Consolidated Financial Statements and Supplementary Information

CareSource

Years Ended December 31, 2023 and 2022
With Reports of Independent Auditors

CareSource
Consolidated Financial Statements
Years Ended December 31, 2023 and 2022

Contents

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Building a better working world

Report of Independent Auditors

The Board of Trustees
CareSource

Opinion

We have audited the consolidated financial statements of CareSource (the Company), which comprise the consolidated balance sheets as of December 31, 2023 and 2022, and the related consolidated statements of operations, comprehensive income, changes in net assets and cash flows for the years then ended, and the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free of material misstatement, whether due to fraud or error, and to issue an auditor's 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 GAAS 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 financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the 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 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 the Company'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 financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company'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

Accounting principles generally accepted in the United States of America require that the incurred and paid claims development for the years ended December 31, 2022 and 2021 in Note 9 be presented to supplement the financial statements. Such information is the responsibility of management and, although not a part of the financial statements, is required by the Financial Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating balance sheets at December 31, 2023 and consolidating statements of operations for the year then ended are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Ernst + Young LLP

March 28, 2024

CareSource
Consolidated Balance Sheets
(Dollars in Thousands)

	December 31 2023	December 31 2022
Assets		
Cash, cash equivalents and restricted cash	$ **1,753,912**	$ 1,412,138
Investments:		
Held-to-maturity debt securities	**312,395**	547,456
Equity securities	**406,492**	180,608
Available-for-sale debt securities	**1,390,545**	1,693,700
Equity method investments	**13,495**	—
Receivables:		
Health care	**1,211,768**	434,831
Other	**84,339**	159,047
Reinsurance funds withheld	**151,253**	112,978
Prepaid expenses and other assets	**121,090**	61,223
Property and equipment, net	**176,146**	200,045
Goodwill and other intangibles, net	**142,588**	119,881
Due from related parties	**9,614**	—
Total Assets	$ **5,773,637**	$ 4,921,907
Liabilities and net assets		
Liabilities:		
Unpaid claims	$ **1,320,393**	$ 1,315,910
Unpaid claims adjustment expense	**13,164**	13,210
Premiums received in advance	**92,938**	52,671
Accrued and other liabilities	**326,608**	333,813
Health care policy reserves	**504,549**	375,414
Premium tax payable	**122,557**	146,723
Accounts payable	**96,853**	103,478
Loans payable	**182,078**	261,051
Obligations under finance leases	**7,515**	9,295
Total liabilities	**2,666,655**	2,611,565
Net assets:		
Retained earnings	**3,165,635**	2,404,412
Accumulated other comprehensive loss	**(59,633)**	(94,070)
Net assets before non-controlling interests	**3,106,002**	2,310,342
Non-controlling interests	**980**	—
Total net assets	**3,106,982**	2,310,342
Total liabilities and net assets	$ **5,773,637**	$ 4,921,907

See accompanying notes.

CareSource
Consolidated Statements of Operations
(Dollars in Thousands)

	Year Ended December 31	
	2023	2022
Revenues		
Net premium income	**$ 11,740,295**	$ 13,030,044
Other	**83,238**	94,750
Total revenues	**11,823,533**	13,124,794
Expenses		
Medical expenses:		
Medical expenses	**9,236,364**	10,990,080
Total medical expenses	**9,236,364**	10,990,080
Administrative expenses:		
Compensation and benefits	**772,874**	679,363
Professional and temporary services	**349,132**	390,431
Depreciation and amortization	**67,702**	60,667
Interest expense	**11,222**	12,394
Other general and administrative expenses	**807,845**	305,966
Total administrative expenses	**2,008,775**	1,448,821
Total expenses	**11,245,139**	12,438,901
Net investment income (loss) and realized gains		
Net investment income	**174,733**	28,729
Net realized gains	**10,013**	4,383
Net loss from equity method investments	**(2,409)**	–
Total net investment income and realized gains	**182,337**	33,112
Other income	**3,452**	45
Income before income taxes	**764,183**	719,050
Income tax expense	**(2,827)**	(1,838)
Net income	**$ 761,356**	$ 717,212

See accompanying notes.

CareSource
Consolidated Statements of Comprehensive Income
(Dollars in Thousands)

	Years Ended December 31	
	2023	2022
Net income	$ 761,356	$ 717,212
Other comprehensive income (loss):		
Change in net unrealized gain (loss) on available-for-sale debt securities	34,437	(90,000)
Other comprehensive income (loss)	34,437	(90,000)
Total comprehensive income	$ 795,793	$ 627,212

See accompanying notes.

CareSource
Consolidated Statements of Changes in Net Assets
(Dollars in Thousands)

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interests	Total Net Assets
Balance at January 1, 2022	$ 1,721,004	$ (4,070)	$ 140,636	$ 1,857,570
Net income	717,212	—	—	717,212
Other comprehensive loss	—	(90,000)	—	(90,000)
Investor preferred units buyout	(33,804)	—	(140,636)	(174,440)
Balance at December 31, 2022	2,404,412	(94,070)	—	2,310,342
Net income	**761,356**	—	—	**761,356**
Other comprehensive income	—	**34,437**	—	**34,437**
Investor tax distribution	**(133)**	—	—	**(133)**
Issuance of units to non-controlling interests	—	—	**980**	**980**
Balance at December 31, 2023	**$ 3,165,635**	**$ (59,633)**	**$ 980**	**$ 3,106,982**

See accompanying notes.

CareSource
Consolidated Statements of Cash Flows
(Dollars in Thousands)

	Year Ended December 31	
	2023	2022
Operating activities		
Net income	$ 761,356	$ 717,212
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	67,702	60,667
Accretion of debt security investments	(17,471)	(6,478)
Loss on asset disposals	31	2
Impairment of investments	—	714
Realized gains on investments, including cash equivalents	(10,013)	(4,383)
Realized loss on investments under the equity method	2,409	—
Unrealized (gains) losses on investments	(12,943)	37,487
Changes in assets and liabilities:		
(Increase) decrease in health care receivables	(776,937)	170,144
Increase in reinsurance funds withheld	(38,275)	(9,526)
Decrease (increase) in other receivables	74,708	(19,934)
Increase in amounts due from related parties	(9,614)	—
Increase in prepaid expenses and other assets	(59,867)	(14,833)
Increase in unpaid claims	4,483	149,181
(Decrease) increase in unpaid claims adjustment expense	(46)	502
Increase (decrease) in premiums received in advance	40,267	(93,995)
Decrease in accrued and other liabilities	(7,205)	(40,384)
Increase (decrease) in health care policy reserves	129,135	(85,654)
Decrease in hospital incentive liability	—	(32,171)
(Decrease) increase in premium tax payable	(24,166)	1,213
(Decrease) increase in accounts payable	(6,625)	12,390
Net cash provided by operating activities	116,929	842,154
Investing activities		
Proceeds from maturities/redemption of held-to-maturity debt securities	318,767	613,399
Purchase of held-to-maturity debt securities	(84,017)	(749,928)
Proceeds from equity securities	16,435	15,316
Purchase of equity securities	(217,136)	(51,050)
Purchase of investments under equity method	(52,453)	—
Proceeds from available-for-sale debt securities	1,519,275	449,820
Purchase of available-for-sale debt securities	(1,166,128)	(1,551,248)
Purchases of property and equipment	(25,547)	(47,253)
Acquisitions, net of cash acquired	—	(670)
Net cash provided by (used in) investing activities	309,196	(1,321,614)
Financing activities		
Payments under loans	(78,973)	(13,661)
Investor preferred units buyout	(133)	(174,440)
Proceeds from issuance of units	980	—
Payments on finance leases	(6,225)	(5,370)
Net cash used in financing activities	(84,351)	(193,471)
Net increase (decrease) in cash, cash equivalents and restricted cash	341,774	(672,931)
Cash, cash equivalents and restricted cash at beginning of year	1,412,138	2,085,069
Cash, cash equivalents and restricted cash at end of year	$ 1,753,912	$ 1,412,138
Interest paid on debt	$ 12,349	$ 13,387
Cash flow information for noncash transactions		
Assets acquired under finance leases	$ 4,445	$ 3,456

See accompanying notes.

1 NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1.1 NATURE OF OPERATIONS

CareSource (the Company or CS) is a not-for-profit organization operating in Ohio. The Company was formed to act for the benefit of, and as a supporting organization for all affiliated not-for-profit and for-profit affiliates. The Company offers a variety of insurance products in the Medicaid, Medicare and Healthcare Exchange markets across numerous geographical markets through our affiliated health plans (collectively, the health plans). The Company is also a licensed third-party administrator (TPA).

1.2 BASIS OF PRESENTATION

The accompanying consolidated financial statements include CareSource and its subsidiaries. The Company is the sole member of CareSource Holding LLC (CSH), whose holding structure includes subsidiary CareSource Management Services Holding LLC (CSMSH).

In December 2022, CSH acquired the remaining non-controlling interests previously held by the investor pursuant to an equity purchase agreement. The holder of the preferred units received $174,440 including a liquidation preference for the amount of the preferred unit issue price plus the accrued preferred return and other amounts, less any prior distributions. As the sole member of CSMSH, in December 2022, CSH adopted a Second Amended & Restated Limited Liability Agreement whereby CSH holds 100% of the membership interests of CSMSH and eliminated any preferred or common units as of December 31, 2022. All intercompany balances and transactions have been eliminated in consolidation.

The Company prepared the consolidated financial statements in conformity with U.S. generally accepted accounting principles (GAAP). GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

1.3 CASH, CASH EQUIVALENTS AND RESTRICTED CASH

The Company considers highly liquid investments with original maturities of three months or less when purchased to be cash equivalents. Cash equivalents are stated at amortized cost, which approximates fair value.

The Company maintains restricted funds in the amount of $50,885 and $61,963 as of December 31, 2023 and 2022, respectively.

Restricted cash and cash equivalents on deposit to meet certain regulatory requirements of $4,519 and $38,908 as of December 31, 2023 and 2022, respectively, are included in the cash, cash equivalents and restricted cash line in the accompanying consolidated balance sheet.

Other assets on deposit to meet certain regulatory requirements include investment securities of $46,366 and $23,055 as of December 31, 2023 and 2022, respectively.

1.4 REINSURANCE FUNDS WITHHELD

The Company has established a reinsurance funds withheld account held with an unrelated third party insurer for the captive insurance entities, CareSource Reinsurance LLC (CSRE) and GCRE Protected Cell No. 3 CS LLC (GCRE III), whose ultimate parent is CareSource. Reinsurance funds withheld includes amounts that are held in the form of cash and utilized solely to pay loss and loss adjustment expenses.

1.5 INVESTMENTS

Debt securities that the Company has the intent and ability to hold until maturity are designated upon purchase as held-to-maturity and are recorded at amortized cost (using the interest method). For the remaining debt securities in our investment portfolio, we have classified those securities as available-for-sale and report those securities at fair value. Changes in fair value for available-for-sale securities are included in accumulated other comprehensive income (loss) as a separate component of net assets. Equity securities are measured at fair value based on market inputs, with changes in fair value recorded in investment income as they occur.

Prior to 2023, our debt securities were evaluated for other-than-temporary impairment and credit-related impairments were recognized in our consolidated statements of operations with an adjustment to the security's amortized cost basis. Effective January 1, 2023, if a debt security is in an unrealized loss position and we have the intent to sell the debt security, or it is more likely than not that we will have to sell the debt security before recovery of its amortized cost basis, we write down the debt security's cost basis to fair value and record an impairment loss in our consolidated statements of operations. For impaired debt securities that we do not intend to sell or if it is more likely than not that we will not have to sell such securities, but we expect that we will not fully recover the amortized cost basis, we recognize the credit component of the impairment as an allowance for credit loss in our consolidated balance sheets and record an impairment loss in our consolidated statements of operations. The non-credit component of the impairment is recognized in accumulated other comprehensive loss.

Furthermore, unrealized losses entirely caused by non-credit-related factors related to debt securities for which we expect to fully recover the amortized cost basis continue to be recognized in accumulated other comprehensive loss.

The amortized cost of all single class and multiclass mortgage-backed/asset-backed securities, purchased or retained, that represent beneficial interests in securitized assets (e.g., CMOs), other than high credit quality securities are adjusted using the prospective method when there is a change in estimated future cash flows. If it is determined that a decline in fair value is other-than-temporary, the security is written down to fair value. If high credit quality securities are adjusted, the retrospective method is used.

Exchange traded funds are classified as equity securities and are measured at fair value based on market inputs, with changes in fair value reported within net investment income.

Common stocks are classified as equity securities and are recorded at fair value based on quoted market prices. Changes in the fair value of equity securities are reported within net investment income.

The Company uses the equity method of accounting for investments in companies which our ownership interest may enable the Company to influence the operating or financial decisions of the investee company. The proportionate share of equity in net income of these unconsolidated related parties is reported within net loss from equity method investments.

Investment income is recorded when earned. All securities sold resulting in investment gains and losses are recorded on the trade date. Realized gains and losses are determined on the basis of the cost or amortized cost of the specific securities sold.

1.6 PROPERTY AND EQUIPMENT, NET

Property and equipment is recorded at cost, net of accumulated depreciation. Depreciation is computed on the straight-line basis over the estimated useful life of the related asset.

Assets are reviewed for impairment at least annually, or whenever adverse events or changes in circumstances indicate the carrying value of the asset may not be recoverable. Losses are recognized for a long-lived asset to be held and used in operations when the undiscounted future cash flows expected to result from the use of the asset are less than its carrying value.

Amortization of assets recorded under finance leases is included in depreciation and amortization expense.

1.7 REVENUES AND RECEIVABLES

Premium revenues for risk-based contracts are recognized as revenue over the period insurance coverage is provided, and net of amounts recognized for medical loss ratio rebates, risk adjustment, reinsurance, and risk corridor under contractual premium stabilization arrangements, the Affordable Care Act or other regulatory requirements. The timing of payment of these retrospectively rated refunds is based on the contractual terms with our customers and can vary from period to period based on the specific contractual requirements. Estimates for retrospectively rated refunds are included in health care receivables or health care policy reserves in the accompanying consolidated balance sheets.

Premium revenues from contracted state government agencies are received monthly and are recognized as revenue in the period in which the health care service plans are obligated to provide services to their members. The health plans are eligible to receive supplemental delivery payments for newborns and/or obstetric deliveries for Medicaid programs in Georgia, Indiana, and Ohio. Revenue for these services is recognized in the period in which the maternity delivery occurs. Premium receivables, which are included in health care receivables, are recorded for amounts earned but not received as of the balance sheet date. Premiums billed and collected in advance of the coverage period are recorded as premiums received in advance.

Other revenues include administrative service fee revenue to related parties. Among other services, the Company provides claims processing, provider contracting, network administration, maintain compliance programs including a fraud, waste and abuse program, program implementation, and maintaining regulatory compliance in exchange for an administrative fee through an Administrative Service Agreement (ASA).

Pharmacy rebates are attained based on an agreement between the health plans and an external TPA for prescription drugs, as well as agreements with pharmaceutical manufacturers, and consists of estimated and billed amounts.

The Company is entitled to shared savings compensation based on targeted medical loss ratio percentages specified within certain contracts. If the providers do not meet prescribed medical loss ratios they share in the excess costs and a health care receivable is recorded if deemed collectible by management.

Receivables are reported net of amounts for expected credit losses. All receivables are regularly reviewed for collectability and any allowances for credit losses are recorded as an offset to the applicable asset. The allowance is based on historical collection trends, credit worthiness, and our judgement regarding the ability to collect specific accounts. In 2023 the Company determined that additional allowances were necessary on certain outstanding Medicaid receivables. The Company recorded allowances from non-credit based risks of $26,915 and $3,843 as of December 31, 2023 and 2022, respectively. The Company has not recorded an allowance for credit losses as of December 31, 2023.

1.8 PAY FOR PERFORMANCE REVENUE

The health plans have contracts with the Ohio Department of Medicaid (ODM) and the Indiana Family and Social Services Administration to receive incremental revenue based on certain performance measures. For the years ending December 31, 2023 and 2022, the health plans had withholds ranging from 1.8% to 4% for both years. These performance measures are generally linked to various quality-of-care measures determined by each respective contract. The Company determines the amount of quality withhold or pay for performance revenues based on its ongoing internal evaluation against the quality-of-care metrics. Amounts earned are included in net premium income in the accompanying consolidated statements of operations and are recorded in the period during which the performance measures were met. Uncollected performance based receivables, net of unpaid performance penalties are included in health care receivables in the accompanying consolidated balance sheets.

1.9 PREMIUM TAXES

Taxes based on revenues are paid by the health plans for franchise fees, health insuring corporation tax, and premium taxes. During the years ended December 31, 2023 and 2022, the Company incurred premium taxes of $550,408 and $576,589, respectively. Premium taxes are included in other general and administrative expenses for the year ending December 31, 2023 and as a reduction to net premium income for the year ending December 31, 2022, respectively, in the accompanying consolidated statements of operations.

1.10 ENHANCED PROVIDER FEES

Funds received from the ODM and Georgia Office of Insurance and Safety Fire Commissioner (OCI), representing pass through payments to be paid to hospitals and other health care providers, in which the Company does not assume insurance risk, are not reported as premium revenues from ODM and OCI or as medical expenses to providers. Amounts unpaid at December 31, 2023 and 2022 are reported as accrued and other liabilities in the consolidated balance sheets.

1.11 MEDICAL EXPENSES, UNPAID CLAIMS, AND UNPAID CLAIMS ADJUSTMENT EXPENSE

Medical expenses consist primarily of inpatient, outpatient and professional fees paid to providers, and pharmacy costs, net of rebates. Medical expenses paid on behalf of members are recognized in the period in which services are provided and include an estimate of unpaid claims and unpaid claims adjustment expense. Professional fees consist of amounts paid to various health care providers for the provision of certain medical care services to its members on a fee-for-service basis or on a capitated basis.

Unpaid claims represent management's best estimate of the ultimate net cost of all reported and unreported claims incurred but not paid at the balance sheet date. Unpaid claims adjustment expense represents an estimate of medical-related administrative costs that have been incurred but not yet paid. Significant assumptions in the estimation process include historical experience and trends in benefit costs, seasonality, utilization, provider contract terms, adjudicated claims, payment cycles, and the frequency and severity of claims incurred, all of which can vary by program and claim type. Although considerable variability is inherent in such estimates, management believes that the liabilities for unpaid claims and unpaid claims adjustment expense are adequate. These estimates are continually reviewed and revised as necessary as experience develops or new information becomes known. The effects of such revisions are included in current operating results. There were no significant changes in methodologies and assumptions used in calculating the liability for unpaid claims and unpaid claims adjustment expense.

1.12 REINSURANCE

Certain premiums and benefits are ceded to other insurance companies under various reinsurance agreements. The ceded reinsurance agreements provide the health plans the ability to maintain their exposure to loss within their capital resources. Amounts recoverable from reinsurers are estimated in a manner consistent with the reinsured plan.

The Company is contingently liable in the event the reinsurers do not meet their contractual obligations. The health plans made reinsurance premium payments of $169,247 and $182,278 for the years ended December 31, 2023 and 2022, respectively, of which $136,152 and $152,680, were ceded to CSRE or GCRE III from Partner Re and have been eliminated for purposes of consolidated presentation. Reinsurance premiums are included as reduction to net premium income in the accompanying consolidated statements of operations. Reinsurance recoveries of $89,057 and $95,746 are included as a reduction to medical expenses in the consolidated statements of operations for the years ended December 31, 2023 and 2022, respectively.

1.13 PREMIUM DEFICIENCY RESERVES

A premium deficiency reserve is a reserve that is established when future premiums and current reserves are not sufficient to cover future claims payments and expenses for the remainder of a contract period. Anticipated investment income is not included in the calculations regarding the need for a premium deficiency reserve. The change in premium deficiency reserves was ($901) and ($39,260) during December 31, 2023 and 2022, respectively, and is included in medical expenses in the consolidated statements of operations. As of December 31, 2023 and 2022, the Company recorded premium deficiency reserves of $0 and $901, respectively.

1.14 INCOME TAXES

Most active entities of the consolidated group of CS are recognized as exempt from federal income tax under Section 501(a) of the Internal Revenue Code as tax-exempt charitable organizations described in Internal Revenue Code Section 501(c)(3). Certain of the Company's subsidiaries are for-profit corporations or non-profit corporations taxable as a corporation for federal tax purposes. Deferred income taxes are recorded for temporary differences between financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets and liabilities reflect the enacted tax rates in effect for the years the differences are expected to reverse.

The Company includes interest and penalties in the tax expense line of the consolidated statements of operations in the period in which they are incurred, including the after-tax cost of interest and penalties related to unrecognized tax benefits. The Company annually reviews its tax positions and has determined that there are no material uncertain tax positions that require recognition in the consolidated financial statements. Currently, tax years 2022, 2021 and 2020 are open for audit by the Internal Revenue Service.

1.15 GOODWILL AND OTHER ACQUIRED INTANGIBLE ASSETS

Assets and liabilities acquired in business combinations are accounted for using the acquisition method and recorded at their respective fair values. Goodwill represents the excess of the purchase price paid by the Company over the fair value of the net assets acquired from a single consummated business combination. The Company has adopted ASU 2014-18, *Business Combinations: Accounting for Identifiable Intangible Assets in a Business Combination.* Accordingly, goodwill also includes customer-related intangible assets which are subsumed into the goodwill balance as of the date of acquisition for accounting purposes. The Company has also adopted ASU 2014-02, *Intangibles Goodwill and Other, Accounting for Goodwill,* which allows a company to amortize goodwill over a period of ten years, or less than ten years if the Company demonstrates that a shorter life is more appropriate. Accordingly, the Company amortizes goodwill over a ten-year life. An entity that elects this accounting alternative is further required to make an accounting policy election to test goodwill for impairment at either the entity level or the reporting unit level. The impairment assessment is a trigger-based assessment, where a company is only required to test goodwill for impairment if an event occurs or circumstances change that indicate the fair value of the entity may be below its carrying amount. Under this alternative, an annual impairment assessment is no longer required. The Company tests for impairment at the entity level, as necessary. There was no impairment charge for goodwill during 2023 and 2022.

Intangible assets with definite useful lives are amortized over their expected useful lives and tested for impairment whenever events and changes in circumstances indicate the carrying amount of the assets may not be recoverable. The trade name intangible asset has an expected useful life of 20 years. The Company's review of identifiable intangible assets with definite lives indicated that there was no impairment during 2023 and 2022.

1.16 LEASES

The Company leases office space, certain computer related equipment, copiers and other types of equipment under noncancelable leases. The Company determines whether an arrangement is or contains a lease at its inception. Leases are classified as operating or finance leases at the commencement date of the lease. The Company recognizes lease liabilities based on the present value of the minimum lease payments not yet paid by using the lease term, any amounts probable of being owed under any residual value guarantees and discount rate determined at lease commencement. The leases do not generally provide an implicit rate, so a risk-free rate commensurate with the underlying lease terms is used to determine the present value of our lease payments. The lease liabilities may include options to extend or terminate a lease. When it is reasonably certain that the option will be exercised, the Company recognizes operating right-of-use (ROU) assets at an amount equal to the lease liability adjusted for prepaid or accrued rent, the remaining balance of any lease incentives and unamortized initial direct costs.

Operating lease liabilities are reported in accrued and other liabilities and the related ROU assets are reported in prepaid expenses and other assets on our consolidated balance sheets. Lease expense for operating leases is calculated on a straight-line basis over the lease term and is reported in other general and administrative expenses on our consolidated statements of operations. For our office space leases, we account for the lease and non-lease components (such as common area maintenance) as a single lease component. The Company does not recognize a lease liability or ROU asset for office space leases whose lease terms, at commencement, are twelve months or less and that do not include a purchase option or option to extend that is reasonably certain to be exercised.

Finance leases are reported as assets and the full value of the lease is amortized over the life of the lease. If there is an intent to purchase the leased item at the end of the lease term, the full value of the equipment is recorded and amortized over its useful life, as opposed to only the term of the lease.

The Company assesses assets for impairment when there are indicators and compares the carrying amount of the asset to its estimated undiscounted future cash flows. If the estimated undiscounted future cash flows are less than the carrying amount of the asset, an impairment calculation is performed. An impairment loss is recorded for the difference of the asset's carrying value that exceeds its estimated discounted cash flows.

1.17 SIGNIFICANT PROVIDER

CareSource Ohio (CSOH) has agreements with three pediatric hospitals and physician's networks to provide medical services to certain CSOH members. These are collectively referred to as Accountable Care Organizations (ACO). Under these agreements, the Company pays the ACO a capitated premium in exchange for the ACO assuming the risk of loss for all medical expenses incurred by members who are under the age of 19 and are members in the applicable Ohio Medicaid regions. In connection with these contracts, CSOH pays medical claims billed by providers for ACO members and is later reimbursed by the ACO's through offsetting of amounts due for capitation. Depending on the arrangement with the ACO, CSOH has recorded either a liability for unpaid claims for these services, and a related receivable that is secured by an escrow from the ACO's financial institution to CSOH in the amount of the unpaid claims or CSOH reduces the capitation paid by the amount of unpaid claims and records a net liability. Chargeback receivables representing medical expenses charged to and paid directly by CSOH on behalf of the ACO's are offset against the capitation liability. The CSOH membership capitated to the ACO constituted approximately 34% and 35% of total CSOH membership in 2023 and 2022, respectively.

1.18 RECENT ACCOUNTING PRONOUNCEMENTS

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Statements* (Topic 326). The updated guidance amends the current other than-temporary impairment model for debt securities by requiring the recognition of impairments relating to credit losses through an allowance account and limits the amount of credit loss to the difference between a security's amortized cost basis and its fair value. This guidance also applies a new current expected credit loss model for determining credit-related impairments for financial instruments measured at amortized cost. ASU 2016-13 is effective for private companies for fiscal years beginning after December 15, 2022. The Company adopted ASU 2016-13 on January 1, 2023. The adoption did not have an impact on the Company's balance sheets, statements of operations, comprehensive income or cash flows. No other new accounting pronouncements recently issued or newly effective had or are expected to have a material impact on the Company's financial statements.

1.19 SUBSEQUENT EVENTS

The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the balance sheet date. For non-recognized subsequent events that must be disclosed to keep the consolidated financial statements from being misleading, the Company is required to disclose the nature of the event as well as an estimate of its financial effect, or a statement that such an estimate cannot be made.

Management has evaluated subsequent events through the issuance of these consolidated financial statements on March 28, 2024, and has determined that there have been no additional events or transactions that have occurred during this period that materially impacted the amounts or disclosures in the Company's consolidated financial statements.

(Dollars in Thousands)

2 INVESTMENTS

The amortized cost basis and fair value of the Company's investments in held-to-maturity debt securities are summarized as follows:

December 31, 2023	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governments	$ 7,721	$ 83	$ (137)	$ 7,667
Corporate bonds	127,590	—	(2,033)	125,557
Residential mortgage-backed	86,616	29	(10,361)	76,284
Commercial mortgage-backed	26,736	—	(3,254)	23,482
Collateralized debt obligations	63,732	10	(2,144)	61,598
Total held-to-maturity debt securities	$ 312,395	$ 122	$ (17,929)	$ 294,588

December 31, 2022	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governments	$ 221,539	$ 70	$ (238)	$ 221,371
Corporate bonds	156,210	—	(3,939)	152,271
Residential mortgage-backed	95,819	13	(13,160)	82,672
Commercial mortgage-backed	27,977	—	(3,620)	24,357
Collateralized debt obligations	45,911	21	(2,693)	43,239
Total held-to-maturity debt securities	$ 547,456	$ 104	$ (23,650)	$ 523,910

The cost basis and fair value of the Company's investments in available-for-sale debt securities are summarized as follows:

December 31, 2023	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governments	$ 210,993	$ 234	$ (1,258)	$ 209,969
Corporate bonds	937,241	2,300	(45,699)	893,842
Residential mortgage-backed	101,107	61	(12,251)	88,917
Commercial mortgage-backed	27,515	22	(1,729)	25,808
Collateralized debt obligations	173,322	871	(2,184)	172,009
Total available-for-sale debt securities	$ 1,450,178	$ 3,488	$ (63,121)	$ 1,390,545

(Dollars in Thousands)

December 31, 2022	Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Governments	$ 643,924	$ 36	$ (3,086)	$ 640,874
Corporate bonds	856,903	65	(70,456)	786,512
Residential mortgage-backed	100,530	—	(13,816)	86,714
Commercial mortgage-backed	26,724	—	(2,909)	23,815
Collateralized debt obligations	159,689	99	(4,003)	155,785
Total available-for-sale debt securities	**$ 1,787,770**	**$ 200**	**$ (94,270)**	**$ 1,693,700**

The following table shows gross unrealized losses and the fair values of investments in held-to-maturity and available-for-sale securities, aggregated by the length of time that individual securities have been in a continuous loss position.

	Less than 12 Months		12 Months or More		Total	
December 31, 2023	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Available-for-sale:						
Governments	$ 657	$ (1)	$ 57,708	$ (1,258)	$ 58,365	$ (1,259)
Corporate bonds	38,709	(456)	675,914	(45,243)	714,623	(45,699)
Mortgage-backed securities:						
Residential	4,904	(116)	73,417	(12,135)	78,321	(12,251)
Commercial	6,868	(7)	24,062	(1,728)	30,930	(1,735)
Collateralized debt	14,425	(79)	66,238	(2,098)	80,663	(2,177)
Total available-for-sale securities	$ 65,563	$ (659)	$ 897,339	$ (62,462)	$ 962,902	$ (63,121)
Held-to-maturity:						
Governments	1,499	(58)	3,644	(79)	5,143	(137)
Corporate bonds	1,335	(16)	93,021	(2,017)	94,356	(2,033)
Mortgage-backed securities:						
Residential	2,524	(37)	72,428	(10,324)	74,952	(10,361)
Commercial	—	—	23,482	(3,254)	23,482	(3,254)
Collateralized debt	192	(18)	19,131	(2,126)	19,323	(2,144)
Total held-to-maturity securities	$ 5,550	$ (129)	$ 211,706	$ (17,800)	$ 217,256	$ (17,929)
Total debt securities	$ 71,113	$ (788)	$ 1,109,045	$ (80,262)	$ 1,180,158	$ (81,050)

(Dollars in Thousands)

	Less than 12 Months		12 Months or More		Total	
December 31, 2022	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Available-for-sale:						
Governments	$ 403,953	$ (2,807)	$ 3,980	$ (279)	$ 407,933	$ (3,086)
Corporate bonds	488,147	(30,137)	289,119	(40,319)	777,266	(70,456)
Mortgage-backed securities:						
Residential	23,440	(1,815)	63,274	(12,001)	86,714	(13,816)
Commercial	53,746	(1,560)	12,364	(1,349)	66,110	(2,909)
Collateralized debt	61,855	(1,306)	43,674	(2,697)	105,529	(4,003)
Total available-for-sale securities	**$ 1,031,141**	**$ (37,625)**	**$ 412,411**	**$ (56,645)**	**$ 1,443,552**	**$ (94,270)**
Held-to-maturity:						
Governments	66,098	(28)	3,285	(210)	69,383	(238)
Corporate bonds	127,856	(3,939)	—	—	127,856	(3,939)
Mortgage-backed securities:						
Residential	25,426	(3,546)	55,269	(9,614)	80,695	(13,160)
Commercial	15,576	(2,052)	8,780	(1,568)	24,356	(3,620)
Collateralized debt	13,280	(970)	10,119	(1,723)	23,399	(2,693)
Total held-to-maturity securities	**$ 248,236**	**$ (10,535)**	**$ 77,453**	**$ (13,115)**	**$ 325,689**	**$ (23,650)**
Total debt securities	**$ 1,279,377**	**$ (48,160)**	**$ 489,864**	**$ (69,760)**	**$ 1,769,241**	**$ (117,920)**

Management regularly reviews the Company's debt securities for credit losses. If the fair value of any investment falls below its amortized cost basis or carrying amount, the decline in fair value is analyzed to determine whether or not it is subject to an allowance for credit losses. The decision to record an allowance for credit losses incorporates both quantitative criteria and qualitative information. The Company considers a number of factors including, but not limited to: (i) the extent to which the fair value is less than book value, (ii) the financial condition and near term prospects of the issuer, (iii) our intent and ability to retain impaired investments for a period of time sufficient to allow for any anticipated recovery in fair value, (iv) our intent to sell or the likelihood that the Company will need to sell a debt security before recovery of its amortized cost, (v) whether the debtor is current on interest and principal payments, (vi) the reasons for the decline in value (i.e., credit event compared to liquidity, general credit spread widening, currency exchange rate or interest rate factors) and (vii) general market conditions, and industry or sector specific factors. For securities that are deemed to be credit impaired, an allowance is recorded.

The Company has not recorded an allowance for credit losses as of December 31, 2023.

(Dollars in Thousands)

The Company had an other-than-temporary impairment of $714 as of December 31, 2022.

A summary of the amortized cost and fair value of the Company's investments in debt securities classified as held-to-maturity at December 31, 2023, by contractual maturity, was as follows:

	Amortized Cost	Fair Value
One Year or Less	$ 32,998	$ 32,446
After 1 Year through 5 Years	81,376	79,856
After 5 Years through 10 Years	20,937	20,922
After 10 Years	—	—
Mortgage and other loan-backed securities	177,084	161,364
Total	$ 312,395	$ 294,588

A summary of the amortized cost and fair value of the Company's investments in debt securities classified as available-for-sale at December 31, 2023, by contractual maturity, was as follows:

	Amortized Cost	Fair Value
One Year or Less	$ 302,266	$ 300,834
After 1 Year through 5 Years	646,947	622,620
After 5 Years through 10 Years	188,946	171,730
After 10 Years	10,075	8,627
Mortgage and other loan-backed securities	301,944	286,734
Total	$ 1,450,178	$ 1,390,545

Proceeds from maturities/redemptions in held-to-maturity debt securities during 2023 and 2022 were $318,767 and $613,399, respectively. Realized (losses) gains on the maturities/redemptions of held-to-maturity debt securities were ($33) and $511 in 2023 and 2022, respectively. There were no realized losses on the calls of held-to-maturity debt securities in 2023 or 2022.

Proceeds from maturities/redemptions in available-for-sale debt securities during 2023 and 2022 were $1,519,275 and $449,820, respectively. Realized gains on available-for-sale debt securities were $29 and $1 in 2023 and 2022, respectively. Realized losses on available-for-sale debt securities were $2,139 and $432 in 2023 and 2022, respectively.

Proceeds from sales of investments in equity securities during 2023 and 2022 were $16,435 and $15,316, respectively. Realized gains on the sale of equity securities during 2023 and 2022 were $22,073 and $4,350, respectively. Realized losses on the sale of equity securities during 2023 and 2022 were $9,891 and $47, respectively.

Realized losses on the sale of cash and cash equivalent securities during 2023 and 2022 were $26 and $0, respectively.

Interest income due and accrued was $14,532 and $12,809 at December 31, 2023 and 2022, respectively.

(Dollars in Thousands)

The portion of gains and losses for the year related to equity securities are as follows:

		2023	2022
Net unrealized gains (losses) recognized on equity securities	$	**13,001**	$ (37,487)
Net realized gains recognized on equity securities sold		**10,965**	4,303
Unrealized gains (losses) recognized on equity securities still held		**2,036**	(41,790)

On September 1, 2023, the Company entered into a joint venture with Health Alliance Plan (HAP) of Michigan and acquired a 40 percent ownership interest in HAP Empowered Holding LLC, which is the sole member of HAP CareSource. HAP CareSource is a licensed health maintenance organization offering both Medicaid and MI Health Link products in the state of Michigan. The investment in the joint venture is recorded using the equity method and is recorded in equity method investments in the accompanying consolidated balance sheets. The Company has a 40 percent membership percentage and percent profit and loss sharing percent. The consideration transferred for the acquisition of the Company's 40 percent ownership interest was $52,453, of which $36,549 is attributed to goodwill and is included in the goodwill and intangibles, net in the accompanying consolidated balance sheets.

Financial information of HAP Empowered Holding for the year ended December 31, 2023 is summarized below:

		2023
Total assets	$	103,926
Total liabilities		70,188
Members' equity		33,738
Net loss		(6,022)
Share of loss		(2,409)
Investment in joint venture		13,495

The Company provides services to HAP CareSource through an ASA. Fee revenue for the year ending December 31, 2023, of $10,363 related to the ASA in included in other revenue in the accompanying consolidated statements of operations. As of December 31, 2023, the Company has receivables from the joint venture of $9,614 related to the ASA and certain implementation related fees.

3 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company 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.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company's financial instruments 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. The Company's Level 1 assets and liabilities primarily include exchange-traded equity and open-end fund 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 the Company's best estimate of what hypothetical market participants would use to determine a transaction price for the asset or liability at the reporting date.

CS's management is responsible for the valuation process and uses data from outside sources (including nationally recognized pricing services and broker/dealers) in establishing fair value. Valuation techniques utilized by pricing services and prices obtained from external sources are reviewed by CS's internal investment professionals who are familiar with the securities being priced and the markets in which they trade to ensure the fair value determination is representative of an exit price. To validate the appropriateness of the prices obtained, these investment managers consider widely published indices (as benchmarks), recent trades, changes in interest rates, general economic conditions and the credit quality of the specific issuers. In addition, the Company communicates directly with the investment managers regarding the methods and assumptions used in pricing, including verifying, on a test basis, the inputs used by the service to value specific securities.

The following discussion describes the valuation on a recurring basis utilized by the Company for assets or liabilities 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.

(Dollars in Thousands)

Debt Securities

The fair values of actively traded debt securities are determined through the use of third-party pricing services that utilize inputs that are observable in the market or can be derived principally from or corroborated by observable market data.

Equity Securities

The fair values of exchange traded fund securities are based on quoted prices in active markets for identical assets.

Private Equity Securities

The fair values of common stocks are based on redemption values as provided by the issuer.

Cash and Cash Equivalents

The fair values of cash and cash equivalents are based on quoted market prices.

Assets measured at fair value on a recurring basis at December 31, 2023, are outlined below:

2023				
	Assets Measured	Fair Value Hierarchy Level		
Assets	at Fair Value	Level 1	Level 2	Level 3
Available-for-sale debt securities:				
Governments	$ 209,969	$ 128,993	$ 80,976	$ —
Corporate bonds	893,842	—	893,842	—
Residential mortgage-backed	88,917	—	88,917	—
Commercial mortgage-backed	25,808	—	25,808	—
Collateralized debt obligations	172,009	—	172,009	—
Total available-for-sale debt securities	1,390,545	128,993	1,261,552	—
Equity securities:				
Private equity securities	7,289	—	—	7,289
Fixed income	100,108	100,108	—	—
Small cap	44,900	44,900	—	—
Mid cap	74,706	74,706	—	—
Large cap	119,539	119,539	—	—
International	59,950	59,950	—	—
Total equity securities	406,492	399,203	—	7,289
Total securities	1,797,037	528,196	1,261,552	7,289
Cash and cash equivalents	1,753,912	1,753,912	—	—
Total assets	$ 3,550,949	$ 2,282,108	$ 1,261,552	$ 7,289

(Dollars in Thousands)

Assets measured at fair value on a recurring basis at December 31, 2022, are outlined below:

2022

Assets	Assets Measured at Fair Value	Fair Value Hierarchy Level		
		Level 1	Level 2	Level 3
Available-for-sale debt securities:				
Governments	$ 640,874	$ 519,551	$ 121,323	$ —
Corporate bonds	786,512		786,512	
Residential mortgage-backed	86,714	—	86,714	—
Commercial mortgage-backed	24,710	—	24,710	—
Collateralized debt obligations	154,890	—	154,890	—
Total available-for-sale debt securities	**1,693,700**	**519,551**	**1,174,149**	—
Equity securities:				
Private equity securities	9,300	—	—	9,300
Small cap	25,457	25,457	—	—
Mid cap	42,821	42,821	—	—
Large cap	69,192	69,192	—	—
International	33,838	33,838	—	—
Total equity securities	**180,608**	**171,308**	—	**9,300**
Total securities	**1,874,308**	**690,859**	**1,174,149**	**9,300**
Cash and cash equivalents	1,412,138	1,412,138	—	—
Total assets	**$ 3,286,446**	**$ 2,102,997**	**$ 1,174,149**	**$ 9,300**

The Company had no liabilities measured at fair value on a recurring basis as of December 31, 2023 or 2022.

Certain assets and liabilities are measured at fair value on a non-recurring basis as of December 31, 2023. Entities acquired are accounted for as a business combination under the acquisition method of accounting, and accordingly the assets acquired and liabilities assumed are recorded at fair value.

In addition to the preceding disclosures on assets recorded at fair value in the consolidated balance sheets, GAAP requires the disclosure of fair values for certain other financial instruments for which it is practicable to estimate fair value, whether or not such values are recognized in the consolidated balance sheets. Non-financial instruments such as property and equipment, net and certain financial instruments, such as health care policy reserves, are excluded from the fair value disclosures. Therefore, the fair value amounts cannot be aggregated to determine our underlying economic value. The carrying amounts for the remaining assets and liabilities reported in the consolidated balance sheets approximate fair value because of the short-term nature of these items. Equity method investments are carried at our share in the entities' undistributed earnings, which approximates fair value and are designated as Level 3.

Level 3 assets sold during 2023 and 2022 were $2,099 and $1,333, respectively. Level 3 assets purchased during 2023 and 2022 were $88 and $80, respectively. There have been no issues, settlements, gains, losses or transfers in or out of Level 3.

There were no transfers between any levels during 2023 and 2022.

(Dollars in Thousands)

4 PROPERTY AND EQUIPMENT, NET

Property and equipment at December 31, 2023 and 2022 is comprised as follows:

		2023		2022
Building	$	**117,825**	$	115,269
Equipment under finance lease		**39,948**		36,149
Computer software		**260,040**		230,216
Computer hardware		**40,628**		40,628
Land		**3,513**		3,513
Furniture and fixtures		**6,337**		5,704
Work-in-process		**10,225**		20,081
Leasehold improvements		**6,693**		7,672
Office equipment		**4,035**		4,313
Total		**489,244**		**463,545**
Less accumulated depreciation and amortization		**(313,098)**		(263,500)
Property and Equipment, Net	**$**	**176,146**	**$**	**200,045**

Depreciation and amortization expense related to property and equipment was $53,860 and $48,002 in 2023 and 2022, respectively. Losses recognized upon disposal of fixed assets were $31 and $2 in 2023 and 2022, respectively.

5 ADMINISTRATIVE SERVICES ONLY AGREEMENTS

CSOH holds a contract with the ODM to provide case management services for the Home and Community Based Services Waiver program. The structure of the program requires an entity to be qualified by the State of Ohio as an uninsured, administrative services only (ASO) plan. Once qualified as an ASO, the entity performs administrative services and only pays related expenses once reimbursed by the State of Ohio. ASO revenues of $30,991 and $29,564 during 2023 and 2022, respectively, are included within other revenue for the years ending December 31, 2023 and 2022, respectively, in the accompanying consolidated statements of operations.

As part of the MyCare demonstration, and in conjunction with the Company's Medicare Advantage plan and Dual Special Needs Program, the Company receives reinsurance and low-income cost subsidies that represent funding from Centers for Medicare & Medicaid Services (CMS) in connection with the Medicare Part D program, for which the Company assumes no risk. Reinsurance subsidies represent funding from CMS for its portion of prescription drug costs that exceed the member's out-of-pocket threshold, or the catastrophic coverage level. Low-income cost subsidies represent funding from CMS for all or a portion of the deductible, the coinsurance and co-payment amounts above the out-of-pocket threshold for low-income beneficiaries. Monthly prospective payments from CMS for reinsurance and low-income cost subsidies are based on assumptions submitted with the annual bid. A reconciliation and related settlement of CMS' prospective subsidies against actual prescription drug costs paid is made after the end of the year. The Company does not recognize premium revenue or medical expenses for these payments as these amounts represent pass-through payments from CMS to fund deductibles, co-payments and other member benefits. The Company recorded receivables from CMS of $35,194 and $48,053 as of December 31, 2023 and 2022, respectively, related to the low income subsidy and reinsurance components of administered Medicare products and are included within other receivables in the accompanying consolidated balance sheets.

6 AFFORDABLE CARE ACT PROVISIONS

All premiums received related to the sale of individual medical insurance products on the federally facilitated exchange are subject to the risk adjustment program, designed to more evenly spread the financial risk borne by issuers.

The Company's estimate of amounts receivable and/or payable under the risk adjustment program is based on our estimate of both our own and the state average risk scores. The Company recorded a risk adjustment payable to CMS of $126,921 and $156,935 during 2023 and 2022, respectively. The Company recorded a risk adjustment receivable of $0 as of December 31, 2023 and 2022. The Company expects to refine the estimates as new information becomes available, including additional data released by the Department of Health and Human Services, or HHS, regarding estimates of state average risk scores. CS recognized an increase in premiums in 2023 of $33,245 and a decrease in premiums in 2022 of $3,620 related to the settlement of prior year risk adjustment liabilities, due to the differences between the estimates accrued and final settlements from CMS.

7 EMPLOYEE BENEFIT PLAN

The Company has a qualified defined contribution plan under section 401(k) of the Internal Revenue Code, as permitted by the Employee Retirement Income Security Act, covering employees age 21 or older meeting certain eligibility requirements. The Company matches 100%, up to 6% of employee contributions. Benefit plan expense under this plan was $26,311 and $25,379 in 2023 and 2022, respectively.

In connection with the terms of deferred compensation agreements in place between CS, CareSource Management Services (CSMS), and certain senior executives, expense of $28,671 and $19,623 was recorded in 2023 and 2022, respectively. The ending balance of accruals related to senior executive deferred compensation agreements was $45,196 and $29,400 at December 31, 2023 and 2022, respectively, of which $9,428 and $5,666 respectively, was funded in separate accounts. All deferred compensation expense was based in part on Company performance and is at the discretion of the Company.

8 SELF-INSURANCE ACCRUALS

The Company is self-insured for employee medical and pharmaceutical programs. The Company had recorded liabilities totaling $10,011 and $6,830 at December 31, 2023 and 2022, respectively. These costs include an estimate for expected settlements on pending claims and an estimate for claims incurred but not reported. These estimates are based on the Company's assessment of outstanding claims, historical analysis, and current payment trends. The Company records an estimate for the claims incurred but not reported using an estimated lag period. The lag period assumptions have been consistently applied for the periods presented. The Company believes that these liabilities are adequate based on current facts and circumstances. Medical and pharmaceutical expense was $48,458 and $40,107 in 2023 and 2022, respectively, and is included in compensation and benefits in the accompanying consolidated statements of operations.

(Dollars in Thousands)

9 UNPAID CLAIMS AND CLAIMS ADJUSTMENT EXPENSE

Activity in the liabilities for unpaid claims and claims adjustment expense is summarized as follows:

	2023	2022
Balance January 1	**$ 1,329,120**	$ 1,179,437
Incurred Related to:		
Current Year	**9,593,156**	11,275,217
Prior Years	**(355,891)**	(245,877)
Total Incurred	**9,237,265**	11,029,340
Paid Related to:		
Current Year	**(8,315,955)**	(9,965,402)
Prior Years	**(916,873)**	(914,255)
Total Paid	**(9,232,828)**	(10,879,657)
Balance as of December 31	**$ 1,333,557**	**$ 1,329,120**

2023

The change in prior year incurred claims was the result of ongoing analysis of recent loss development trends. During 2023 original estimates were revised, as additional information became known regarding individual claims. The Company experienced favorable development of prior year claims reserves. This experience is primarily due to higher than historical health care cost trends assumed at December 31, 2022 that did not materialize, as well as healthcare receivables developing more favorably than originally estimated. The Company has considered the emerging experience in the development of current estimates.

2022

The change in prior year incurred claims was the result of ongoing analysis of recent loss development trends. During 2022 original estimates were revised, as additional information became known regarding individual claims. The Company experienced favorable development of prior year claims reserves. This experience is primarily due to higher than historical health care cost trends assumed at December 31, 2021 as a result of COVID-19 that did not materialize and estimates for anticipated coordination of benefits recoveries developing more favorably than originally estimated. The Company has considered the emerging experience in the development of current estimates.

(Dollars in Thousands)

The following tables provide information about incurred and paid claims development as of December 31, 2023, as well as cumulative claims frequency and the total of incurred but not paid (IBNP) claims liabilities.

	Incurred Claims and Allocated Claims Adjustment Expense				
Benefit Year	**2021 (Unaudited)**	**2022 (Unaudited)**	**2023**	**Total IBNP**	**Cumulative Number of Reported Claims**
2021 and prior	$ 11,366,786	$ 11,087,398	$ 11,086,743	$ 23,147	35,007,848
2022		11,275,217	10,919,981	33,209	35,120,630
2023			9,593,156	1,277,201	32,019,635
	$ 11,366,786	**$ 22,362,615**	**$ 31,599,880**	**$ 1,333,557**	

	Cumulative Paid Claims and Allocated Claims Adjustment Expense		
Benefit Year	**2021 (Unaudited)**	**2022 (Unaudited)**	**2023**
2021 and prior	$ 10,209,730	$ 11,068,093	$ 11,063,596
2022		9,965,402	10,886,772
2023			8,315,955
	$ 10,209,730	**$ 21,033,495**	**$ 30,266,323**

The following table represents a reconciliation of claims development to the aggregate carrying amount of the liability for unpaid claims:

		2023
Cumulative Incurred Claims and Allocated Claims Adjustment Expenses	$	31,599,880
Cumulative Paid Claims and Allocated Claims Adjustment Expenses		(30,266,323)
Unpaid Claims and Claims Adjustment Expenses	**$**	**1,333,557**

The incurred and paid claims development information for the year ended December 31, 2022 is presented as required unaudited supplementary information. The provided claims frequency amounts are not a precise tool for understanding utilization of medical services. Medical services could be impacted by a variety of factors including changes in provider billing practices, provider reimbursement arrangements, mixture of services, benefit design and processing systems. The cumulative number of reported claims has been provided to comply with FASB accounting standards and is not used by management in claims analysis. The cumulative number of reported claims may not be comparable to similar measures reported by other companies as there is no universal claims frequency metric.

Although considerable variability is inherent in such estimates, management believes that the reserves for unpaid claims and claims adjustment expense are adequate. The estimates are continually reviewed and adjusted as necessary as experience develops or new information becomes known.

10 LOANS PAYABLE

On March 27, 2018, CareSource Real Estate Holdings (CSRH) entered into three Credit Tenant Loan (CTL Financing) agreements by mortgaging three properties. The CTL Financing evidenced by three Senior Secured Notes (Notes) made by CSRH payable to Wells Fargo Bank Northwest, N.A. (Wells Fargo), as Trustee. The Notes were issued and sold to Wells Fargo pursuant to a Note Purchase Agreement between CSRH and Wells Fargo. The Notes are for a 26 year term with an effective interest rate of 4.84%. In addition, three separate lease agreements were entered into between CSRH, as landlord, and CS, as tenant and rents due serve as collateral for the CTL Financing, in addition to the buildings. CSRH uses the rents paid by CS under the leases to make debt services payments due under the Notes.

On June 26, 2020, the Company entered into an amended and restated credit agreement (Credit Agreement) with Fifth Third Bank for a 364 day unsecured revolving line of credit facility (Revolver) and a three and one-half year term loan (Term Loan). The Credit Agreement consists of a Revolver totaling $50,000 and the Term Loan with a principal of $100,000. Effective June 23, 2021, the Company executed the first amendment to the Credit Agreement which extended the expiration of the Revolver to December 31, 2023. The Company was obligated to pay a leverage-based commitment fee calculated on the unused portion of the Revolver. The Credit Agreement includes certain covenants, including a leverage ratio requirement, a risk based capital (RBC) requirement of 250% for CSOH, CareSource Georgia (CSGA), CareSource Indiana (CSIN), and also the aggregate calculation of all statutory subsidiaries of the Company, and a fixed charge coverage ratio. Effective December 28, 2022, the Company executed the second amendment to the Credit Agreement which changed the basis for the term loan interest rate from the London Interbank Offered Rate (LIBOR) to the Secured Overnight Financing Rate (SOFR). Minimum principal payments on the Term Loan were $2,500, paid quarterly, with a final principal payment of $67,500 due December 29, 2023. The interest rate on the term loan and any revolver loans is based on Term SOFR, with a 0.0% Term SOFR floor, plus 0.06%, plus a leverage-based spread. The Company's outstanding balance on the Term Loan was $75,000 at December 31, 2022. There was no balance outstanding on the Revolver at December 31, 2022. The Company paid off in full the remaining balance of the Term Loan in August 2023.

On August 7, 2023, the Company terminated the Credit Agreement with Fifth Third Bank and entered into a 5-year credit facility agreement with Fifth Third, Key Bank National Association, and The Huntington National Bank for a $250,000 syndicated senior unsecured revolving credit facility (Revolver Credit Facility). The Company is obligated to pay a leverage-based commitment fee calculated on the unused portion of the Revolver Credit Facility. The Revolver Credit Facility includes certain covenants, including a leverage ratio requirement, a RBC requirement of 250% for CSOH, CSGA, CSIN, and also the aggregate calculation of all statutory subsidiaries of the Company, and a fixed charge coverage ratio. The Company had no outstanding balance on the Revolver Credit Facility and was in compliance with all covenants at December 31, 2023.

(Dollars in Thousands)

Loans payable at December 31, 2023 consists of the following:

		2023
CTL Loan due to Wells Fargo in 2044, monthly amount due is currently $1,077, escalates annually and includes interest	$	182,078
Total debt	**$**	**182,078**

Total interest paid on the loans payable obligations for 2023 and 2022 was $12,349 and $13,387, respectively.

Following is a summary of payments on all borrowings for each of the next five years from the latest balance sheet as of December 31, 2023:

		Payments
2024	$	4,301
2025		4,648
2026		5,012
2027		5,396
2028		5,801
2029 and beyond		156,920
Total	**$**	**182,078**

11 STATUTORY REQUIREMENTS

In accordance with the National Association of Insurance Commissioners (NAIC) policies and procedures, each health maintenance organization is subject to RBC requirements. RBC is a method developed by the NAIC to determine the amount of statutory capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. Below minimum RBC requirements are classified within certain levels, each of which requires specified corrective action. As of December 31, 2023 and 2022, all of our insurance subsidiaries exceeded the minimum applicable mandatory RBC requirements and/or capital and solvency requirements of their applicable governmental regulator and no action was required.

The payment of dividends to us by our insurance subsidiaries without prior approval of the insurance departments of each subsidiary's domiciliary jurisdiction is limited by formula. Dividends in excess of these amounts are subject to prior approval or notification, by the respective state insurance departments. During 2023 and 2022, respectively, CS received capital distributions of $1,233,566 and $307,526, including certain distributions which required prior approval from our regulatory authorities.

The statutory RBC necessary to satisfy regulatory requirements of our statutory-basis insurance subsidiaries was $616,094 and $795,317 as of December 31, 2023 and 2022, respectively. Statutory-basis capital and surplus of our insurance subsidiaries was $1,303,144 and $1,847,789 as of December 31, 2023 and 2022, respectively.

(Dollars in Thousands)

12 GOODWILL AND OTHER INTANGIBLE ASSETS

The following table represents goodwill and intangible assets as of December 31:

2023

	Useful life	Gross amount	Accumulated amortization	Net amount
Goodwill	**10 years**	**$ 155,861**	**$ 26,526**	**$ 129,335**
Trade name	**20 years**	**14,774**	**1,521**	**13,253**
Totals		**$ 170,635**	**$ 28,047**	**$ 142,588**

2022

	Useful life	Gross amount	Accumulated amortization	Net amount
Goodwill	10 years	$ 119,312	$ 13,376	$ 105,936
Trade name	20 years	14,774	829	13,945
Totals		$ 134,086	$ 14,205	$ **119,881**

Amortization of goodwill and intangible assets during 2023 and 2022 was $13,842 and $12,665, respectively.

The estimated aggregate intangible amortization expense, including goodwill, for each of the next five years and thereafter is as follows:

2024	$ 16,325
2025	16,325
2026	16,325
2027	16,325
2028	16,325
2029 and thereafter	60,963
Total	**$ 142,588**

(Dollars in Thousands)

13 LEASES

The Company leases office space, computer equipment, and data storage using noncancelable operation leases. All operating leases recorded as of December 31, 2023, have lease terms of 1 year to 7 years remaining.

The Company's operating leases are recorded on the balance sheet as follows.

Operating Leases	Consolidated Balance Sheet Location	2023	2022
Operating right-of-use assets	Other assets	$ 15,791	$ 13,856
Operating lease liability	Accrued and other liabilities	15,861	13,984

For the years ended December 31, 2023 and 2022, the Company recorded operating and finance lease expenses as follows.

	2023	2022
Operating lease expense	$ 6,526	$ 6,518
Finance lease expense	6,460	5,704
Total lease expense	**$ 12,986**	**$ 12,222**

Operating cash paid for amounts included in the measurement of the operating lease liabilities was $6,471 and $6,526 in 2023 and 2022, respectively. ROU assets obtained in exchange for new operating lease liabilities in 2023 and 2022 were $8,345 and $3,279, respectively. The weighted average remaining operating lease term was 3.58 years and the weighted average discount rate was 3.27% in 2023. The weighted average remaining finance lease term was 2 years and the weighted average discount rate was 5.80% in 2023. The weighted average remaining operating lease term was 3.25 years and the weighted average discount rate was 1.58% in 2022. The weighted average remaining finance lease term was 2 years and the weighted average discount rate was 4.06% in 2022.

(Dollars in Thousands)

Future lease payments for operating and finance leases with initial or remaining non-cancelable terms of one year or more as of December 31, 2023 are as follows:

	Operating Leases	Finance Leases
2024	$ 5,992	$ 4,147
2025	4,101	2,530
2026	3,920	1,348
2027	2,055	4
2028	230	—
2029 and beyond	435	—
Total future minimum lease payments	**16,733**	**8,029**
Imputed interest	(872)	(514)
Total present value of lease payments	**$ 15,861**	**$ 7,515**

14 RISKS AND UNCERTAINTIES

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, the Company is involved in legal actions in the ordinary course of business, some of which seek monetary damages that are not covered by insurance. The outcome of such legal actions is inherently uncertain. Nevertheless, the Company believes that these actions, when finally concluded and determined, are not likely to have a material adverse effect on its consolidated financial position, results of operations, or cash flows.

Supplementary Information

CareSource
Consolidating Balance Sheet
(Dollars in Thousands)
December 31, 2023

	CareSource*	CareSource Holding LLC**	CareSource Ohio	CareSource Indiana	CareSource Kentucky	CareSource Georgia	CareSource West Virginia	CareSource Reinsurance LLC	CareSource Reinsurance II LLC	Elimination Adjustments	Consolidated
Assets											
Cash, cash equivalents and restricted cash	$ 986,341	$ 106,187	$ 283,153	$ 154,745	$ 30,770	$ 121,001	$ 39,080	$ 31,224	$ 1,411	$ —	$ 1,753,912
Investments	701,829	26,847	974,970	254,337	25,283	113,067	26,446	148	—	—	2,122,927
Receivables:											
Health care	—	16,084	913,178	52,188	6,713	299,586	2,972	—	409	(79,362)	1,211,768
Other	4,997	13,493	47,481	2,510	287	15,282	127	162	—	—	84,339
Reinsurance funds withheld	—	65	—	—	—	—	—	151,188	12,187	(12,187)	151,253
Prepaid expenses and other assets	51,313	62,218	8,178	76	—	161	—	10	234	(1,100)	121,090
Investment in subsidiaries	1,588,936	—	—	—	—	—	—	—	—	(1,588,936)	—
Property and equipment, net	91,777	84,369	—	—	—	—	—	—	—	—	176,146
Goodwill and other intangibles, net	35,331	107,257	—	—	—	—	—	—	—	—	142,588
Due from related parties	199,669	65,343	—	—	—	—	—	—	—	(255,398)	9,614
Total assets	$ 3,660,193	$ 481,863	$ 2,226,960	$ 463,856	$ 63,053	$ 549,097	$ 68,625	$ 182,732	$ 14,241	$ (1,936,983)	$ 5,773,637
Liabilities and net assets											
Liabilities:											
Unpaid claims	4,173	10,898	966,156	125,879	20,678	175,292	17,242	70,014	10,162	(80,101)	1,320,393
Unpaid claims adjustment expense	—	11	8,748	1,218	200	1,946	202	700	139	—	13,164
Premiums received in advance	—	6,309	10,999	68,730	4,220	2,175	505	—	—	—	92,938
Accrued and other liabilities	9,965	283,993	7,977	1,896	678	34,283	249	42	62	(12,537)	326,608
Health care policy reserves	—	1,326	249,845	93,900	5,218	116,492	37,768	—	—	—	504,549
Premium tax payable	—	563	121,803	—	—	—	—	100	91	—	122,557
Accounts payable	425	76,448	8,977	5,502	2,314	3,101	101	—	—	(15)	96,853
Loans payable	182,078	—	—	—	—	—	—	—	—	—	182,078
Obligations under finance leases	—	7,515	—	—	—	—	—	—	—	—	7,515
Due to related parties	198,312	896	32,702	5,935	1,036	14,345	1,061	38	1,073	(255,398)	—
Total liabilities	$ 394,953	$ 387,959	$ 1,407,207	$ 303,060	$ 34,344	$ 347,634	$ 57,128	$ 70,894	$ 11,527	$ (348,051)	$ 2,666,655
Net assets:											
Retained earnings	3,324,873	92,911	879,935	161,599	28,688	202,268	11,466	111,838	2,714	(1,650,657)	3,165,635
Accumulated other comprehensive income (loss)	(59,633)	13	(60,182)	(803)	21	(805)	31	—	—	61,725	(59,633)
Non-controlling interests	—	980	—	—	—	—	—	—	—	—	980
Total net assets	3,265,240	93,904	819,753	160,796	28,709	201,463	11,497	111,838	2,714	(1,588,932)	3,106,982
Total liabilities and net assets	$ 3,660,193	$ 481,863	$ 2,226,960	$ 463,856	$ 63,053	$ 549,097	$ 68,625	$ 182,732	$ 14,241	$ (1,936,983)	$ 5,773,637

* CareSource balances include the accounts of non health plans.

** CareSource Holding LLC and subsidiaries.

All significant intercompany balances have been eliminated in consolidation.

CareSource
Consolidating Statement of Operations
(Dollars in Thousands)
December 31, 2023

	CareSource*	CareSource Holding LLC**	CareSource Ohio	CareSource Indiana	CareSource Kentucky	CareSource Georgia	CareSource West Virginia	CareSource Reinsurance, LLC	CareSource Reinsurance II LLC	Elimination Adjustments	Consolidated
Revenues											
Net premium income	$ —	$ 3,457	$ 8,448,835	$ 1,200,967	$ 185,900	$ 1,593,071	$ 100,579	$ 136,308	$ 71,400	$ (222)	$ 11,740,295
Other	22,758	1,197,190	—	—	—	—	—	—	—	(1,136,710)	83,238
Total revenues	22,758	1,200,647	8,448,835	1,200,967	185,900	1,593,071	100,579	136,308	71,400	(1,136,932)	11,823,533
Expenses											
Medical expenses:											
Medical expenses	—	57,228	6,591,393	951,326	159,268	1,274,145	79,223	64,111	59,674	(4)	9,236,364
Total medical expenses	—	57,228	6,591,393	951,326	159,268	1,274,145	79,223	64,111	59,674	(4)	9,236,364
Administrative expenses:											
Compensation and benefits	1,782	772,334	—	—	—	—	—	—	—	(1,242)	772,874
Professional and temporary services	429	236,753	89,580	7,493	1,133	11,283	361	2,844	345	(1,089)	349,132
Depreciation and amortization	5,992	61,710	—	—	—	—	—	—	—	—	67,702
Interest expense	10,813	702	—	3,894	—	11,056	679	—	—	(15,922)	11,222
Other general and administrative expenses	21,544	247,562	1,302,197	150,061	24,358	184,819	16,158	201	8,710	(1,147,765)	807,845
Total administrative expenses	40,560	1,319,061	1,391,777	161,448	25,491	207,158	17,198	3,045	9,055	(1,166,018)	2,008,775
Total expenses	40,560	1,376,289	7,983,170	1,112,774	184,759	1,481,303	96,421	67,156	68,729	(1,166,022)	11,245,139
Net investment income and realized gains (losses):											
Net investment income	53,515	10,454	67,292	17,802	2,389	15,470	2,743	4,989	288	(209)	174,733
Net realized gains (losses)	1,614	—	8,916	(327)	—	(188)	(2)	—	—	—	10,013
Net loss from equity method investments	(2,409)	—	—	—	—	—	—	—	—	—	(2,409)
Total net investment income and realized gains	52,720	10,454	76,208	17,475	2,389	15,282	2,741	4,989	288	(209)	182,337
Interest in earnings of subsidiaries	683,946	—	—	—	—	—	—	—	—	(683,946)	—
Other income (expense)	31,250	1,658	437	—	—	—	—	—	(1,015)	(28,878)	3,452
Income (loss) before income taxes	750,114	(163,530)	542,310	105,668	3,530	127,050	6,899	74,141	1,944	(683,943)	764,183
Income tax expense	—	(2,728)	—	—	—	—	—	—	(99)	—	(2,827)
Net income (loss)	$ 750,114	$ (166,258)	$ 542,310	$ 105,668	$ 3,530	$ 127,050	$ 6,899	$ 74,141	$ 1,845	$ (683,943)	$ 761,356

* CareSource balances include the accounts of non health plans.
** CareSource Holding LLC and subsidiaries.
All significant intercompany balances have been eliminated in consolidation.

CareSource Holding LLC
Consolidating Balance Sheet
(Dollars in Thousands)
December 31, 2023

	CareSource Holding LLC*	CareSource Management Services LLC	CareSource PASSE LLC	The Columbus Organization	CareSource North Carolina	Gem City Reinsurance	Elimination Adjustments	Consolidated
Assets								
Cash, cash equivalents and restricted cash	$ 48,814	$ 20,497	$ 8,356	$ 17,537	$ 8,986	$ 1,997	$ —	$ 106,187
Investments	1,278	9,918	15,651	—	—	—	—	26,847
Receivables:								
Health care	—	—	16,037	—	85	—	(38)	16,084
Other	2,858	4,328	56	8,759	3	—	(2,511)	13,493
Reinsurance funds withheld	—	—	—	—	—	65	—	65
Prepaid expenses and other assets	16	61,075	—	1,055	72	—	—	62,218
Investment in subsidiaries	121,745	—	—	—	—	1,519	(123,264)	—
Property and equipment, net	—	83,884	—	485	—	—	—	84,369
Goodwill and other intangibles, net	—	—	—	107,257	—	—	—	107,257
Due from related parties	6,846	64,740	1,015	125	—	—	(7,383)	65,343
Total assets	$ 181,557	$ 244,442	$ 41,115	$ 135,218	$ 9,146	$ 3,581	$ (133,196)	$ 481,863
Liabilities and net assets								
Liabilities:								
Unpaid claims	—	—	10,162	—	736	49	(49)	$ 10,898
Unpaid claims adjustment expense	—	—	—	—	11	—	—	11
Premiums received in advance	—	—	6,199	—	110	—	—	6,309
Accrued and other liabilities	7	267,175	14,276	4,999	22	25	(2,511)	283,993
Health care policy reserves	—	—	—	—	1,326	—	—	1,326
Premium tax payable	—	67	454	—	34	8	—	563
Accounts payable	—	75,202	27	1,216	3	—	—	76,448
Loans payable	—	—	—	—	—	—	—	—
Obligations under finance leases	—	7,515	—	—	—	—	—	7,515
Due to related parties	1,986	—	1,661	—	4,620	12	(7,383)	896
Total liabilities	$ 1,993	$ 349,959	$ 32,779	$ 6,215	$ 6,862	$ 94	$ (9,943)	$ 387,959
Net assets:								
Retained earnings	178,570	(105,518)	$ 8,324	129,003	2,284	3,487	(123,239)	92,911
Accumulated other comprehensive income	14	1	$ 12	—	—	—	(14)	13
Non-controlling interests	980	—	—	—	—	—	—	980
Total net assets	179,564	(105,517)	8,336	129,003	2,284	3,487	(123,253)	93,904
Total liabilities and net assets	$ 181,557	$ 244,442	$ 41,115	$ 135,218	$ 9,146	$ 3,581	$ (133,196)	$ 481,863

* CareSource Holding LLC balances include the accounts of other non health plans.

All significant intercompany balances have been eliminated in consolidation.

CareSource Holding LLC
Consolidating Statement of Operations
(Dollars in Thousands)
December 31, 2023

	CareSource Holding LLC*	CareSource Management Services LLC	CareSource PASSE LLC	The Columbus Organization	CareSource North Carolina	Gem City Reinsurance	Elimination Adjustments	Consolidated
Revenues								
Net premium income	$ —	$ —	$ 1,719	$ —	$ 1,673	$ 65	$ —	$ 3,457
Other	—	1,131,417	—	74,541	—	—	(8,768)	1,197,190
Total revenues	—	1,131,417	1,719	74,541	1,673	65	(8,768)	1,200,647
Expenses								
Medical expenses:								
Medical expenses	—	—	—	57,144	135	49	(100)	57,228
Total medical expenses	—	—	—	57,144	135	49	(100)	57,228
Administrative expenses:								
Compensation and benefits	—	764,921	—	7,081	—	—	332	772,334
Professional and temporary services	(59)	235,298	171	1,426	68	100	(251)	236,753
Depreciation and amortization	—	48,665	—	13,045	—	—	—	61,710
Interest expense	179	408	322	—	453	—	(660)	702
Other general and administrative expenses	(24)	253,306	1,720	948	358	14	(8,760)	247,562
Total administrative expenses	96	1,302,598	2,213	22,500	879	114	(9,339)	1,319,061
Total expenses	96	1,302,598	2,213	79,644	1,014	163	(9,439)	1,376,289
Net investment income and realized gains (losses):								
Net investment income	2,242	6,237	1,180	438	328	29	—	10,454
Total net investment income and realized gains	2,242	6,237	1,180	438	328	29	—	10,454
Interest in earnings (losses) of subsidiaries	(342,451)	—	—	—	—	19	342,432	—
Other income	660	643	1,015	—	—	—	(660)	1,658
Income (loss) before income taxes	(339,645)	(164,301)	1,701	(4,665)	987	(50)	342,443	(163,530)
Income tax expense	(867)	(1)	(345)	(1,482)	(28)	(5)	—	(2,728)
Net income (loss)	$ (340,512)	$ (164,302)	$ 1,356	$ (6,147)	$ 959	$ (55)	$ (342,443)	$ (166,258)

* CareSource Holding LLC balances include the accounts of other non health plans.

All significant intercompany balances have been eliminated in consolidation.