

Final
Report on the
Medical Loss Ratio Examination
of
HealthPartners Insurance Company
(Minneapolis, Minnesota)
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

September 25, 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 HealthPartners 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, reading "Christina A. Whitefield", is positioned above the typed name and title.

Christina A. Whitefield, Director
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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 2014 Medical Loss Ratio (MLR) Annual Reporting Form for HealthPartners 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) obtaining and maintaining adequate information to accurately determine the market classification of group policies and correctly determining the market classification of group policies; (2) implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions; (3) ensuring that quality improvement activity (QIA) expenses are adequately supported with sufficient documentation; (4) ensuring that taxes and licensing and regulatory fees are accurately allocated and properly reported; and (5) disclosing the methods used for the allocation of federal income taxes and regulatory licenses and fees.

The examination findings resulted in changes to the Company's reported MLRs in the Minnesota individual, small group, and large group markets, and in the Wisconsin 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 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 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
9	Failure to employ standards consistent with the definitions in §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.
9	Failure to assign the correct market classification in accordance with the definitions in §158.103 – The Company incorrectly classified one large group market policy from the sample tested as a small group market policy on its 2014 MLR Annual Reporting Form. As a result, current year incurred claims of \$172,985 and earned premium of \$384,480 were reclassified from the Minnesota small group market to the Minnesota large group market.
9, 10, 12	Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 – The Company improperly reported in the Minnesota individual market on its 2012, 2013, and 2014 MLR Annual Reporting Forms, the experience of short-term, limited-duration (STLD) policies. As a result of this error, the Company overstated its Minnesota individual market three-year aggregate incurred claims by \$1,238,140 and earned premium by \$830,040. The Company failed to report its government experience in the Government Program Plans column, and its other health experience in the Other Health column, on its 2012, 2013, and 2014 MLR Annual Reporting Forms. This error did not impact the Company's MLR calculations.

	The Company improperly reported the restatement of its 2012 and 2013 incurred claims on Part 3, Line 1.1, instead of Line 1.2, in the prior year (PY2 and PY1) columns, on its 2014 MLR Annual Reporting Form, in all states and markets. As a result, the Company overstated its three-year aggregate incurred claims on its 2014 MLR Annual Reporting Form by \$1,095,000 in the individual market and \$5,233,000 in the large group market, and understated its claims by \$2,118,000 in the small group market. The Company improperly reported adjusted incurred claims for prior years on Part 3, Line 1.2, instead of Line 1.1, in the PY2 and PY1 columns on its 2012, 2013, and 2014 MLR Annual Reporting Forms, in all states and markets. This error did not impact the MLR calculation, as Part 3 Line 1.1 is not used in the MLR calculations. The Company failed to report the net payments that it expected from HHS for the risk adjustment program on its 2014 MLR Annual Reporting Form, in the Wisconsin small group market. As a result, the Company understated its current year risk adjustment transfer amount by \$31,749 in the Wisconsin small group market.
11	Failure to maintain adequate documentation, as required by §158.502 – The Company did not maintain the documents and other evidence necessary to enable CCHIO 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 CCHIO to verify that the expenses reported as QIA met the definition set forth in §158.150.
11	Failure to properly allocate taxes and licensing and regulatory fees, as required by §158.170 – The Company improperly allocated federal income taxes on its 2012, 2013, and 2014 MLR Annual Reporting Forms, in all states and markets, in a manner that did not yield the most accurate results, as required. As a result of reallocating its federal income tax using the underwriting gain/(loss) for each state and market, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on its 2014 MLR Annual Reporting Form by \$6,328,000 in the individual market and \$1,960,000 in the small group market, and understated taxes by \$6,648,000 in the large group market.
12	Failure to properly report taxes and regulatory fees, as required by §158.161 – The Company improperly included its software and agent licensing fees in regulatory licenses and fees on its 2014 MLR Annual Reporting Form in the Minnesota. As a result, the Company overstated its current year taxes and licensing and regulatory fees by \$245 in the individual market, \$509 in the small group market, and \$3,143 in the large group market.
12	Failure to report the method of allocation of expenses, as required by §158.170 – The Company failed to report the methods used to allocate its

	federal income taxes and regulatory licenses and fees on its 2014 MLR Annual Reporting Form. These errors did not impact the MLR calculations.
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These findings resulted in changes to the Company's reported MLRs in the Minnesota individual, small group, and large group markets, and in the Wisconsin 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 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 properly restate incurred claims, taxes and licensing and regulatory fees, and the risk adjustment transfer amounts.

Recalculated MLRs¹ and Rebates for the Individual, Small Group, and Large Group Markets for the 2014 Reporting Year

Minnesota

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$137,889,000	\$143,804,000	96.1%	\$0
As Recalculated	\$135,548,860	\$149,282,205	91.0%	\$0
Difference	(\$2,340,140)	\$5,478,205	(5.1%)	\$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$209,669,000	\$221,276,000	95.9%	\$0
As Recalculated	\$209,973,016	\$222,352,903	95.5%	\$0
Difference	\$304,016	\$1,076,903	(0.4%)	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$1,475,250,000	\$1,634,241,000	90.3%	\$0
As Recalculated	\$1,471,304,984	\$1,628,298,173	90.4%	\$0
Difference	(\$3,945,016)	(\$5,942,827)	0.1%	\$0

Wisconsin

	Individual Market ²			
	Numerator	Denominator	MLR	Rebate
As Filed	\$150,000	\$88,000	80.0%	\$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.

² Markets with fewer than 1,000 aggregated life-years are considered non-credible, and presumed to meet the applicable MLR standard, in accordance with §158.230(d). Therefore, the MLRs for this market did not change as a result of the examination.

	Numerator	Denominator	MLR	Rebate
As Recalculated	\$157,000	\$108,000	80.0%	\$0
Difference	\$7,000	\$20,000	0.0%	\$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$78,510,000	\$85,534,000	93.8%	\$0
As Recalculated	\$80,119,251	\$86,033,126	95.2%	\$0
Difference	\$1,609,251	\$499,126	1.4%	\$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$270,187,000	\$292,187,000	93.3%	\$0
As Recalculated	\$269,072,000	\$291,869,450	93.0%	\$0
Difference	(\$1,115,000)	(\$317,550)	(0.3%)	\$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

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

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 345,766 covered lives and \$868,869,000 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 632,110 covered lives and \$947,028,000 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, short-term limited-duration policies, stand-alone dental insurance, and administrative services for self-funded group health plans.

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>
Robert B. Cumming	President
Dave A. Dziuk	Treasurer
Barbara E. Tretheway	Secretary

Directors

Name

Scott Aebischer
Kathleen M. Cooney
Dave A. Dziuk
Lora Hedin
Jim Malecha
Frank McQuillan
Katie Sayre

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

Name

Robert B. Cumming
David A. Dziuk

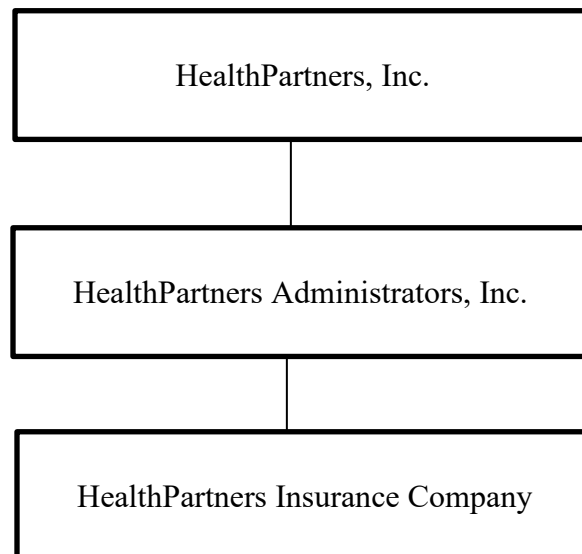
Title

CEO Attester
CFO Attester

C. Ownership

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

HealthPartners Insurance Company Organizational Chart as of December 31, 2014³



³ 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.

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. A Master Intercompany Agreement with its ultimate parent HealthPartners, Inc. and its subsidiaries.
2. A Tax Sharing Agreement with HealthPartners Administrators, its immediate parent company, and its subsidiaries.

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 8170 33rd Avenue South, Minneapolis, Minnesota, 55440. 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 additional 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 applicable MLR standards in the individual, small group, and large group markets in all states and markets. Therefore, the Company reported that it was not required to pay rebates to its enrollees in any states or market.

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 state or market.

A. MLR Data

Market Classification

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 2012-2014 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 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 the original or renewal applications for coverage and annual group surveys containing the total number of eligible employees at the time of application or renewal (rather than the ATNE on the business days of the calendar year preceding the coverage effective date). Since the Company based its determinations on the total number of *eligible* 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.

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. Based on testing of the market classification of the Company's policies for the 2014 MLR reporting year, one Minnesota policy in the sample of 75 policies tested was incorrectly classified as a small group market policy when, based on the Company's group-size determinations, the policy should have been reported in the large group market. As a result, current year incurred claims of \$172,985 and earned premium of \$384,480 were reclassified from the Minnesota small group market to the Minnesota large group market.

Improper Reporting of Short-Term, Limited-Duration Policies

The Company improperly reported in the Minnesota individual market on its 2012, 2013, and 2014 MLR Annual Reporting Forms, the policy experience of its STLD policies. According to the 2014 MLR Annual Reporting Form Filing Instructions, the experience related to short-term, limited-duration policies must be reported as Other Health business in column 41. As a result of this error, the Company overstated its three-year aggregate incurred claims by \$1,238,140 and earned premium by \$830,040 in the Minnesota individual market.

Failure to Report Experience from Government Program Plans and Other Health Policies

The Company failed to report its government experience in the Government Program Plans column, and its other health experience in the Other Health columns, on its 2012, 2013, and 2014 MLR Annual Reporting Forms. According to the 2014 MLR Annual Reporting Form Filing Instructions, the experience related to Government Program Plans must be reported in column 40, and experience for Other Health must be reported in column 41. These errors did not impact the MLR calculations.

Aggregation

Based on 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 states, markets, and lines of business in accordance with §158.120.

Incurred Claims

Failure to Restate Prior Year Incurred Claims

The Company improperly reported the restatement of its 2012 and 2013 incurred claims on Part 3, Line 1.1, instead of Line 1.2, in the prior year (PY2 and PY1) columns, on its 2014 MLR Annual Reporting Form, in all states and markets. According to the 2014 MLR Annual Reporting Form Filing Instructions, 2012 and 2013 incurred claims restated as of March 31 of the year following the MLR reporting year should be reported on Part 3, Line 1.2, in the PY2 and PY1 columns. Because Part 3, Line 1.1, is not included in the calculation of the MLR numerator, the restatement of incurred claims was not recognized, as it should have been, in the 2014 MLR calculations. As a result, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2014 MLR Annual Reporting Form by \$1,095,000 in the individual market and \$5,233,000 in the large group market, and understated its three-year aggregate incurred claims by \$2,118,000 in the small group market.

Improper Reporting of Prior Year Incurred Claims

The Company improperly reported adjusted incurred claims for prior years on Part 3, Line 1.2, instead of Line 1.1, in the PY2 and PY1 columns on its 2012, 2013, and 2014 MLR Annual Reporting Forms, in all states and markets. According to the 2014 MLR Annual Reporting Form Filing Instructions, the amounts reported on Part 3, Line 1.1, PY2 and PY1 columns, must be the same as the amount(s) originally reported on the prior years' MLR Annual Reporting Form. This error did not impact the MLR calculation, as Part 3, Line 1.1, is for informational purposes only and is not included in the MLR calculations.

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 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. Based on the alternative procedures performed, we concluded that the expenses tested met the definition at §158.150, were reasonably included as qualifying QIA, and were reasonably allocated.

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

Earned Premium

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 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

Improper Allocation of Federal Income Taxes

The Company's methodology for allocating its 2012, 2013, and 2014 federal income taxes did not comply with §158.170(b)(1), which requires allocations to be based on generally accepted accounting methods that are expected to yield the most accurate results. According to the 2017 MLR Annual Reporting Form Filing Instructions, pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. The Company allocated federal income taxes only to the states and markets for which it had calculated an underwriting gain, rather than allocating the income tax amount to all states and markets, including the markets with underwriting losses. As a result of reallocating the federal income tax using the underwriting gain/(loss) for each state and market, the Company overstated its three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2, on its 2014 MLR Annual Reporting Form by \$6,328,000 in the individual market and \$1,960,000 in the small group market, and understated taxes by \$6,648,000 in the large group market.

Improper Reporting of Other Regulatory Authority Licenses and Fees

The Company improperly included its software and agent licensing fees in regulatory licenses and fees on Part 1, Line 3.3b, on its 2014 MLR Annual Reporting Form, in Minnesota. According to §158.161(b), the cost of any licenses and fees other than the licensing and regulatory fees specified in §158.161(a) must be included in other non-claims costs and not as an adjustment to premium. As a result, the Company overstated its current year taxes and licensing and regulatory fees on Part 3, Line 2.2, by \$245 in the individual market, \$509 in the small group market, and \$3,143 in the large group market.

Failure to Disclose Allocation Methodologies

The Company failed to report the methods used to allocate its federal income taxes and regulatory licenses and fees on its 2014 MLR Annual Reporting Form, as required by §158.170(b). These errors did not impact the MLR calculations.

Based upon the procedures performed, other than the calculation and reporting errors noted above, nothing additional came to our attention that would indicate that the taxes and licensing and regulatory fees excluded from the 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 states and markets, as required by §158.170.

Federal Transitional Reinsurance, Risk Adjustment, and Risk Corridors Programs

Improper Reporting of Risk Adjustment Transfer Amounts

The Company failed to report the net payments it expected from HHS for the risk adjustment program on Part 2, Line 1.10, on its 2014 MLR Annual Reporting Form, in the Wisconsin small group market. According to the MLR Annual Reporting Form Filing Instructions, federal risk adjustment program net receipts or charges, as shown on the notification received from HHS by June 30 of the year following the MLR reporting year, must be reported on Part 2, Line 1.10, and on Part 3, Line 1.6. As a result, the Company understated its current year risk adjustment transfer amount on Part 3, Line 1.6, by \$31,749 in the Wisconsin small group market.

Based upon the procedures performed, other than the reporting error noted above, nothing additional came to our attention that would indicate that the Company did not properly report the expected 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 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, 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 2014, 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 2014 MLRs.

C. Rebate Disbursement and Notice

According to its 2014 MLR Annual Reporting Form, the Company did not owe rebates in any state and 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 Minnesota Department of Insurance performed a financial examination of the Company in 2014 covering the period January 1, 2010, through December 31, 2012. 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 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 HealthPartners 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 recalculation of the Company's MLRs resulted in changes to its reported MLRs in the Minnesota individual, small group, and large group markets, and in the Wisconsin 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.

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.

Company Response

HPIC has revised its processes. Additional fields and instructions were added to the enrollment forms to ensure HealthPartners can accurately report the market classification of its policies in accordance with state and federal laws.

CCIIO Reply

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

Corrective Action #2

The Company must adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the MLR Annual Reporting Form Filing Instructions, including: properly reporting the experience for STLD policies, government program plans and other health business; properly restating and reporting adjusted incurred claims for prior years; and properly reporting risk adjustment transfer amounts.

Company Response

HPIC has revised its processes. When these lines of business are applicable, they are properly included in the MLR report in accordance with the regulatory requirements.

CCIIO Reply

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

Corrective Action #3

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 adequate 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

HPIC has revised its QIA processes, including updating the reporting, to better document salary-related expenses. All records are required to be retained in accordance with the HealthPartners Record Retention Policy, which is consistent with the regulatory parameters.

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 the allocation methodology used to allocate expenses to each state and market yields the most accurate results, in accordance with §158.170, including the proper allocation of federal income taxes.

Company Response

HPIC has adopted procedures to ensure that its allocation methodology properly allocates federal incomes taxes in accordance with §158.170.

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 regulatory authority licenses and fees.

Company Response

HPIC has adopted procedures to ensure that it is reporting its taxes and licensing and regulatory fees in compliance 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 reporting of the methods used to allocate expenses, including federal income taxes and other regulatory authority licenses and fees, in accordance with §158.170.

Company Response

HPIC has adopted procedures to ensure accurate reporting of the methods used to allocate expenses on the MLR report. All records are required to be retained in accordance with the HealthPartners Record Retention Policy, which is consistent with the regulatory parameters.

CCIO Reply

CCIO 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.

CCIO thanks the Company and its staff for its cooperation with this examination.