

Final  
Report on the  
Medical Loss Ratio Examination  
of  
**American Alternative Insurance Corporation**  
(Wilmington, Delaware)  
for the  
2013 MLR Reporting Year

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



**OVERSIGHT GROUP**

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January 10, 2020

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 American Alternative Insurance Corporation (the Company) for the 2013 reporting year, including 2013, 2012, and 2011 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 responses and CCIIO's evaluation of these responses.

A handwritten signature in blue ink that reads "Christina A. Whitefield".

Christina A. Whitefield, Director  
Medical Loss Ratio Division  
Oversight Group  
Center for Consumer Information & Insurance Oversight  
Centers for Medicare & Medicaid Services  
U.S. Department of Health & Human Services

## Table of Contents

I.	Executive Summary .....	1
II.	Scope of Examination .....	1
III.	Summary of Findings.....	2
IV.	Company Overview .....	5
	A. Description, Territory, and Plan of Operation .....	5
	B. Management.....	5
	C. Ownership .....	6
	D. Agreements .....	7
	E. Reinsurance.....	7
V.	Accounts and Records.....	7
VI.	Examination Results .....	7
	A. MLR Data .....	8
	B. Credibility-Adjusted MLR and Rebate Amount.....	10
	C. Rebate Disbursement and Notice.....	10
	D. Compliance with Previous Recommendations .....	11
VII.	Subsequent Events .....	11
VIII.	Conclusion, Corrective Actions, and Company Responses.....	11

## **I. Executive Summary**

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2013 Medical Loss Ratio (MLR) Annual Reporting Form for American Alternative Insurance Corporation (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2013 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158. We direct the Company to implement the necessary corrective actions to address the findings detailed in this report to comply with the requirements of 45 CFR Part 158. The Company informed CCIIO that it exited the markets subject to 45 CFR Part 158 as of December 31, 2014. If the Company re-enters the markets that are subject to 45 CFR Part 158, the Company must ensure that incurred claims are reported accurately, the experience of all health insurance business lines is reported, the average deductible is calculated correctly, and rebate notices include all required information. The Company also must adopt and implement a comprehensive MLR records maintenance program if it re-enters these markets.

Due to the Company's failure to provide adequate documentation to reconcile incurred claims, we cannot conclusively assess the impact of the examination findings on the Company's MLRs or whether there would be an additional impact on its rebate liability in any of the markets in which it operated. To the extent that the findings could be quantified, the recalculation increased MLRs for eight states in the small group market. In five of these states, the higher MLRs continued to be above the MLR standard and thus no rebates were due. In the other three states, the higher MLRs reduced the Company's total rebate liability in the small group market by an estimated \$512,414 for the 2013 reporting year. The examination findings did not impact the MLR calculation in any other state or market in which the Company operated because the Company reported fewer than 1,000 life-years during the three-year aggregation period in those states or markets and is therefore presumed to meet or exceed the applicable MLR standards, in accordance with §158.230(d).

## **II. Scope of Examination**

CCIIO examined the Company's 2013 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 (PPACA), 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 a company to provide rebates to consumers if it does not meet the 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, 2011 through December 31, 2013, including 2011 and 2012 experience and claims run-out through March 31, 2014. 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, and Company Responses section of this Report. American Alternative Insurance 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 responses. CCIIO reserves the right to review the actual implementation of the Company’s corrective action and proposed action plan for each finding in future MLR Annual Reporting Forms, examinations, or as otherwise may be appropriate.

### **III. Summary of Findings**

<b>Page</b>	<b>Key Findings</b>
8	<b>Failure to properly report experience in accordance with §158.120 and the MLR Annual Reporting Form Filing Instructions</b> – The Company failed to report its experience for the Other Health Business segment on its 2011, 2012, and 2013 MLR Annual Reporting Forms. <sup>1</sup>
8	<b>Failure to properly report incurred claims, as required by §158.140</b> – The Company incorrectly omitted incurred claims from one product line on its 2012 and 2013 MLR Annual Reporting Forms due to an accounting error. The error resulted in an understatement of the Company’s three-year aggregate incurred claims by a total of \$2,173,650 in the small group markets in eight states and \$449,464 in the large group market in one state. The Company also failed to deduct pharmaceutical rebates from incurred claims for 2012 and 2013, resulting in an overstatement of its three-year aggregate incurred claims by a total of \$103,122 in the small group markets and \$4,151 in the large group markets in all of its states. In addition, the Company reported an incorrect amount for incurred claims in the prior year columns of Part 4, Line 1.1 of its 2013 MLR Annual Reporting Form in all of its states and markets. This error did not impact the MLR calculations.

<sup>1</sup> Although the examination is of the Company’s 2013 MLR Annual Reporting Form and the 2011 and 2012 data on that form, if an error is discovered during an examination, then where circumstances warrant it, the Company’s actual two prior years’ reporting forms are reviewed.

Page	Key Findings
7	<b>Failure to maintain adequate documentation as required by §158.502</b> – The Company could not provide adequate reconciliation of incurred claims to the supporting, detailed data files and did not maintain sufficient documentation to support one vendor invoice tested by the examiners that was related to quality improvement activity (QIA) expenses. This error resulted in an overstatement of QIA expenses by \$842 combined for all states and markets.
9	<b>Failure to accurately report reinsurance in accordance with the MLR Annual Reporting Form Filing Instructions</b> – The Company improperly reported ceded reinsurance premium in Part 2, Line 1.9 instead of Part 1, Line 1.4 on its 2013 MLR Annual Reporting Form. This error did not impact the MLR calculations.
9	<b>Failure to accurately disclose allocation method, as required by §158.170(d)</b> – The Company’s MLR Annual Reporting Form incorrectly stated that federal income taxes were allocated based on earned premium, when in fact the allocation was based on net gain or loss.
9	<b>Failure to calculate the average deductible in accordance with §158.232(c)</b> – The Company incorrectly computed the average deductible of its small group market policies in eight states, basing it on the number of covered lives rather than the life-years and failing to weight the average for each deductible level of policies.
100	<b>Failure to comply with the MLR notification requirements set forth in §158.250</b> – The Company failed to include accurate and complete information in its 2011, 2012, and 2013 notices of rebates that were sent to subscribers who received a rebate.

**Due to the Company’s inability to adequately reconcile incurred claims, we cannot, at this time, conclusively assess the impact of the findings on the Company’s MLRs.** To the extent the findings could be quantified, they resulted in a net increase of the Company’s reported MLRs in the small group market in eight states, and a corresponding decrease in rebate liability of an estimated \$512,414 in three of those states for the 2013 reporting year. In all other states and markets where the Company operated, the Company reported fewer than 1,000 life-years during the three-year aggregation period and is therefore presumed to meet or exceed the applicable MLR standards, in accordance with §158.230(d).

The following tables show the three-year aggregated numerator, denominator, credibility-adjusted MLR, and rebate liability for 2013 for the eight states in which the MLRs for the small group market changed as a result of the examination. The amounts in the “As Recalculated” rows reflect adjustments, where applicable, to account for the incorrect omission of incurred claims, the failure to deduct pharmaceutical rebates from incurred claims, the disallowed QIA expenses, and the incorrect deductible factors.

**Recalculated MLRs and Rebates for the Small Group Market  
for the 2013 Reporting Year<sup>2</sup>**

**California**

	Numerator	Denominator	MLR	Rebate
As Filed	\$10,257,844	\$11,963,153	91.8%	\$0
As Recalculated	\$10,498,764	\$11,963,153	93.8%	\$0
Difference	\$240,920	\$0	2.0%	\$0

**Illinois**

	Numerator	Denominator	MLR	Rebate
As Filed	\$11,711,899	\$16,443,771	71.2%	\$429,858
As Recalculated	\$13,040,781	\$16,443,771	84.2%	\$0
Difference	\$1,328,882	\$0	13.0%	(\$429,858)

**Indiana**

	Numerator	Denominator	MLR	Rebate
As Filed	\$10,047,874	\$13,521,951	79.7%	\$13,346
As Recalculated	\$10,076,829	\$13,521,951	79.8%	\$8,897
Difference	\$28,955	\$0	0.1%	(\$4,449)

**Kansas**

	Numerator	Denominator	MLR	Rebate
As Filed	\$3,926,266	\$4,585,494	95.0%	\$0
As Recalculated	\$3,957,208	\$4,585,494	95.6%	\$0
Difference	\$30,942	\$0	0.6%	\$0

**Missouri**

	Numerator	Denominator	MLR	Rebate
As Filed	\$4,249,791	\$5,272,718	90.3%	\$0
As Recalculated	\$4,295,354	\$5,272,718	91.1%	\$0
Difference	\$45,563	\$0	0.8%	\$0

**Nebraska**

	Numerator	Denominator	MLR	Rebate
As Filed	\$4,285,285	\$5,069,404	93.6%	\$0
As Recalculated	\$4,420,292	\$5,069,404	96.3%	\$0
Difference	\$135,007	\$0	2.7%	\$0

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<sup>2</sup> The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

**Oklahoma**

	Numerator	Denominator	MLR	Rebate
As Filed	\$4,078,229	\$4,676,799	94.9%	\$0
As Recalculated	\$4,097,436	\$4,676,799	95.3%	\$0
Difference	\$19,207	\$0	0.4%	\$0

**Texas**

	Numerator	Denominator	MLR	Rebate
As Filed	\$5,707,582	\$8,820,368	72.0%	\$231,427
As Recalculated	\$5,958,745	\$8,820,368	74.7%	\$153,320
Difference	\$251,163	\$0	2.7%	(\$78,107)

**IV. Company Overview****A. Description, Territory, and Plan of Operation**

The Company is a for-profit health insurer domiciled in Delaware. The Company sells group accident and health insurance.

During the 2011, 2012, and 2013 MLR reporting years, the Company operated in the small group and large group markets that were subject to the MLR reporting requirements under 45 CFR Part 158. As of December 31, 2013, the Company reported a total of 6,250 covered lives and \$25,639,431 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158. Lines of business not subject to the MLR regulations at 45 CFR Part 158 include stop loss insurance for self-funded group health coverage, provider excess of loss insurance, and short-term and limited-benefit medical insurance.

The Company informed CCIIO that it exited the markets subject to 45 CFR Part 158 as of December 31, 2014.

**B. Management**

The corporate officers and board of directors of the Company as of December 31, 2013 were:

**Officers**

<b><u>Name</u></b>	<b><u>Title</u></b>
Carsten Prussog	President
Murray Levy	SVP & CFO
Robin Willcox	SVP, Sec. & General Counsel

**Directors**

<b><u>Name</u></b>
Giuseppina Albo
Charles Bryan

**Name**

James Butler  
Anthony Kuczinski  
Murray Levy  
Stephen Morello  
George Van Gilder  
Robin Willcox

Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2013 MLR Annual Reporting Form were:

**Name**

Stephen Corbett  
Teresa Sines

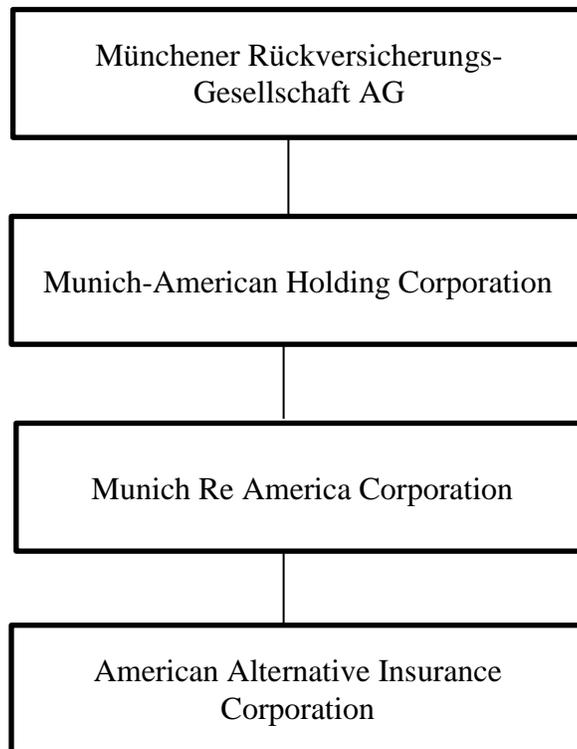
**Title**

CEO Attester  
CFO Attester

**C. Ownership**

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

**American Alternative Insurance Corporation  
Organizational Chart<sup>3</sup> as of December 31, 2013**



<sup>3</sup> This is an excerpt from the organization chart provided by the Company and only includes companies pertinent to the MLR examination.

## **D. Agreements**

As of December 31, 2013, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A General Services and Cost Allocation Agreement with Munich-American Holding Corporation.
2. A Tax Allocation Agreement with Munich-American Holding Corporation.
3. A Reinsurance Pooling Agreement with Munich Re America Corporation.

## **E. Reinsurance**

The Company had a reinsurance pooling agreement in which it ceded 100% of its business (without novation) to its parent company, Munich Re America Corporation, effective July 1, 2009. This agreement did not involve the novation of policies to the parent company and also was not 100% indemnity reinsurance with administrative agreements effective prior to March 23, 2010, as described in §158.130, and consequently, the Company was not required to and did not include any impact from reinsurance in its MLR calculations.

## **V. Accounts and Records**

The Company's main administrative and financial reporting office is located at 555 College Road East, P.O. Box 5241, Princeton, New Jersey 08543. 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 the requirements of 45 CFR Part 158. Specifically, the Company was not able to provide adequate documentation supporting a reconciliation of incurred claims between its data files provided during the examination, the amounts reported on its 2013 MLR Annual Reporting Form, and the amounts on its annual financial statement filed with the state of Delaware. In addition, the Company did not maintain sufficient documentation supporting certain QIA expenses reported on its MLR Annual Reporting Form.

## **VI. Examination Results**

The Company's 2013 MLR Annual Reporting Form was filed by or before the required due date, but was not filed in the manner prescribed by the Secretary, as further described below.

During the 2013 MLR reporting year, the Company reported fewer than 1,000 life-years in six states in the small group market and seven states in the large group market, and is therefore presumed to meet or exceed the MLR standards in those states and markets, in accordance with §158.230(d). Of the eight states where it reported 1,000 or more life-years in the small group

market, the Company met or exceeded the MLR standard in five states and was required to and paid rebates to its enrollees in three states.

Based on the errors found during the examination that could be quantified, the MLRs for the 2013 MLR reporting year were recalculated but increased and therefore did not result in additional rebates being owed. However, due to the Company's inability to adequately reconcile incurred claims, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs and rebates.

## **A. MLR Data**

### **Market Classification**

The Company has adopted policies and procedures for determining market classification that are consistent with the definitions in §158.103 applicable to the 2011-2013 reporting years. Nothing came to our attention that would indicate that the samples of policies tested during the examination were not assigned to the correct market classification.

### **Aggregation**

#### *Failure to Report Other Health Business*

The Company failed to report the experience for its Other Health Business segment, which consisted of stop loss insurance for self-funded group health coverage, provider excess of loss insurance, and short-term and limited-benefit medical policies, on its 2011, 2012, and 2013 MLR Annual Reporting Forms. According to the MLR Annual Reporting Form Filing Instructions, Parts 1 and 2 should be completed for all markets, including those not subject to 45 CFR Part 158. This error does not impact the Company's MLR in any state or market in which it operated.

### **Incurred Claims**

#### *Inaccurate Reporting of Incurred Claims*

The Company was unable to provide adequate documentation supporting the amounts reported on its 2013 MLR Annual Reporting Form for 2013 incurred claims for the small group and large group markets in all of its states. The Company was also unable to adequately reconcile the detailed data files it provided as part of the examination and which reflected claims paid in 2013 to the amounts reported on its 2013 MLR Annual Reporting Form or to its 2013 Annual Statement that it filed with the state of Delaware. The Company indicated that it completes its annual statement, including the supplemental health care exhibit (SHCE), based on the twelve months ending October 31 of each year. While the Company indicated that incurred claims were reported in the 12/31 columns of the MLR Annual Reporting Form on a calendar year basis, it was not able to demonstrate this through reconciliation to the SHCE or otherwise. In the 3/31 columns (which are used for the MLR calculation), incurred claims must be calculated and reported based on claims incurred only during the MLR reporting year and paid through March 31<sup>st</sup> of the following year, in accordance with §158.140. Due to the conflicting information regarding the 12-month period for which claims were reported, compounded by the lack of adequate documentation and reconciliation of the Company's paid claims data file, the examiners were unable to conclusively determine the accuracy of the incurred claims reported on

the Company's 2013 MLR Annual Reporting Form for the small group and large group markets in all of its states.

In addition, due to an accounting error, the Company failed to include claims paid for one health insurance product line in the incurred claims amount reported on its 2012 and 2013 MLR Annual Reporting Forms. As a result of this error, the Company understated its 2013 three-year aggregate incurred claims by a total of \$2,173,650 in eight states<sup>4</sup> in the small group market and \$449,464 in one state<sup>5</sup> in the large group market on its 2013 MLR Annual Reporting Form.

#### *Failure to Deduct Pharmaceutical Rebates from Incurred Claims*

The Company did not deduct the pharmaceutical rebates it received in 2012 and 2013 from incurred claims, as required by §158.140(b)(i). Consequently, the Company overstated its three-year aggregate incurred claims by a total of \$103,122 in the small group market and \$4,151 in the large group market for all of its states on its 2013 MLR Annual Reporting Form.

#### *Incorrect Reporting of Adjusted Incurred Claims for Prior Years*

The Company did not properly report its 2011 adjusted incurred claims in the PY2 column of Part 4, Line 1.1 on its 2013 MLR Annual Reporting Form. According to the MLR Annual Reporting Form Filing Instructions, Line 1.1 should show the adjusted incurred claims as originally reported on the respective prior year MLR Form, while Line 1.2 should show the incurred claims adjusted through March 31, 2014. The Company incorrectly reported on Line 1.1 its 2011 incurred claims adjusted through December 31, 2013. This error did not impact the Company's MLR in any state or market in which it operated.

#### **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**

The Company was unable to provide complete supporting documentation for one invoice sampled in the testing of QIA expenses. As a result, the amount that the Company reported as QIA was reduced by \$842, the amount of the unsupported invoice, allocated among the small and large group markets in 12 states.

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

#### **Earned Premium**

The Company inappropriately reported ceded reinsurance premium for policies subject to a reinsurance pooling arrangement in Part 2, Line 1.9 for twelve states. According to the MLR Annual Reporting Form Filing Instructions, Part 2, Line 1.9 should only include premium ceded under a 100% assumption reinsurance agreement with a novation or a 100% indemnity

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<sup>4</sup> The eight states are: California, Illinois, Indiana, Kansas, Missouri, Nebraska, Oklahoma and Texas.

<sup>5</sup> The one state is California.

reinsurance and administrative agreement entered into prior to March 23, 2010, while premium associated with all other commercial reinsurance should be reported on Part 1, Line 1.4. This error did not impact the Company's MLR in any state or market in which it operated.

Other than the reporting error noted above, based upon the procedures performed, 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 2011, 2012, and 2013 premium as reported on the Company's 2013 MLR Annual Reporting Form were not compliant with §158.130.

### **Taxes**

The Company inaccurately disclosed its tax allocation methodology. The Company allocated federal income taxes to its state and market segments based on their proportionate share of pre-tax gain or loss. However, the Company incorrectly reported in Part 3 of its MLR Annual Reporting Forms that its allocation method was based on earned premium. This error did not impact the Company's MLR in any state or market in which it operated.

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

### *Incorrect Calculation of the Average Deductible*

The Company incorrectly calculated and reported the average deductible for its policies in eight states<sup>6</sup> in the small group market for purposes of calculating the credibility adjustment. Section 158.232(c)(ii) specifies that the average deductible for an aggregation must be weighted by the life-years of experience for each deductible level of policies included in the aggregation. The Company inappropriately utilized the number of covered lives instead of life-years in calculating its average deductible, and failed to weight the average deductible for each deductible level of policies. The Company did not elect to report a deductible factor or credibility adjustment in any other state or market in which it operated.

Upon discussion of the error with the examiners, the Company recalculated its average deductibles and the corresponding deductible factors using the appropriate methodology, in accordance with the requirements of §158.232. However, due to the lack of adequate documentation and reconciliation of the Company's claims amounts (discussed above), the examiners were unable to conclusively determine whether the Company's final, credibility-adjusted MLRs were calculated correctly.

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

According to its MLR Annual Reporting Forms, the Company owed rebates in the small group market in two states for 2011 and three states for 2012 and 2013. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-158.244 and Notices of rebates in accordance with §158.250. However, based on a sample of 25 Notices of rebates, testing revealed that 12 notices for the 2011, 2012, and 2013 reporting years did not include all of the information required by §158.250. The Company timely issued the 2011 Notice (of no rebate) in accordance with §158.251, which was only required for 2011.

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<sup>6</sup> The eight states are: California, Illinois, Indiana, Kansas, Missouri, Nebraska, Oklahoma and Texas.

#### **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 Delaware Department of Insurance performed a financial examination of the Company in 2014 covering the period January 1, 2009 through December 31, 2012. There were no findings noted in the examination report.

#### **VII. Subsequent Events**

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2013 MLR Annual Reporting Form. As stated previously, the Company advised that it exited all markets subject to 45 CFR Part 158 as of December 31, 2014.

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

CCIIO examined American Alternative Insurance Corporation's 2013 MLR Annual Reporting Form to assess 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 2013 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2013 MLR Annual Reporting Form was not in compliance with all of the requirements of 45 CFR Part 158.

Based on the cumulative effect of the findings that could be quantified, it is estimated that the Company's recalculated MLRs in the small group market in eight states increased, resulting in no estimated additional rebate liability. However, due to the lack of adequate documentation and reconciliation of the Company's claims amounts, we cannot conclusively assess the impact of the examination findings on the Company's MLRs or whether there would be any additional impact on the Company's rebate liability in any of the states or markets in which it operated.

As a result of this examination, CCIIO directed the Company to implement the following corrective actions:

##### **Corrective Action #1**

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure that all amounts are properly and accurately reported on the MLR Annual Reporting Form in accordance with applicable MLR Annual Reporting Form Filing Instructions, including reporting of experience from health coverage not subject to the MLR regulation in the Other Health Business column, ensuring that incurred claims are properly reported in the prior year columns, properly disclosing reinsurance amounts, and accurately disclosing allocation methods.

Company Response

“The Company accepts the findings stated in the report. If the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company will consult this Corrective Action #1 and adopt and implement procedures to ensure reporting in compliance with applicable MLR Annual Reporting Form Filing Instructions.”

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. The records maintenance program should include storing original data sets used to compile the data included on the MLR Annual Reporting Form and maintaining accurate supporting documentation for QIA expenses and other reported amounts. We note that although the Company no longer offers health insurance in the markets that are subject to 45 CFR Part 158, consistent with the requirement of §158.502(b), it is required to maintain documents for the current year and six prior years, unless a longer time is required under §158.501.

Company Response

“The Company accepts the findings stated in the report, and will comply with this Corrective Action #2 and maintain appropriate documentation for the duration(s) required under the applicable sections of 45 CFR Part 158.”

CCIIO Reply

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

**Corrective Action #3**

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must implement policies and procedures to ensure that incurred claims are properly and accurately reported on the MLR Annual Reporting Form, including ensuring that claims amounts are based on the correct time period and accounting methodology in accordance with §158.140(a), that pharmaceutical rebates are properly deducted from incurred claims in accordance with §158.140(b)(i), and that claims are included for all product lines in the relevant market.

Company Response

“The Company accepts the findings stated in the report. If the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company will consult this Corrective Action #3 and implement policies and procedures to ensure proper and accurate reporting of incurred claims entries on the MLR Annual Reporting Form. This includes utilizing an accounting methodology in accordance with §158.140(a), proper deduction of pharmaceutical rebates in accordance with §158.140(b)(i), and the inclusion of claims for all product lines in the relevant market.”

CCIIO Reply

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

**Corrective Action #4**

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure that it calculates the average deductible in accordance with §158.232(c), including weighting each deductible level using aggregate life-year experience. Alternatively, in accordance with §158.232(c)(2), the Company may elect to use a deductible factor of 1.0 in lieu of calculating average deductibles.

Company Response

"The Company accepts the findings stated in the report. If the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company will consult this Corrective Action #4 and adopt and implement procedures to ensure that it calculates the average deductible in accordance with §158.232(c), including weighting each deductible level using aggregate life-year experience (or using a deductible factor of 1.0, if applicable)."

CCIIO Reply

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

**Corrective Action #5**

If and when the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company must adopt and implement procedures to ensure that it includes accurate and complete information in the notices of rebates that are sent to subscribers who received a rebate, in accordance with §158.250.

Company Response

"The Company accepts the findings stated in the report. If the Company re-enters any of the markets that are subject to 45 CFR Part 158, the Company will consult this Corrective Action #5 and adopt and implement procedures to ensure that it includes accurate and complete information in the notices of rebates that are sent to subscribers who received a rebate, in accordance with §158.250."

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, its parent or subsidiaries, if any, that are similarly subject to the MLR reporting and rebate requirements of 45 CFR Part 158.**