Final

Report on the

Medical Loss Ratio Examination

of

Health First Commercial Plans, Inc.
(Rockledge, Florida)

for the

2018 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

July 16, 2024

In accordance with Title 45 of the Code of Federal Regulations (CFR), section 158.402, the Center for Consumer Information & Insurance Oversight (CCIIO) has completed an examination of the Medical Loss Ratio (MLR) Annual Reporting Form submitted by Health First Commercial Plans, Inc. (the Company) for the 2018 reporting year, including 2018, 2017, and 2016 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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Center for Consumer Information & Insurance Oversight
Centers for Medicare & Medicaid Services
U.S. Department of Health & Human Services

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I. Executive Summary

The Center for Consumer Information & Insurance Oversight (CCIIO) has performed an examination of the 2018 Medical Loss Ratio (MLR) Annual Reporting Form for Health First Commercial Plans, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2018 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: ensuring that incurred claims are properly and accurately calculated and reported; ensuring that expenses for quality improvement activities meet the regulatory definition and are adequately supported with sufficient documentation; ensuring that taxes and regulatory fees are properly reported; and, adopting and implementing policies and procedures to ensure completion of the MLR Annual Reporting Form in accordance with the MLR Annual Reporting Form Filing Instructions.

The examination findings resulted in net decreases to the Company's reported MLRs in the individual, small group, and large group markets, changing the Company's rebate liability for 2018 from $0 to $3,676,962 in the individual market, from $0 to $983,019 in the small group market, and from $0 to $605,146 in the large group market.

II. Scope of Examination

CCIIO examined the Company's 2018 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, 2016 through December 31, 2018, including 2016, 2017, and 2018 experience and claims run-out through March 31, 2019. 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
6, 7	**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. As a result, the Company overstated the three-year aggregate incurred claims on its 2018 MLR Annual Reporting Form by $5,050,409 in the individual market, $1,988,255 in the small group market, and $2,042,903 in the large group market. The Company improperly included in paid claims the late payment interest paid to providers. As a result of this error, the Company overstated its three-year aggregate incurred claims on its 2018 MLR Annual Reporting Form by $431,033 in the individual market, $114,516 in the small group market, and $129,420 in the large group market. The Company incorrectly reported its 2016 reconciled payments of cost-sharing reductions (CSRs) received from HHS on its 2018 MLR Annual Reporting Form. As a result, the Company understated its three-year aggregate reconciled payments of CSRs by $58,721 in the individual market
7, 8	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110** – The Company incorrectly reported accruals for shared savings payments to its parent company on Part 2, Line 2.2b, rather than on Part 2, Line 2.11b, as required, on its 2016, 2017, and 2018 MLR Annual Reporting Forms. This error did not have any effect on the Company's MLR calculations. The Company improperly reported federal risk adjustment user fees on Part 1, Line 3.1d, rather than on Part 1, Line 3.3b, as required, on its 2016, 2017,

	and 2018 MLR Annual Reporting Forms. This error did not have any effect on the Company's MLR calculations.
8	**Failure to maintain adequate documentation as required by §158.502** – The Company did not maintain the documents and other records necessary to enable CCIIO to verify that the expenses reported as quality improvement activities (QIA) met the definition set forth in §158.150.
7, 8	**Reporting of expenses for QIA that did not meet the definition of a QIA set forth in §158.150 –** The Company improperly included in its QIA on its 2016, 2017, and 2018 MLR Annual Reporting Forms certain expenses for activities that did not meet the definition of QIA. As a result of this error, the Company overstated its three-year aggregate QIA on its 2018 MLR Annual Reporting Form by $167,806 in the individual market, $56,337 in the small group market, and $65,271 in the large group market.

These findings decreased the Company's reported MLRs in the individual, small group and large group markets. The recalculated MLRs in these markets fell below the applicable MLR standard, resulting in a rebate liability of $3,676,962 in the individual market, $983,019 in the small group market and $605,146 in the large group market, for the 2018 reporting year.

The three-year adjusted, aggregated numerator and denominator, along with the resulting credibility-adjusted MLR and rebates for 2018, 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, QIA expenses, the reconciled CSR payments, and to restate the credibility adjustment in the individual, small group, and large group markets to 0.0% in accordance with §158.232(d). The amounts in the "As Recalculated" row for the individual market also reflect the revision of the recovered risk corridors payment that the Company received and which is described in the Subsequent Events section of this report.

Recalculated MLRs[1] and Rebates for the Individual, Small Group, and Large Group Markets for the 2018 Reporting Year

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$252,680,615	$317,222,507	80.6%	$0
As Recalculated	$245,539,929	$317,222,507	77.4%	$3,676,962
Difference	($7,140,686)	$0	(3.2%)	$3,676,962

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$113,074,402	$141,873,111	81.3%	$0

[1] The MLRs shown may not equal the quotient of the numerator divided by the denominator due to the inclusion of a credibility adjustment, in accordance with §158.230.

	Numerator	Denominator	MLR	Rebate
As Recalculated	$110,915,294	$141,873,111	78.2%	$983,019
Difference	($2,159,108)	$0	(3.1%)	$983,019

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$134,741,880	$158,001,506	86.8%	$0
As Recalculated	$132,504,286	$158,001,506	83.9%	$605,146
Difference	$(2,237,594)	$0	(2.9%)	$605,146

IV. Company Overview

A. Description, Territory, and Plan of Operation

The Company is a not-for-profit health insurer domiciled in Florida. The Company sells individual and group health insurance policies, including prepaid health care services, in Florida.

During the 2016, 2017, and 2018 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, 2018, the Company reported a total of 39,832 covered lives and $255,659,440 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, 2018 were:

Officers

Name	Title
Drew A. Rector	President and Chief Executive Officer
Alan P. Fehlner	Chief Financial Officer
Michael D. Keeler	Chief Operating Officer
Joseph G. Felkner	Secretary, Treasurer
Nicholas W. Romanello	Assistant Secretary

Directors

Name
Dale A. Dettmer
Joseph G. Felkner
Steven P. Johnson
Frank S. Letherby

Alan L. Prestwood
Drew A. Rector

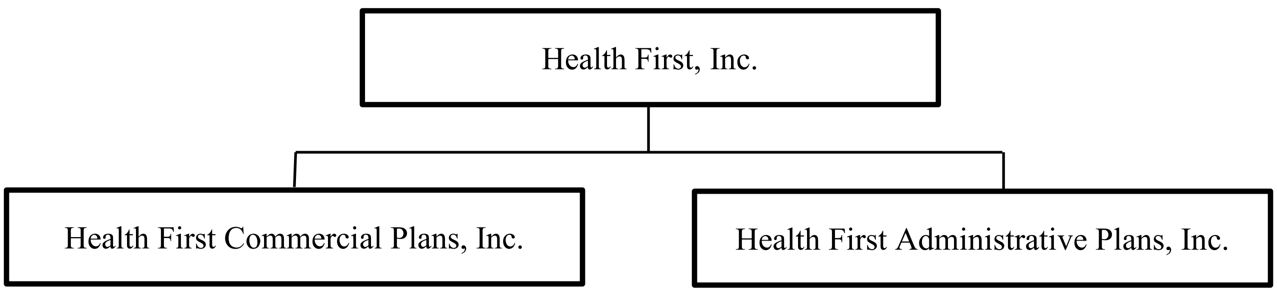
Company management and corporate-level personnel responsible for the preparation, submission, and attestation of the 2018 MLR Annual Reporting Form were:

Name	**Title**
Joseph G. Felkner	CEO Attester
Alan P. Felhner	CFO Attester

C. Ownership

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

Health First Commercial Plans, Inc.
Organizational Chart as of December 31, 2018[2]



D. Agreements

As of December 31, 2018, the Company had entered into the following intercompany agreements that are pertinent to a review of its MLR Annual Reporting Form:

1. A Participating Medical Facility and Shared Savings Agreement with Health First, Inc., the parent company, and various affiliates.
2. An Administrative and Financial Management Agreement with Health First Administrative Plans, Inc.
3. A Tax Sharing Agreement between the Company and Health First, Inc., and various affiliates.

E. Reinsurance

During 2016, 2017, and 2018, 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.

[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.

V. Accounts and Records

The Company's main administrative and financial reporting office is located at 6450 US Highway 1, Rockledge, Florida, 32955. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

As noted herein, the Company was not in compliance with §158.502 with regard to maintaining adequate documentation and other evidence necessary to enable CCIIO to verify that the MLRs and rebates owed were calculated in accordance with 45 CFR Part 158. Specifically, the Company did not provide sufficient evidence necessary to enable CCIIO to verify that the expenses reported as quality improvement activities (QIA) met the definitions set forth in §158.150.

VI. Examination Results

Except as noted in this report, based on the procedures performed, nothing came to our attention that would indicate that the Company's 2016, 2017, and 2018 MLR Annual Reporting Forms were not filed on the form and in the manner prescribed by the Secretary by the required due date.

For the 2016, 2017, and 2018 MLR reporting years, the Company reported that it met the applicable MLR standards for the individual, small group, and large group markets and thus was not required to pay rebates to its enrollees. Based on the errors found during the examination, the Company's MLRs for the 2018 reporting year were recalculated and resulted in a rebate liability of $3,676,962 in the individual market, $983,019 in the small group market, and $605,146 in the large group market.

A. MLR Data

Market Classification
The Company adopted policies and procedures for determining group size and market classification that are consistent with the definitions in §158.103 applicable to the 2016-2018 reporting years. The samples of policies tested during the examination were assigned to the correct market classification.

Aggregation
Based on 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 markets 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 on its 2016, 2017, and 2018 MLR Annual Reporting Forms, the amount paid to 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 the provider at 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. As a result, the Company overstated its three-year aggregate incurred claims on its 2018 MLR Annual Reporting Form by $5,050,409 in the individual market, $1,988,255 in the small group market, and $2,042,903 in the large group market.

Improper Inclusion of Late Payment Interest in Incurred Claims
The Company improperly included in paid claims on Part 2, Line 2.1b, of its 2016, 2017, and 2018 MLR Annual Reporting Forms the amount it paid to providers for late payment interest. According to §158.140(b)(3)(iii), amounts paid to a provider that do not represent compensation or reimbursement for covered services provided to an enrollee should not be included in incurred claims. As a result, the Company overstated its three-year aggregate incurred claims reported on Part 3, Line 1.2 of its 2018 MLR Annual Reporting Form by $431,033 in the individual market, $114,516 in the small group market, and $129,420 in the large group market.

Incorrect Reporting of Prior Year Cost-Sharing Reductions (CSRs)
The Company reported an incorrect 2016 CSR amount received from HHS on Part 3, Line 1.4, of its 2018 MLR Annual Reporting Form. Subsequent to the filing of its 2016 MLR Annual Reporting Form, the Company received an amended CSR reconciliation report from HHS, increasing the reconciled payment of CSRs for the 2016 benefit year by $58,721. The Company failed to update the CSR payment for 2016 and report the correct amount in the PY2 column on Part 3 of its 2018 MLR Annual Reporting Form for the amended amount of CSRs received from HHS. As a result, the Company understated its three-year aggregate reconciled payments of CSRs by $58,721 in the individual market.

Improper Reporting of Provider Medical Incentives and Bonus Payments
The Company improperly reported shared savings payments due to its parent company on Part 2, Line 2.2b, on its 2016, 2017, and 2018 MLR Annual Reporting Forms. According to the 2018 MLR Annual Reporting Form Filing Instructions, accrued medical incentive pools and bonuses, including shared savings payments to providers, should be reported on Part 2, Line 2.11b. This error did not impact the MLR calculations.

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 indicates the Company made any additional reporting errors in the reconciled amount of CSRs reported as received from HHS, in accordance 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)

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

The largest category of QIA expenses reported by the Company was the salaries and related benefits of the employees whose roles and responsibilities included activities that are part of QIA that did meet the definition at §158.150. However, the Company could not provide any time studies of employee activities or otherwise substantiate the salary ratios used to allocate salary costs to QIA. Accordingly, alternative testing procedures were employed, which included reviewing the title description, job description, allocation percentages, and other information related to employees whose salaries were included as QIA expenses.

Incorrect Inclusion of Expenses for Activities that Do Not Qualify as QIA
As a result of performing the alternative testing procedures noted, the Company improperly included on its 2018 MLR Annual Reporting Form expenses for certain activities that did not meet the definition of QIA at §158.150. These included expenses for activities such as finance administration, actuarial, underwriting, data management, and financial analytics. As a result of this error, the Company overstated its three-year aggregate QIA reported on Part 3, Line 1.3 of its 2018 MLR Annual Reporting Form by $167,806 in the individual market, $56,337 in the small group market, and $65,271 in the large group market.

Based upon the procedures performed, other than the non-supported QIA expenses and the incorrect inclusion of expenses noted above, nothing additional came to our attention that would indicate that QIA expenses were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170.

Earned Premium
Based upon the procedures performed, nothing 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 2016, 2017, and 2018 premium as reported on the Company's 2018 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Reporting of Federal Risk Adjustment User Fees
The Company improperly included federal risk adjustment user fees in "other federal taxes and assessments" on Part 1, Line 3.1d on its 2016, 2017, and 2018 MLR Annual Reporting Forms. According to the 2018 MLR Annual Reporting Form Filing Instructions, federal risk adjustment user fees should be reported on Part 1, Line 3.3b. This error did not have any effect on the Company's MLR calculation as the total amount of user fees were reported accurately.

Based upon the procedures performed, other than the improper reporting of federal risk adjustment user fees noted above, nothing additional came to our attention that would indicate that the taxes, licensing, and regulatory fees excluded from 2016, 2017, and 2018 earned premium on the Company's 2018 MLR Annual Reporting Form did not comply with §158.161 and §158.162, and were not accurately reported and reasonably allocated among the Company's markets, as required by §158.170 and in accordance with its tax sharing agreement.

Federal Risk Adjustment Program
Based upon the procedures performed, nothing came to our attention that would indicate that the Company did not properly report the expected transfer amounts under the federal risk adjustment program for the 2018 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, in accordance with §§158.230-232, when it calculated and reported its MLRs. The Company's credibility-adjusted MLRs were calculated using the correct formula **and** in accordance with 45 CFR Part 158 and the applicable MLR Annual Reporting Form Filing Instructions.

Based on the Company's reported final MLRs, which exceeded the applicable standards in all markets for 2016, 2017, and 2018, the Company used the correct procedures to determine that no rebates were due for those years 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 2018 MLRs and rebate amounts.

The impact of applying the examination adjustments to recalculate the Company's 2018 MLRs resulted in the Company's preliminary MLRs[3] in the individual, small group, and large group markets, as reported in the PY2, PY1, and CY columns on Part 3 of its 2018 MLR Annual Reporting Form, to fall below the applicable MLR standard in 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 individual, small group, and large group markets for each of the three years aggregated on its 2018 MLR Annual Reporting Form. Since its recalculated preliminary MLRs for each of the three years fell below the applicable MLR standard, the Company no longer qualifies for the credibility adjustment in any market, and therefore, the reported credibility adjustments of 1.0% in the individual market, 1.6% in the small group market, and 1.5% in the large group market were restated to zero.

C. Rebate Disbursement and Notice

According to its 2016, 2017, and 2018 MLR Annual Reporting Forms, the Company did not owe rebates in any market in any of these years and therefore was not required to, and did not, issue any Notices of Rebates for those years in accordance with §158.250.

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

D. Compliance with Previous Recommendations

The Company indicated that neither CCIIO nor any state regulatory entity had previously performed an examination of the Company's MLR processes and reporting. The Florida Office of Insurance Regulation performed a financial examination of the Company in 2018 covering the period January 1, 2017 through December 31, 2017. There were no findings as a result of the financial examination.

VII. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2018 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 2016 benefit year, 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 2016 benefit year impacted its 2018 MLR Annual Reporting Form because the 2016 data is included on that form.[7] 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 Health First Commercial Plans, Inc.'s 2018 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 2018 MLR Annual Reporting Form, and the accuracy and timeliness of any rebate payments. As detailed above, the Company's 2018 MLR Annual Reporting Form contained some elements

[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 2016 and 2017 MLR Annual Reporting Forms because the 2016 data is also included on those Forms.

that were not compliant with the requirements of 45 CFR Part 158. Based on the cumulative effect of the examination findings, the Company owes rebates of $3,676,962 in the individual market, $983,019 in the small group market and $605,146 in the large group market.
The Company has informed CCIIO that in lieu of paying MLR rebates to its policyholders, it will pay these amounts to Health First, Inc., its parent company, under a shared savings arrangement that was applicable with respect to its 2018 MLR Annual Reporting Form.

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 it properly and accurately calculates and reports incurred claims on its MLR Annual Reporting Form in accordance with §158.140 and the applicable MLR Annual Reporting Form Filing Instructions, including, but not limited to, ensuring that it properly excludes prescription drug costs in excess of amounts paid to pharmacies for prescriptions filled for the Company's enrollees and late claim payment interest paid to providers. In addition, the Company must ensure that it properly reports accrued medical incentive pools and bonuses, and that such incentive and bonus payments made to providers are tied to clearly-defined, objectively measurable, and well-documented clinical or quality improvement standards that apply to providers.

Company Response
Health First Commercial Plans agrees with the assessment and will implement Corrective Action #1.

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

Corrective Action #2
The Company must adopt and implement a comprehensive MLR records maintenance program under which it maintains all documentation and evidence necessary to enable CCIIO to verify compliance with each element in the MLR Annual Reporting Form, as required by §158.502. The records maintenance program should include creating and retaining documentation, as may be necessary, to enable CCIIO to verify that activities included in QIA meet the definition of QIA. For salary-related expenses classified as QIA, this includes 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 are allowable QIA expenses.

Company Response
Health First Commercial Plans agrees to implement corrective action #2 and appreciates the importance of properly reporting and documenting QIA expenses.

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

Corrective Action #3

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

Company Response

Health First Commercial Plans agrees to implement corrective action #3.

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 taxes, licensing, and regulatory fees are properly reported according to the MLR Annual Reporting Form Filing Instructions, including properly reporting federal risk adjustment user fees.

Company Response

Health First Commercial Plans agrees with the review and will implement corrective action #4.

CCIIO Reply

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

Corrective Action #5

The Company must re-file its 2018 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

Health First Commercial Plans agrees the 2018 MLR Annual Reporting Form should be re-filed for the corrective actions outlined in the preliminary examination report for CY and PY columns. HFCP acknowledges provider incentive payments should also be recalculated for these corrective actions as well and any adjustments should be included in the 2018 MLR form as applicable resulting in a reduction of rebate amounts determined by the examination.

CCIIO Reply

While CCIIO accepts the Company's response and the corrective action plan, we note that the Company's response does not include the details necessary to clarify why no rebates will be paid despite the examination findings. It is CCIIO's understanding that under the terms of the shared savings arrangement that was applicable with respect to its 2018 MLR Annual Reporting Form, the Company intends to retroactively increase its 2016-2018 provider incentive amounts due to Health First, Inc. (its parent) by the amount necessary to offset the examination adjustments and to bring the recalculated MLRs back up to the applicable MLR standards. As a result of this additional payment to its parent, no rebates will be paid to the Company's Florida policyholders for 2018.

We note that, effective with the 2022 reporting year, §158.140(b)(2)(iii) allows issuers to include provider incentive and bonus payments in incurred claims only if such payments are tied to clearly-defined, objectively measurable, and well-documented clinical or quality improvement standards that apply to providers.

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.