

Final  
Report on the  
Medical Loss Ratio Examination  
of  
**Capital Advantage Insurance Company**  
(Harrisburg, Pennsylvania)  
for the  
2014 MLR Reporting Year

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



**OVERSIGHT GROUP**

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June 4, 2026

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information and Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Capital Advantage Insurance Company (the Company) for the 2014 reporting year, including 2014, 2013, and 2012 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

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  
US Department of Health and Human Services

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## **I. Executive Summary**

The Center for Consumer Information and Insurance Oversight (CCIIO) has performed an examination of the 2014 Medical Loss Ratio (MLR) Annual Reporting Form for Capital Advantage Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2014 MLR Annual Reporting Form contains 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) correctly determining the market classification of group policies; (2) ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and are adequately supported with sufficient documentation; (3) ensuring that earned premium is accurately calculated and reported; (4) ensuring that taxes and licensing and regulatory fees are properly calculated and allocated; and (5) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions.

The examination findings resulted in decreases to the Company's 2014 MLRs in the individual market. As the recalculated MLRs in all markets continued to exceed the applicable MLR standards, these findings did not have an impact on the Company's rebate liability in any market.

## **II. Scope of Examination**

CCIIO examined the Company's 2014 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (ACA), generally requires health insurance issuers ("issuers") to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The Federal MLR is the proportion of earned premium less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the applicable MLR standard (generally, 80% in the individual and small group markets and 85% in the large group market).

This is the first examination of the Company's MLR Annual Reporting Form performed by CCIIO. The examination covered the reporting period of January 1, 2012 through December 31, 2014, including 2012, 2013, and 2014 experience and claims run-out through March 31, 2015. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and

timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulation 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 Key Findings

Page	Key Findings
6	<b>Failure to assign the correct market classification in accordance with the definitions in §158.103</b> – The Company incorrectly classified three 2014 large group market policies in the sample tested as small group market policies. As a result, current year incurred claims of \$706,861 and earned premium of \$756,547 were reclassified from the small group market to the large group market on the Company’s 2014 MLR Annual Reporting Form.
7	<b>Failure to maintain adequate documentation as required by §158.502</b> – The Company did not maintain the documents and other evidence 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 on its 2014 MLR Annual Reporting Form met the definition set forth in §158.150.
7	<b>Reporting of expenses as QIA that did not meet the definition of a QIA expense set forth in §158.150</b> – The Company improperly included in its QIA on its 2014 MLR Annual Reporting Form expenses for activities that either did not meet the definition of a QIA at §158.150, or for which it was unable to provide adequate documentation that proved that the activities met the requirements for qualifying as a QIA. As a result, the Company overstated its current year QIA expenses on its 2014 MLR Annual Reporting Form by \$2,355 in the individual market, \$2,667 in the small group market, and \$3,730 in the large group market.
8	<b>Failure to properly report direct earned premium, as required by §158.130</b> – The Company improperly included in its large group market direct premium written on its 2014 MLR Annual Reporting Form, payments received from an

	affiliated issuer. As a result, the Company overstated its current year earned premium by \$410,112 in the large group market.
8	<b>Failure to properly report taxes and licensing and regulatory fees, as required by §158.162</b> - Due to a calculation error, the Company incorrectly calculated the allocation of its 2014 federal income taxes between its markets. As a result of the examiners' recalculation of the underwriting gain or (loss) and the allocation of the federal income taxes, the Company overstated its current year taxes and licensing and regulatory fees by \$183,576 in the individual market and \$3,718 in the small group market, and understated its current year taxes and licensing and regulatory fees by \$14,362 in the large group market.
8, 9	<b>Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110</b> – The Company improperly included on its 2014 MLR Annual Reporting Form an amount allocated from its parent company for federal transitional reinsurance contributions. As a result, the Company overstated its current year taxes and licensing and regulatory fees by \$396 in the individual market, \$366 in the small group market, and \$323 in the large group market.

These findings resulted in decreases to the Company's reported MLRs in the individual market. In all 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 2014, 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 reallocate the experience of misclassified policies, and to restate QIA expenses, earned premium, and taxes and licensing and regulatory fees.

**Recalculated MLRs<sup>1</sup> and Rebates for the Individual, Small Group, and Large Group Markets for the 2014 Reporting Year**

**Pennsylvania**

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$42,036,573	\$46,818,261	91.3%	\$0
As Recalculated	\$42,034,218	\$47,002,233	91.0%	\$0
Difference	(\$2,355)	\$183,972	(0.3%)	\$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$663,439,574	\$730,150,769	90.9%	\$0
As Recalculated	\$662,730,046	\$729,398,306	90.9%	\$0

<sup>1</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.

	Numerator	Denominator	MLR	Rebate
Difference	(\$709,528)	(\$752,463)	0.0%	\$0

Large Group Market				
	Numerator	Denominator	MLR	Rebate
As Filed	\$626,526,506	\$696,265,109	90.0%	\$0
As Recalculated	\$627,229,637	\$696,597,505	90.0%	\$0
Difference	\$703,131	\$332,396	0.0%	\$0

## IV. Company Overview

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

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

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, and large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2014, the Company reported a total of 4,255 covered lives and \$21,620,607 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 52,392 covered lives and \$259,107,961 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 policies and limited benefit supplemental health insurance.

### B. Management

The corporate officers and board of directors of the Company as of December 31, 2014 were:

#### Officers

<u>Name</u>	<u>Title</u>
Gary D. St. Hilaire	President and CEO
Debra B. Cohen	Executive Vice President & COO
Michael R. Cleary	Senior Vice President & CFO
Sherry E. Baskin	Secretary
Rebecca A Smith	Assistant Secretary

#### Directors

<u>Name</u>
Sherry E. Baskin
Mark A. Caron
Michael R. Cleary
Debra B. Cohen

Tracy M. Onorofsky  
Gary D. St. Hilaire  
Brian L. Sullivan

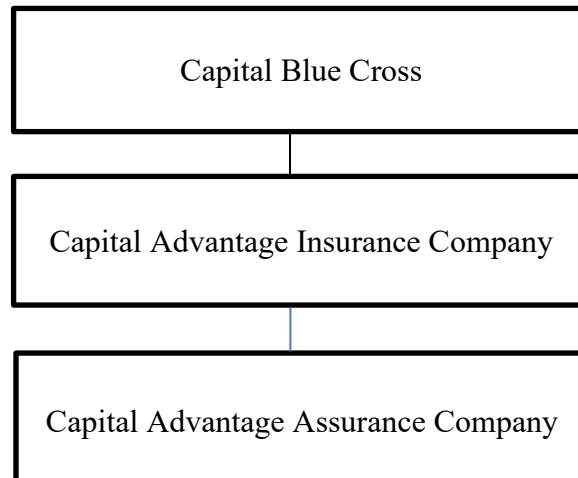
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2014 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
Gary D. St. Hilaire	CEO Attester
Michael Cleary	CFO Attester

### **C. Ownership**

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

#### **Capital Advantage Insurance Company Organizational Chart as of December 31, 2014<sup>2</sup>**



### **D. Agreements**

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

1. Support Services Agreement with its parent company Capital BlueCross.
2. A Medical Management Services Agreement with Capital BlueCross and its subsidiaries.
3. An Allocation of Consolidated Tax Liability with Capital BlueCross and various affiliates.

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<sup>2</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.

## **E. Reinsurance**

During 2012, 2013, and 2014, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

## **V. Accounts and Records**

The Company's main administrative and financial reporting office is located at 2500 Elmerton Avenue, Harrisburg, Pennsylvania 17177. 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 2012, 2013, and 2014 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2012, 2013, and 2014 MLR Annual Reporting Forms were filed by the due date.

The Company reported that in 2014, it met the MLR standard of 80% for the individual and small group markets, and 85% for the large group market, and thus was not required to pay rebates to its enrollees in any markets.

Based on the reporting errors found during the examination, the Company's MLRs for the 2014 reporting year were recalculated, which did not result in any change to the Company's rebate liability in any market.

### **A. MLR Data**

#### **Market Classification**

##### *Incorrect Reporting of Market Classification*

The Company did not consistently assign policies to the correct market classification based on the group size information that was available to the Company. Based on testing of the market classification of the Company's policies for the 2014 MLR reporting year, three policies in the sample of 25 policies tested were incorrectly classified as small group market policies when, based on the Company's group-size determinations, the policies should have been reported in the large group market. As a result, current year incurred claims of \$706,861 and earned premium of \$756,547 were reclassified from the small group market to the large group market.

### **Aggregation**

Based upon the procedures performed, other than the incorrect reporting of market classification 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**

Based upon the procedures performed, which included validating a sample of incurred claims (as defined by §158.140), other than the incorrect reporting of market classification 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, nothing came to our attention that would indicate that the 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, were incorrectly reported.

### **Quality Improvement Activities (QIA)**

#### *Insufficient Documentation of QIA*

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

The 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 testing procedures noted above, we determined that some of the job functions of staff whose salaries were reported as QIA on the Company's 2014 MLR Annual Reporting Form did not meet the regulatory definition of a QIA at §158.150. In addition, some of the expenses for cost centers that the Company included in QIA were either for activities 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, and their associated costs, met the requirements for qualifying as a QIA. As a result, the Company overstated its current year QIA on Part 3, Line 1.3, on its 2014 MLR Annual Reporting Form by \$2,355 in the individual market, \$2,667 in the small group market, and \$3,730 in the large group market.

Based upon the procedures performed, other than the reporting and allocation 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**

### *Incorrect Reporting of Earned Premium*

The Company improperly increased its premium written reported on Part 2, Line 1.1, on its 2014 MLR Annual Reporting Form, in the large group market, by payments it received from its subsidiary issuer, Capital Advantage Assurance Company (CAAC). According to a risk-sharing arrangement between the Company and CAAC, each issuer agrees to share premium with the other issuer to equalize the loss ratios recognized by the entities on certain large group policyholder experience. The issuer whose annual MLR is lower is required to pay a "premium call" 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 payments between the parties 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. As a result of this error, the Company overstated its current year premium on Part 3, Line 2.1 by \$410,112 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 earned premium was not properly reported on a direct basis or that the data elements underlying the 2012, 2013, and 2014 premium reported on the Company's 2014 MLR Annual Reporting Form were not compliant with §158.130.

## **Taxes**

### *Incorrect Allocation of Federal Income Taxes between Markets*

Due to a calculation error, the Company incorrectly allocated its 2014 federal income taxes between its markets. The Company incorrectly deducted the advance payments of the premium tax credit (APTC) it received from HHS from the calculation of its pre-tax underwriting gain/loss that was used to allocate income taxes among the Company's markets. Accordingly, the underwriting gain/loss used to allocate income taxes was not accurate. As a result of the examiners' recalculation of the underwriting gain/loss and re-allocation of the federal income taxes, the Company overstated its current year taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$183,576 in the individual market and \$3,718 in the small group market, and understated its current year taxes and licensing and regulatory fees by \$14,362 in the large group market.

### *Improper Allocation of Federal Transitional Reinsurance Contributions*

The Company improperly included on Part 1, Line 3.3a, on its 2014 MLR Annual Reporting Form, an amount allocated from its parent company for federal transitional reinsurance contributions. The Company's parent, Capital Blue Cross, paid federal transitional reinsurance to HHS related to its self-funded group health plan for its employees, and allocated a portion of the

payment to the Company for its pro-rata share of the contributions. According to the MLR Annual Reporting Form Filing Instructions, only the amount owed by the issuer should be included on Part 1, Line 3.3a. As a result, the Company overstated its current year taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$396 in the individual market, \$366 in the small group market, and \$323 in the large group market.

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 2012, 2013, and 2014 earned premium on the Company's 2014 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 Transitional Reinsurance, Risk Adjustment, and Risk Corridors Programs**

Based upon the procedures performed, nothing came to our attention that would indicate that the Company did not properly report the expected payments under the federal transitional reinsurance program, or the expected transfer amounts under the federal risk adjustment and risk corridors programs, for the 2014 benefit year, in compliance with §158.140(b)(4)(ii).

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

Based upon 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, 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 2014, 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 MLRs and rebate calculations, resulting in changes to the Company's MLRs.

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

According to its 2014 MLR Annual Reporting Form, the Company reported that it did not owe rebates in any market in 2014, 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 Company informed CCIIO that the Commonwealth of Pennsylvania Insurance Department performed a financial examination of the Company in 2013 covering the period January 1, 2007 through December 31, 2011. The financial examination resulted in two findings, neither of which impacted the Company's federal MLR calculations or reporting.

## **VII. Subsequent Events**

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

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

CCIIO examined Capital Advantage Insurance Company's 2014 MLR Annual Reporting Form to assess the Company's compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the 2014 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2014 MLR Annual Reporting Form contained 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 markets in which it operates.

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

### **Corrective Action #1**

The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups in order to determine the correct group size and market classification of its group policies under the applicable employee counting method, in accordance with the requirements of §158.103.

### **Company Response**

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan year. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company reviews group size when bringing on new business and at renewal and is currently using definitions consistent with §158.103.

### **CCIIO Reply**

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

### **Corrective Action #2**

The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include maintaining adequate documentation, as may be necessary, to enable CCIIO to verify that activities included in QIA meet the definition of QIA and that the Company's allocation of various expenses reported as QIA is reasonable. For salary-related expenses classified as QIA, this includes performing time

studies of employee activities and/or other quantitative analyses of salary ratios to support allocating any such amounts to QIA, as only salary amounts supported by quantitative analyses of time spent on qualifying QIA activities are allowable QIA expenses.

Company Response

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan year. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company currently maintains documentation for QIA expenses using a QIA definition consistent with §158.150.

CCIIO Reply

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

**Corrective Action #3**

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

Company Response

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan year. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company currently reports, and maintains documentation for, QIA expenses using a QIA definition consistent 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 that it properly and accurately reports earned premium in accordance with §158.130 and the MLR Annual Reporting Form Filing Instructions, including ensuring that earned premium is not increased by premium payments received from another issuer.

Company Response

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company properly segregates direct premium between affiliated issuers when completing this calculation, consistent with §158.130.

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, in accordance with §158.162, including ensuring the proper calculation and allocation of federal income taxes.

#### *Company Response*

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan year. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company properly allocates income taxes, and licensing and regulatory fees between lines of business when completing this calculation, consistent with §158.162.

#### *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 it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including properly reporting federal transitional reinsurance contributions.

#### *Company Response*

The Company has updated and improved its processes and procedures since the reporting cycle for the 2014 plan. The Company routinely consults instructions and updates from CMS when completing each year's reporting. The Company notes that because the transitional reinsurance provisions are no longer in effect, this program does not impact the Company's current MLR calculations.

#### *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.