Final

Report on the

Medical Loss Ratio Examination

of

Alliant Health Plans, Inc.
(Dalton, Georgia)

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, D.C. 20201

OVERSIGHT GROUP

April 24, 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 Alliant Health Plans, 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.

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

Table of Contents

I. Executive Summary 1
II. Scope of Examination 1
III. Summary of Findings 2
IV. Company Overview 4
  A. Description, Territory, and Plan of Operation 4
  B. Management 5
  C. Ownership 6
  D. Agreements 6
  E. Reinsurance 6
V. Accounts and Records 6
VI. Examination Results 6
  A. MLR Data 7
  B. Credibility-Adjusted MLR and Rebate Amount Calculation 11
  C. Rebate Disbursement and Notice 11
  D. Compliance with Previous Recommendations 12
VII. Subsequent Events 12
VIII. Conclusion, Corrective Actions, Company Responses, and CCIIO Replies 12

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 Alliant Health Plans, 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, and that 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 size of group policyholders; ensuring that incurred claims adjustments, federal risk adjustment transfer amounts, and earned premium are accurately calculated and reported; and ensuring the calculation and reporting of taxes and regulatory fees is accurate and that federal income taxes are reasonably allocated.

The examination findings resulted in net decreases to the Company's reported MLRs in the individual and small group markets and no change to its reported MLR in the large group market, changing the Company's rebate liability for 2017 from $0 to $467,230 in the small group market. In addition, due to the reduction in current year earned premium in the large group market, the recalculated rebate amount for that market was $139 less than that reported by the Company.

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
7	**Failure to employ standards consistent with the definitions in §158.103 to correctly determine the size of group policyholders** – The Company did not obtain the average total number of employees employed on business days during the preceding calendar year from each group policyholder at the time of initial application or policy renewal for 2015 and 2016 plan years, and therefore may not have correctly determined each group's size and market classification for these years.
8	**Failure to accurately report incurred claims, as required by §158.140** – The Company made numerous calculation and classification errors which resulted in incorrectly reporting its 2015 and 2017 incurred claims on its 2017 MLR Annual Reporting Form. As a result of the net impact of these errors, the Company overstated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $1,204,235 in the individual market and $734,810 in the large group market, and understated its three-year aggregate incurred claims by $22,375 in the small group market. In addition, the Company overstated its 2017 federal risk adjustment transfer amount by $578 in the small group market.
9	**Failure to accurately report earned premium, as required by §158.130 –** Due to various recording errors, the Company incorrectly reported its 2015 and 2017 earned premium in the PY2 and CY columns, respectively on Part 3 on its 2017 MLR Annual Reporting Form. As a result of the net effect of these errors, the Company overstated its three-year aggregate earned premium by $2,670,545 in the individual market and $199,054 in the large group market, and understated earned premium by $1,220,405 in the small group market.
9, 10, 11	**Failure to submit an MLR form in the manner prescribed by the Secretary, as required by §158.110 -** The Company incorrectly included adjustments for uncollectible premium written off in its premium written on

	Part 2, Line 1.1, rather than on Part 2, Line 1.7, as required, on its 2015, 2016, and 2017 MLR Annual Reporting Forms. This error did not have any effect on the Company's MLR calculations. The Company failed to report federal and state taxes in the 12/31 column on its 2017 MLR Annual Reporting Form. This error did not impact the MLR calculation, as taxes were reported in the 3/31 column. The Company incorrectly reported risk adjustment user fees and exchange user fees on Part 1, Line 3.1d on its 2017 MLR Annual Reporting Form rather than on Part 1, Line 3.3b, as required. This error did not impact the MLR calculation.
9, 10	**Failure to properly report taxes, as required by §158.161 and §158.162** – The Company incorrectly calculated its federal income taxes reported on its 2017 MLR Annual Reporting Form in the individual market. As a result of the net effect of this error, the Company's three-year aggregate taxes and licensing or regulatory fees reported on its 2017 MLR Annual Reporting Form were understated by $3,564,618 in the individual market. The Company inaccurately reported various other taxes on Part 1, Section 3 on its 2015, 2016, and 2017 MLR Annual Reporting Forms. As a result of these errors, the Company overstated its three-year aggregate taxes and licensing or regulatory fees on the 2017 MLR Annual Reporting Form by $39,019 in the individual market, $213,035 in the small group market, and $6,008 in the large group market.
10	**Failure to allocate federal income taxes accurately, as required by §158.170 -** The Company improperly allocated federal income taxes between the markets on its 2015 MLR Annual Reporting Form, 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 the Company's reallocation, utilizing the pro rata proportion of underwriting gain or loss for each market, it overstated the three-year aggregate taxes and licensing or regulatory fees by $4,227,010 in the individual market, and understated its three-year aggregate taxes and licensing or regulatory fees by $1,162,963 in the small group market and $700,731 in the large group market.

These findings decreased the Company's reported MLR in the individual market, which continued to be above the MLR standard of 80%, and as a result, no rebates were due in this market. The recalculated MLR for the small group market decreased and fell below the MLR standard of 80%, resulting in an estimated rebate liability of $467,230 in the small group market for the 2017 MLR reporting year. The Company did not report or pay any rebates in the small group market on its 2017 MLR Annual Reporting Form because its reported MLR for the small group market was 80%. The Company's MLR for the large group market did not change and continued to be below the MLR standard of 85%. However, as a result of the examination adjustments, due to the reduction in current year earned premium, the recalculated rebate amount was $139 less than that reported by the Company.

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 properly restate incurred claims, federal risk adjustment transfer amounts, earned premium, taxes and licensing or regulatory fees, and to properly allocate federal income taxes. The amounts in the "As Recalculated" rows for the individual and small group markets also reflect revisions for recovered risk corridors payments the Company received and which are 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

Georgia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$274,264,224	$285,419,416	97.3%	$0
As Recalculated	$257,791,185	$283,450,282	92.2%	$0
Difference	($16,473,039)	($1,969,134)	(5.1%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$50,967,165	$65,755,450	80.0%	$0
As Recalculated	$50,989,805	$66,025,927	77.2%	$467,230
Difference	$22,640	$270,477	(2.8%)	$467,230

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$84,730,163	$102,125,239	84.8%	$61,931
As Recalculated	$83,994,795	$101,231,462	84.8%	$61,792
Difference	($735,368)	($893,777)	0.0%	($139)

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a not-for-profit health insurer domiciled and licensed in the state of Georgia. The Company sells both individual and group comprehensive, medical insurance policies in Georgia.

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 32,843 covered lives

[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.

and $225,849,814 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158.There were no lines of business that were not subject to the MLR regulations at 45 CFR Part 158.

B. Management

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

Officers

Name	Title
Mark Mixer	Chief Executive Officer/President
Joseph L. Caldwell IV	Chief Financial Officer
Amanda J. Reed	Chief Operating Officer
Jeffrey D. Myers	Chairman

Directors

Name
Philip B. Bailey
Joshua Hare
Dixie Kinard
W. N. Little
Jeffrey D. Myers
George E. Sadosuk
Christi Sparks

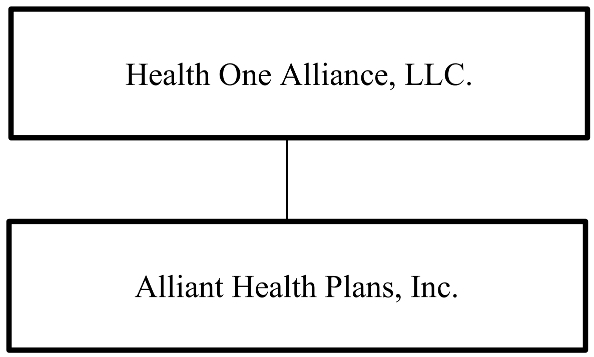
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2017 MLR Annual Reporting Form were:

Name	Title
Mark Mixer	CEO Attester
Joseph L. Caldwell IV	CFO Attester

C. Ownership

The Company is a wholly-owned subsidiary of Health One Alliance, LLC.

Alliant Health Plans, Inc.
Organizational Chart as of December 31, 2017



D. Agreements

As of December 31, 2017, the Company had entered into the following inter-company agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. An intercompany allocation agreement with the Health One Alliance, LLC.
2. Management and service agreements, including a cost-sharing arrangement with Health One Alliance, LLC.

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 1503 N. Tibbs Road, Dalton, Georgia, 30720. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

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 by or before the required due date.

For 2015, the Company reported that it met the applicable MLR standards for the individual, small group and large group markets and for 2016 and 2017, that it met the MLR standard for the individual and small group markets, and thus was not required to pay rebates to its enrollees. For 2016 and 2017, the Company reported that it did not meet the MLR standard of 85% in the large group market, and as a result, paid rebates of $210,302 for 2016 and $61,931 for 2017. Based on the errors found during the examination, the Company's MLRs for the 2017 reporting year were recalculated and resulted in a rebate liability of $467,230 in the small group 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 and 2016 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 plan year.*

Effective with the 2017 MLR reporting year, issuers may use the definitions in §158.103, or the applicable state employee counting method, to determine group size, unless the state method does not take into account non-full-time employees. In that circumstance, the full-time equivalent (FTE) method described in section 4980H(c)(2) of the Internal Revenue Code (IRC) should be used. Since the Georgia state employee counting method takes into account non-full-time employees, the Georgia state employee counting method may be used to determine group size. Therefore, as of 2017, the Company's method for determining group size is acceptable for the purpose of calculating its MLRs. However, for 2015 and 2016, the Georgia state employee counting method was not permitted for MLR reporting and rebate purposes and the Company was non-compliant with the applicable definitions in §158.103.

In addition, for 2015, 2016, and 2017, the Company relied on billing invoices, copies of checks, the master group policy, and the original or renewal application for coverage containing the total number of FTE employees on fifty percent of the days in the previous calendar year (rather than ATNE on the business days of the calendar year preceding the plan year) to support its group size and market classification determinations. For 2015 and 2016, the Company did not obtain the necessary information from group policyholders to accurately determine employer size because the FTE method was not permitted for these years, and therefore may have incorrectly determined the market classification of group policies for these years.

The precise impact of the Company's use of the incorrect procedures for determining group size and market classification for 2015 and 2016 cannot be conclusively determined due to its lack of adequate documentation necessary to support its determinations.

Aggregation
Based on the procedures performed, other than the possible 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

Inaccurate Reporting of Incurred Claims
The Company made various calculation and classification errors and as a result, incorrectly reported its 2015 and 2017 incurred claims on Part 3, Line 1.2 on its 2017 MLR Annual Reporting Form. For example, the Company incorrectly reported claims incurred during 2015 in its current year (i.e., 2017) claims in the individual market. The Company also reported certain incurred claims in the incorrect market, incorrectly calculated its claims liability, incorrectly calculated adjusted claims reported in the prior year columns on Part 3, and made various other reporting errors on its 2017 MLR Annual Reporting Form. As a result of these errors, the Company overstated its three-year aggregate incurred claims reported on Part 3, Line 1.2 on its 2017 MLR Annual Reporting Form by a net total of $1,204,235 in the individual market and $734,810 in the large group market, and understated its three-year aggregate incurred claims by $22,375 in the small 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 properly report the reconciled amount of cost sharing reductions received from HHS, in compliance with §158.140(b)(1)(iii), or that incurred claims were not accurately reported.

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)
In accordance with §158.221(b)(8), as in effect prior to the 2020 MLR reporting year, for the 2017 MLR reporting year the Company reported QIA expenses of 0.8 percent of earned premium in all markets, in lieu of reporting its actual expenditures on activities that improve health care quality, as defined in §158.150 and §158.151.[2] The examination adjustments to the Company's earned

[2] The HHS Notice of Benefit and Payment Parameters for 2019 Final Rule (83 FR 16930) amended §158.221 by adding paragraph (b)(8) to provide issuers with an option to report an amount equal to 0.8 percent of earned premium in the relevant state and market, in lieu of reporting actual QIA expenses, starting with the 2017 MLR reporting year. That provision was removed for 2020 and later MLR reporting years in the HHS Notice of Benefit and Payment Parameters for 2022 Final Rule (86 FR 24140), consistent with the United States District Court for the

premium for the 2017 MLR reporting year resulted in a net decrease to its 2017 adjusted earned premium, and consequently a decrease in QIA on Part 3, Line 1.3, of $3,465 in the individual market, $313 in the small group market, and $558 in the large group market.

Based upon the procedures performed, other than the recalculation of 0.8% of earned premium as 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

Incorrect Reporting of Earned Premium
The Company made various recording errors and as a result, reported the incorrect earned premium amount in the PY2 column on Part 3, Line 2.1 on its 2017 MLR Annual Reporting Form in the individual, small group, and large group markets. In addition, due to other recording errors, the Company reported certain 2017 premium transactions twice in the CY column on its 2017 MLR Annual Reporting Form. As a result of these errors, the Company overstated its three-year aggregate earned premium on its 2017 MLR Annual Reporting Form by a net total of $2,670,545 in the individual market and $199,054 in the large group market, and understated its three-year aggregate earned premium by $1,220,405 in the small group market.

Improper Reporting of Premium Balances Written Off
The Company improperly adjusted premium written for uncollectible premium balances written off on Part 2, Line 1.1 of its 2015, 2016, and 2017 MLR Annual Reporting Forms. According to the 2017 MLR Annual Reporting Form Filing Instructions, agents' or premium balances determined to be uncollectible and written off should be reported on Part 2, Line 1.7 on the MLR Annual Reporting Form. This error did not have any impact on the Company's MLR calculation.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that earned premium was not properly reported on a direct basis or that the data elements underlying the 2015, 2016, and 2017 premium as reported on the Company's 2017 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Inaccurate Reporting of Federal Income Taxes
The Company incorrectly calculated and reported its federal income taxes on Part 1, Line 3.1 of its 2017 MLR Annual Reporting Form in the individual market. The Company did not include the effect of cost-sharing reduction amounts received from HHS in calculating its net income in the individual market for the 2017 MLR reporting year and included an incorrect tax rate in its calculation of the net federal income tax amount for the individual market. As a result of these errors, the Company understated its current year taxes and licensing or regulatory fees reported

District of Maryland decision in *City of Columbus, et al. v. Cochran*, 523 F. Supp. 3d 731 (D. Md. 2021) vacating the 0.8 percent QIA reporting option in §158.221(b)(8).

on Part 3, Line 2.2 of its 2017 MLR Annual Reporting Form by $3,564,618 in the individual market.

Inaccurate Reporting of Federal and State Taxes and Licensing or Regulatory Fees
The Company incorrectly calculated and reported several taxes on Part 1, Lines 3.1b, 3.1c, 3.2a, and 3.2b of its 2015, 2016, and 2017 MLR Annual Reporting Forms. For example, the Company incorrectly calculated and reported its Patient Centered Outcomes Research Institute (PCORI) fee, the Affordable Care Act section 9010 fee, and its state taxes on its 2015, 2016, and 2017 MLR Annual Reporting Forms, in the individual, small group and large group markets. As a result of these errors, the Company overstated its three-year aggregate taxes and licensing or regulatory fees reported on Part 3, Line 2.2 of its 2017 MLR Annual Reporting Form by a net total of $39,019 in the individual market, $213,035 in the small group market, and $6,008 in the large group market.

The Company also improperly included risk adjustment user fees and exchange user fees in "other federal taxes and assessments" on Part 1, Line 3.1d of its 2017 MLR Annual Reporting Form. According to the 2017 MLR Annual Reporting Form Filing Instructions, risk adjustment user fees and exchange user fees should be reported on Part 1, Line 3.3b. This error did not have any impact on the Company's MLR calculation as the total amount of user fees were reported correctly.

Inappropriate Allocation between Markets
The Company's methodology for allocating its 2015 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 for the 2015 MLR reporting year to its markets based on direct premium, rather than the pre-tax underwriting gain/(loss). The Company properly used the pre-tax underwriting gain/(loss) as the method for allocating federal income taxes in 2016 and 2017. As a result of the examination, the Company reallocated its 2015 federal income taxes, using the pre-tax underwriting gain/(loss); as a result, the three-year aggregate taxes and licensing and regulatory fees on Part 3, Line 2.2 of the Company's 2017 MLR Annual Reporting Form were overstated by $4,227,010 in the individual market, and understated by $1,162,963 in the small group market and $700,731 in the large group market.

Based upon the procedures performed, other than the failure to correctly calculate its federal income and various other taxes, as well as the inappropriate allocation of federal income taxes, as 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 federal tax allocation agreement. On its 2017 MLR Annual Reporting Form, the Company allocated its federal income taxes to each market based on the profitability of each market, multiplied by the federal tax rate, which the examination confirmed.

Federal Risk Adjustment Program

Incorrect Reporting of Federal Risk Adjustment Program Transfer Amounts
The Company incorrectly reported the risk adjustment transfer amounts for the 2017 benefit year on Part 3, Line 1.6 of its 2017 MLR Annual Reporting Form. The Company incorrectly reported $711,208 in net payments expected for the small group market for the 2017 risk adjustment program rather than the correct amount of $710,630. As a result, the Company overstated its current year risk adjustment transfer amount on its 2017 MLR Annual Reporting Form by $578 in the small group market.

Based upon the procedures performed, other than the reporting error noted above, nothing additional came to our attention that would indicate that the Company did not properly report the expected charges and payments under the federal risk adjustment program for the 2017 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment when the Company calculated and reported its MLRs, in accordance with §§158.230-232. The Company's credibility-adjusted MLRs were calculated using the correct formula in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions.

The Company reported that it did not meet the applicable MLR standard of 85% in the large group market for 2016 and 2017. The Company used the correct procedures to calculate rebates of $61,931 in the large group market for 2017. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in certain changes to the Company's 2017 MLRs and rebate amounts.

The impact of applying the examination adjustments to recalculate the Company's 2017 MLRs resulted in the Company's preliminary MLR[3] in the small group market, as reported in the PY2, PY1 and CY columns on Part 3 of its 2017 MLR Annual Reporting Form, to fall below the MLR standard of 80% for each year. According to §158.232(d), if the current MLR reporting year and each of the two previous MLR reporting years included experience of at least 1,000 life-years; <u>and</u> if the preliminary MLR for the current MLR reporting year and each of the two previous MLR reporting years fell below the applicable MLR standard for each year, then the credibility adjustment that should be reported is zero. The Company reported greater than 1,000 life-years in the small group market for each of the three years aggregated on its 2017 MLR Annual Reporting Form. Since its recalculated preliminary MLRs for all three years fell below the 80% standard, the Company no longer qualifies for the credibility adjustment in the small group market, and therefore, the credibility adjustment in this market was restated from 2.5% to zero.

C. Rebate Disbursement and Notice

According to its 2017 MLR Annual Reporting Form, the Company reported rebates owed in the large group market for 2016 and 2017. Based upon the procedures performed, the Company

[3] See the definition of "preliminary MLR" at § 158.232(f).

timely issued rebates in accordance with §§158.240-244 and Notices of rebates in the large group market in accordance with §158.250.

D. Compliance with Previous Recommendations

The Company indicated that CCIIO had not previously performed an examination of the Company's MLR processes and reporting. The Georgia Office of Insurance and Safety Fire Commissioner performed a financial examination of the Company in 2016 covering the period January 1, 2014 through December 31, 2015. The financial examination resulted in five findings, none of which 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 corridor amounts as calculated under the risk corridors formula.[4] In 2020, the Company recovered previously unpaid amounts for risk corridors for the 2015 and 2016 benefit year, but not all of these recoveries were reported on the Company's 2015-2017 MLR Annual Reporting Forms.[5] 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.[6] The 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 are included on that form. 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 Alliant Health Plans, Inc.'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 2017 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

[4] *Maine Community Health Options v. United States*, 140 S. Ct. 1308 (2020).
[5] 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.
[6] 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.

not compliant with the requirements of 45 CFR Part 158. Based on the cumulative effect of the examination findings that could be quantified, it is estimated that the Company owes rebates of $467,230 in the small group market and does not owe additional rebates in any other markets in which the Company operated. However, due to the lack of adequate documentation to support its 2015 and 2016 group size and market classification determinations, we cannot at this time conclusively assess whether there were additional errors that could impact the Company's MLRs or rebates.

As a result of this examination, consistent with § 158.402(e), CCIIO directs the Company to implement the following corrective actions:

Corrective Action #1

The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups at the time of policy application and at renewal in order to determine the correct group size and market classification of its group policies, consistent with the definitions in section 2791(e) of the PHS Act and the applicable requirements of 45 CFR Part 158 and related technical guidance. This should include, but not be limited to, obtaining and maintaining accurate documentation related to the average total number of employees for the calendar year preceding the coverage effective (or renewal) date. Alternatively, for the 2017 and later reporting years, the Company may elect to use the applicable state employee counting method, unless the state method does not take into account non-full-time employees, in which case the full-time equivalent method described in section 4980H(c)(2) of the Internal Revenue Code should be used.

Company Response

Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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 properly and accurately calculates and reports incurred claims on its MLR Annual Reporting Form in accordance with §158.140, including, but not limited to, ensuring that adjusted incurred claims are properly and accurately reported, and that federal risk adjustment transfer amounts are properly and accurately reported.

Company Response

Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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 it properly and accurately reports earned premium in accordance with §158.130 and the MLR Annual Reporting Form Filing Instructions, including ensuring earned premium is reported in an accurate manner.

Company Response
Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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

Corrective Action #4
The Company must adopt and implement procedures to ensure it completes the MLR Annual Reporting Form in accordance with §158.110 and the applicable MLR Annual Reporting Form Filing Instructions, including but not limited to ensuring properly and accurately reporting premium balances written off, as well as taxes and licensing or regulatory fees.

Company Response
Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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

Corrective Action #5
The Company must adopt and implement procedures to ensure that it reports its taxes and licensing or regulatory fees properly and accurately and in compliance with §158.161 and §158.162.

Company Response
Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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

Corrective Action #6
The Company must adopt and implement procedures to ensure the tax allocation methodology used to allocate expenses to each market yields the most accurate results in accordance with §158.170(b)(1) and the MLR Annual Reporting Form Filing Instructions.

Company Response
Alliant Health Plans agrees with this corrective action and will implement procedures to ensure compliance with this requirement. Any and all such corrective action will be implemented within 60 days of the Company's receipt of this Final Report.

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

Corrective Action #7
The Company must re-file its 2017 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including, calculating any additional rebate amounts 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
In collaboration with CCIIO, Alliant Health Plans paid the underpaid rebates along with the appropriate interest amount on or about May 1, 2023. Alliant Health Plans will refile its 2017 MLR Annual Reporting Form in conformity with CCIIO's instructions.

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.