Final

Report on the

Medical Loss Ratio Examination

of

Dean Health Plan, Inc.
(Madison, Wisconsin)

for the

2017 MLR Reporting Year

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

OVERSIGHT GROUP

September 16, 2024

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 Dean Health Plan, Inc. (the Company) for the 2017 reporting year, including 2017, 2016, and 2015 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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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2017 Medical Loss Ratio (MLR) Annual Reporting Form for Dean Health Plan, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2017 MLR Annual Reporting Form contains some elements that are not compliant with the requirements of 45 CFR Part 158, but which 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 incurred claims are properly and accurately calculated and reported; ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and are adequately supported with sufficient documentation; ensuring proper and accurate reporting of earned premiums, federal risk adjustment transfer amounts, and the preliminary MLR; ensuring that federal and state income taxes are properly 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 changes to the Company's reported MLRs in the individual, small group, and large group markets**.** As the recalculated MLRs continued to exceed the applicable MLR standards, these findings did not have an impact on the Company's rebate liability in any markets.

II. Scope of Examination

CCIIO examined the Company's 2017 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).

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, 2015 through December 31, 2017, including 2015, 2016, and 2017 experience and claims run-out through March 31, 2018. 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
8	**Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders –** The Company incorrectly classified group policies with up to 100 average total number of employees (ATNE) as small group market policies, when only policies with up to 50 ATNE should have been classified in the small group market. As a result of the examination, a total of $141,160,026 in incurred claims, $175,678,162 in earned premiums, and 31,629 life-years were reallocated from the small group market to the large group market.
8, 9, 11, 12	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 –** The Company improperly reduced paid claims by the amount of its federal risk adjustment transfer amounts on its 2015, 2016, and 2017 MLR Annual Reporting Forms, rather than reporting them on Part 3, Line 1.6. As a result of this error, the Company understated its three-year aggregate incurred claims reported on its 2017 MLR Annual Reporting Form by $56,247,110 in the individual market and $1,296,298 in the small group market. The Company improperly reduced paid claims by the amount of federal transitional reinsurance program payments expected from HHS, rather than reporting the amounts on Part 3, Line 1.5. There was no impact on the MLR calculation as a result of this error. The Company failed to restate its 2015 and 2016 incurred claims on Part 3, Line 1.2, in the prior year (PY2 and PY1) columns on its 2017 MLR Annual Reporting Form. As a result, the Company understated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $18,752,902 in the individual market and $5,806,395 in the small group

	market, and overstated its incurred claims by $21,732,662 in the large group market. The Company incorrectly reported its direct claims liability on Part 2, Line 2.1a, rather than on Part 2, Line 2.2b, as required, on its 2015, 2016, and 2017 MLR Annual Reporting Forms. There was no impact on the MLR calculation as a result of this error. The Company improperly reported medical incentives paid and accrued for providers as part of paid claims on its 2015, 2016, and 2017 MLR Annual Reporting Forms. There was no impact on the MLR calculation as a result of this error. The Company failed to report its federal risk adjustment transfer amounts on its 2015, 2016, and 2017 MLR Annual Reporting Forms, as required by the MLR Annual Reporting Form Filing Instructions. As a result of this error, the Company understated its three-year aggregate federal risk adjustment transfer amount by $51,343,623 in the individual market and by $6,199,785 in the small group market. The Company incorrectly rounded the preliminary MLR reported on its 2017 MLR Annual Reporting Form in the individual, small group, and large group markets, and incorrectly rounded the credibility adjustment for the small group market. There was no impact on the MLR calculation as a result of this error. The Company incorrectly reported risk corridors program payments in the PY2 and PY1 column for the individual market on Part 3, Line 1.7 of its 2017 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate risk corridor amount on its 2017 MLR Annual Reporting Form by $43,421,108 in the individual market.
9	**Failure to accurately report incurred claims, as required by §158.140 –** The Company improperly included in paid claims the late payment interest paid to providers. As a result of this error, the Company overstated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $364 in the individual market, $11 in the small group market, and $2,098 in the large group market.
10	**Failure to maintain adequate documentation, as required by §158.502** – The Company did not maintain the documents and other records necessary to enable CCIIO to verify that the expenses reported as quality improvement activities (QIA) met the definition set forth in §158.150.
10	**Reporting of expenses for QIA that did not meet the definition of a QIA set forth in §158.150 -** The Company did not provide sufficient evidence that certain activities, transactions, or allocations selected for review met the definition of QIA at §158.150. As a result of this error, the Company overstated its three-year aggregate QIA reported on its 2017 MLR Annual

	Reporting Form by $1,202,209 in the individual market, $649,433 in the small group market, and $4,460,154 in the large group market.
10	**Failure to accurately report earned premium, as required by§158.130 –** The Company improperly included federal risk adjustment transfer amounts in written premium in the individual and small group markets on its 2015, 2016, and 2017 MLR Annual Reporting Forms. As a result of this error, the Company understated its three-year aggregate earned premium on its 2017 MLR Annual Reporting Form by $56,247,110 in the individual market and $1,296,304 in the small group market.
11	**Failure to allocate federal and state income taxes accurately, as required by §158.170 –** The Company improperly allocated federal and state income taxes between markets, basing it on the pro rata proportion of premiums, which did not yield the most accurate results, as required by §158.170. As a result of sharing this finding with the Company during the examination fieldwork, the Company corrected its calculation by reallocating its taxes based on the pro rata proportion of underwriting gain or loss for each market. This resulted in an overstatement of the Company's three-year aggregate taxes, licensing, and regulatory fees on its 2017 MLR Annual Reporting Form by $66,689,229 in the individual market and it understated its three-year aggregate taxes, licensing, and regulatory fees by $576,640 in the small group market and $43,999,608 in the large group market.

These findings resulted in changes to the Company's reported MLRs in the individual, small group market, and large group markets. In all markets, the recalculated MLRs continued to exceed the applicable MLR standards, and thus did not result in rebates being owed.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2017, 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 reallocate the experience of certain misclassified policies and federal and state income taxes, and to properly restate incurred claims, QIA expenses, federal risk adjustment transfer amounts, risk corridors payment amounts, and earned premium. The amounts in the "As Recalculated" row for the individual market also include the revised amounts of the recovered risk corridors payment that the Company received and which is described in the Subsequent Events section of this report.

Recalculated MLRs[1] and Rebates for the Individual, Small Group, and Large Group Markets for the 2017 Reporting Year

Wisconsin

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$452,582,984	$489,855,020	92.4%	$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.

	Numerator	Denominator	MLR	Rebate
As Recalculated	$493,136,768	$612,791,359	80.5%	$0
Difference	$40,553,784	$122,936,339	(11.9%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$264,740,101	$327,131,212	81.4%	$0
As Recalculated	$123,833,538	$152,147,117	82.9%	$0
Difference	($140,906,563)	($174,984,095)	1.5%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,919,596,623	$2,141,820,556	89.6%	$0
As Recalculated	$2,034,561,735	$2,273,524,707	89.5%	$0
Difference	$114,965,112	$131,704,151	(0.1%)	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

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

During the 2015, 2016, and 2017 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, 2017, the Company reported a total of 201,049 covered lives and $1,021,454,321 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 266,518 covered lives and $1,243,077,115 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 administrative services for self-funded group health plans, Medicaid BadgerCare Plus, Medicare Supplement policies, and Medicare Advantage plans.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2017 were:

Officers

Name	Title
Marcus C. Julian	Interim President
Steven R. Caldwell	Treasurer, Vice President of Finance
Dean A. Sutton	Secretary, General Counsel

Directors

Name	
Joanna T. Bisgrove	Mark A. Kovaleski
Damond W. Boatright	Gregory M. Matzke
Jamie S. DeVries	Albert J. Musa
Carter L. Dredge	John M. Phelan
Christopher D. Howard	Wesley N. Sparkman
Jason S. Isenberg	Christopher D. Sprowl
Ralph R. Kauten	Stephen J. Sramek

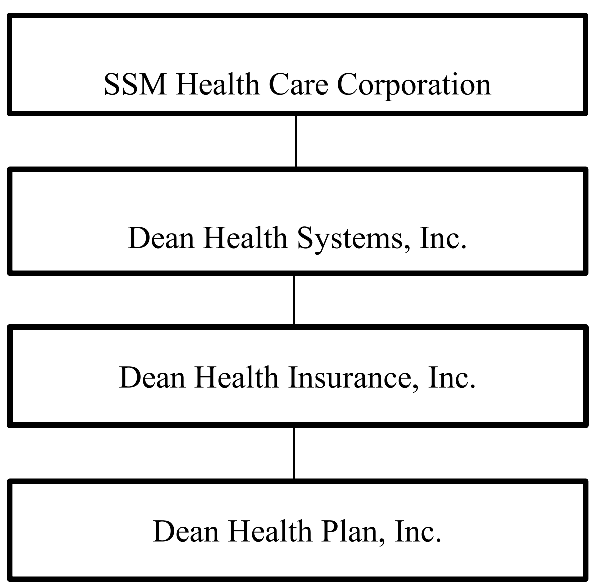
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2017 MLR Annual Reporting Form were:

Name	**Title**
Marcus C. Julian	CEO Attester
Steven R. Caldwell	CFO Attester

C. Ownership

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

Dean Health Plan, Inc.
Organizational Chart as of December 31, 2017[2]



[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, 2017, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Service Agreement with Dean Health Systems, Inc, and SSM Health Care of Wisconsin, Inc.
2. An Administrative Services Agreement with Dean Health Systems, Inc.
3. A Tax Allocation Agreement with various entities, including Dean Health Systems, Inc. and Dean Health Insurance, Inc.

E. Reinsurance

During 2015, 2016, and 2017, 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 1277 Deming Way, Madison, Wisconsin 53717. 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 quality improvement activities (QIA) met the definitions set forth in §158.150.

VI. Examination Results

Except as noted in this report, based on the procedures performed, nothing came to our attention that would indicate that the Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary. The Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were filed by the required due date.

For 2015, 2016, and 2017, the Company reported that it met the applicable MLR standards individual, small group, and large group markets, and thus was not required to pay rebates to its enrollees. Based on the errors found during the examination, the Company's MLRs for the 2017 reporting year were recalculated, which did not result in any change to the Company's rebate liability in any market.

A. MLR Data

Market Classification

Incorrect Procedures for Determining Group Size and Market Classification
The Company adopted policies and procedures for determining group size and market classification that are inconsistent with the definitions in §158.103 applicable to the 2015-2017 reporting years. Section 158.103 uses the applicable definitions of Large Employer, Large Group Market, Small Employer, and Small Group Market in section 2791(e) of the PHS Act. Section 2791(e) of the PHS Act requires that small and large group market classifications be based on the average total number of employees (ATNE) on the business days of the calendar year preceding the coverage effective date. Section 144.103 defines large employer as one who employed an average of at least 51 employees on business days during the preceding calendar year and who employs at least 1 employee on the first day of the plan year. Although section 144.103 permits a state to define large employer by substituting "101 employees" for "51 employees", Wisconsin has not elected to substitute "101 employees" for "51 employees" for large employers."

Based on the documentation provided by the Company, it incorrectly classified employer-sponsored group health plans with up to 100 ATNE as small group plans and issued them small group market policies, when only employer-sponsored group health plans with up to 50 ATNE should have been classified in the small group market. As a result, a total of $141,160,026 in incurred claims, $175,678,162 in earned premium, and 31,629 in life-years were reallocated from the small group market to the large group market.

Aggregation
Based upon the procedures performed, other than the incorrect group size and market classification determinations noted above, nothing additional came to our attention that would indicate that the samples of policies, claims, and other items tested during the examination were not correctly assigned to the appropriate markets and lines of business in accordance with §158.120.

Incurred Claims

Improper Reporting of Incurred Claims
The Company improperly deducted from paid claims on Part 2, Line 2.1b on its 2015, 2016, and 2017 MLR Annual Reporting Forms each year's respective federal risk adjustment transfer amounts and did not report its federal risk adjustment transfer amounts on Part 3, Line 1.6 of its 2015, 2016 and 2017 MLR Annual Reporting Forms, as required. According to the 2017 MLR Annual Report Filing Instructions, federal risk adjustment transfer amounts should be reported by market on Part 2, Line 1.10, and Part 3, Line 1.6, and not deducted from paid claims.
As a result of this error, the Company understated its three-year aggregate incurred claims reported on Part 3, Line 1.2 on its 2017 MLR Annual Reporting Form by $56,247,110 in the individual market and $1,296,298 in the small group market.

The Company also improperly reduced paid claims on Part 2, Line 2.1b of its 2015 and 2016 MLR Annual Reporting Forms by the amount of the federal transitional reinsurance program payments expected from HHS, rather than reporting these amounts on Part 3, Line 1.5. According to the 2015 and 2016 MLR Annual Report Filing Instructions, federal transitional reinsurance amounts should be reported on Part 2, Line 1.9, and Part 3, Line 1.5, of the MLR Annual Reporting Form and should not be deducted from paid claims. This error did not impact the respective MLR calculations.

Incorrect Reporting of Prior Year Incurred Claims
The Company failed to restate its 2015 and 2016 incurred claims on Part 3, Line 1.2, in the PY2 and PY1 columns on its 2017 MLR Annual Reporting Form for the individual, small group, and large group markets. The Company failed to adjust its 2015 and 2016 incurred claims for subsequent development. According to the 2017 MLR Annual Reporting Form Filing Instructions, the amount reported on Part 3, Line 1.2, in the PY2 and PY1 columns must include incurred claims restated as of 3/31 of the year following the MLR reporting year. Incurred claims initially reported for 2015 and 2016 should have been restated on Line 1.2 for the prior year columns for all applicable elements of adjusted incurred claims to reflect run-out through March 31, 2018. As a result, the Company understated its three-year aggregate incurred claims by $18,752,902 in the individual market, and $5,806,395 in the small group market, and overstated its three-year aggregate incurred claims by $21,732,662 in the large group market.

Improper Reporting of Claims Liability
The Company improperly reported its direct claims liability in its paid claims on Part 2, Line 2.1b, of its 2015, 2016, and 2017 MLR Annual Reporting Forms. According to the 2017 MLR Annual Reporting Form Filing Instructions, claims liability for claims incurred during the MLR reporting year and unpaid at 3/31 of the following year should be reported on Part 2, Line 2.2b. This error did not impact the Company's MLR calculations.

Improper Reporting of Medical Incentives Pool and Bonus Payments
The Company improperly reported medical incentives paid and accrued for providers in its paid claims on Part 2, Line 2.1b, on its 2015, 2016, and 2017 MLR Annual Reporting Forms. According to the 2017 MLR Annual Reporting Form Filing Instructions, paid and accrued medical incentive pool and bonus payments, should be reported on Part 2, Line 2.11a and 2.11b, respectively. This error did not impact the MLR calculation.

Improper Inclusion of Late Payment Interest in Incurred Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, of its 2015, 2016, and 2017 MLR Annual Reporting Forms the amount it paid to providers for late payment interest. According to §158.140(b)(3)(iii), amounts paid to a provider that are not compensation or reimbursement for covered services provided to an enrollee should not be included in incurred claims. As a result, the Company overstated its three-year aggregate incurred claims on Part 3, Line 1.2, of its 2017 MLR Annual Reporting Form by $364 in the individual market, $11 in the small group market, and $2,098 in the large group market.

Based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, other than the reporting 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

The Company did not report any recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

Quality Improvement Activities (QIA)

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

The largest category of QIA expenses reported by the Company were for employee salaries, or large parts of the salaries, and related benefits. However, the Company could not provide any time studies for those employees of their activities or otherwise substantiate the salary ratios it used to allocate salary costs 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.

Incorrect Inclusion of Expenses for Activities that Do Not Qualify as QIA
As a result of performing the alternative testing procedures noted above, we determined that the majority of the activities in several cost centers either included activities that did not qualify as QIA, as defined at §158.150, or the Company was unable to provide adequate documentation that proved that the activities, and their associated costs, met the requirements for being a QIA. As a result, we disallowed the entirety of the salaries of those employees that were reported in QIA.

As a result of the net effect of the disallowed QIA amounts, the Company overstated its three-year aggregate QIA reported on Part 3, Line 1.3 of its 2017 MLR Annual Reporting Form by $1,202,209 in the individual market, $649,433 in the small group market, and $4,460,154 in the large group market.

Based upon the procedures performed, other than the non-supported QIA expenses and the incorrect inclusion of non-QIA expenses 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

Improperly Reporting of Earned Premium
The Company improperly included federal risk adjustment transfer amounts in direct written premium reported in the individual and small group markets on Part 2, Line 1.1, of its 2015, 2016, and 2017 MLR Annual Reporting Forms. The MLR Annual Reporting Form Filing Instructions applicable to each year instructed issuers to exclude the amounts related to this program from written premium on Part 2, Line 1.1, and to instead report them on Part 2, Line

1.10 (and Part 3, Line 1.6), in order to avoid double-counting these amounts in the MLR and rebate calculations. As result of this error, the Company overstated its three-year aggregate earned premium on Part 3, Line 2.1, on its 2017 MLR Annual Reporting Form by $56,247,110 in the individual market and $1,296,304 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 earned premium was not properly reported on a direct basis and that the data elements underlying the 2015, 2016, and 2017 premium reported on the Company's 2017 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Inappropriate Allocation between Markets
The Company's methodology for allocating its 2015, 2016, and 2017 federal income taxes did not comply with §158.170(b)(1), which requires allocations to be based on generally accepted accounting methods that are expected to yield the most accurate results. According to the 2017 MLR Annual Reporting Form Filing Instructions, Part 1, Section 3, pre-tax underwriting gain/(loss) is the most appropriate basis for allocating income taxes. The Company allocated federal income taxes to its markets for the 2015 – 2017 MLR reporting years based on the pro rata proportion of premiums net of incurred claims, rather than the pre-tax underwriting gain/(loss). As a result of the examination, the Company reallocated its 2015, 2016, and 2017 federal income taxes using the pre-tax underwriting gain/(loss). This reallocation resulted in its three-year aggregate taxes (and licensing and regulatory fees) that are reported on Part 3, Line 2.2, of its 2017 MLR Annual Reporting Form being understated by $66,689,229 in the individual market, and overstated by $576,640 in the small group market and $43,999,608 in the large group market.

Based upon the procedures performed, other than the incorrect allocation of income taxes noted above, nothing additional came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2015, 2016, and 2017 earned premium on the Company's 2017 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 tax sharing agreement.

Federal Risk Adjustment Programs

Improper Reporting of Federal Risk Adjustment Transfer Amounts
As noted above, the Company failed to report the federal risk adjustment transfer amounts on Part 2, Line 1.10, and Part 3, Line 1.6 on its 2015, 2016, and 2017 MLR Annual Reporting Forms, as required by the MLR Annual Reporting Form Filing Instructions. When it improperly deducted the 2017 risk adjustment transfer amount from paid claims for the individual market, it also improperly deducted the combined risk adjustment transfer amount for the individual and small group markets, rather than adjusting the amount reported by the correct amount for each market. According to the 2017 MLR Annual Reporting Form Filing Instructions, federal risk adjustment transfer amounts attributable to each market, as shown on the notification received from CMS, should be reported on Part 2, Line 1.9, and Part 3, Line 1.6. As a result of this error,

the Company understated its three-year aggregate federal risk adjustment transfer amount by $51,343,623 in the individual market and by $6,199,785 in the small group market.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Incorrect Rounding of Preliminary MLRs and Credibility Adjustment
The Company incorrectly rounded the Preliminary MLRs reported on Part 3, Line 4.1a of its 2017 MLR Annual Reporting Form in the individual, small group, and large group markets, and the credibility adjustment reported on Part 3, Line 4.2 for the small group market. According to the MLR Annual Reporting Form Filing Instructions for Part 3, Lines 4.1a and 4.2, these amounts should not be rounded. The error did not have any impact on the corresponding MLRs.

Based upon the procedures performed, other than the rounding error noted above, 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 2015, 2016, and 2017, 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 MLRs.

C. Federal Risk Corridors Program

Incorrect Reporting of Prior Year Risk Corridors Amounts
The Company incorrectly reported $43,421,108 in individual market risk corridors program net payments in the PY2 and PY1 columns on Part 3, Line 1.7, of its 2017 MLR Annual Reporting Form, when it should have reported $0. According to the 2015 and 2016 MLR Annual Reporting Form Filing Instructions, if the amount due from the risk corridors program is a payment (receivable), $0 should be reported on Part 2, Line 1.11, and Part 3, Line 1.7. As a result of this error, the Company overstated its three-year aggregate risk corridors amount on its 2017 MLR Annual Reporting Form by $43,421,108 in the individual market.

D. Rebate Disbursement and Notice

According to its 2015, 2016, and 2017 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 Wisconsin Office of the Commissioner of Insurance performed a financial examination of the Company in

2015 covering the period January 1, 2011 through December 31, 2014. The financial examination did not result in any findings that impacted 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 2017 MLR Annual Reporting Form.

On April 27, 2020, the Supreme Court ruled that section 1342 of the ACA created an enforceable government obligation to pay issuers risk corridors amounts as calculated under the risk corridors formula.[3] In 2020, the Company recovered previously unpaid amounts for risk corridors for the 2015 and 2016 benefit years, but reported amounts different than the amounts recovered on its 2015-2017 MLR Annual Reporting Forms.[4] On December 30, 2020, CCIIO issued guidance providing instructions to issuers on how they should revise their 2015-2018 MLR Annual Reporting Forms to reflect risk corridors payment amounts recovered as a result of litigation and pay any additional rebates to enrollees, if required.[5] The previously unpaid amounts for risk corridors recovered by the Company for the 2015 and 2016 benefit years impacted its 2017 MLR Annual Reporting Form because the 2015 and 2016 data is included on that form.[6] The amounts described in this examination report incorporate the Company's revisions related to the recovered amounts for risk corridors.

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

CCIIO examined Dean Health Plan's 2017 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 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2017 MLR Annual Reporting Form contained some elements that were not compliant with the requirements of 45 CFR Part 158. The effect of the examination findings and resultant recalculation of the Company's MLRs resulted in substantive changes to its reported MLRs, but did not result in any rebates being due to its enrollees in any market.

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[3] *Maine Community Health Options v. United States*, 140 S. Ct. 1308 (2020).
[4] https://www.regtap.info/uploads/library/RC_CSRandMLR_091516_v1_5CR_091516.pdf. See also, MLR Annual Reporting Form Instructions for 2015 through 2018, available at https://www.cms.gov/cciio/Resources/Forms-Reports-and-Other-Resources/index#Medical_Loss_Ratio.
[5] Center for Consumer Information & Insurance Oversight, Insurance Standards Bulletin Series – INFORMATION, Treatment of Risk Corridors Recovery Payments in the Medical Loss Ratio and Rebate Calculations (Dec. 30, 2020), available at https://www.cms.gov/files/document/mlr-guidance-rc-recoveries-and-mlr-final.pdf
[6] The amount of previously unpaid risk corridors recovered by the Company for the 2015 and 2016 benefit years may have also impacted its 2015 and 2016 MLR Annual Reporting Forms because this data is also included on those forms.

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, the applicable requirements of 45 CFR Parts 144 and 158 (specifically, the definitions in §144.103 and §158.103), and related technical guidance.

Company Response
The Company acknowledges this finding and has made modifications to our method of determining and reporting group size starting with the 2019 filing, to be compliant with the definitions in §144.103 and §158.103.

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

Corrective Action #2
The Company must adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including properly restating prior year incurred claims, as well as ensuring the proper reporting of incurred claims, risk adjustment transfer amounts, and preliminary MLRs.

Company Response
The Company acknowledges this finding and has adjusted our data files to properly account for development of prior year incurred claims beginning with the 2019 filing, and has reclassified the federal risk adjustment transfer amounts to calculate the preliminary MLRs, as required by §158.110, beginning with the 2023 MLR reporting form.

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 it properly reports incurred claims in accordance with §158.140, including, but not limited to, properly excluding late claim payment interest paid to providers.

Company Response
The Company acknowledges this finding and has adjusted our data files to exclude late claim payment interest paid to providers, as required by §158.140, beginning with the 2019 MLR reporting form.

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

Corrective Action #4
The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element included in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include creating and retaining documentation to enable CCIIO to verify that the expenses included in QIA are for activities that meet the definition of QIA. For salary-related expenses classified as QIA, this includes performing time studies of employee activities or other quantitative analyses of salary ratios to support allocating any such amounts to QIA, as only salary amounts supported by quantitative analyses regarding allocation of time spent on qualifying QIA activities are allowable QIA expenses.

Company Response
The Company acknowledges this finding and is actively working to implement enhanced policies and procedures for maintaining all documentation and evidence necessary to enable CCIIO to verify compliance with §158.502, including maintaining records for the required time period and detail of expenses that meet the definition of QIA expenses in §158.150.

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

Corrective Action #5
The Company must implement procedures to ensure that any expenses classified as QIA meet the requirements at §158.150 and that sufficient documentation exists to support such determination. The Company must perform additional analyses to adequately differentiate between activities that do and do not qualify as QIA, and perform additional quantitative analyses to ensure that the appropriate percentage of each activity or transaction that qualifies as a QIA pursuant to §158.150 is reported on its MLR Annual Reporting Form.

Company Response
The Company acknowledges this finding and consistent with Corrective Action #4, is actively working to implement enhanced policies and procedures for evaluating and determining what qualifies as QIA expenses in accordance with §158.150.

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

Corrective Action #6
The Company must adopt and implement procedures to ensure that it properly and accurately reports earned premium, as required by §158.130, including ensuring that earned premium does not reflect adjustments for federal risk adjustment transfer amounts.

Company Response

The Company acknowledges this finding and excluded any adjustments for federal risk adjustment transfer amounts in premium, as required by §158.130, beginning with the 2019 MLR reporting form.

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

Corrective Action #7
The Company must adopt and implement procedures to ensure the allocation methodology used to allocate taxes expenses to each market yields the most accurate results, in accordance with §158.170(b)(1).

Company Response
The Company acknowledges this finding and adjusted the allocation of tax expenses to yield more accurate results in accordance with §158.170(b)(1), beginning with the 2019 MLR reporting form.

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.