

Final
Report on the
Medical Loss Ratio Examination
of
Highmark West Virginia, Inc.
(Parkersburg, West Virginia)
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

June 20, 2025

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Highmark West Virginia, Inc., (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
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 Highmark West Virginia, Inc., (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 some elements that are not fully 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: correctly determining the market classification of group policies; ensuring that quality improvement activity (QIA) expenses are adequately supported with sufficient documentation and accurately calculated; ensuring the accurate calculation and reporting of earned premiums, taxes, and risk corridor transfer amounts; and adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions.

The recalculation of the Company's 2014 MLRs resulted in a net decrease to the Company's reported MLR in the small group market. 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 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 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 and mini-med large group markets).

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
7	<p>Failure to assign the correct market classification, in accordance with the definitions at §158.103 – The Company incorrectly reported the experience of four small group market policies with its large group market experience and incorrectly reported the experience of two large group market policies with its small group market experience. As a result, a total of \$904,689 in incurred claims and \$739,051 in earned premiums were reallocated from the small group market to the large group market, and a total of \$58,382 in incurred claims and \$85,290 in earned premiums were reallocated from the large group market to the small group market.</p>
7, 8	<p>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 records necessary to enable CCIIO to verify that the expenses reported as QIA met the definition set forth in §158.150.</p> <p>The Company did not maintain premium cash receipt documentation for five out of the 25 individual policies that were tested. This error did not impact the MLR calculation.</p>
8	<p>Reporting QIA expenses that did not meet the definition of a QIA set forth in §158.150 –Due to an accounting error, the Company incorrectly overstated its current year QIA expenses on its 2014 MLR Annual Reporting Form by \$25,361 in the individual market, \$21,893 in the small group market, \$48,220 in the large group market, and \$29 in the mini-med, large group market.</p>
8, 9, 10	<p>Failure to submit an MLR form in the manner prescribed by the Secretary as set forth in §158.110 –The Company improperly reported on</p>

	<p>its 2014 MLR Annual Reporting Form its direct premium written net of the change in unearned premium during the year, and failed to properly report unearned premium amounts on the correct lines. This error did not impact the MLR calculation.</p> <p>The Company incorrectly reported the risk corridors payments expected from HHS on Part 3, Line 1.7 on its 2014 MLR Annual Reporting Form. As a result, the Company overstated its risk corridors transfer amount by \$232,681 in the individual market, and \$13,623 in the small group market.</p>
9	<p>Failure to properly report taxes and regulatory fees, as required by §158.161 – Due to an accounting error, the Company incorrectly reported its Marketplace and risk adjustment user fees on its 2014 MLR Annual Reporting Form. As a result, the Company overstated its current year taxes, licensing, and regulatory fees by \$1,563 in the individual market and \$4,737 in the large group market, and understated its current year taxes and licensing and regulatory fees by \$6,300 in the small group market.</p>

The examination findings decreased the Company’s reported MLR in the small group market. The recalculated MLRs in all markets 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 the “As Recalculated” rows reflect the net impact of the adjustments made to reallocate the experience of certain misclassified policies, as well as to restate QIA, Marketplace and risk adjustment user fees, and risk corridors transfer amounts.

Recalculated Aggregate Individual, Small Group, Large Group, and Mini-Med, Large Group Market MLRs¹ for the 2014 Reporting Year

West Virginia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$209,399,738	\$241,786,313	87.3%	\$0
As Recalculated	\$209,607,058	\$241,787,876	87.3%	\$0
Difference	\$207,320	\$1,563	0.0%	\$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$504,431,661	\$602,984,060	83.7%	\$0
As Recalculated	\$503,577,084	\$602,323,999	83.6%	\$0
Difference	(\$854,577)	(\$660,061)	(0.1%)	\$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.

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$1,561,351,794	\$1,669,623,532	93.5%	\$0
As Recalculated	\$1,562,149,881	\$1,670,282,030	93.5%	\$0
Difference	\$798,087	\$658,498	0.0%	\$0

	Mini-Med Plans, Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	\$668,226	\$838,771	93.5%	\$0
As Recalculated	\$668,197	\$838,771	93.5%	\$0
Difference	(\$29)	\$0	0.0%	\$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a not-for-profit health insurer domiciled in West Virginia. The Company sells individual and group health insurance policies in West Virginia.

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, large group, and mini-med large group markets that were subject to the MLR reporting requirements of 45 Part 158. As of December 31, 2014, the Company reported a total of 188,379 covered lives and \$935,187,590 in direct earned premium for policies subject to the MLR reporting and rebate requirements, and a total of 200,002 covered lives and \$983,437,632 in direct earned premium from all health lines of business. Lines of business not subject to the MLR regulations at 45 CFR Part 158 include Medicare supplement policies, stand-alone dental and vision insurance, and stop-loss 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>
John F. Earley, II	President
Jannie K. Colinear	Treasurer
Edward A. Bitter, Jr.	Secretary

Directors

<u>Name</u>
Lawrence B. Boggs
David L. Campbell
Janine K. Colinear

John F. Earley, II
James B. Hayhurst, Jr.
Daniel A. Onorato
Robert M. Robinson
Judith W. Sjostedt
Kurt C. Small
Michael W. Sullivan

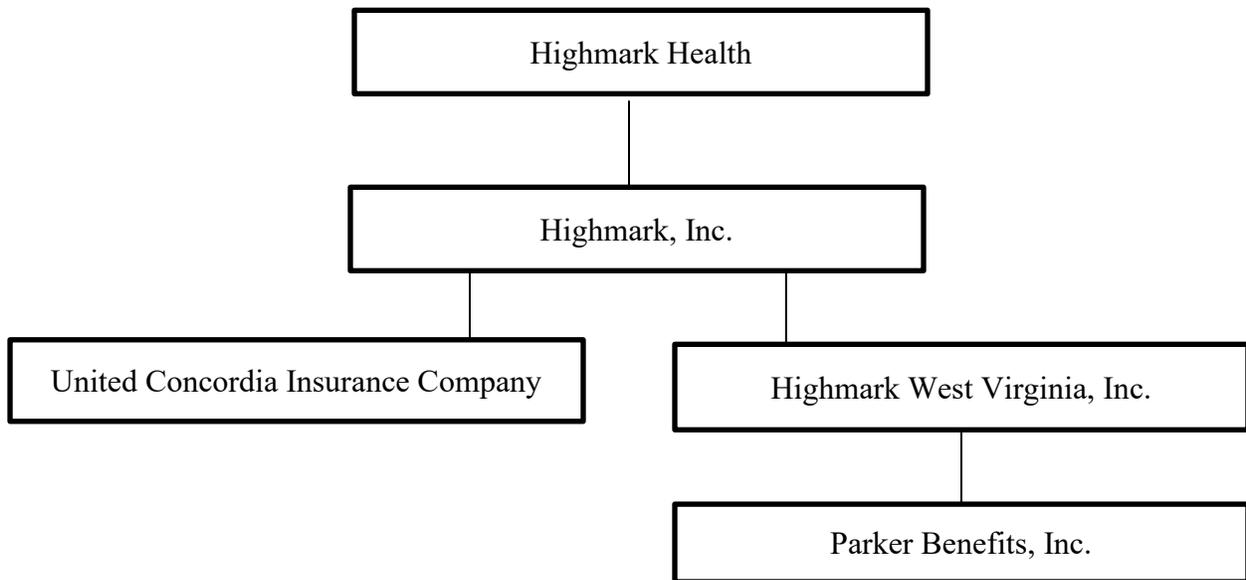
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2014 MLR Annual Reporting Form were:

<u>Name</u>	<u>Title</u>
John F. Earley, II	CEO Attester
Brian Setzer	CFO Attester

C. Ownership

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

**Highmark West Virginia, Inc.
Organizational Chart² as of December 31, 2014**



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.

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. Amended and Restated Administrative Services Agreement with Highmark, Inc.
2. Federal Income Tax Allocation Agreement with its wholly owned subsidiary, Parker Benefits, Inc.
3. Indemnity Reinsurance Agreement for stand-alone dental coverage with its affiliate, United Concordia Insurance Company.

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 614 Market Street, Parkersburg, WV. 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 was not in compliance 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, and the accuracy of direct premium written in the individual market.

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 it met or exceeded the applicable MLR standards in the individual, small group, large group, and mini-med, large group markets, and thus was not required to pay rebates to its enrollees in any market. Based on the reporting errors found during the examination, the Company's MLRs for the 2014 reporting year were recalculated and did not result in any change to the Company's rebate liability in any market.

A. MLR Data

Market Classification

The Company adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2012-2014 reporting years.

Incorrect Reporting of Market Classification

The Company did not report the policy experience in the correct market for some of its policies. Based on testing the market classification of policies, the company erroneously reported the experience for 4 large group market policies with its small group market experience and erroneously reported the experience for 2 small group market policies with its large group market experience. Consequently, \$904,689 in aggregated incurred claims and \$739,051 in aggregated earned premium were reallocated from the small group market to the large group market, and \$58,382 in aggregated incurred claims and \$85,290 in aggregated earned premium were reallocated from the large group market to the small group market.

Aggregation

Based upon the procedures performed, other than the incorrect market classifications determinations 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, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, except as noted below, nothing additional came to our attention that would indicate that the Company did not properly report the advanced payments of cost sharing reductions received from HHS as a deduction from incurred claims, in accordance with §158.140(b)(1)(iii), or 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

Insufficient Documentation of Quality Improvement Activities

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 at 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. Based on the alternative procedures performed, we concluded that a portion of the activities in the job descriptions provided by the Company most likely did not qualify as QIA. However, we were unable to verify the portion of direct salary expenses that was attributable to activities that do meet the definition of QIA due to the lack of fully developed documentation and quantitative analysis of the activities and the time spent by staff on these activities. Nevertheless, the amounts of any misstatement were deemed to be immaterial and not to have a significant impact on the MLR calculations. Therefore, no adjustments were made as a result of the finding.

Incorrect Reporting of QIA Expenses

Due to a calculation error, the Company incorrectly reported its QIA expenses on its 2014 MLR Annual Reporting Form. As a result of this error, the Company overstated its current year QIA expenses on Part 3, Line 1.3 by \$25,361 in the individual market, \$21,893 in the small group market, \$48,220 in the large group market, and \$29 in the mini-med, large group market.

Based upon the procedures performed, other than the failure to maintain adequate documentation and the accounting 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 markets, as required by §158.170.

Earned Premium

Failure to Maintain Adequate Documentation

The Company did not maintain adequate supporting documentation evidencing cash receipts of premium amounts, as required by §158.502. The Company could not provide support for cash receipts for five of the 25 individual market policies tested. According to §158.502, an issuer must maintain all documents and other evidence necessary to enable CCIIO to verify that the MLR is calculated accurately and that any rebates are calculated and disbursed in accordance with 45 CFR Part 158. Section 158.502(b) further requires that all such documentation must be maintained for the current year and the six prior years. The Company was able to provide other supporting documentation for these policies, such as a copy of the billing invoice, or screen prints, from its policy administration system showing recorded payments. However, according to the Company, it did not maintain any source documentation, such as copies of cancelled checks, bank transfers, or credit card payments for these policies that would evidence receipt of the premium amounts reported on its 2014 MLR Annual Reporting Form.

Improper Reporting of Direct Premium Written

The Company improperly reported direct written premium on Part 2, Line 1.1, on its 2012 and 2013 MLR Annual Reporting Forms, net of the change in unearned premium during the year,

and failed to report any unearned premium amounts in the corresponding lines. According to the applicable MLR Annual Reporting Form Filing Instructions, unearned premium should be reported on Part 2, Line 1.2 for the prior year, and on Line 1.3 for the current year. This error did not have any impact on the MLR calculation, as earned premium was properly adjusted and reported.

Based upon the procedures performed, other than the documentation and reporting errors noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis and that the data elements underlying the 2012, 2013, and 2014 premium as reported on the Company's 2014 MLR Annual Reporting Form were not reported in accordance with §158.130.

Taxes

Incorrect Reporting of Marketplace and Risk Adjustment User Fees

Due to an accounting error, the Company incorrectly reported its Marketplace and risk adjustment user fees on Part 1, Line 3.1d, on its 2014 MLR Annual Reporting Form. As a result, the Company's current year taxes and licensing and regulatory fees were overstated by \$1,563 in the individual market and \$4,737 in the large group market, and understated by \$6,300 in the small group market.

Based upon the procedures performed, other than the calculation error 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 and in accordance with its intercompany federal income tax allocation agreement. On its 2014 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the underwriting gain or loss, which the examination confirmed.

Federal Transitional Reinsurance and Risk Adjustment Programs

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

B. Credibility-Adjusted MLR and Rebate Amount

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 markets for 2012, 2013, and 2014, the Company used the correct procedures to determine that no rebates were due for those years. 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. Federal Risk Corridors Program

Failure to Correctly Report Federal Risk Corridor Program Net Payments

Due to a reporting error, the Company incorrectly reported the amount of net payments due from HHS for the Federal Risk Corridor Program on Part 3, Line 1.7, on its 2014 MLR Annual Reporting Form. The Company correctly reported the net payments expected from HHS on Part 2, Line 1.11, but did not properly transfer the correct amount to Part 3, Line 1.7, as required by the 2014 MLR Annual Reporting Form Filing Instructions. As a result, the Company overstated its risk corridors transfer amounts by \$232,681 in the individual market and \$13,623 in the small group market.

Based upon the procedures performed, other than the reporting error noted above, nothing additional came to our attention that would indicate that the Company did not properly report the expected transfer amounts from HHS under the federal risk corridor program for the 2014 benefit year, in accordance with §158.140(b)(4)(ii), or that it did not accurately report its risk corridor program allowable costs and target amounts, in accordance with §153.500.

D. Rebate Disbursement and Notice

According to its 2012, 2013, and 2014 MLR Annual Reporting Forms, the Company did not owe rebates in any market in any year and therefore was not required by §158.250 to issue, and did not issue, any Rebate Notices for those years.

E. 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 West Virginia Office of the Insurance Commissioner performed a financial examination of the Company in 2013 covering the period January 1, 2009 through December 31, 2011. The financial examination resulted in one finding, which did not have an impact on the Company's federal MLR calculation or reporting.

VII. Subsequent Events

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

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

CCIIO examined Highmark West Virginia, Inc.'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 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 some elements that were not fully compliant with the requirements of 45 CFR Part 158.

The effect of the examination findings and resultant recalculation of the Company's MLRs did not result in any substantive change to its reported MLRs for any of the markets in which it had health insurance coverage subject to 45 CFR 158 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 accurately determines and reports the correct group size and market classification of its group policies, consistent with section 2791(e) of the PHS Act and §158.103.

Company Response

Highmark's current process has remediated the previously identified issue to comply with the recommendations noted. Since the issue was identified the following items were instituted:

- Clarified the definitions of small and large group internally.
- Improved the data validation process to ensure accurate group size information.
- Implemented additional controls to prevent misclassification. Implemented a multi-faceted data validation process through a survey to small and large group clients to ensure accuracy of group size information. This information is reviewed internally to flag potentially inaccurate group size data during initial entry.

Additionally, regular sampling audits are conducted of group policies to manually verify group size information.

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 verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502 - Maintenance of Records. 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.

The records maintenance program should also include maintaining adequate documentation related to the collection of amounts reported as premium written.

Company Response

Highmark's current process has remediated the previously identified issue to comply with the recommendations noted. Since the issue was identified the following items were instituted:

Quality Improvement Activity (QIA) Documentation:

- More detailed documentation standards for QIA activities have been developed and implemented. These standards specifically include requirements for time studies or other quantitative analyses for salary allocations which is performed annually at the cost center level.
- An independent review of QIA documentation is now required before expenses are reported and included.

Premium Receipts Documentation:

- A clear documentation retention policy for premium receipts (e.g., copies of checks, bank transfers, credit card statements) is being followed.

A system for tracking and reconciling premium payments and receipts is being performed.

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 the accurate reporting of QIA in accordance with §158.150, including properly calculating any amounts reported as QIA.

Company Response

Highmark's current process has remediated the previously identified issue to comply with the recommendations noted. Since the issue was identified the following items were instituted:

- Implemented automated calculation tools.
- Required independent review of QIA expense calculations.
- Strengthened documentation requirements for QIA expenses to improve calculation accuracy.

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 the applicable MLR Annual Reporting Form Filing Instructions, including properly reporting unearned premium and correctly reporting risk corridors transfer amounts.

Company Response

Highmark's current process has remediated the previously identified issue to comply with the recommendations noted. Since the issue was identified the following items were instituted:

- The process for reporting direct premium written and unearned premium has been updated to ensure separate reporting in accordance with the MLR Annual Reporting Form Filing Instructions. This updated process is now in effect.
- The updated process for reporting direct premium and unearned premium has been fully documented in a clear and concise manner.
- The process for reporting net payments has been updated to ensure accurate reporting in accordance with the MLR Annual Reporting Form Filing Instructions. This updated process is now in effect.
- A verification step has been implemented to ensure amounts are transferred correctly between sections of the form.

The updated process for reporting net payments has been fully documented in a clear and concise manner.

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 Marketplace and risk adjustment user fees.

Company Response

Highmark's current process has remediated the previously identified issue to comply with the recommendations noted. Since the issue was identified the following items were instituted:

- Automated calculation tools with built-in error checks have been implemented for the calculation of Marketplace and risk adjustment user fees. These tools are now in operation.
- Independent review of user fee calculations is now required to ensure accuracy and compliance with reporting requirements.

The updated process for calculating and reporting taxes and regulatory fees has been fully documented in a clear and concise manner.

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.