,335
Prior years	(6,934,118)	(11,053,330)
Total incurred	<u>423,301,400</u>	<u>419,668,005</u>
Total paid		
Current year	371,804,541	366,710,739
Prior years	52,652,250	55,213,130
Total paid	<u>424,456,791</u>	<u>421,923,869</u>
<b>Balance at end of year, net of reinsurance recoverable</b>	<u>\$ 63,403,855</u>	<u>\$ 64,559,246</u>

The amounts incurred in 2023 and 2022 related to prior years reflect that the accrued medical claims liability at the beginning of the year differed from actual subsequent development. The 2023 and 2022 developments were primarily due to favorable claim developments and lower benefit payments than anticipated.

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

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**5. Reinsurance**

In the normal course of business, AlohaCare seeks to reduce the loss that may arise from catastrophe or other events that may cause unfavorable underwriting results through reinsurance. The reinsurance agreement covers Medicare and Medicaid program members.

For the 2023 contract year, medical claims incurred for Medicare and Medicaid program members were generally reinsured as follows:

	<b>AlohaCare</b>	<b>Reinsurer</b>
	<b>Share</b>	<b>Share</b>
<b>Medicare</b>		
Up to \$1,250,000 (retention per member)	100 %	0 %
\$1,250,001 – Unlimited (per member)	10 %	90 %
<b>Medicaid</b>		
Up to \$1,300,000 (retention per member)	100 %	0 %
\$1,300,001 – Unlimited (per member)	10 %	90 %

For the 2022 contract year, medical claims incurred for Medicare and Medicaid program members were generally reinsured as follows:

	<b>AlohaCare</b>	<b>Reinsurer</b>
	<b>Share</b>	<b>Share</b>
Up to \$1,250,000 (retention per member)	100 %	0 %
\$1,250,001 – Unlimited (per member)	10 %	90 %

Ceded reinsurance premiums related to the reinsurance agreement amounted to \$4,291,422 and \$3,054,394 for the years ended December 31, 2023 and 2022, respectively. For the years ended December 31, 2023 and 2022, there were \$3,883,508 and \$8,492,037, respectively, in estimated reinsurance recoveries netted against medical expenses. At December 31, 2023 and 2022, the recoverable due to paid losses amounted to \$5,365,276 and \$4,890,447, respectively, and was included in reinsurance receivable. At December 31, 2023 and 2022, the recoverable due to unpaid losses amounted to \$109,630 and \$2,213,808, respectively, and was included in accrued medical claims.

The 2023 and 2022 reinsurance agreements allow for experience refunds if AlohaCare meets certain conditions. There were no experience refunds under reinsurance contracts at December 31, 2023 and 2022.

**6. Leases**

AlohaCare leases office space and equipment under noncancelable operating lease agreements expiring at various dates through December 2030. The majority of these operating leases are noncancelable and contain lease incentives, escalation, and renewal clauses. The lease term also includes two five-year option periods that AlohaCare is reasonably certain to exercise from 2030 to 2040.

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

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Future minimum rental payments under operating leases are as follows:

<b>Years ending December 31,</b>	
2024	\$ 655,000
2025	646,000
2026	584,000
2027	630,000
2028	695,000
Thereafter	8,662,000
	<u>\$ 11,872,000</u>

Rent expense approximated \$1,663,000 and \$1,443,000 for the years ended December 31, 2023 and 2022, respectively.

**7. Retirement Plans**

AlohaCare sponsors a 401(k) plan (the “Plan”) that covers employees who meet specified age requirements. The Plan elected a safe harbor employer matching contribution formula where 100% of the first 3% and 50% of the next 2% of an employee’s compensation would be matched by AlohaCare and immediately vested. Employer matching contributions were \$750,315 and \$693,253 for the years ended December 31, 2023 and 2022, respectively.

In 2005, AlohaCare began sponsoring two deferred compensation plans under Section 457(f) of the IRC for key employees. At December 31, 2023 and 2022, the deferred compensation liability under these plans amounted to \$481,018 and \$415,159, respectively.

**8. Related Party Transactions**

AlohaCare contracts with physicians, hospitals and other providers to provide healthcare services to its members. These costs were included in medical expenses. Certain providers serve on AlohaCare’s Board of Directors and have provided capital to AlohaCare. Medical and other expenses related to these providers amounted to \$113,039,622 and \$118,215,237 for the years ended December 31, 2023 and 2022, respectively. Net amounts payable to these providers amounted to \$1,888,306 and \$2,770,956 at December 31, 2023 and 2022, respectively.

**9. Capital and Surplus**

AlohaCare is required to maintain a minimum statutory capital and surplus balance, which in the aggregate, amounted to \$25,969,625 and \$25,111,293 at December 31, 2023 and 2022, respectively.

**10. Fair Value Measurements**

The following methods and assumptions were used by AlohaCare in estimating the fair value of financial instruments:

**Cash, Cash Equivalents, and Short-Term Investments, Receivables, Accounts Payable and Accrued Expenses, State Risk-Share and Risk Adjustment Payable, and Payable to Risk Pools**

The admitted amounts approximated fair value due to the short-term nature of these financial instruments.

# AlohaCare

## Notes to Statutory Financial Statements

### December 31, 2023 and 2022

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#### Bonds

AlohaCare's investments in U.S. government and industrial and miscellaneous (unaffiliated) securities were included as bonds. The fair value of bonds was estimated using quoted prices in an active market or exchange or an income approach with both observable and market-based inputs and unobservable inputs such as extrapolated data and proprietary pricing models. Bonds were categorized in Level 1 or Level 2 of the fair value hierarchy.

#### Mutual Funds and Exchange Traded Funds

The fair value of mutual funds and ETFs are based on quoted prices in active markets or exchanges and categorized in Level 1 of the fair value hierarchy.

The fair values and admitted values of financial instruments at December 31, 2023 and 2022 are shown below:

	Estimated Fair Values	Admitted Values	Level 1	Level 2	Level 3
<b>2023</b>					
Cash, cash equivalents, and short-term investments	\$ 87,860,968	\$ 87,860,968	\$ -	\$ 87,860,968	\$ -
Bonds	48,294,047	50,631,620	-	48,294,047	-
Mutual funds	2,675,112	2,675,112	2,675,112	-	-
Exchange traded funds	25,906,191	25,906,191	25,906,191	-	-
Receivables	7,322,565	7,322,565	-	7,322,565	-
Accounts payable and accrued expenses	12,595,473	12,595,473	-	12,595,473	-
State risk-share and risk adjustment payable	32,973,223	32,973,223	-	32,973,223	-
Payable to risk pools	2,092,313	2,092,313	-	2,092,313	-
<b>2022</b>					
Cash, cash equivalents, and short-term investments	\$ 104,629,461	\$ 104,629,461	\$ -	\$ 104,629,461	\$ -
Bonds	45,284,204	48,810,442	-	45,284,204	-
Mutual funds	3,225,573	3,225,573	3,225,573	-	-
Exchange traded funds	24,291,732	24,291,732	24,291,732	-	-
Receivables	25,980,946	25,980,946	-	25,980,946	-
Accounts payable and accrued expenses	34,699,553	34,699,553	-	34,699,553	-
State risk-share and risk adjustment payable	35,742,470	35,742,470	-	35,742,470	-
Payable to risk pools	2,770,956	2,770,956	-	2,770,956	-

Fair value estimates were made at a specific point in time based on relevant market information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore, cannot be determined with precision. Changes in assumptions could significantly affect these estimates.

**AlohaCare**  
**Notes to Statutory Financial Statements**  
**December 31, 2023 and 2022**

**11. Annual Statement Adjustments**

The accompanying audited statutory financial statements include adjustments and reclassifications to properly reflect admitted assets, liabilities, capital and surplus, net income (loss), and cash flows which were reported differently in the 2023 and 2022 annual statements filed with the Insurance Division in March 2024 and 2023, respectively.

		<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>	<b>Net Loss</b>
<b>December 31, 2023</b>					
As reported in the annual statement		\$ 174,737,571	\$ 106,327,281	\$ 68,410,290	\$ (4,277,319)
Adjustments		(13,501)	8,737,583	(8,751,084)	(8,751,084)
Reclassifications		-	-	-	-
As reported in the audited financial statements		<u>\$ 174,724,070</u>	<u>\$ 115,064,864</u>	<u>\$ 59,659,206</u>	<u>\$ (13,028,403)</u>
			<b>Net Cash Received from Financing and Miscellaneous Sources</b>	<b>Beginning Cash, Cash Equivalents, and Short-term Investments</b>	<b>Ending Cash, Cash Equivalents, and Short-term Investments</b>
	<b>Net Cash Applied for Operations</b>	<b>Net Cash Applied for Investments</b>			
As reported in the annual statement	\$ (16,710,032)	\$ (58,461)	\$ -	\$ 104,629,461	\$ 87,860,968
Adjustments	-	-	-	-	-
Reclassifications	(137,932)	-	137,932	-	-
As reported in the audited financial statements	<u>\$ (16,847,964)</u>	<u>\$ (58,461)</u>	<u>\$ 137,932</u>	<u>\$ 104,629,461</u>	<u>\$ 87,860,968</u>
		<b>Admitted Assets</b>	<b>Liabilities</b>	<b>Capital and Surplus</b>	<b>Net Income</b>
<b>December 31, 2022</b>					
As reported in the annual statement		\$ 207,296,002	\$ 139,272,225	\$ 68,023,777	\$ 8,414,586
Adjustments		-	-	-	-
Reclassifications		-	-	-	-
As reported in the audited financial statements		<u>\$ 207,296,002</u>	<u>\$ 139,272,225</u>	<u>\$ 68,023,777</u>	<u>\$ 8,414,586</u>
			<b>Net Cash Received from (Applied for) Financing and Miscellaneous Sources</b>	<b>Beginning Cash, Cash Equivalents, and Short-term Investments</b>	<b>Ending Cash, Cash Equivalents, and Short-term Investments</b>
	<b>Net Cash Received from Operations</b>	<b>Net Cash Applied for Investments</b>			
As reported in the annual statement	\$ 13,493,355	\$ (1,515,884)	\$ 33,709,777	\$ 58,942,213	\$ 104,629,461
Adjustments	-	-	-	-	-
Reclassifications	33,875,827	-	(33,875,827)	-	-
As reported in the audited financial statements	<u>\$ 47,369,182</u>	<u>\$ (1,515,884)</u>	<u>\$ (166,050)</u>	<u>\$ 58,942,213</u>	<u>\$ 104,629,461</u>

## **AlohaCare**

### **Notes to Statutory Financial Statements**

**December 31, 2023 and 2022**

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The 2023 adjustments related to admitted assets, liabilities, capital and surplus, and net loss were primarily attributable to the following:

- Risk-share adjustments included in the receivables from State and State risk-share and risk adjustment payable related to the 2023 and 2022 years.

The 2023 reclassifications related to the cash flows were primarily attributed to the following:

- Differences in the classification of pharmacy rebates.
- Differences in the classification of certain non-admitted assets.
- Differences in the classification of depreciation expense.

The 2022 reclassifications related to the cash flows were primarily attributed to the following:

- Differences in the classification of the change in amounts payable under the State risk-share program.
- Differences in the classification of depreciation expense.

## **Supplemental Schedules**

# AlohaCare

## Supplemental Schedule – Investment Summary Schedule

### December 31, 2023

	Gross Investment Holdings		Admitted Assets as Reported in the Annual Statement			
	Amount	Percentage	Amount	Securities Lending Reinvested Collateral Amount	Total	Percentage
<b>Bonds (Schedule D, Part 1)</b>						
U.S. government	\$ 41,942,529	25.1 %	\$ 41,942,529	\$ -	\$ 41,942,529	25.1 %
All other governments	-	0.0 %	-	-	-	0.0 %
U.S. states, territories and possessions, etc. guaranteed	-	0.0 %	-	-	-	0.0 %
U.S. political subdivision of states, territories and possessions, guaranteed	-	0.0 %	-	-	-	0.0 %
U.S. special revenue and special assessment obligations, etc. non-guaranteed	-	0.0 %	-	-	-	0.0 %
Industrial and miscellaneous (unaffiliated)	8,689,091	5.2 %	8,689,091	-	8,689,091	5.2 %
Hybrid securities	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates	-	0.0 %	-	-	-	0.0 %
SVO identified funds	-	0.0 %	-	-	-	0.0 %
Unaffiliated bank loans	-	0.0 %	-	-	-	0.0 %
Unaffiliated certificates of deposit	-	0.0 %	-	-	-	0.0 %
Total long-term bonds	50,631,620	30.3 %	50,631,620	-	50,631,620	30.3 %
<b>Preferred Stock (Schedule D, Part 2, Section 1)</b>						
Industrial and miscellaneous (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates	-	0.0 %	-	-	-	0.0 %
Total preferred stocks	-	0.0 %	-	-	-	0.0 %
<b>Common Stocks (Schedule D, Part 2, Section 2)</b>						
Industrial and miscellaneous publicly traded (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Industrial and miscellaneous other (unaffiliated)	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates publicly traded	-	0.0 %	-	-	-	0.0 %
Parent, subsidiaries and affiliates other	-	0.0 %	-	-	-	0.0 %
Mutual funds	2,675,112	1.6 %	2,675,112	-	2,675,112	1.6 %
Unit investment trusts	-	0.0 %	-	-	-	0.0 %
Closed-end funds	-	0.0 %	-	-	-	0.0 %
Exchange traded funds	25,906,191	15.5 %	25,906,191	-	25,906,191	15.5 %
Total common stocks	28,581,303	17.1 %	28,581,303	-	28,581,303	17.1 %
<b>Mortgage Loans (Schedule B)</b>						
Farm mortgages	-	0.0 %	-	-	-	0.0 %
Residential mortgages	-	0.0 %	-	-	-	0.0 %
Commercial mortgages	-	0.0 %	-	-	-	0.0 %
Mezzanine real estate loans	-	0.0 %	-	-	-	0.0 %
Total valuation allowance	-	0.0 %	-	-	-	0.0 %
Total mortgage loans	-	0.0 %	-	-	-	0.0 %
<b>Investment Categories</b>						
<b>Real estate (Schedule A)</b>						
Property occupied by company	-	0.0 %	-	-	-	0.0 %
Property held for production of income	-	0.0 %	-	-	-	0.0 %
Property held for sale	-	0.0 %	-	-	-	0.0 %
Total real estate	-	0.0 %	-	-	-	0.0 %
<b>Cash, cash equivalents, and short-term investments</b>						
Cash (Schedule E, Part 1)	85,528,678	51.2 %	85,528,678	-	85,528,678	51.2 %
Cash equivalents (Schedule E, Part 2)	2,332,290	1.4 %	2,332,290	-	2,332,290	1.4 %
Short-term investments (Schedule DA)	-	0.0 %	-	-	-	0.0 %
Total cash, cash equivalents, and short-term investments	87,860,968	52.6 %	87,860,968	-	87,860,968	52.6 %
Contract loans	-	0.0 %	-	-	-	0.0 %
Derivatives (Schedule DB)	-	0.0 %	-	-	-	0.0 %
Other invested assets (Schedule BA)	-	0.0 %	-	-	-	0.0 %
Receivables for securities	-	0.0 %	-	-	-	0.0 %
Securities lending (Schedule DL, Part 1)	-	0.0 %	-	-	-	0.0 %
Other invested assets	-	0.0 %	-	-	-	0.0 %
Total invested assets	\$ 167,073,891	100.0 %	\$ 167,073,891	\$ -	\$ 167,073,891	100.0 %



# AlohaCare

## Supplemental Schedule – Investment Risk Interrogatories

December 31, 2023

Answer the following interrogatories by stating the applicable U.S. dollar amounts and percentages of the reporting entity's total admitted assets held in that category of investments as shown on the Summary Investment Schedule. All reporting entities must answer Interrogatories 1 through 4, 11 through 16, 18, 19 and, if applicable, 20 through 23. Answer each of the Interrogatories 5 through 10 only if the reporting entity's aggregate holdings in foreign investments as addressed in Interrogatory 4 equals or exceeds 2.5% of the reporting entity's total admitted assets. Answer Interrogatory 17 only if the reporting entities' aggregate holdings in mortgage loans as addressed in Interrogatory 16 equals or exceeds 2.5% of the reporting entity's total admitted assets. For Life, Health and Fraternal blanks, responses are to exclude Separate Accounts.

1. State the reporting entity's total admitted assets as reported on Page 2 of the annual statement.

**\$174,724,070**

2. State the 10 single largest exposures to a single issuer/borrower/investment, excluding U.S. government securities, U.S. government agency securities, and those U.S. government money market funds listed in the Purposes and Procedures Manual of the NAIC Investment Analysis Office as exempt, property occupied by the Company, policy loans, and all SEC and foreign registered funds and common trust funds that are diversified within the meaning of the Investment Company Act of 1940.

	Investment Category/Issuer	Amount	Percentage of Total Admitted Assets
<b>Bonds</b>			
a.	Apple Inc.	\$ 499,630	0.29 %
b.	Bank of Montreal	\$ 395,338	0.23 %
c.	Amazon.com Inc.	\$ 391,745	0.22 %
d.	Charles Schwab Corp.	\$ 312,014	0.18 %
e.	RTX Corp.	\$ 281,569	0.16 %
f.	Goldman Sachs Group Corp.	\$ 278,352	0.16 %
g.	Bank of Nova Scotia	\$ 274,508	0.16 %
h.	American Express Co.	\$ 271,258	0.16 %
<b>Cash, cash equivalents, and short-term investments</b>			
i.	Bank of Hawaii	\$ 85,228,678	48.78 %
j.	First Hawaiian Bank	\$ 300,000	0.17 %

# AlohaCare

## Supplemental Schedule – Investment Risk Interrogatories

December 31, 2023

3. State by NAIC designation, the amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks (perpetual preferred and redeemable preferred).

	Amount	Percentage of Total Admitted Assets
<b>Bonds</b>		
NAIC-1	\$ 48,449,874	27.73 %
NAIC-2	\$ 2,181,746	1.25 %
<b>Preferred stocks</b>		
None		

4. State the amounts and percentages of the reporting entity's total admitted assets held in foreign investments (regardless of whether there is any foreign currency exposure) and unhedged foreign currency exposure (defined in the statement value of investments denominated in foreign currencies which are not hedged by financial instruments qualifying for hedge accounting as specified in SSAP No. 31, *Derivative Instruments*), including (i) foreign investments as determined by the rules or statutes of the state of Hawaii of \$0, (ii) foreign investments that support insurance liabilities denominated in that same foreign currency of \$0, and (iii) the amount of the insurance liabilities associated with the investments reported in (ii) and that are denominated in the same currency of \$0.

Assets held in foreign investments less than 2.5% of the reporting entity's total admitted assets, therefore, detail not required for Interrogatories 5 – 10.

Yes [X] No [ ]

11. State the amounts and percentages of the reporting entity's total admitted assets held in Canadian investments, including Canadian currency-denominated investments of \$0, Canadian insurance liabilities of \$0, and unhedged Canadian currency exposure.

Assets held in Canadian investments less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 11.

Yes [X] No [ ]

12. State the aggregate amounts and percentages of the reporting entity's total admitted assets held in investments with contractual sales restrictions (defined as investments having restrictions that prevent investments from being sold within 90 days).

Assets held in investments with contractual sales restrictions less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 12.

Yes [X] No [ ]

# AlohaCare

## Supplemental Schedule – Investment Risk Interrogatories

December 31, 2023

13. State the amounts and percentages of admitted assets held in the largest 10 equity interests (including equity funds that qualify individually as of the largest equity interest and a look-through of investments in the shares of non-diversified mutual funds and ETFs, preferred stocks, publicly traded equity securities, and other equity securities, and excluding SVO-identified U.S. direct obligations/full faith and credit exempts list of money market mutual funds, SVO-identified ETFs, and SVO-identified fund investments with underlying characteristics of fixed income instruments, which do not contain underlying equities and that are outlined within the Purposes and Procedures Manual of the NAIC Investment Analysis Office.

Assets held in equity interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 13.

Yes [ ] No [X]

	Amount	Percentage
<b>Equity Interest</b>		
a. Vanguard Total Stock Market ETF	\$ 8,779,275	5.02 %
b. Vanguard High Dividend Yield	\$ 5,272,173	3.02 %
c. Vanguard International High Dividend Yield Index ETF	\$ 3,732,416	2.14 %
d. iShares Select Dividend ETF	\$ 3,523,633	2.02 %
e. Vanguard FTSE Developed ETF	\$ 2,816,137	1.61 %
f. PIMCO Prefer & Capital-Inst	\$ 1,069,340	0.61 %
g. Vanguard Mortgage-Backed Securities ETF	\$ 899,894	0.52 %
h. Mainstay Mackay High Bond	\$ 883,610	0.51 %
i. Vanguard FTSE Emerging Markets ETF	\$ 882,664	0.51 %
j. Vanguard Emerging Markets Bond – Admiral	\$ 722,161	0.41 %

14. State the amounts and percentages of the reporting entity's total admitted assets held in nonaffiliated, privately placed equities (included in other equity securities) and excluding securities eligible for sale under Securities Exchange Commission ("SEC") Rule 144a or SEC Rule 144 without volume restrictions.

Assets held in nonaffiliated, privately placed equities less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 14.

Yes [X] No [ ]

15. State the amounts and percentages of the reporting entity's total admitted assets held in general partnership interests (included in other equity securities).

Assets held in general partnership interests less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatory 15.

Yes [X] No [ ]

Aggregate statement value of investments held in general partnership interests **None**

Largest 3 investments with contractual sales restrictions **None**

## AlohaCare

### Supplemental Schedule – Investment Risk Interrogatories

December 31, 2023

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16. With respect to mortgage loans reported in Schedule B, state the amounts and percentages of the reporting entity's total admitted assets.

Mortgage loans reported in Schedule B less than 2.5% of the reporting entity's total admitted assets, therefore detail not required for Interrogatories 16 and 17.

Yes ☒ No ☐

Each of the ten largest aggregate mortgage interests. The aggregate mortgage interest represents the combined value of all mortgage secured by the same property or same group of properties.

None

18. State the amounts and percentages of the reporting entity's total admitted assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A, excluding property occupied by the company.

Assets held in each of the five largest investments in one parcel or group of contiguous parcels of real estate reported in Schedule A less than 2.5% of the reporting entity's total admitted assets, therefore, detail not required for Interrogatory 18.

Yes ☒ No ☐

19. State the aggregate amounts and percentages of potential exposure for mezzanine real estate loans.

Assets held in mezzanine real estate loans are less than 2.5% of the reporting entity's admitted assets, therefore detail not required for Interrogatory 19.

Yes ☒ No ☐

**AlohaCare**  
**Supplemental Schedule – Reinsurance Summary Schedule**  
**December 31, 2023**

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- |    |   |             |
|----|---|-------------|
| 1. | Disclose any ceded reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) subject to A-791 that includes a provision, which limits the reinsurer's assumption of significant risks identified as in A-791. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or similar effect.   | <b>None</b> |
| a. | If true, indicate the number of reinsurance contracts to which such provisions apply.   | <b>N/A</b>  |
| b. | For contracts subject to A-791, indicate if deposit accounting was applied for all contracts, which limit significant risks.  | <b>N/A</b>  |
| 2. | Disclose any ceded reinsurance contracts (or multiple contracts with the same reinsurer or its affiliates) not subject to A-791, for which reinsurance accounting was applied and includes a provision that limits the reinsurer's assumption of risk. Examples of risk-limiting features include provisions such as a deductible, a loss ratio corridor, a loss cap, an aggregate limit, or similar effect. Note that a stop loss or excess of loss reinsurance agreement with deductibles or loss caps which apply to the entire contract and are not adjustable based on other features, do not require disclosure under this paragraph. | <b>None</b> |
| a. | If true, indicate the number of reinsurance contracts to which such provisions apply.   | <b>N/A</b>  |
| b. | If affirmative, indicate if reinsurance credit was reduced for the risk-limiting features.  | <b>N/A</b>  |
| 3. | Disclose if any reinsurance contracts contain features (except reinsurance contracts with a federal or state facility) described below which result in delays in payment in form or in fact.  |             |
| a. | Provisions which permit the reporting of losses, or settlements are made, less frequently than quarterly or payments due from the reinsurer are not made in cash within ninety (90) days of the settlement date (unless there is no activity during the period).  | <b>None</b> |
| b. | Payment schedule, accumulating retentions from multiple years or any features inherently designed to delay timing of the reimbursement to the ceding entity.  | <b>None</b> |
| 4. | Disclose if the reporting entity has reflected reinsurance accounting credit for any contracts not subject to A-791 and not yearly renewable term, which meet the risk-transfer requirements of SSAP No. 61R and identify the type of contracts and the reinsurance contracts.  | <b>Yes</b>  |
| a. | Assumption reinsurance – as discussed in paragraph 60, which is new for the reporting period.   | <b>No</b>   |

## AlohaCare

### Supplemental Schedule – Reinsurance Summary Schedule

December 31, 2023

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5. Disclose if the reporting entity ceded any risk which is not subject to A-791 and not yearly renewable term reinsurance, under any reinsurance contract (or multiple contracts with the same reinsurer or its affiliates) during the period covered by the financial statement, and either:
- a. Accounted for that contract as reinsurance under statutory accounting principles ("SAP") and as a deposit under U.S. generally accepted accounting principles ("GAAP"); or **N/A**
  - b. Accounted for that contract as reinsurance under GAAP and as a deposit under SAP. **N/A**
- If the reporting entity does not prepare GAAP financial statements or its financial statements are not part of upstream GAAP financial statements, this disclosure can be answered not applicable.
6. If affirmative disclosure is required for paragraph 83, explain why the contract(s) is treated differently for GAAP and SAP. **N/A**