

Final
Report on the
Medical Loss Ratio Examination
of
Avera Health Plans, Inc.
(Sioux Falls, South Dakota)
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

December 8, 2025

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Avera Health Plans, Inc. (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.

A handwritten signature in blue ink, reading "Christina A. Whitefield", is positioned above the typed name and title.

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 2022 Medical Loss Ratio (MLR) Annual Reporting Form for Avera Health Plans, Inc. (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, but that do not 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 calculated and reported; (2) ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and are adequately supported with sufficient documentation; (3) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions; (4) ensuring that taxes and licensing and regulatory fees are properly reported; and (5) disclosing the method used for the allocation of federal taxes and assessments.

The examination findings resulted in changes to the Company's reported MLRs in the Iowa small and large group markets, and in the South Dakota individual, small group, and large group markets. As the recalculated MLRs continued to exceed the applicable MLR standards, these findings did not have an impact on the Company's rebate liability in any state or 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 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 second 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. The first examination covered the reporting period of January 1, 2014 through December 31, 2016, including 2014, 2015, and 2016 experience and claims run-out through March 31, 2017. After completing the fieldwork on the 2016 MLR Examination, but prior to issuing an MLR

Examination Report, CCIIO reviewed the Company's subsequent MLR Forms and determined that it would be more effective and efficient to re-examine the Company rather than issue a Final 2016 MLR Examination Report.

We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company's response to each finding appears after the finding in the Conclusion, Corrective Actions, Company Responses, and CCIIO Replies section of this Report. The Company's implementation of the corrective actions was not reviewed for proof of implementation or subjected to the procedures applied during the examination. CCIIO's replies are based solely on a review of the Company's response. CCIIO reserves the right to review the actual implementation of the Company's corrective action and proposed action plan for each corrective action in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

III. Summary of Findings

Page	Key Findings
8	Failure to 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 various administrative fees. As a result of this error, the Company overstated its three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by \$1,105,878 in the individual market, \$625,747 in the small group market, and \$797,668 in the large group market.
8	Failure to maintain adequate documentation, as required by §158.502 – The Company did not maintain the documents and other records necessary to enable CCIIO to verify that the MLRs and any rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not maintain the documents and other sufficient evidence necessary to enable CCIIO to verify that the expenses reported as QIA met the definition set forth in §158.150. As a result, current year QIA expenses on the Company 2022 MLR Annual Reporting Form totaling \$27,318 in the individual market, \$11,169 in the small group market, and \$18,851 in the large group market, were disallowed.
8, 9, 10	Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company

	<p>improperly reported amounts on Part 1, Line 1.2, on its 2020, 2021, and 2022 South Dakota MLR Annual Reporting Forms, that did not represent assessments paid to a federal high-risk pool. As a result of this error, the Company's three-year aggregate earned premium on its 2022 South Dakota MLR Annual Reporting Form was overstated by \$1,839,436 in the individual market, and understated by \$160,327 in the small group market.</p> <p>The Company improperly included a California state franchise tax in its federal income taxes on its 2020 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 Forms by \$316 in the individual market, \$94 in the small group market, and \$136 in the large group market.</p> <p>The Company improperly reported that it was not federally tax exempt on the Company Information tab on its 2022 MLR Annual Reporting Form, as required. This error did not impact its MLR calculations.</p> <p>The Company improperly excluded from the risk adjustment transfer amounts reported on its 2020, 2021, and 2022 MLR Annual Reporting Forms the amounts for high-cost risk pool (HCRP) payments and charges, and the HHS risk adjustment data validation (HHS-RADV) adjustment amounts. As a result, the Company's three year-aggregate risk adjustment transfer amounts on its 2022 MLR Annual Reporting Form were understated by \$681,364 in the individual market and overstated by \$589,813 in the small group market.</p> <p>The Company failed to report the Iowa large group market 2020 and 2021 life-years on Part 3, Line 3.1, in the prior year (PY2 and PY1) columns on its 2022 MLR Annual Reporting Form, as required. As a result, the Company understated its three-year aggregate life-years on its 2022 MLR Annual Reporting Form by 1,549 in the Iowa large group market.</p>
9	<p>Failure to properly report taxes and regulatory fees, as required by §158.161 – The Company improperly included penalties paid to state regulatory authorities in its regulatory licenses and fees on its 2022 Iowa MLR Annual Reporting Form. As a result, the Company's three-year aggregate taxes and licensing and regulatory fees on its 2022 Iowa MLR Annual Reporting Form were overstated by \$155 in the small group market and \$345 in the large group market.</p>
9	<p>Failure to report the methods used to allocate expenses, as required by §158.170 – The Company failed to properly report the method used to allocate its PCORI fee on its 2020, 2021, and 2022 MLR Annual Reporting Forms, as required by §158.170(b). This error did not impact its MLR calculations.</p>

These findings resulted in changes to the Company's reported MLRs in the Iowa small group and large group markets, and in the South Dakota individual, small group, and large group

markets. In all states and markets, the recalculated MLRs continued to exceed the applicable MLR standards, and thus did not result in rebates being owed.

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, earned premium, taxes and licensing and regulatory fees, risk adjustment transfer amounts, and life-years.

Recalculated MLRs¹ and Rebates for the Individual, Small Group, and Large Group Markets for the 2022 Reporting Year

Iowa

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$8,831,179	\$7,634,849	123.1%	\$0
As Recalculated	\$8,800,379	\$7,635,007	122.7%	\$0
Difference	(\$30,800)	\$158	(0.4%)	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$15,693,294	\$13,477,525	85.0%	\$0
As Recalculated	\$15,666,488	\$13,477,874	121.4%	\$0
Difference	(\$26,806)	\$349	36.4%	\$0

Nebraska

	Large Group Market*			
	Numerator	Denominator	MLR	Rebate
As Filed	\$420,777	\$489,807	85.0%	\$0
As Recalculated	\$420,777	\$489,807	85.0%	\$0
Difference	\$0	\$0	0.0%	\$0

* This market was non-credible as the Company reported fewer than 1,000 aggregate life-years in that market. Therefore, the MLR is presumed to meet or exceed the applicable MLR standard.

South Dakota

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$454,047,503	\$473,463,784	96.5%	\$0
As Recalculated	\$452,232,943	\$471,624,664	96.5%	\$0
Difference	(\$1,814,560)	(\$1,839,120)	0.0%	\$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.

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$136,119,845	\$150,739,435	91.9%	\$0
As Recalculated	\$136,103,542	\$150,899,853	91.8%	\$0
Difference	(\$16,303)	\$160,418	(0.1%)	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$199,370,548	\$196,798,290	102.7%	\$0
As Recalculated	\$198,580,835	\$196,798,422	102.3%	\$0
Difference	(\$789,713)	\$132	(0.4%)	\$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a not-for-profit health insurance issuer domiciled in South Dakota. The Company sells individual and group health insurance policies in Iowa, Nebraska, and South Dakota.

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 45,264 covered lives and \$298,195,518 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 55,392 covered lives and \$317,968,301 in direct earned premium from all health lines of business. The Company's only line of business not subject to the MLR regulations at 45 CFR Part 158 is Medicare Supplement plans.

B. Management

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

Officers

<u>Name</u>	<u>Title</u>
Bob Sutton	President
Richard G. Korman	Vice President
Julie N. Lauth	Secretary

Directors

<u>Name</u>
Michael S. Bender

Douglas R. Ekeren
Andrew Ellsworth
Julie N. Lautt
Clark W. Likness
Debra K. Muller
Clark E. Sinclair
Bob Sutton

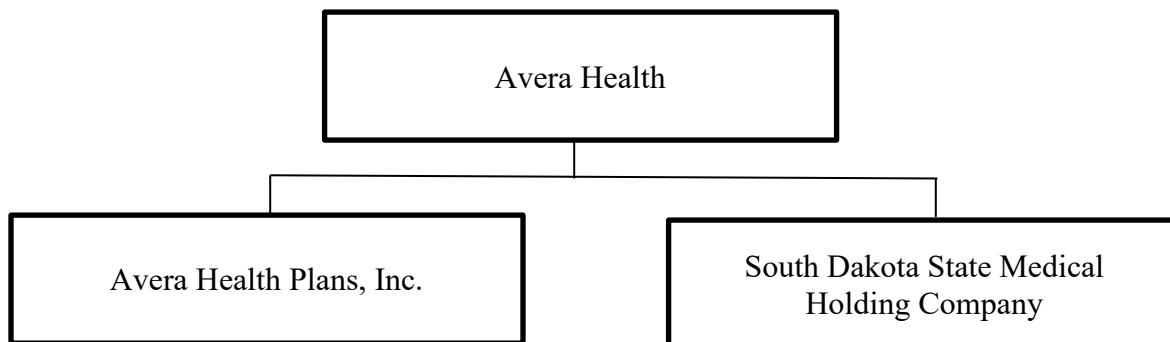
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2022 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
Debra K. Muller	CEO Attester
Christopher Jessen	CFO Attester

C. Ownership

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

Avera Health Plans, Inc. Organizational Chart as of December 31, 2022²



D. Agreements

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

1. A Shared Services Agreement with South Dakota Medical Holding Company, Inc.
2. A Client Services Agreement with Avera Health, its parent company, and South Dakota Medical Holding Company, Inc..

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 5300 South Broadband Lane, Sioux Falls, South Dakota, 57108. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted herein, the Company did not comply with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not provide sufficient evidence necessary to enable CCIIO to verify that the expenses reported as QIA met the definitions set forth in §158.150.

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 in all states. Therefore, the Company reported that it was not required to pay rebates to its enrollees in these states and markets.

Based on the reporting errors found during the examination, the Company's MLRs for the 2022 reporting year were recalculated, which did not result in any change to the Company's rebate liability in any state and 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.

Aggregation

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

Incurred Claims

Improper Inclusion of Administrative Fees 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 administrative fees paid to third party vendors for network access and coordination of benefit recovery services, and other administrative fees. 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 three-year aggregate incurred claims on its 2022 MLR Annual Reporting Form by \$1,105,878 in the individual market, \$625,747 in the small group market, and \$797,668 in the large group market.

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

Claims Recovered Through Fraud Reduction Efforts

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)

Insufficient Documentation of QIA

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

The largest category of QIA expenses reported by the Company was the salaries and related benefits of the employees whose roles and responsibilities included activities that it asserted met the definition of a QIA at §158.150. However, the Company could not provide sufficient time studies of employee activities or otherwise substantiate the salary ratios it used to allocate salaries to QIA. Accordingly, alternative testing procedures were employed, which included reviewing the titles and job descriptions of staff whose salaries were reported as QIA, the percentage of staff time allocated to QIA, and other information obtained from the Company related to the employees whose salaries were reported as QIA expenses.

Improper Inclusion of Expenses for Activities That Do Not Qualify as QIA

As a result of performing the alternative procedures noted above, we determined that some of the expenses reported as QIA in numerous cost centers included activities that were either for job functions that did not qualify as QIA as defined at §158.150, or for which it was unable to provide adequate documentation that proved that the activities met the requirements for being

QIA. As a result of these errors, the Company overstated its current year QIA expenses on Part 3, Line 1.3, on its 2022 MLR Annual Reporting Form by \$27,318 in the individual market, \$11,169 in the small group market, and \$18,851 in the large group market.

Based upon the procedures performed, other than the 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 states and markets, as required by §158.170.

Earned Premium

Improper Reporting of Federal High-Risk Pools

The Company improperly reported amounts on Part 1, Line 1.2, on its 2020, 2021, and 2022 South Dakota MLR Annual Reporting Forms, that did not represent assessments paid to a federal high-risk pool. According to the 2022 MLR Annual Reporting Form Filing Instructions, subsidies received or (assessments paid) under Federal high-risk pools must be reported on Part 1, Line 1.2. As a result of this error, the Company's three-year aggregate earned premium on its South Dakota 2022 MLR Annual Reporting Form was overstated by \$1,839,436 in the individual market and understated by \$160,327 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 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

The Company improperly included a California state franchise tax in its federal income taxes on Part 1, Line 3.1a, on its 2020 and 2022 MLR Annual Reporting Forms in Iowa and South Dakota. According to the 2022 MLR Annual Reporting Form Filing Instructions, only federal income taxes attributable to the MLR reporting year should be reported on Part 1, Line 3.1a. The California franchise tax is a state tax and is not related to business reported on the Company's Iowa and South Dakota 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 Forms by \$316 in the individual market, \$94 in the small group market, and \$136 in the large group market.

Improper Reporting of Other Regulatory Authority Licenses and Fees

The Company improperly included in regulatory licenses and fees the penalties it paid to state regulatory authorities on its 2022 Iowa MLR Annual Reporting Form. According to §158.161(b), fines and penalties of regulatory authorities must not be included in taxes and fees that are deducted from premium, and should be reported in other non-claims costs. As a result, the Company overstated its current year taxes and licensing and regulatory fees on its 2022 Iowa MLR Annual Reporting Form by \$155 in the small group market and \$345 in the large group market.

Failure to Disclose Allocation Methodologies

The Company failed to disclose the method it used to allocate its PCORI fee on its 2020, 2021, and 2022 MLR Annual Reporting Forms, as required by §158.170(b). Based on a review of the documentation provided, the Company used the number of covered lives to allocate its PCORI fee, which is in compliance with §158.170. This error did not impact the Company's MLR calculations.

Improper Reporting of Federal Income Tax-Exempt Status

The Company improperly reported that it was not federally tax-exempt on its 2022 MLR Annual Reporting Form. The Company is tax-exempt under Section 501(c)(4) of the Internal Revenue Code. According to the 2022 MLR Annual Reporting Form Filing Instructions, issuers must indicate their federal tax-exempt status on the Company Information tab. This error did not impact the Company's MLR calculations.

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 states and 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 2020, 2021, and 2022 MLR Annual Reporting Forms, the amounts for the HCRP payments and charges and the HHS-RADV adjustment amounts. According to the applicable MLR Annual Reporting Form Filing Instructions, federal risk adjustment program net receipts or charges should include any amounts related to the HCRP and the applicable HHS-RADV adjustments. As a result, the Company understated its three year-aggregate risk adjustment transfer amounts on its 2022 MLR Annual Reporting Form by \$681,364 in the South Dakota individual market, and overstated the amounts by \$589,813 in the Iowa and South Dakota small group market.

Based upon the procedures performed, other than the 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 2022 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Failure to Report Prior Year Life-Years

The Company failed to report the 2020 and 2021 life-years for the large group market in the prior year (PY2 and PY1) columns on Part 3, Line 3.1, on its 2022 Iowa MLR Annual Reporting Form, thus indicating that the Company believed this market was non-credible, even though it was credible. According to the 2022 MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 3, Line 3.1, in the PY2 and PY1 columns, must be equal to the amounts originally reported on the respective prior year's MLR Form(s). As a result, the Company

understated its three-year aggregate life-years in the Iowa large group market by 1,549, and understated its base credibility factor and credibility adjustment by 5.17125%.

Based upon the procedures performed, other than the reporting error noted above, 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 states and markets for 2022, the Company used the correct procedures to determine that no rebates were due for any state and 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 2022 MLRs.

C. Rebate Disbursement and Notice

According to its 2022 MLR Annual Reporting Form, the Company did not owe rebates in any state and market in 2022, 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 no state regulatory entity has previously performed an examination of the Company's MLR processes and reporting. The South Dakota Division of Insurance performed a financial examination of the Company in 2022 covering the period January 1, 2017 through December 31, 2021. The financial examination resulted in one finding, which did not 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 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 Avera Health Plans, Inc.'s 2022 MLR Annual Reporting Form to assess the Company's compliance with the requirements of 45 CFR Part 158 and to verify whether the Company implemented any corrective actions based on our findings of our examination of its 2016 MLR Annual Reporting Form. 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 did not owe rebates to its enrollees in any of the states and markets in which it had health insurance coverage in effect.

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 policies and procedures to ensure the accurate reporting of incurred claims in accordance with §158.140, including ensuring that administrative fees paid to third-party vendors are not included in incurred claims.

Company Response

The Company acknowledges this finding and adjusted its processes during the audit with our 2023 filing to ensure administrative and third-party fees are not included in incurred claims in accordance with §158.140.

CCIIO Reply

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

Corrective Action #2

The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should also include creating and retaining documentation, as may be necessary, to enable CCIIO to verify that expenses included in QIA are for activities that meet the definition of QIA. For salary-related expenses classified as QIA, this includes performing time studies of employee activities or other quantitative analyses of salary ratios to support allocating any such amounts to QIA, as only salary amounts supported by quantitative analyses regarding allocation of time spent on qualifying QIA activities are allowable QIA expenses.

Company Response

The Company acknowledges this finding and has adjusted its processes during the audit beginning with our 2024 filing to ensure all records are maintained for expense verification by CCIIO, in accordance with §158.502. Additionally, QIA expenses are analyzed and documented to ensure appropriate record maintenance.

CCIIO Reply

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

Corrective Action #3

The Company must adopt and implement procedures to ensure that any expenses classified as QIA meet the requirements of §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, as defined at §158.150.

Company Response

The Company acknowledges this finding and continually works to ensure processes and procedures are in place to properly evaluate QIA expense qualifications in accordance with §158.150.

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 completes the MLR Annual Reporting Form in accordance with §158.110 and the MLR Annual Reporting Form Filing Instructions, including properly reporting earned premium, federal income taxes, federal income tax-exempt status, risk adjustment transfer amounts, and life-years.

Company Response

The Company acknowledges this finding and adjusted its processes with our 2023 filing during the audit exam period to ensure proper reporting of earned premium, federal income taxes, federal income tax-exempt status, risk adjustment transfer amounts and life-years for current and prior years reporting in accordance with §158.110.

CCIIO Reply

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

Corrective Action #5

The Company must adopt and implement procedures to ensure that it reports its taxes and licensing and regulatory fees in compliance with §158.161, including accurately calculating other federal and state regulatory authority licenses and fees.

Company Response

The Company acknowledges this finding and has adjusted its processes to ensure proper reporting of taxes and regulatory fees in accordance with §158.161.

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 the accurate disclosure of the method used to allocate its PCORI fee to each state and market, in accordance with §158.170.

Company Response

The Company acknowledges this finding and ensured accurate disclosures of the PCORI fees in our 2024 filing in accordance with §158.170.

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.