Final

Report on the

Medical Loss Ratio Examination

of

Aetna Health of Utah, Inc.
(South Jordan, Utah)

for the

2014 MLR Reporting Year

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

CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR CONSUMER INFORMATION & INSURANCE OVERSIGHT

OVERSIGHT GROUP

September 24, 2025

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 Aetna Health of Utah, 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.

Christina A. Whitefield

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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 Aetna Health of Utah, 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, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including: correctly determining the market classification of policies; ensuring that incurred claims are properly and accurately calculated and reported; ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and are adequately supported with sufficient documentation; ensuring that QIA expenses and federal income taxes are properly and accurately allocated; and ensuring earned premium is properly reported.

To the extent that the findings could be quantified, the recalculation of the Company's 2014 MLRs resulted in changes to its reported MLRs in the individual market in two states, in the small group market in three states, and in the large group market in two states, increasing the Company's 2014 rebate liability in the Nevada individual market by $24,403. The recalculated MLRs in the Utah small group market and the Wyoming small and large group markets resulted in net increases to the Company's reported MLRs, reducing the 2014 rebate liability reported by the Company in the Wyoming small group market by $150,227. However, due to the lack of adequate documentation supporting some of the Company's QIA expenses, 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 states or markets 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
8	**Failure to assign the correct market classification in accordance with the definitions in §158.103** – The Company incorrectly classified one Utah policy and one Wyoming policy issued to a small employer in each state as large group policies. As a result, a total of $5,628,295 in 2014 incurred claims and $3,455,915 in 2014 earned premium were reallocated from the large group market to the small group market in these states.
8	**Failure to accurately report incurred claims, as required by §158.140** – The Company erroneously overstated its Nevada capitation payments in its incurred claims on its 2014 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate incurred claims by a total of $825,373 in the individual market, $681,009 in the small group market, and $902,525 in the large group market.
9	**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 its MLRs and any rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not provide sufficient evidence necessary to enable CCIIO to verify that the expenses reported as QIA met the definitions set forth in §158.150, and were allocated in accordance with §158.170. There were no adjustments made to the Company's 2014 MLR calculations as a result of this finding.
9	**Reporting of expenses as QIA that did not meet the definition of a QIA expense set forth in §158.150** – The Company improperly included in its

Page	Key Findings
	QIA expenses on its 2014 MLR Annual Reporting Form a portion of its parent company's general overhead expenses. As a result of this error, the Company overstated its 2014 QIA expenses by a total of $19,103 in the individual market, $69,321 in the small group market, and $136,428 in the large group market.
9-10	**Failure to accurately allocate QIA expenses, as required by §158.170** – Due to an accounting error, the Company erroneously overstated its current year QIA staffing expenses on its 2014 MLR Annual Reporting Form by a total of $8,391 in the individual market, $30,449 in the small group market, and $59,925 in the large group market. The Company improperly allocated self-funded group health plan and Medicare Advantage QIA expenses to its states and markets that are subject to 45 CFR Part 158. The precise impact of this error could not be conclusively determined due to the Company's failure to provide the information necessary to support its allocations.
10	**Failure to properly report earned premium, as required by §158.130** – The Company improperly excluded from its reported 2014 earned premium the agent and broker fees and commissions attributable to 2014 coverage. Consequently, the Company understated its current year earned premium on its 2014 MLR Annual Reporting Form by a total of $707 in the individual market, $1,010,536 in the small group market, and $432,507 in the large group market.
10-11	**Failure to properly allocate taxes and regulatory fees, as required by §158.170** – The Company failed to deduct non-claims costs from revenue when calculating the pre-tax underwriting gain/loss that was used to allocate federal income taxes on its 2014 MLR Annual Reporting Form to states and markets. This method did not yield the most accurate results, as required by §158.170. Consequently, the Company overstated its taxes and regulatory fees by a total of $572,420 in the individual market, and understated them by a total of $3,549,861 in the small group market and $2,975,787 in the large group market.

Based on the adjustments that could be quantified, the examination findings resulted in changes to the Company's reported MLRs in the individual market in two states, in the small group market in three states, and in the large group market in two states. As a result of these changes, the Company's rebate liability for 2014 increased by an $24,403 in the Nevada individual market and decreased by $150,227 in the Wyoming small group market. However, due to the lack of adequate documentation supporting some of the Company's QIA expenses, 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, for the states and markets in which the MLRs changed as a result of the examination are shown in the following tables. The differences between the amounts in the "As Filed" and "As Recalculated" rows reflect the net result of the adjustments made to: reallocate the experience of certain misclassified policies; remove improperly reported capitation claims and disallowed QIA expenses; add agent and broker fees and commissions back to earned premium; and reallocate federal income taxes.

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

Idaho

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$16,216,311	$18,294,239	92.3%	$0
As Recalculated	$16,211,091	$18,417,799	91.7%	$0
Difference	($5,220)	$123,560	(0.6%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,260,229	$24,844,688	96.9%	$0
As Recalculated	$23,253,744	$25,433,301	94.7%	$0
Difference	($6,485)	$588,613	(2.2%)	$0

Nevada

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$3,499,162	$3,239,131	114.9%	$0
As Recalculated	$2,671,351	$3,715,441	78.8%	$24,403
Difference	($827,811)	$476,310	(36.1%)	$24,403

Utah

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$47,174,518	$59,000,548	81.8%	$0
As Recalculated	$47,150,023	$59,081,074	81.7%	$0
Difference	($24,495)	$80,526	(0.1%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$263,680,900	$317,000,228	83.2%	$0
As Recalculated	$268,912,106	$317,698,327	84.6%	$0
Difference	$5,231,206	$698,099	1.4%	$0

Wyoming

[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	$3,113,611	$4,928,167	71.4%	$150,227
As Recalculated	$3,416,702	$4,755,603	80.1%	$0
Difference	$303,091	($172,564)	8.7%	($150,227)

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,194,796	$27,377,720	88.2%	$0
As Recalculated	$22,881,872	$26,840,991	88.7%	$0
Difference	($312,924)	($536,729)	0.5%	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurer domiciled in Utah. The Company sells individual and group health insurance policies in Idaho, Utah, Nevada, and Wyoming.

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 97,847 covered lives and $363,831,600 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 186,155 covered lives and $474,044,207 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 Medicare Advantage and Managed Medicaid plans, and the 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
Todd D. Trettin	President and Chief Executive Officer
Brett R. Clay	Chief Financial Officer
Elaine R. Cofrancesco	Vice President and Treasurer
Frank F. Chronister	Corporate Controller
Edward Chung-I Lee	Vice President and Secretary

Directors

Name
Mark D. Berquist
Jennifer M. Kopps-Wagner
Adam D. Lamnin

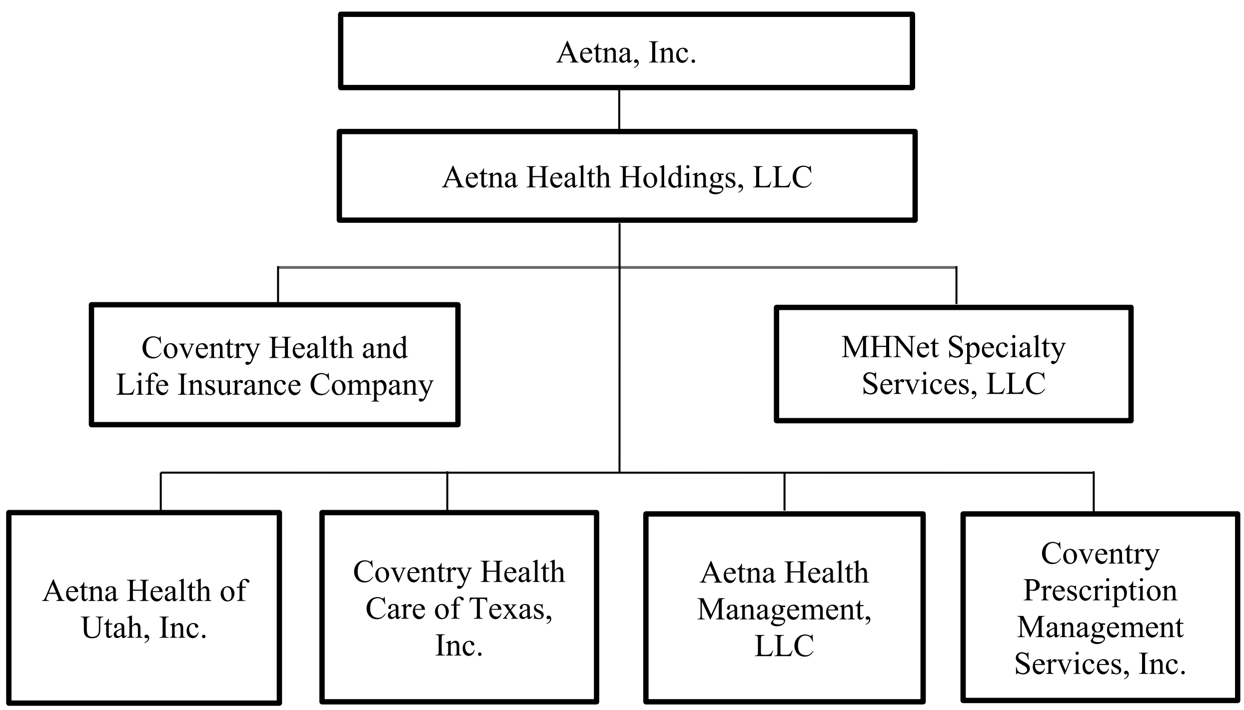
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2014 MLR Annual Reporting Form were:

Name	Title
Todd D. Trettin	CEO Attester
Brett R. Clay	CFO Attester

C. Ownership

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

Aetna Health of Utah, Inc.
Organizational Chart as of December 31, 2014[2]



D. Agreements

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

[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.

1. An Administrative Services Agreement with Aetna Health Management, LLC.
2. A Tax Sharing Agreement with Aetna, Inc. and all subsidiaries thereof.
3. An Administrative Services Agreement with Coventry Health Care of Texas, Inc.
4. A Pharmacy Benefits Administration Agreement between Aetna Health of Utah, Coventry Health and Life Insurance Company, and Coventry Prescription Management Services, Inc.
5. A Behavioral Services Agreement between Aetna Health of Utah and MHNet Specialty Services, LLC.

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 10421 South Jordan Gateway, Suite 400, South Jordan, Utah. 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 comply with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not maintain documentation supporting the 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 2014, the Company reported that it met the MLR standard of 80% for the small group market in three states, and 80% for the individual market and 85% for the large group market in all four states where it had business subject to the rebate requirements of 45 CFR Part 158. The Company reported that it did not meet the MLR standard of 80% in the Wyoming small group market, and paid rebates of $150,227.

Based on the errors found during the examination that could be quantified, the MLRs for the 2014 MLR reporting year were recalculated and resulted in an estimated rebate liability of $24,403 in the Nevada individual market. However, due to the Company's lack of adequate documentation to support some of its QIA expenses, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

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 and applicable to the 2012-2014 reporting years.

Incorrect Reporting of Market Classification
The Company did not correctly assign all of its group policies to the correct market for MLR reporting and rebate purposes. While completing its 2015 MLR Annual Reporting Form, the Company discovered that it had incorrectly classified and reported two policies in the large group market on its 2014 MLR Annual Reporting Form when the policies should have been reported in the small group market. Consequently, a total of $5,628,295 in incurred claims and $3,455,915 in earned premium were reallocated from the large group to the small group market in Utah and Wyoming.

Aggregation
Based upon the procedures performed, nothing came to our attention that would indicate that the samples of policies, claims, and other aggregation-related reporting elements tested during the examination were not correctly assigned to the appropriate states, markets, and lines of business in accordance with §158.120.

Incurred Claims

Incorrect Reporting of Capitation Payments
During the examination, the Company discovered that for one network provider, it had inadvertently included both the actual capitation amounts paid to the provider as well as the informational-only, equivalent fee-for-service amount for each enrollee encounter, on its 2013 and 2014 MLR Annual Reporting Forms. As a result, the three-year aggregate incurred claims reported on the Company's 2014 MLR Annual Reporting Form were overstated by $825,373 in the individual market, $681,009 in the small group market, and $902,525 in the large group market, in Nevada.

Based upon the procedures performed, including validating a sample of incurred claims (as defined by §158.140), other than the capitation expense error noted above, nothing additional came to our attention that would indicate that the Company did not accurately report incurred claims.

Claims Recovered Through Fraud Reduction Efforts
Based on the procedures performed, no errors were noted in how the Company reported recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities

Insufficient Documentation of QIA
The Company did not maintain adequate documentation to support the expenses it reported as QIA. Section 158.502 requires an issuer to maintain all documents and other evidence necessary to enable CCIIO to verify compliance with the definitions and criteria set forth in 45 CFR Part 158 and that the MLR and any rebates owing are calculated and provided in accordance with this regulation.

The Company could not provide any time studies of employee activities or otherwise substantiate the salary ratios it used to allocate salary costs to QIA. Accordingly, alternative testing procedures were employed, which included reviewing the titles and job descriptions of staff whose salaries were reported as QIA, the percent of staff time allocated to QIA, and other information obtained from the Company related to the employees whose salaries were reported as QIA expenses.

As a result of performing the alternative testing procedures, we determined that some of the job functions of the staff whose salaries were reported as QIA, such as those responsible for policy coverage determinations and benefit management, did not meet the regulatory definition of a QIA at §158.150. However, we concluded that adjusting the amounts reported would not meaningfully alter the Company's MLRs or any rebates owed. Therefore, no adjustments were made to the Company's MLR calculations as a result of this finding.

Improper Inclusion of Expenses That Do Not Qualify as QIA
Also as a result of performing the alternative testing procedures noted above, we determined that the Company improperly included in its QIA expenses, expenses for non-QIA, general overhead that its parent company allocated to it, such as benefit plan costs, equity-based compensation, and finance, human resources, investment management, legal and regulatory, and marketing department costs. The Company did not provide adequate support to demonstrate that these activities and the associated costs met the definition of QIA at §158.150. Consequently, expenses totaling $19,103 in the individual market, $69,321 in the small group market, and $136,428 in the large group market were deemed to be non-QIA and were removed from reported QIA when we recalculated the Company's MLRs.

Incorrect Allocation of QIA
Due to a recording error made at the time of merging the operations of another health insurance issuer into Aetna Health of Utah, the Company overstated the staffing expenses it allocated to QIA by a total of $8,391 in the individual market, $30,449 in the small group market, and $59,925 in the large group market.

The Company also improperly allocated to the markets subject to the MLR regulations at 45 CFR Part 158 certain QIA expenses that were incurred for self-funded group health plans, Medicare Advantage plans, and other lines of business that are not subject to 45 CFR Part 158. Due to the structure of the Company's accounting and reporting systems, expenses attributable to such lines of business were not segregated in a manner that would allow the examiners to determine the amount of such improperly allocated QIA expenses. The precise impact of this allocation error cannot be conclusively determined due to the Company's failure to provide the information necessary to support its allocations.

Based upon the procedures performed, other than the non-supported QIA expenses, the non-QIA expenses, and the incorrect allocation of QIA expenses noted above, nothing additional came to our attention at the time of this exam that would indicate that other QIA expenses were not accurately reported and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium

Incorrect Reporting of Earned Premium
Although §158.160(b)(2)(iv) requires issuers to report agent and broker fees and commissions as non-claims costs, CMS' May 27, 2015 technical guidance regarding MLR reporting and rebate requirements[3] allows issuers to exclude from earned premium agent and broker fees and commissions provided that all of the conditions specified in that guidance are met. While, based on the information provided to the examiners, the Company met all of the conditions specified in the guidance with respect to certain agent and broker fees and commissions that were paid in the first quarter of 2015 for policies effective in 2015, the Company improperly excluded these fees and commissions from 2014 instead of 2015 earned premium. Consequently, the Company understated its 2014 earned premium by a total of $707 in the individual market, $1,010,536 in the small group market, and $432,507 in the large group market on its 2014 MLR Annual Reporting Form.

Based upon the procedures performed, other than the error noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis or that the data elements underlying the 2012, 2013, and 2014 premium reported on the Company's 2014 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Allocation of Federal Income Taxes between Markets
The Company's methodology for allocating its 2013 and 2014 federal income taxes did not comply with §158.170(1), which requires allocations to be based on generally accepted accounting methods that are expected to yield the most accurate results. The Company failed to deduct non-claims costs from revenue when calculating its pre-tax underwriting gain/loss that was used to allocate income taxes among the Company's states and markets. As a result, the underwriting gain/loss used to allocate income taxes was not accurate. Consequently, the Company overstated its three-year aggregate taxes by $572,420 in the individual market, and understated its taxes by $3,549,861 in the small group market and $2,975,787 in the large group market, on its 2014 MLR Annual Reporting Form.

[3] CCIIO Technical Guidance (CCIIO 2015—0001), Question and Answer #64 (May 27, 2015*), available at* https://www.cms.gov/CCIIO/Resources/Regulations-and-Guidance/Downloads/MLR-Guidance-Earned-Premium-and-APTC-Rebates-20150527.pdf.

Based upon the procedures performed, other than the improper allocation of federal income taxes noted above, nothing additional came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from 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 states and markets, as required by §158.170 and in accordance with its federal tax allocation agreement.

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 the transitional reinsurance payments expected from HHS, or the charges payable to HHS and payments expected from HHS, 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

Based upon the procedures performed, the Company correctly applied the credibility adjustment, in accordance with §§158.230-158.232, when it calculated and reported its MLRs. The Company's credibility-adjusted MLRs were calculated using the correct formula and in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions.

The Company reported that it did not meet the MLR standard of 80% in 2014 in the Wyoming small group market. The Company used the correct procedures to calculate rebates of $150,227 in the Wyoming small group market for 2014. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's 2014 MLRs and rebate amounts.

C. Rebate Disbursement and Notice

According to its 2014 MLR Annual Reporting Forms, the Company owed rebates in the Wyoming small group market for 2014. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-158.244, and Rebate Notices in accordance with §158.250.

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The Company informed CCIIO that the Utah Insurance Department performed a financial examination of the Company in 2012 covering the period January 1, 2010 through December 31, 2012. The financial examination resulted in two findings, which did not have an impact on the Company's federal MLR calculation or reporting.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2014 MLR Annual Reporting Form. No post-December 31, 2014 significant events were brought to CCIIO's attention.

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

CCIIO examined Aetna Health of Utah, Inc.'s 2014 MLR Annual Reporting Form to assess the Company's compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the 2014 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2014 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158.

Based on the adjustments made as a result of the examination findings that could be quantified, the Company owes rebates of $24,403 in the Nevada individual market. However, due to the lack of adequate documentation to correct the improper allocation of QIA expenses, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs and rebates.

As a result of this examination, consistent with §158.402(e), CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1
The Company must adopt and implement procedures to ensure that all amounts are properly and accurately reported on its MLR Annual Reporting Form in accordance with the applicable MLR Annual Reporting Form Filing Instructions, including accurately determining the market classification of its policies in accordance with the requirements of §158.103, accurately reporting capitation amounts in incurred claims, and attributing agent and broker fees and commissions to earned premium in the appropriate MLR reporting year.

Company Response
The Company has implemented procedures to ensure that market classification of policies will be in accordance with 158.103, as well as accurately reporting capitation amounts in incurred claims, and attributing agent and broker fees and commissions to earned premium in the appropriate MLR year.

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

Corrective Action #2
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 expenses reported as QIA is reasonable. For salary-related expenses classified as QIA, this includes 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 are allowable QIA expenses.

Company Response
The Company has implemented procedures to ensure that expenses that are reported as QIA are consistent with the requirements noted above. The Company will also implement processes to ensure supporting documentation is maintained as it relates to coverage and QIA support.

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 that expenses classified as QIA meet the requirements at §158.150 and that sufficient documentation exists to support such determination. The Company must perform additional analyses to adequately differentiate between activities that do and do not qualify as QIA and perform additional quantitative analyses to ensure that the appropriate percentage of each activity or transaction that qualifies as a QIA pursuant to §158.150 is reported on its MLR Annual Reporting Form.

Company Response
The Company has implemented procedures to ensure that expenses classified as QIA meet the requirements in 158.150 and will ensure that supporting documentation is maintained as it relates to coverage and QIA support.

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 the methodologies used to allocate QIA expenses and federal income taxes to each state and market yields the most accurate results, in accordance with §158.170(b)(1) and the MLR Annual Reporting Form Filing Instructions.

Company Response
The Company has implemented procedures to ensure that methodologies used to allocate QIA expenses and federal income taxes to each state market are in accordance with the MLR Annual Reporting Form Filing Instructions.

CCIIO Reply

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

<u>Corrective Action #5</u>

The Company must re-file its 2014 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating any additional rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein must be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

<u>Company Response</u>

The Company will correct and refile 2014 reporting forms and issue any underpaid rebates as referenced in this report.

<u>CCIIO Reply</u>

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

The corrective actions provided in this report should be shared with and adopted by, as applicable, any affiliated entities of the Company, such as its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.

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