Final

Report on the

Medical Loss Ratio Examination

of

Cigna Health and Life Insurance Company
(Bloomfield, CT)

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 Health and Life Insurance Company (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

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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 Health and Life Insurance Company (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 the necessary 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 earned premium, properly allocate prescription drug rebates among affiliated entities, 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 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 adjustments that could be quantified, the findings resulted in a net decrease to the Company's reported MLRs in six states in the individual market, nine states in the small group market, and 38 states and the District of Columbia in the large group market. In the small group market, the recalculated MLRs continued to exceed the MLR standard of 80% and thus did not impact the rebate liability in those states. In one state in the individual market and three states and the District of Columbia in the large group market, the recalculation increased the Company's total rebate liability for the 2014 reporting year by an estimated $87,775 and $317,798, respectively.

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 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, 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
8	**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.
8, 10	**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 $2,361,107 in the individual market, $479,304 in the small group market, and $15,268,764 in the large group market.
9	**Failure to submit an MLR form in the manner prescribed by the Secretary, as set forth in 45 CFR 158.110 –**The Company failed to disclose premium assumed under a 100% assumption reinsurance agreement with novation, and failed to disclose the name of the entity from which the

Page	Key Findings
	experience was assumed, as required by MLR Annual Reporting Form Filing Instructions.
9	**Failure to properly report and accurately allocate prescription drug rebates, as required by §158.140 and §158.170 –** The Company failed to properly allocate to its affiliated entities their respective shares of the prescription drug rebates it received from pharmaceutical manufacturers. The Company inappropriately included prescription drug rebates attributable to its affiliates in the Other Health column of the Company's 2014 MLR Annual Reporting Form.
11	**Failure to accurately report earned premium, as required by §158.130 –** Due to a recording error, the Company reported $38,185 in earned premium in the small group market that should have been reported on an affiliated entity's MLR Annual Reporting Form rather than on the Company's 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. Based on the adjustments that could be quantified, the examination findings resulted in a net decrease to the Company's reported MLRs in six states in the individual market, nine states in the small group market, and 38 states and the District of Columbia in the large group market. In one state in the individual market and three states and the District of Columbia in the large group market, the lower recalculated MLRs were below the applicable MLR standards, resulting in an estimated rebate liability of $87,775 in the individual market and an estimated additional rebate liability of $317,798 in the large group market for the 2014 reporting year. For all other states and markets in which the Company had health insurance coverage in effect, the Company owed no rebates either because the recalculated MLRs continued to exceed the applicable MLR standards or because 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 standards, in accordance with §158.230(d).

The three-year aggregated incurred claims and earned premium for the 2014 reporting year, combined for all of the Company's states and the District of Columbia in each market, along with the additional estimated rebates owed for 2014, are shown in the following tables. The differences between the amounts in the "As Recalculated" and the "As Filed" rows reflect the adjustments made as a result of removing QIA expenses for which sufficient documentation was not provided, and excluding the earned premium that should have been reported on an affiliate's MLR Form. As noted above, the recalculated values only include adjustments for findings where sufficient information was available to quantify the amount of the misstatement.

Recalculated Aggregate[1] Individual, Small Group, and Large Group Market Incurred Claims, Earned Premium, and Rebates for the 2014 Reporting Year

[1] See Appendix I to this report for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for the 2014 reporting year, for the states and markets in which the MLRs changed as a result of the examination findings.

	Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$749,273,173	$449,216,555	$0
As Recalculated	$749,273,173	$449,216,555	$87,775
Difference	$0	$0	$87,775

	Small Group Market		
	Incurred Claims	Earned Premium	Rebate
As Filed	$261,437,137	$320,464,298	$0
As Recalculated	$261,437,137	$320,426,113	$0
Difference	$0	($38,185)	$0

	Large Group Market		
	Incurred Claims	Earned Premium	Rebate
As Filed	$8,759,994,923	$10,627,780,888	$6,608,256
As Recalculated	$8,759,994,923	$10,627,780,888	$6,926,055
Difference	$0	$0	$317,798

IV. <u>Company Overview</u>

A. Description, Territory, and Plan of Operation

The Company is a for-profit life insurer domiciled in the State of Connecticut and licensed in all 50 states, the District of Columbia, and Puerto Rico. The Company principally sells group life and health insurance, the majority of which is offered through employers and other groups, such as unions or associations.

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 1,163,700 covered lives and $5,874,705,748 in direct earned premium for policies subject to the MLR reporting and rebate requirements, and a total of 27,874,303 covered lives and $9,888,130,610 in direct earned premium from all health lines of business. The Company’s lines of business not subject to the MLR regulations at 45 CFR Part 158 include life insurance, stand-alone vision and dental insurance, and the administration of self-funded employer-sponsored plans.

B. Management

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

<u>Officers</u>

Name	Title
Matthew G. Manders	President
Scott R. Lambert	Vice President & Treasurer

Name	Title
Eric P. Palmer	Chief Financial Officer
Anna Khrishtul	Corporate Secretary

Directors

Name
Matthew G. Manders
Thomas A. McCarthy
Edward P. Potanka
Eric P. Palmer
Christopher S. Snow
Frank Sataline, Jr
David A. Russell

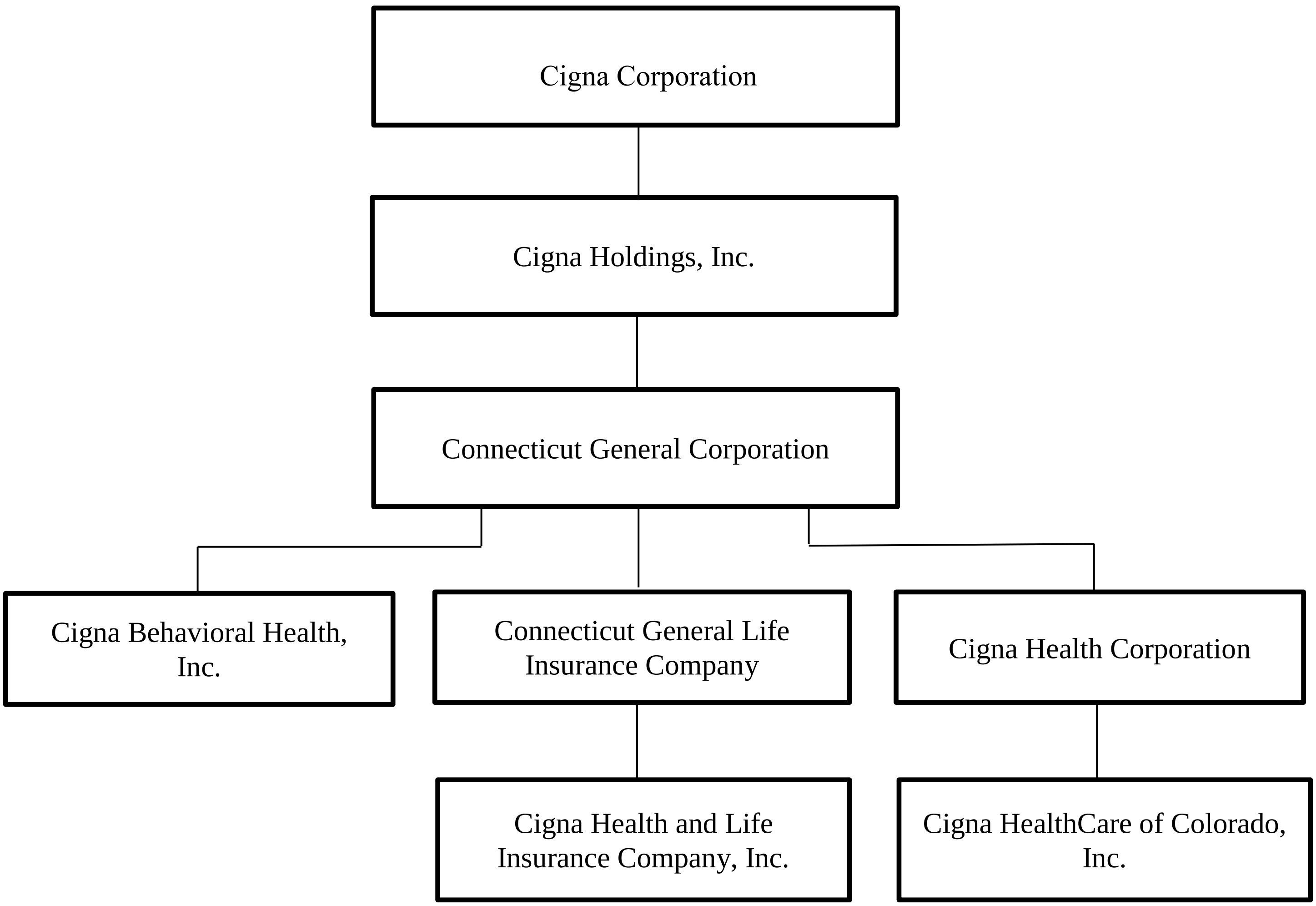
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2014 MLR Annual Reporting Form were:

Name	Title
Michael T. Crompton	CEO Attester
Scott R. Lambert	CFO Attester

C. Ownership

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

Cigna Health and Life Insurance Company
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. An Amended and Restated Administrative Service Agreement with Connecticut General Life Insurance Company.
2. An Administrative Services Agreement with Connecticut General Life Insurance Company and Cigna Behavioral Health, Inc.

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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.

3. An Expense Sharing Agreement with Cigna Corporation and its subsidiaries.
4. A Capitation Agreement with Cigna Behavioral Health, Inc. and Connecticut General Life Insurance Company.
5. An Amended and Restated Consolidated Federal Income Tax Agreement with Cigna Corporation and its subsidiaries.
6. A Fee Sharing Agreement with Cigna Corporation and its subsidiaries.
7. A Management Services Agreement with Cigna Health Corporation and its subsidiaries.

E. Reinsurance

During 2013 and 2014, the Company had an assumed excess of loss reinsurance agreement with various affiliated Cigna HMOs for hospital and related services provided to individual health plan members. Effective January 1, 2014, the Company entered into a reinsurance agreement with novation with its parent, Connecticut General Life Insurance Company (CGLIC), to effectuate a change of ownership for a Medicare Prescription Drug Plan Contract. During 2012, 2013, and 2014, the Company had a ceded excess of loss reinsurance agreement with a non-affiliate for its expatriate business. The Company additionally had several coinsurance reinsurance agreements in place with non-affiliated entities.

Effective September 1, 2011, the Company entered into a Master Agreement for the Transfer and Assumption of Insurance Policies with its parent, Connecticut General Life Insurance Company, (CGLIC). In accordance with the agreement, subject to fulfilling applicable regulatory requirements, CGLIC from time to time transfers certain insurance policies to the Company. As a result of this agreement, the Company properly included on its 2014 MLR Annual Reporting Form all 2014 experience related to certain policies assumed and novated by the Company, in accordance with §158.110, §158.130, and the MLR Annual Reporting Form Filing Instructions. As noted further below, the Company failed to correctly report the assumed premium amounts and the name of the affiliated entity on the Company's 2014 MLR Annual Reporting Form, although the Company did disclose the existence of this agreement and the name of the affiliated entity in a supplemental document filed with its 2014 MLR Annual Reporting Form.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 900 Cottage Grove Road, Bloomfield, CT. 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 business subject to the rebate requirements of 45 CFR Part 158 in 117 state market segments. In 63 of those state market segments, the Company reported fewer than 1,000 life-years during the three-year aggregation period and therefore is presumed to meet or exceed the MLR standards in those segments in accordance with §158.230(d). Of the 54 state market segments with 1,000 or more life-years during the three-year aggregation period, the Company reported that for 2014, it met the 80% MLR standard in six states in the individual market and nine states in the small group market, and met the 85% MLR standard in 36 states in the large group market and thus was not required to pay rebates to its enrollees in these states and markets. For 2014, the Company reported that it did not meet the MLR standard in the large group market in two states and the District of Columbia and was required to and did pay a total of $6,608,256 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 rebate of $87,775 in the individual market in one state and additional rebate liability of $317,798 in the large group market in three states and the District of Columbia. 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

In addition, the Company failed to disclose on Part 5, Line 4 of the 2014 MLR Annual Reporting Form the name of the affiliate from which the Company assumed (with novation) 100% of the experience of certain policies during 2014, as required by the MLR Annual Reporting Form Filing Instructions. The Company did disclose the existence of the assumption (with novation) reinsurance agreement and the name of the affiliated entity in a supplemental document filed together with its 2014 MLR Annual Reporting Form. The Company additionally failed to disclose the amount of premium assumed under this agreement on Part 2, Line 1.13, as required by the MLR Annual Reporting Form Filing Instructions. There was no impact on the Company's MLR calculation or rebate liability for 2014 from this reinsurance reporting error, as the Company correctly included the assumed amounts in the amounts used to calculate its MLRs.

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

Inaccurate Allocation of Prescription Drug Rebates
The Company improperly included on its 2014 MLR Annual Reporting Form the prescription drug rebates it received from pharmaceutical manufacturers that were attributable to certain of its affiliated entities. 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 received by the Company, with no apportionment to the other affiliates for the portion of rebates associated with those affiliates' enrollees. On its 2014 MLR Annual Reporting Form, the Company improperly reported the

pharmaceutical manufacturer rebates associated with its affiliated entities in the Other Health column. In practice, the affiliated entities may choose to allow the Company to retain their portions of prescription drug rebates and thus reduce the Company's total expenses and increase their own. 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 from affiliates to the Company. 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. Although this error did not impact the Company's MLRs because the misallocated amounts were not included in the Company's MLR calculations, we note that the failure to allocate, for MLR purposes, pharmaceutical manufacturer rebates to relevant affiliates would result in an overstatement of incurred claims, and potentially an underpayment of rebates, by these respective affiliates.

Other than the possibly incorrect group size and market classification determinations, as well as the inaccurate allocation of prescription drug rebates 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 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 $2,361,107 in the individual market, $479,091 in the small group market, and $15,443,126 in the large group market were deemed to be unsupported and were removed for purposes of the MLR recalculations.

Earned Premium

Incorrect Reporting of Earned Premium

During the examination, it was discovered that the Company erroneously included $38,185 in earned premium in the New Jersey small group market. The Company explained that the omission was due to a one-time billing error whereby the money attributable to an affiliated entity was incorrectly recorded to the earned premium. Consequently, the Company's earned premium in the New Jersey small group market was overstated by $38,185.

Other than the reporting error noted above and the possibly incorrect group size and market classification determinations, 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 noted above, 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 states and 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 state and market based on the pro rata share of pre-federal tax income excluding net investment income and capital gains, which the examination confirmed.

Federal Transitional Reinsurance, Risk Adjustment, and Risk Corridors Programs

Based upon the procedures performed, nothing came to our attention that would indicate that the Company did not properly report the net transitional reinsurance payments expected from HHS or the charges payable to HHS and payments expected from HHS under the federal risk adjustment program for the 2014 benefit year, in compliance with §158.140(b)(4)(ii). Other than the possibly incorrect group size and market classification determinations, and the incorrect allocation of state premium taxes noted above, based on the procedures performed, nothing additional came to our attention that would indicate that the Company did not properly report the charges payable to HHS and payments expected from HHS under the federal risk corridors program for the 2014 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

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 in two states and the District of Columbia. As a result, the Company was required to and did pay rebates of $6,608,256 in the large group market. In all other states and markets in which it has health insurance coverage subject to 45 CFR part 158 in effect, the Company reported in its 2014 MLR Annual Reporting Forms that it met the applicable MLR standards[3] and thus was not required to pay rebates to its enrollees in these states and markets.

C. Rebate Disbursement and Notice

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

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 Connecticut Insurance Department performed a financial examination of the Company in 2014 covering the period January 1, 2009 through December 31, 2013. The financial examination resulted in two findings, neither of which impacted its federal MLR calculation or reporting.

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. No post-December 31, 2014 significant events were brought to CCIIO's attention.

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

CCIIO examined Cigna Health and Life Insurance Company'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

[3] As detailed above, in some jurisdictions and 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).

the 2014 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 $87,775 in the individual market and $317,798 in the large group market. It was estimated that no additional rebate liability is due in the small group market.

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.

<u>Corrective Action #2</u>

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 the proper disclosure of the name of the entity with which it entered into a 100% reinsurance agreement, with novation, as well as the claim and premium amounts from the related transactions.

<u>Company Response</u>

"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 disclose (on Part 5, Line 4) the name of the entity with which it entered into a 100% reinsurance agreement, with novation, as well as the amount of premium assumed under the agreement (on Part 2, Line 1.13) when refiling the 2014 MLR Annual Reporting Form as required in Corrective Action #6.

As noted in the report, there was no impact on the Company's MLR calculation or rebate liability for 2014 related to this item."

<u>CCIIO Reply</u>

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

<u>Corrective Action #3</u>

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.

<u>Company Response</u>

"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 #6."

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 should report earned premium in an accurate manner in accordance with §158.130, including adopting and implementing procedures to ensure that all premium is reported and allocated to the proper entity.

Company Response
"The Company makes every effort to report earned premium in an accurate manner. The $38k small group earned premium that should have been reported on an affiliated entity in the MLR Annual Reporting Form was the result of a one-time discrepancy as a result of novation. It will be corrected in the refiling of the 2014 MLR Annual Reporting Form, as required in Corrective Action #6."

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

Corrective Action #5
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 makes every effort to ensure accurate allocations to affiliated entities. As such, the Company will pass pharmacy rebates of approximately $10.3 million dollars to its fourteen HMO affiliates for the year ended 2014. The Company will update its 2014 MLR Annual Reporting Form as required in Corrective Action #6."

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

Corrective Action #6

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.

Appendix I – Recalculated MLRs for the 2014 Reporting Year

The three-year adjusted aggregated numerator and denominator, along with the resulting credibility-adjusted MLR and rebate liability for 2014, for the states and markets in which the MLR changed as a result of the examination, are shown in the following tables. The differences between the amounts in the "As Recalculated" and "As Filed" rows reflect the net result of removing QIA expenses for which sufficient documentation was not provided, correcting the inaccurately allocated state premium taxes, and excluding the earned premium that should have been reported on an affiliate's MLR Form.

Recalculated MLRs[4] and Rebates for the 2014 Reporting Year

Arizona

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,549,557	$5,303,814	93.3%	$0
As Recalculated	$4,521,811	$5,303,814	92.7%	$0
Difference	($27,746)	$0	(0.6%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$229,548,072	$267,334,757	86.4%	$0
As Recalculated	$229,029,870	$267,334,757	86.2%	$0
Difference	($518,202)	$0	(0.2%)	$0

Arkansas

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$5,428,275	$6,920,895	85.1%	$0
As Recalculated	$5,420,658	$6,920,895	85.0%	$0
Difference	($7,617)	$0	(0.1%)	$0

California

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$34,311,769	$44,023,350	80.8%	$0
As Recalculated	$34,214,086	$44,023,350	80.6%	$0
Difference	($97,683)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$954,915,450	$1,091,577,784	87.5%	$0

[4] The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

	Numerator	Denominator	MLR	Rebate
As Recalculated	$953,184,823	$1,091,577,784	87.3%	$0
Difference	($1,730,627)	$0	(0.2%)	$0

Colorado

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$22,544,120	$29,432,898	80.1%	$0
As Recalculated	$22,447,260	$29,432,898	79.7%	$87,775
Difference	($96,860)	$0	(0.4%)	$87,775

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$5,963,191	$7,671,618	84.6%	$0
As Recalculated	$5,958,429	$7,671,618	84.5%	$0
Difference	($4,762)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$442,470,629	$502,756,851	88.0%	$0
As Recalculated	$441,801,378	$502,756,851	87.9%	$0
Difference	($669,251)	$0	(0.1%)	$0

Connecticut

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,499,258	$7,552,364	93.4%	$0
As Recalculated	$6,489,415	$7,552,364	93.2%	$0
Difference	($9,843)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$679,221,618	$752,514,683	90.3%	$0
As Recalculated	$678,282,599	$752,514,683	90.1%	$0
Difference	($939,019)	$0	(0.2%)	$0

Delaware

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$21,692,180	$28,514,525	79.3%	$864,479
As Recalculated	$21,656,478	$28,514,525	79.2%	$879,645
Difference	($35,702)	$0	(0.1%)	$15,166

District of Columbia

	Large Group Market

	Numerator	Denominator	MLR	Rebate
As Filed	$181,662,706	$225,555,832	80.5%	$5,608,359
As Recalculated	$181,349,873	$225,555,832	80.4%	$5,732,989
Difference	($312,833)	$0	(0.1%)	$124,630

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$147,323,197	$175,419,401	85.4%	$0
As Recalculated	$146,657,141	$175,419,401	85.1%	$0
Difference	($666,056)	$0	(0.3%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$77,586,632	$85,783,547	92.5%	$0
As Recalculated	$77,429,388	$85,783,547	92.3%	$0
Difference	($157,244)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$789,369,940	$884,064,148	89.3%	$0
As Recalculated	$786,790,958	$884,064,148	89.0%	$0
Difference	($2,578,982)	$0	(0.3%)	$0

Georgia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$9,496,956	$9,663,797	104.8%	$0
As Recalculated	$9,477,806	$9,663,797	104.6%	$0
Difference	($19,150)	$0	(0.2%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$34,289,817	$39,325,956	90.0%	$0
As Recalculated	$34,251,909	$39,325,956	89.9%	$0
Difference	($37,908)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$351,685,024	$400,422,418	87.8%	$0
As Recalculated	$351,171,192	$400,422,418	87.7%	$0
Difference	($513,832)	$0	(0.1%)	$0

Illinois

	Large Group Market

	Numerator	Denominator	MLR	Rebate
As Filed	$63,348,526	$70,185,365	92.5%	$0
As Recalculated	$63,236,792	$70,185,365	92.3%	$0
Difference	($111,734)	$0	(0.2%)	$0

Indiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$51,476,165	$55,722,213	95.0%	$0
As Recalculated	$51,416,364	$55,722,213	94.9%	$0
Difference	$(59,801)	$0	(0.1%)	$0

Kansas

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$33,939,588	$32,234,672	108.2%	$0
As Recalculated	$33,905,086	$32,234,672	108.1%	$0
Difference	($34,502)	$0	(0.1%)	$0

Kentucky

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$11,358,360	$13,403,217	89.8%	$0
As Recalculated	$11,347,769	$13,403,217	89.7%	$0
Difference	($10,591)	$0	(0.1%)	$0

Louisiana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,644,148	$5,760,684	87.8%	$0
As Recalculated	$4,635,911	$5,760,684	87.7%	$0
Difference	($8,237)	0	(0.1%)	$0

Maine

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$54,127,178	$60,877,804	91.4%	$0
As Recalculated	$53,978,072	$60,877,804	91.2%	$0
Difference	($149,106)	$0	(0.2%)	$0

Maryland

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$274,385,171	$323,088,085	85.0%	$0
As Recalculated	$273,974,424	$323,088,085	84.9%	$155,432

	Numerator	Denominator	MLR	Rebate
Difference	($410,747)	$0	(0.1%)	$155,432

Massachusetts

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$59,852,253	$71,632,735	85.5%	$0
As Recalculated	$59,792,830	$71,632,735	85.4%	$0
Difference	($59,423)	$0	(0.1%)	$0

Michigan

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$35,884,324	$44,136,650	84.4%	$135,418
As Recalculated	$35,835,012	$44,136,650	84.3%	$157,988
Difference	($49,312)	$0	(0.1%)	$22,570

Minnesota

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$5,256,795	$5,826,094	96.1%	$0
As Recalculated	$5,239,820	$5,826,094	95.8%	$0
Difference	($16,975)	$0	(0.3%)	$0

Mississippi

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,482,223	$4,822,715	100.7%	$0
As Recalculated	$4,477,433	$4,822,715	100.6%	$0
Difference	($4,790)	$0	(0.1%)	$0

Missouri

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$11,515,443	$11,296,199	107.1%	$0
As Recalculated	$11,480,365	$11,296,199	106.8%	$0
Difference	($35,078)	$0	(0.3%)	$0

Montana

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$3,038,726	$3,020,564	107.8%	$0
As Recalculated	$3,034,670	$3,020,564	107.7%	$0
Difference	($4,056)	$0	(0.1%)	$0

Nevada

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$37,330,142	$41,881,609	91.7%	$0
As Recalculated	$37,301,486	$41,881,609	91.6%	$0
Difference	($28,656)	$0	(0.1%)	$0

New Hampshire

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$66,066,597	$77,267,768	87.9%	$0
As Recalculated	$65,912,930	$77,267,768	87.7%	$0
Difference	(153,667)	$0	(0.2%)	$0

New Jersey

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$14,695,778	$17,321,245	89.8%	$0
As Recalculated	$14,674,802	$17,283,060	89.9%	$0
Difference	($20,976)	($38,185)	0.1%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$688,605,565	$786,953,196	87.5%	$0
As Recalculated	$687,640,364	$786,953,196	87.4%	$0
Difference	($965,201)	$0	(0.1%)	$0

New York

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$11,099,021	$13,311,349	89.1%	$0
As Recalculated	$11,081,281	$13,311,349	88.9%	$0
Difference	($17,740)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,977,000,002	$2,222,077,336	89.0%	$0
As Recalculated	$1,973,923,560	$2,222,077,336	88.8%	$0
Difference	($3,076,442)	$0	(0.2%)	$0

North Carolina

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$90,254,943	$106,798,716	86.1%	$0
As Recalculated	$90,116,120	$106,798,716	86.0%	$0
Difference	($138,823)	$0	(0.1%)	$0

Ohio

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,281,015	$7,503,795	91.0%	$0
As Recalculated	$6,271,051	$7,503,795	90.9%	$0
Difference	($9,964)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$57,940,197	$66,715,083	89.2%	$0
As Recalculated	$57,817,521	$66,715,083	89.0%	$0
Difference	($122,676)	$0	(0.2%)	$0

Oklahoma

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$22,211,327	$25,987,294	89.0%	$0
As Recalculated	$22,199,860	$25,987,294	88.9%	$0
Difference	($11,467)	$0	(0.1%)	$0

Oregon

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$27,382,983	$31,735,146	89.8%	$0
As Recalculated	$27,346,021	$31,735,146	89.7%	$0
Difference	($36,962)	$0	(0.1%)	$0

Pennsylvania

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$149,229,961	$170,118,661	89.1%	$0
As Recalculated	$148,988,806	$170,118,661	89.0%	$0
Difference	($241,155)	$0	(0.1%)	$0

South Carolina

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,937,544	$25,875,105	95.8%	$0
As Recalculated	$23,903,710	$25,875,105	95.7%	$0
Difference	($33,834)	$0	(0.1%)	$0

Tennessee

	Large Group Market

	Numerator	Denominator	MLR	Rebate
As Filed	$141,592,264	$167,747,976	85.7%	$0
As Recalculated	$141,385,942	$167,747,976	85.6%	$0
Difference	($206,322)	$0	(0.1%)	$0

Texas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$173,269,414	$185,582,911	94.7%	$0
As Recalculated	$171,851,581	$185,582,911	93.9%	$0
Difference	($1,417,833)	$0	(0.8%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$68,314,315	$81,913,284	85.5%	$0
As Recalculated	$68,122,302	$81,913,284	85.3%	$0
Difference	($192,013)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$393,700,476	$434,466,354	90.6%	$0
As Recalculated	$392,422,893	$434,466,354	90.3%	$0
Difference	($1,277,583)	$0	(0.3%)	$0

Utah

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$41,119,796	$47,954,829	88.1%	$0
As Recalculated	$41,073,518	$47,954,829	88.0%	$0
Difference	($46,278)	$0	(0.1%)	$0

Vermont

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$30,145,547	$36,781,000	85.1%	$0
As Recalculated	$30,125,080	$36,781,000	85.0%	$0
Difference	($20,467)	$0	(0.1%)	$0

Virginia

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$488,616,037	$561,217,946	87.1%	$0
As Recalculated	$487,995,823	$561,217,946	87.0%	$0
Difference	($620,214)	$0	(0.1%)	$0

West Virginia

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,490,618	$8,365,438	85.1%	$0
As Recalculated	$6,481,062	$8,365,438	85.0%	$0
Difference	($9,556)	$0	(0.1%)	$0

Wisconsin

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$11,354,380	$11,975,990	100.8%	$0
As Recalculated	$11,342,079	$11,975,990	100.7%	$0
Difference	($12,301)	$0	(0.1%)	$0