Final

Report on the

Medical Loss Ratio Examination

of

Presbyterian Health Plan, Inc.
(Albuquerque, New Mexico)

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, DC 20201

OVERSIGHT GROUP

June 21, 2022

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 Presbyterian Health Plan, Inc. (the Company) for the 2014 reporting year, including 2014, 2013, and 2012 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

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Medical Loss Ratio Division
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Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

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I. Executive Summary

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

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including obtaining adequate information to accurately determine group size and market classification of policies; properly and accurately reporting all amounts in accordance with MLR Annual Reporting Form Filing Instructions; ensuring 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; and properly calculating the deductible factor.

Based on the adjustments that could be quantified, the findings resulted in a decrease to the Company's reported MLR in the individual market. As the recalculated MLRs continue to exceed the applicable MLR standards, the findings did not result in rebates owed in any of the markets in which the Company had health insurance coverage subject to 45 CFR Part 158 in effect. However, due to the lack of adequate documentation supporting group size and market classification determinations, we cannot, at this time, conclusively assess the full impact of the examination findings on the Company's MLRs or rebate liability in any of the markets in the one state in which it operates.

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 (ACA), 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 response. CCIIO reserves the right to review the actual implementation of the Company's corrective action and proposed action plan for each corrective action in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate

III. Summary of Findings

Page	Key Findings
7	**Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders** – The Company did not obtain the average number of employees on business days during the preceding calendar year from each group policyholder at the time of initial application or policy renewal and therefore may not have correctly determined each group's size and market classification.
7, 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 did not maintain documentation and other evidence supporting its determination of each group policyholder's size. 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.
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 QIA certain expenses for activities that did not meet the definition of QIA or were not supported by sufficient evidence. As a result, the Company overstated its three-year aggregate QIA expenses by $35,877 in the individual market, $11,720 in the small group market, and $59,727 in the large group market on its 2014 MLR Annual Reporting Form.
7-9	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary as required by §158.110** – The Company reported an inaccurate amount of advance payments of the premium tax

Page	Key Findings
	credit (APTC) on the 2014 MLR Annual Reporting Form. This error did not impact the MLR calculation. In addition, the Company incorrectly rounded the Preliminary MLR for the individual and small group markets. This error did not impact the Company's MLR calculation. Further, the Company underreported advance payments of cost-sharing reductions (CSR) from HHS in the individual market RC column of its 2014 MLR Annual Reporting Form. This error did not impact the Company's MLR calculation.
9	**Failure to correctly calculate the average deductible in accordance with §158.232(c)** – The Company incorrectly computed the average deductible of its individual market policies using the life-years for the current year, rather than the 3-year aggregation of life-years, to weight each deductible level.

Based on the adjustments that could be quantified, the findings resulted in a net decrease of the Company's reported MLR in the individual market. The recalculated MLRs continued to exceed the applicable MLR standards and thus did not result in rebates being owed. Due to the lack of adequate documentation supporting group size and market classification, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company's MLRs or rebate liability.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2014 are shown in the following tables. The differences between the amounts in the "As Filed" and "As Recalculated" rows reflect the impact of the adjustments made to remove the disallowed QIA expenses and to disallow the deductible factor in the credibility Adjustment.

Recalculated MLRs[1] and Rebates for the Individual, Small Group, and Large Group Markets for the 2014 Reporting Year

New Mexico

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$85,177,419	$93,485,053	92.7%	$0
As Recalculated	$85,141,542	$93,485,053	92.4%	$0
Difference	($35,877)	$0	(0.3%)	$0

[1] 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.

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$100,611,571	$125,884,257	81.4%	$0
As Recalculated	$100,599,851	$125,884,257	81.4%	$0
Difference	($11,720)	$0	0%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$585,677,349	$629,971,748	92.9%	$0
As Recalculated	$585,617,622	$629,971,748	92.9%	$0
Difference	($59,727)	$0	0%	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurer domiciled in the state of New Mexico. The Company sells health maintenance organization (HMO) health insurance policies to individuals and employer groups.

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 69,483 covered lives and $317,154,291 in direct earned premium for policies subject to the MLR reporting and rebate requirements, and a total of 408,541 covered lives and $1,468,252,156 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 Medicare Advantage plans, Managed Medicaid, 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
Lisa Farrell-Lujan	President
Brandon S. Fryar	Treasurer
Neal A. Spero	Vice President
Gabriel M. Parra	Secretary

Directors

Name
Stephen B. Chreist
Larry R. Clevenger, MD

Name
Cathy K. Eddy
James H. Hinton
George J. Isham, MD, MS
Steven M. Jenkusky, MD
Barry R. Silbaugh, MD

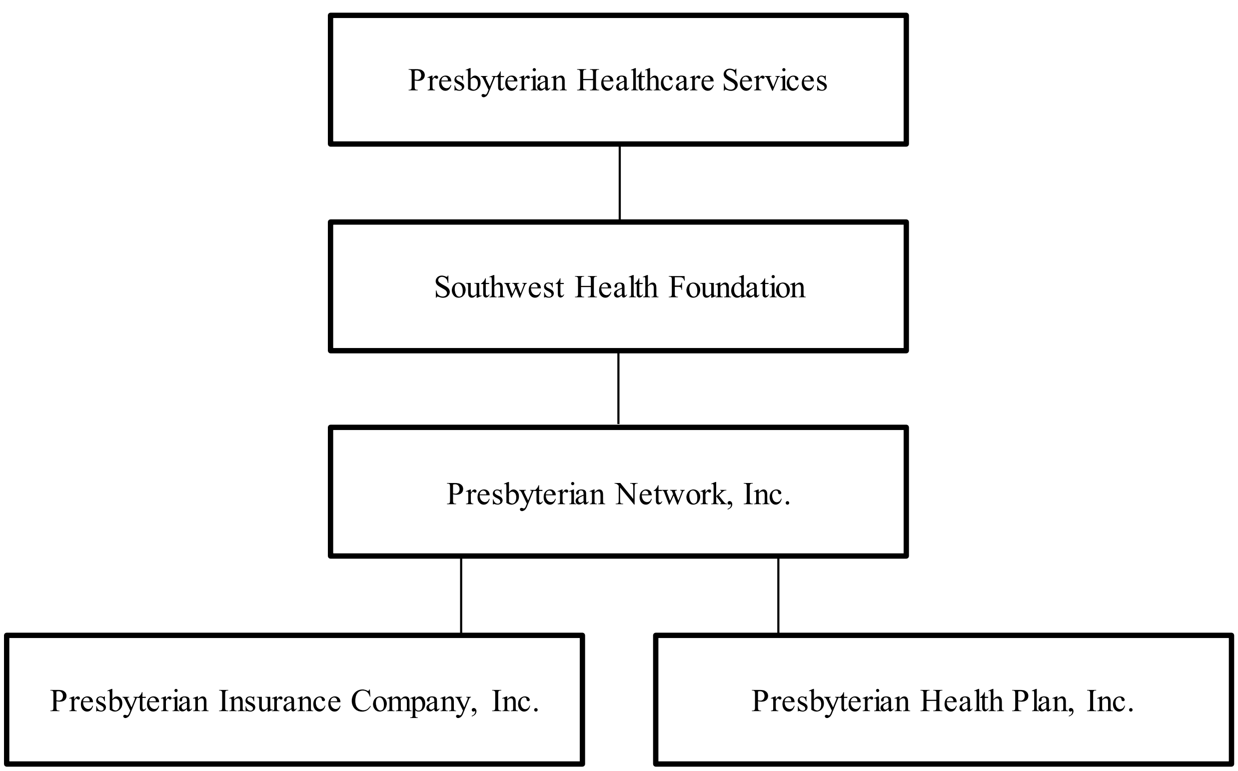
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2014 MLR Annual Reporting Form were:

Name	**Title**
Lisa Farrell-Lujan	CEO Attester
Brandon S. Fryar	CFO Attester

C. Ownership

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

Presbyterian Health Plan, Inc.
Organizational Chart[2] as of December 31, 2014



[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.

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 MLR Annual Reporting Form:

1. A Physician Hospital Organization Services Agreement with Presbyterian Healthcare Services
2. A Cost Sharing Agreement with Presbyterian Healthcare Services
3. A Cost Sharing Agreement with Presbyterian Insurance Company, Inc.
4. A Tax Sharing Agreement with Presbyterian Network, 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 9521 San Mateo Boulevard NE, Albuquerque, New Mexico. 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 45 CFR Part 158. 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 was unable to provide adequate documentation supporting certain QIA expenses reported 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.

During 2012, 2013, and 2014, the Company reported that it met or exceeded the applicable MLR standards in all three markets in New Mexico in which it had business subject to the reporting and rebate requirements of 45 CFR Part 158 and thus was not required to pay rebates to its enrollees.

Based on the errors found during the examination that could be quantified, MLRs for the 2014 reporting year were recalculated but did not result in rebates being owed. However, due to the

Company's lack of adequate documentation to support its group size and market classification determinations, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

A. MLR Data

Market Classification

Incorrect Procedures for Determining Group Size
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 plan year*. The Company did not obtain the necessary information from group policyholders to determine employer size in accordance with these definitions, and therefore may have incorrectly determined the market classification for group policies in the period covered by this examination.

Based on the available documentation, the Company determined the group size, and consequently the market classification, of its policies by utilizing the number of eligible employees at the time of either the initial policy application or policy renewal. However, and despite the fact that the Company employed standards that were inconsistent with the definitions in §158.103, the policies tested during the examination were assigned to the correct market classification based on the (possibly incorrect) information the Company obtained from the group policyholders.

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

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

Incurred Claims

Incorrect Reporting of CSRs
The Company underreported CSRs by $486,183 in the individual market RC column of its 2014 MLR Annual Reporting Form. The amount reported in the RC column should have been the same as the amount reported in the CY column. The error did not impact the 2014 MLR

calculation, as CSRs were reported correctly in the individual market CY column, which is used for MLR calculations.[3]

Other than the lack of documentation supporting its group size and market classification determinations and the CSR error noted above, based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, nothing additional came to our attention that would indicate that incurred claims were not accurately reported.

Claims Recovered Through Fraud Reduction Efforts

The Company did not report any 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

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 owed were 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 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 a portion of the activities in several cost centers either included certain activities that did not qualify as QIA in accordance with §158.150 or that the Company was unable to provide adequate documentation to demonstrate that the activities met the requirements for being a QIA. Based on a quantitative analysis performed by the Company during the examination, the Company determined that expenses totaling $341,690 were inappropriately included on its 2014 MLR Annual Reporting Form, $107,324 of which was applicable to the markets subject to the MLR regulations at 45 CFR Part 158. Consequently, QIA expenses were overstated by $35,877 in the individual market, $11,720 in the small group market, and $59,727 in the large group market.

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.

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[3] For purposes of the federal risk corridors program, the impact of this error was addressed consistent with the CMS June 19, 2015 technical guidance regarding the treatment of CSR amounts in RC and MLR reporting, *available at* https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/Advance-CSR-Payment-and-RC-MLR-submission_6192015.pdf.

Earned Premium

Incorrect Reporting of APTC Received
The Company incorrectly reported the amount of APTC it received in the individual market as $8,754,465, when the correct amount should have been $11,024,140. This error did not impact the MLR calculation as the total amount of earned premium was reported correctly, and the line reserved for APTC is for informational purposes only and is not included in the actual MLR calculation.

Other than the lack of documentation supporting its group size and market classification determinations and the APTC reporting error noted above, 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 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
Based upon the procedures performed, nothing came to our attention that would indicate that the taxes and regulatory fees excluded from the 2012, 2013, and 2014 earned premium on the Company's 2014 MLR Annual Reporting Form did not comply with §158.161 and §158.162, or were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170 and in accordance with its federal tax allocation agreement. On its 2014 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on net income before taxes, 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 the 2014 MLR Annual Reporting Form the expected payments under the federal transitional reinsurance program or the expected payments and charges 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 Rounding of the Preliminary MLR
The Company incorrectly rounded the Preliminary MLR on Part 3, Line 5.1a of its 2014 MLR Annual Reporting Form for the individual and small group markets and on its 2012 MLR Annual Reporting Form for the large group market. According to the MLR Annual Reporting Form Filing Instructions, Line 5.1a should not be rounded. This error did not impact the Company's MLR calculations.

Incorrect Calculation of the Average Deductible
The Company incorrectly calculated the average deductible for its policies in the individual market for purposes of calculating the credibility adjustment. The Company incorrectly weighted each deductible level using the life years for 2014, instead of the 3-year aggregation of life-years as required by §158.232(c)(1)(ii). As a result of the incorrectly calculated average deductible reported on Part 3, Line 4.3, the deductible factor was incorrectly reported on Part 3, Line 4.4.

Based on the documentation provided by the Company, the examiners could not determine the accurate average deductible or deductible factor, and therefore restated the deductible factor to 1.0 for the individual market.

Other than the errors noted above, 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.

C. Rebate Disbursement and Notice

According to its 2012, 2013, and 2014 MLR Annual Reporting Forms, the Company reported that it did not owe rebates in any market for 2012, 2013, and 2014 and therefore was not required to and did not issue any Notices of rebates for those years, 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 New Mexico Office of Superintendent of Insurance performed a financial examination of the Company in 2014 covering the period January 1, 2010 through December 31, 2012. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2014 MLR Annual Reporting Form. The Company informed CCIIO that effective with the 2017 benefit year, it would cease selling health insurance coverage in the New Mexico individual market on the Exchange.

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

CCIIO examined Presbyterian Health Plan, Inc.'s 2014 MLR Annual Reporting Form to assess compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2014 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158. The examination findings did not result in rebates being owed in any of the markets in which the Company had health insurance coverage subject to 45 CFR 158 in effect. However, due to the lack of adequate documentation to support its group size and market classification determinations, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

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 accurate 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 definitions in section 2791(e) of the PHS Act, the applicable requirements of 45 CFR Part 158, and related technical guidance. This includes, but is not limited to, obtaining and maintaining accurate documentation related to the average number of employees on business days for the calendar year preceding the coverage effective (or renewal) date. The Company should utilize this information to properly determine the group size and market classification of its policies, in accordance with the requirements of §158.220(a). 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. Consistent with § 158.502, the Company must maintain all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, including the group size and market classification records and information obtained from employer groups at the time of policy application and renewal.

Company Response

Since the MLR Examination was for Reporting Year 2014, many processes have changed at Presbyterian. As described below, which describes our current process, we believe in the intervening years that PHP has addressed the findings as noted in this report and Corrective Action.

Collection and storage of eligible employee counts is completed by Presbyterian during the initial application period for a new employer group enrollment as well as during renewal confirmation for existing groups. Presbyterian utilizes IRS guidelines to determine full-time equivalent employees, consistent with methods described in section 4980H(c)(2) of the Internal Revenue Code. Additionally, Presbyterian provides groups with information on how to calculate full-time equivalent employees by directing them to FTE Employee Calculators offered through Healthcare.gov. Within our initial group application, a group census is collected as a mandatory requirement of the group application, which tallies both full and part time employees to ensure counts are at or below 50 members as a prerequisite of small group coverage eligibility. Additionally, Small Group attestations of group size are required to be signed by the employer at time of application, as well as during the renewal period. During the renewal period, a mandatory requirement of the renewing contract is a refreshed census count which is found on the renewal paperwork. Within the Group Letter of Agreement, the group attests to having no more than 50, eligible and active employees who reside in the working area, which serves as the group's confirmation of small group eligibility. Both the initial application as well as the Group Letter of Agreement can be found in the Small Group Sales Kit, page 25, and Small Group Renewal Kit, page 26.

Collection of average number of employees on business days for the calendar year is collected on the Employer Group Information Application, found on the Small Group Sales Kit 2022 attached, page 16. Collection of eligible employees is collected on our Group Renewal Confirmation Form, page 1. If during renewal questions arise on small group eligibility, Presbyterian will work directly with the employer group or broker to obtain a full census for the group.

Presbyterian utilizes IRS guidelines to determine full-time equivalent employees, consistent with methods described in section 4980H(c)(2) of the Internal Revenue Code and will offer small or large group coverage options based on the number of employees reported by the group (i.e. 1-50 small group, 50+ large group).

Presbyterian maintains and stores documents for a period not to exceed 10 years for all group applications, renewal agreements, collected census, and any other information that is used in the determination of group eligibility.

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 and that sufficient documentation exists to support such determinations. The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include maintaining 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
Presbyterian follows our internal policy, regarding QIA, which states the following:
Expenses defined in 45 CFR 158.221(b), the numerator of the MLR submission, can include Plan expenses for activities that improve health care quality, which are defined in 45 CFR 158.150 and 158.151. The definition covers activities such as those that improve health outcomes, prevent hospital readmissions, improve patient safety, and promote health and wellness activities, and the information technology expenses required to accomplish such activities.

To identify costs to be reported as QIA, the statutory accountant conducts yearly surveys with the cost center department heads. Each department head will receive an email from the statutory accountant discussing the purpose of the survey as well as a link to a SharePoint site which houses the survey. The survey is designed to assist the statutory accountant in identifying departments that perform quality of care activities. The survey utilizes and includes wording from 45 CFR 158.150 as to guide the department head.

Beginning with 2019 surveys, the Plan included wording from 45 CFR 158.151 as well. If the department head oversees several departments, they are asked to complete a survey for each one separately. If the department head needs assistance in determining whether their cost centers perform qualifying activities, the statutory accountant will meet with the department head for a conversation and determination. Ultimately, the statutory accountant is placing reliance on the department head's expertise, judgement, and knowledge of the department.

Once the surveys are completed, the statutory accountant will download the responses. The responses are stored on the finance shared drive. The statutory accountant creates a workbook which takes the total actual administrative costs for the calendar year at the Presbyterian Health Plan / Presbyterian Insurance Company, Inc. consolidated level and spreads the costs between admin, cost containment, and QIA, according to the percentages obtained from the surveys. From there, total Commercial Group is allocated to Small Group and Large Group in the workbook. Those amounts are then reported on the HIOS MLR as allowable QIA Expenses.

Oversight and Records Retention Policy:
Oversight of the accounting for HIOS MLR reporting is to be performed by the Finance Manager – Financial Reporting, Director of Finance, and Chief Financial Officer. Review of the MLR is to be performed and retained in accordance with PHS policy, which is not to exceed ten years. Oversight/review are to be performed based on knowledge obtained from applicable laws, regulations, and HIOS/CMS Guidance.

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 §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including properly reporting APTC amounts and Preliminary MLRs.

Company Response
Presbyterian has completed the MLR Annual Reporting form in accordance with the instructions as provided. We have modified our internal policy to state this explicitly, including APTC and preliminary MLRs. Per our internal policy, the Plan will complete the HIOS MLR Annual Reporting Form in accordance with 45 CFR Part 158.110, including proper reporting of APTC amounts and Preliminary MLRs.

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

Company Response

Presbyterian will use a deductible factor of 1.0 in lieu of calculating average deductibles in accordance with §158.232(c), We have modified our internal policy to state this explicitly.

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 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.