Final

Report on the

Medical Loss Ratio Examination

of

Connecticut General Life Insurance Company
(Bloomfield, CT)

for the

2014 MLR Reporting Year

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

CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES
CENTER FOR CONSUMER INFORMATION & INSURANCE OVERSIGHT

OVERSIGHT GROUP

October 13, 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 Connecticut General Life Insurance Company (the Company) for the 2014 reporting year, including 2014, 2013, and 2012 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's responses and CCIIO's evaluation of these responses.

Christina A Whitefield

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2014 Medical Loss Ratio (MLR) Annual Reporting Form for Connecticut General Life Insurance Company (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2014 MLR Annual Reporting Form contains some elements that are not fully compliant with the requirements of 45 CFR Part 158 and which impact consumer rebates.

We direct the Company to implement the necessary corrective actions to comply with various sections of 45 CFR Part 158. The Company must obtain adequate documentation to accurately determine the group size and market classification of policies, properly report earned premium, correctly calculate the average deductible, and ensure quality improvement activity (QIA) expenses meet the regulatory definition and sufficient documentation exists supporting such determinations. Additionally, the Company must revise and resubmit its MLR Annual Reporting Form for 2014, and disburse any resulting rebates within sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Due to the lack of adequate documentation supporting group size and market classification, as well as inadequate documentation supporting the Company's QIA expenses, we cannot, at this time, 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. Based on the adjustments that could be quantified, the findings resulted in a net decrease to the Company's reported MLRs in nine states in the individual market and one state in the large group market, increasing the Company's total rebate liability for the 2014 reporting year by an estimated $788,876 in four states in the individual market and $439 in one state in the large group market.

II. Scope of Examination

CCIIO examined the Company's 2014 MLR Annual Reporting Form to determine compliance with 45 CFR Part 158. Title 45 CFR Part 158 implements section 2718 of the Public Health Service Act (PHS Act). Section 2718 of the PHS Act, as added by the Patient Protection and Affordable Care Act (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 an issuer 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, 2012 through December 31, 2014, including 2012, 2013, and 2014 experience and claims run-out through March 31, 2015. We conducted the examination in accordance with the CCIIO Medical Loss Ratio Examination Handbook (the Handbook). The Handbook sets forth the guidelines and procedures for planning and performing an examination to evaluate the validity and accuracy of the data elements and calculated amounts reported on the MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. The examination included assessing the principles used and significant estimates made by the Company, evaluating the reasonableness of expense allocations, and determining compliance with relevant statutory accounting standards, MLR regulations and guidance, and the MLR Annual Reporting Form Filing Instructions.

The Company's response to each finding appears after the finding in the Conclusion, Corrective Actions and Company Responses 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 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

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 did not obtain the average number of employees from each group policyholder at the time of initial application or policy renewal and therefore may not have correctly determined each group's size and market classification.
8, 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 how it determined each group policyholder's size. In addition, the Company did not provide sufficient evidence necessary to enable CCIIO to verify that the expenses reported as QIA met the definitions set forth in §158.150 and that various expenses reported as QIA were allocated in accordance with §158.170. Consequently, it was determined that the Company overstated QIA expenses by $3,895,607 in the individual market, $5,361 in the small group market, and $220,693 in the large group market.
9	**Failure to submit an MLR form in the manner prescribed by the Secretary, as set forth in §158.110–**The Company failed to disclose premium ceded under a 100% assumption reinsurance agreement with novation, as required by MLR Annual Reporting Form Filing Instructions.

Page	Key Findings
10	**Failure to accurately report earned premium, as required by §158.130** – Due to a recording error, the Company reported $38,185 in earned premium in the small group market on an affiliated entity's MLR Annual Reporting Form rather than on the Company's Form.
11	**Failure to calculate the average deductible in accordance with the requirements of §158.232(c) –** The Company incorrectly computed the average deductible of its individual market policies, failing to properly weight its average deductible calculations by the experience for each deductible level of policies in the aggregation in accordance with §158.232(c)(ii).

Due to the lack of accurate documentation supporting group size and market classification, as well as lack of documentation supporting the Company's QIA expenses, we cannot, at this time, conclusively assess whether there were additional errors that would impact the Company's MLRs. Based on the adjustments that could be quantified, the examination findings resulted in a net decrease to the Company's reported MLRs in nine states in the individual market and one state in the large group market, and a net increase in one state in the large group market. In four states in the individual market and one state in the large group market, the lower recalculated MLRs continued to be below the applicable MLR standards, resulting in an estimated additional rebate liability of $788,876 in the individual market and $439 in the large group market for the 2014 reporting year. For all other states and markets in which the Company had health insurance coverage in effect, the Company owed no rebates either because the recalculated MLRs continued to exceed the applicable MLR standards or because 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 three-year aggregated incurred claims and earned premium amounts, combined for all of the Company's states and the District of Columbia in each market, along with the additional rebates owed for 2014, are shown in the following tables. The differences between the amounts in the "As Recalculated" and the "As Filed" rows reflect the adjustments made as a result of removing QIA expenses for which sufficient documentation was not provided, disallowing the deductible factors in the credibility adjustment, and including the earned premium that was incorrectly reported on an affiliate's MLR Form. As noted above, the recalculated values only include adjustments for findings where sufficient information was available to quantify the amount of the misstatement.

Recalculated Aggregate[1] Individual, Small Group, and Large Group Market Incurred Claims, Earned Premium, and Rebates for the 2014 Reporting Year

[1] See Appendix I to this report for the three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for the 2014 reporting year, for the states and markets in which the MLRs changed as a result of the examination findings.

	Individual Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$1,231,362,431	$1,524,182,308	$9,817,107
As Recalculated	$1,231,362,431	$1,524,182,308	$10,605,983
Difference	$0	$0	$788,876

	Small Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$115,202,539	$133,129,214	$0
As Recalculated	$115,202,539	$133,091,029	$0
Difference	$0	$38,185	$0

	Large Group Market		
	Incurred Claims	Earned Premium	Rebates
As Filed	$4,504,441,309	$5,523,818,656	$826,371
As Recalculated	$4,504,441,309	$5,523,818,656	$826,810
Difference	$0	$0	$439

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit life insurer domiciled in the State of Connecticut and licensed in all 50 states, the District of Columbia, Puerto Rico, the US Virgin Islands, and Canada. The Company and its subsidiaries principally sell group life and health insurance, the majority of which is offered through employers and other groups, such as unions or associations.

During the 2012, 2013, and 2014 MLR reporting years, the Company operated in the individual, small group, and large group markets, and during 2012 and 2013 it operated in the large group mini-med market, that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2014, the Company reported a total of 179,413 covered lives and $644,167,671 in direct earned premium for policies subject to the MLR reporting and rebate requirements, and a total of 308,083 covered lives and $719,496,149 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 stop loss, accidental death and dismemberment coverage, stand-alone dental, Medi-gap, short and long-term disability, and limited benefit.

B. Management

The corporate officers and board of directors of the Company as of December 31, 2014 were:

Officers

Name	Title
Matthew G. Manders	President
Eric P. Palmer	Chief Financial Officer
Anna Krishtul	Corporate Secretary
Scott R. Lambert	Vice President & Treasurer
James Yablecki	Vice President & Actuary
Robert F. Clark	Senior Vice President
Richard H. Forde	Senior Vice President
Christopher J. Hocevar	Senior Vice President
Jeffrey L. Kang.	Senior Vice President
Mark A. Parsons	Senior Vice President
Frank Sataline Jr.	Senior Vice President
Sanjeev K. Srivastava	Senior Vice President

Directors

Name
Richard H. Forde
Jeffrey L. Kang
Matthew G. Manders
Mark A. Parsons
Edward P. Potanka
David A. Russell
Frank Sataline, Jr
Christopher S. Snow
Jeffrey M. Weinman

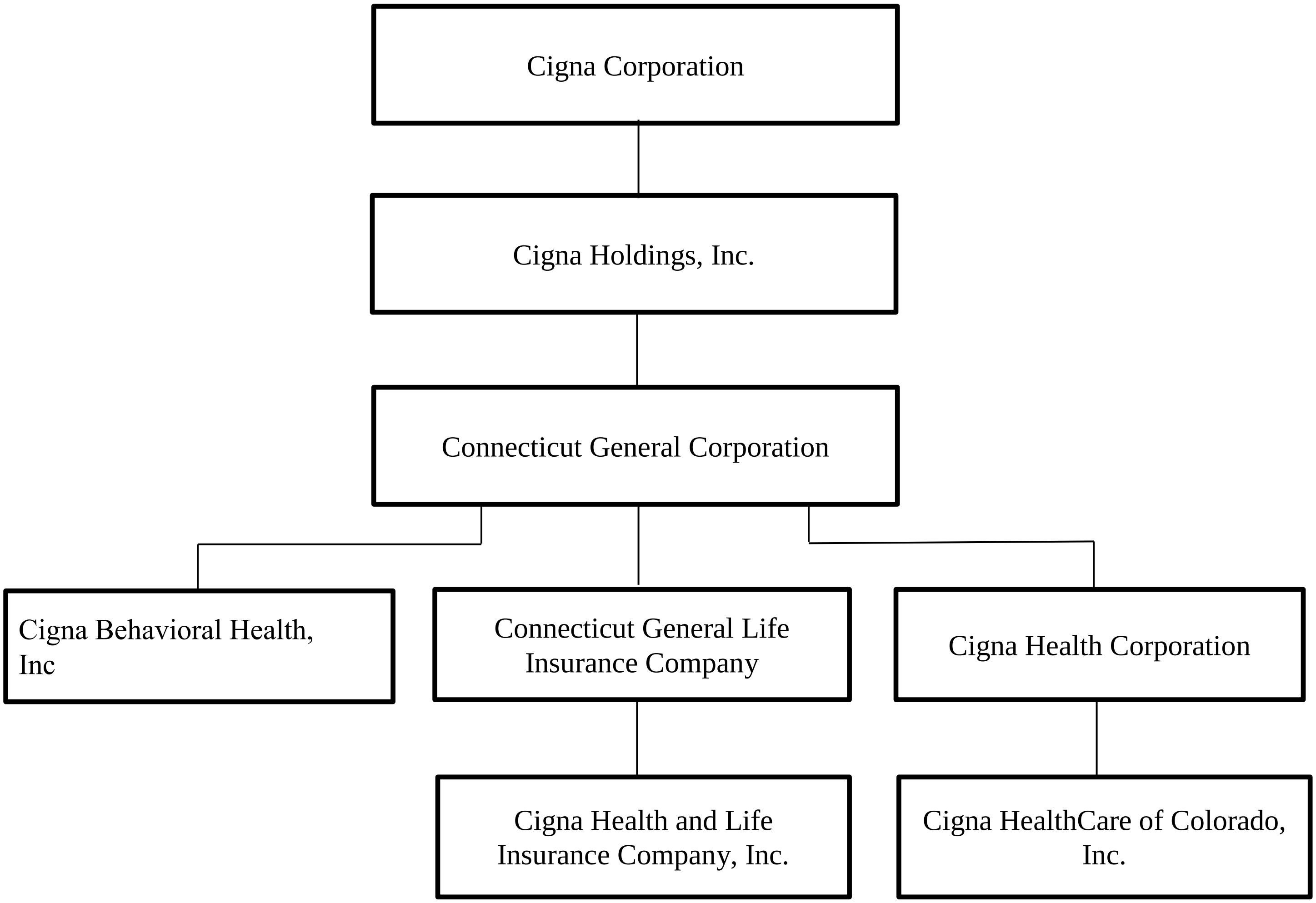
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2014 MLR Annual Reporting Form were:

Name	Title
Michael T. Crompton	CEO Attester
Scott R. Lambert	CFO Attester

C. Ownership

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

Connecticut General Life Insurance Company
Organizational Chart[2] as of December 31, 2014



D. Agreements

As of December 31, 2014, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. An Amended and Restated Administrative Service Agreement with Cigna Health & Life Insurance Company, Inc.
2. An Administrative Services Agreement with Cigna Health & Life Insurance Company, Inc. and Cigna Behavioral Health.
3. An Expense Sharing Agreement with Cigna Corporation and its subsidiaries.
4. A Capitation Agreement with Cigna Behavioral Health, Inc. and Cigna Health & Life Insurance Company, Inc.

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[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.

5. An Amended and Restated Consolidated Federal Income Tax Agreement with Cigna Corporation and its subsidiaries.
6. A Fee Sharing Agreement with Cigna Corporation and its subsidiaries.
7. A Management Services Agreement with Cigna Health Corporation and its subsidiaries.

E. Reinsurance

During 2012, 2013, and 2014, the Company ceded, via quota share reinsurance agreements, a portion of its health insurance coverage with several non-affiliates. In addition, the Company assumed, via an assumed medical stop loss reinsurance agreement, certain health insurance coverage from an affiliate.

Effective September 1, 2011, the Company entered into a Master Agreement for the Transfer and Assumption of Insurance Policies with its subsidiary, Cigna Health and Life Insurance Company, Inc. (CHLIC). In accordance with the agreement, subject to fulfilling applicable regulatory requirements, the Company from time to time transfers certain insurance policies to CHLIC. As a result of this agreement, the Company properly excluded from its 2014 MLR Annual Reporting Form all 2014 experience related to certain policies ceded and novated to CHLIC, in accordance with §158.110, §158.130, and the MLR Annual Reporting Form Filing Instructions. As noted further below, the Company failed to correctly report the ceded premium amounts on the Company's 2014 MLR Annual Reporting Form.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 900 Cottage Grove Road, Bloomfield, CT. 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 regulation. Specifically, the Company did not obtain accurate information or maintain documentation regarding the employee count of group policyholders, which is necessary to determine group size and market classification. In addition, the Company did not maintain documentation supporting the QIA expenses reported on its MLR Annual Reporting Form for 2012, 2013, and 2014.

VI. Examination Results

The Company's 2012, 2013, and 2014 MLR Annual Reporting Forms were filed by or before the required due date, but were not filed in the manner prescribed by the Secretary, as further described below.

During the three years under Examination, the Company reported business subject to the rebate requirements of 45 CFR Part 158 in 113 state market segments. In 62 of those state market segments, the Company reported fewer than 1,000 life-years during the three-year aggregation period and therefore is presumed to meet or exceed the MLR standards in those segments in accordance with §158.230(d). Of the 25 state market segments with 1,000 or more life-years during the three-year aggregation period and that still had enrollees in 2014, the Company reported that it met the MLR standard of 80% for the individual and small group markets and 85% for the large group market for 2014 in 17 state market segments and thus was not required to pay rebates to its enrollees in these segments. For 2014, the Company reported that it did not meet the MLR standard in the individual market in four states and in the large group market in three states and the District of Columbia and was required to and did pay $9,817,107 in rebates in the individual market and $826,371 in rebates in the large group market.[3]

Based on the errors found during the examination that could be quantified, MLRs for the 2014 reporting year were recalculated and resulted in an estimated additional rebate liability of $788,876 in the individual market in four states and $439 in the large group market in one state. Due to the lack of accurate documentation supporting group size and market classification determinations, as well as inadequate documentation supporting the Company's QIA expenses, and the incorrect reporting of certain reinsurance, we cannot, at this time, conclusively assess whether there were additional errors that could impact the Company's MLRs and corresponding rebates.

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 2012-2014 reporting years. Section 158.103 employs 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 number of employees on the business days of the calendar year preceding the coverage effective date*. The Company did not obtain the necessary information from group policyholders to determine employer size in accordance with this definition, and therefore may have incorrectly determined the market classification for group policies in the period covered by this examination.

The documentation available to the examiners consisted of enrolled subscriber counts or the average number of total employees, which in some instances were related to periods prior to the preceding calendar year. The Company provided a detailed schedule of the total number of employees for each policy selected for testing during the examination. However, the Company could not provide supporting documentation (e.g., copies of policy applications, periodic surveys, etc.), which the Company indicated it used to create the schedule provided to the examiners. Therefore, based on the available documentation, the examiners could not confirm whether the Company correctly determined group size, and consequently the market

[3] On its 2014 MLR Annual Reporting Form, the Company calculated an additional $8,270 in rebates in five other states in the large group market, and $11,146 in rebates in ten states in the large group mini-med market based on the 2012, 2013, and residual 2014 experience; however, the Company did not have any enrollees in those states and markets in 2014, and consequently was not required to and did not pay those rebates.

classification, of its policies since it based its determinations on the number of employees at the time of either the initial policy application or policy renewal. However, and despite the fact that the Company employed standards that were inconsistent with the definitions in §158.103, the policies tested during the examination were assigned to the correct market classification based on the (possibly incorrect) information the Company obtained from the group policyholders.

The precise impact of the failure to accurately determine group size and market classification cannot be conclusively determined due to the Company's lack of adequate documentation necessary to support its determinations.

Aggregation
The Company failed to disclose the amount of premium ceded under the novation agreement on Part 2, Line 1.12, as required by the MLR Annual Reporting Form Filing Instructions. There was no impact on the Company's MLR calculation or rebate liability for 2014 from this reinsurance reporting error, as the Company correctly excluded the ceded amounts from the amounts used to calculate its MLRs.

Other than the possibly incorrect group size and market classification determinations noted above, based on procedures performed, 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
Other than the possibly incorrect group size and market classification determinations noted above, based upon the procedures performed, including the validation of a sample of incurred claims (as defined by §158.140) reported by the Company, nothing additional came to our attention that would indicate that incurred claims were not accurately reported.

Claims Recovered Through Fraud Reduction Efforts
Other than the possibly incorrect group size and market classification determinations noted above, based on the procedures performed, no errors were noted in how the Company reported recoveries of paid fraudulent claims, which §158.140(b)(2)(iv) allows as an adjustment to incurred claims up to the amount of fraud reduction expenses.

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

The Company could not provide any time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA. The Company also did not provide sufficient documentation to support the management fees and other multi-level intercompany allocations from various affiliated entities, which made up the majority of expenses reported by the Company as QIA, including how its allocation process apportioned expenses in a manner expected to yield the most accurate results in accordance with §158.170. Due to the lack of adequate documentation, the examiners were unable to effectively test the underlying transactions and amounts reported as QIA. Consequently, the current year amounts reported as QIA on the Company's 2014 MLR Annual Reporting Form of $3,895,607 in the individual market, $5,361 in the small group market, and $220,693 in the large group market were deemed to be unsupported and were removed for purposes of the MLR recalculations.

Earned Premium

Incorrect Reporting of Earned Premium

During the examination, it was discovered that the Company erroneously excluded $38,185 from earned premium in the New Jersey small group market. The Company explained that the omission was due to a one-time billing error whereby the money was incorrectly recorded to the earned premium of an affiliated entity. Consequently, the Company's earned premium in the New Jersey small group market was understated by $38,185.

Other than the reporting error noted above and the possibly incorrect group size and market classification determinations, 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 and the data elements underlying the 2012, 2013, and 2014 premium as reported on the Company's 2014 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Other than the possibly incorrect group size and market classification determinations noted above, based on the procedures performed, nothing additional came to our attention that would indicate that the taxes and regulatory fees excluded from 2012, 2013, and 2014 earned premium on the Company's 2014 MLR Annual Reporting Form did not comply with §158.161 and §158.162, or 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 2014 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the pro rata share of pre-federal tax income excluding net investment income and capital gains, which the examination confirmed.

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Incorrect Calculation of the Average Deductible

The Company incorrectly calculated the average deductible for its policies in six states in which it had health insurance coverage in effect in the individual market for purposes of calculating the credibility adjustment. The Company failed to weight its average deductibles by the life-years for each deductible level of policies, as required by §158.232(c)(ii). The Company did not elect to report a deductible factor in any other jurisdiction or market.

Based on the documentation provided by the Company, the examiners could not determine the accurate average deductible or deductible factor in the six affected states in the individual market, and therefore restated these deductible factors to 1.0. In four of these states, the recalculation of the credibility adjustment resulted in lower MLRs than originally reported by the Company, but the recalculated MLRs continued to exceed the 80% standard. In two other states, the deductible factor did not impact the MLRs because the Company was prevented from using a credibility adjustment in those states in accordance with §158.232(b)(d) as a result of the Company's preliminary MLRs falling below the standard in each of 2012, 2013, and 2014.

Other than the use of incorrect average deductibles in the credibility adjustment calculation, 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.

C. Rebate Disbursement and Notice

According to its 2012, 2013, and 2014 MLR Annual Reporting Forms, the Company reported rebates owed in certain states in the individual and large group markets. 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.

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 Connecticut Insurance Department performed a financial examination of the Company in 2014 covering the period January 1, 2009 through December 31, 2013. The financial examination resulted in one finding, which did not have an impact on the Company's federal MLR calculation or reporting.

VII. Subsequent Events

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

VIII. Conclusion, Corrective Actions and Company Responses

CCIIO examined Connecticut General Life Insurance Company's 2014 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 2014 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2014 MLR Annual Reporting Form contained some elements that were not fully compliant with the requirements of 45 CFR Part 158.

Due to the lack of accurate documentation supporting the Company's group size and market classification determinations, as well as inadequate documentation supporting the Company's QIA expenses, we cannot conclusively assess the impact of these 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 markets in which it operates. Based on the cumulative effect of the findings that could be quantified, it is estimated that the Company owes additional rebates totaling $788,876 in the individual market and $439 in the large group market. It was estimated that no additional rebate liability is due in the small group market.

As a result of this examination, CCIIO directed 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 the necessary 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 applicable definitions under section 2791 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 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. The Company must adopt and implement procedures to ensure that it obtains and maintains accurate information from its employer groups in order to determine the correct group size and market classification of its group policies under the applicable employee counting method.

Company Response

"Cigna has enhanced the market classification process and corrective action has been implemented. The company implemented, in 2019, a new process with employer groups to obtain 1) documentation of the average number of employees from the previous calendar year, and 2) an automated process to upload directly into Cigna's systems. Cigna's system has automated edits to classify the employer group into the proper small or large group category.

Cigna makes every effort to use various methods to capture an accurate market classification. Ultimately, we have to rely upon the policyholder to verify the actual number of employees that it employed in the applicable calendar year. If an employer does not respond to Cigna's request for group size information, Cigna will review the account and identify the number of subscribers (employees) enrolled. Based upon this data, the group classification will be determined and reported in small or large groups as appropriate."

CCIIO Reply

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

Corrective Action #2

The Company must adopt and implement procedures to ensure that all amounts are properly and accurately reported in its MLR Annual Reporting Form in accordance with the MLR Annual Reporting Form Filing Instructions, including disclosure of the claim and premium amounts from the related transactions.

Company Response

"The Company makes every effort to ensure that all amounts are properly and accurately reported in the MLR Annual Reporting Form in accordance with the MLR Annual Reporting Form Filing Instructions. The Company will disclose the amount of premium ceded under the novation agreement on Part 2, Line 1.12 when refiling the 2014 MLR Annual Report Form, as required in Corrective Action 6. As noted in the report, this disclosure has no impact on the Company's MLR calculation or rebate liability for 2014 as Part 2, Line 1.12 is informational only. The Company correctly excluded the ceded amount from the amounts used to calculate its MLRs."

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

Corrective Action #3
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 storing documentation related to the number of employees of group policyholders, as well as maintaining adequate documentation, as may be necessary, to enable CCIIO to verify that activities included in QIA meet the definition of QIA and that the Company's allocation of various expenses reported as QIA is reasonable. For salary-related expenses classified as QIA, this would include performing time studies of employee activities and/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 should be considered as allowable QIA expenses.

Company Response
"The Company provided significant information supporting its calculation of quality improvement expenses and believe we have maintained all necessary documentation to verify compliance. The Company does not understand why the information provided is deemed insufficient. Without further explanation of the alleged insufficiency, the Company is not in a position to provide a response but will defer to CMS' position that all QIA needs to be removed from the 2014 MLR Forms for the Company.

Also note, in 2017 CMS provided healthcare insurance carriers a choice to use .8% of earned premium for QIA expense and the Company elected this option. The QIA expense the Company reported in 2014 was less than .35%, not even 50% of the current allowed level."

CCIIO Reply
CCIIO accepts the Company's agreement to revise the amounts reported for QIA when it submits its corrected 2014 MLR Annual Reporting Form. It is CCIIO's position, as stated herein, that the Company was unable to substantiate the majority of the expenses it reported as QIA, such as for the ratios it used to allocate the salaries of staff that performed both QIA and non-QIA functions and for its inclusion of management fees and expenses from affiliates of the Company. It is irrelevant that the amount reported for 2014 QIA was only 0.35% of the 0.80% amount that issuers may report for QIA as of the 2017 MLR reporting year; the Company still

over-reported a significant amount, at least $4,121,661, in QIA. As this amount was determined based only on the QIA expenses that were selected for testing by the examiners, there could have been additional incorrect QIA expenses reported had the entirety of the Company's reported QIA been tested.

Corrective Action #4

The Company should report earned premium in an accurate manner in accordance with §158.130, including adopting and implementing procedures to ensure that all premium is reported and allocated to the proper entity.

Company Response

"The Company makes every effort to report earned premium in an accurate manner. The $38k small group earned premium that was reported on an affiliated entity in the MLR Annual Report Form was the result of a one-time discrepancy as the result of novation. It will be corrected in the refiling of the 2014 MLR Annual Report Form, as required in Corrective Action 6."

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 calculates the average deductible in accordance with §158.232(c), including correctly weighting each deductible level using aggregate life-year experience. Alternatively, the Company may elect to use a deductible factor of 1.0 in lieu of calculating average deductibles.

Company Response

"The Company remediated for the 2018 filing."

CCIIO Reply

CCIIO assumes that the Company has not only remediated for 2018 but for 2019 and all future MLR reporting years as well. To the extent that is the case, CCIIO accepts the Company's response and the corrective action plan and reminds the Company to also ensure it correctly calculates the average deductible when it re-files its 2014 MLR Annual Reporting Form.

Corrective Action #6

The Company must re-file its 2014 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 rebates due to its enrollees. Any underpaid rebates calculated by the Company as a result of the findings herein should be paid as soon as possible but in no event later than sixty (60) days from the date of the Company's receipt of the Final MLR Examination Report.

Company Response

"The Company will refile the 2014 MLR Annual Reporting Form for the findings noted in this report and will pay with interest any required rebates."

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 subject to the MLR reporting and rebate requirements of 45 CFR Part 158.

IX. Appendix I – Recalculated MLRs for the 2014 Reporting Year

The three-year adjusted aggregated numerator and denominator, along with the resulting credibility-adjusted MLR and rebate liability for 2014, for state market segments in which the MLR changed as a result of the examination, are shown in the following tables. The differences between the amounts in the "As Recalculated" and "As Filed" rows reflect the net result of removing QIA expenses for which sufficient documentation was not provided, disallowing the deductible factors in the credibility adjustment, and/or including the earned premium that was incorrectly reported on an affiliate's MLR Form.

Recalculated MLRs[4] and Rebates for the 2014 Reporting Year

Arizona

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$18,409,240	$22,575,083	85.9%	$0
As Recalculated	$18,361,808	$22,575,083	85.7%	$0
Difference	($47,432)	$0	(0.2%)	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$78,731,856	$96,747,173	83.1%	$8,325
As Recalculated	$78,731,563	$96,747,173	83.0%	$8,764
Difference	($293)	$0	(0.1%)	$439

California

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$286,510,967	$292,162,079	98.1%	$0
As Recalculated	$285,876,507	$292,162,079	97.8%	$0
Difference	($634,460)	$0	(0.3%)	$0

Colorado

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$181,022,978	$199,868,971	90.6%	$0
As Recalculated	$180,627,975	$199,868,971	90.4%	$0
Difference	($395,003)	$0	(0.2%)	$0

Florida

	Individual Market

[4] 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 Filed	$458,819,651	$603,417,009	76.0%	$7,819,748
As Recalculated	$457,285,622	$603,417,009	75.8%	$8,210,736
Difference	($1,534,029)	$0	(0.2%)	$390,988

Georgia

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$58,958,049	$65,428,930	92.0%	$0
As Recalculated	$58,767,162	$65,428,930	91.7%	$0
Difference	($190,887)	$0	(0.3%)	$0

North Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$20,127,404	$27,250,991	73.9%	$541,299
As Recalculated	$20,071,633	$27,250,991	73.7%	$559,047
Difference	($55,771)	$0	(0.2%)	$17,748

South Carolina

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$2,968,855	$3,769,903	88.7%	$0
As Recalculated	$2,963,923	$3,769,903	88.5%	$0
Difference	($4,932)	$0	(0.2%)	$0

Tennessee

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$21,287,365	$27,661,450	77.0%	$247,856
As Recalculated	$21,226,390	$27,661,450	76.7%	$272,642
Difference	($60,975)	$0	(0.3%)	$24,786

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$81,464,271	$96,145,687	86.2%	$0
As Recalculated	$81,501,611	$96,145,687	86.3%	$0
Difference	$37,340	$0	0.1%	$0

Texas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$174,477,849	$222,945,200	78.3%	$1,208,204
As Recalculated	$173,513,787	$222,945,200	77.8%	$1,563,559
Difference	($964,062)	$0	(0.5%)	$355,355