Final

Report on the

Medical Loss Ratio Examination

of

Tufts Associated Health Maintenance Organization, Inc.
(Watertown, Massachusetts)

for the

2019 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

July 11, 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 Tufts Associated Health Maintenance Organization, Inc. (the Company) for the 2019 reporting year, including 2019, 2018, and 2017 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.

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Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2019 Medical Loss Ratio (MLR) Annual Reporting Form for Tufts Associated Health Maintenance Organization, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2019 MLR Annual Reporting Form contains some elements that are not compliant with the requirements of 45 CFR Part 158, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including: ensuring the proper aggregation of the claims experience of policies issued to "groups of one"; ensuring the accurate calculation and reporting of incurred claims; ensuring that quality improvement activities (QIA) expenses meet the regulatory definition and are accurately allocated between markets; ensuring that prescription drug rebates, community benefit expenditures, and risk adjustment user fees are reasonably allocated; and adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions.

The examination findings resulted in net decreases to the Company's 2019 MLRs in the Massachusetts individual and small group merged market, and large group market, and in the Rhode Island small group and large group markets, increasing the Company's 2019 Massachusetts rebate liability by $88,834 in the individual market, $405,362 in the small group market, and $3,117,853 in the large group market.

Scope of Examination

CCIIO examined the Company's 2019 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (ACA), generally requires health insurance issuers to submit to the Secretary of the U.S. Department of Health & Human Services (HHS) an annual report concerning premium revenue and expenses related to group and individual health insurance coverage issued. The federal MLR is the proportion of earned premium, less certain taxes and regulatory fees, expended by an issuer on clinical services and activities that improve health care quality in a given state and market, after adjustments for the credibility of the experience or other factors, where applicable, and calculated using the average of three consecutive years of data. Section 2718 also requires an issuer to provide rebates to consumers if it does not meet the applicable MLR standard (generally, 80% in the individual and small group markets and 85% in the large group market). Massachusetts imposes a higher MLR standard in the individual and small group market than that required by federal law. Therefore, in accordance with §158.211, the Massachusetts MLR standard is applied for purposes of the federal MLR and rebate calculations in the individual and small group markets. The standards applicable to the Company in Massachusetts for 2017-2019 were 88% in the individual and small group merged market, 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, 2017, through December 31, 2019, including 2017, 2018, and 2019 experience and claims run-out through March 31, 2020. 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.

Summary of Findings

Page	Key Findings
8	**Failure to properly aggregate policy experience as required by §158.120** – The Company did not properly aggregate the 2019 experience of its policies issued to "groups of one" in Massachusetts. The Company failed to move the claim experience for these single life policies from the small group to the individual market. This error did not impact the MLR calculation since the individual and small group markets are merged in Massachusetts.
8, 9, 10	**Failure to properly report incurred claims, as required by §158.140 –** The Company improperly included in its paid claims on its 2017, 2018, and 2019 MLR Annual Reporting Forms, various amounts paid to providers for fees and QIA that did not meet the definition of a clinical service. Of the total $12,890,643 improperly reported in paid claims, $11,066,781 should have been reported as QIA and $1,823,246 should have been reported as administrative expenses. As a result of these errors, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2 on its 2019 MLR

	Annual Reporting Form by $964,730 in the individual market, $4,434,915 in the small group market, and $7,490,999 in the large group market. In addition, the Company understated its QIA on Part 3, Line 1.3 by $828,233 in the individual market, $3,807,431 in the small group market, and $6,431,118 in the large group market. The Company incorrectly calculated its prescription drug costs reported in paid claims on Part 2, Line 2.1b on its 2017, 2018, and 2019 MLR Annual Reporting Forms. As a result of the net effect of the errors it made, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, of its 2019 MLR Annual Reporting Form by $9,065,933 in the individual market and $7,765,800 in the large group market, and understated its incurred claims by $8,098,865 in the small group market. The Company improperly allocated its pharmacy rebate between states and markets based on a pro rata proportion of member months, which did not yield the most accurate results as required by §158.170. As a result, the Company overstated its three-year aggregate incurred claims on its 2019 MLR Annual Reporting Form by $1,581,579 in the individual market and $458,758 in the small group market, and understated incurred claims by $1,962,389 in the large group market. The Company failed to properly deduct from its paid claims on its 2017, 2018, and 2019 MLR Annual Reporting Forms, claims overpayment recoveries received from providers. In addition, the Company failed to properly allocate the respective claims overpayment recoveries received from providers for claims associated with members of its affiliates. As a result, the Company overstated its three-year aggregate Massachusetts incurred claims on its 2019 MLR Annual Reporting Form by $270,367 in the individual market, $1,367,131 in the small group market, and $1,981,627 in the large group market. In addition, the incurred claims of its affiliates were also overstated by the respective amount of claims overpayment recoveries that were not allocated by the Company. The Company deducted from its paid claims the incorrect amount of a PBM prescription drug rebate guarantee payment on its 2019 MLR Annual Reporting Form. As a result, the Company understated its current year incurred claims by $100,873 in the individual market, $1,378,752 in the small group market, and $1,841,193 in the large group market.
10	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 –** The Company failed to report a reserve for experience rating refunds on its 2019 MLR Annual Reporting Form in the Massachusetts large group market. As a result, the Company understated its current year incurred claims by $129,302 in the Massachusetts large group market. The Company improperly included on its 2019 MLR Annual Reporting Form accrued medical incentive pool and bonuses that included an explicit margin of safety for potential variations from its estimate of unpaid claims.

	As a result, the Company overstated its current year incurred claims by $83,064 in the individual market, $396,093 in the small group market, and $565,615 in the large group market.
10	**Reporting of QIA expenses that did not meet the definition of a QIA set forth in §158.150 –** The Company improperly included in its QIA on its 2017 and 2019 MLR Annual Reporting Forms credentialing expenses that did not meet the definition of QIA. As a result, the Company overstated its three-year aggregate QIA expenses by $10,634 in the individual market, $48,397 in the small group market, and $71,227 in the large group market.
11	**Failure to properly allocate QIA expenses, as required by §158.170 -** The Company improperly allocated its QIA between states and markets based on a weighted pro rata proportion of member months, on its 2017, 2018, and 2019 MLR Annual Reporting Forms, which did not yield the most accurate results, as required by §158.170. As a result, the Company overstated its three-year aggregate QIA on its 2019 MLR Annual Reporting Form by $167,394 in the individual market and $814,702 in the small group market, and understated its QIA by $982,096 in the large group market.
11, 12	**Failure to properly allocate taxes, licensing, and regulatory fees, as required by §158.170 –** The Company improperly allocated its risk adjustment user fees to the large group market on its 2017, 2018, and 2019 MLR Annual Reporting Forms. As a result, the Company understated its three-year aggregate taxes, licensing, and regulatory fees on its 2019 MLR Annual Reporting Form by $34,978 in the individual market and $171,303 in the small group market, and overstated its taxes, licensing, and regulatory fees by $206,281 in the large group market. The Company improperly allocated its community benefit expenditures (CBEs) between states and markets based on a weighted pro rata proportion of member months, which did not yield the most accurate results, as required by §158.170. As a result, the Company overstated its three-year aggregate taxes, licensing, and regulatory fees on its 2019 MLR Annual Reporting Form by $62,589 in the individual market and $280,272 in the small group market, and understated its taxes, licensing, and regulatory fees by $342,861 in the large group market.

The findings resulted in net decreases to the Company's reported MLRs in the individual and small group merged market, and large group market in Massachusetts, and in the small group and large group markets in Rhode Island. In Massachusetts, the recalculated MLRs continued to be below the applicable MLR standards, resulting in an increase to the Company's total rebate liability for the 2019 reporting year of $88,834 in the individual market, $405,362 in the small group market, and $3,117,853 in the large group market.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2019, 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 restate incurred claims and QIA expenses, and to re-allocate community benefit expenditures and risk adjustment user fees.

Recalculated MLRs[1] and Rebates for the Individual, Small Group, and Large Group Markets for the 2019 Reporting Year

Massachusetts

	Individual and Small Group Merged Market[2]				
	Numerator	Denominator	MLR	Rebate – Individual Market	Rebate – Small Group Market
As Filed	$1,149,027,262	$1,339,709,286	85.8%	$1,950,151	$8,898,925
As Recalculated	$1,147,736,925	$1,339,856,234	85.7%	$2,038,985	$9,304,287
Difference	($1,290,337)	$146,948	(0.1%)	$88,834	$405,362

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,661,961,465	$1,956,531,694	84.9%	$623,626
As Recalculated	$1,652,154,611	$1,956,384,746	84.4%	$3,741,479
Difference	($9,806,854)	($146,948)	(0.5%)	$3,117,853

Rhode Island

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$38,950,024	$43,108,932	93.3%	$0
As Recalculated	$38,871,493	$43,098,564	93.2%	$0
Difference	($78,531)	($10,368)	0.1%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$78,237,207	$85,215,125	94.0%	$0
As Recalculated	$77,590,142	$85,225,493	93.2%	$0
Difference	($647,065)	$10,368	(0.8%)	$0

Company Overview

Description, Territory, and Plan of Operation

The Company is a not-for-profit health insurer domiciled in Massachusetts. The Company sells individual and group health insurance in Massachusetts and Rhode Island.

[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] Pursuant to §158.220, the Company's data for the Massachusetts individual and small group markets was merged for purpose of calculating the MLR. However, the rebate is calculated separately for each market.

During the 2017, 2018, and 2019 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, 2019, the Company reported a total of 176,044 covered lives and $1,165,107,866 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158 and a total of 285,596 covered lives and $2,718,526,674 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 and Managed Medicaid plans.

Management

The corporate officers and board of directors of the Company as of December 31, 2019 were:

Officers

Name	Title
Thomas A. Croswell	President and Chief Executive Officer
Umesh Kurpad	Senior Vice President and Chief Financial Officer
Roland Price	Treasurer
Mary O. Mahoney	Legal Officer

Directors

Name	
Eileen Auen	Irina Simmons
Thomas A. Croswell	Frank Torti
Michael McColgan	Greg Tranter
Thomas P. O'Neill, III	Todd Whitbeck
Charlotte G. Richie	Susan Windham-Bannister
Bertram Scott	

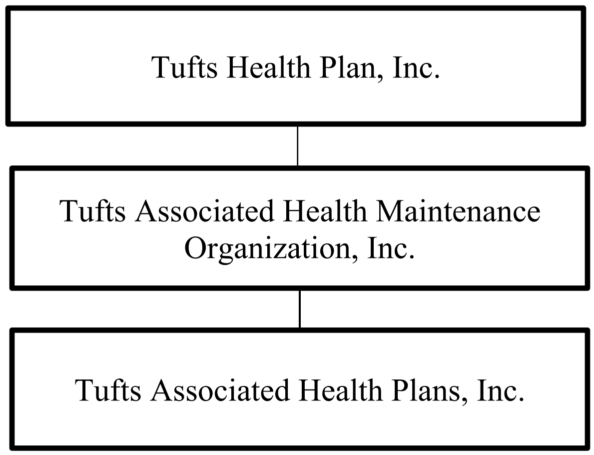
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2019 MLR Annual Reporting Form were:

Name	Title
Thomas Croswell	CEO Attester
Umesh Kurpad	CFO Attester

Ownership

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

Tufts Associated Health Maintenance Organization, Inc.
Organizational Chart as of December 31, 2019[3]



Agreements

As of December 31, 2019, the Company had entered into the following intercompany agreement that is pertinent to a review of its MLR Annual Reporting Form:

1. Management Agreement with its subsidiary Tufts Associated Health Plans, Inc.

Reinsurance

During 2017, 2018, and 2019**,** 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.

Accounts and Records

The Company's main administrative and financial reporting office is located at 705 Mount Auburn Street, Watertown, Massachusetts, 02472. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

[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.

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 2017, 2018, and 2019 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2017, 2018, and 2019 MLR Annual Reporting Forms were filed by the due date.
The Company reported that it did not meet the applicable MLR standards in the Massachusetts individual, small group, and large group markets for 2019, and paid rebates of $1,950,151 in the individual market, $8,898,925 in the small group market, and $623,626 in the large group market. The Company reported that it met the applicable MLR standard in the Rhode Island small group and large group markets, and thus was not required to pay rebates in these markets. Based on the errors found during the examination, the Company's MLRs for the 2019 reporting year were recalculated, and resulted in an additional rebate liability of $88,834 in the individual market, $405,362 in the small group market, and $3,117,853 in the large group market, in Massachusetts.

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 2017-2019 reporting years. The samples of policies tested during the examination were assigned to the correct market classification.

Aggregation

Failure to Properly Aggregate Incurred Claims
The Company improperly aggregated the 2019 experience of its "groups of one," or single-life policies, in Massachusetts. The Company properly reported the premium and member months for these policies in the individual market, but failed to re-allocate and report the medical and pharmacy claims for these policies in the individual market. This error did not impact the MLR calculation due to the merged market requirement in Massachusetts.

Based upon the procedures performed, other than the aggregation error 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

Incorrect Reporting of Incurred Claims
The Company improperly included in its paid claims on Part 2, Line 2.1b, on its 2017, 2018, 2019 MLR Annual Reporting Forms, amounts it paid to providers for management, infrastructure, and administrative fees that did not meet the definition of clinical services

provided to enrollees, as defined in §158.140. According to §158.140(b)(3)(iii), amounts paid to a provider that do not represent compensation or reimbursement for covered services provided to an enrollee should not be included in incurred claims. Of the total $12,890,643 improperly reported in paid claims, $11,066,781 was for services that meet the definition of a QIA at §158.150 and which should have been reported as QIA expenses on Part 1, Section 4. The remaining $1,823,862 of expenses improperly reported in paid claims did not meet the definition of clinical claims or QIA, and should have been reported as administrative expenses on Part 1, Section 5, in accordance with the applicable MLR Annual Reporting Form Filing Instructions. As a result of these errors, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2019 MLR Annual Reporting Form by $964,730 in the individual market, $4,434,915 in the small group market, and $7,490,999 in the large group market. In addition, the Company understated its QIA on Part 3, Line 1.3 by $828,233 in the individual market, $3,807,431 in the small group market, and $6,431,118 in the large group market.

Incorrect Reporting of Prescription Drug Claims

The Company incorrectly calculated its prescription drug claims reported in paid claims on Part 2, Line 2.1b, on its 2017, 2018, and 2019 MLR Annual Reporting Forms. The Company incorrectly calculated the amount paid to its PBM for pharmacy claims, failing to excluded the amount that exceeded the total amount the PBM paid to pharmacy providers for prescriptions filled for the Company's enrollees. According to §158.140(b)(3)(ii), if a third-party vendor reimburses the provider at one amount but bills the issuer a higher amount to cover its claims processing, network development, utilization management, administrative costs, as well as profits, then the amount that exceeds the reimbursement to the provider must not be included in incurred claims. The Company made other errors when it recorded its prescriptions drug costs. As a result of the net effect of these errors, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, of its 2019 MLR Annual Reporting Form by $9,065,933 in the individual market and $7,765,800 in the large group market, and understated its incurred claims by $8,098,865 in the small group market.

Incorrect Allocation of Pharmaceutical Rebates

The Company's methodology for allocating its 2017, 2018, and 2019 pharmaceutical rebates among its states and markets did not comply with §158.170(b)(1), which requires allocation to be based on generally accepted accounting methods that are expected to yield the most accurate results. The Company allocated its pharmaceutical rebates using the membership of each state and market, which did not yield the most accurate results, as using the pro rata proportion of prescription drugs costs for each state and market yields the most accurate results. Thus, we reallocated and recalculated the Company's pharmaceutical rebates accordingly. As a result, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, on its 2019 MLR Annual Reporting Form by $1,581,579 in the individual market and $458,758 in the small group market, and understated incurred claims by $1,962,389 in the large group market.

Improper Reporting of Claim Overpayment Recoveries

The Company failed to properly deduct from its paid claims reported on Part 2, Line 2.1b, on its, 2017, 2018, and 2019 MLR Annual Reporting Forms, aggregate claims overpayment recoveries of $3,619,125. The Company improperly established a liability for the cumulative, unapplied amount it received from providers in claims overpayment recoveries for claims paid on behalf of not only its enrollees, but the enrollees of its affiliates as well. According to §158.140(b)(1)(ii), claims overpayment recoveries received from providers must be deducted from incurred claims. However, the Company failed to reduce its incurred claims for overpayment recoveries for claims paid on behalf of its enrollees. The Company also failed to allocate to its affiliated entities their respective portion of claim overpayment recoveries, and as a result, the affiliates also failed to deduct the applicable claim overpayments from their respective incurred claims. According to §158.170(b)(2), shared expenses between entities that operate within a group must be apportioned pro rata to the entities incurring the expense. As is the case for incurred claims, claim overpayment recoveries should also be recognized and reported by the entity for which the original claim was incurred. As a result, the Company overstated its three-year aggregate incurred claims on its Massachusetts 2019 MLR Annual Reporting Form by $270,367 in the individual market, $1,367,131 in the small group market, and $1,981,627 in the large group market.

The Company also incorrectly deducted from its paid claims on Part 2, Line 2.1b, on its 2019 MLR Annual Reporting Form, a prescription drug rebate guarantee payment in an amount that exceeded the ultimate settlement paid by the PBM. As a result, the Company understated its current year incurred claims on Part 3, Line 1.2, by $100,873 in the individual market, $1,378,752 in the small group market, and $1,841,193 in the large group market.

Failure to Report Reserves for Experience Rating Refunds
The Company failed to report Massachusetts large group market reserves of $129,302 for experience rating refunds on Part 2, Line 2.9b, on its 2019 MLR Annual Reporting Form. As a result, the Company understated its current year incurred claims by $129,302 in the Massachusetts large group market.

Improper Reporting of Accrued Medical Incentive Pools and Bonuses
The Company improperly included in its accrued medical incentive pool and bonuses on Part 2, Line 2.11b, on its 2019 MLR Annual Reporting Form, adjustments for an explicit margin of safety for potential variations from its estimated amounts to be paid to its providers. According to the 2019 MLR Annual Reporting Form Filing Instructions, claims liabilities and reserves for MLR purposes should be the most accurate estimate of actual claims payments, and therefore should not be consistently overestimated, including due to the use of conservative margins for adverse deviation. As a result, the Company overstated its current year incurred claims on Part 3, Line 1.2 by $83,064 in the individual market, $396,093 in the small group market, and $565,615 in the large group.

Based upon the procedures performed, including validating a sample of incurred claims (as defined by §158.140), other than the errors 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)

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

The Company improperly included expenses for provider credentialing that did not meet the definition of a QIA at §158.150 on its 2017 and 2019 MLR Annual Reporting Forms. According to §158.150(c)(10), provider credentialing must not be included as QIA. As a result, the Company overstated its three-year aggregate QIA expenses reported on Part 3, Line 1.3 on its 2019 MLR Annual Reporting Form by $10,634 in the individual market, $48,397 in the small group market, and $71,227 in the large group market.

Improper Allocation of QIA

The Company's methodology for allocating its 2017, 2018, and 2019 QIA expenses among its states and markets did not comply with §158.170(b)(1), which requires allocation to be based on generally accepted accounting methods that are expected to yield the most accurate results. The Company allocated its QIA using the membership of each market, but applied a weighting factor that resulted in a higher allocation to the individual and small group markets than to the large group market. According to the Company, it weighted the expenses allocated to the individual and small group markets more heavily because its administrative costs are higher in these markets than they are in the large group market. However, the Company was unable to adequately justify how allocating more weight to the individual and small group markets yielded the most accurate results, as required by §158.170(b)(1). Therefore, we determined that the unweighted, pro rata membership for each of the Company's states and markets yielded the most accurate results, and reallocated and recalculated the Company's QIA accordingly. As a result, the Company overstated its three-year aggregate QIA on Part 3, Line 1.3 on its 2019 MLR Annual Reporting Form by $167,394 in the individual market and $814,702 in the small group market, and understated QIA by $982,096 in the large group market.

Based upon the procedures performed, other than the reporting and allocation errors noted above, nothing additional came to our attention that would indicate that 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, nothing 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 2017, 2018, and 2019 premium reported on the Company's 2019 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Allocation of Risk Adjustment User Fees

The Company improperly allocated its risk adjustment user fees to the large group market on its 2017, 2018, and 2019 MLR Annual Reporting Forms. According to §158.170(b)(1), expense allocation(s) must be based on generally accepted accounting methods that are expected to yield the most accurate results. The risk adjustment program only applies to the individual and small group markets. Because the large group market is not subject to the risk adjustment program, the user fees should not have been allocated to this market. As a result of this error, the Company understated its three-year aggregate taxes, licensing, and regulatory fees on Part 3, Line 2.2 on its

2019 MLR Annual Reporting Form by $34,978 in the individual market and $171,303 in the small group market, and overstated taxes, licensing, and regulatory fees by $206,281 in the large group market.

Improper Allocation of Community Benefit Expenditures (CBE)
The Company's methodology for allocating its 2017, 2018, and 2019 CBE 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. The Company allocated its CBE using the membership of each market, but applied a weighting factor that resulted in a higher allocation to the individual and small group markets than to the large group market. According to the Company, it weighted the expenses allocated to the individual and small group markets more heavily because general administrative costs incurred in these markets were higher than in the large group market. However, the Company was unable to adequately justify how allocating more weight to the individual and small group markets yielded the most accurate results, as required by §158.170(b)(1). Therefore, we determined that the unweighted, pro rata membership for each of the Company's markets yielded the most accurate results and reallocated and recalculated the Company's CBE accordingly. As a result, the Company overstated its three-year aggregate taxes, licensing, and regulatory fees on Part 3, Line 2.2, on its 2019 MLR Annual Reporting Form by $62,589 in the individual market and $280,272 in the small group market, and understated taxes, licensing, and regulatory fees by $342,861 in the large group market.

Based upon the procedures performed, other than the improper allocations noted above, nothing additional came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2017, 2018, and 2019 earned premium on the Company's 2019 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 state and markets, as required by §158.170.

Federal Risk Adjustment Program
Based upon the procedures performed, nothing came to our attention that would indicate that the Company did not properly report the expected transfer amounts under the federal risk adjustment program for the 2019 benefit year, in compliance with §158.140(b)(4)(ii).

Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment, in accordance with §§158.230-158.232, 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.

The Company reported that it did not meet the applicable MLR standards in the Massachusetts individual, small group, and large group markets for 2019. The Company used the correct procedures to calculate rebates of $1,950,151 in the individual market, $8,898,925 in the small group market, and $623,626 in the large group market. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's 2019 MLRs and rebate amounts.

Rebate Disbursement and Notice

According to its2019 MLR Annual Reporting Form, the Company reported that it owed rebates in the Massachusetts individual, small group, and large group markets. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-244 and Rebates Notices in accordance with §158.250.

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 Massachusetts Division of Insurance performed a financial examination of the Company in 2019 covering the period January 1, 2015 through December 31, 2017. There were no findings as a result of the financial examination.

Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2019 MLR Annual Reporting Form. No post-December 31, 2019, significant events were brought to CCIIO's attention.

Conclusion, Corrective Actions, Company Responses, and CCIIO Replies

CCIIO examined Tufts Associated Health Maintenance Organization, Inc.'s 2019 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 2019 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2019 MLR Annual Reporting Form contained some 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 owes additional rebates of $88,834 in the individual market, $405,362 in the small group market, and $3,117,853 in the large group market, in Massachusetts.

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 it properly aggregates the experience of policies that cover groups of one in accordance with the requirements of §158.120(a) and the MLR Annual Reporting Form Filing Instructions, including ensuring the proper aggregation of the claim experience of single life group policies.

Company Response
Point32Health, the parent company of TAHMO, agrees to implement procedures to ensure proper aggregation and reporting of experience of policies that cover groups of one as outlined in Corrective Action #1.

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 that it properly and accurately reports incurred claims in accordance with §158.140 and the MLR Annual Reporting Form Filing Instructions, including: ensuring that administrative fees and QIA expenses that are not compensation or reimbursement for covered services are not included in incurred claims; properly calculating and reporting prescription drug costs and prescription drug rebates; properly deducting claims overpayment recoveries from paid claims and allocating corresponding amounts to affiliated entities; properly reporting prescription drug rebate guarantee payments; properly reporting reserves for experience rating refunds; and ensuring that claims and reserves are not consistently overestimated due to the use of conservative margins for adverse deviation.

Company Response
Point32Health, the parent company of TAHMO, has implemented procedures to ensure proper reporting of incurred claims as outlined in Corrective Action #2.

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
Point32Health, the parent company of TAHMO, has implemented procedures to ensure proper classification of QIA activities as outlined in Corrective Action #3.

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 allocates its expenses in accordance with §158.170 and the MLR Annual Reporting Form Filing Instructions, including ensuring the allocation methodology used for prescription drug rebates, QIA expenses, risk adjustment use fees, and community benefit expenditures yields the most accurate results.

Company Response
Point32Health, the parent company of TAHMO, has implemented procedures to ensure proper allocation of expenses as outlined in Corrective Action #4.

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

Corrective Action #5
The Company must re-file its 2019 MLR Annual Reporting Form to rectify the errors and findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including calculating any additional rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response
Point32Health, the parent company of TAHMO, has issued all additional rebates owed as communicated to CCIIO in April 2023 and agrees to refile the 2019 MLR Annual Reporting Forms as outlined in Corrective Action #5.

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.