Final

Report on the

Medical Loss Ratio Examination

of

Humana Insurance Company
(De Pere, Wisconsin)

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

April 30, 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 Humana 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.

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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 2014 Medical Loss Ratio (MLR) Annual Reporting Form for Humana 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 compliant with the requirements of 45 CFR Part 158, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report. The Company must maintain adequate documentation to support the existence and premium amounts of all policies in effect during the MLR reporting year, accurately restate prior year incurred claims, properly report taxes and licensing and regulatory fees, and correctly calculate the average deductible. The Company must also ensure that activities and expenses reported as quality improvement activity (QIA) expenses meet the regulatory definition of QIA and that sufficient documentation exists supporting such determinations.

The examination findings resulted in net decreases to the Company's reported MLRs in 19 states in the individual market, 11 states in the small group market, and eight states in the large group market, increasing the Company's total rebate liability for the 2014 MLR reporting year by $664,971 in six states in the individual market, $413,208 in six states in the small group market, and $71,104 in two states in the large group market. The examination findings resulted in net increases to the Company's reported MLRs in one state in the individual market, one state in the small group market, and one state in the large group market, reducing the rebate liability by $31,209 in one state in the individual market, $24,336 in one state in the small group market, and $20,370 in one state in the large group market.

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
7	**Failure to submit an MLR Form in the manner prescribed by the Secretary as required by §158.110** – The Company incorrectly restated its 2012 incurred claims in Part 3, Line 1.2 of the prior year (PY2) column of its 2014 MLR Annual Reporting Form in the individual, small group, and large group markets. As a result, the Company overstated its three-year aggregate incurred claims by $2,068,505 in the individual market, $4,372,089 in the small group market, and $3,351,453 in the large group market on its 2014 MLR Annual Reporting Form.
8	**Reporting of expenses as QIA that did not meet the definition of a QIA expense set forth in §158.150** – The Company improperly included in its QIA expenses the ICD-10 maintenance costs, as well as expenses for the electronic medical records software utilized for the Company's enrollees but also licensed to external third party clients. As a result, the Company overstated its three-year aggregate QIA expenses by a total of $248,159 in the individual market, $540,054 in the small group market, and $320,280 in the large group market on its 2014 MLR Annual Reporting Form.
8	**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 that the MLRs and any rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company could not provide the contract documents for one individual policy and one small group policy in the sample of policies selected for testing of premium.

	In addition, 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 expenses reported as QIA were allocated in accordance with §158.170. No adjustments were made to the Company's MLR calculations as a result of these findings.
9	**Failure to properly report state taxes and assessments, as required by §158.162** – The Company improperly included sales and use taxes as part of its state income and business taxes reported on its 2014 MLR Annual Reporting Form. As a result, the Company overstated state income and business taxes by $254,227 in the individual market, $190,517 in the small group market, and $67,202 in the large group market on its 2014 MLR Annual Reporting Form.
9	**Failure to correctly calculate the average deductible in accordance with §158.232(c)** – The Company incorrectly computed the average deductibles in 25 states in the individual market, three states in the small group market, and four states in the large group market on its 2014 MLR Annual Reporting Form. The Company utilized incorrect or incomplete data in calculating its average deductibles for 2012-2014, and calculated the deductible level for 2013 using the life-years for the current year, instead of using the 3-year aggregation of life-years for each deductible level as required by §158.232(c)(ii). Recalculation of the Company's credibility adjustment in each affected state and market after correcting the average deductible resulted in changes to the reported MLRs in seven states in the individual market, one state in the small group market, and one state in the large group market. With the exception of the Mississippi small group market, the resulting recalculated credibility adjustment did not impact the rebate liability in any other states or markets.

These findings resulted in net decreases of the Company's reported MLRs in 19 states in the individual market, 11 states in the small group market, and eight states in the large group market. In six states in the individual market, six states in the small group market, and two states in the large group market, the lower recalculated MLRs continued to be or fell below the applicable MLR standards, resulting in an additional rebate liability of $664,971 in the individual market, $413,208 in the small group market, and $71,104 in the large group market for the 2014 MLR reporting year. In one state in the individual market, one state in the small group market and one state in the large group market, the recalculations increased the Company's MLRs and reduced the rebate liability for the 2014 MLR reporting year by $31,209 in the individual market, $24,336 in the small group market, and $20,370 in the large group market. In all other states and markets in which the Company had health insurance coverage subject to 45 CFR Part 158 in effect, including three states in the individual market, two state in the small group market, and three states in the large group market where the MLRs increased as a result of the findings, the Company owed no rebates for the 2014 MLR reporting year either because the recalculated MLRs continued to exceed the applicable MLR standard 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 aggregate incurred claims and earned premium amounts, combined for all of the Company's 49 states and the District of Columbia in each market, along with the additional 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 to properly restate incurred claims; remove disallowed QIA expenses and state sales and use taxes; and correct the deductible factors.

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

	Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$1,845,587,449	$2,162,128,811	$16,356,410
As Recalculated	$1,843,518,944	$2,162,128,811	$17,021,381
Difference	($2,068,505)	$0	$664,971

	Small Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$2,135,244,345	$2,812,660,153	$5,342,227
As Recalculated	$2,130,872,256	$2,812,660,153	$5,755,435
Difference	($4,372,089)	$0	$413,208

	Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$1,277,542,268	$1,525,688,964	$2,949,875
As Recalculated	$1,274,190,815	$1,525,688,964	$3,020,979
Difference	($3,351,453)	$0	$71,104

	Student Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$3,423,817	$3,317,506	$0
As Recalculated	$3,423,817	$3,317,506	$0
Difference	$0	$0	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

[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.

The Company is a for-profit health insurer domiciled in the state of Wisconsin and licensed in 49 states and the District of Columbia. The Company sells individual and group market health insurance.

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, large group, and student 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 613,877 covered lives and $2,254,304,355 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 7,838,529 covered lives and $21,989,694,129 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 stand-alone dental and vision insurance, group life and disability insurance, Medicare Advantage and Medicare Prescription Drug plans, and administration of self-funded group health plans.

B. Management

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

Officers

Name	Title
Bruce D. Broussard	President and Chief Executive Officer
Brian A. Kane	Senior Vice President and Chief Financial Officer
Joan O. Lenahan	Vice President and Corporate Secretary
Jonathan A. Canine	Vice President and Appointed Actuary

Directors

Name
Roy A. Beveridge M.D.
Bruce D. Broussard
James E. Murray

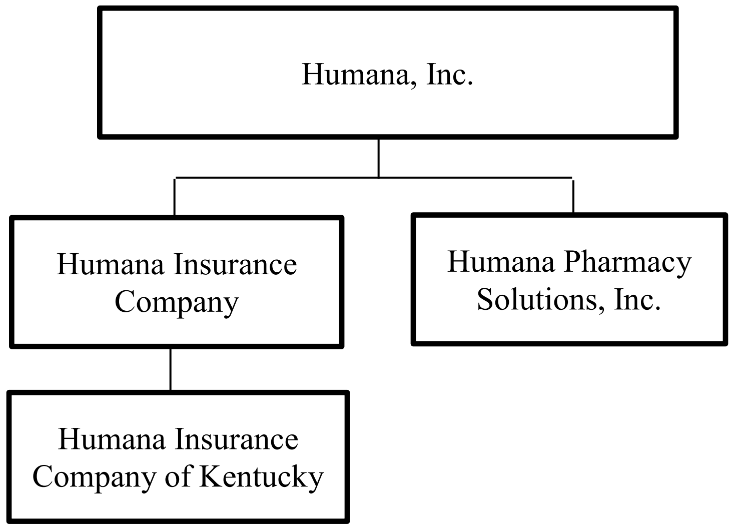
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2014 MLR Annual Reporting Form were:

Name	Title
Alan J. Bailey	CEO Attester
Brian A. Kane	CFO Attester

C. Ownership

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

Humana Insurance Company
Organizational Chart[2] as of December 31, 2014



D. Agreements

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

1. Corporate Service Agreement with Humana, Inc.
2. Indemnity Agreement with Humana, Inc.
3. Tax Allocation Agreement with Humana, Inc.
4. Coinsurance Agreement with Humana Insurance Company of Kentucky
5. Commercial PBM Agreement with Humana Pharmacy Solutions, Inc.

E. Reinsurance

During 2012, 2013, and 2014, 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 1100 Employers Boulevard, DePere, WI 54115. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

[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.

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 provide the contract documents for one individual policy and one small group policy, and did not maintain documentation supporting the expenses reported as QIA on its 2014 MLR Annual Reporting Form.

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 2012, 2013, and 2014 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2012, 2013, and 2014 MLR Annual Reporting Forms were filed by the due date.

For the 2014 MLR reporting year, the Company reported business subject to the rebate requirements of 45 CFR Part 158 in 78 state market segments. In 26 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 50 state market segments with 1,000 or more life-years during the three-year aggregation period and that still had enrollees in 2014,[3] 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 2014 in 34 state market segments and thus was not required to pay rebates to its enrollees in these segments. For 2014, the Company reported that it did not meet the MLR standard in seven states in the individual market, six states in the small group market, and three states in the large group market, and was required to and did pay rebates totaling $16,356,410 in the individual market, $5,342,227 in the small group market, and $2,949,875 in the large group market.

Based on the errors found during the examination, MLRs for the 2014 MLR reporting year were recalculated and resulted in an additional rebate liability of $664,971 in the individual market in six states, $413,208 in the small group market in six states, and $71,104 in the large group market in two states.

A. MLR Data

Market Classification
The Company has adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2012-2014 MLR reporting years. Other than the missing contract documents for two policies described further below, nothing additional came to our attention that would indicate that the samples of policies tested during the examination were not assigned to the correct market classification.

[3] In two other market segments with more than 1,000 life-years during the three-year aggregation period, the Company had no enrollees in 2014 and thus rebates were not payable.

Aggregation
Based upon the procedures performed, nothing 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 states, markets, and lines of business, in accordance with §158.120.

Incurred Claims
Incorrect Reporting of Prior Year Incurred Claims
The Company incorrectly restated its 2012 incurred claims on Part 3, Line 1.2 in the PY2 column of the 2014 MLR Annual Reporting Form in the individual, small group, and large group markets. The Company omitted the subsequent development of 2012 incurred claims that occurred during 2013, but appropriately included the development that occurred during 2014 and through March 31, 2015. According to the 2014 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2 in the PY2 and PY1 columns must include incurred claims restated as of 3/31 of the year following the MLR reporting year. As a result, the Company overstated the three-year aggregate incurred claims reported on its 2014 MLR Annual Reporting Form by $2,068,505 in the individual market, $4,372,089 in the small group market, and $3,351,453 in the large group market.

Based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, other than the incorrect restatement of 2012 incurred claims noted above, nothing additional came to our attention that would indicate that 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
Insufficient Documentation of QIA
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 45 CFR Part 158 and that the MLR and any rebates owing are calculated and provided in accordance with 45 CFR Part 158.

The Company could not provide adequate time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA. The examiners performed alternative testing procedures, such as reviewing the titles and job descriptions, allocation percentages, and other information obtained from the Company related to employees whose salaries were reported as QIA expenses. Based on these alternative procedures, the examiners concluded that the qualifying nature of the activities and the allocation percentages used were reasonable, and therefore no adjustments were made to the Company's MLR calculations as a result of the finding.

Improper Inclusion of Expenses for Activities That Do Not Qualify as QIA

The Company improperly included in QIA expenses 100% of the costs attributable to an electronic medical records software utilized for its own enrollees, but also licensed to external third party clients. According to §158.150(b)(1)(iii), QIA expenditures that may be included in MLR calculations must be directed toward individual enrollees or provide health improvements to the population beyond those enrolled in coverage as long as no additional costs are incurred due to the non-enrollees. In addition, the Company improperly included ICD-10 maintenance costs as QIA expenses. For the 2012-2014 MLR reporting years, §158.150(b)(2)(i)(A)(*6*) only permits inclusion of ICD-10 implementation costs up to 0.3% of earned premium. As a result, the Company overstated its three-year aggregate QIA expenses by $248,159 in the individual market, $540,054 in the small group market, and $320,280 in the large group market on its 2014 MLR Annual Reporting Form.

Based upon the procedures performed, other than the items noted above**,** nothing additional came to our attention that would indicate that other QIA expenses were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170.

Earned Premium

Failure to Maintain Adequate Documentation

Based upon the procedures performed, the Company was unable to provide adequate supporting documentation, including the contract documents such as certificates of coverage, the policy declarations page, and Evidence of Coverage, evidencing the effective dates, enrollment, and premiums for one individual policy and one small group policy in the sample of policies selected for testing of premium. 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. Based on alternative testing procedures, the examiners were able to confirm the existence of these two policies and determined that the premium amounts appeared accurate.

Based upon the procedures performed, other than the inadequate documentation noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis or that 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

Improper Inclusion of State Sales and Use Taxes

The Company improperly included state sales and use taxes with its state income and business taxes reported on its 2014 MLR Annual Reporting Form. According to §158.162(b)(2)(i), state sales taxes are not excluded from premium in the MLR and rebate calculations. Consequently, the Company's state income and business taxes were overstated by $254,227 in the individual market, $190,517 in the small group market, and $67,202 in the large group market on its 2014 MLR Annual Reporting Form.

Based upon the procedures performed, other than the error noted above, nothing additional came to our attention that would indicate that the taxes and regulatory fees excluded from 2012, 2013, and 2014 earned premium reported 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 underwriting gain or loss, 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 on its 2014 MLR Annual Reporting Form the expected payments under the federal transitional reinsurance program or the expected charges and payments under the federal risk adjustment and risk corridors programs for the 2014 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Incorrect Calculation of the Average Deductible
The Company incorrectly calculated the average deductible in 25 states for some of its individual, small group, and large group market policies for purposes of calculating the credibility adjustment. In 25 states in the individual market, three states in the small group market, and four states in the large group market, the Company utilized incorrect or incomplete life-years and listings of policies in calculating average deductibles on its 2014 MLR Annual Reporting Form. In addition, the Company weighted the deductible level for the 2013 reporting year using the life-years for only the current year, instead of using the three-year aggregation of life-years for each deductible level as required by §158.232(c)(ii). The examiners recalculated the Company's credibility adjustment in each affected state and market after correcting the average deductible. The recalculation resulted in changes to the reported MLRs in seven states in the individual market, one state in the small group market, and one state in the large group market. With the exception of the Mississippi small group market, the resulting recalculated credibility adjustment did not impact the rebate liability in any other states or markets. The Company did not elect to report a deductible factor in the remaining states and markets.

Other than the use of incorrect average deductibles in the credibility adjustment calculation, 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.

The Company filed a 2014 MLR Annual Reporting Form for 49 states and the District of Columbia. The Company reported that it did not meet the applicable MLR standard in seven states in the individual market, six states in the small group market, and three states in the large group market. The Company used correct procedures to calculate total rebates of $16,356,410 in the individual market, $5,342,227 in the small group market, and $2,949,875 in the large group market in those states for 2014. In all other states and markets in which it had health insurance coverage subject to 45 CFR part 158 in effect, the Company reported on its 2014 MLR Annual

Reporting Form that it met the applicable MLR standards[4] and thus was not required to pay rebates to its enrollees in these states and markets.

C. Rebate Disbursement and Notice

According to its 2014 MLR Annual Reporting Form, the Company reported rebates owed in certain states in the individual, small group, and large group markets. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-158.244 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 State of Wisconsin performed a financial examination of the Company in 2011, covering the period January 1, 2006 through December 31, 2010. The financial examination resulted in two findings, which did not have an impact on the Company's 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 Humana Insurance Company's 2014 MLR Annual Reporting Form to assess the Company's 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 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 fully compliant with the requirements of 45 CFR Part 158. Based on the cumulative effect of all errors and findings, the Company owes additional rebates totaling $664,971 in six states in the individual market, $413,208 in six states in the small group market and $71,104 in two states in the large group market.

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

[4] 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).

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 storing copies of all policies and certificates of coverage that the Company has issued, 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 appreciates the importance of appropriately reporting QIA expenses. The Company will implement procedures to ensure that departmental costs reported as QIA are consistent with the requirements noted above. The Company will implement process and procedures to ensure supporting documentation is maintained as it relates to policies/certificate of coverage and QIA support."

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 activities and expenses reported as QIA meet the requirements of §158.150.

Company Response
"The Company appreciates the importance of appropriately reporting QIA expenses. The Company will implement procedures to ensure that departmental costs reported as QIA are consistent with the requirements noted above."

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

Corrective Action #3
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 properly restating prior year incurred claims.

Company Response
The Company appreciates the importance of appropriately reporting restated incurred claims. The Company has updated its procedures and activities to ensure that the restated prior year incurred claims are accurately reported.

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 state income and business taxes meet the requirements of §158.162.

Company Response
The Company appreciates the importance of appropriately reporting tax expenses. The Company has implemented procedures that ensure tax allocations yield the most accurate results and are consistent with the requirements of §158.162.

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 that it calculates the average deductible in accordance with §158.232(c), including correctly weighting each deductible level using aggregate life-year experience and the appropriate population of policies. Alternatively, the Company may elect to use a deductible factor of 1.0 in lieu of calculating average deductibles.

Company Response
The Company appreciates the importance of appropriately calculating average deductible factors. The Company has implemented procedures that ensure accurate results.

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 must 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
In order to rectify the issues noted in the MLR Examination Report, the Company will correct and refile 2014 reporting forms and process and distribute any underpaid rebates as detailed in this report.

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.

IX. Appendix I – Recalculated MLRs and Rebates for the 2014 Reporting Year

The three-year adjusted aggregated numerator and denominator, along with the resulting credibility-adjusted MLR and rebate 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 adjustments made to properly restate incurred claims; remove disallowed QIA expenses and state sales and use taxes; and correct the deductible factors.

Recalculated MLRs and Rebates for the Individual, Small Group, and Large Group Markets for the 2014 Reporting Year[5]

Alabama

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$25,214,713	$29,431,771	89.0%	$0
As Recalculated	$25,098,243	$29,436,712	88.6%	$0
Difference	($116,470)	$4,941	(0.4%)	$0

Arizona

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$67,532,448	$89,195,737	75.7%	$1,363,233
As Recalculated	$67,625,287	$89,207,509	75.8%	$1,332,024
Difference	$92,839	$11,772	0.1%	($31,209)

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$56,753,077	$77,163,052	73.5%	$1,497,639
As Recalculated	$56,447,105	$77,167,930	73.1%	$1,590,138
Difference	($305,972)	$4,878	(0.4%)	$92,499

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$24,692,886	$21,817,588	116.8%	$0
As Recalculated	$24,596,220	$21,818,939	116.3%	$0
Difference	($96,666)	$1,351	(0.5%)	$0

Arkansas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,055,650	$8,023,984	75.5%	$94,531

[5] 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	$5,955,181	$8,024,802	74.2%	$121,888
Difference	($100,469)	$818	(1.3%)	$27,357

Colorado

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$115,493,762	$147,142,601	79.2%	$324,581
As Recalculated	$115,298,811	$147,155,668	79.0%	$405,857
Difference	($194,951)	$13,067	(0.2%)	$81,276

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$17,883,955	$17,848,095	105.3%	$0
As Recalculated	$17,781,412	$17,848,817	104.7%	$0
Difference	($102,543)	$722	(0.6%)	$0

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$141,315,000	$198,619,914	71.1%	$5,296,955
As Recalculated	$140,917,798	$198,628,690	70.9%	$5,416,786
Difference	($397,202)	$8,776	(0.2%)	$119,831

Georgia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$18,515,774	$20,896,878	93.1%	$0
As Recalculated	$18,706,443	$20,899,312	94.0%	$0
Difference	$190,669	$2,434	0.9%	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,684,836	$12,404,285	60.0%	$857,621
As Recalculated	$6,651,013	$12,404,894	59.7%	$870,609
Difference	($33,823)	$609	(0.3%)	$12,988

Illinois

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$199,004,029	$244,816,636	81.3%	$0
As Recalculated	$200,015,908	$244,839,169	81.7%	$0
Difference	$1,011,879	$22,533	0.4%	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$667,782,938	$799,718,579	83.5%	$0
As Recalculated	$665,927,638	$799,758,401	83.3%	$0
Difference	($1,855,300)	$39,822	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$458,558,335	$506,996,495	90.4%	$0
As Recalculated	$455,683,378	$507,023,106	89.9%	$0
Difference	($2,874,957)	$26,611	(0.5%)	$0

Indiana

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$38,890,825	$50,699,775	79.6%	$131,593
As Recalculated	$38,700,369	$50,708,241	79.2%	$263,254
Difference	($190,456)	$8,466	(0.4%)	$131,661

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$100,094,958	$128,306,310	79.5%	$223,207
As Recalculated	$99,552,734	$128,315,439	79.0%	$446,506
Difference	($542,224)	$9,129	(0.5%)	$223,299

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$59,972,951	$72,775,273	84.6%	$81,521
As Recalculated	$60,004,660	$72,778,761	84.7%	$61,151
Difference	$31,709	$3,488	0.1%	($20,370)

Kansas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$27,284,507	$34,855,769	81.0%	$0
As Recalculated	$27,253,846	$34,859,963	80.9%	$0
Difference	($30,661)	$4,194	(0.1%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$110,370,532	$142,926,932	78.6%	$768,664
As Recalculated	$110,244,083	$142,939,442	78.5%	$823,756
Difference	($126,449)	$12,510	(0.1%)	$55,092

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$59,352,180	$69,017,719	88.2%	$0
As Recalculated	$59,609,272	$69,022,297	88.6%	$0
Difference	$257,092	$4,578	0.4%	$0

Michigan

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$35,977,342	$52,030,590	69.1%	$1,937,194
As Recalculated	$35,850,322	$52,037,294	68.9%	$1,973,483
Difference	($127,020)	$6,704	(0.2%)	$36,289

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$61,888,646	$85,040,707	72.8%	$1,780,137
As Recalculated	$61,988,301	$85,046,169	72.9%	$1,755,801
Difference	$99,655	$5,462	0.1%	($24,336)

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$20,012,394	$28,015,621	71.4%	$1,105,134
As Recalculated	$20,015,127	$28,017,568	71.4%	$1,105,399
Difference	$2,733	$1,947	0.0%	$265

Mississippi

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$125,534,922	$168,252,794	74.6%	$7,208,323
As Recalculated	$125,263,410	$168,281,044	74.4%	$7,476,880
Difference	($271,512)	$28,250	(0.2%)	$268,557

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$28,740,187	$37,398,579	80.2%	$0
As Recalculated	$28,664,860	$37,401,158	79.9%	$12,540
Difference	($75,327)	$2,579	(0.3%)	$12,540

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$15,402,547	$17,906,422	91.2%	$0
As Recalculated	$15,406,396	$17,907,574	91.1%	$0
Difference	$3,849	$1,152	(0.1%)	$0

Missouri

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,319,710	$27,214,860	89.0%	$0
As Recalculated	$23,313,292	$27,217,273	89.0%	$0
Difference	($6,418)	$2,413	(0.0%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$118,141,483	$146,987,585	81.7%	$0
As Recalculated	$117,505,526	$146,998,850	81.3%	$0
Difference	($635,957)	$11,265	(0.4%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$57,044,302	$66,860,859	87.5%	$0
As Recalculated	$56,925,175	$66,864,973	87.3%	$0
Difference	($119,127)	$4,114	(0.2%)	$0

Nevada

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$17,623,749	$18,674,488	98.6%	$0
As Recalculated	$17,515,077	$18,677,242	97.9%	$0
Difference	($108,672)	$2,754	(0.7%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$44,163,095	$53,443,761	85.0%	$0
As Recalculated	$44,254,425	$53,447,340	85.2%	$0
Difference	$91,330	$3,579	0.2%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,314,787	$7,138,999	94.8%	$0
As Recalculated	$6,384,724	$7,139,440	95.8%	$0
Difference	$69,937	$441	1.0%	$0

North Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$17,714,155	$23,114,391	80.2%	$0
As Recalculated	$17,733,216	$23,116,851	80.2%	$0
Difference	$19,061	$2,460	(0.0%)	$0

Ohio

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$21,629,886	$27,175,829	83.0%	$0
As Recalculated	$21,470,073	$27,178,886	82.5%	$0
Difference	($159,813)	$3,057	(0.5%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$6,997,953	$10,449,270	72.3%	$214,959
As Recalculated	$6,935,302	$10,449,749	71.7%	$231,749
Difference	($62,651)	$479	(0.6%)	$16,790

Oklahoma

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,870,271	$5,891,430	90.7%	$0
As Recalculated	$4,826,651	$5,891,849	89.7%	$0
Difference	($43,620)	$419	(1.0%)	$0

South Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$18,115,871	$17,629,519	107.7%	$0
As Recalculated	$17,700,069	$17,630,515	105.3%	$0
Difference	($415,802)	$996	(2.4%)	$0

Tennessee

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$104,201,984	$127,610,343	82.7%	$0
As Recalculated	$103,860,343	$127,630,258	82.4%	$0
Difference	($341,641)	$19,915	(0.3%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$65,069,958	$71,580,280	93.0%	$0
As Recalculated	$64,863,893	$71,585,114	92.7%	$0
Difference	($206,065)	$4,834	(0.3%)	$0

Texas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$461,114,110	$542,009,914	85.1%	$0
As Recalculated	$460,202,544	$542,085,665	84.9%	$0

	Numerator	Denominator	MLR	Rebate
Difference	($911,566)	$75,751	(0.2%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$462,108,081	$550,927,783	83.9%	$0
As Recalculated	$461,194,731	$550,954,792	83.7%	$0
Difference	($913,350)	$27,009	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$270,085,562	$327,554,547	82.5%	$1,763,220
As Recalculated	$269,819,556	$327,566,481	82.4%	$1,834,060
Difference	($266,006)	$11,934	(0.1%)	$70,840

Utah

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$124,976,822	$151,011,269	82.8%	$0
As Recalculated	$124,976,048	$151,036,536	82.7%	$0
Difference	($774)	$25,267	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$15,720,122	$18,197,520	89.9%	$0
As Recalculated	$15,698,863	$18,199,155	89.8%	$0
Difference	($21,259)	$1,635	(0.1%)	$0

Virginia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$12,855,076	$14,612,414	92.8%	$0
As Recalculated	$12,815,494	$14,614,015	92.6%	$0
Difference	($39,582)	$1,601	(0.2%)	$0

Wisconsin

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$81,375,220	$95,683,145	87.0%	$0
As Recalculated	$81,213,984	$95,690,712	86.8%	$0
Difference	($161,236)	$7,567	(0.2%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$255,928,560	$315,813,562	81.0%	$0
As Recalculated	$255,561,566	$315,833,376	80.9%	$0

	Numerator	Denominator	MLR	Rebate
Difference	($366,994)	$19,814	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$247,716,635	$292,411,309	85.3%	$0
As Recalculated	$247,287,292	$292,426,704	85.2%	$0
Difference	($429,343)	$15,395	(0.1%)	$0