Final

Report on the

Medical Loss Ratio Examination

of

Aetna Life Insurance Company
Hartford, CT

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

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 Life Insurance Company (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, Director
Data and Analytics Division
Oversight Group
Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

Table of Contents

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 Life Insurance Company (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: ensuring the accurate calculation and reporting of contract reserves; ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and sufficient documentation exists supporting such determinations; ensuring that QIA expenses and federal income taxes are properly allocated; ensuring dual contract amounts are properly reported; and, adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions and the accuracy of the MLR Annual Reporting Form.

To the extent that the findings could be quantified, the recalculation of the Company's 2014 MLRs resulted in net changes to its reported MLRs in the individual market for 26 states and the District of Columbia, in the small group market for 10 states, in the large group market for 19 states, in the mini-med large group market for one state, and in the student market. As a result of these changes, the Company's total rebate liability increased for the 2014 reporting year by $377,589 in three states in the individual market, and by $129,860 in one state in the large group market. However, due to the lack of adequate documentation supporting the Company's contract reserves, and its allocation of its QIA expenses and federal income taxes, 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 properly report incurred claims, as required by §158.140 and in accordance with the definitions in §158.103** – The Company incorrectly reported contract reserves in the 3/31 column on its 2013 and 2014 MLR Annual Reporting Forms, basing them on claims incurred during each MLR reporting year and paid through March 31 of the following year instead of as of December 31 of the applicable year. As a result, the Company overstated its three-year aggregate incurred claims on its 2014 MLR Annual Reporting Form by a net total of $27,738,931 in the individual market, $149,079 in the small group market, $1,571,335 in the large group market, and $123,200 in the student market. Additionally, the Company improperly included premium deficiency reserves and other liabilities in the contract reserve amounts reported on its 2012, 2013, and 2014 MLR Annual Reporting Forms. The precise impact of this error cannot be conclusively determined due to lack of information provided by the Company.
8, 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 support to enable CCIIO to verify the accuracy of

	its contract reserves, to determine that the expenses reported as QIA met the definitions set forth in §158.150 and were properly allocated, or to properly reallocate its income taxes. There were no adjustments made to the Company's 2014 MLR calculations as a result of these findings.
9	**Reporting of expenses as QIA that did not meet the definition of a QIA set forth in §158.150** – The Company improperly included in its 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 by $651,530 in the individual market, $1,642,215 in the small group market, $5,909,249 in the large group market, $30,224 in the mini-med large group market, and $570,211 in the student market.
9	**Failure to properly allocate QIA expenses, as required by §158.170** – 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 on its 2014 MLR Annual Reporting Form. 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 submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110** – The Company improperly reported negative, rather than positive, premium amounts in the dual contract column for the small group and large group markets on its 2012, 2013, and 2014 MLR Annual Reporting Forms. This error did not impact the MLR calculations.
10	**Failure to properly allocate federal income taxes, 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. The precise impact of this error cannot be conclusively determined due to the Company's failure to provide the information required to correctly allocate its federal income taxes.

Based on the adjustments that could be quantified, the examination findings resulted in changes to the Company's reported MLRs in the individual market for 26 states and the District of Columbia, in the small group market for 10 states, in the large group market for 19 states, in the mini-med large group market for one state, and in the student market. As a result of these changes, the Company's total rebate liability increased for the 2014 reporting year by $377,589 in three states in the individual market, and by $129,860 in one state in the large group market. However, due to the lack of adequate documentation supporting the Company's contract reserves, and the allocation of its QIA expenses and federal income taxes, 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.

The three-year, adjusted aggregated incurred claims and earned premium amounts for all of the Company's 50 states and the District of Columbia, combined, along with the impact on rebates, are shown by market in the following tables. The differences between the amounts in the "As Filed" and the "As Recalculated" rows reflect the net impact of the adjustments made to properly restate incurred claims.

Recalculated Aggregate[1] Individual, Small Group, Large Group, Mini-Med Large Group, and Student Market Incurred Claims, Earned Premium, and Rebates for the 2014 Reporting Year

	Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$2,466,269,442	$2,871,497,267	$761,354
As Recalculated	$2,438,530,511	$2,871,497,267	$1,138,943
Difference	($27,738,931)	$0	$377,589

	Small Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$4,549,115,695	$5,801,177,920	$0
As Recalculated	$4,548,966,616	$5,801,177,920	$0
Difference	($149,079)	$0	$0

	Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$16,047,772,471	$19,323,493,541	$129,860
As Recalculated	$16,046,201,136	$19,323,493,541	$259,720
Difference	($1,571,335)	$0	$129,860

	Mini-Med Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$346,235,305	$573,410,810	$467,988
As Recalculated	$346,235,305	$573,410,810	$467,988
Difference	$0	$0	$0

	Student Health Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$631,955,151	$767,555,161	$0
As Recalculated	$631,831,951	$767,555,161	$0
Difference	($123,200)	$0	$0

[1] See Appendix I to this report for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for the 2014 reporting year, for the states and markets in which the MLRs changed as a result of the examination findings.

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit life insurer domiciled in Connecticut. The Company sells individual and group market health insurance policies in all 50 states and the District of Columbia.

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, large group, and student 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 3,075,824 covered lives and $11,849,466,110 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 31,529,031 covered lives and $21,420,446,147 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 dental and vision insurance, Medicare Advantage and Medicare Prescription Drug plans, Medicare supplement policies, stop loss insurance, 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
Mark T. Bertolini	President and Chief Executive Officer
Shawn M. Guertin	Executive Vice President & Chief Financial Officer
John D. Buda	Treasurer
Judith H. Jones	Corporate Secretary
John M. Stenson	Chief Actuary

Directors

Name
Mark T. Bertolini
Shawn M. Guertin
Jean C. LaTorre
Joseph M. Zubretsky

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

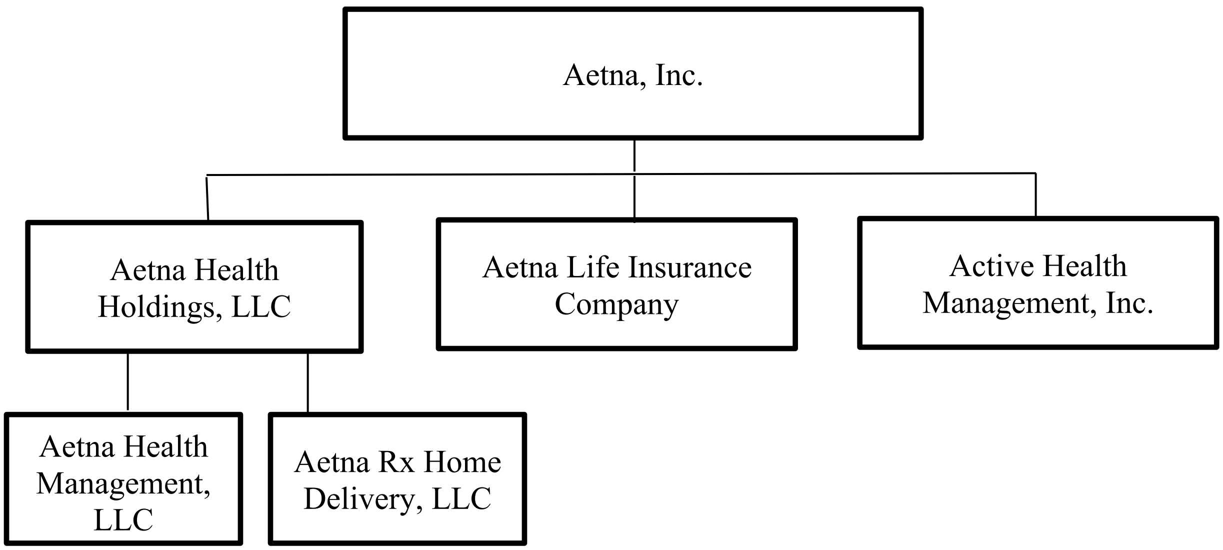
Name	Title
Mark T. Bertolini	CEO Attester

Name	Title
Shawn M. Guertin	CFO Attester

C. Ownership

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

Aetna Life Insurance Company
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:

1. An Administrative Services Agreement with Active Health Management, Inc.
2. A Tax Sharing Agreement with Aetna Inc., and all subsidiaries thereof.
3. An Administrative Services Agreement with Aetna Health Management, LLC.
4. A Mail Order Pharmacy Agreement with Aetna Rx Home Delivery, LLC, and various subsidiaries.

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.

---

[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.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 151 Farmington Avenue, Hartford, Connecticut.

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 any rebates were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not maintain the documentation supporting its contract reserves, and its allocation of QIA and federal income taxes, 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.

The Company reported business subject to the rebate requirements of 45 CFR Part 158 in 258 state-market segments for 2014[3]. In 48 of those state-market segments, the Company reported fewer than 1,000 life-years in the three-year aggregation period, and therefore is presumed under §158.230(d) to meet or exceed the MLR standards in those state-market segments. Of the 117 state-market segments with 1,000 or more life-years in the three-year aggregation period and that had enrollees in 2014, the Company reported that it met the applicable MLR standard in 106 state-market segments, and thus was not required to pay rebates to its enrollees in these segments. The Company reported that it did not meet the applicable MLR standard in 2014 in two states in the individual market, one state in the large group market, and eight states in the mini-med large group market, and paid rebates of $761,354 in the individual market, $129,860 in the large group market, and $467,988 in the mini-med large group market in those states.

Based on the errors found during the examination, that could be quantified, the Company's MLRs for the 2014 reporting year were recalculated and resulted in an additional rebate liability of $377,589 in the individual market in three states, and $129,860 in the large group market in one state. However, due to the Company's lack of adequate documentation to support contract reserves, the improper allocation of its QIA expenses, and errors in the calculation of its federal income taxes, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebate liability.

A. MLR Data

Market Classification

[3] In three state-market segments with more than 1,000 life-years in the three-year aggregation period, the Company had no enrollees in 2014. In an additional 90 states, the Company had zero life-years and no enrollees in 2014.

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

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 Calculation of Contract Reserves
The Company improperly reported contract reserves in the 3/31 column of Part 2, Lines 2.6b and 2.7, on its 2013 and 2014 MLR Annual Reporting Forms, calculating the amounts based on claims incurred during each MLR reporting year and paid through March 31 of the following year, rather than as of December 31st of the applicable year, as required by §158.140(a). As a result, the Company overstated its three-year aggregate incurred claims on its 2014 MLR Annual Reporting Form by $27,738,931 in the individual market, $149,079 in the small group market, $1,571,335 in the large group market, and $123,200 in the student market.

In addition, the Company improperly included premium deficiency reserves and other similar liabilities in its contract reserve amounts reported on its 2012, 2013, and 2014 MLR Annual Reporting Forms. According to §158.103 and the MLR Annual Reporting Form Filing Instructions for each respective year, contract reserves must not include premium deficiency reserves. The precise impact of this error cannot be conclusively determined as the Company could not quantify the amount of its total contract reserves that were attributable to premium deficiency reserves.

Based upon the procedures performed, which included validating a sample of incurred claims (as defined by §158.140), other than the errors 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 upon 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 (QIA)

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 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 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 $651,530 in the individual market, $1,642,215 in the small group market, $5,909,249 in the large group market, $30,224 in the mini-med large group market, and $570,211 in the student market were deemed to be non-QIA and were removed from reported QIA when we recalculated the Company's 2014 MLRs.

Improper Allocation of QIA
The Company 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 items 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 Dual Contracts
The Company incorrectly reported negative premium amounts in the dual contract column for the small group and large group markets on Part 1 and Part 2 of its 2012, 2013, and 2014 MLR Annual Reporting Forms. According to the Company, these amounts were for the out-of-network experience of its dual-contract group health coverage that was issued in connection with various affiliates and that were reported as part of each affiliate's MLR Annual Reporting Form, as allowed by the MLR Annual Reporting Form Filing Instructions. The Company properly deducted the experience associated with dual contracts from the 3/31 column on its MLR Annual Reporting Forms, as the amounts were reported by the affiliated issuer responsible for the in-network coverage. However, the Company incorrectly reported these premium amounts as negative amounts in the dual contract column, when it should not have reported any amount. This error did not impact the MLR calculation as the dual contract column is informational only.

Based upon the procedures performed, other than the error noted above, nothing additional 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 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 2014 federal income taxes did not comply with §158.170(b)(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. Due to the lack of adequate documentation, the examiners were unable to determine the precise impact of the improper allocation method on the Company's MLR calculations.

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 the 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 applicable MLR standard in 2014 in two states in the individual market, one state in the large group market, and eight states in the mini-med large group market. The Company used the correct formulas to calculate total rebates of $761,354 in the individual market, $129,860 in the large group market, and $467,988 in the mini-med large group market. 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 certain states in the individual, large group, and mini-med large group markets. 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 Connecticut Insurance Department performed a financial examination of the Company in 2012 covering the period January 1, 2006 through December 31, 2010. 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, Corrective Actions, Company Responses, and CCIIO Replies

CCIIO examined Aetna Life Insurance Company'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 estimated additional rebates of $377,589 in the individual market in three states, and $129,860 in the large group market in one state. However, due to the Company's inability to quantify the amount of premium deficiency reserves and other similar liabilities included in the contract reserves, and the lack of adequate documentation to correct the Company's improper allocation of QIA expenses and federal income taxes, 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 it accurately calculates and reports contract reserves in accordance with §158.103 and §158.140.

Company Response
The Company has implemented procedures to ensure that it accurately calculates and reports contract reserves in accordance with the references above.

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 in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include creating and retaining documentation, as may be necessary, to enable CCIIO to verify that activities included in QIA meet the definition of QIA. 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 any 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.

Corrective Action #5
The Company must adopt and implement procedures to ensure that it properly reports dual contracts in accordance with §158.110 and the MLR Annual Reporting Form Filing Instructions.

Company Response
The Company has implemented procedures to ensure that dual contracts are reported in accordance with the above references.

Corrective Action #6
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.

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

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 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.

IX. Appendix I – Recalculated MLRs[4] and Rebates for the 2014 Reporting Year

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 MLR 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 impact of the adjustments made to restate incurred claims and QIA.

Alaska

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$10,172,771	$11,993,249	90.9%	$0
As Recalculated	$9,973,459	$11,993,249	89.2%	$0
Difference	($199,312)	$0	(1.7%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$106,591,014	$115,379,990	94.3%	$0
As Recalculated	$106,524,546	$115,379,990	94.2%	$0
Difference	($66,468)	$0	(0.1%)	$0

Arizona

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$92,429,022	$110,539,495	85.4%	$0
As Recalculated	$90,780,886	$110,539,495	83.9%	$0
Difference	($1,648,136)	$0	(1.5%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$269,023,378	$318,451,327	84.5%	$0
As Recalculated	$268,906,577	$318,451,327	84.4%	$0
Difference	($116,801)	$0	(0.1%)	$0

California

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$384,521,200	$455,512,161	84.4%	$0
As Recalculated	$377,058,538	$455,512,161	82.8%	$0
Difference	($7,462,662)	$0	(1.6%)	$0

[4] 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

Colorado

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$34,422,668	$33,431,268	106.4%	$0
As Recalculated	$31,902,465	$33,431,268	98.9%	$0
Difference	($2,520,203)	$0	(7.5%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$145,284,871	$170,284,105	86.7%	$0
As Recalculated	$145,228,835	$170,284,105	86.6%	$0
Difference	($56,036)	$0	(0.1%)	$0

Connecticut

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$201,064,147	$215,243,027	93.4%	$0
As Recalculated	$200,497,030	$215,243,027	93.1%	$0
Difference	($567,117)	$0	(0.3%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$693,866,786	$772,160,979	89.9%	$0
As Recalculated	$693,181,037	$772,160,979	89.8%	$0
Difference	($685,749)	$0	(0.1%)	$0

Delaware

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$19,107,387	$24,306,739	81.9%	$0
As Recalculated	$19,016,148	$24,306,739	81.5%	$0
Difference	($91,239)	$0	(0.4%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$47,933,179	$45,165,527	106.1%	$0
As Recalculated	$47,909,695	$45,165,527	108.1%	$0
Difference	($23,484)	$0	2.0%	$0

District of Columbia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$20,345,280	$25,471,767	83.5%	$0
As Recalculated	$20,247,396	$25,471,767	83.1%	$0
Difference	($97,884)	$0	(0.4%)	$0

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$151,305,233	$181,866,408	84.7%	$0
As Recalculated	$148,926,282	$181,866,408	83.4%	$0
Difference	($2,378,951)	$0	(1.3%)	$0

Georgia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$178,358,861	$200,402,527	89.0%	$0
As Recalculated	$177,527,702	$200,402,527	88.6%	$0
Difference	($831,159)	$0	(0.4%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$233,800,401	$246,500,619	95.7%	$0
As Recalculated	$233,723,534	$246,500,619	95.6%	$0
Difference	($76,867)	$0	(0.1%)	$0

Illinois

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$87,112,891	$102,043,407	87.4%	$0
As Recalculated	$84,598,077	$102,043,407	84.9%	$0
Difference	($2,514,814)	$0	(2.5%)	$0

Indiana

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$5,065,785	$5,616,240	99.8%	$0
As Recalculated	$4,677,658	$5,616,240	92.9%	$0
Difference	($388,127)	$0	(6.9%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$21,341,434	$26,351,127	84.7%	$0
As Recalculated	$21,330,012	$26,351,127	84.6%	$0
Difference	($11,422)	$0	(0.1%)	$0

Kansas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$3,596,985	$6,122,276	65.2%	$128,178
As Recalculated	$3,551,809	$6,122,276	64.5%	$134,240

	Numerator	Denominator	MLR	Rebate
Difference	($45,176)	$0	(0.7%)	$6,062

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$54,664,985	$61,264,275	91.5%	$0
As Recalculated	$54,639,640	$61,264,275	91.4%	$0
Difference	($25,345)	$0	(0.1%)	$0

Louisiana

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$7,179,918	$7,411,635	104.4%	$0
As Recalculated	$6,834,647	$7,411,635	99.7%	$0
Difference	($345,271)	$0	(4.7%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$102,149,746	$116,118,464	89.3%	$0
As Recalculated	$102,126,185	$117,080,088	89.2%	$0
Difference	($23,561)	$961,624	(0.1%)	$0

Maryland

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$35,843,885	$41,946,791	88.1%	$0
As Recalculated	$35,218,919	$41,946,791	86.6%	$0
Difference	($624,966)	$0	(1.5%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$150,561,231	$170,693,857	89.5%	$0
As Recalculated	$150,469,730	$170,693,857	89.4%	$0
Difference	($91,501)	$0	(0.1%)	$0

Michigan

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$62,159,708	$76,138,063	83.7%	$0
As Recalculated	$60,897,882	$76,138,063	82.0%	$0
Difference	(1,261,826)	$0	(1.7%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$3,328,510	$3,591,191	99.6%	$0
As Recalculated	$3,326,515	$3,591,191	99.5%	$0
Difference	($1,995)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$74,047,475	$82,750,102	91.5%	$0
As Recalculated	$74,025,080	$82,750,102	91.4%	$0
Difference	($22,395)	$0	(0.1%)	$0

	Mini-Med Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$2,918,080	$3,200,070	96.2%	$0
As Recalculated	$2,918,038	$3,200,070	91.2%	$0
Difference	($42)	$0	(5.0%)	$0

Missouri

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$20,610,751	$24,849,212	86.5%	$0
As Recalculated	$18,931,806	$24,849,212	79.8%	$9,713
Difference	($1,678,945)	$0	(6.7%)	$9,713

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$42,235,033	$51,002,188	85.2%	$0
As Recalculated	$42,206,581	$51,002,188	85.1%	$0
Difference	($28,452)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$163,277,494	$180,366,894	91.9%	$0
As Recalculated	$163,213,794	$180,366,894	91.8%	$0
Difference	($63,700)	$0	(0.1%)	$0

Nevada

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$35,768,454	$44,395,279	83.2%	$0
As Recalculated	$35,508,797	$44,395,279	82.6%	$0
Difference	($259,657)	$0	(0.6%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$88,617,322	$102,824,616	87.8%	$0
As Recalculated	$88,555,867	$102,824,616	87.7%	$0
Difference	($61,455)	$0	(0.1%)	$0

New Hampshire

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,941,578	$26,549,213	90.2%	$0
As Recalculated	$23,928,679	$26,549,213	94.0%	$0
Difference	($12,899)	$0	3.8%	$0

New Jersey

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$25,148,433	$18,518,744	139.3%	$0
As Recalculated	$31,087,995	$18,518,744	171.3%	$0
Difference	$ 5,939,562	$0	32.0%	$0

New York

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$44,082,847	$38,522,072	117.6%	$0
As Recalculated	$44,796,476	$38,522,072	119.5%	$0
Difference	$713,629	$0	1.9%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$2,940,948,247	$3,405,631,890	86.4%	$0
As Recalculated	$2,939,663,807	$3,405,631,890	86.3%	$0
Difference	($1,284,440)	$0	(0.1%)	$0

North Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$29,421,615	$34,385,048	88.8%	$0
As Recalculated	$29,156,361	$34,385,048	88.0%	$0
Difference	($265,254)	$0	(0.8%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$74,699,594	$79,389,021	96.1%	$0
As Recalculated	$74,659,210	$79,389,021	96.0%	$0
Difference	($40,384)	$0	(0.1%)	$0

Ohio

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$86,327,867	$93,624,523	94.2%	$0
As Recalculated	$83,586,286	$93,624,523	91.3%	$0
Difference	($2,741,581)	$0	(2.9%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$53,175,998	$64,640,539	84.6%	$0
As Recalculated	$53,141,840	$64,640,539	84.5%	$0
Difference	($34,158)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$269,835,261	$262,330,291	103.8%	$0
As Recalculated	$269,772,980	$262,330,291	102.8%	$0
Difference	($62,281)	$0	(1.0%)	$0

Oklahoma

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$24,351,531	$27,822,365	91.2%	$0
As Recalculated	$24,143,327	$27,822,365	90.5%	$0
Difference	($208,204)	$0	(0.7%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$284,433,739	$326,706,806	87.1%	$0
As Recalculated	$284,335,627	$326,706,806	87.0%	$0
Difference	($98,112)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$284,433,739	$326,706,806	87.1%	$0
As Recalculated	$284,286,283	$326,706,806	87.0%	$0
Difference	($147,456)	$0	(0.1%)	$0

Pennsylvania

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$264,883,213	$315,506,746	84.0%	$0
As Recalculated	$264,329,224	$315,506,746	83.8%	$0
Difference	($553,989)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$622,885,165	$671,516,465	92.8%	$0
As Recalculated	$622,798,356	$671,516,465	92.7%	$0
Difference	($86,809)	$0	(0.1%)	$0

South Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$18,604,182	$20,585,055	95.3%	$0
As Recalculated	$17,800,167	$20,585,055	91.4%	$0
Difference	($804,015)	$0	(3.9%)	$0

Tennessee

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,854,193	$27,637,958	89.7%	$0
As Recalculated	$23,599,759	$27,637,958	88.8%	$0
Difference	($254,434)	$0	(0.9%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$76,898,314	$81,285,102	96.9%	$0
As Recalculated	$76,875,573	$81,285,102	96.8%	$0
Difference	($22,741)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$60,944,799	$67,808,145	92.1%	$0
As Recalculated	$60,937,902	$67,808,145	92.0%	$0
Difference	($6,897)	$0	(0.1%)	$0

Texas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$359,986,262	$435,063,031	82.7%	$0
As Recalculated	$356,502,907	435,063,031	81.9%	$0
Difference	($3,483,355)	$0	(0.8%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$902,657,937	$1,086,822,809	83.1%	$0
As Recalculated	$902,161,905	$1,086,822,809	83.0%	$0
Difference	($496,032)	$0	(0.1%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,376,582,605	$1,484,118,128	92.8%	$0
As Recalculated	$1,375,975,813	$1,484,118,128	92.7%	$0
Difference	($606,792)	$0	(0.1%)	$0

Virginia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$79,446,801	$103,277,650	78.6%	$633,176
As Recalculated	$78,594,450	$103,277,650	77.8%	$994,990
Difference	($852,351)	$0	(0.8%)	$361,814

Washington

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$305,996,044	$360,588,799	84.9%	$129,860
As Recalculated	$305,842,495	$360,588,799	84.8%	$259,720
Difference	($153,549)	$0	(0.1%)	$129,860

Wisconsin

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$4,408,219	$5,593,888	86.4%	$0
As Recalculated	$4,411,521	$5,593,888	86.5%	$0
Difference	$3,302	$0	0.1%	$0

Grand Total

	Student Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$637,807,689	$723,851,483	88.1%	$0
As Recalculated	$637,114,278	$723,851,483	88.0%	$0
Difference	($693,411)	$0	(0.1%)	$0