Final

Report on the

Medical Loss Ratio Examination

of

Cigna HealthCare of Colorado, Inc.
(Denver, CO)

for the

2014 MLR Reporting Year

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information & Insurance Oversight
200 Independence Avenue SW
Washington, D.C. 20201

OVERSIGHT GROUP

May 3, 2021

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Cigna HealthCare of Colorado, Inc., (the Company) for the 2014 reporting year, including 2014, 2013, and 2012 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

Christina A. Whitefield, Director
Medical Loss Ratio Division
Oversight Group
Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

Table of Contents

I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2014 Medical Loss Ratio (MLR) Annual Reporting Form for Cigna HealthCare of Colorado, Inc., (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2014 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158, and which impact consumer rebates.

We direct the Company to implement corrective actions to comply with various sections of 45 CFR Part 158. The Company must obtain adequate documentation to accurately determine the group size and market classification of policies, properly report incurred claims only for policies issued by the Company, properly report prescription drug rebates attributable to its enrollees, and ensure quality improvement activity (QIA) expenses meet the regulatory definition and sufficient documentation exists supporting such determinations. Additionally, the Company must revise and resubmit its MLR Annual Reporting Form for 2014, and disburse any resulting rebates (to the extent not already disbursed[1]) within sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Due to the lack of adequate documentation supporting group size and market classification, as well as inadequate documentation supporting the Company's QIA expenses, we cannot, at this time, conclusively assess the impact of the examination findings on the Company's MLRs or whether there would be an additional impact on its rebate liability in any of the markets in which it operated. Based on the findings that could be quantified, the recalculation reduced the MLR in the large group market by an estimated 3.0 percentage points and increased the rebate liability for the 2014 reporting year by an estimated $238,474. In the individual and small group markets, the recalculated MLRs continued to be presumed to meet or exceed the MLR standard of 80% and thus did not impact the rebate liability in those states.

II. Scope of Examination

CCIIO examined the Company's 2014 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (PPACA), generally requires health insurance issuers to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The federal MLR is the proportion of earned premium, less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the MLR

[1] In January 2021, the Company informed CCIIO that as a result of a financial examination conducted by the Connecticut Department of Insurance, it paid a portion of the additional rebates, with interest, that related to one of the findings of this examination.

standard (generally, 80% in the individual and small group markets and 85% in the large group market).

This is the first examination of the Company's MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2012 through December 31, 2014, including 2012, 2013, and 2014 experience and claims run-out through March 31, 2015. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company's response to each finding appears after the finding in the Conclusion, Corrective Actions, Company Responses, and CCIIO Replies section of this Report. The Company's implementation of the corrective actions was not reviewed for proof of implementation or subjected to the procedures applied during the examination. CCIIO's replies are based solely on a review of the Company's responses. CCIIO reserves the right to review the actual implementation of the Company's corrective action and proposed action plan for each finding in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

III. Summary of Findings

Page	Key Findings
7	**Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders** – The Company did not obtain the average number of employees from each group policyholder at the time of initial application or policy renewal and therefore may not have correctly determined each group's size and market classification.
7, 9	**Failure to maintain adequate documentation as required by §158.502** – The Company did not maintain the documents and other records necessary to enable CCIIO to verify how it determined each group policyholder's size. Furthermore, the Company did not provide sufficient evidence necessary to enable CCIIO to verify that the expenses reported as QIA met the definitions set forth in §158.150 and that various expenses reported as QIA were allocated in accordance with §158.170. Consequently, it was determined that the Company overstated QIA expenses by $12 in the individual market, $142 in the small group market, and $30,934 in the large group market.
7	**Failure to properly report incurred claims, as required by §158.140** – The Company improperly included claims associated with policies issued by its affiliates. As a result, incurred claims were overstated by $2,425 in the small group market and $299,284 in the large group market.

Page	Key Findings
8	**Failure to properly report and accurately allocate prescription drug rebates, as required by §158.140 and §158.170 –** The Company failed to properly report and subtract from incurred claims its share of the prescription drug rebates that were attributable to the Company's enrollees but were retained by its affiliate. As a result, incurred claims were overstated by $31,900 in the individual market, by $21,845 in the small group market and by $457,369 in the large group market. In addition, the Company incorrectly reported negative pharmaceutical rebates of ($68) in the individual market, ($29) in the small group market, and ($4,943) in the large group market on the informational-only Part 1, Line 2.3 of the 2014 MLR Annual Reporting Form.

Due to the lack of accurate documentation supporting group size and market classification, as well as lack of documentation supporting the Company's QIA expenses, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company's MLRs. To the extent the findings could be quantified, they resulted in a net decrease of the Company's reported MLR in the large group market, and a corresponding increase in rebate liability of $238,474. In the individual and small group markets, the Company reported fewer than 1,000 life-years during the three-year aggregation period and is therefore presumed to meet or exceed the applicable MLR standard, in accordance with §158.230(d).

The following tables show the three-year aggregated numerator, denominator, credibility-adjusted MLR, and rebate liability for 2014. The amounts in the "As Recalculated" rows reflect the adjustments made as a result of removing QIA expenses for which sufficient documentation was not provided, and correcting the incorrectly reported incurred claims. As noted above, the recalculated values only include adjustments for findings where sufficient information was available to quantify the amount of the misstatement.

Recalculated MLRs and Rebates for the Individual, Small Group, and Large Group Markets for the 2014 Reporting Year

Individual Market

	Numerator	Denominator	MLR	Rebate
As Filed	$488,907	$404,893	80%	$0
As Recalculated	$457,007	$404,893	80%	$0
Difference	($31,900)	$0	0%	$0

Small Group Market

	Numerator	Denominator	MLR	Rebate
As Filed	$2,419,869	$2,697,139	80%	$0
As Recalculated	$2,395,457	$2,697,139	80%	$0
Difference	($24,412)	$0	0%	$0

Large Group Market

	Numerator	Denominator	MLR	Rebate
As Filed	$21,250,061	$26,712,350	79.6%	$429,254
As Recalculated	$20,462,474	$26,712,350	76.6%	$667,728
Difference	($787,587)	$0	(3.0%)	$238,474

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurer domiciled in the state of Colorado. The Company sells Consumer Directed Health Care and traditional Health Maintenance Organization (HMO) health insurance plans in the individual, small group, and large group markets in Colorado.

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, and large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2014, the Company reported a total of 1,449 covered lives and $8,177,255 in direct earned premium. The Company did not write any policies that were not subject to the MLR reporting and rebate requirements.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2014 were:

Officers

Name	Title
Kim Bimestefer	President
Scott R. Lambert	Vice President & Treasurer
Edward P. Potanka	Secretary
Michael T. Crompton	Vice President

Directors

Name
Nancy Allen
Kim Bimestefer
Dean L. Grohskopf
Mark Laitos

Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2014 MLR Annual Reporting Form were:

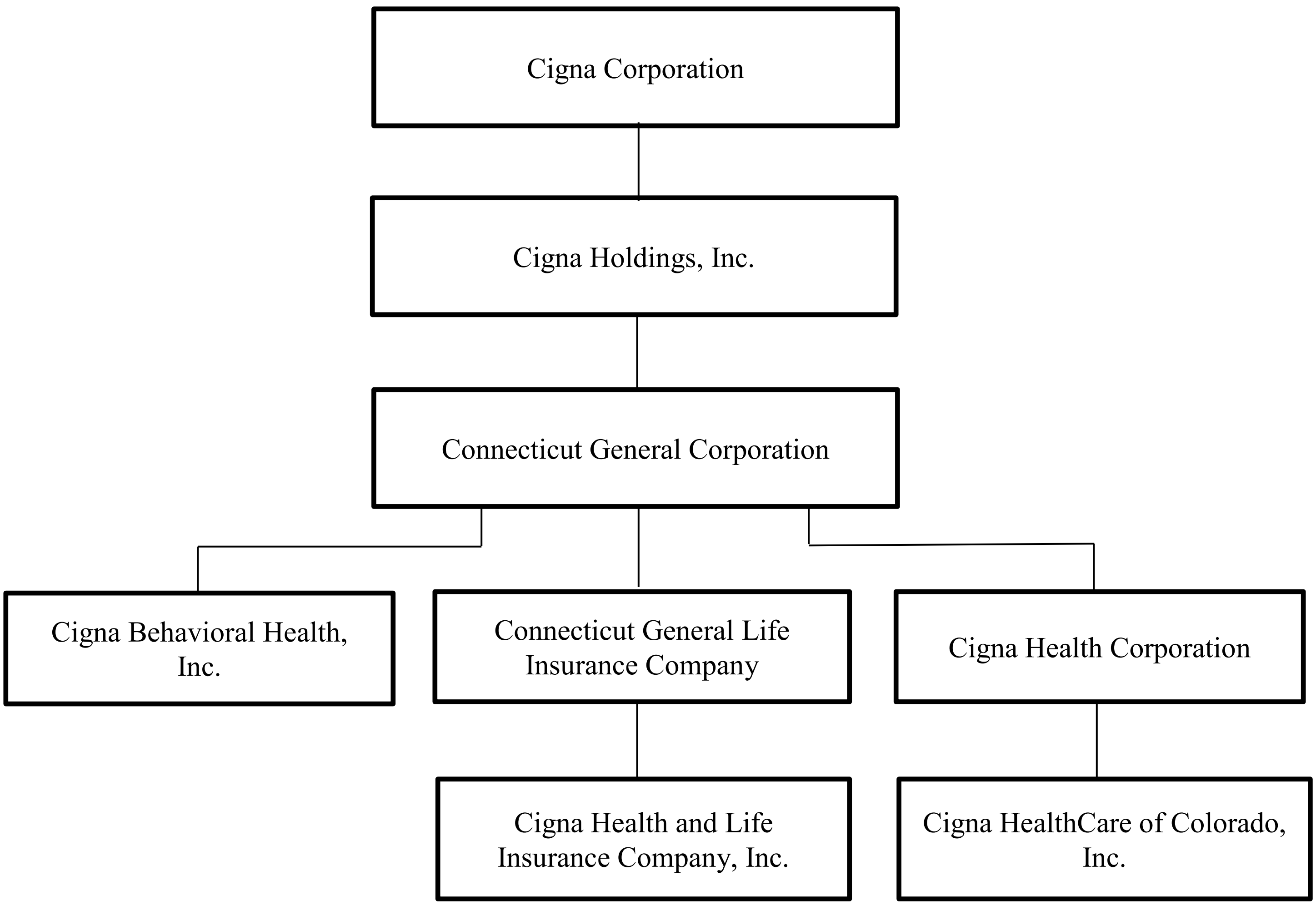
Name	Title
Michael T. Crompton	CEO Attester

Name	**Title**
Scott R. Lambert	CFO Attester

C. Ownership

The Company is a member of an insurance holding group system.

Cigna HealthCare of Colorado, Inc.
Organizational Chart[2] as of December 31, 2014



D. Agreements

As of December 31, 2014, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Management Services Agreement with Cigna Health Corporation and its subsidiaries.

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[2] This is an excerpt from the organization chart provided by the Company and includes only those entities whose relationship to the Company impacted the MLR examination.

2. A Consolidated Federal Income Tax Agreement between Cigna Corporation and its subsidiaries.

E. Reinsurance

During 2012, 2013, and 2014, the Company had a stop loss reinsurance agreement in place with affiliated companies Connecticut General Life Insurance Company (CGLIC), Cigna Health and Life Insurance Company (CHLIC), and other affiliates. The experience reported on the Company's 2014 MLR Annual Reporting Form was not required to and did not include the impact of any experience from reinsurance.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 900 Cottage Grove Road, Bloomfield, CT 06002. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted herein, the Company was not in compliance with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with the regulation. Specifically, the Company did not obtain accurate information or maintain documentation regarding the employee count of group policyholders, which is necessary to determine group size and market classification. In addition, the Company did not maintain documentation supporting the QIA expenses reported on its MLR Annual Reporting Form for 2012, 2013, and 2014.

VI. Examination Results

The Company's 2012, 2013, and 2014 MLR Annual Reporting Forms were filed by or before the required due date, but were not filed in the manner prescribed by the Secretary, as further described below.

For the 2014 MLR reporting year, the Company reported fewer than 1,000 life-years during the three-year aggregation period in the individual and small group markets and therefore is presumed to meet or exceed the MLR standards in those markets in accordance with §158.230(d). In the large group market, the Company reported that it did not meet the MLR standard and was required to and did pay $429,254 in rebates.

Based on the errors found during the examination that could be quantified, MLRs for the 2014 reporting year were recalculated and resulted in an estimated additional rebate liability of $238,474 in the large group market. Due to the lack of accurate documentation supporting group size and market classification determinations, as well as inadequate documentation supporting the Company's QIA expenses, we cannot, at this time, conclusively assess whether there were additional errors that could impact the Company's MLRs and corresponding rebates.

A. MLR Data

Market Classification

Incorrect Procedures for Determining Group Size and Market Classification
The Company adopted policies and procedures for determining group size and market classification that are inconsistent with the definitions in §158.103 applicable to the 2012-2014 reporting years. Section 158.103 employs the applicable definitions of Large Employer, Large Group Market, Small Employer, and Small Group Market in section 2791 (e) of the PHS Act. Section 2791(e) of the PHS Act requires that small and large group market classifications be based on the *average number of employees on the business days of the calendar year preceding the coverage effective date*. The Company did not obtain the necessary information from group policyholders to determine employer size in accordance with this definition, and therefore may have incorrectly determined the market classification for group policies in the period covered by this examination.

The documentation available to the examiners consisted of enrolled subscriber counts or the average number of total employees, which in some instances were related to periods prior to the preceding calendar year. The Company provided a detailed schedule of the total number of employees for each policy selected for testing during the examination. However, the Company could not provide supporting documentation (e.g., copies of policy applications, periodic surveys, etc.), which the Company indicated it used to create the schedule provided to the examiners. Therefore, based on the available documentation, the examiners could not confirm whether the Company correctly determined group size, and consequently the market classification, of its policies since it based its determinations on the number of employees at the time of either the initial policy application or policy renewal. However, and despite the fact that the Company employed standards that were inconsistent with the definitions in §158.103, the policies tested during the examination were assigned to the correct market classification based on the (possibly incorrect) information the Company obtained from the group policyholders.

The precise impact of the failure to accurately determine group size and market classification cannot be conclusively determined due to the Company's lack of adequate documentation necessary to support its determinations.

Aggregation

Other than the possibly incorrect group size and market classification determinations noted above, based on procedures performed, nothing additional came to our attention that would indicate that the samples of policies, claims, and other items tested during the examination were not correctly assigned to the appropriate markets and lines of business, in accordance with §158.120.

Incurred Claims

Improper Inclusion of Claims for Policies Not Issued by the Company
In the incurred claims reported on its 2014 MLR Annual Reporting Form, the Company improperly included claims payments made for enrollees who were not insured by the Company

but who were insured by affiliates of the Company. The Company, along with various Cigna Corporation (Cigna) affiliated health insurance issuers have a guest privileges program that allows members who temporarily move away from their home provider network location to have full access to care from another eligible Cigna network location. Clinical services related to these claims were provided by physicians and other providers from the Company's network and the claims were reported on the Company's 2014 MLR Annual Report Form. However, the health insurance policies, and the associated premiums, for the members who incurred these claims were reported on the 2014 MLR Annual Reporting Forms for the affiliated entities in other states. According to §158.110(a) and §158.120(a), an issuer must submit to the Secretary a report including premium revenue and expenses related to the group and individual health insurance coverage that was issued by the issuer; and experience with respect to each policy must be included on the report submitted with respect to the state where the contract was issued. Therefore, notwithstanding the service agreement whereby the affiliated Cigna entities in different states pay claims for each other's members, to the extent a member's policy was issued in a given state, all experience with respect to that member (including all claims) should be reported by the entity which issued the policy in the state where the policy was issued. As a result of the error, the Company overstated its three-year aggregate incurred claims reported on its 2014 MLR Annual Reporting Form by $2,425 in the small group market and by $299,284 in the large group market.

Inaccurate Allocation and Reporting of Prescription Drug Rebates
The Company failed to include on its 2014 MLR Annual Reporting Form the prescription drug rebates from pharmaceutical manufacturers that were attributable to its members. As required by §158.170(b), shared expenses must be apportioned pro rata to the entities incurring the expense, and allocation should be based on a method that is expected to yield the most accurate results. In accordance with various intercompany service agreements, the prescription drug *costs* associated with each affiliate's enrollees were apportioned to each affiliate. However, according to documentation provided by the Company, all prescription drug *rebates* from pharmaceutical manufacturers for all affiliates were retained by Cigna Health and Life Insurance Company (CHLIC), with no apportionment to the Company for the portion of rebates associated with the Company's enrollees. On its 2014 MLR Annual Reporting Form, the Company improperly failed to report the pharmaceutical manufacturer rebates associated with its members. In practice, the affiliated entities may choose to allow an affiliate to retain their portions of prescription drug rebates and thus increase their own expenses and reduce the expenses of the affiliate that receives the financial benefit of the rebates. However, it is not appropriate to include such a transfer, or make such an allocation, in the MLR calculation, since it would distort the MLR in the same manner as any other transfer of funds or assets between affiliates. Therefore, for MLR purposes, in order to accurately reflect the proportion of enrollees' premium dollars that is needed to cover the actual cost of enrollees' prescription drugs and medical care, the Company and its affiliates should each report their respective shares of the rebates attributable to the prescription drug utilization of their respective enrollees. Based on the information available, it was determined that the Company overstated its three-year aggregated incurred claims by $31,900 in the individual market, $21,845 in the small group market, and $457,369 in the large group market.

In addition, the Company inadvertently reported on Part 1, Line 2.3 of its 2014 MLR Annual Reporting Form negative pharmaceutical rebates of ($68) in the individual market, ($29) in the small group market, and ($4,943) in the large group market, instead of $0 that it (improperly, as discussed above) intended to report. The negative amounts were the result of an oversight made when completing the 2014 MLR Annual Reporting Form. This error did not impact the Company's reported MLRs, as Line 2.3 is a disclosure for informational purposes only.

Other than the possibly incorrect group size and market classification determinations, as well as the improper inclusion of non-member claims, the inaccurate allocation of prescription drug rebates, and the prescription drug rebate reporting error noted above, based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, nothing additional came to our attention that would indicate that incurred claims were not accurately reported.

Claims Recovered Through Fraud Reduction Efforts
Other than the possibly incorrect group size and market classification determinations and incorrect reporting of reinsurance noted above, based on the procedures performed, no errors were noted in how the Company reported recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities

Insufficient Documentation of Quality Improvement Activities
The Company did not maintain adequate documentation to support the expenses it reported as QIA. Section 158.502 requires an issuer to maintain all documents and other evidence necessary to enable CCIIO to verify compliance with the definitions and criteria set forth in the regulation and that the MLR and any rebates owing are calculated and provided in accordance with the regulation.

The Company could not provide any time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA. The Company also did not provide sufficient documentation to support the management fees and other multi-level intercompany allocations from various affiliated entities, which made up the majority of expenses reported by the Company as QIA, including how its allocation process apportioned expenses in a manner expected to yield the most accurate results in accordance with §158.170. Due to the lack of adequate documentation, the examiners were unable to effectively test the underlying transactions and amounts reported as QIA. Consequently, the current year amounts reported as QIA on the Company's 2014 MLR Annual Reporting Form of $12 in the individual market, $142 in the small group market, and $30,934 in the large group market were deemed to be unsupported and were removed for purposes of the MLR recalculations.

Earned Premium
Other than the possibly incorrect group size and market classification determinations and the incorrect reporting of reinsurance noted earlier, based upon the procedures performed, nothing additional came to our attention that would indicate that earned premium was not properly

reported on a direct basis and the data elements underlying the 2012, 2013, and 2014 premium as reported on the Company's 2014 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Based upon the procedures performed, other than the possibly incorrect group size and market classification determinations, nothing additional came to our attention that would indicate that the taxes and regulatory fees excluded from 2012, 2013, and 2014 earned on the Company's 2014 MLR Annual Reporting Form did not comply with §158.161 and §158.162, or were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170 and in accordance with its federal tax allocation agreement. On its 2014 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the pro rata share of pre-federal tax income excluding net investment income and capital gains, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount

Based upon the procedures performed, the Company correctly applied the credibility adjustment when the Company calculated and reported its MLRs, in accordance with §§158.230-158.232. The Company's credibility-adjusted MLRs were calculated using the correct formula in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions.

On its 2014 MLR Annual Reporting Form, the Company reported that it did not meet the MLR standard of 85% for the large group market. As a result, the Company was required to and did pay rebates of $429,254 in the large group market. In the individual and small group markets, the Company reported fewer than 1,000 life years during the three-year aggregation period and is therefore presumed to meet the applicable MLR standards in accordance with §158.230(d).

C. Rebate Disbursement and Notice

According to its 2012 and 2013 MLR Annual Reporting Forms, the Company did not report any rebates owed as a result of the MLR calculations. The Company did not report any rebates owed for 2014 in the individual and small group markets. The Company did owe rebates in the large group market for 2014 and based on the procedures performed, timely issued rebates in accordance with §§158.240-244 and Notices of rebates in accordance with §158.250.

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Company informed CCIIO that the Colorado Insurance Division performed a financial examination of the Company in 2014 covering the period January 1, 2009 through December 31, 2013. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2014 MLR Annual Reporting Form. In January 2021, the Company informed CCIIO that Cigna Health & Life Insurance Company had resolved a pharmaceutical manufacturer rebate allocation finding involving the Company and numerous affiliates that was a result of a financial examination conducted by the Connecticut Department of Insurance and which impacted the currently attested 2011 through 2018 MLR Annual Reporting Forms. As a result, the Company was required to pay approximately $226,000 in additional rebates, inclusive of interest, to its enrollees.

VIII. Conclusion, Corrective Actions, Company Responses, and CCIIO Replies

CCIIO examined Cigna HealthCare of Colorado's 2014 MLR Annual Reporting Form to assess compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2014 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158.

Due to the lack of accurate documentation supporting the Company's group size and market classification determinations, as well as inadequate documentation supporting the Company's QIA expenses, we cannot conclusively assess the impact of these examination findings on the Company's MLRs or whether there would be any additional impact on the Company's rebate liability in any of the markets in which it operates. Based on the cumulative effect of the findings that could be quantified, it is estimated that the Company owes additional rebates totaling $238,474 in the large group market. It was estimated that no additional rebate liability is due in the individual or small group markets.

As a result of this examination, CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1

The Company must adopt and implement procedures to ensure that it obtains and maintains the necessary information from its employer groups at the time of policy application and at renewal in order to determine the correct group size and market classification of its group policies, consistent with the applicable definitions under section 2791 of the PHS Act and the applicable requirements of 45 CFR Part 158 and related technical guidance. This should include, but not be limited to, obtaining and maintaining accurate documentation related to the average number of employees for the calendar year preceding the coverage effective (or renewal) date. Alternatively, for the 2017 and later reporting years, the Company may elect to use the applicable state employee counting method, unless the state method does not take into account non-full-time employees, in which case the full-time equivalent method described in section 4980H(c)(2) of the Internal Revenue Code should be used. The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups in order to determine the correct group size and market classification of its group policies under the applicable employee counting method.

Company Response
"Cigna has enhanced the market classification process and corrective action has been implemented.

The Company implemented, in 2019, a new process with employer groups to obtain 1) documentation of the average number of employees from the previous calendar year, and 2) an automated process to upload directly into Cigna's systems. Cigna's system has automated edits to classify the employer group into the proper small or large group category.

If an employer does not respond to Cigna's request for group size information, Cigna will review the account and identify the number of subscribers (employees) enrolled. Based upon this data, the group classification will be determined and reported in small or large group as appropriate."

CCIIO Reply
CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #2
The Company must adopt and implement procedures to ensure that all amounts are properly and accurately reported in its MLR Annual Reporting Form in accordance with the MLR Annual Reporting Form Filing Instructions, including but not limited to the proper reporting of the experience of policies not issued by the Company and prescription drug rebates in an accurate manner in accordance with §158.140.

Company Response
"The Company makes every effort to ensure that all amounts are properly and accurately reported in the MLR Annual Reporting Form in accordance with the MLR Annual Reporting Form Filing Instructions. The Company will resolve this issue when refiling the 2014 MLR Annual Reporting Form as required in Corrective Action #5."

CCIIO Reply
CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #3
The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include storing documentation related to the number of employees of group policyholders, as well as maintaining adequate documentation, as may be necessary, to enable CCIIO to verify that activities included in QIA meet the definition of QIA and that the Company's allocation of various expenses reported as QIA is reasonable. For salary-related expenses classified as QIA, this would include performing time studies of employee activities and/or other quantitative analyses of salary ratios to support allocating any

such amounts to QIA, as only salary amounts supported by quantitative analyses regarding allocation of time spent on qualifying QIA activities should be considered as allowable QIA expenses.

Company Response
"The Company provided significant information supporting its calculation of quality improvement expenses and believe we have maintained all necessary documentation to verify compliance. The Company does not understand why the information provided is deemed insufficient. Without further explanation of the alleged insufficiency, the Company is not in a position to provide a response but will defer to CMS' position that all QIA needs to be removed from the 2014 MLR Forms for the Company. The Company will resolve this issue when refiling the 2014 MLR Annual Reporting Form as required in Corrective Action #5."

CCIIO Reply
CCIIO accepts the Company's agreement to revise the amounts reported for QIA when it submits its corrected 2014 MLR Annual Reporting Form. It is CCIIO's position, as stated herein, that the Company was unable to substantiate the majority of the expenses it reported as QIA, such as for the ratios it used to allocate the salaries of staff that performed both QIA and non-QIA functions and for its inclusion of management fees and expenses from affiliates of the Company. As this amount was determined based only on the QIA expenses that were selected for testing by the examiners, there could have been additional incorrect QIA expenses reported had the entirety of the Company's reported QIA been tested.

Corrective Action #4
The Company must adopt and implement procedures to ensure accurate allocation to the affiliated entities, for MLR purposes, of prescription drug rebates attributable to enrollees of the affiliated entities, consistent with the requirements of §158.170.

Company Response
"The Company will receive pharmacy rebates of $152,296 from an affiliated company related to 2014. This will result in additional MLR rebates. The Company will resolve this issue when refiling the 2014 MLR Annual Reporting Form as required in Corrective Action #5."

CCIIO Reply
CCIIO accepts the Company's response and the corrective action plan.

Corrective Action #5
The Company must re-file its 2014 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating any additional rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response

"The Company will refile the 2014 MLR Annual Reporting Form for the findings noted in this report. As previously discussed, the Company expects to have all checks issued by July 1, 2021."

CCIIO Reply
CCIIO accepts the Company's response and the corrective action plan.

The corrective actions provided in this report should be shared with and adopted by, as applicable, any affiliated entities of the Company, its parent or subsidiaries, if any, that are subject to the MLR reporting and rebate requirements of 45 CFR Part 158.