

Final
Report on the
Medical Loss Ratio Examination
of
Wellmark, Inc. (Des Moines, Iowa)
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

February 18, 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 Wellmark, Inc. (the Company) for the 2013 reporting year, including 2012 and 2011 data reported on that form. Following an exit conference, Wellmark, Inc. had an opportunity to review and comment on the report. The Company did not provide any such comments. This final report will be made publicly available.

A handwritten signature in blue ink that reads "Christina A. Whitefield".

Christina A. Whitefield, Acting Director
Medical Loss Ratio Division
Office of Oversight
Center for Consumer Information and Insurance Oversight
Centers for Medicare and Medicaid Services
US Department of Health and Human Services

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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 Wellmark, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2013 MLR Annual Reporting Form was compliant with the requirements of 45 CFR Part 158. The examination did not result in any change to the Company's reported MLR for the individual, small group or large group markets.

II. Scope of Examination

We have completed an examination of the MLR Annual Reporting Form for the 2013 MLR reporting year for the Company 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). Iowa received a waiver from the US Department of Health and Human Services (HHS) whereby the required MLR minimum standard in the individual market was 67% in 2011 and 75% in 2012. Beginning with the 2013 MLR reporting year, the standard individual market MLR of 80% applied in Iowa.

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 run-out of 2013 claims through March 31, 2014. We conducted our 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 Reporting Form, and the accuracy and timeliness of any rebate payments. Our examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant accounting standards, MLR regulations and guidance, and the MLR Reporting Form Filing Instructions.

III. Summary of Key Findings

There were no findings as a result of the examination and therefore, the examination did not result in a change to the Company's reported MLR for the individual, small group or large group market. The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLR for 2013, are shown in the following table. Testing and recalculating of the Company's MLR calculations resulted in no change to the results.

Recalculated Aggregate 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	\$1,290,887,418	\$1,360,848,347	94.9%	\$779,245,687	\$952,428,030	81.8%
As Recalculated	\$1,290,887,418	\$1,360,848,347	94.9%	\$779,245,687	\$952,428,030	81.8%
Difference	\$0	\$0	0.0%	\$0	\$0	0.0%

	Large Group Market		
	Numerator	Denominator	MLR
As Filed	\$2,475,017,897	\$2,816,890,619	87.9%
As Recalculated	\$2,475,017,897	\$2,816,890,619	87.9%
Difference	\$0	\$0	0.0%

The amounts calculated as a result of the examination did not impact the Company's rebate liability, as the MLR for the individual and small group markets were above the MLR standard of 80% and the MLR for the large group market was above the MLR standard of 85%.

IV. Company Overview

A. Description, Territory, and Plan of Operation

Wellmark is a mutual insurance company domiciled in Iowa that operates under the trade names Wellmark Blue Cross and Blue Shield of Iowa and Wellmark Blue Cross and Blue Shield. The Company has two wholly-owned insurance subsidiaries, Wellmark of South Dakota, Inc., a stock insurance company, and Wellmark Health Plan of Iowa, Inc., a health maintenance organization. The Company owns three other non-insurance company subsidiaries: First Administrators, Inc., a third-party administrator; Midwest Benefit Consultants, Inc., an insurance agency; and Wellmark Holdings, Inc., a holding company. During the years under examination, the Company sold preferred provider organizations (PPO) and traditional indemnity policies that were subject to the MLR reporting and rebate requirements in Iowa and South Dakota and also offered Medicare supplement plans, Medicare Part D plans and administration of self-funded employer-sponsored plans, which are not subject to the requirements of 45 CFR Part 158.

During the 2011, 2012 and 2013 MLR reporting years, the Company operated in the individual, small group and large group markets that were subject to the MLR reporting requirements under 45 CFR Part 158. As of December 31, 2013, the Company reported a total of 20,415 covered lives and \$97,498,912 in direct earned premium in policies subject to the MLR reporting and rebate requirements and a total of 64,777 covered lives and \$355,674,202 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 any state regulatory agency in any 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

<u>Name</u>	<u>Title</u>
John D. Forsyth	Chairman & CEO
Francis J. Stork	Secretary
David S. Brown	EVP, CFO & Treasurer

Directors

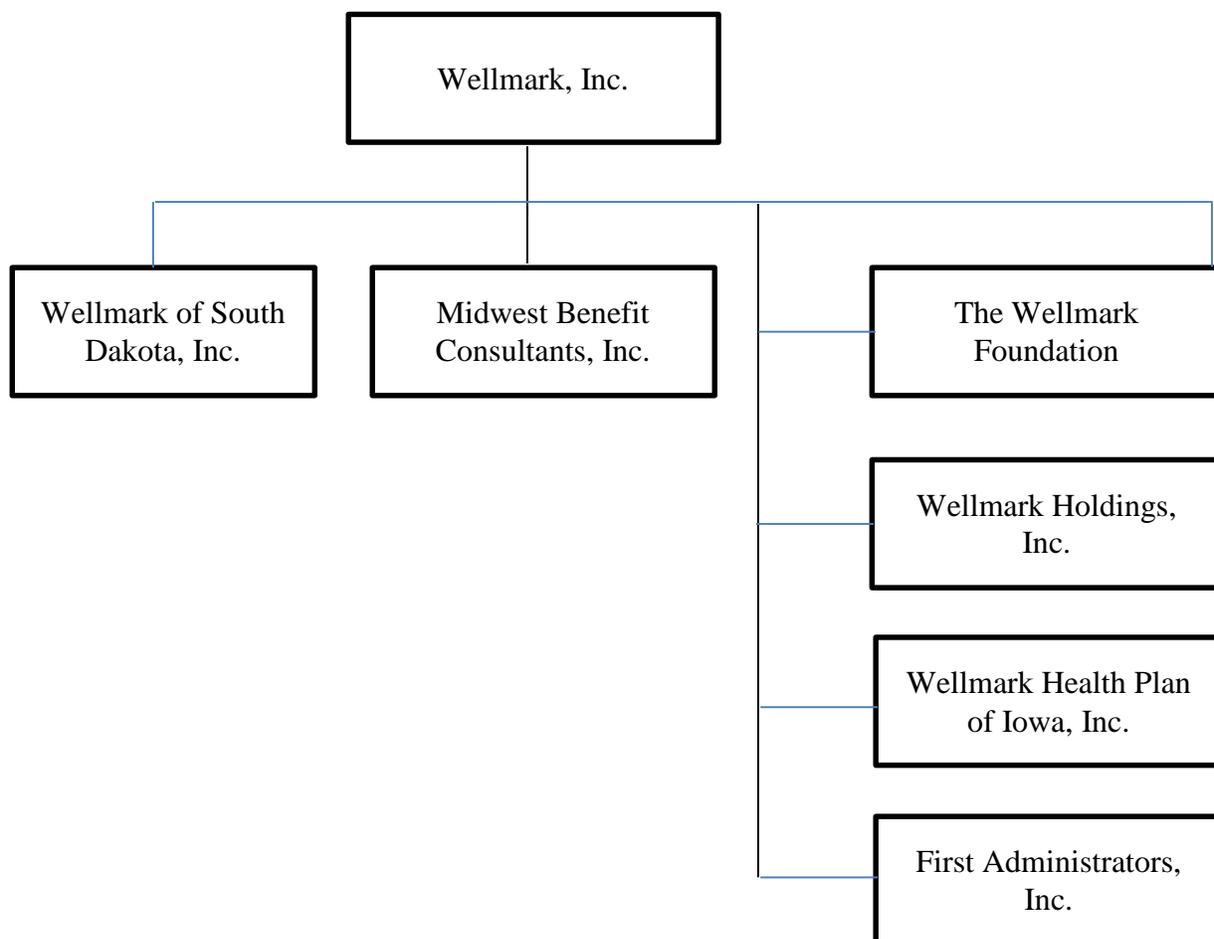
<u>Name</u>
Thomas M. Cink MD
Melanie C. Dreher PhD, RN
John D. Forsyth
Daryl K. Henze
William C. Hunter
Paul E. Larson
Angeline M. Lavin
Terrence J. Mulligan
David G. Neil
Therese M. Vaughan

Company management and personnel responsible for the preparation, submission and attestation of the 2013 MLR Annual Reporting Form are:

<u>Name</u>	<u>Title</u>
Daniel J. Callahan, Senior Actuary	Uploader
John D. Forsyth	CEO Attester
David S. Brown	CFO Attester

C. Ownership

The Company is a member of an insurance holding group system. The ultimate controlling entity of the holding group is Wellmark, Inc.



D. Agreements

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

1. A Management Agreement with Wellmark Health Plan of Iowa, Inc.
2. An Amended and Restated Services Agreement with First Administrators, Inc.
3. An Intercorporate Services Agreement with Wellmark of South Dakota, Inc.
4. A Tax Sharing Agreement - The following entities file a consolidated return: Wellmark, Inc.; Wellmark of South Dakota, Inc.; Wellmark Health Plan of Iowa, Inc.; First Administrators, Inc.; Midwest Benefits Consultants, Inc.; and Wellmark Holdings, Inc.

E. Reinsurance

Wellmark did not have any assumed or ceded reinsurance agreements in effect during 2011, 2012 or 2013.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 1331 Grand Avenue, Des Moines, IA 50309. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

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.

VI. Examination Results

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 met the MLR standard of 80% for the small group market and 85% for the large group market, and thus was not required to pay rebates to its enrollees. The State of Iowa received a waiver from the US Department of Health and Human Services (HHS) whereby the minimum MLR standard in the individual market was reduced to 67% for 2011 and 75% for 2012, reverting back to 80% for 2013 and later years. The Company met the individual MLR standard in all three years under examination.

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. The samples of policies tested during the examination were assigned to the correct market classification.

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

Based upon substantive testing and validation of the incurred claims (as defined by §158.140) reported by the Company, incurred claims were accurately reported.

Claims Recovered Through Fraud Reduction Efforts

The Company accurately reported recoveries of paid fraudulent claims, which §158.140(b) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities

The expenses and programs for quality improvement activities (QIA) that the Company reported met the definition of a QIA in §158.150. Based on substantive testing, all QIA expenses were

accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium

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 complies 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 Tax Sharing Agreement.

B. Credibility-Adjusted MLR and Rebate Amount

Based upon substantive testing, the Company correctly applied the credibility adjustment when the Company 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 Annual Reporting Forms, the Company did not owe any rebates as a result of the MLR calculation. Based on substantive testing, the Company timely issued the 2011 Notice (of no rebate) in accordance with 45 CFR §158.251 and was not required to (and did not) issue any Notice for 2012 or 2013.

D. Compliance with Previous Recommendations

The Company indicated that neither CCHIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Iowa Insurance Division performed a financial examination of the Company covering the period January 1, 2007 through December 31, 2011. There were no findings noted in the examination report.

VII. Impact of Findings

There were no findings as a result of the examination.

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 have been brought to CCIIO's attention.

IX. Conclusion and Summary of Recommendations

CCIIO has examined Wellmark, Inc.'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. Based on our review, the Company's 2013 MLR Annual Reporting Form did fully comply with the requirements of 45 CFR Part 158. The examination did not result in any change to its reported MLR for any of its markets. Therefore, there was no impact on the Company's rebate liability in any of the markets in which it operates. As there are no findings as a result of this Examination, CCIIO has no recommendations.

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