

Final  
Report on the  
Medical Loss Ratio Examination  
of  
**Aspirus Arise Health Plan of Wisconsin, Inc.**  
(Wausau, Wisconsin)  
for the  
2020 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**

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April 27, 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 Aspirus Arise Health Plan of Wisconsin, Inc. (the Company) for the 2020 reporting year, including 2020, 2019, and 2018 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.

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

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

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## **I. Executive Summary**

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2020 Medical Loss Ratio (MLR) Annual Reporting Form for Aspirus Arise Health Plan of Wisconsin, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2020 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) ensuring that incurred claims are properly and accurately reported; (2) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions; (3) ensuring that quality improvement activity (QIA) expenses are correctly calculated; (4) ensuring that earned premium is accurately calculated and reported; (5) ensuring that taxes and licensing and regulatory fees are properly calculated, allocated, and reported; and (6) ensuring the accurate calculation and reporting of the average deductible.

The examination findings resulted in net decreases to the Company's reported MLRs in the individual, small group, and large group markets, increasing the Company's rebate liability for the 2020 reporting year by \$1,050,383 in the Wisconsin individual market.

## **II. Scope of Examination**

CCIIO examined the Company's 2020 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, 2018, through December 31, 2020, including 2018, 2019, and 2020 experience and claims run-out through March 31, 2021. 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              | <p><b>Failure to accurately report incurred claims, as required by §158.140</b> – The Company improperly included in paid claims on its 2018, 2019, and 2020 MLR Annual Reporting Forms the amount paid to its pharmacy benefit manager (PBM) that exceeded the PBM’s reimbursement to pharmacies. As a result, the Company overstated its three-year aggregate incurred claims on its 2020 MLR Annual Reporting Form by \$6,625,533 in the individual market, \$820,285 in the small group market, and \$1,043,983 in the large group market.</p> <p>The Company improperly reported provider withholds in both paid claims and in medical incentive pools and bonuses, on its 2020 MLR Annual Reporting Form. As a result, the Company overstated its current year incurred claims on its 2020 MLR Annual Reporting Form by \$370,737 in the individual market, \$33,816 in the small group market, and \$72,190 in the large group market.</p> |
| 9, 10, 11, 12, 13 | <p><b>Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110</b> – The Company incorrectly restated its 2018 and 2019 incurred claims on Part 3, Line 1.2, in the prior year (PY2 and PY1) columns on its 2020 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate incurred claims by \$110,904 in the individual market and \$85,130 in the small group market, and understated incurred claims by \$54,377 in the large group market.</p> <p>The Company failed to report adjusted incurred claims for 2018 in the PY1 column on Part 3, Line 1.1, on its 2020 MLR Annual Reporting Form. This error did not impact the MLR calculation, as Part 3, Line 1.1, is not used in the MLR calculation.</p>  |

|  |   |
|--|---|
|  | <p>The Company failed to report its direct claims liability on its 2020 MLR Annual Reporting Form, in all markets, for claims incurred during the MLR reporting year that had not yet been paid as of March 31, 2021. As a result, the Company understated its current year incurred claims on its 2020 MLR Annual Reporting Form by \$323,249 in the individual market, \$25,075 in the small group market, and \$39,496 in the large group market.</p> <p>The Company improperly included in QIA expenses on its 2019 and 2020 MLR Annual Reporting Forms, a payable for medical incentive pools and bonuses due to an affiliated entity. This error did not impact the MLR calculations.</p> <p>The Company improperly reported experience from its Dual Choice product in the dual contract columns on Parts 1 and 2 on its 2018 and 2019 MLR Annual Reporting Forms in the small and large group markets. This error did not impact the MLR calculation, as the Company properly included the Dual Choice experience in the 3/31 columns on Parts 1 and 2 on its 2018 and 2019 MLR Annual Reporting Forms.</p> <p>The Company did not report the amount of advance payments of the premium tax credit (APTC) it received from HHS for the individual market on Part 2, Line 1.14, on its 2018, 2019, and 2020 MLR Annual Reporting Forms. This error did not impact the MLR calculation, as the APTC was properly included in earned premium for the MLR calculations.</p> <p>The Company failed to report its state income taxes<sup>1</sup> on its 2019 and 2020 MLR Annual Reporting Forms. As a result, the Company's three-year aggregate taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form were understated by \$472,155 in the individual market, \$9,346 in the large group market, and overstated by \$97,148 in the small group market.</p> <p>The Company failed to report the Patient Centered Outcomes Research Institute (PCORI) fee on its 2019 and 2020 MLR Annual Reporting Forms. As a result, the Company understated its three-year aggregate taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form by \$41,726 in the individual market, \$7,470 in the small group market, and \$16,038 in the large group market.</p> <p>The Company failed to report the ACA Section 9010 fee on its 2020 MLR Annual Reporting Form. As a result, the Company understated its current year taxes and licensing and regulatory fees by \$969,723 in the individual market, \$117,886 in the small group market, and \$207,929 in the large group market.</p> <p>The Company improperly reported Exchange and risk adjustment user fees on Part 1, Line 3.1d, rather than on Part 1, Line 3.3b, on its 2018, 2019, and</p> |
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<sup>1</sup> Positive and negative tax amounts as a result of allocating incurred taxes based on the pro-rata proportion of underwriting gains or losses recognized for each market.

|        |   |
|--------|---|
|        | <p>2020 MLR Annual Reporting Forms. This error did not impact the MLR calculations.</p> <p>The Company improperly reported the risk adjustment transfer amounts on its 2018, 2019, and 2020 MLR Annual Reporting Forms, in the individual and small group market. As a result, the Company overstated its three-year aggregate risk adjustment transfer amounts on its 2020 MLR Annual Reporting Form by \$558,734 in the individual market and \$89,133 in the small group market.</p>   |
| 10     | <p><b>Failure to accurately report QIA, as required by §158.150</b> – Due to a calculation error, the Company incorrectly reported QIA expenses on its 2018, 2019 and 2020 MLR Annual Reporting Forms. As a result, the Company overstated its three-year aggregate QIA expenses on its 2020 MLR Annual reporting Form by \$576,879 in the individual market, \$73,629 in the small group market, and \$93,817 in the large group market.</p>   |
| 10, 11 | <p><b>Failure to properly report direct earned premium, as required by §158.130</b> – The Company improperly reduced its direct premium written on its 2018, 2019, and 2020 MLR Annual Reporting Forms, in the large group market, for payments made to an affiliated entity. As a result, the Company understated its three-year aggregate earned premium on its 2020 MLR Annual reporting Form by \$1,655,291 in the large group market.</p> <p>The Company improperly deducted from earned premium on its 2020 MLR Annual Reporting Form premium credits offered to policyholders for 2020 coverage resulting from the COVID-19 public health emergency. As a result, the Company understated its current year earned premium by \$585,202 in the individual market, \$141,541 in the small group market, and \$254,760 in the large group market.</p>   |
| 11, 12 | <p><b>Failure to properly report taxes and licensing and regulatory fees, as required by §158.162</b> – Due to several errors, the Company incorrectly reported federal income taxes on its 2019 and 2020 MLR Annual Reporting Forms. As a result of the net effect of these errors, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form by \$2,418,495 in the individual market and \$111,260 in the small group market, and understated its taxes and licensing and regulatory fees by \$257,118 in the large group market.</p> <p>The Company incorrectly included in other federal taxes and assessments on its 2020 MLR Annual Reporting Form a change in a deferred tax asset that was already reported in federal income taxes in the individual market. As a result, the Company understated its current year taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form by \$58,711 in the individual market.</p> |
| 12, 13 | <p><b>Failure to properly allocate taxes and licensing and regulatory fees, as required by §158.170</b> - The Company improperly allocated a portion of Exchange user fees to the small group and large group markets, and</p>  |

|    |   |
|----|---|
|    | improperly allocated a portion of risk adjustment user fees to the large group market, on its 2018, 2019, and 2020 MLR Annual Reporting Forms. As a result of the net effect of these errors, the Company understated its taxes and licensing and regulatory fees on its 2020 MLR Annual Reporting Form by \$1,161,633 in the individual market, and overstated its taxes and licensing and regulatory fees by \$528,937 in the small group market and \$632,696 in the large group market. |
| 13 | <b>Failure to calculate the average deductible in accordance with the requirements of §158.232(c)</b> – The Company improperly determined the average per person deductible for policies with a family deductible in the large group market. As a result, the Company overstated the large group market deductible factor on its 2020 MLR Annual Reporting Form by 0.01% and the credibility adjustment by 0.035%.  |

These findings resulted in net decreases to the Company’s reported MLRs in the individual, small group, and large group markets. The recalculated MLR for the Wisconsin individual market fell below the MLR standard of 80%, resulting in a rebate liability of \$1,050,383 for 2020.

The three-year adjusted, aggregate numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2020, 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, earned premium, taxes and licensing and regulatory fees, risk adjustment transfer amounts, and to restate the credibility adjustment.

**Recalculated MLRs<sup>2</sup> and Rebates for the Individual, Small Group, and Large Group Markets for the 2020 Reporting Year**

**Wisconsin**

|                 | Individual Market |               |        |             |
|-----------------|-------------------|---------------|--------|-------------|
|                 | Numerator         | Denominator   | MLR    | Rebate      |
| As Filed        | \$187,345,142     | \$236,286,940 | 81.5%  | \$0         |
| As Recalculated | \$180,543,072     | \$236,586,688 | 78.5%  | \$1,050,383 |
| Difference      | (\$6,802,070)     | \$299,748     | (3.0%) | \$1,050,383 |

|                 | Small Group Market |              |        |        |
|-----------------|--------------------|--------------|--------|--------|
|                 | Numerator          | Denominator  | MLR    | Rebate |
| As Filed        | \$22,743,575       | \$25,849,182 | 92.5%  | \$0    |
| As Recalculated | \$21,844,922       | \$26,602,712 | 86.6%  | \$0    |
| Difference      | (\$898,652)        | \$753,530    | (5.9%) | \$0    |

<sup>2</sup> 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.

|                 | Large Group Market |              |        |        |
|-----------------|--------------------|--------------|--------|--------|
|                 | Numerator          | Denominator  | MLR    | Rebate |
| As Filed        | \$39,936,293       | \$44,442,265 | 93.8%  | \$0    |
| As Recalculated | \$38,820,176       | \$46,494,581 | 87.4%  | \$0    |
| Difference      | (\$1,116,117)      | \$2,052,316  | (6.4%) | \$0    |

**IV. Company Overview**

**A. Description, Territory, and Plan of Operation**

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

During the 2018, 2019, and 2020 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, 2020, the Company reported a total of 11,593 covered lives and \$97,833,300 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158. The Company’s only line of business not subject to the MLR regulations at 45 CFR Part 158 is administrative services for self-funded group health plans.

**B. Management**

The corporate officers and board of directors of the Company as of December 31, 2020, were:

**Officers**

| <u>Name</u>       | <u>Title</u> |
|-------------------|--------------|
| Brett H. Davis    | President    |
| James C. Matheson | Treasurer    |
| James C. Matheson | Secretary    |

**Directors**

| <u>Name</u>          |
|----------------------|
| Eric J. Anderson     |
| Brett H. Davis       |
| James C. Matheson    |
| Sidney C. Sczygelski |

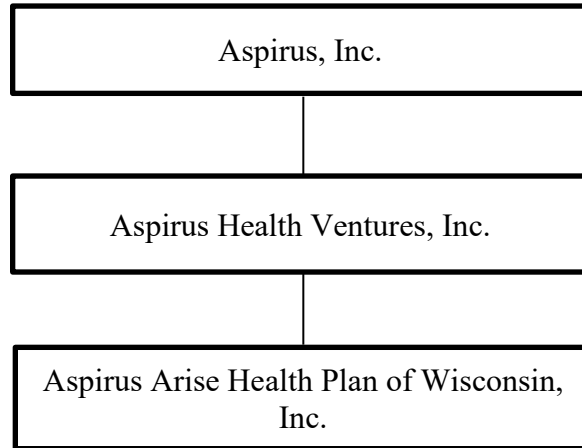
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2020 MLR Annual Reporting Form were:

| <u>Name</u>    | <u>Title</u> |
|----------------|--------------|
| Brett H. Davis | CEO Attester |

**C. Ownership**

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

**Aspirus Arise Health Plan of Wisconsin, Inc.  
Organizational Chart as of December 31, 2020<sup>3</sup>**



**D. Agreements**

As of December 31, 2020, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Shared Services Agreement with Arise Health Ventures, Inc.
2. A Risk Sharing Agreement with Aspirus Network, Inc.

**E. Reinsurance**

During 2018, 2019, and 2020, 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 3000 Westhill Drive, Suite 303, Wausau, Wisconsin, 54401. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

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<sup>3</sup> 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.

## **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 2018, 2019, and 2020 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2018, 2019, and 2020 MLR Annual Reporting Forms were filed by the due date.

The Company reported that in 2020, it met the applicable MLR standard in the individual, small group, and large group markets, and thus 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 2020 reporting year were recalculated and resulted in a rebate liability of \$1,050,383 in the Wisconsin individual 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 2018-2020 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 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 2018, 2019, and 2020 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 2020 MLR Annual Reporting Form by \$6,625,533 in the individual market, \$820,285 in the small group market, and \$1,043,983 in the large group market.

##### *Improper Reporting of Incurred Claims*

The Company improperly included provider withholds in both paid claims on Part 2, Line 2.1b, as well as in paid medical incentive pools and bonuses on Part 2, Line 2.11a, on its 2020 MLR Annual Reporting Form, resulting in the double counting of the amounts withheld from

payments to providers. According to the 2020 MLR Annual Reporting Form Filing Instructions, the percentage of withholds from payments made to contracted providers must be included in direct claim liability on Part 2, Line 2.2b. As a result, the Company overstated its current year incurred claims on its 2020 MLR Annual Reporting Form by \$370,737 in the individual market, \$33,816 in the small group market, and \$72,190 in the large group market.

#### *Incorrect and Improper Reporting of Prior Year Incurred Claims*

The Company incorrectly restated its 2018 and 2019 incurred claims on Part 3, Line 1.2, PY2 and PY1 columns, on its 2020 MLR Annual Reporting Form. The Company failed to accurately adjust its 2018 and 2019 incurred claims for subsequent development. According to the 2020 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, PY2 and PY1 columns, must include incurred claims restated as of March 31 of the year following the MLR reporting year. Incurred claims initially reported for 2018 and 2019 should have been restated on Line 1.2, PY2 and PY1 columns, for all applicable elements of adjusted incurred claims, and should have reflected run-out through March 31, 2021. As a result, the Company overstated its three-year aggregate, adjusted incurred claims on Part 3, Line 1.2, on its 2020 MLR Annual Reporting Form by \$110,904 in the individual market and \$85,130 in the small group market, and understated incurred claims by \$54,377 in the large group market.

In addition, the Company failed to report its 2018 adjusted incurred claims on Part 3, Line 1.1, in the PY1 column on its 2020 MLR Annual Reporting Form. According to the MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 3, Line 1.1, in the PY1 column must equal the amount originally reported on the respective 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.

#### *Failure to Report Direct Claims Liability*

The Company failed to report its direct claims liability on Part 2, Line 2.2b, on its 2020 MLR Annual Reporting Form, in all markets. According to 2020 MLR Annual Reporting Form Filing Instructions, an estimate for unpaid claims and claims incurred but not reported (IBNR), incurred during the MLR reporting year but not paid as of March 31 of the following year, should be reported in the 3/31 column on Part 2, Line 2.2b. As the Company did not estimate its direct claims liability as of March 31, 2021, we used the claims incurred in 2020 that were paid from April 1, 2021 through July 31, 2021 to determine the amount of direct claims liability that should have been reported. As a result, the Company understated its current year incurred claims on Part 3, Line 1.2 on its 2020 MLR Annual Reporting Form by \$323,249 in the individual market, \$25,075 in the small group market, and \$39,496 in the large group market.

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)**

### *Incorrect Reporting of QIA*

Due to a calculation error, the Company incorrectly calculated and reported its QIA expenses on its 2018, 2019, and 2020 MLR Annual Reporting Forms. The Company incorrectly calculated the amount it paid to its affiliate for the performance of various QIA services. As a result, the Company overstated its three-year aggregate QIA expenses on Part 3, Line 1.3, on its 2020 MLR Annual reporting Form by \$576,879 in the individual market, \$73,629 in the small group market, and \$93,817 in the large group market.

In addition, the Company improperly included in its QIA expenses on Part 1, Line 4.6, on its 2019 and 2020 MLR Annual Reporting Forms, a payable for medical incentive pools and bonuses due to an affiliated entity. According to the 2020 MLR Annual Reporting Form Filing Instructions, accruals for medical incentive pools and bonuses must be reported on Part 2, Line 2.11b. This error did not impact the MLR calculations.

Based upon the procedures performed, other than the reporting errors 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**

### *Improper Reporting of Dual Contracts*

The Company improperly reported experience from its Dual Choice product in the dual contract columns on Parts 1 and 2 on its 2018 and 2019 MLR Annual Reporting Forms, in the small group and large group markets. The Dual Choice product provides subscribers the option of selecting policy coverage from the Company, or from its affiliate, Wisconsin Physicians Service Insurance Corporation (WPS). According to the 2020 MLR Annual Reporting Form Filing Instructions, dual contract coverage exists when an issuer provides only in-network coverage, and an affiliated issuer provides only out-of-network coverage, to a group health plan for the purpose of providing that plan with both in-network and out-of-network benefits. The Company did not have any policies meeting the definition of a dual contract in 2018 or 2019. This error did not impact the MLR calculations as the Company properly included the Dual Choice experience in the 3/31 columns on Parts 1 and 2 on its 2018 and 2019 MLR Annual Reporting Forms.

### *Improper Reporting of Earned Premium*

The Company improperly reduced its direct premium written reported on Part 2, Line 1.1, on its 2018, 2019, and 2020 MLR Annual Reporting Forms, in the large group market, by payments it made to its affiliate, WPS. According to the Adverse Selection Risk Mitigation Agreement between the Company and WPS related to the Dual Choice product that both companies jointly marketed, each issuer charges its own premium rates to policyholders who select their coverage. The issuer whose annual MLR is lower is required to pay a "premium equalization amount" to the other issuer to equalize the loss ratios between both companies. According to §158.130(a), earned premium includes all monies paid by a policyholder or subscriber as a condition of receiving coverage from the issuer. The premium stabilization payments are not "monies paid by a policyholder or subscriber as a condition of receiving coverage" and therefore do not meet the definition of an adjustment to earned premium at §158.130. According to the 2020 MLR Annual Reporting Form Filing Instructions, while issuers that offer group coverage at a blended rate *may*

*choose* to make an adjustment to each affiliate's incurred claims and activities to improve health care quality so as to reflect the experience of the issuer with respect to the group policyholder as a whole, that is not what occurred here. The Company's premium equalization payments to WPS are not consistent with the definition of a blended rate adjustment. As a result, the Company understated its three-year aggregate earned premium on Part 3, Line 1.1, on its 2020 MLR Annual reporting Form by \$1,655,291 in the large group market.

The Company improperly deducted from earned premium on Part 2, Line 1.1, on its 2020 MLR Annual Reporting Form, premium credits offered to policyholders for 2020 coverage associated with the COVID 19 Public Health Emergency. On August 8<sup>th</sup>, 2020, CCHIO issued guidance allowing issuers, on a temporary basis, to offer premium credits for 2020 coverage to support continuity of coverage for individuals and employers who may struggle to pay premiums because of illness or loss of income or revenue resulting from the COVID-19 public health emergency. According to the policy, and consistent with current CMS regulations governing MLR reporting, issuers that elect to provide these credits must report the full premium as earned premium on their 2020 MLR Annual Reporting Forms. As a result, the Company understated its current year earned premium on Part 3, Line 1.1 by \$585,202 in the individual market, \$141,541 in the small group market, and \$254,760 in the large group market.

The Company failed to report the amount of Advance Payments of the Premium Tax Credit (APTC) it received from HHS for the individual market on Part 2, Line 1.14, on its 2018, 2019, and 2020 MLR Annual Reporting Forms, as required by the 2020 MLR Annual Reporting Form Filing Instructions. This error did not impact the MLR calculation as the total amount of APTC was correctly included in earned premium.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis or that the data elements underlying the 2018, 2019, and 2020 premium reported on the Company's 2020 MLR Annual Reporting Form were not in compliance with §158.130.

## **Taxes**

### *Improper and Incorrect Reporting of Federal and State Income Taxes*

Due to several errors, the Company improperly reported federal income taxes on its 2019 and 2020 MLR Annual Reporting Forms. In 2019, the Company failed to report its federal income taxes and improperly made the correction in the current year (CY) column rather than in the PY1 column on its 2020 MLR Annual Reporting Form. In 2020, the Company improperly included estimated income tax payments to its parent as federal income taxes, and made various other calculation errors. According to the 2020 MLR Annual Reporting Form Filing Instructions, federal income taxes attributed to the current MLR reporting year must be reported on Part 1, Line 3.1a, and the amount(s) reported on the 2019 MLR Annual Reporting Form must be reported in the PY1 column of the 2020 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2020 MLR Annual Reporting Form by \$2,418,495 in the individual market and \$111,260 in

the small group market, and understated its taxes and licensing and regulatory fees by \$257,118 in the large group market.

In addition, the Company did not report state income taxes of \$173,629 and \$161,371 on Part 1, Line 3.2a, on its respective 2019 and 2020 MLR Annual Reporting Forms. As a result of this error, the Company understated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2020 MLR Annual Reporting Form by \$472,155 in the individual market and \$9,346 in the large group market ), and overstated its taxes and licensing and regulatory fees by \$97,148 in the small group market and \$49,353 in the Medicare Advantage market.

#### *Incorrect Reporting of Other Federal Taxes and Assessments*

The Company incorrectly included in other federal taxes and assessments on Part 1, Line 3.1d, on its 2020 MLR Annual Reporting Form, in the individual market, a change in deferred tax asset of \$58,711. The adjustment had already been included in the calculation of federal income taxes reported on Part 1, Line 3.1a. As a result, the Company understated the current year taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$58,711 in the individual market.

#### *Failure to Report Patient Centered Outcomes Research Institute (PCORI) Fees*

The Company failed to report the PCORI fees of \$33,969 and \$31,265 on Part 1, Line 3.1b, on its respective 2019 and 2020 MLR Annual Reporting Forms. According to the 2020 MLR Annual Reporting Form Filing Instructions, PCORI fees attributed to applicable policies in effect during the MLR reporting year must be reported on Part 1, Line 3.1b. As a result, the Company understated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$41,726 in the individual market, \$7,470 in the small group market, and \$16,038 in the large group market.

#### *Failure to Report ACA Section 9010 Fee*

The Company failed to report the ACA Section 9010 fee of \$1,295,538 on Part 1, Line 3.1c, on its 2020 MLR Annual Reporting Form. According to the 2020 MLR Annual Reporting Form Filing Instructions, ACA section 9010 fees payable during the MLR reporting year should be reported on Part 1, Line 3.1c. As a result, the Company understated its current year taxes and licensing and regulatory fees on Part 3, Line 2.2 by \$969,723 in the individual market, \$117,886 in the small group market, and \$207,929 in the large group market.

#### *Improper Allocation of Exchange and Risk Adjustment User Fees*

The Company improperly allocated a portion of its Exchange user fees to the small group and large group markets on its 2018, 2019, and 2020 MLR Annual Reporting Forms. In addition, the Company improperly allocated a portion of its risk adjustment user fees to its large group market on its 2018, 2019, and 2020 MLR Annual Reporting Forms. 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. The Company only sold individual market policies on the Exchange, and consequently, the Exchange user fees should have been reported only in the individual market. In addition, because the large group market is not subject to the risk adjustment program, the risk adjustment user fees should only have been allocated to the individual and small group markets. As a result of the net effect of these errors, the Company

understated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2020 MLR Annual Reporting Form by \$1,161,633 in the individual market, and overstated its taxes and licensing and regulatory fees by \$528,937 in the small group market and \$632,696 in the large group market.

In addition, the Company improperly reported Exchange and risk adjustment user fees on Part 1, Line 3.1d, on its 2018, 2019, and 2020 MLR Annual Reporting Forms, rather than on Line 3.3b, as required by the 2020 MLR Annual Reporting Form Filing Instructions. This error did not impact the MLR calculations.

Based upon the procedures performed, other than the calculation and reporting errors noted above, nothing additional came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from 2018, 2019, and 2020 earned premium on the Company's 2020 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 \$195,388, \$238,876 and \$213,603 from the risk adjustment transfer amounts reported on Part 2, Line 1.10, on its respective 2018, 2019, and 2020 MLR Annual Reporting Forms related to the amounts for the high-cost risk pool (HCRP) charges. According to the 2020 MLR Annual Reporting Form Filing Instructions, federal risk adjustment program net receipts or charges should include any amount related to the HCRP. As a result, the Company overstated its three year-aggregate risk adjustment transfer amounts on Part 3, Line 1.6, on its 2020 MLR Annual Reporting Form by \$558,734 in the individual market and \$89,133 in the small group market.

Based upon the procedures performed, other than the reporting error 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 2020 benefit year, in compliance with §158.140(b)(4)(ii).

### **B. Credibility-Adjusted MLR and Rebate Amount Calculation**

#### *Improper Calculation of the Average Deductible*

The Company improperly computed the average deductible for purposes of calculating the credibility adjustment for its large group market policies. The Company did not determine the per-person deductible for policies with a family deductible in accordance with §158.232(c)(i). Consequently, the Company incorrectly calculated the average deductible on Part 3, Line 3.3, and its deductible factor on Part 3, Line 3.4, on its 2020 MLR Annual Reporting Form. As a result, the Company overstated its deductible factor on its 2020 MLR Annual Reporting Form by .01%, and the credibility adjustment by .035%, in the large group market.

Based upon the procedures performed, other than the use of the incorrect average deductible in the credibility adjustment calculation as noted above, 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, 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 2020, the Company used the correct procedures to determine that no rebates were due in any market. As detailed in this report, this examination identified errors in the data underlying the Company's MLR and rebate calculations, resulting in changes to the Company's MLRs and rebate amounts.

### **C. Rebate Disbursement and Notice**

According to its 2020 MLR Annual Reporting Form, the Company reported that it did not owe rebates in any market in 2020, and therefore was not required by §158.250 to issue, and did not issue, any Rebate Notices.

### **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 Wisconsin Department of Insurance performed a financial examination of the Company in 2022 covering the period March 22, 2016 through December 31, 2020. The financial examination did not result in any findings that impact the Company's federal MLR calculation or reporting.

## **VII. Subsequent Events**

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2020 MLR Annual Reporting Form. No post-December 31, 2020 events were brought to CCIIO's attention.

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

CCIIO examined Aspirus Arise Health Plan of Wisconsin's 2020 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 2020 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2020 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 \$1,050,383 in the Wisconsin individual 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 the accurate reporting of incurred claims in accordance with §158.140 and the MLR Annual Reporting Form Filing Instructions, including ensuring that amounts paid to its PBM in excess of the cost of prescription drugs paid to pharmacies for its enrollees are not included in incurred claims, and properly reporting provider withhold amounts.

*Company Response*

The Company has addressed this issue and has taken appropriate steps to support accurate reporting of incurred claims in accordance with 45 C.F.R. §158.140 and the MLR Annual Reporting Form Filing Instructions on a prospective basis. The Company has corrected this issue moving forward and will ensure that future MLR submissions reflect incurred claims reporting consistent with applicable regulatory requirements and filing instructions.

*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 completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including: properly restating prior year incurred claims; properly reporting prior year adjusted incurred claims, direct claims liability, QIA expenses, dual contracts, APTC, taxes and licensing and regulatory fees, and risk adjustment transfer amounts.

*Company Response*

The Company has corrected this issue moving forward and has taken steps to support completion of the MLR Annual Reporting Form in accordance with 45 C.F.R. §158.110 and the applicable MLR Annual Reporting Form Filing Instructions. The Company has corrected this issue and will complete future MLR Annual Reporting Forms in a manner consistent with applicable regulatory requirements and filing instructions.

*CCIIO Reply*

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

**Corrective Action #3**

The Company must adopt and implement procedures to ensure that expenses classified as QIA are reported accurately in accordance with §158.150.

*Company Response*

The Company has corrected this issue moving forward and will calculate and report QIA in future MLR submissions in a manner consistent with 45 C.F.R. §158.150 and the applicable MLR Annual Reporting Form Filing Instructions.

*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 that it properly calculates and reports earned premium in accordance with §158.130 and the applicable MLR Annual Reporting Form Filing Instructions, including ensuring that earned premium is not reduced by the premium equalization payments made to another insurer, and ensuring that the amount of MLR rebates paid in advance is not deducted from earned premium.

*Company Response*

The Company has corrected this issue moving forward and will calculate and report earned premium in future MLR submissions in a manner consistent with 45 C.F.R. §158.130 and the applicable 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 amounts reported as taxes and licensing and regulatory fees are calculated accurately and meet the requirements of §158.161 and §158.162, including ensuring proper calculation and reporting of federal income taxes and other federal taxes.

*Company Response*

The Company has corrected this issue moving forward and will report taxes and licensing and regulatory fees in future MLR submissions in a manner consistent with 45 C.F.R. §§158.161 and 158.162 and the applicable MLR Annual Reporting Form Filing Instructions.

*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 proper allocations of taxes and licensing and regulatory fees, including ensuring that Exchange user fees and risk adjustment user fees are accurately and properly allocated to the correct line of business, in accordance with §158.170.

*Company Response*

The Company has corrected this issue moving forward and will allocate taxes and licensing and regulatory fees in future MLR submissions in a manner consistent with §158.170 and the applicable MLR Annual Reporting Form Filing Instructions.

*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 that it calculates the average deductible in accordance with §158.232(c), including correctly weighting each deductible level using the appropriate population of policies. Alternatively, the Company may elect to use a deductible factor of 1.0 in lieu of calculating average deductibles.

### **Company Response**

The Company has corrected this issue moving forward and will calculate and report average deductibles in future MLR submissions in a manner consistent with 45 C.F.R. §158.232(c) and the applicable MLR Annual Reporting Form Filing Instructions.

### **CCIIO Reply**

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

### **Corrective Action #8**

The Company must re-file its 2020 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 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 shall be re-filing its 2020 MLR Annual Reporting Form to reflect the corrections identified in the Final MLR Examination Report, including applicable adjustments to the current year and prior year columns. Based on these corrections, any additional rebate amounts due to enrollees have been calculated and paid. To the extent any underpayment was identified, the Company has remitted payment.

### **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.