Final

Report on the

Medical Loss Ratio Examination

of

Horizon Healthcare Services, Inc.
(Newark, New Jersey)

for the

2013 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

March 2, 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 Horizon Healthcare Services, Inc. (the Company) for the 2013 reporting year, including 2013, 2012, and 2011 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.

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Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2013 Medical Loss Ratio (MLR) Annual Reporting Form for Horizon Healthcare Services, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2013 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158.

We direct the Company to implement corrective actions to comply with the requirements of 45 CFR Part 158. Specifically, the Company must maintain adequate information to support group size and market classification determinations, support incurred claims amounts, and demonstrate the timely issuance of rebate notices. The Company must also accurately report incurred claims, exclude state MLR rebates from experience rating refunds, accurately allocate expenses for quality improvement activities (QIA), and properly report and allocate taxes and licensing and regulatory fees.

Due to the lack of adequate documentation supporting group size and market classification determinations and incurred claims amounts, we cannot, at this time, conclusively assess the impact of the examination findings on the Company's MLRs or rebate liability in any of the markets in the one state in which it operates. To the extent that the findings could be quantified, the recalculation of the Company's MLRs resulted in net decreases to its reported MLRs of 0.2 percentage points in the individual market and 0.1 percentage points in the large group market and no change to its reported MLR in the small group market. As the recalculated MLRs for all markets continue to exceed the applicable MLR standards, the quantifiable findings did not have an impact on the Company's rebates in any of the markets where it had health insurance coverage subject to 45 CFR Part 158 in effect.

II. Scope of Examination

CCIIO examined the Company's 2013 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 companies 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 applicable MLR 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, 2011 through December 31, 2013, including 2011, 2012, and 2013 experience and claims run-out through March 31, 2014. 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, 10	**Failure to maintain adequate documentation as required by §158.502** – The Company did not maintain the documents and other evidence necessary to enable CCIIO to verify (i) that it correctly determined each group policyholder's size and market classification, (ii) that it accurately reported incurred claims, and (iii) that it timely issued 2012 rebate notices required by §158.250.
7	**Failure to submit an MLR form in the manner prescribed by the Secretary as required by §158.110** – The Company incorrectly reported adjusted, incurred claims as of 12/31 instead of as of 3/31 in Part 4, Line 1.1 of the prior year (PY1 and PY2) columns of its 2012 and 2013 MLR Annual Reporting Forms. This error did not impact the MLR calculation for either year.
8	**Failure to report incurred claims as required by §158.140** – The Company improperly included in incurred claims the 2012 state MLR rebates owed to enrollees based on the separate New Jersey state MLR requirements. Consequently, the adjusted, three-year aggregate incurred claims for the individual market were overstated by $3,278,800 on the Company's 2013 MLR Annual Reporting Form.
8	**Failure to accurately allocate QIA expenses as required by §158.170** – The Company improperly allocated certain QIA expenses to the markets subject to 45 CFR Part 158 that pertained only to the Company's Medicare lines of business. As a result, QIA was overstated by a total of $201,108 in

Page	Key Findings
	the individual market, $334,755 in the small group market, and $1,139,192 in the large group market on its 2013 MLR Annual Reporting Form.
9	**Failure to properly report licensing and regulatory fees as required by §158.161** – The Company improperly included in its licensing and regulatory fees bank fees of $19,804 in the individual market, $33,491 in the small group market, and $291,570 in the large group market on its 2013 MLR Annual Reporting Form.
9	**Failure to properly allocate taxes and regulatory fees, as required by §158.170** – The Company improperly allocated to its taxes a portion of real estate taxes attributable to its subsidiaries. Consequently, the Company overstated its three-year aggregate taxes and regulatory fees by $100,742 in the individual market, $168,974 in the small group market, and $344,037 in the large group market on its 2013 MLR Annual Reporting Form.

Due to the lack of adequate documentation supporting group size and market classification and incurred claims amounts, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company's MLRs or rebate liability. Based on the adjustments that could be quantified, the examination findings resulted in a net decrease to the Company's MLR of 0.2 percentage points in the individual market, a net decrease of 0.1 percentage points in the large group market, and no change to the MLR in the small group market.

The three-year adjusted, aggregated numerator and denominator, credibility-adjusted MLR, and rebate for 2013 are shown in the following tables. The differences between the amounts in the "As Recalculated" and "As Filed" rows reflect the net impact of the adjustments made to remove state MLR rebates, disallowed QIA expenses, bank fees, and real estate taxes.

Recalculated Individual, Small Group, and Large Group Market MLRs and Rebates for the 2013 Reporting Year

New Jersey

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,147,193,146	$1,352,512,694	84.8%	$0
As Recalculated	$1,143,713,238	$1,352,633,240	84.6%	$0
Difference	($3,479,908)	$120,546	(0.2%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$2,178,602,933	$2,691,676,237	80.9%	$0
As Recalculated	$2,178,268,178	$2,691,878,702	80.9%	$0
Difference	($334,755)	$202,465	0.0	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$8,229,906,671	$9,282,695,711	88.7%	$0
As Recalculated	$8,228,767,479	$9,283,331,318	88.6%	$0
Difference	($1,139,192)	$635,607	(0.1%)	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a not-for-profit health service corporation domiciled in the state of New Jersey. The Company sells medical, prescription drug, vision, and dental insurance in the individual and group markets in the state of New Jersey.

During the 2011, 2012, and 2013 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, 2013, the Company reported a total of 975,678 covered lives and $4,924,366,331 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158 and 1,466,022 covered lives and $5,231,690,544 in direct earned premium from all health lines of business. Lines of business not subject to the MLR regulations at 45 CFR Part 158 include managed Medicaid, Medicare Advantage, Medicare Part D, Medicare Supplement policies, and stand-alone dental and vision insurance.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2013 were:

Officers

Name	Title
Robert A. Marino	Chairman/CEO/President
Linda A. Willett	Senior Vice President/Secretary
David R. Huber	Senior Vice President/Treasurer

Directors

Name

Todd C. Brown
Lawrence R. Codey
Barbara B. Coleman
Leonard G. Feld
Aristides W. Georgantas
Vincent J. Giblin
Russell L. Hewit,
John C. Kelly

Name
Alfred C. Koeppe
Robert A. Marino
Joanne Pace
Michael M. Quick
Joseph J. Roberts
Peter G. Stewart, Esq.

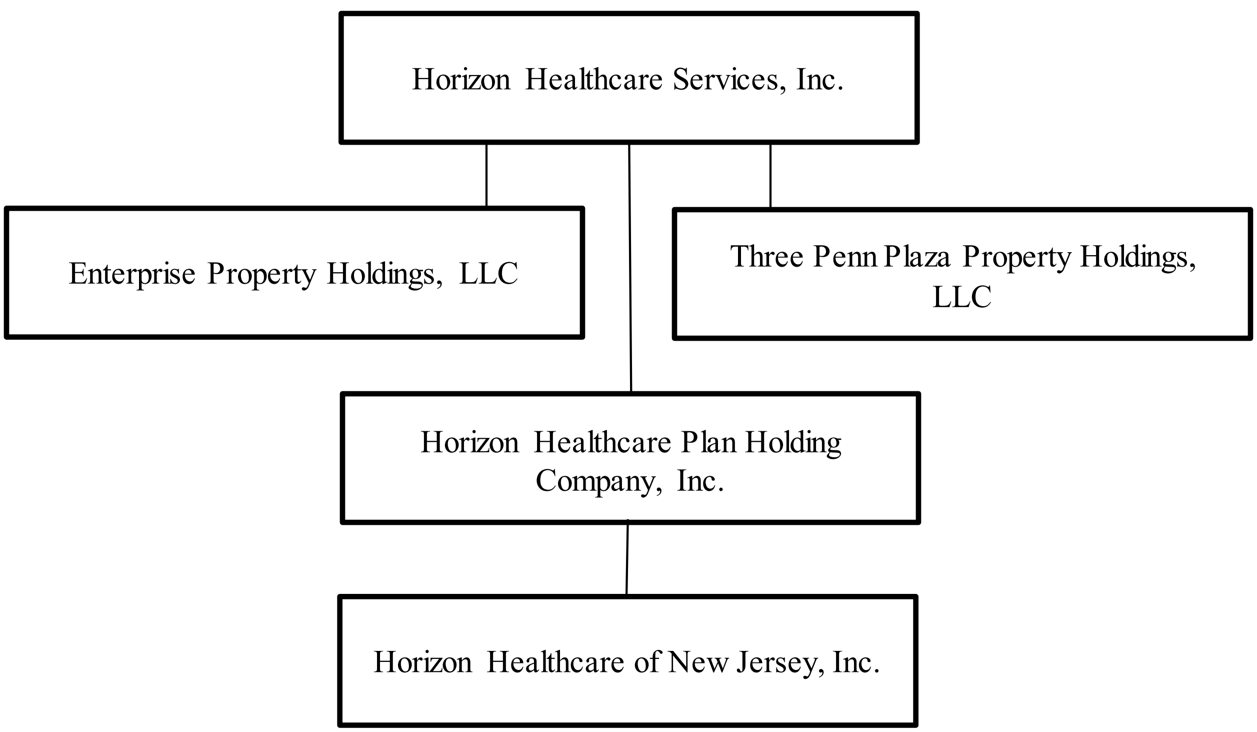
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2013 MLR Annual Reporting Form were:

Name	**Title**
Robert A. Marino	CEO Attester
David R. Huber	CFO Attester

C. Ownership

The Company is the parent in an insurance holding group system.

Horizon Healthcare Services, Inc.
Organizational Chart[1] as of December 31, 2013



[1] 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.

D. Agreements

As of December 31, 2013, the Company had entered into the following inter-company agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Lease Agreement with its subsidiary, Enterprise Property Holdings, LLC.
2. A Lease Agreement with its subsidiary, Three Penn Plaza Property Holdings, LLC.
3. An Administrative Services Agreement with various subsidiaries.
4. A Tax Allocation Agreement with various subsidiaries.

E. Reinsurance

During 2011, 2012, and 2013, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 3 Penn Plaza, E Suite PP-15D, Newark, New Jersey 07105. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted below, the Company did not comply 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 45 CFR Part 158. Specifically, the Company did not maintain documentation regarding the employee count of group policyholders, which is necessary to determine group size and market classification, or to support the amounts it reported as incurred claims. The Company also was not able to provide documentation supporting that it timely sent 2012 rebate notices to enrollees, where required.

VI. Examination Results

Except as noted in this report, based on the procedures performed, nothing came to our attention that would indicate that the Company's 2011, 2012, and 2013 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2011, 2012, and 2013 MLR Annual Reporting Forms were filed by the due date.

The Company reported that it met the MLR standard of 80% for the individual and small group markets and 85% for the large group market for the 2011 and 2013 MLR reporting years and thus was not required to pay rebates to its enrollees for these years. For the 2012 reporting year, the Company reported that it did not meet the MLR standard of 80% in the small group market, and as a result was required to and did pay rebates of $6,631,571 in that market. The Company reported that it met the MLR standards for the individual and large group markets for the 2012 MLR reporting year and therefore was not required to pay rebates in those markets.

Based on the errors found during the examination that could be quantified, the MLRs for the 2013 MLR reporting year were recalculated but remained above the applicable MLR standards and therefore did not result in additional rebates being owed. However, due to the Company's lack of adequate documentation to support its group size and market classification determinations and incurred claims amounts, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

A. MLR Data

Market Classification

Failure to Maintain Adequate Documentation

Based upon testing of the Company's group size and market classification determinations of its policies, the Company was unable to provide adequate supporting documentation for the classification of 26 small and large group policies in the sample of 198 policies. 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 45 CFR Part 158 and that the MLR and any rebates owed are calculated and provided in accordance with 45 CFR Part 158. Although the examiners used alternative testing procedures to determine that the group size and market classification determinations for these policies appeared reasonable, the precise impact of the failure to maintain adequate documentation cannot be conclusively determined due to the Company's lack of the information necessary to support its determinations.

Aggregation

Other than the possibly incorrect group size and market classification determinations noted above, based upon the 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

Failure to Maintain Adequate Documentation

Based upon testing of the accuracy of the Company's claims paid, the Company was unable to provide adequate supporting documentation for 52 claims in the sample of 195 claims in the individual, small group, and large group markets. Claim elements that the Company could not adequately support included the amounts paid to the provider, the incurred date, and the date that the claim was paid. 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 45 CFR Part 158 and that the MLR and any rebates owing are calculated and provided in accordance with 45 CFR Part 158. The precise impact of the failure to maintain adequate documentation supporting claims amounts cannot be conclusively determined due to the Company's lack of the information necessary to support its reporting.

Incorrect Reporting of Prior Year Incurred Claims

The Company incorrectly reported adjusted, incurred claims as of 12/31, rather than as of 3/31, in the PY1 and PY2 columns of Part 4, Line 1.1 on its 2012 and 2013 Annual Reporting Forms. The MLR Annual Reporting Form Filing Instructions require the amount reported in the prior year columns to be the adjusted, incurred claims as of 3/31, as reported on the original MLR Annual Reporting Form for that year. The information on Line 1.1 is reported for comparison with the updated amount reported on Line 1.2, and is not part of the numerator for purposes of calculating the MLR. Therefore, there was no impact from this reporting error on the Company's MLRs or rebate liability.

Incorrect Reporting of State MLR Rebates
The Company improperly included in its 2013 experience rating refunds an accrual for 2012 state MLR rebates owed to enrollees based on the separate, New Jersey state MLR requirements. According to §158.140(a)(5) and the 2013 MLR Annual Reporting Form Filing Instructions, federal and state MLR rebates must not be included in experience rating refunds. Because experience rating refunds are a component of incurred claims, this error overstated the 2012 incurred claims reported in the PY1 Column on the Company's 2013 MLR Annual Reporting Form. As a result of this error, the Company overstated its three-year aggregate incurred claims in the individual market on the 2013 MLR Annual Reporting Form by $3,278,800.

Other than the possibly inaccurate claims amount and the experience rating refunds error noted above, as well as the possibly incorrect group size and market classification determinations noted earlier, 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 the incurred claims were not accurately reported.

Claims Recovered Through Fraud Reduction Efforts
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
On its 2012 and 2013 MLR Annual Reporting Forms, the Company incorrectly allocated to the markets subject to the MLR regulations at 45 CFR Part 158 certain QIA expenses that pertained only to the Company's Medicare lines of business. As a result, the Company overstated QIA expenses by a total of $201,108 in the individual market, $334,755 in the small group market, and $1,139,192 in the large group market.

Based upon the procedures performed, other than the allocation error noted above and the possibly incorrect group size and market classification determinations noted earlier, nothing additional came to our attention that would indicate that QIA expenses were not accurately reported in compliance with §158.150 and §158.151 and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium
Incorrect Reporting of State MLR Rebates
As noted in the Incurred Claims section above, the Company improperly included an accrual for 2012 state MLR rebates in experience rating refunds reported in the PY1 Column on its 2013 MLR Annual Reporting Form. According to §158.140(a)(5) and the 2013 MLR Annual Reporting Form Filing Instructions, federal and state MLR rebates must not be included in experience rating refunds. As experience rating refunds are reported in the premium section of

the MLR Annual Reporting Form for informational purposes only, this error did not impact the Company's MLRs or rebate liability.

Other than the reporting error noted above and the possibly incorrect group size and market classification determinations 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 2011, 2012, and 2013 premium as reported on the Company's 2013 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Incorrect Inclusion of Bank Fees in Licensing and Regulatory Fees

The Company improperly included bank fees in the licensing and regulatory fees reported on its 2011 and 2013 MLR Annual Reporting Forms. According to §158.161(a), licensing and regulatory fees include "statutory assessments to defray the operating expenses of any State or Federal department," which does not include fees imposed by a commercial financial institution such as a bank. Consequently, the Company's three-year aggregate licensing and regulatory fees deductible from premium were overstated by $19,804 in the individual market, $33,491 in the small group market, and $291,570 in the large group market on the 2013 MLR Annual Reporting Form.

Inappropriate Allocation of Real Estate Taxes

The Company failed to allocate a pro rata portion of real estate taxes to its subsidiaries that incurred a portion of the expense, as required by §158.170. The Company improperly reported 100% of real estate taxes incurred on its 2011, 2012, and 2013 MLR Annual Reporting Forms, without any allocation to its subsidiaries that also occupy the Company-owned buildings and are allocated a portion of other occupancy-related expenses. According to §158.170, facility expenses shared between entities that operate within a group under the terms of a management contract must be apportioned pro rata to the entities incurring the expense. Consequently, the Company's three-year aggregate taxes were overstated by $100,742 in the individual market, $168,974 in the small group market, and $344,037 in the large group market on the 2013 MLR Annual Reporting Form.

Other than the errors noted above, as well as the possibly incorrect group size and market classification determinations noted earlier, based upon the procedures performed, nothing additional came to our attention that would indicate that the taxes and regulatory fees excluded from 2011, 2012, and 2013 earned premium on the Company's 2013 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 2013 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the pre-tax underwriting income or loss, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, 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. Based on the Company's reported final MLRs, which exceeded the applicable standards in the individual, small group, and large group markets for 2011 and 2013, the Company used correct procedures to determine that no rebates were due for 2011 or 2013. On its 2012 MLR Annual Reporting Form, the Company reported that it did not meet the MLR standard of 80% for the small group market and was required to and did pay rebates of $6,631,571 in that market. The Company reported that it met the MLR standards for the individual and large group markets for 2012 and was not required to pay rebates in those markets.

C. Rebate Disbursement and Notice

According to its 2011, 2012, and 2013 MLR Annual Reporting Forms, the Company reported that it did not owe rebates in any market for 2011 or 2013 and in the individual or large group markets for 2012, and therefore was not required to and did not issue any Notices of rebates in those markets for those years. Based upon the procedures performed, the Company timely issued rebates for 2012 in the small group market in accordance with §§158.240-244; however, the Company was unable to provide copies of the rebate notices that §158.250 requires to be sent with the rebates. The Company stated that while it sent the required notices to enrollees, it did not maintain copies of the notices as the process was outsourced to a third-party vendor. 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 45 CFR Part 158 and that the MLR and any rebates owing are calculated and provided in accordance with 45 CFR Part 158. Based upon the procedures performed, the Company timely issued the 2011 Notice (of no rebate) in the individual, small group, and large group markets in accordance with §158.251.

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity had previously performed an examination of the Company's MLR processes and reporting. The New Jersey Department of Banking and Insurance performed a financial examination of the Company in 2011 covering the period January 1, 2008 through December 31, 2010. There were no findings noted in the examination report.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2013 MLR Annual Reporting Form. No post-December 31, 2013 significant events were brought to CCIIO's attention.

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

CCIIO examined Horizon Healthcare Service Inc.'s 2013 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 2013 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2013 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158.

Due to the lack of adequate documentation supporting the Company's group size and market classification determinations as well as incurred claims amounts, 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 the one state in which it operates. Based on the cumulative effect of all errors and findings that could be quantified, it is estimated that the Company's recalculated MLRs remained above the applicable MLR standards, resulting in no additional rebates being owed.

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 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 maintaining documentation related to the number of employees of group policyholders, incurred claims amounts, and maintaining evidence of timely issuance of rebate notices to enrollees.

Company Response
"The Company adopted and implemented 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. Specifically, with respect to documentation related to the number of employees of group policyholders, effective with the 2017 MLR reporting year, the definition of group size in the State of New Jersey and as dictated by CMS converged (where they used to differ) and Horizon now relies solely on its internal records for the purposes of determining group policyholder's size and market classification. With respect to incurred claims, Horizon has remediated the systems issues related to retrieving data on claims incurred amounts and evidence of payments. Lastly, with respect to evidence of timely issuance of rebate notices to enrollees, Horizon implemented a policy where it maintains records of all unique enrollee rebate notices rather than the template notice and associated bank records."

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 it completes the MLR Annual Reporting Form in accordance with the applicable MLR Annual Reporting Form Filing Instructions, including correct reporting of prior year incurred claims and exclusion of rebates paid under federal or state MLR requirements from experience rating refunds.

Company Response
"The company adopted and implemented procedures to ensure it completes the MLR Annual Reporting Form in accordance with the applicable MLR Annual Reporting Form Filing instructions. Specific measures previously taken by Horizon include, but are not limited to, ensuring that all data points are linked correctly in its reporting form and excluding the New Jersey Premium Refund Liability from its federal MLR reporting for the 2014 reporting year and onward."

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

Corrective Action #3
The Company must allocate QIA to the appropriate markets in an accurate manner in accordance with §158.170, utilizing a methodology that will yield the most accurate results.

Company Response
"Horizon previously took corrective action as a result of the 2013 MLR audit. Following the audit, Horizon stopped including a general ledger account that included all work performed by cost centers responsible for QIA across markets in its QIA summary."

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

Corrective Action #4
The Company must adopt and implement procedures to ensure that amounts reported as licensing and regulatory fees meet the requirements of §158.161(a), and allocate shared tax expenses among its subsidiaries on a pro rata basis, as required by §158.170.

Company Response
"The Company adopted and implemented improved procedures to ensure that amounts reported as licensing and regulatory fees meet the requirements of §158.161(a), and allocate shared tax expenses among the Company's subsidiaries on a pro rata basis, as required by §158.170. Specifically, Horizon no longer includes bank fees in its reported licensing and regulatory fees. Horizon now includes bank fees in a separate general ledger account to remedy this error for subsequent years. Lastly, Horizon acknowledges that its real-estate taxes included in the 2013 MLR calculation were not appropriately allocated between its parent company and its subsidiaries. Accordingly, for the 2015 reporting year and onward, Horizon allocates its real estate taxes between its parent company and its subsidiaries."

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, such as its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.

CCIIO thanks the Company and its staff for its cooperation with this examination.