Final

Report on the

Medical Loss Ratio Examination

of

UnitedHealthcare Insurance Company of the River Valley
(Moline, Illinois)

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

February 1, 2019

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 UnitedHealthcare Insurance Company of the River Valley (the Company) for the 2014 reporting year, including 2013 and 2012 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Recommendation. 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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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 UnitedHealthcare Insurance Company of River Valley (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2014 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158, but which do not impact consumer rebates. We recommend that the Company implement corrective actions, including ensuring that expenses for quality improvement activities (QIA) meet the regulatory definition and are supported with adequate documentation, and employing reasonable standards to locate enrollees of unclaimed rebate disbursements.

The examination findings and subsequent recalculation of the Company's MLRs resulted in a net decrease to its reported MLRs in seven states in the small group market and six states in the large group market. The examination findings did not result in any change to its reported MLRs for any of the other state market segments in which it had health insurance coverage in effect. As the recalculated MLRs for all states and markets continue to exceed the individual and small group MLR standards of 80% and the large group market MLR standard of 85%, the findings did not have an impact on the Company's rebate liability in any of its states and markets.

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 companies 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 a company 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 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, 2012 through December 31, 2014, including 2012 and 2013 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 and Recommendations section of this Report. The Company's corrective action was not reviewed for proof of implementation or subjected to the 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 Findings

Page	Key Findings
7	**Failure to maintain adequate documentation as required by §158.502 –** The Company did not maintain the documents and other evidence necessary to verify that activities and expenses reported as QIA met the requirements of §158.150 and that various expenses reported as QIA were allocated in accordance with §158.170. Consequently, it was determined that the Company overstated QIA expenses by $27,384 in the individual market, $4,642,218 in the small group market, and $1,599,342 in the large group market.
8	**Failure to make a good faith effort to locate and deliver unclaimed rebates to enrollees as required by §158.244 –** The Company's policies and procedures for locating and delivering rebates to enrollees did not include any follow-up with enrollees whose unclaimed rebates were less than $50.

These findings resulted in a net decrease to the Company's reported MLRs in the small group market for seven states and in the large group market for six states. In the large group market in one state and in the individual market in all states where it operates, 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 adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLR for 2014, are shown in the following tables (the states and markets presumed to meet or exceed the applicable MLR standards are omitted). The differences between the amounts in the "As Recalculated" and "As Filed" rows reflect the potential net impact of the adjustments made as a result of removing QIA expenses for which sufficient documentation was not provided.

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

Arkansas

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$54,062,085	$61,913,799	89.4%	$44,632,491	$50,710,014	90.3%
As Recalculated	$53,743,753	$61,913,799	88.8%	$44,422,117	$50,710,014	89.9%
Difference	($318,332)	$0	(0.6%)	($210,374)	$0	(0.4%)

Georgia

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$91,168,714	$105,554,761	87.9%	$35,815,461	$38,614,571	95.5%
As Recalculated	$90,452,094	$105,554,761	87.2%	$35,607,290	$38,614,571	94.9%
Difference	($716,620)	$0	(0.7%)	($208,171)	$0	(0.6%)

Illinois

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$158,568,302	$187,533,481	85.8%	$115,857,388	$135,874,736	86.7%
As Recalculated	$157,841,891	$187,533,481	85.4%	$115,434,361	$135,874,736	86.4%
Difference	($726,411)	$0	(0.4%)	($423,027)	$0	(0.3%)

North Carolina

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$18,417,438	$19,952,339	96.2%	$48,114,070	$50,348,015	98.1%
As Recalculated	$18,267,029	$19,952,339	95.5%	$47,769,535	$50,348,015	97.4%
Difference	($150,409)	$0	(0.7%)	($344,535)	$0	(0.7%)

Ohio

	Small Group Market		
	Numerator	Denominator	MLR
As Filed	$229,164,993	$258,306,171	88.7%
As Recalculated	$228,121,977	$258,306,171	88.3%
Difference	($1,043,016)	$0	(0.4%)

South Carolina

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$39,111,956	$46,560,237	86.5%	$34,431,041	$38,642,404	91.9%
As Recalculated	$38,747,599	$46,560,237	85.7%	$34,215,820	$38,642,404	91.4%
Difference	($364,357)	$0	(0.8%)	($215,221)	$0	(0.5%)

[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.

Tennessee

	Small Group Market			Large Group Market		
	Numerator	Denominator	MLR	Numerator	Denominator	MLR
As Filed	$224,596,467	$272,403,164	82.8%	$23,939,179	$25,888,872	95.7%
As Recalculated	$223,273,135	$272,403,164	82.3%	$23,747,438	$25,888,872	95.0%
Difference	($1,323,332)	$0	(0.5%)	($191,741)	$0	(0.7%)

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit life, accident and health insurer domiciled in the State of Illinois and licensed in eight states. The Company sells Preferred Provider Organization (PPO) health insurance coverage in seven of the eight states in which it is licensed.

During the 2012, 2013 and 2014 MLR reporting years, the Company reported business 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 153,828 covered lives and $595,878,660 in direct earned premium for policies subject to the MLR reporting and rebate requirements, and a total of 160,492 covered lives and $598,594,792 in direct earned premium from all health lines of business. Lines of business not subject to the MLR regulations at 45 CFR Part 158 include stop loss insurance.

B. Management

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

Officers

Name	Title
Steven Craig Walli	President and Chief Executive Officer
Julie Doreen Davidson	Chief Financial Officer
Robert Worth Oberrender	Treasurer
Jeffrey Ryan Tredway	Secretary and General Counsel
Scott Edward Williams	Senior Vice President
Tracey Irene McLoone, M.D.	Chief Medical Office
Nyle Brent Cottington	Assistant Treasurer
Michael Marie Huntley	Assistant Secretary
Juanita Bolland Luis	Assistant Secretary

Directors

Name
Michael Earl Etheridge
Tracey Irene McLoone, M.D.
Steven Craig Walli
Beth Marise Whisman
Scott Edward Williams
Stephen Lewis Wilson, Jr.

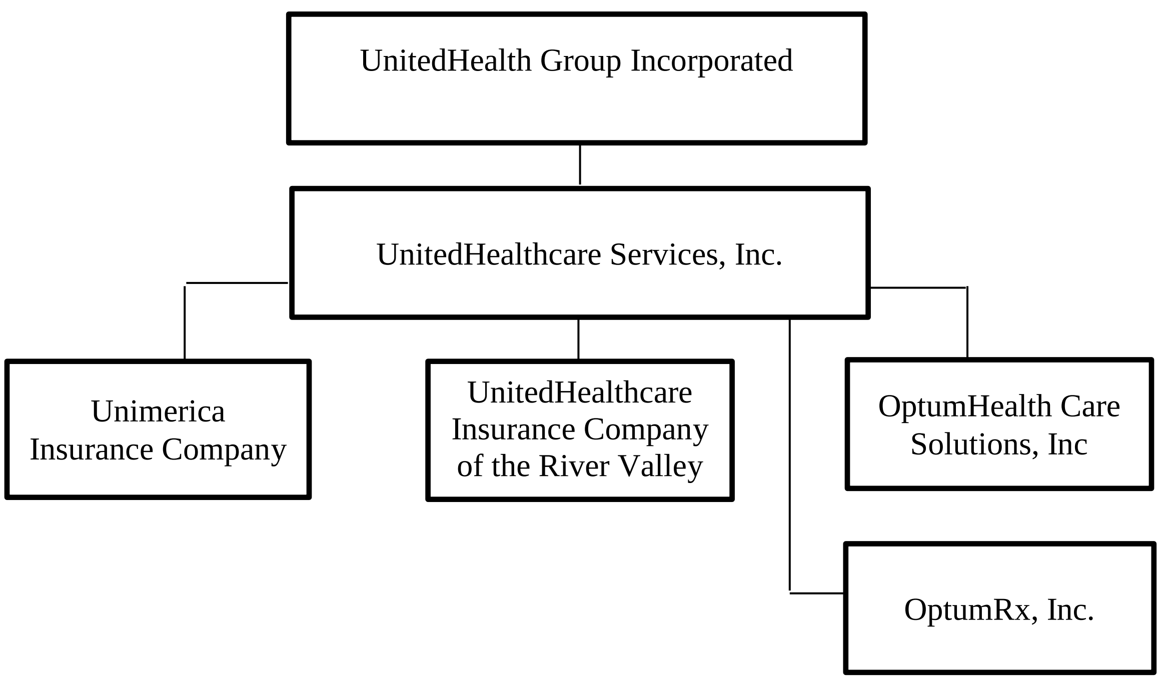
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2014 MLR Annual Reporting Form were:

Name	**Title**
Steven Craig Walli	CEO Attester
Julie Doreen Davidson	CFO Attester

C. Ownership

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

UnitedHealthcare Insurance Company of the River Valley
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 intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Management Services Agreement with UnitedHealthcare Services, Inc.
2. A Tax Sharing Agreement with UnitedHealth Group Incorporated and other affiliated group members.
3. An Administrative Services Agreement with OptumHealth Care Solutions, Inc.
4. A Prescription Drug Benefit Administration Agreement with OptumRx, Inc. and other affiliated group members.

E. Reinsurance

During 2013 and 2014, the Company had a 100% quota share reinsurance agreement in place with Unimerica Insurance Company, an affiliated entity, to cede obligations relating to various chiropractic, mental health and physical therapy coverages. None of the reinsurance agreements had an impact on the MLR Annual Reporting Form.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 1300 River Drive, Suite 200, Moline, Illinois. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted below, the Company did not maintain sufficient documentation supporting the QIA expenses reported on its 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 or before the required due date.

During the 2012, 2013, and 2014, the Company reported that it met or exceeded the MLR standard in all states and markets in which it had business subject to the reporting and rebate requirements of 45 CFR Part 158 and therefore did not pay rebates to its enrollees. Based on the examination findings, MLRs for the 2014 MLR reporting year were recalculated but remained above the applicable standards and did not result in rebates owed.

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

reporting years. Nothing came to our attention that would indicate that the samples of policies tested during the examination were not assigned to the correct market classification.

Aggregation
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
Based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, nothing 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 Quality Improvement Activities
The Company did not maintain adequate documentation to support the expenses it reported as QIA. Section 158.502 requires an issuer to maintain all documents and other evidence necessary to enable CCIIO to verify compliance with the definitions and criteria set forth in the regulation and that the MLR and any rebates owing are calculated and provided in accordance with the regulation.

The Company could not provide sufficient time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA, although the amount of any misstatement in connection with this finding was deemed to not to have a significant impact on the MLR calculations.

The Company also did not provide sufficient documentation to support the multi-level intercompany process for allocation of its QIA expenses from various affiliated entities, including how its allocation process apportioned expenses in a manner expected to yield the most accurate results in accordance with §158.170. Due to the lack of adequate documentation, the examiners were unable to effectively test the underlying transactions and amounts reported as QIA. Consequently, the current year amounts reported as QIA on the Company's 2014 MLR Annual Reporting Form of $27,384 in the individual market, $4,642,218 in the small group market, and $1,599,342 in the large group market were deemed to be unsupported and were removed for purposes of the MLR recalculations. However, we determined that no amount of reduction in the aggregate QIA expenses reported by the Company for the 2014 reporting year would impact the MLR for the State markets it operated in during the years covered by its 2014 Form to the extent that it would result in any rebate liability.

Federal Risk Adjustment Program

Based upon the procedures performed, nothing came to our attention that would indicate that the Company did not properly report the charges payable to HHS under the federal risk adjustment program for the 2014 benefit year, in compliance with §158.140(b)(4)(ii).

Earned Premium

Based upon the procedures performed, nothing 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 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 market based on the respective portion of pre-tax income or loss to the issuer's total pre-tax income or loss, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount

Based upon procedures performed, the Company correctly applied the credibility adjustment when the Company calculated and reported its MLRs, in accordance with §§158.230-158.232. The Company's credibility-adjusted MLRs were calculated using the correct formula in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions. On its 2014 MLR Annual Reporting Form, the Company reported that it met or exceeded the MLR standard of 80% for the individual and small group markets and 85% for the large group market in all states, and thus calculated $0 rebates for all states and markets.

C. Rebate Disbursement and Notice

According to its 2012 and 2014 MLR Annual Reporting Forms, the Company did not report any rebates owed as a result of the MLR calculations. The Company did report rebates owed in the small and large group markets in several states on the 2013 MLR Annual Reporting Forms and, based on the procedures performed, timely issued rebates in accordance with §§158.240-244 and Notices of rebates in accordance with §158.250. The Company reported fewer than 1,000 life-years for the individual market in all states and therefore did not owe rebates in that market.

Lack Good Faith Effort to Locate Enrollee for Unclaimed Rebates

Based upon substantive testing, the Company adopted policies and procedures for locating and delivering rebates that are inconsistent with the requirements in §158.244. Section 158.244 requires an issuer to make a good faith effort to locate and deliver unclaimed rebates to enrollees. The Company sent follow-up letters to enrollees with unclaimed rebates if those rebates were at least $50, but did not conduct any follow-up for unclaimed rebates that were less than $50.

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 Illinois Department of Insurance performed a financial examination of the Company in 2013, covering the period January 1, 2009 through December 31, 2011. 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. No post-December 31, 2014 significant events were brought to CCIIO's attention.

VIII. Conclusion, Recommendations, and Company Responses

CCIIO has examined UnitedHealthcare Insurance Company of the River Valley'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 fully compliant with the requirements of 45 CFR Part 158. The examination findings did not impact MLR rebates in any state and market in which the Company operated since recalculating the MLRs to correct for the incorrectly reported items did not cause the Company's MLRs in these states and markets to fall below the applicable MLR standard or result in additional rebates owed.

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

Recommendation #1
The Company should adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary 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 evidence that activities and expenses reported as QIA meet the definition of QIA, and provide sufficient evidence to support the reasonability of the Company's allocation of various expenses reported as QIA.

Company Response
"The company acknowledges the finding with respect to documentation and verification procedures. The company has implemented both enhanced procedures in these areas, as well as, updating our processes for responding to audit requirements."

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

Recommendation #2
The Company should adopt and implement procedures to ensure that a good faith effort is made to locate and deliver all unclaimed rebates to enrollees in accordance with the requirements of §158.244, regardless of the rebate amount.

Company Response
"Based on the finding noted in the audit report, the company has since modified the policy and procedure to follow up on all unclaimed rebates regardless of any dollar threshold."

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