

Final
Report on the
Medical Loss Ratio Examination
of
Health Net Health Plan of Oregon, Inc.
(Tigard, Oregon)
for the
2015 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

August 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 Health Net Health Plan of Oregon, Inc. (the Company) for the 2015 reporting year, including 2015, 2014, and 2013 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
US Department of Health & Human Services

Table of Contents

I.	Executive Summary	1
II.	Scope of Examination	1
III.	Summary of Key Findings	2
IV.	Company Overview	4
A.	Description, Territory, and Plan of Operation	4
B.	Management.....	5
C.	Ownership	5
D.	Agreements	6
E.	Reinsurance.....	6
V.	Accounts and Records.....	7
VI.	Examination Results	7
A.	MLR Data	7
B.	Credibility-Adjusted MLR and Rebate Amount Calculation	10
C.	Rebate Disbursement and Notice.....	11
D.	Compliance with Previous Recommendations	11
VII.	Subsequent Events	11
VIII.	Conclusion, Corrective Actions, Company Responses, and CCHIO Replies.....	12

I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2015 Medical Loss Ratio (MLR) Annual Reporting Form for Health Net Health Plan of Oregon, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2015 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) obtaining and maintaining adequate information to accurately determine the market classification of group policies, and 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 the accurate calculation and reporting of earned premium; (4) ensuring de minimis rebates are properly and accurately calculated and reported; and (5) making a good faith effort to follow up on any unclaimed MLR rebates.

The examination findings resulted in changes to the Company's reported MLRs in the Oregon individual, small group, and large group markets, and in the Washington 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 2015 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, 2013 through December 31, 2015, including 2013, 2014, and 2015 experience and claims run-out through March 31, 2016. 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 Key Findings

Page	Key Findings
7	Failure to employ standards consistent with the definitions at §158.103 to correctly determine the size of group policyholders – The Company did not obtain from each group policyholder, at the time of initial application or policy renewal, the average total number of employees (ATNE) employed on the business days of the calendar year preceding the coverage effective date, as required by the regulation, and therefore may not have correctly determined each group's size and market classification.
8	Failure to assign the correct market classification, in accordance with the definition at §158.103 – The Company incorrectly classified certain Oregon small group policies sold through an association as large group policies. As a result, a total of \$22,322,378 in incurred claims, \$26,577,294 in earned premium, and 11,539 life-years were reclassified from the Oregon large group market to the Oregon small group market.
9	Failure to maintain adequate documentation, as required by §158.502 – 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 met the definition set forth in §158.150.
9	Reporting of expenses as QIA that did not meet the definition of a QIA expense set forth in §158.150 – The Company improperly included in its QIA on its 2013, 2014, and 2015 MLR Annual Reporting Forms certain expenses for activities that did not meet the definition of a QIA at §158.150. As a result, the Company overstated its three-year aggregate QIA expenses on its 2015 MLR Annual Reporting Form by \$38,011 in the individual

Page	Key Findings
	market, \$416,716 in the small group market, and \$329,862 in the large group market.
9, 10	Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company improperly included amounts related to the risk adjustment and risk corridors programs in premium written on its 2015 MLR Annual Reporting Form. As a result of this error, the Company overstated its current year earned premium by \$2,036,533 in the Oregon individual market and understated earned premium by \$2,154,587 in the Oregon small group market. The Company improperly reported the risk corridors transfer amount for the 2014 benefit year for the Oregon individual market in the prior year (PY1) column on its 2015 MLR Annual Reporting Form. As a result of this error, the Company overstated its three-year aggregate risk corridors transfer amount in the Oregon individual market by \$1,821,672.
11	Failure to properly allocate de minimis rebates in accordance with §158.243 – The Company improperly allocated its 2014 <i>de minimis</i> rebates on a pro rata basis, rather than dividing them equally among enrollees receiving a rebate. This error did not impact total rebates paid for the 2014 reporting year.
11	Failure to make a good faith effort to locate and deliver unclaimed rebates to enrollees, as required by §158.244 – The Company’s policies and procedures for locating and delivering rebates to enrollees did not include any follow-up with enrollees whose unclaimed rebates were less than \$50. This error did not impact the MLR calculations.

These findings resulted in changes to the Company’s reported MLRs in the Oregon individual, small group, and large group markets, and in the Washington 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 any rebates being owed.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2015, 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 reallocate the experience of misclassified policies, and to restate QIA expenses, earned premium, and risk corridors transfer amounts.

Recalculated MLRs¹ and Rebates for the Individual, Small Group, and Large Group Markets for the 2015 Reporting Year

Oregon

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$30,287,993	\$32,380,750	96.7%	\$0
As Recalculated	\$32,071,653	\$30,344,217	108.8%	\$0
Difference	\$1,783,660	(\$2,036,533)	12.1%	\$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$280,555,294	\$329,080,690	85.3%	\$0
As Recalculated	\$302,503,969	\$357,812,571	84.5%	\$0
Difference	\$21,948,675	\$28,731,881	(0.8%)	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$178,999,241	\$209,390,277	86.7%	\$0
As Recalculated	\$156,443,435	\$182,812,983	87.0%	\$0
Difference	(\$22,555,806)	(\$26,577,294)	0.3%	\$0

Washington

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$32,277,464	\$35,133,461	94.7%	\$0
As Recalculated	\$32,234,451	\$35,133,461	94.6%	\$0
Difference	(\$43,013)	\$0	(0.1%)	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$85,068,181	\$84,687,370	102.3%	\$0
As Recalculated	\$84,971,747	\$84,687,370	102.2%	\$0
Difference	(\$96,434)	\$0	(0.1%)	\$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

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

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.

During the 2013, 2014, and 2015 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, 2015, the Company reported a total of 47,249 covered lives and \$211,751,414 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 80,293 covered lives and \$419,783,457 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 stand-alone dental and vision insurance, limited benefit health insurance, and Medicare Advantage and Medicare supplement plans.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2015, were:
Officers

<u>Name</u>	<u>Title</u>
Steven J. Sell	Chairman
Christian D. Ellertson	President and Chief Executive Officer
Marie Montgomery	Vice President, Chief Financial Officer and Treasurer
Steven D. Sickie	Secretary
Joseph B. Calvert	Assistant Secretary
Cathy A. Hughes	Vice President
Roupen Berberian	Vice President

Directors

<u>Name</u>
Christian D. Ellertson
Kenneth L. Leander
Steven J. Sell

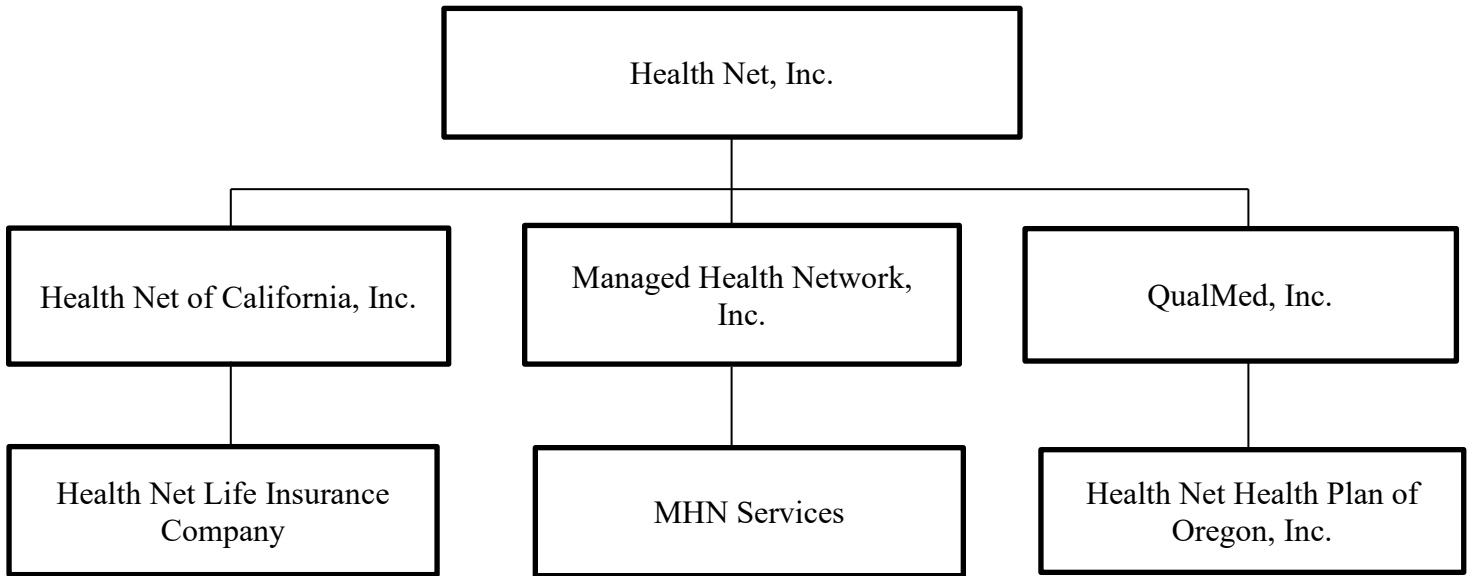
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2015 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
Christian D. Ellertson	CEO Attester
Todd P. Graneto	CFO Attester

C. Ownership

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

**Health Net Health Plan of Oregon
Organizational Chart as of December 31, 2015²**



D. Agreements

As of December 31, 2015, the Company had entered into the following inter-company agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. An Agreement for Administrative services and Managed Behavioral Health Care Services with MHN Services
2. An Administrative Services Agreement with Health Net Life Insurance Company
3. An Administrative Services Agreement with Health Net of California, Inc.
4. An Administrative Services Agreement with Health Net, Inc.
5. An Inter-Company Loan Agreement with Health Net, Inc.
6. A Tax Allocation and Indemnification Agreement with Health Net, Inc. and its various subsidiaries.

E. Reinsurance

During 2013, 2014, and 2015, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

² This is an excerpt from the organization chart provided by the Company and includes only those entities whose relationship to the Company impacted the MLR examination.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 13221 SW 68th Parkway, Suite 200 Tigard, Oregon 97223. 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 definition 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 2013, 2014, and 2015 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2013, 2014, and 2015 MLR Annual Reporting Forms were filed by the due date.

The Company reported that in 2015, it met the applicable MLR standards in the individual, small group, and large group markets in Oregon and Washington. 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 2015 reporting year were recalculated, which did not result in any change to the Company's rebate liability in any state or market.

A. MLR Data

Market Classification Policies and Procedures

Incorrect Procedures for Determining Group Size and Market Classification

The Company adopted policies and procedures for determining group size and market classification that are inconsistent with the definitions in §158.103 applicable to the 2013-2015 reporting years. Section 158.103 uses the applicable definitions of Large Employer, Large Group Market, Small Employer, and Small Group Market in section 2791 (e) of the PHS Act. Section 2791(e) of the PHS Act requires that small group and large group market classifications be based on the average total number of employees (ATNE) on the business days of the calendar year preceding the coverage effective date. The Company did not obtain the necessary information from group policyholders to correctly determine employer size. Therefore, it may have incorrectly determined the market classification of some group policies for the period covered by this examination.

The Company provided copies of then-recent group policyholder billing invoices, master policies, the original or renewal application, the renewal survey for coverage containing the total

number of employees at the time of the application or renewal (rather than the ATNE on the business days of the calendar year preceding the coverage effective date), and copies of policyholder premium payment checks. Since the Company based its determinations on the number of employees at the time of either the initial policy application or policy renewal, based on the information obtained from the Company, the examiners could not confirm whether the Company correctly determined the group size, and consequently the market classification, of its group policies.

Due to the Company's use of the incorrect standard for determining group size and market classification, which could have impacted the market classification of some groups, and the lack of adequate documentation necessary to support its determinations, we cannot conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

Incorrect Reporting of Market Classification

In addition to the failure to use the correct standard for determining group size and 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. Certain Oregon policies sold through an association were incorrectly classified as large group policies, when, based on the Company's group-size determinations, the policies should have been reported in the small group market as the groups had 50 or fewer employees. According to the 2015 MLR Annual Reporting Form Filing Instructions, for employer business issued through an association that does not qualify as a Multiple Employer Welfare Arrangement (MEWA), experience with respect to each employer shall be reported as a large group or small group based on the size of each employer. The Company improperly reported all business sold through an association as a large group market, regardless of the group size of each employer. As a result of this error, a total of \$22,322,378 in incurred claims, \$26,577,294 in earned premium, and 11,539 life-years were reclassified from the Oregon large group market to the Oregon small group market.

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

Based upon the procedures performed, which include validating a sample of incurred claims (as defined by §158.140), other than the lack of documentation supporting its group size and market classification determinations, and the incorrect reporting of market classification, as noted above, nothing additional came to our attention that would indicate that the Company did not accurately report incurred claims.

Claims Recovered Through Fraud Reduction Efforts

Based upon the procedures performed, no errors were noted in how the Company reported recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities (QIA)

Insufficient Documentation of QIA

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

The 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 percent of staff time allocated to QIA, and other information obtained from the Company related to the employees whose salaries were reported as QIA expenses.

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

As a result of performing the alternative procedures noted above, 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 three-year aggregate QIA expenses on Part 3, Line 1.3, on its 2015 MLR Annual Reporting Form by \$38,011 in the individual market, \$416,716 in the small group market, and \$329,862 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 Earned Premium

The Company improperly included amounts related to the federal risk adjustment and risk corridors programs in direct premium written reported in the Oregon individual and small group markets, on Part 2, Line 1.1, on its 2015 MLR Annual Reporting Form. According to the 2015 MLR Annual Reporting Form Filing Instructions, the transfer amounts related to these programs must be excluded from premium written reported on Part 2, Line 1.1, and instead should be reported on Part 2, Lines 1.10 and 1.11. As result of this error, the Company overstated its current year earned premium reported on Part 3, Line 2.1, by a net total of \$2,036,533 in the Oregon individual market and understated earned premium by \$2,154,587 in the Oregon small group market.

Based upon the procedures performed, other than the 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 2013, 2014, and 2015 premium reported on the Company's 2015 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Based upon the procedures performed, nothing came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from 2013, 2014, and 2015 earned premium on the Company's 2015 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 Transitional Reinsurance, Risk Adjustment, and Risk Corridors Programs

Improper Reporting of Federal Risk Corridors Transfer Amounts

The Company improperly reported the risk corridors transfer amount for the 2014 benefit year for the Oregon individual market, in the prior year (PY1) column on Part 3, Line 1.7, on its 2015 MLR Annual Reporting Form. The Company reported a risk corridors payment amount of \$2,110,419 in its PY1 column on Part 3, Line 1.7 of its 2015 MLR Annual Reporting Form, its estimate of the full risk corridors payment expected from HHS. According to the 2015 MLR Annual Reporting Form Filing Instructions, issuers should only report the risk corridors payments actually paid by HHS as of the filing date of the MLR form. As of the filing date of its 2015 MLR Annual Reporting Form, the Company had received \$288,747 in risk corridors payments from HHS related to the 2014 benefit year. As a result of this error, the Company overstated its three-year aggregate risk corridors transfer amount in the Oregon individual market, on Part 3, Line 1.7 by \$1,821,672.

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 payments under the federal transitional reinsurance program, or the expected transfer amounts under the federal risk adjustment and risk corridors programs, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment, in accordance with §§158.230-232, 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 2015, 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 2015 MLRs.

C. Rebate Disbursement and Notice

The Company was not required to pay rebates for the 2015 MLR reporting year. Since the Company was required to pay rebates for the 2014 MLR reporting year, we reviewed the rebates paid for 2014, resulting in the findings below.

Improper Allocation of De Minimis Rebates to Enrollees

The Company improperly allocated its 2014 large group market de minimis rebates³ based on the pro rata amount that each enrollee that was receiving a rebate was to receive, rather than dividing the amount evenly among all rebate-eligible enrollees, as required by §158.243. This error did not have any impact on total rebates paid for the 2014 reporting year. Determining the impact of this error on the rebate amount paid to each enrollee was beyond the scope of the examination.

Lack of Good Faith Effort to Locate Enrollee for Unclaimed Rebates

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

Based on the procedures performed, the Company timely issued rebates for the 2014 reporting year in accordance with §§158.240-242, and Rebate Notices in accordance with §158.250, but as noted above, did not comply with §158.243 and §158.244.

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 Oregon Division of Financial Regulation performed a financial examination of the Company in 2015 covering the period January 1, 2010 through December 31, 2013. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2015 MLR Annual Reporting Form. No post-December 31, 2015 events were brought to CCIIO's attention.

³ § 158.243(a)(1) defines a de minimis rebate in the large group market as one where the total rebate owed to the subscriber is less than \$20.

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

CCIIO examined Health Net Health Plan of Oregon Inc.'s 2015 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 2015 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2015 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 procedures to ensure that it obtains and maintains accurate information from its employer groups at the time of policy application and at renewal in order to determine the correct group size and market classification of its group policies, consistent with the definitions in section 2791 (e) of the PHS Act and the applicable requirements of 45 CFR Part 158 and related technical guidance. This should include, but not be limited to, obtaining and maintaining documentation of the average total number of employees for the calendar year preceding the coverage effective (or renewal) date. The Company must utilize this information to accurately determine the market classification of its policies in accordance with the requirements of §158.103, and the MLR Annual Reporting Form Filing Instructions.

Company Response

The Company acknowledges this finding. The Company implemented procedures to more accurately determine group size and classify groups for MLR reporting beginning in the 2017 benefit year.

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 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. The Company utilized the standardized QIA reporting option of 0.8% of premium for benefit years 2017, 2018 and 2019, as allowed by CMS guidance. Beginning in benefit year 2020, the Company implemented a new process to identify, quantify and verify QIA related expenses for appropriate MLR reporting in compliance.

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. The Company utilized the standardized QIA reporting option of 0.8% of premium for benefit years 2017, 2018 and 2019, as allowed by CMS guidance. Beginning in benefit year 2020, the Company implemented a new process to identify, quantify and verify QIA related expenses for appropriate MLR reporting.

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 applicable MLR Annual Reporting Form Filing Instructions, including properly reporting earned premium.

Company Response

The Company acknowledges this finding. The Company has updated its procedures to appropriately report earned premium, specifically related to risk adjustment payments and receipts beginning in the 2017 benefit year reporting period. The risk corridor program ended after the 2016 benefit year.

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 *de minimis* rebates are allocated equally among enrollees, as required by §158.243.

Company Response

The Company acknowledges this finding. The Company implemented corrections to its allocation calculation in the next instance of rebates owed in the 2019 benefit year.

CCIIO Reply

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

Corrective Action #6

The Company must adopt and implement procedures to ensure a good faith effort is made to locate and deliver all unclaimed rebates to enrollees in accordance with the requirements of §158.244, regardless of the rebate amount.

Company Response

The Company acknowledges this finding. The Company has implemented procedures to ensure a good faith effort is made to locate and deliver all unclaimed rebates to enrollees, regardless of rebate amount.

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.