Final

Report on the

Medical Loss Ratio Examination

of

Unity Health Plans Insurance Corporation
(Sauk City, Wisconsin)

for the

2013 MLR Reporting Year

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

OVERSIGHT GROUP

June 14, 2016

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information and Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Unity Health Plans Insurance Corporation (the Company) for the 2013 reporting year, including 2012 and 2011 data reported on that form. Following an exit conference, Unity Health Plans Insurance Corporation responded to each finding and recommendation. This final report, which will be made publicly available, incorporates those responses and CCIIO's evaluation of them.

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Medical Loss Ratio Division
Office of Oversight
Center for Consumer Information and Insurance Oversight
Centers for Medicare & Medicaid Services
US Department of Health and Human Services

Table of Contents

I. Executive Summary

The Center for Consumer Information and Insurance Oversight (CCIIO) has performed an examination of the 2013 Medical Loss Ratio (MLR) Annual Reporting Form for Unity Health Plans Insurance Corporation (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2013 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158 but which do not impact consumer rebates. We recommend that the Company implement corrective actions to comply with various sections of 45 CFR Part 158, including ensuring that allowable fraud reduction expenses and quality improving activities (QIA) expenses meet the respective regulatory definitions and requirements.

The examination findings and resultant recalculation of the Company's MLR resulted in a net increase of the MLR for the individual market of 0.1%, a net increase of the MLR for the small group market of 0.1% and a net increase of the MLR for the large group market of 0.1%. As the re-calculated MLRs exceed the individual and small group MLR standards of 80% and the large group market MLR standard of 85%, there was no impact on the Company's rebate liability in any of the markets in which it operates.

II. Scope of Examination

CCIIO examined the Company's 2013 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. 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 Affordable Care Act, generally requires health insurance companies to submit to the Secretary an annual report on their MLRs. The MLR is the proportion of premium revenue expended by a company on clinical services and activities that improve health care quality in a given state and market. Section 2718 also requires a company to provide rebates to consumers if it does not meet the MLR standard (generally, 80% in the individual and small group markets and 85% in the large group market).

This is the first examination of the Company's MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2011 through December 31, 2013, including 2011 and 2012 experience and claims run-out through March 31, 2014. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company's response to each finding appears after the finding in the Conclusion and Summary of Recommendations section of this Report. The Company's corrective action was not reviewed for proof of implementation or subjected to any procedures applied during the examination.

CCIIO's response is based solely on a review of the Company's response. CCIIO reserves the right to review the actual implementation of the Company's corrective action for each finding and proposed action plan in future MLR Annual Reporting Forms, examinations or as otherwise may be appropriate.

III. Summary of Key Findings

Page	Summary of Key Findings
9	**Inaccurate reporting of claims payments recovered through fraud reduction efforts–** The Company incorrectly reported subrogation recoveries and expenses as recoveries of fraudulent claims and fraud reduction expenses, which incorrectly reduced the Company's incurred claims.
9	**Improper allocation of quality improvement activity (QIA) expenses –** The Company allocated a QIA expense attributable to Medicaid policies to the individual, small and large group markets.

These findings resulted in a net increase of the Company's reported MLR for the individual market of 0.1%, a net increase of the reported MLR for the small group market of 0.1% and a net increase of the reported MLR for the large group market of 0.1% for the 2013 reporting year. The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLR for 2013, are shown in the following table. The differences between the amounts in the "As Recalculated" row and the "As Filed" row reflect the net result of the adjustments made to allowable recoveries of fraudulent claims (which increased the numerator) and disallowed QIA expenses (which decreased the numerator).

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

	Individual Market			Small Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$10,584,672	$12,912,168	85.9%	$226,213,417	$254,536,661	89.7%
As Recalculated	$10,599,920	$12,912,168	86.0%	$226,543,877	$254,536,661	89.8%
Difference	$15,248	$0	0.1%	$330,460	$0	0.1%

	Large Group Market		
	Numerator	Denominator	MLR
As Filed	$1,102,022,273	$1,170,324,762	94.2%
As Recalculated	$1,103,095,047	$1,170,324,762	94.3%
Difference	$1,072,774	$0	0.1%

The recalculated amounts did not impact the Company's rebate liability for the 2013 reporting year as the MLRs for the individual and small group markets continue to be above the MLR standard of 80% and the MLR for the large group market continues to be above the MLR standard of 85%.

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a health insurance company that sells HMO, Point of Service (POS), Preferred Provider Organization (PPO) and high-deductible plans with a Health Savings Account (HSA) in the individual and group markets in 20 counties in southern Wisconsin. Additionally, the Company contracts through the Wisconsin Department of Health Services to serve Medicaid (BadgerCare+) members by arranging health care services in the counties in which it operates.

During the 2011, 2012 and 2013 MLR reporting years, the Company operated in the individual, small and large group markets that were subject to the MLR reporting requirements under 45 Part 158. As of December 31, 2013, the Company reported a total of 136,403 covered lives and $608,105,263 in direct earned premium from policies subject to the MLR reporting and rebate requirements and a total of 151,274 covered lives and $637,788,964 in direct earned premium from all health lines of business.

To the best of our knowledge, the Company is not currently under either financial or market conduct sanctions by a state regulatory agency in the state in which it does business.

B. Management

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

Officers

Name	Title
Terry R. Bolz	President & CEO
James L. Hiveley	Treasurer, VP of Finance & CFO
David G. Diercks	Secretary, VP & General Counsel
Gail M. Midlikowski	Assistant Secretary, VP of Operation & COO
Brain K. Collien	VP Managed Care & Large Group

Directors

Name
Michael D. Buhl
Peter H. Christman
James C. Dechene
Ronal T. Sliwinksi
Roger A. Formisano

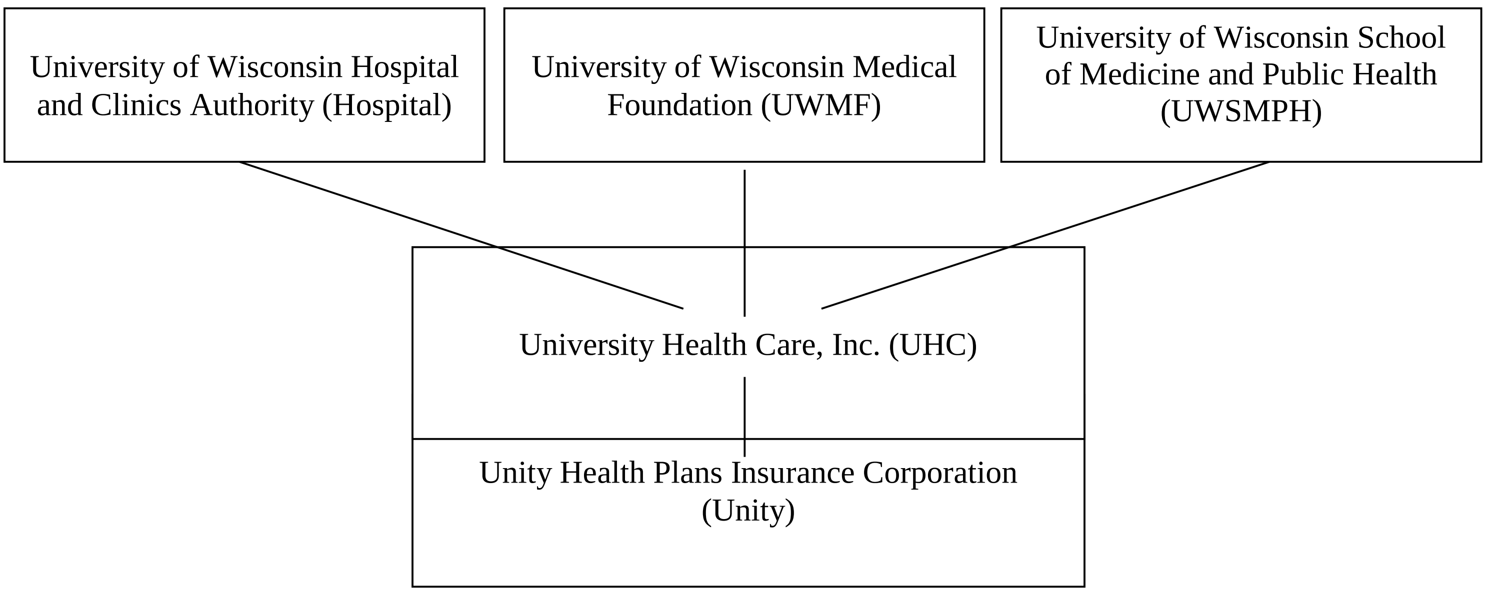
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2013 MLR Annual Reporting Form were:

Name	Title
Terry Bolz	CEO Attester
Jim Hiveley	CFO Attester

C. Ownership

Unity Health Plans Insurance Corporation (Unity) is a wholly owned subsidiary of University Health Care, Inc. (UHC), a not-for-profit corporation. UHC is made up of three members, University of Wisconsin Hospital and Clinics Authority (Hospital), University of Wisconsin Medical Foundation (UWMF), and University of Wisconsin School of Medicine and Public Health (UWSMPH).

University Health Care, Inc.
Organizational Chart
December 31, 2013



D. Agreements

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

1. An Administrative Services Agreement with University Health Care, Inc.
2. A Credentialing Agreement with the University of Wisconsin Hospitals and Clinics Authority.
3. An Administrative Services Agreement for Pharmacy Mail Order and Utilization. Management Services with the University of Wisconsin Hospitals and Clinics Authority.
4. A Hospital, Physician and Other Health Care Services Agreement with University Health Care, Inc.
5. A Medical Management and Health Services Agreement with the University of Wisconsin Medical Foundation.
6. An Administrative Services Agreement with the University of Wisconsin Hospitals and Clinics Authority.

E. Reinsurance

During 2011, 2012 and 2013, the Company had an excess risk reinsurance agreement with United States Fire Insurance Company for its commercial POS, PPO, and BadgerCare+ policies. United State Fire Insurance Company is not affiliated with the Company.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 840 Carolina Street, Sauk City, WI 53583. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

Except as noted below, the procedures performed did not identify any errors or irregularities in the data reported on the MLR Annual Reporting Form with regard to rebates and the provision of notices for the 2013 reporting year.

VI. Examination Results

Except as noted in this report, the Company's 2011, 2012 and 2013 MLR Annual Reporting Forms were filed on the form and in the manner prescribed by the Secretary by or before the required due date.

During all three years under Examination, the Company exceeded the MLR standard of 80% for the individual and small group markets and 85% for the large group market, and thus was not required to pay rebates to its enrollees.

A. MLR Data

Market Classification Policies and Procedures

The Company has adopted policies and procedures for determining market classification, or size, that are consistent with the requirements of §158.220, which stipulates that an issuer's MLR must be calculated separately for the large group market, small group market and individual market within each state.

Aggregation

The samples of policies, claims and other items tested during the examination were correctly assigned to the appropriate states, markets, and lines of business in accordance with §158.120.

Incurred Claims

Other than the incorrect fraud reduction expenses noted below, based upon substantive testing and validation of the incurred claims (as defined by §158.140) reported by the Company, the incurred claims were accurately reported.

Claims Recovered through Fraud Reduction Efforts
Based on our review, recoveries of fraudulent claims payments, which are allowed as an adjustment to incurred claims up to the amount of fraud reduction expenses, were not reported in accordance with §158.140(b)(2)(iv).

Inaccurate reporting of allowable recoveries of fraudulent claims and fraud reduction expenses
The Company incorrectly reported subrogation recoveries and expenses as recoveries of fraudulent claims and fraud reduction expenses on its 2013, 2012 and 2011 MLR Annual Reporting Forms[1]. The Company had no reportable recoveries of fraudulent claims or fraud reduction expenses, and accordingly should have reported $0 on Part 2, Line 2.17. In addition, the Company reported the net amount of recoveries and expenses on both Lines 2.17a and 2.17b, instead of reporting recoveries on Line 2.17a, expenses on Line 2.17b, and the lesser of the two on Line 2.17. As a result of these errors, a negative amount was incorrectly included in adjusted incurred claims reported on Line 1.2 of Part 4 of the MLR Annual Reporting Form for each corresponding year. The amount of the understatement of the Company's adjusted incurred claims resulting from the incorrectly reported allowable recoveries of fraudulent claims payments in the individual, small group and large group markets is as follows:

Market	**2011**	**2012**	**2013**	**Total**
Individual	$1,969	$7,668	$5,836	$15,473
Small Group	$30,410	$124,578	$177,759	$332,747
Large Group	$103,492	$383,679	$596,771	$1,083,942

Quality Improvement Activities
Some of the programs and expenses for quality improvement activities (QIA) that the Company reported did not meet the definition of a QIA in accordance with §158.150.

QIA reported under the incorrect market
The Company's 2013 MLR Annual Reporting Form included Medicaid-related QIA expenses that were improperly allocated to the individual, small group and large group markets, which is not compliant with 45 CFR 158.150. According to §158.150(c)(2), QIA expenditures reported for a particular line of business must only include the (pro rata share of) expenses for that line of business. However, instead of reporting the entire $14,726 cost of a survey of its Medicaid members as QIA expense attributable to the "Government Business" market (which includes Medicaid coverage), the Company reported only $1,046 as "Government Business." The Company allocated the other $13,680 to the health insurance coverage markets as follows: $225 to the individual market, $2,287 to the small group market and $11,168 to the large group market.

Based upon substantive testing, all other QIA expenses were accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium

[1] Although the Examination is of the Company's 2013 MLR Annual Reporting Form and the 2011 and 2012 data on that form, if an error is discovered during an Examination, then, where circumstances warrant it, the Company's actual two prior years' reporting forms are reviewed.

Based upon substantive testing, earned premium was properly reported on a direct basis and the data elements underlying 2011, 2012 and 2013 premium as reported on the Company's 2013 MLR Annual Reporting Form were compliant with §158.130.

Taxes

Based upon substantive testing, the taxes and regulatory fees excluded from 2011, 2012 and 2013 earned premium on the Company's 2013 MLR Annual Reporting Form complied with §158.161 and §158.162. Also based on substantive testing, taxes and regulatory fees were accurately reported and were reasonably allocated among the Company's states and markets, as required by §158.170, and in accordance with its federal income tax allocation agreement with University Health Care, Inc. In its 2013 MLR Annual Reporting Form, the Company reported that it allocated its federal and state income taxes to each state and market based on the profitability of each line of business, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount

Based upon substantive testing, the Company correctly applied the credibility adjustment when it calculated and reported its MLRs, in accordance with §158.221. The Company's final, credibility-adjusted MLRs were calculated correctly in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions. Because the Company's final MLRs exceeded the applicable standards in the individual, small group and large group markets, no rebates were due for 2011, 2012 or 2013.

C. Rebate Disbursement and Notice

According to its 2011, 2012 and 2013 MLR Annual Reporting Forms, the Company did not owe any rebates as a result of the MLR calculations. Based on substantive testing, the Company timely issued the 2011 Notice (of no rebate) in accordance with §158.251 and was not required to (and did not) issue any Notices for the 2012 or 2013 reporting years.

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. However, the Wisconsin Office of the Commissioner of Insurance performed a financial examination of the Company in 2011 covering the period of January 1, 2007 through December 31, 2010. The financial examination did not result in any findings.

VII. Impact of Findings

The cumulative effect of all errors and findings did not impact MLR rebates since recalculating the MLR to correct for the incorrectly reported items did not cause the Company's MLR in any market to fall below the applicable MLR standard.

VIII. Subsequent Events

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

IX. Conclusion, Summary of Recommendations, and Company Responses

CCIIO has examined Unity Health Plans Insurance Corporation's 2013 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 2013 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The Company's 2013 MLR Annual Reporting Form did not comply with some of the requirements of 45 CFR Part 158. The effect of the examination findings and resultant recalculation of the Company's MLR did not result in any substantive change to its reported MLR for any of the markets in which it operates.

As a result of this examination, CCIIO recommended the following:

Recommendation #1
The Company should adopt and implement internal controls to ensure that it properly reports its allowable recoveries of fraudulent claims in accordance with the requirements of §158.140 and the MLR Annual Reporting Form Filing Instructions.

Company Response
"Management agrees with the findings and have remediated the first two recommendations within its internal control process."

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

Recommendation #2
The Company should adopt and implement internal controls to ensure that it includes quality improvement activity (and any other category) expenses for a particular market in its MLR Annual Reporting Form only to the extent the expenses are attributable to that market in accordance with the requirements of §158.150(c)(2) and the MLR Annual Reporting Form Filing Instructions.

Company Response
"Management agrees with the findings and have remediated the first two recommendations within its internal control process."

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

Recommendation #3

The Company should re-file its 2013 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. In the alternative, the Company should rectify the errors to reflect the findings stated herein in its 2015 MLR Annual Reporting Form. The Company should make the corrections in the prior year column of its 2015 MLR Annual Reporting Form (Part 3, Column PY2). Additionally, the Company should upload supplemental documentation with their 2015 MLR Annual Reporting Form noting that the discrepancy between the data reported on the 2013 MLR Annual Reporting Form and the corresponding prior year data reported on the 2014 MLR Annual Reporting Form resulted from CCIIO's examination findings.

Company Response

"The third recommendation will be reviewed and corrected. We plan to re-file the 2013 MLR Annual Reporting Form by July 31, 2016."

CCIIO Reply

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

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