Preliminary

Report on the

Medical Loss Ratio Examination

of

Celtic Insurance Company
(Chicago, Illinois)

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

October 1, 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 Celtic Insurance Company (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 Celtic Insurance Company (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: properly and accurately reporting incurred claims, earned premium, and risk adjustment transfer amounts; properly calculating and allocating taxes, licensing and regulatory fees; properly allocating de minimis rebates; and adopting and implementing policies and procedures to ensure completion of the MLR Annual Reporting Form in accordance with MLR Annual Reporting Form Filing Instructions.

The examination findings resulted in net changes to the Company's reported MLRs in six states in the individual market, increasing the Company's rebate liability for the 2017 reporting year by $2,594,030 in Arkansas, and $1,988,754 in Indiana. In addition, in New Hampshire the examination findings resulted in a rebate liability that was $167,485 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, 8	**Failure to accurately report incurred claims, as required by §158.140 -** The Company improperly included in paid claims the amount paid to its pharmacy benefit manager (PBM) that exceeded the reimbursement to pharmacies for prescriptions filled for the Company's enrollees. In addition, the Company incorrectly overstated the amount of prescription drug rebates it deducted from paid claims. As a result of the net effect of these errors, the Company overstated the current year incurred claims on its 2017 MLR Annual Reporting form by $26,133,002 in six states.
8, 9, 10	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110 –** The Company incorrectly included in its current year paid claims, claims paid during 2017 that were incurred in 2015 and 2016. This error did not impact the MLR calculation. Due to a recording error, the Company incorrectly reported the 2015 deferred premium related to new business in both the PY2 and PY1 columns on its 2017 MLR Annual Reporting Form. As a result, the Company overstated the three-year aggregate earned premium on its 2017 MLR Annual Reporting Form by $202,860 in Arkansas and $9,183 in Indiana. The Company incorrectly reported the 2015 taxes related to new business in both the PY2 and PY1 columns on its 2017 MLR Annual Reporting Form. As a result, the Company overstated the three-year aggregate taxes, regulatory, and licensing fees on its 2017 MLR Annual Reporting Form by $5,808 in Arkansas and $263 in Indiana. The Company incorrectly reported the 2015 risk adjustment charges related to new business in both the PY2 and PY1 columns on its 2017 MLR Annual

	Reporting Form. As a result, the Company understated its three-year aggregate risk adjustment charges by $8,090 in Indiana.
8	**Failure to report earned premium as required by §158.130 –** The Company incorrectly excluded $45,250,602 from its total direct earned premium reported in the 12/31 column on its 2015 MLR Annual Reporting Form. This error did not impact the MLR calculation, as the 12/31 column is not used in the MLR calculation and the amount in the 3/31 column was correctly reported.
9	**Failure to properly report taxes and regulatory fees, as required by §158.162 –** The Company improperly included federal taxes on investment income and realized capital gains in its current year federal income taxes reported on its 2017 MLR Annual Reporting Form. As a result of this error, the Company overstated its current year taxes by a net total of $3,588,101.
9	**Failure to allocate federal 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 recalculating the allocation using the underwriting gain/(loss) for each state, the Company overstated the current year taxes on its 2017 MLR Annual Reporting Form by $112,086 in Arkansas, $1,788,149 in Florida, $2,515,855 in Indiana, and $2,849,204 in Texas. The Company understated its current year taxes by $1,431,657 in Illinois and $2,245,536 in New Hampshire. Additionally, the Company inaccurately described the methodology used to allocate federal income tax expenses on its 2017 MLR Annual Reporting Form. This error did not impact the MLR calculation.
10	**Failure to properly report federal risk corridors program charges, as required by §158.140(b)(4)(ii) –** The Company incorrectly reported the charges payable under the federal risk corridors program on its 2017 MLR Annual Reporting Form. As a result, the Company understated the three-year aggregate risk corridors amount reported by $211,998 in Indiana.
11	**Failure to allocate *de minimis* rebates in accordance with §158.243 –** The Company incorrectly allocated its *de minimis* rebates on a pro rata basis, rather than dividing them equally among enrollees receiving a rebate. This error did not impact total rebates paid for the 2017 reporting year.

These findings changed the Company's reported MLRs in six states in the individual market. The recalculated MLRs in two states either fell below, or continued to be below, the MLR standard of 80%, resulting in an additional total rebate liability for the 2017 reporting year of $2,594,030 in the Arkansas individual market, and $1,988,754 in the Indiana individual market. In the New Hampshire individual market, the recalculated MLR increased the MLR reported by the Company, resulting in a rebate amount of $167,485 less than the amount the Company determined it owed and paid.

The three-year adjusted, aggregate numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2017, for states in which the MLRs changed as a result of the examination, 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, earned premium, taxes, risk adjustment transfer amounts, and risk corridors charge amounts. The amounts in the "As Recalculated" rows of the Arkansas and Illinois individual market tables also include the revised amounts of the recovered risk corridors payments that the Company received; these are described in the Subsequent Events section of this report.

Recalculated MLRs[1] and Rebates for the Individual Market for the 2017 Reporting Year

Arkansas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$600,143,527	$744,860,964	80.6%	$0
As Recalculated	$590,333,088	$744,775,998	79.3%	$2,594,030
Difference	($9,810,439)	($84,966)	(1.3%)	$2,594,030

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$1,202,620,654	$1,410,826,186	85.2%	$0
As Recalculated	$1,196,541,105	$1,412,614,335	84.7%	$0
Difference	($6,079,549)	$1,788,149	(0.5%)	$0

Illinois

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$212,148,474	$249,555,180	85.4%	$0
As Recalculated	$209,503,631	$248,123,523	84.8%	$0
Difference	($2,644,843)	($1,431,657)	(0.6%)	$0

Indiana

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$248,745,015	$311,297,555	79.9%	$196,108
As Recalculated	$247,666,721	$313,804,490	78.9%	$2,184,862
Difference	($1,078,294)	$2,506,935	(1.0%)	$1,988,754

New Hampshire

[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.

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$128,322,074	$180,571,704	72.5%	$6,498,823
As Recalculated	$127,051,971	$178,326,168	72.7%	$6,331,338
Difference	($1,270,103)	($2,245,536)	0.2%	($167,485)

Texas

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$785,152,187	$956,013,302	82.1%	$0
As Recalculated	$776,023,443	$958,862,506	80.9%	$0
Difference	($9,128,744)	$2,849,204	(1.2%)	$0

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurer domiciled in Illinois. The Company sells individual market health insurance coverage in 6 states.

During the 2015, 2016, and 2017 MLR reporting years, the Company operated in the individual market that was subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2017, the Company reported a total of 531,709 covered lives and $2,691,847,545 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158, and a total of 533,657 covered lives and $2,699,546,179 in direct earned premium from all health lines of business**.** The Company's only other line of business, Medicare Supplement plans, is 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
Anand A. Shukla	President
Keith H. Williamson	Secretary
David J. Burke	Vice President, Treasurer
Karen E. Wegg	Vice President

Directors

Name
David J. Burke
Tricia L. Dinkelman

Christopher R. Isaak
Anand A. Shukla

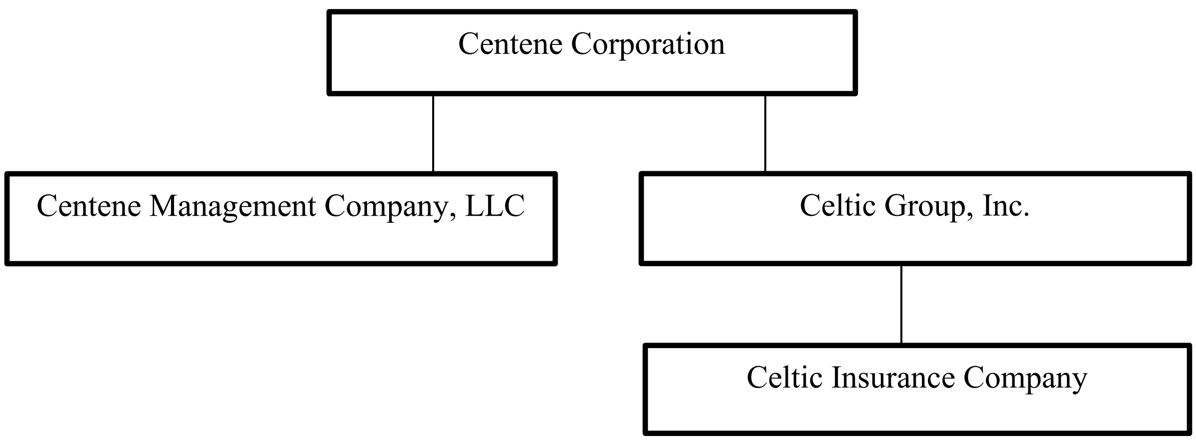
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2017 MLR Annual Reporting Form were:

Name	**Title**
Anand A. Shukla	CEO Attester
Christopher R. Isaak	CFO Attester

C. Ownership

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

Celtic Insurance Company
Organizational Chart as of December 31, 2017[2]



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 Marketplace Services Agreement with Centene Management Company, LLC.
2. A Management Agreement with Centene Management Company, LLC.
3. A Tax Sharing Agreement with Centene Corporation and its subsidiaries.

E. Reinsurance

During 2015, the Company had a 100% assumption reinsurance agreement with novation with affiliated company Coordinated Care Corporation, in which the Company assumed Indiana Marketplace business effective July 1, 2015. The assumed business was properly reported in the

[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.

Company's 2015 MLR reporting. In 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 was located at 77 W Wacker Drive, Suite 1200, Chicago, Illinois 60601. 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. The Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were filed by the due date.

The Company reported that in 2017, it did not meet the MLR standard of 80% in the individual market in Indiana and New Hampshire, and paid rebates of $6,694,931 in those states. Based on the errors found during the examination, the Company's MLRs for the 2017 reporting year were recalculated and resulted in an additional rebate liability of $4,582,784 in the individual market in Arkansas and Indiana.

A. MLR Data

Market Classification
The Company has adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2015-2017 reporting years. The samples of policies tested during the examination were assigned to the correct market classification.

Aggregation
Based upon the procedures performed, nothing 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 states and lines of business in accordance with §158.120.

Incurred Claims

Improper Reporting of Prescription Drug Costs
The Company improperly included in its paid claims on Part 2, Line 2.1b, of its 2017 MLR Annual Reporting Form, the amount paid to one of its PBM that exceeded the total amount the PBM paid to pharmacy providers for prescriptions filled for the Company's enrollees. According to §158.140(b)(3)(ii), if a third-party vendor reimburses a provider one amount but bills the

issuer a higher amount to cover its claims processing, network development, utilization management, and administrative costs, as well as profits, then the amount that exceeds the reimbursement to the provider must not be included in incurred claims. The Company correctly excluded the amount it paid to its affiliated PBM that exceeded the reimbursement to the provider from paid claims. However, it included such amounts paid to another PBM in reported incurred claims. Subsequent to the examination, the Company disclosed that it had failed to remove the amounts paid to a non-affiliated PBM that exceeded the reimbursement to the pharmacy provider. In addition, subsequent to the examination, the Company disclosed that it had incorrectly overstated the amount of prescription drug rebates it had excluded from paid claims, in violation of by §158.140(b)(1)(i)(a). As a result of the net effect of these errors, the Company overstated its current year incurred claims on Part 3, Line 1.2 on its 2017 MLR Annual Reporting Form by $26,133,002 in the individual market.

Incorrect Reporting of Prior Year Incurred Claims
The Company incorrectly included in paid claims on Part 2, Line 2.1b, of its 2017 MLR Annual Reporting Form, the claims it paid in 2017 but which were incurred in previous years. Specifically, the incorrect reporting was for disputed 2015 and 2016 claims that were settled with providers in 2017. According to the MLR Annual Reporting Form Filing Instructions, only claims incurred during the MLR reporting year and paid between January 1 of the MLR reporting year and March 31 of the following year should be reported as paid claims for the applicable reporting year. The claims should have been reported in the respective PY2 or PY1 column of the year incurred, on Part 3, Line 1.2, on its 2017 MLR Annual Reporting Form. This error did not impact the MLRs calculation, as the reclassification to the correct year did not have any impact on total incurred claims.

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)
Based upon the procedures performed, nothing came to our attention that would indicate that QIA expenses were not accurately reported in accordance with §158.150, and reasonably allocated among the Company's states and markets, as required by §158.170.

Earned Premium

Incorrect Reporting of Earned Premium
The Company incorrectly excluded $45,250,602 from total, direct earned premium reported in the 12/31 column on Part 1, Line 1.1 of its 2015 MLR Annual Reporting Form for Arkansas. The Company properly reported the appropriate amount in the 3/31 column. This error did not impact the MLR calculation as the 12/31 amounts are not used in the MLR calculation.

In addition, due to a recording error, the Company incorrectly reported the deferred premium for new business written in 2015 in both the PY2 and PY1 columns on Part 3, Line 2.1, of its 2017 MLR Annual Reporting Form in Arkansas and Indiana. According to the 2017 MLR Annual Reporting Form Filing Instructions, if an issuer defers the reporting of newer business, then the experience of such policies must be excluded from the MLR calculation for the MLR reporting year in which the experience occurred and must be added to the experience reported in the following MLR reporting year. The deferred premium from 2015 should have been reported only in the PY2 column on the 2017 MLR Annual Reporting Form. As a result, the Company overstated the three-year aggregate earned premium on its 2017 MLR Annual Reporting Form by $202,860 in Arkansas, and $9,183 in Indiana.

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 and 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

Improper Reporting of Investment Income and Capital Gains Tax

The Company improperly included federal taxes on investment income and capital gains in its federal income taxes reported on Part 1, Line 3.1a, of its 2017 MLR Annual Reporting Form. According to §158.162(a)(2), federal taxes on investment income and capital gains must not be excluded from premium in the MLR calculation. As a result of this error, the Company overstated the current year taxes by $3,588,101 in the individual market.

Inappropriate Allocation of Federal Income Taxes

The Company's methodology for allocating its 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 between its states for the 2017 MLR reporting year based on the pro rata proportion of premiums, rather than the pre-tax underwriting gain/(loss). Additionally, in relying on an alternative method of expense allocation, the company did not provide an explanation of why it believes the more accurate result will be gained from allocating federal income taxes based on premiums, thereby failing to meet the requirements of §158.170(b)(1). As a result of re-allocating the Company's federal income tax using the underwriting gain/(loss) for each state and correcting the amount of taxes by excluding taxes on investment income and capital gains, the Company overstated its current year taxes by $112,086 in Arkansas, $1,788,149 in Florida, $2,515,855 in Indiana, and $2,849,204 in Texas. The Company also understated its current year taxes by $1,431,657 in Illinois, and $2,245,536 in New Hampshire.

Failure to Accurately Disclose Allocation Methodology

The Company failed to accurately report the method used to allocate its 2017 federal income taxes to each state, as required by §158.170(b) and the MLR Reporting Form Instructions. The Company stated on its 2017 MLR Annual Reporting Form that federal income tax was allocated to each line of business and state using pre-tax net income. However, the Company allocated its total federal income tax based on a pro-rata proportion of direct earned premium. Therefore, the Company's description of its allocation method was not accurate. This error did not impact the MLR calculations.

Incorrect Reporting of Taxes, Licensing, and Regulatory Fees
The Company incorrectly reported the 2015 taxes related to new business in both the PY2 and PY1 columns on Part 3, Line 2.2 of its 2017 MLR Annual Reporting Form, in Arkansas and Indiana. According to the 2017 MLR Annual Reporting Form Filing Instructions, if an issuer defers the reporting of newer business, then the experience of such policies must be excluded from the MLR calculation for the MLR reporting year in which the experience occurred and must be added to the experience reported in the following MLR reporting year. The deferred taxes from 2015 should have been reported only in the PY2 column on the 2017 MLR Annual Reporting Form. As a result, the Company overstated its three-year aggregate taxes by $5,808 in Arkansas and $263 in Indiana.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that the taxes 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 states, as required by §158.170 and in accordance with its federal tax allocation agreement.

Federal Risk Adjustment and Risk Corridors Programs

Incorrect Reporting of Federal Risk Adjustment Transfer Amounts
The Company incorrectly reported the 2015 risk adjustment transfer amount related to new business in Indiana in both the PY2 and PY1 columns on Part 3, Line 1.6, of its 2017 MLR Annual Reporting Form. According to the 2017 MLR Annual Reporting Form Filing Instructions, if an issuer defers the reporting of newer business, then the experience of such policies must be excluded from the MLR calculation for the MLR reporting year in which the experience occurred and must be added to the experience reported in the following MLR reporting year. The deferred risk adjustment transfer amount should have been reported only in the PY2 column. As a result, the Company understated the three-year aggregate risk adjustment transfer amount by $8,090 in Indiana.

Incorrect Reporting of Federal Risk Corridor Program Charges
The Company incorrectly reported its Indiana risk corridors program charges in the PY2 column on its 2017 MLR Annual Reporting Form. Due to a recording error, the Company included its 2014 risk corridors charges in its 2015 reporting year experience in the PY2 column on its 2017 MLR Annual Reporting Form. As a result, the Company understated the three-year aggregate federal risk corridors program charges for Indiana by $211,998.

Based upon the procedures performed, other than the reporting errors noted above, nothing additional came to our attention that would indicate that the Company did not properly report the federal risk adjustment transfer amounts and risk corridors program amount, 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 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 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 MLR standard of 80% in the individual market in two states for the 2017 MLR reporting year. The Company used the correct procedures to calculate individual market rebates of $196,108 in Indiana and $6,498,823 in New Hampshire. Based on its reported, final individual market MLRs in all other states, which exceeded the applicable standard for 2017, the Company used the correct procedures to determine that no rebates were due in those markets. As detailed in this report, the examination identified errors in the data underlying the Company's MLRs and rebate calculations, resulting in changes to the Company's MLRs and rebate amounts.

C. Rebate Disbursement and Notice

Improper Allocation of De Minimis Rebates to Enrollees
The Company improperly allocated its 2017 individual market *de minimis* rebates[3] based on the pro rata amount that each enrollee that was receiving a rebate was to receive, rather than dividing the amount evenly among the enrollees that received a rebate, as required by §158.243. This error did not have any impact on total rebates paid for the 2017 reporting year. Determining the impact of this error on the rebate amount paid to each enrollee was beyond the scope of the examination.

According to its 2015, 2016, and 2017 MLR Annual Reporting Forms, the Company reported that it owed rebates in the individual market in two states. Based on the procedures performed, the Company timely issued rebates in accordance with §§158.240-244 and Rebate Notices 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 Company informed CCIIO that the State of Illinois Department of Insurance performed a financial examination of the Company in 2014 covering the period January 1, 2010 through December 31, 2014. The financial examination resulted in one finding, which did not impact its federal MLR calculation or reporting.

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[3] § 158.243(a)(2) defines a *de minimis* rebate in the individual market as one where the total rebate owed to the subscriber is less than $5.

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.[4] In 2020, the Company recovered previously unpaid amounts for risk corridors for the 2015 and 2016 benefit years, but not all of these recoveries were reported on the Company's 2015-2018 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 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 are included on those forms.[7] The amounts described in this examination report incorporate the Company's revisions related to the recovered amounts for risk corridors.

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

CCIIO examined Celtic Insurance Company's 2017 MLR Annual Reporting Form to assess the Company's compliance with the requirements of 45 CFR Part 158. The examination involved determining the validity and accuracy of the data elements and calculated amounts reported on the 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 not compliant with the requirements of 45 CFR Part 158. The examination findings and resultant recalculation of the Company's MLRs resulted in additional rebates due of $2,594,030 in Arkansas and $1,988,754 in Indiana.

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 properly and accurately reports incurred claims in accordance with §158.140, including, but not limited to, ensuring that

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[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

[7] The amount of previously unpaid risk corridors recovered by the Company for the 2016 benefit year may also impact its 2015 and 2016 MLR Annual Reporting Forms because the 2015 and 2016 data are also included on those Forms.

it properly excludes prescription drug costs in excess of amounts paid to pharmacies for its enrollees and accurately reporting prescription drug rebates.

Company Response
The Company agrees with this corrective action. The Company implemented procedures to accurately report pharmacy expenses and prescription drug rebates which were in effect for the 2021 benefit year MLR reporting. The Company amended its MLR reporting for benefit years 2017-2020 to correct its reporting of pharmacy expenses and prescription drug rebates.

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 MLR Annual Reporting Form Filing Instructions, including properly reporting prior year incurred claims, and properly reporting deferred premium, taxes, and risk adjustment transfer amounts for new business written.

Company Response
The Company agrees with this corrective action. The Company has implemented procedures beginning in the 2018 benefit year that accurately report incurred claims in the appropriate benefit years and accurately report experience for deferred new business when applicable.

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 earned premium is accurately calculated and reported, as required by §158.130, including accurately reporting premium earned.

Company Response
The Company agrees with this corrective action. The Company has implemented procedures beginning with the 2018 benefit year to ensure earned premium is accurately reported and ensure alignment with the final version of the Supplemental Health Care Exhibit for reporting in the 12/31 column of the MLR reporting template.

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 that it reports its taxes, licensing, and regulatory fees in compliance with §158.162, including ensuring that federal income taxes

on investment income or capital gains are excluded from the tax amount deducted from premium.

Company Response
The Company agrees with this corrective action and has implemented procedures to accurately report its taxes, licensing, and regulatory fees in compliance with §158.162 beginning with the 2018 benefit year, including, but not limited to, the exclusion of investment income and capital gains from the tax amount deducted from premium.

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 the allocation methodology used to allocate taxes and other expenses to each market yields the most accurate results, in accordance with §158.170(b)(1), and that it accurately discloses the methods used to allocated federal income taxes.

Company Response
The Company agrees with this corrective action and has implemented an allocation methodology to allocate taxes to each market to yield the most accurate results in accordance with §158.170(b)(1) beginning in the 2018 benefit year.

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 de minimis rebates are evenly distributed among enrollees as required by §158.243.

Company Response
The Company agrees with this corrective action and has implemented procedures to evenly distribute de minimis rebates beginning with the 2018 benefit year.

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 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
The Company agrees with this corrective action. The Company refiled its 2017 MLR reporting forms to correct for all findings within this report. Additional rebates and interest owed to members as a result of these findings were paid in October 2022.

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.