Final

Report on the

Medical Loss Ratio Examination

of

Humana Health Insurance Company of Florida, Inc.
(Miramar, Florida)

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

July 3, 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 Humana Health Insurance Company of Florida, Inc. (the Company) for the 2017 reporting year, including 2017, 2016, and 2015 data reported on that form. Following an exit conference with the Company, the Company responded to each Finding and Corrective Action. This final report, which will be made publicly available, incorporates the Company's response and CCIIO's evaluation of the response.

Christina A Whitefield

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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 2017 Medical Loss Ratio (MLR) Annual Reporting Form for Humana Health Insurance Company of Florida, Inc. (the Company) to assess the Company's compliance with the requirements of 45 CFR Part 158. We determined that the Company's 2017 MLR Annual Reporting Form contains some elements that are not compliant with the requirements of 45 CFR Part 158, and that impact consumer rebates.

We direct the Company to implement the necessary corrective actions to address the findings detailed in this report, including: properly and accurately reporting incurred claims; ensuring that quality improvement activity (QIA) expenses meet the regulatory definition and sufficient documentation exists supporting such determinations; ensuring premium taxes are reasonably allocated; making a good faith effort to follow-up on any unclaimed rebates; and, adopting and implementing policies and procedures to ensure compliance with the requirements of the MLR Annual Reporting Form Filing Instructions and the accuracy of the MLR Annual Reporting Form.

The examination findings resulted in net decreases to the Company's MLRs in the individual and large group markets and an increase to its reported MLR in the small group market, increasing the Company's rebate liability for 2017 by $365,192 in the large group market.

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
9, 10	**Failure to accurately report incurred claims, as required by §158.140** – The Company improperly included in paid claims on its 2015, 2016, and 2017 MLR Annual Reporting Forms, amounts paid for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. As a result of this error, the Company overstated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $124,466 in the individual market, $66,175 in the small group market, and $284,214 in the large group market. The Company reported incorrect amounts in its direct claims liability in the small group and large group markets on its 2015 and 2017 MLR Annual Reporting Forms. As a result, the Company understated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $903,225 in the small group market, and overstated its incurred claims in the large group market by the same amount.
10	**Failure to submit an MLR Annual Reporting Form in the manner prescribed by the Secretary, as required by §158.110** – The Company failed to report the adjusted incurred claims for 2015 in the PY2 column on Part 3, Line 1.1 of its 2017 MLR Annual Reporting Form, as required by the MLR Annual Reporting Form Filing Instructions. This error did not impact the MLR calculation.
10	**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 certain expenses for activities that did not meet the definition of a QIA. As a result of this error, the Company overstated its three-year aggregate QIA expenses on its 2017 MLR Annual Reporting Form by $135,696 in the

	individual market, $12,455 in the small group market, and $55,975 in the large group market.
11	**Failure to allocate premium taxes accurately, as required by §158.170 –** The Company incorrectly allocated a portion of its current year (CY) premium taxes on its 2017 MLR Annual Reporting Form, doing so in a manner which did not yield the most accurate results as required by §158.170. As a result, the Company overstated its current year taxes, licensing, and regulatory fees by $190,913 in the small group market, and it understated its current year taxes, licensing, and regulatory fees by the same amount in the large group market.
12	**Failure to make a good faith effort to locate and deliver unclaimed rebates to enrollees, as required by §158.244 –** The Company's policies and procedures for locating and delivering rebates to enrollees did not include any follow-up with enrollees whose unclaimed rebates were less than $50. This error did not impact the MLR calculation.

These findings decreased the Company's reported MLRs in the individual and large group markets, and increased its reported MLR in the small group market. The recalculated MLR for the large group market continued to be below the MLR standard of 85%, resulting in an increase to the Company's total rebate liability for the 2017 MLR reporting year of $365,192 in the large group market.

The three-year adjusted aggregated numerator and denominator, along with the resulting credibility-adjusted MLRs and rebates for 2017, are shown in the following tables. The differences between the amounts in the "As Filed" and "As Recalculated" rows reflect the net impact of the adjustments made to properly restate incurred claims, to remove expenses that did not qualify as QIA, and to properly re-allocate premium taxes between group markets.

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

Florida

	Individual Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$76,203,818	$96,858,597	80.7%	$0
As Recalculated	$75,943,656	$96,858,597	80.4%	$0
Difference	($260,162)	$0	(0.3%)	$0

	Small Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$9,870,039	$12,176,843	87.5%	$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	$10,694,634	$12,367,756	93.0%	$0
Difference	$824,595	$190,913	5.5%	$0

	Large Group Market			
	Numerator	Denominator	MLR	Rebate
As Filed	$23,666,229	$29,441,631	84.0%	$98,515
As Recalculated	$22,422,815	$29,250,718	80.2%	$463,707
Difference	($1,243,414)	($190,913)	(3.8%)	$365,192

A. Description, Territory, and Plan of Operation

The Company is a for-profit health insurer domiciled in Florida. The Company sells individual and group health insurance policies, Medicare Advantage plans, and stop loss coverage in Florida.

During the 2015, 2016, and 2017 MLR reporting years, the Company operated in the individual, small group, and large group markets that were subject to the MLR reporting requirements of 45 CFR Part 158. As of December 31, 2017, the Company reported a total of 2,603 covered lives and $15,414,180 in direct earned premium for policies subject to the MLR reporting and rebate requirements under 45 CFR Part 158 and a total of 177,108 covered lives and $984,487,130 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 are Medicare Advantage plans and stop loss coverage.

B. Management

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

Officers

Name	**Title**
Bruce D. Broussard	President & Chief Executive Officer
Brian A. Kane	Senior Vice President & Chief Executive Officer
Joseph C. Ventura	Vice President & Corporate Secretary
Marie V. Olson	Vice President & Chief Actuary

Directors

Name

Elizabeth D. Bierbower

Bruce D. Broussard

Brian A. Kane

Steve E. McCulley

Timothy A. Wheatley

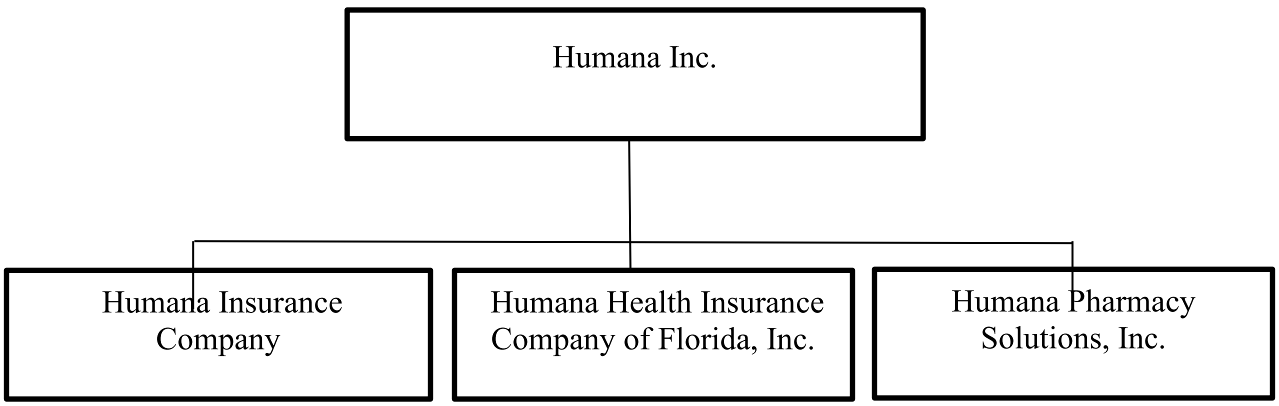
Company management and corporate-level personnel responsible for the preparation, submission and attestation of the 2017 MLR Annual Reporting Form were:

Name	**Title**
Bruce D. Broussard	CEO Attester
Brian A. Kane	CFO Attester

C. Ownership

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

Humana Health Insurance Company of Florida, Inc.
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 Corporate Service Agreement with Humana Inc., the Parent Company.
2. A Service Center Service Agreement with Humana Insurance Company and Humana Inc.
3. A Pharmacy Benefits Management Service Agreement with Humana Pharmacy Solutions, Inc. and Humana Inc.
4. A Tax Allocation Agreement with Humana Inc. and various other affiliates.

E. Reinsurance

During 2015, 2016, and 2017, the Company did not have any reinsurance agreements in effect that impacted the MLR reporting of its health insurance policies subject to the regulations at 45 CFR Part 158.

[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.

IV. Accounts and Records

The Company's main administrative and financial reporting office is located at 3501 SW 160th Avenue, Miramar, Florida 33027. The Company provided adequate access to its accounts and records, including computer and other electronic systems, as required by §158.501.

V. 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 of HHS. The Company's 2015, 2016, and 2017 MLR Annual Reporting Forms were filed by the required due date.

The Company reported that it met the MLR standard of 80% for the individual and small group markets for 2017 and thus was not required to pay rebates to its enrollees in these markets. For 2017, the Company reported that it did not meet the MLR standard of 85% in the large group market and paid rebates of $98,515. 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 $365,192 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 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 markets and lines of business, in accordance with §158.120.

Incurred Claims

Improper Reporting of Incurred Claims
The Company improperly included in paid claims on its 2015, 2016, and 2017 MLR Annual Reporting Forms, adjustments for leased network payments, litigation fees, and prepaid expenses. According to §158.140(b)(3)(iii), amounts paid for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee must not be included in incurred claims. As a result, the Company overstated its three-year aggregate incurred claims on its 2017 MLR Annual Reporting Form by $124,466 in

the individual market, $66,175 in the small group market, and $284,214 in the large group market.

Incorrect Reporting of Direct Claims Liability
The Company incorrectly reported its direct claims liability on Part 2, Line 2.2b on its 2015 and 2017 MLR Annual Reporting Forms, in the small group and large group markets. In 2015, the Company incorrectly allocated incurred but not reported (IBNR) reserves to the small group market that should have been allocated to the large group market. As a result of this error, the Company reported a negative direct claims liability in the small group market in 2015, understating the amount by $1,026,658, and overstating its large group claims liability by the same amount. In 2017, as a result of a similar allocation error, the Company understated its direct claims liability in the large group market by $123,433, also reporting a negative IBNR, and overstated its claims liability in the small group market by the same amount. As a result of these errors, the Company understated its three-year aggregate incurred claims on Part 3, Line 1.2 of its 2017 MLR Annual Reporting Form by a net total of $903,225 in the small group market, and it overstated its three-year aggregate incurred claims by the same amount in the large group market.

Incorrect Reporting of Prior Year Incurred Claims
The Company incorrectly included run-out from the prior year and other adjustments in its 2015 incurred claims on Part 3, Line 1.1, in the PY2 column, of its 2017 MLR Annual Reporting Form. According to the MLR Annual Reporting Form Filing Instructions, the amount(s) reported on Part 3, Line 1.1 in the PY2 column must be the same as the amount(s) originally reported on the respective prior year's, or years', MLR Annual Reporting Form(s). This error did not impact the MLR calculation as Part 3, Line 1.1, is for informational purposes only and is not included in the MLR calculation.

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)

Improper Inclusion of Expenses for Activities That Do Not Qualify as QIA
The Company improperly included on its 2017 MLR Annual Reporting Form expenses for certain activities that did not meet the definition of QIA at §158.150. These included a portion of equipment depreciation expense, information technology overhead, and printing service expenses. As a result, the Company overstated its three-year aggregate QIA on Part 3, Line 1.3, of its 2017 MLR Annual Reporting Form by $135,696 in the individual market, $12,455 in the small group market, and $55,975 in the large group market.

Based upon the procedures performed, other than the improper inclusion of non-QIA expenses in QIA 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 2015, 2016, and 2017 premium as reported on the Company's 2017 MLR Annual Reporting Form were not compliant with §158.130.

Taxes

Improper Allocation of Premium Taxes

The Company improperly allocated 100% of a premium tax offset for a guaranty fund assessment it received in 2017 to the large group market, on Part 1, Line 3.2b, of its 2017 MLR Annual Reporting Form. According to §158.170(b)(1), expense allocation(s) must be based on generally accepted accounting methods that are expected to yield the most accurate results. Because the premium tax offset was for future years, and the initial guaranty fund assessment creating the future offset was based on the relative premium written in both the small group and large group markets, the tax offset should have been allocated between these two markets. As a result, the Company overstated its current year taxes, licensing, and regulatory fees on Part 3, Line 2.1 of its 2017 MLR Annual Reporting Form by $190,913 in the small group market, and understated its current year taxes, licensing, and regulatory fees by the same amount in the large group market.

Based upon the procedures performed, other than the failure to properly allocate premium taxes, 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 markets, as required by §158.170 and in accordance with its federal tax allocation agreement. On its 2017 MLR Annual Reporting Form, the Company reported that it allocated its federal income taxes to each market based on the statutory income of each market, which the examination confirmed.

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 2017 benefit year, in compliance with §158.140(b)(4)(ii).

B. Credibility-Adjusted MLR and Rebate Amount Calculation

Based upon the procedures performed, the Company correctly applied the credibility adjustment, in accordance with §§158.230-232, when the Company 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 85% in the large group market in 2017. The Company used the correct procedures to calculate large group market rebates of $98,515 for 2017. Based on the Company's reported final individual and small group market MLRs, which exceeded the applicable standard for 2015, 2016, and 2017, the Company used the correct procedures to determine that no rebates were due for those years in those markets. However, 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 2017 MLRs and rebate amounts.

C. Rebate Disbursement and Notice

Lack of Good Faith Effort to Locate Enrollee for Unclaimed Rebates
The Company adopted policies and procedures for locating and delivering rebates that do not comply with §158.244. Section 158.244 requires an issuer to make a good faith effort to locate and deliver unclaimed rebates to enrollees. The Company sent follow-up letters to enrollees with unclaimed rebates, but only if those rebates were at least $50, and it did not conduct any follow-up for unclaimed rebates that were less than $50.

According to its 2017 MLR Annual Reporting Forms, the Company reported that it owed rebates in the large group market. Based upon the procedures performed, the Company timely issued rebates in accordance with §§158.240-243 and Rebate Notices in accordance with §158.250, but as noted above, did not comply with §158.244.

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 2015 covering the period January 1, 2011 through December 31, 2015. There were no findings as a result of the financial examination.

VI. Subsequent Events

The Company is required to inform CCIIO of any subsequent events that may affect the currently attested 2017 MLR Annual Reporting Form. No post-December 31, 2017 subsequent events were brought to CCIIO's attention.

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

CCIIO examined Humana Health Insurance Company of Florida, Inc.'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. Based on the adjustments made as a result of the examination findings, the Company owes additional rebates of $365,192 in the large group market.

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 reports incurred claims in accordance with §158.140, §158.110, and the applicable MLR Annual Reporting Form Filing Instructions, including, but not limited to, ensuring that: it properly excludes expenses that do not represent reimbursement for covered services; it properly and accurately allocates its direct claims liability between markets; and, it properly reports prior year adjusted incurred claims.

Company Response
The Company agrees and appreciates the importance of accurately reporting incurred claims and adjusted our process to properly account for these expenses based on the findings of the audit when they were noted by the examiners.

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

Corrective Action #2
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 analysis to adequately differentiate between activities that do and do not qualify as QIA, and perform additional quantitative analyses to ensure that the appropriate percentage of each activity or transaction that qualifies as a QIA pursuant to §158.150 is reported on its MLR Annual Reporting Form.

Company Response
The Company agrees and appreciates the importance of accurately reporting QIA expenses and adjusted the allocation process based on the findings of the audit when they were noted by the examiners.

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 the accurate allocation of taxes, licensing, and regulatory fees, including ensuring that premium taxes are properly and accurately allocated between the markets in accordance with §158.170.

Company Response
The Company agrees and appreciates the importance of accurately reporting taxes and adjusted the handling of premium taxes based on the findings of the audit when they were noted by the examiners.

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 a good faith effort is made to locate and deliver all unclaimed rebates to enrollees in accordance with the requirements of §158.244, regardless of the rebate amount.

Company Response
Humana respectfully requests that the examiner reconsider this finding. Humana locates and delivers required rebates via check to impacted enrollees using the enrollee address information in our systems. When a rebate check remains uncashed by an enrollee, Humana follows FL Unclaimed Property Laws.

CCIIO Reply
CCIIO has reviewed the Company's response, but the finding remains. Section §158.244, which specifically addresses unclaimed rebates, requires issuers to "make a good faith effort to locate and deliver to an enrollee *any* rebate (emphasis added) required under this part. If, after making a good faith effort, an issuer is unable to locate a former enrollee, the issuer must comply with any applicable State law." While we appreciate that the unclaimed rebates at issue here were for small amounts, if a rebate check for any amount is unclaimed, an issuer must make an attempt to locate the policyholder prior to escheating the money to the state. Simply mailing a rebate check to the last known address of the rebate recipient does not, in our view, constitute a good faith effort to *locate* enrollees. In CCIIO's December 30, 2020 guidance on the Treatment of Risk Corridors Recovery Payments in the Medical Loss Ratio and Rebate Calculations (see https://www.cms.gov/files/document/mlr-guidance-rc-recoveries-and-mlr-final.pdf, page 6), we provided some examples of activities that constitute a good faith effort to reach out to policyholders that do not claim or cash their refund. We expect issuers to create a reasonable process, and perform and document, some follow-up prior to escheating the rebate to the state.

Corrective Action #5
The Company must re-file its 2017 MLR Annual Reporting Form to rectify the errors and reflect the findings stated herein, adjusting both the current year (CY) and prior year (PY) columns as applicable, including, calculating any additional 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 agrees and appreciates the importance of filing accurate MLR Forms and will refile the adjusted forms and the provide any additional rebates within 60 days of the receipt of the final report from CMS.

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.