Final

Report on the

Medical Loss Ratio Examination

of

Alliance Health and Life Insurance Company
(Detroit, Michigan)

for the

2022 MLR Reporting Year

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

OVERSIGHT GROUP

June 29, 2026

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 Alliance Health and Life Insurance Company (the Company) for the 2022 reporting year, including 2022, 2021, and 2020 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2022 Medical Loss Ratio (MLR) Annual Reporting Form for Alliance Health and 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 2022 MLR Annual Reporting Form contains numerous 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: (1) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions; (2) ensuring aggregation of policy experience in the proper market; (3) ensuring that incurred claims are properly and accurately calculated, allocated, and reported; (4) ensuring that quality improvement activity (QIA) expenses meet the regulatory definition; (5) ensuring that federal income tax allocation methodologies are properly disclosed; (6) making a good faith effort to follow up on any unclaimed MLR rebates; and (7) providing complete and accurate Rebate Notices to group policyholders and subscribers.

The examination findings resulted in decreases to the Company's reported MLRs in the individual, small group, and large group markets, increasing the Company's rebate liability for the 2022 reporting year by $944,406 in the Michigan large group market.

II. Scope of Examination

CCIIO examined the Company's 2022 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 ("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, 2020 through December 31, 2022, including 2020, 2021, and 2022 experience and claims run-out through March 31, 2023. 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, 9, 10, 11 12, 13	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 –** The Company failed to report its Medicare Advantage experience in the MLR Medicare Business column and its Medicare Supplement experience in the Other Health column, on its 2020, 2021, and 2022 MLR Annual Reporting Forms. This error did not impact the Company's MLR calculations. The Company improperly included in paid claims in the individual, small group, and large group markets on its 2020, 2021, and 2022 MLR Annual Reporting Forms, some of the claim experience for Medicare Advantage policies. As a result, the Company overstated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by $5,961 in the individual market, $95,040 in the small group market, and $108,793 in the large group market. The Company failed to restate its 2020 and 2021 prescription drug rebates on Part 3, Line 1.2, in the prior year (PY2 and PY1) columns on its 2022 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate incurred claims by $42,125 in the individual market, $218,924 in the small group market, and $284,715 in the large group market. The Company improperly reduced paid claims on its 2022 MLR Annual Reporting Form, in the individual market, for a 2019 litigation settlement it received in 2022. As a result, the Company understated its current year incurred claims by $217,025 in the individual market. The Company improperly included in direct claims liability on its 2022 MLR Annual Reporting Form, adjustments for an explicit margin of safety for potential variations from estimates of unpaid claims. As a result of this

	error, the Company overstated its current year incurred claims by $48,167 in the individual market, $431,046 in the small group market, and $530,753 in the large group market. The Company improperly included in paid claims on its 2020, 2021, and 2022 MLR Annual Reporting Forms the late claims payment interest paid to providers. As a result, the Company overstated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by $301 in the individual market, $49,405 in the small group market, and $10,359 in the large group market. The Company improperly reported a portion of its direct claims liability on Part 2, Line 2.1b, rather than on Part 2, Line 2.2b, on its 2022 MLR Annual Reporting Form, in the small group and large group markets. This error did not impact the MLR calculation, as total incurred claims were correctly reported. The Company failed to report adjusted incurred claims for 2020 in the PY2 column of Part 3, Line 1.1, on its 2022 MLR Annual Reporting Form. This error did not impact the MLR calculation, as Part 3, Line 1.1, is not included in the MLR calculations. Due to several calculation errors, the Company improperly reported federal income taxes on its 2020, 2021, and 2022 MLR Annual Reporting Forms. The Company should have reported $0 federal income taxes for each of these years. As a result, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on its 2022 MLR Annual Reporting Form by $664,644 in the individual market and $617,262 in the small group market, and understated the amounts by $1,210,157 in the large group market. The Company failed to accurately report the methods used to allocate its federal income taxes on its 2022 MLR Annual Reporting Form. This error did not impact the MLR calculations. The Company improperly reported the amount of Patient Centered Outcomes Research Institute (PCORI) fees on its 2020, 2021, and 2022 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on its 2022 MLR Annual Reporting Form by $386 in the individual market, $7,211 in the small group market, and $108,435 in the large group market. The Company improperly excluded from the risk adjustment transfer amounts reported on its 2022 MLR Annual Reporting Form the amounts for the high-cost risk pool (HCRP) charges, and the 2018 HHS risk adjustment data validation (HHS-RADV) adjustment amounts. As a result, the Company overstated its current year risk adjustment transfer amounts by $85,055 in the small group market.

9	**Failure to properly aggregate incurred claims, as required by §158.120 -** The Company improperly aggregated incurred claims by market on its 2020 and 2022 MLR Annual Reporting Forms, in the small group and large group markets. As a result of this error, the Company understated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by the net amount of $488,736 in the small group market, and understated incurred claims in the large group market by the same amount.
9, 10	**Failure to accurately report incurred claims, as required by §158.140 –** The Company improperly included in paid claims on its 2020, 2021, and 2022 MLR Annual Reporting Forms the amount paid to its pharmacy benefit manager (PBM) that exceeded the PBM's reimbursement to pharmacies. As a result of this error, the Company overstated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by $822,059 in the individual market, $4,459,021 in the small group market, and $4,919,434 in the large group market. The Company improperly included in paid claims on its 2022 MLR Annual Reporting Form, miscellaneous payments that were not properly supported as claims. As a result, the Company overstated its current year incurred claims by $186,441 in the small group market and $207,107 in the large group market. The Company improperly included in paid claims on its 2022 MLR Annual Reporting Form the administrative fees paid to its third-party vendors. As a result, the Company overstated its current year incurred claims by $4,750 in the individual market, $59,115 in the small group market, and $65,510 in the large group market.
10	**Failure to properly allocate incurred claims, as required by §158.170 -** The Company's methodology for allocating certain paid claims on its 2020, 2021, and 2022 MLR Annual Reporting Forms did not comply with §158.170(b)(1), which requires allocation to be based on generally accepted accounting methods that are expected to yield the most accurate results. As a result of re-allocating the Company's third-party vendor claims between the individual, small group, and large group markets based on incurred claims, the Company understated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by $10,004 in the individual market, and overstated claims by $8,077 in the small group market and $1,927 in the large group market. The Company improperly allocated federal income taxes between markets on its 2022 MLR Annual Reporting Form, basing it on the pro rata proportion of earned premium, rather than on underwriting gain/(loss), which did not yield the most accurate results, as required by §158.170. As a result of a separate finding, the total federal income tax adjustment was $0 for all markets, thus, this error did not have any net impact on the MLR calculations.

12	**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 on its 2020, 2021, and 2022 MLR Annual Reporting Forms certain expenses for activities that did not meet the definition of a QIA at §158.150. As a result, the Company overstated its three-year aggregate QIA expenses on its 2022 MLR Annual Reporting Form by $295,641 in the individual market, $1,401,056 in the small group market, and $1,690,670 in the large group market.
14	**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. This error did not impact the MLR calculations.
15	**Failure to comply with the MLR notification requirements of §158.250 -** The Company failed to include all required information in the Rebate Notices provided to its group policyholders and subscribers in the large group market who received an MLR Rebate for the 2021 MLR reporting year. This error did not impact the MLR calculations.

These findings resulted in decreases to the Company's reported MLRs in the individual, small group, and large group markets. The recalculated MLR in the large group market fell below the MLR standard of 85%, resulting in a rebate liability of $944,406 for 2022.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2022, 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 properly restate incurred claims, QIA expenses, taxes and licensing and regulatory fees, and risk adjustment transfer amounts.

Recalculated MLRs[1] and Rebates for the Individual, Small Group, and Large Group Markets for the 2022 Reporting Year

Michigan

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$40,929,074	$47,232,656	89.2%	$0
As Recalculated	$39,937,099	$47,897,686	85.9%	$0
Difference	($991,975)	$665,030	(3.3%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$241,797,896	$277,214,618	88.2%	$0

[1] The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

	Numerator	Denominator	MLR	Rebate
As Recalculated	$235,463,562	$277,839,091	85.7%	$0
Difference	($6,334,334)	$624,473	(2.5%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$286,726,310	$333,696,706	86.4%	$0
As Recalculated	$278,418,306	$332,594,984	84.2%	$944,406
Difference	($8,308,004)	($1,101,722)	(2.2%)	$944,406

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit stock life and health insurance issuer domiciled in Michigan. The Company sells individual and group health insurance policies in Michigan.

During the 2020, 2021, and 2022 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, 2022, the Company reported a total of 43,515 covered lives and $243,405,552 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 58,350 covered lives and $363,396,174 in direct earned premium from all health lines of business. The Company's lines of business not subject to the MLR regulations at 45 CFR Part 158 include Medicare Advantage and Medicare Supplement policies.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2022 were:

Officers

Name	Title
Michael A. Genord	President and Chief Executive Officer
Merrill Hausenfluck	Chief Financial Officer
Robin Damschroder	Treasurer
Michelle D. J. Tidjani	Secretary
Archana Rajendra	Assistant Secretary
Majorie A. Staten	Assistant Secretary

Directors

Name	
Jeffrey A. Chaffkin	John K. Gorman
Mamatha Charmathi	Gregory Jackson

Joni M. Davis	Raymond C. Lope
Caleb DeRosiers	Adnan R. Munkarah
Denise G. Essenberg	Meerah Rajavel
Michael A. Genord	Robert G. Riney
Jacalyn S. Goforth	Felix M. Valbuena, Jr.

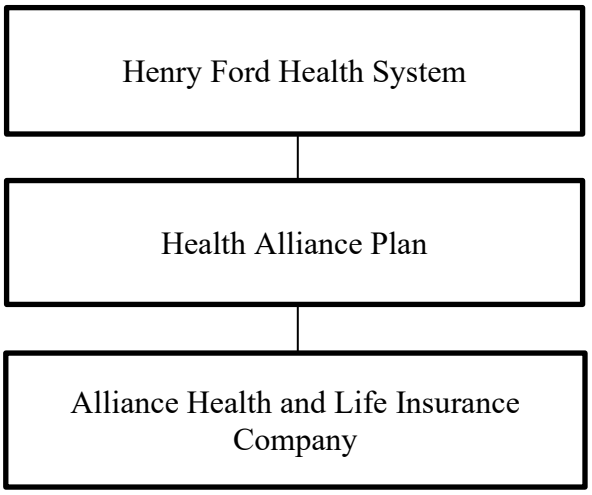
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2022 MLR Annual Reporting Form were:

Name	**Title**
Michael A. Genord	CEO Attester
Merrill Hausenfluck	CFO Attester

C. Ownership

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

Alliance Health and Life Insurance Company
Organizational Chart as of December 31, 2022[2]



D. Agreements

As of December 31, 2022, the Company had entered into the following inter-company agreement that is pertinent to a review of its MLR Annual Reporting Form:

1. A Management Agreement with Health Alliance Plan, its immediate parent company.

[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.

E. Reinsurance

During 2020, 2021, and 2022**,** 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 2850 West Grand Boulevard, Detroit, Michigan, 48202. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

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 2020, 2021, and 2022 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2020, 2021, and 2022 MLR Annual Reporting Forms were filed by the due date.

The Company reported that in 2022, it met the applicable MLR standards in the individual, small group, and large group markets. Therefore, the Company reported that it was not required to pay rebates to its enrollees in these markets.

Based on the reporting errors found during the examination, the Company's MLRs for the 2022 reporting year were recalculated and resulted in a rebate liability of $944,406 in the Michigan large group market.

A. MLR Data

Market Classification
The Company adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2020-2022 reporting years. The samples of policies tested during the examination were assigned to the correct market classification.

Failure to Report Experience from Medicare and Other Health Policies
The Company failed to report its Medicare Advantage experience in the Medicare MLR Business, and its Medicare Supplement experience in the Other Health columns, on its 2020, 2021, and 2022 MLR Annual Reporting Forms. According to the MLR Annual Reporting Form Filing Instructions, the experience related to Medicare Advantage policies must be reported in column 42, and experience for Medicare Supplement policies, amongst others, must be reported as Other Health business in column 41. This error did not impact the Company's MLR calculations.

Failure to Accurately Report Experience for Medicare MLR Business
The Company improperly included some of the claims experience for its Medicare Advantage policies in paid claims in the individual, small group, and large group markets, on Part 2, Line 2.1b, on its 2020, 2021, and 2022 MLR Annual Reporting Forms. According to the MLR Annual Reporting Form Filing Instructions, the experience related to Medicare Advantage policies must be reported in the Medicare MLR Business column. As a result of this error, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by $5,961 in the individual market, $95,040 in the small group market, and $108,793 in the large group market.

Aggregation

Failure to Properly Aggregate Incurred Claims
The Company improperly aggregated incurred claims by market on its 2020, 2021, and 2022 MLR Annual Reporting Forms, in the small group and large group markets, for certain group policies. The Company properly reclassified earned premium for five small group policies that should have been reported in the large group market, but failed to reallocate the $80,939 of associated claims experience for these policies. Similarly, the Company properly reclassified earned premium for eight large group policies that should have been reported in the small group market, but failed to reallocate the $569,675 of associated claims. According to §158.120(a), the data for each entity licensed within a State must be aggregated separately for the large group market, the small group market, and the individual market. As a result of these errors, the Company understated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by the net amount of $488,736 in the small group market, and understated incurred claims in the large group market by the same amount.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional 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 markets and lines of business in accordance with §158.120.

Incurred Claims

Improper Reporting of Prescription Drug Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2020, 2021, and 2022 MLR Annual Reporting Forms, the amount paid to its PBM for pharmacy claims, an amount that exceeded the total amount the PBM paid the pharmacy providers for prescriptions filled for the Company's enrollees. According to §158.140(b)(3)(ii), if a third-party vendor reimburses the provider at one amount but bills the issuer a higher amount to cover its claims processing, network development, utilization management, and administrative costs, as well as profits, then the amount that exceeds the reimbursement to the provider must not be included in incurred claims. As a result of this error, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by $822,059 in the individual market, $4,459,021 in the small group market, and $4,919,434 in the large group market.

Improper Inclusion of Non-claims Expenses in Incurred Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2022 MLR Annual Reporting Form, undefined, miscellaneous payments that were not properly supported as claims, in accordance with the definition at §158.140(a). According to §158.140(a), incurred claims must include amounts paid to providers for services covered by the policy for clinical services or supplies covered by the policy. As a result, the Company overstated its current year incurred claims on Part 3, Line 1.2, by $186,441 in the small group market and $207,107 in the large group market.

Improper Inclusion of Administrative Fees in Incurred Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2022 MLR Annual Reporting Form, administrative fees paid to third party vendors, for services such as claims overpayment recoveries and pharmacy benefit management. According to §158.140(b)(3)(ii), amounts paid to third party vendors for administrative fees must not be included in incurred claims. As a result, the Company overstated its current year incurred claims by $4,750 in the individual market, $59,115 in the small group market, and $65,510 in the large group market.

Improper Allocation of Incurred Claims
The Company's methodology for allocating certain paid claims on Part 2, Line 2.1b, on its 2020, 2021, and 2022 MLR Annual Reporting Forms did not comply with §158.170(b)(1), which requires allocation be based on generally accepted accounting methods that are expected to yield the most accurate results. The Company allocated claims for hearing services that were paid by its third-party vendor between the small group and large group markets, rather than all markets, and incorrectly used member months as the allocation basis, instead of the pro rata proportion of incurred claims. According to §158.170(b)(1), expense allocation(s) must be based on generally accepted accounting methods that are expected to yield the most accurate results. As a result of re-allocating the claims paid by the Company's third-party vendor between the individual, small group and large group markets based on incurred claims, the Company understated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by $10,004 in the individual market, and overstated claims by $8,077 in the small group market and $1,927 in the large group market.

Improper Reporting of Prior Year Prescription Drug Rebates
The Company failed to restate its prior year prescription drug rebates on Part 3, Line 1.2, PY2 and PY1 columns, on its 2022 MLR Annual Reporting Form. The Company improperly recognized true-up adjustments between the outstanding health care receivables and the actual amount of rebates subsequently paid in the current year column on Part 3, when the adjustments should have been reflected in the prior year column corresponding to the year in which the rebates were incurred. According to the 2022 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, PY2 and PY1 columns, must be restated for all applicable elements of adjusted incurred claims as of 3/31 of the year following the MLR reporting year. Prescription drug rebates initially deducted from incurred claims for 2020 and 2021 should have been restated on Line 1.2 in the prior year columns, and should have reflected run-out through March 31, 2023. As a result, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by $42,125 in the individual market, $218,924 in the small group market, and $284,715 in the large group market.

Improper Reporting of Current Year Paid Claims
The Company improperly reduced paid claims in the 3/31 column on Part 2, Line 2.1b, on its 2022 MLR Annual Reporting Form, in the individual market for a 2019 litigation settlement it received in 2022. According to the MLR Annual Reporting Form Filing Instructions, only amounts incurred during the MLR reporting year should be reported in the 3/31 column. Because the settlement related to 2019, which is outside of the three-year aggregation of the 2022 MLR reporting year, the settlement amount should not have been included in the 2022 MLR calculation. As a result, the Company understated its current year incurred claims on Part 3, Line 1.2, by $217,025 in the individual market.

Improper Reporting of Claims Liability
The Company improperly included in direct claims liability on Part 2, Line 2.2b, on its 2022 MLR Annual Reporting Form, adjustments for an explicit margin of safety for potential variations from its estimates of unpaid claims. According to the MLR Annual Reporting Form Filing Instructions, claims liabilities and reserves for MLR purposes must be the most accurate estimate of actual claims payments, and therefore must not be consistently overestimated, including due to the use of conservative margins for adverse deviation. As a result of this error, the Company overstated its current year incurred claims on Part 3, Line 1.2, by $48,167 in the individual market, $431,046 in the small group market, and $530,753 in the large group market.

The Company improperly reported in paid claims on Part 2, Line 2.1b, on its 2022 MLR Annual Reporting Form, a portion of its claims liability in the small group and large group market, rather than on Part 2, Line 2.2b. According to the MLR Annual Reporting Form Filing Instructions, claims liability based on claims incurred during the MLR reporting year and unpaid as of 3/31 of the following year must be reported on Part 2, Line 2.2b. This error did not impact the MLR calculation.

Improper Inclusion of Late Payment Interest in Incurred Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, on its 2020, 2021, and 2022 MLR Annual Reporting Forms the amount it paid to providers for late claims payment interest. According to the 2022 MLR Annual Reporting Form Filing Instructions, late claims payment interest must be excluded from paid claims reported on Part 2, Line 2.1b. As a result of this error, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2022 MLR Annual Reporting Form by $301 in the individual market, $49,405 in the small group market, and $10,359 in the large group market.

Improper Reporting of Prior Year Paid Claims
The Company improperly reported its 2020 adjusted incurred claims on Part 3, Line 1.1, in the PY2 column, on its 2022 MLR Annual Reporting Form. According to the 2022 MLR Annual Reporting Form Filing Instructions, the amount(s) reported on Part 3, Line 1.1, PY2 column, must be the same as the amount(s) originally reported on the prior years' MLR Annual Reporting Form. This error did not impact the MLR calculation, as Part 3, Line 1.1, is for informational purposes only and is not included in the MLR calculations.

Based upon the procedures performed, which include validating a sample of incurred claims (as defined by §158.140), other than the reporting and allocation errors noted above, nothing

additional came to our attention that would indicate that the Company did not accurately report other incurred claims.

Claims Recovered Through Fraud Reduction Efforts
The Company did not report any recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities (QIA)
Improper Inclusion of Expenses for Activities That Do Not Qualify as QIA
The Company improperly reported as QIA on its 2020, 2021, and 2022 MLR Annual Reporting Forms, certain expenses for activities that either did not meet the definitions of a QIA at §158.150, or for which it was unable to provide adequate documentation that proved that the activities, and their associated costs, met the requirements for qualifying as a QIA. These included overhead costs such as rent, depreciation, other indirect administrative costs, and payments to various third-party vendors. Vendors payments improperly reported as QIA included amounts paid for activities such as PBM administration fees, PBM audits and market checks, administering member wellness rewards, membership dues, and various other non-qualifying expenses. The Company also improperly included in QIA a portion of the QIA expenses for Medicare MLR business. According to §158.150(c)(2), the pro rata share of expenses that are for lines of business or products not subject to 45 CFR Part 158 must be excluded from QIA. As a result, the Company overstated its three-year aggregate QIA expenses on Part 3, Line 1.3, on its 2022 MLR Annual Reporting Form by $295,641 in the individual market, $1,401,056 in the small group market, and $1,690,670 in the large group market.

Based upon the procedures performed, other than the reporting error noted above, nothing additional came to our attention that would indicate that other QIA expenses were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170.

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 2020, 2021, and 2022 premium reported on the Company's 2022 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Reporting of Federal Income Taxes
Due to several calculation errors, the Company improperly reported its federal income taxes on Part 3, Line 3.1a, on its 2020, 2021, and 2022 MLR Annual Reporting Forms. On its 2020 and 2021 MLR Annual Reporting Forms, as a result of the tax amount associated with the recognition of net operating losses in both of these years, the Company improperly reported negative tax amounts (i.e., a tax benefit) for each market. Because the Company is not party to a tax sharing arrangement, its net operating losses are carried forward in order to offset net operating income recognized in future years, rather than being included in the MLR calculation. In 2022, the Company improperly reported positive federal income tax amounts in all markets, reflecting the taxes it calculated would be due on its net operating income recognized during the

year. However, due to carrying forward net operating losses from prior years, the Company's tax liability incurred for 2022 was reduced to zero. According to the 2022 MLR Annual Reporting Form Filing Instructions, federal income taxes incurred during the MLR reporting year should be reported on Part 1, Line 3.1a. Because the Company did not incur any federal income taxes related to any of the three years, the Company should have reported $0 on Part 1, Line 3.1a, of its MLR Annual Reporting Forms. As a result of the net impact of these errors, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2022 MLR Annual Reporting Form by $664,644 in the individual market and $617,262 in the small group market, and, due to a smaller offset from the prior years' negative taxes, understated the amount by $1,210,157 in the large group market.

Improper Allocation Between Markets
The methodology used by the Company to allocate its 2022 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. According to the 2022 MLR Annual Reporting Form Filing Instructions, Part 1, Section 3, pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. The Company allocated its 2022 federal income taxes to its markets based on direct earned premium, rather than the pre-tax underwriting gain/(loss). As a result of the above finding, federal income taxes were adjusted to $0 in all markets, and this error did not have any impact on the MLR calculations.

The Company failed to accurately report the method used to allocate its federal income taxes on its 2022 MLR Annual Reporting Form. According to the 2022 MLR Form Filing Instructions, the Company should describe on Part 6 of the MLR Grand Total template the methods used to allocate expenses within. The Company disclosed that federal income taxes were applied to each line of business using the income or loss in each market. However, we determined that when calculating its 2022 federal income taxes, the Company improperly allocated its federal income taxes based on a pro rata proportion of direct earned premium, rather than the actual net income or loss recognized by each market. Therefore, the Company's description was not accurate based on the actual allocation method it used in calculating its federal income taxes. This error did not impact the MLR calculation.

Improper Reporting of PCORI Fees
The Company improperly reported the amount of PCORI fees on Part 1, Line 3.1b, on its 2020, 2021, and 2022 MLR Annual Reporting Forms. The Company reported true-ups for prior year accruals in the current year PCORI fee, instead of reporting the adjustments in the MLR reporting year in which the PCORI fees were incurred. According to the 2022 MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 1, Line 3.1b, must include PCORI fees attributable to the policies that were in effect during the applicable MLR reporting year. As a result of restating the PCORI true-up amounts in the correct year and removing the 2019 true-up, as 2019 is outside of the three-year aggregation, that the Company paid in 2020 and reported in the PY2 column on its 2022 MLR Annual Reporting Form, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2022 MLR Annual Reporting Form by $386 in the individual market, $7,211 in the small group market, and $108,435 in the large group market.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from 2020, 2021, and 2022 earned premium on the Company's 2022 MLR Annual Reporting Form did not comply with §158.161 and §158.162**,** and were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170.

Federal Risk Adjustment Program

Improper Reporting of Risk Adjustment Transfer Amounts

The Company improperly excluded from the risk adjustment transfer amounts reported on Part 2, Line 1.10, on its 2022 MLR Annual Reporting Form, the amounts for the HCRP charges, and the HHS-RADV adjustment amount for the 2018 reporting year. According to the 2022 MLR Annual Reporting Form Filing Instructions, federal risk adjustment program net receipts or charges should include any amounts related to the HCRP charges and the applicable HHS-RADV adjustments. As a result, the Company overstated its current year risk adjustment transfer amounts on Part 3, Line 1.6, by $85,055 in the small group market.

Based upon the procedures performed, other than the errors noted above, nothing additional came to our attention that would indicate that the Company did not properly report the expected transfer amounts under the federal risk adjustment program for the 2022 benefit year, in compliance with §158.140(b)(4)(ii) and the applicable MLR Annual Reporting Form Filing Instructions.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment in accordance with §§158.230-232, 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.

Based on the Company's reported final MLRs, which exceeded the applicable standards in all markets for 2022, the Company used the correct procedures to determine that no rebates were due for any market. As detailed in this report, the examination identified errors in the data underlying the Company's MLR and rebate calculations, resulting in changes to the Company's MLRs and 2022 rebate amounts.

C. Rebate Disbursement and Notice

Lack of Good Faith Effort to Locate Enrollee for Unclaimed Rebates

The Company adopted policies and procedures for locating and delivering rebates that do not comply with §158.244. Section 158.244 requires an issuer to make a good faith effort to locate and deliver unclaimed rebates to enrollees. The Company's process does not include any follow-up with enrollees whose unclaimed rebates were less than $50. This error did not impact the MLR calculations.

Failure to Include All Required Information in Rebate Notices
The Company failed to include all of the required information in the Rebate Notices it sent to those policyholders and subscribers who received an MLR rebate for the 2021 reporting year, as required by §158.250. According to § 158.250(a), for policyholders and subscribers of group health plans, for each MLR reporting year, at the time any rebate of premium is provided to a policyholder of a group health plan, an issuer must provide each policyholder who is receiving a rebate and subscribers of the policyholder, or each subscriber who is receiving a rebate directly from an issuer, information in a form prescribed by the Secretary. The Company did not use the standard language in the Rebate Notices as prescribed by the Secretary, including failing to disclose its MLR, the adjusted premium revenue, its rebate percentage, and other required information. This error did not impact the MLR calculations.

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 Michigan Department of Insurance and Financial Services performed a financial examination of the Company in 2023 covering the period January 1, 2019 through December 31, 2021. 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 2022 MLR Annual Reporting Form. No post-December 31, 2022 events were brought to CCIIO's attention.

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

CCIIO examined Alliance Health and Life Insurance Company's 2022 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 2022 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2022 MLR Annual Reporting Form contained numerous 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, the Company owes rebates of $944,406 in the Michigan large group market.

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 it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form

Filing Instructions, including ensuring that: incurred claims, federal income taxes, PCORI fees, and risk adjustment transfer amounts are properly and accurately reported; the experience for Medicare and Other Health lines of business are properly reported; and the methods used to allocate taxes and licensing and regulatory fees are accurately reported.

Company Response
The Company acknowledges this finding. We have revised our process to ensure elements of the MLR Annual Reporting Form are completed in compliance with §158.110 and the MLR Filing Instructions. These process enhancements ensure proper reporting of incurred claims, federal income taxes (including PCORI fees), risk adjustment transfer amounts, experience for all lines of business and accurate disclosure of expense allocation methodologies.

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

Corrective Action #2
The Company must adopt and implement procedures to ensure it properly completes and aggregates claims data in the MLR Annual Reporting Form in accordance with the requirements of §158.120(a).

Company Response
The Company acknowledges this finding. We have revised our data aggregation processes to ensure that policy experience is correctly assigned to the appropriate market and compliant with §158.120(a) requirements. We strengthened our reporting workflows so that any necessary reclassification of policies is completed ensuring no incurred claims are misallocated or omitted in our MLR calculations.

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 the accurate reporting of incurred claims, in accordance with §158.140, including ensuring that the amounts paid to its PBM in excess of the cost of prescription drugs paid to pharmacies for its enrollees, expenses that do not meet the definition of an incurred claim, and administrative fees paid to third-party vendors, are not included in incurred claims.

Company Response
The Company acknowledges this finding. We have requested that our PBM provides the necessary supporting documentation to exclude the PBM spread. We have ensured that the PBM spread and administrative fees paid to third-party vendors were removed from our MLR.

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 it properly and accurately allocates expenses to each market in a manner that yields the most accurate results in accordance with §158.170, including, but not limited to, ensuring that reimbursements to third-party vendors for claims payments not specifically identified by enrollee or market, and federal income taxes, are properly allocated to all applicable markets.

Company Response
The Company acknowledges this finding. We have updated our process over expense allocation practices to ensure that costs are allocated to each market using generally accepted accounting methods that yield the most accurate results, as required by §158.170. We have also improved documentation of our allocation methodologies and instituted oversight measures to ensure all allocations are appropriate and clearly reported on future MLR Annual Reporting Forms.

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 any expenses classified as QIA meet the requirements at §158.150, and that the reported amounts are accurate. 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 under §158.150 is reported on its MLR Annual Reporting Form.

Company Response
The Company acknowledges this finding. We have updated our QIA processes and educated our leadership on the requirements of 158.150. We have executed and maintained documentation of quantitative analyses to ensure that the appropriate percentage of each activity or transaction qualifies as QIA reported on the MLR Annual Reporting Form.

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

Corrective Action #6
The Company must adopt and implement procedures to ensure 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
The Company acknowledges this finding. We have updated our rebate distribution policies to ensure a good faith effort is made to locate and deliver all unclaimed rebates as required by §158.244. Our enhanced procedures include follow-up protocols for outstanding rebate amount to ensure no enrollee's rebate, regardless of size, goes undistributed.

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

Corrective Action #7
The Company must adopt and implement procedures to ensure proper issuance of the Rebate Notice to its policyholders and subscribers, including all required information as set forth at §158.250.

Company Response
The Company acknowledges this finding. We have revised our Rebate Notice processes to fully comply with §158.250 by ensuring required information and standard language prescribed by the Secretary is included in each Rebate Notice. We added internal review steps so that future Rebate Notices to policyholders and subscribers contain mandated disclosure and meet the regulatory content requirements.

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

Corrective Action #8
The Company must re-file its 2022 MLR Annual Reporting Form to rectify the errors and 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 should be paid, with interest, 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 acknowledges this finding. We prepared a revised 2022 MLR Annual Reporting Form incorporating all necessary corrections and will re-submit it as directed. We will promptly calculate any additional rebate amounts due to our enrollees and ensure that all underpaid rebates are issued with applicable interest within the required timeframe.

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.