Centers for Medicare & Medicaid Services (CMS)
Medical Loss Ratio (MLR) Annual Reporting Form
Filing Instructions for the 2013 MLR Reporting Year

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Instructions for the 2013 MLR Reporting Year

These are the filing instructions for the report to the Secretary required by section 2718 of the Public Health Service Act (PHSA), which includes elements that make up the medical loss ratio (MLR) and the calculation and provision of rebates to enrollees. The data included in the MLR Annual Reporting Form (MLR Form) are the exact data that will be used to calculate an issuer's MLR and rebates, if any, under section 2718 of the PHSA and the implementing regulation, codified at 45 CFR Part 158.

The MLR implementing regulations can be found at: http://www.cms.gov/cciio/resources/regulations-and-guidance/index.html#Medical Loss Ratio. These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013. Filing will require a one-time registration by the issuer through the secured CMS Enterprise Portal for the Health Insurance Oversight System (HIOS) to submit its report to the Secretary. If an issuer registered for the 2012 MLR reporting year, it does not need to reregister, but will need to confirm or update its issuer associations. The CMS Enterprise Portal can be accessed at https://portal.cms.gov/wps/portal/unauthportal/home/.

References are made in these instructions to the National Association of Insurance Commissioners (NAIC) Statements of Statutory Accounting Principles (SSAP) and Supplemental Health Care Exhibit (SHCE) (as filed by many issuers with the NAIC) in effect for the MLR reporting year. These references are solely for the convenience of the filer in identifying the information needed for this MLR Form.

These Filing Instructions are to be used in completing the MLR Form by all health insurance issuers (issuers) offering health insurance coverage subject to section 2718 of the PHSA and the MLR implementing regulations. All terms used in these Filing Instructions that are not defined here have the meaning used in 45 CFR Part 158 and the PHSA.

The term "**health insurance coverage**" means benefits consisting of medical care (provided directly, through insurance or reimbursement, or otherwise and including items and services paid for as medical care) under any hospital or medical service policy or certificate, hospital or medical service plan contract, or health maintenance organization contract offered by a health insurance issuer. The definition includes any insurance product, such as drug, chiropractic, or mental health coverage, whether sold as a stand-alone product or in conjunction with any other health insurance coverage, unless specifically identified as "excepted benefits" by the PHSA.

An MLR Form must be prepared and submitted for each State in which the issuer has written direct health insurance coverage or has direct amounts paid, incurred, or unpaid for the provision of health care services. In addition, the issuer must submit a Grand Total (GT) template containing the grand total of its business in all States. (Note: The experience of expatriate and student health plans is aggregated on a national basis and should be reported only on the GT template.) An issuer required to file the MLR Form must complete Parts 1 and 2 for each State in which the issuer provides any health insurance coverage, even if a particular State will show $0 earned premium in Part 1 (see the 2% instruction below). Also, Parts 4 through 6 must be completed for any State in which there are non-zero amounts in Part 1. Part 3 should be completed in the GT template only.

Changes to the 2013 MLR Annual Reporting Form

The MLR reporting form has been updated to incorporate provisions in 45 CFR Part 158 that are effective for the 2013 MLR reporting year. Below are the most significant changes.

Student Health columns: Added columns to Parts 1, 2, 4, and 5 to collect aggregated student health plan experience in compliance with 45 CFR §158.120(d)(5).

Additional Lines: Added lines in Part 1 for allowable fraud reduction expenses and PCORI fees. Added line in Part 6 for the amount of rebates still owed from prior years.

Header Change: Added a drop down menu for the issuer to identify the federal tax exempt status of the entity.

Expatriate Plan Columns: The "Total as of 3/31/13", "Dual Contract", "Deferred PY1", and "Deferred CY" columns for expatriate plans are shaded grey. Issuers should only report expatriate data in the 12/31 column and only on the GT template. The MLR provisions are not applicable to expatriate plans for the 2013 reporting year.

Reinsurance

Experience under a 100% assumption reinsurance agreement (with a novation) must be reported by the assuming issuer as direct business, for the entire MLR reporting year during which the policies are assumed and must not be reported by the ceding issuer.

Reporting of 100% indemnity reinsurance and administrative agreements is limited to those agreements both entered into and effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business. Experience under those indemnity reinsurance and administrative agreements must be reported by the assuming issuer as direct business, and must not be reported by the ceding issuer.

If a reinsurance arrangement does not meet the exact criteria specified in the two preceding paragraphs, the experience under that reinsurance arrangement must be reported by the ceding issuer and not by the assuming issuer.

Closed Blocks of Business

All health insurance issuers offering health insurance coverage subject to Section 2718 of the PHSA must submit an MLR report. CMS will use its enforcement discretion and will not initiate an enforcement action against an issuer of group or individual health insurance coverage who fails to submit a full MLR report if the issuer's only health insurance coverage consists of grandfathered plans in closed blocks of business. To qualify, the issuer must provide and the issuer's CFO and CEO must attest to the following information regarding the applicable MLR reporting year:

1. The issuer has ceased offering health insurance coverage, as defined by subject to PHSA Section 2718 requirements §2791(b)(1) of the PHSA, in the small group, large group, and individual health insurance markets in every State in which it is licensed to offer health insurance coverage;
2. The issuer has only grandfathered health plans (as defined in 45 CFR §147.140(a)) in closed blocks of business that are in run-off;
3. The issuer did not submit a Supplemental Health Care Exhibit (SHCE) or other similar State filing for business during the applicable MLR reporting year, has been exempted from filing a SHCE or similar State filing by the State in which it is domiciled, and submits to CMS evidence of this exemption on State letterhead. If the issuer is not subject to a SHCE or similar State filing requirement, this criterion is not applicable;
4. The issuer has less than 1,000 life-years nationwide (combined for all health insurance coverage) for the MLR reporting year; and
5. The issuer has non-credible experience in each State market in which it provides coverage. The issuer must report the number of life-years in each State market for each MLR reporting year that is aggregated to determine whether the issuer has non-credible experience.

Like all issuers that are subject to the MLR reporting requirements, a company that meets all of the criteria described above must register with the MLR module of CMS's Health Insurance Oversight System (HIOS), and complete, update, or confirm the "company issuer association"

form in HIOS. A company that meets all of the above criteria may select "yes" in the "small closed blocks of business" box on the HIOS company issuer association confirmation. When a company that selects "yes" in the "small closed blocks of business" box downloads the MLR reporting form from HIOS, it may complete only Part 4, Line 3.1 of the MLR reporting form for every State and market in which it has health insurance coverage. The company should use HIOS' "upload supplemental material" function to submit an attestation statement that affirms the criteria described above. The company should also upload any State Supplemental Health Care Exhibit (or other similar State required filing) exemption it has received from its State of domicile. The company should then complete the HIOS process.

Issuers satisfying the above criteria may instead choose to complete the full MLR form for their grandfathered plans in closed blocks of business. The option described in this closed block of business policy is intended to reduce MLR reporting burden.

If CMS determines that an issuer does not satisfy the criteria described above, CMS will notify the issuer that it must complete the full MLR reporting form as specified in 45 CFR Part 158.

Aggregate 2% Rule

If the issuer's total earned premium for health insurance coverage in the individual, small group, and large group markets, including any active and credible mini-med policies for a particular State, is less than 2% of its total health earned premium for that State, the issuer may choose to not complete Columns 40 and 41 of Parts 1 and 2 for that State, and instead combine Government Program Plans and Other Health Business experience (Columns 40 and 41) in Column 42 of Parts 1 and 2.

Deferred Business

If, for any aggregation as defined in 45 CFR §158.120, 50% or more of the total earned premium for an MLR reporting year is attributable to newly issued policies with less than 12 months of experience in that MLR reporting year, then the experience of these policies may be deferred, at the option of the issuer. If an issuer defers the reporting of newer business as provided in this paragraph, then the experience of such policies must be excluded from the MLR reporting year in which it occurred and must be added to the experience reported in the following MLR reporting year.

Allocation of Expenses

Each expense must be reported under only one type of expense, unless a portion of the expense fits under the definition of or criteria for one type of expense and the remainder fits into a different type of expense, in which case the expense must be pro-rated between the two (or more) types of expenses. Expenditures that benefit more than one affiliate may be allocated, on a pro rata basis, between the affiliates that benefit from these expenditures. Expenditures that benefit all lines of business or products, including but not limited to those that are for or benefit self-funded plans, must be reported on a pro rata basis.

Aggregation of Experience

An issuer's experience, aggregated by individual, small group, and large group markets, with respect to each policy must be included on the report submitted with respect to the State where the policy was issued, except as specified below.

Group Coverage in Multiple States:
Group coverage issued by a single issuer to an employer that covers employees in multiple States must be reported for the State where the contract is situsued. Situs of the contract is the jurisdiction in which the contract is issued or delivered, as stated in the contract.

Dual-Contract Group Health Coverage:
If an issuer has a group health plan which provides only in-network coverage and an affiliate issuer provides only out-of-network coverage solely for the purpose of providing a group health plan that offers both in-network and out-of-network benefits, the issuer *may choose* to treat the out-of-network experience of the affiliate that provides the out-of-network coverage as if it were related to the contract providing the in-network coverage. If an issuer chooses this method of aggregation, it must do so for a minimum of three consecutive reporting years and the affiliate that provides the out-of-network coverage must not report this experience. After an issuer applies this method for the initial three consecutive reporting years, the issuer may either continue to apply this method for any number of additional consecutive reporting years, or may choose to discontinue applying this method.

Individual Business through an Association:
For individual business sold through an association, the issuer shall include the experience in the State report for the issue State of the certificate of coverage.

Employer Business through Group Trust, Association, or MEWA:
For employer business issued through a group trust, the issuer shall include the experience in the State report for the State where the employer has its principal place of business. For employer business issued through a multiple employer welfare association (MEWA), the issuer shall include the experience in the State report for the State where the MEWA has its principal place of business (if the MEWA is the policyholder). For employer business issued through a non-MEWA association, experience with respect to each employer shall be reported as large group or small group based on the size of each employer and be reported in each State based upon the aggregation rules for employer based insurance.

Definition of Small Group and Large Group:
The large group and small group markets are defined as those where health insurance coverage is obtained by a large or small employer, respectively. Large employer and small employer are defined by the number of employees employed; a small employer has 1 to 100 employees, but if a State uses "50" employees as the upper limit for a small employer, then "50" may be substituted for "100" employees until 2016. A sole proprietor or a sole proprietor's spouse is not considered a group of one. An employer's number of employees is determined by averaging the total number of all employees employed on business days during the preceding calendar year. This includes each full-time, part-time, and seasonal employee.

An issuer must report on this MLR Form only the business issued by the reporting entity. Business that is written by an unaffiliated entity as part of a package provided to the enrollee (e.g., inpatient coverage written by the reporting entity, outpatient coverage written by an unaffiliated separate entity) ***must not*** be included in this MLR Form.

For those issuers of health insurance coverage in Massachusetts' individual and small group markets that merge their markets in accordance with Massachusetts law, please indicate "Yes" in the Merged Markets – Indv/SmGrp (MA only) box at the top of the MLR Form. Please report all experience separately for the

individual and small group markets, and combine it only in MLR numerator, denominator, and credibility life-years fields (Part 4, Lines 1.5, 2.3, and 3.1).

Column Definitions for MLR Annual Reporting Form – Parts 1 and 2

Health insurance coverage, Columns 1 through 15, includes policies that provide medical coverage, including office visits, hospital, surgical, and major medical (illness and injury). Include risk contracts and the Federal Employees Health Benefit Plan (FEHBP). Exclude from Columns 1–15 mini-med plans, since they are reported separately in Columns 16–24 of each State MLR Form, and exclude expatriate plans and student health plans reported in Columns 25–39 on the GT template.

Do not include in Columns 1–39 business specifically included in Columns 40–43 (e.g., uninsured or self-funded business, Medicare (Title XVIII, including Medicare Advantage), Medicaid (Title XIX), vision only, dental only, State Children's Health Insurance Program (SCHIP) (Title XXI), other Federal or State government-sponsored coverage (other than the Federal Employees Health Benefits Program or State government sponsored coverage for State employees or retirees), and short-term, limited duration insurance as further defined in the PHSA). The experience for pharmacy, chiropractic, or mental health coverage, whether sold as a stand-alone product or in conjunction with any other health insurance coverage, should be reported with the health insurance coverage for the applicable market, as these are not "excepted benefits" under the PHSA.

The experience of stop loss or excess of loss coverage for self-funded groups should be reported in Parts 1 and 2, Column 41 – Other Health Business Plans (business excluded by statute). Column 41 includes information reported in Column 11 of the SHCE.

For any data element that is not separately reported in the financial statement filings to the issuer's regulatory authority, an issuer does not need to separately report that element in the 12/31 column of the MLR Form. However, an issuer must separately report that data element in the 3/31 column as required by 45 CFR Part 158 and as instructed in the MLR Form instructions. For example, an issuer may not need to report the amount of contingent benefit and lawsuit reserves in Part 2, Line 2.13 in the 12/31 column, but must report such amounts in the 3/31 column. An issuer must still report, in the detail provided by the MLR form, the amounts for premiums and unearned premium reserves, taxes and fees, claims and claims-related reserves, quality improving activities, and non-claims costs, in both the 12/31 and the 3/31 columns, to the extent the issuer reports such amounts to the issuer's regulatory authority.

Columns 1, 6, 11, 16, 19, 22, 25, 30, 35, 40, 41, 42, 43 – **Business as of 12/31 of the MLR reporting year**

Financial information reported for the 12/31 columns are to equal the exact amounts that were reported directly to the State regulatory authority of the issuer, including amounts that may have been amended in the SHCE the issuer submitted to the NAIC prior to filing the 2013 MLR Form.

Include: Experience of policies in each of the relevant markets for the MLR reporting year, as reported as of December 31, to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year regardless of incurred date.

Columns 2, 7, 12, 17, 20, 23, 36 – **Business as of 3/31 of subsequent MLR reporting year**

Financial Information reported in the 3/31 columns should equal the amount of each element related specifically to experience in the 2013 MLR reporting year and paid through March 31 of the subsequent reporting year (incurred in 12, paid or received in 15), plus any provision for items properly allocable to the 2013 MLR reporting year but not yet paid as of 3/31 of the following year. For example, these columns could include differences from the 12/31 columns in the upper limit for a small group and the lower limit for a large group, if state group size regulations differ from federal group size regulations. (See the Definitions of Small Group and Large Group, in the General Instructions above.) If the issuer elects to treat the out-of-network experience of an affiliate that provides the out-of-network coverage as if it were related to the contract providing the in-network coverage, the issuer must include such out-of-network experience in the 3/31 columns, as well as separately report it in the Dual Contract columns (see the column definition below).

Include: Experience of policies in each market, incurred, paid or received relevant only to the MLR reporting year, reported as of March 31 of the subsequent MLR reporting year.

Columns 3, 8, 13, 18, 21, 24, 37 – **Dual Contract**

If an issuer chooses to treat the out-of-network experience of an affiliate that provides the out-of-network coverage as if it were related to the contract providing the in-network coverage, the issuer must report the out-of-network experience in the 3/31 columns, as well as the Dual Contract column.

Include: Experience reported in columns 2, 7, 12, 17, 20, 23, and 36 that is attributable to dual contracts. Note that these amounts are a *subset* of what is reported as of 3/31.

Columns 4, 9, 14, 38 – **Deferred Newer Business from prior MLR reporting year**

Include: Experience from policies for the relevant market newly issued in the 2012 MLR reporting year (PY1), previously deferred, as provided in the General Instructions. Data elements constituting adjusted incurred claims for business deferred from the preceding MLR reporting year should be restated as of 3/31 of the year following the MLR reporting year.

Columns 5, 10, 15, 39 – **Deferred Newer Business for the MLR reporting year**

Include: Policies for the relevant market newly issued in the 2013 MLR reporting year, as defined more specifically in the General Instructions, deferred for reporting purposes at the issuer's option.

Columns 1–5 **Individual Market**

Include: Health insurance where the policy is issued to an individual covering the individual and his or her dependents in the individual market.

Columns 6–10 **Small Group Market**

Include: All policies issued in the small group market (including fully insured State and local government policies).

Columns 11–15 **Large Group Market**

Include: All policies issued in the large group market (including the Federal Employees Health Benefit Program and fully insured State and local government policies).

Columns 16–24 **Mini-Med Plans**

Include: All policies that have a total annual limit of $250,000 or less for individual, small group, and large group markets, in their respective columns.

Columns 25–34 **Expatriate Plans** (GT Template only. 12/31 column only.)

Include: All group policies written in the United States that provide coverage for employees working outside their country of citizenship; working outside of their country of citizenship and outside the employer's country of domicile; or non-U.S. citizens working in their home country. These policies are to be reported on a nationwide, aggregated basis, separately for the small group and the large group markets, as of 12/31 on the GT template only.

Columns 35–39 **Student Health Plans** (GT template only.)

Include: All health insurance policies issued to students and their dependents pursuant to a written agreement between the issuer and the institution of higher education, as defined by 45 CFR §147.145.

Exclude: Policies reported in other columns. Also exclude amounts paid to a provider for services that do not represent reimbursement for covered services provided to an enrollee and are directly covered by a student administrative health fee.

Column 40 **Government Program Plans (Excluded by Statute)**

Include: Government sponsored programs that are not subject to section 2718 of the PHSA, such as Medicare (Title XVIII, including Medicare Advantage), Medicaid (Title XIX), State Children's Health Insurance Program (SCHIP) (Title XXI), and other Federal or State government-sponsored coverage (other than the Federal Employees Health Benefits Program or State government sponsored coverage for State employees or retirees).

Report the experience of the issuer's government program plans for the MLR reporting year as of December 31, reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year.

Column 41 **Other Health Business (Not Subject to Section 2718 of the PHSA)**

Information reported here is similar to that reported in the SHCE Part 1, Columns 9 and 10.

Report health plan arrangements that are not group *or* individual health insurance coverage provided by a health insurance issuer. Report all other health care business that is not reported in Columns 1–39, including stand-alone dental and vision coverage, long-term care, disability income, etc.

Include: Short-term, limited-duration insurance (as defined under 45 CFR §144.103); supplemental coverage if offered as a separate policy, certificate, or contract of insurance (45 CFR §146.145), including Medicare supplemental health insurance (as defined under section 1882(g)(1) of the Social Security Act), coverage supplemental to the coverage provided under chapter 55 of title 10, United States Code, and similar supplemental coverage provided under a group health plan; hospital or other fixed indemnity insurance, and specified disease or illness coverage if offered under a separate policy, certificate, or contract of insurance (45 CFR §146.145), and other "excepted benefits" as specified by regulations promulgated by HHS (45 CFR §146.145). For the 2013 MLR reporting year, issuers may include the experience of policies that the issuer had categorized as "fixed indemnity" policies and that were filed and approved as such by the state regulatory authority, but which in fact fail to satisfy the criteria for fixed indemnity policies described in the Affordable Care Act Implementation FAQs, Set 11, Question and Answer #7 (January 24, 2013) in this Column, in lieu of reporting such experience in Columns 1–39. The experience for pharmacy, chiropractic, or mental health coverage, whether sold as a stand-alone product or in conjunction with any other health insurance coverage, should be reported with the health insurance coverage for the applicable market, as these are not "excepted benefits" under the PHSA.

Report the experience of the issuer's Other Business for the MLR reporting year as of December 31, as reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year.

Column 42 **2% Aggregate Rule**

Include: Experience otherwise reportable in Columns 40–41, if issuer's total earned premium on health insurance coverage and mini-med experience (Columns 1, 6, 11, 16, 19, and 22) for a particular State is less than 2% of its total health earned premium for that State (Columns 1, 6, 11, 16, 19, 22, 40, and 41). See General Instructions, above.

Column 43 **Uninsured (Self-Funded) Plans**

Include: Plans for which a reporting entity, as an administrator, performs administrative services such as claims processing for an employer that is at risk, and accordingly, the administrator has not issued an insurance policy.

Report the experience of the issuer's Uninsured (Self-Funded) Plans for the MLR reporting year as of December 31, as reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year.

Instructions for MLR Annual Reporting Form – Part 1 (Summary of Data)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013.

In addition to the instructions below, the General Instructions and Column Definitions at the beginning of these Filing Instructions apply to Part 1. The General Instructions and Column Definitions include instructions regarding reporting of reinsurance, deferred business, individual business through an association, employer business through a group trust or MEWA, group coverage in multiple States, and dual contract group health coverage.

Please note that the MLR Form and Filing Instructions implement the requirements of 45 CFR Part 158 and are not identical to the definitions or instructions of the NAIC's SHCE.

Section 1 – Premium:

Line 1.1 – Total direct premium earned

Part 2, Lines 1.1 + 1.2 – 1.3 – 1.7 + 1.8

Line 1.2 – Federal high risk pools

Enter subsidies received or (assessments paid) under Federal high risk pools.

Line 1.3 – State high risk pools

Enter subsidies received or (assessments paid) under State high risk pools.

Exclude: Amounts included in Line 2.4.

Line 1.4 – Net assumed less ceded reinsurance premiums earned

The amount to net against the assumed reinsurance premiums earned is: the ceded reinsurance premiums written; plus the change in unearned premium reserve that is transferred to the company assuming the risk; plus the change in reserve credit taken other than for unearned premiums.

Line 1.5 – Other adjustments due to MLR calculations – premiums

Include: Any amounts excluded from premium for MLR calculation purposes that are normally included in premiums for financial statement purposes.

Amounts for rate credits paid and the change in reserve for rate credits that were excluded from Line 1.1 Total Direct Premiums Earned.

Line 1.6 – Risk revenue

Include: Amounts charged by the reporting entity as a provider or intermediary for specified medical services (e.g., full professional, dental, radiology, etc.) provided to the policyholders or members of another issuer or reporting entity.

Unlike premiums that are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payment, made by another insurer or reporting entity to the reporting issuer in exchange for services to be provided or offered by such organization.

Section 2 – Claims:

Line 2.1 – Total incurred claims

Part 2, Line 2.16.

(Note: In the 2011 MLR reporting form, Part 1, Line 2.1 was equal to Total adjusted incurred claims, which included Allowable fraud reduction expense. The 2012 and 2013 MLR reporting form Part 1, Line 2.1 is Total incurred claims, which does not include Allowable fraud reduction expense. Allowable fraud reduction expense is accounted for in calculating Adjusted incurred claims in Part 4.)

Line 2.2 – Prescription drugs (informational only)

Include: Expenses for prescription drugs and other pharmacy benefits covered by the reporting entity.

Exclude: Prescription drug charges that are included in a hospital billing which should be classified as Hospital/Medical Benefits.

Line 2.3 – Pharmaceutical rebates (informational only)

Line 2.4 – State stop loss, market stabilization, and claim/census based assessments (informational only)

Adjustments that must be included in incurred claims:

- Market stabilization payments or receipts by issuers that are directly tied to claims incurred and other claims-based or census-based assessments
- State subsidies based on a stop-loss payment methodology

Adjustments that must be either included in or deducted from incurred claims:

- Payment to and from unsubsidized State programs designed to address distribution of health risks across issuers via charges to low risk issuers that are distributed to high risk issuers must be included in or deducted from incurred claims, as applicable

Line 2.5 – Net assumed less ceded claims incurred

Assumed reinsurance claims paid; plus the change in the assumed reinsurance claims liability and aggregate assumed reinsurance claims reserve; less the ceded reinsurance claims paid; plus the change in the ceded reinsurance claims liability and aggregate ceded reinsurance claims reserve; less the change in claims related reinsurance recoverable.

Line 2.6 – Other adjustments due to MLR calculation – claims incurred

Any amounts excluded from claims for MLR calculation purposes that are normally included in claims for financial statement purposes. For example, premium deficiency reserves are excluded from contract reserves for MLR purposes in Part 2; thus, premium deficiency reserves would be included on this Line. Include the adjustment for multi-option coverage amounts (report as a negative amount if offsetting Part 2, Line 2.15).

Line 2.7 – Rebates paid

MLR rebates paid during the MLR reporting year.

Line 2.8 – Estimated rebates unpaid at the end of the previous MLR reporting year

Amount should equal Line 2.9 from the previous MLR reporting form.

Line 2.9 – Estimated rebates unpaid at the end of the MLR reporting year

MLR rebates estimated but unpaid as of the end of the MLR reporting year.

Line 2.10 – Fee-for-service and co-pay revenue (net of expenses)

Include: Revenue recognized by the issuer for collection of co-payments from members and revenue derived from health services rendered by reporting entity providers that are not included in member policies (generally only applicable to staff-model HMOs).

Deduct: Medical expenses associated with fee-for-service business.

Line 2.11 – Allowable fraud reduction expenses

Part 2, Line 2.17.

Section 3 – Federal and State Taxes and Licensing or Regulatory Fees:

Any amounts for ACA fees collected in advance of the MLR reporting year in which the fee is payable may not be reported in Section 3.

Line 3.1 – Federal taxes and assessments incurred by the reporting issuer during the MLR reporting year

3.1a – Federal income taxes deductible from premiums in MLR calculations

Include: Federal income taxes attributed to the MLR reporting year allocated to the respective lines of business reported.

Exclude: Federal income taxes on investment income and capital gains.

3.1b – Patient Centered Outcomes Research Institute (PCORI) Fee

This fee is imposed on an issuer of a specified health insurance policy and a plan sponsor of an applicable self-insured health plan.

Include: PCORI fees attributed to applicable policies during the MLR reporting year.

3.1c – Other Federal Taxes (other than income tax) and assessments deductible from premium

Include: Federal taxes and assessments (other than income taxes) allocated to the respective lines of business.

Exclude: Fines, penalties, and fees for examinations by any Federal departments.

Line 3.2 – State insurance, premium, and other taxes incurred by the reporting issuer during the MLR reporting year (deductible from premium in MLR calculation)

3.2a – State income, excise, business, and other taxes, allocated to the respective lines of business reported, that may be excluded from earned premium under 45 CFR §158.162(b)(1)

Include:

- Any industry wide (or subset) assessments (other than surcharges on specific claims) paid to the State directly, or premium subsidies that are designed to cover the costs of providing indigent care or other access to health care throughout the State, or market stabilization redistributions, or cost transfers for the purpose of rate subsidies, not directly tied to claims, and that are authorized by State law
- Guaranty fund assessments
- Assessments of State industrial boards or other boards for operating expenses or for benefits to sick employed persons in connection with disability benefit laws or similar taxes levied by States
- Advertising required by law, regulation or ruling, except advertising associated with investments
- State income, excise, and business taxes other than premium taxes

Exclude: Fines, penalties, and fees for examinations by any State departments.

3.2b – State premium taxes

Include: State premium taxes or State taxes based on policy reserves if in lieu of premium taxes related to the respective lines of business.

3.2c – Community benefit expenditures deductible from premium in MLR calculations

Federal tax exempt issuers: May report a value for 3.2b *and* 3.2c. Community benefit expenditures are limited to the highest of either:

1. Three percent of earned premium; or
2. The highest health insurance coverage premium tax rate in the State for which the report is being submitted, multiplied by the issuer's earned premium in the applicable State market.

Non-Federal tax exempt issuers: May report a value for 3.2b *or* 3.2c, but not both. Issuers *may not* report zero ($0) community benefit expenditures in lieu of negative State premium taxes. Community benefit expenditures are limited to:

- The highest health insurance coverage premium tax rate in the State for which the report is being submitted, multiplied by the issuer's earned premium in the applicable State market.

If an issuer uses the highest premium tax rate in the State, the issuer must report the applicable highest State health premium tax rate in Part 6, Line 1.

Note: Issuers must indicate their Federal tax exempt status in the header of Part 1. **Community benefit expenditures are for activities or programs that seek to achieve the objectives of improving access to health services, enhancing public health, and relief of government burden. This includes activities that:

- Are available broadly to the public and serve low-income consumers;
- Reduce geographic, financial or cultural barriers to accessing health services, and if ceased to exist would result in access problems (e.g., longer wait times or increased travel distances);
- Address Federal, State or local public health priorities, such as advancing health care knowledge through education or research that benefits the public;
- Leverage or enhance public health department activities, such as childhood immunization efforts; or
- Otherwise would become the responsibility of government or another tax-exempt organization.

Line 3.3 – Regulatory authority licenses and fees incurred by the reporting issuer during the MLR reporting year

Include: Statutory assessments to defray operating expenses of any State or Federal regulatory authority, and examination fees in lieu of premium taxes as specified by State law.

Exclude: Fines, penalties, and fees for examinations by any State or Federal regulatory authority other than as specifically included in Line 3.3.

Section 4 - Health Care Quality Improvement Expenses Incurred

Expenses for Quality Improvement (QI) activities are expenditures for activities conducted by issuers that are designed to:

- Improve health quality;
- Increase the likelihood of desired health outcomes in ways that are capable of being objectively measured and of producing verifiable results and achievements;

- Be directed toward individual enrollees or incurred for the benefit of specified segments of enrollees or provide health improvements to the population beyond those enrolled in coverage as long as no additional costs are incurred due to the non-enrollees; and
- Be grounded in evidence-based medicine, widely accepted best clinical practice, or criteria issued by recognized professional medical associations, accreditation bodies, government agencies or other nationally recognized health care quality organizations.

QI activities must be primarily designed to:

- Improve health outcomes including increasing the likelihood of desired outcomes compared to a baseline and reduce health disparities among specified populations;
- Prevent hospital readmissions through a comprehensive program for hospital discharge;
- Improve patient safety, reduce medical errors, and lower infection and mortality rates;
- Implement, promote, and increase wellness and health activities; or
- Enhance the use of health care data to improve quality, transparency, and outcomes and support meaningful use of health information technology consistent with 45 CFR §158.151.

Expenditures and activities that must not be included in quality improving activities are:

- Those that are designed primarily to control or contain costs
- The pro rata share of expenses that are for lines of business or products other than those being reported, including but not limited to, those that are for or benefit self-funded plans
- Those which otherwise meet the definitions for quality improvement activities but which were paid for with grant money or other funding separate from premium revenue
- Those activities that can be billed or allocated by a provider for care delivery and which are, therefore, reimbursed as clinical services
- Establishing or maintaining a claims adjudication system, including costs directly related to upgrades in health information technology that are designed primarily or solely to improve claims payment capabilities or to meet regulatory requirements for processing claims, including maintenance of ICD-10 code sets adopted pursuant to the Health Insurance Portability and Accountability Act (HIPAA), 42 U.S.C. §1320d-2, as amended, and ICD-10 implementation costs in excess of 0.3% of earned premium
- That portion of the activities of health care professional hotlines that does not meet the definition of activities that improve health quality
- All retrospective and concurrent utilization review
- Fraud prevention activities
- The cost of developing and executing provider contracts and fees associated with establishing or managing a provider network, including fees paid to a vendor for the same reason
- Provider credentialing
- Marketing expenses
- Costs associated with calculating and administering individual enrollee or employee incentives
- That portion of prospective utilization that does not meet the definition of activities that improve health quality
- Any function or activity not expressly included in Lines 4.1 through 4.6, unless otherwise approved by and within the discretion of the Secretary, upon adequate showing by the issuer that the activity's costs support the definitions and purposes in this Part or otherwise support monitoring, measuring or reporting health care quality improvement

Expenses which otherwise meet the definition for QI activities but which were paid for with grant money or other funding separate from premium revenues shall NOT be included in QI activities expenses.

Notes:

a. *Healthcare Professional Hotlines*: Expenses for healthcare professional hotlines should be included in Claims Adjustment Expenses to the extent they do not meet the criteria for the above defined columns of Improve Health Outcomes, Prevent Hospital Readmissions, Improve Patient Safety, Reduce Medical Errors, and Lower Infection and Mortality Rates, and Implement, Promote, and Increase Wellness and Health Activities.

b. *Prospective Utilization Review*: Expenses for prospective Utilization Review should be included in Claims Adjustment Expenses to the extent they do not meet the criteria for the above defined columns of Improve Health Outcomes, Prevent Hospital Readmissions, Improve Patient Safety, Reduce Medical Errors, and Lower Infection and Mortality Rates, and Implement, Promote, and Increase Wellness and Health Activities, AND the prospective utilization review activities are not conducted in accordance with a program that has been accredited by a recognized accreditation body.

Line 4.1 – Improve Health Outcomes

Include expenses for the direct interaction of the insurer (including those services delegated by contract for which the insurer retains ultimate responsibility under the insurance policy), providers, and the enrollee or the enrollee's representatives (e.g., face-to-face, telephonic, web-based interactions, or other means of communication) to improve health outcomes.

This category can include costs for associated activities such as:

- Effective case management, care coordination, and chronic disease management, including through the use of the medical homes model as defined in section 3606 of the Affordable Care Act
- Accreditation fees by a nationally recognized accrediting entity directly related to quality of care activities included in Lines 4.1 through 4.6
- Expenses associated with identifying and addressing ethnic, cultural or racial disparities in effectiveness of identified best clinical practices and evidence based medicine
- Quality reporting and documentation of care in non-electronic format

Line 4.2 – Activities to Prevent Hospital Readmission

Include expenses for implementing activities to prevent hospital readmissions.

This category can include costs for associated activities such as:

- Comprehensive discharge planning (e.g., arranging and managing transitions from one setting to another, such as hospital discharge to home or to a rehabilitation center) in order to help assure appropriate care that will, in all likelihood, avoid readmission to the hospital
- Personalized post discharge counseling by an appropriate health care professional
- Any quality reporting and related documentation in non-electronic form for activities to prevent hospital readmission

Line 4.3 – Improve patient safety and reduce medical errors

Include expenses for activities primarily designed to improve patient safety, reduce medical errors, and lower infection and mortality rates.

This category can include costs for associated activities such as:

- The appropriate identification and use of best clinical practices to avoid harm
- Activities to identify and encourage evidence based medicine in addressing independently identified and documented clinical errors or safety concerns
- Activities to lower risk of facility acquired infections
- Prospective prescription drug utilization review aimed at identifying potential adverse drug interactions
- Any quality reporting and related documentation in non-electronic form for activities that improve patient safety and reduce medical errors

Line 4.4 – Wellness and health promotion activities

Include expenses for activities primarily designed to implement, promote, and increase wellness and health activities.

This category can include costs for associated activities such as:

- Wellness assessment
- Wellness/lifestyle coaching programs designed to achieve specific and measurable improvements
- Coaching programs designed to educate individuals on clinically effective methods for dealing with a specific chronic disease or condition
- Public health education campaigns that are performed in conjunction with state or local health departments
- Actual rewards/incentives/bonuses/reductions in co-pays, etc. (not administration of these programs) that are not already reflected in premiums or claims should be allowed as QI activities for the group market to the extent permitted by section 2705 of the PHSA
- Any quality reporting and related documentation in non-electronic form for wellness and health promotion activities
- Coaching or education programs and health promotion activities designed to change member behavior (e.g., smoking, obesity)

Line 4.5 – Health information technology (HIT) expenses related to improving health care quality

Report information technology expenses associated with the activities in Lines 4.1 through 4.4 for which expenses are reported. (45 CFR §158.151 allows "Health Information Technology" expenses that are required to accomplish the activities allowed in 45 CFR §158.150.)

Include HIT expenses required to accomplish the activities reported in Lines 4.1 through 4.4 that are designed for use by health plans, health care providers, or enrollees for the electronic creation, maintenance, access, or exchange of health information as well as activities that are consistent with Medicare and/or Medicaid meaningful use requirements, and which may in whole or in part improve quality of care, or provide the technological infrastructure to enhance current quality improvement or make new quality improvement initiatives possible by doing one or more of the following:

1. Making incentive payments to health care providers for the adoption of certified electronic health record technologies and their ‘‘meaningful use’’ as defined by HHS to the extent such payments are not included in reimbursement for clinical services as defined in 45 CFR §158.140;
2. Implementing systems to track and verify the adoption and meaningful use of certified electronic health records technologies by health care providers, including those not eligible for Medicare and Medicaid incentive payments;
3. Providing technical assistance to support adoption and meaningful use of certified electronic health records technologies;
4. Monitoring, measuring, or reporting clinical effectiveness, including reporting and analysis of costs related to maintaining accreditation by nationally recognized accrediting organizations such as NCQA or URAC, or costs for public reporting of quality of care, including costs specifically required to make accurate determinations of defined measures (e.g., CAHPS surveys or chart review of HEDIS measures and costs for public reporting mandated or encouraged by law);
5. Advancing the ability of enrollees, providers, issuers or other systems to communicate patient centered clinical or medical information rapidly, accurately, and efficiently to determine patient status, avoid harmful drug interactions or direct appropriate care – this may include electronic health records accessible by enrollees and appropriate providers to monitor and document an individual patient’s medical history and to support care management;
6. Tracking whether a specific class of medical interventions or a bundle of related services leads to better patient outcomes;
7. Reformatting, transmitting or reporting data to national or international government-based health organizations for the purposes of identifying or treating specific conditions or controlling the spread of disease; or
8. Provision of electronic health records, patient portals, and tools to facilitate patient self-management.

Exclude costs associated with establishing or maintaining a claims adjudication system, including costs directly related to upgrades in HIT that are designed primarily or solely to improve claims payment capabilities or to meet regulatory requirements for processing claims (for example, costs of implementing new administrative simplification standards and code sets adopted pursuant to the Health Insurance Portability and Accountability Act (HIPAA), 42 U.S.C. §1320d-2, as amended, including all expenditures related to ICD-10 which should be reported in Lines 4.6 and 5.8.

Line 4.6 – Allowable ICD-10 Implementation Expenses

Include: ICD-10 conversion costs incurred in the MLR reporting year up to 0.3% of earned premium in the relevant State market.

Exclude: ICD-10 maintenance costs, as well as ICD-10 implementation expenses in excess of 0.3% of earned premium.

Section 5 – Non-Claims Costs

Line 5.1 – Cost containment expenses not included in quality improvement expenses

Include: Expenses that serve to actually reduce the number of health services provided or the cost of such services.

This category can include costs only if they result in reduced costs or services such as:

- Post- and concurrent- claim case management activities associated with past or ongoing care
- Pre-service utilization review
- Detection and prevention of payment for fraudulent requests for reimbursement (including amounts reported in Part 2, Line 2.17a)
- Expenses for internal and external appeals
- Network access fees to preferred provider organizations and other network-based health plans (including prescription drug networks) and allocated internal salaries and related costs associated with network development and/or provider contracting

Exclude: Cost-containment expenses that improve the quality of health care reported in Part 1, Section 4.

Line 5.2 – All other claims adjustment expenses

Include any expenses for administrative services that do not constitute adjustments to premium revenue, reimbursement for clinical services to enrollees or expenditures on quality improvement activities or cost containment expenses.

This category can include such costs as:

- Estimating the amount of losses and disbursing loss payments
- Maintaining records, general clerical and secretarial costs
- Office maintenance, occupancy costs, utilities, and computer maintenance
- Supervisory and executive duties
- Supplies and postage

Line 5.3 – Direct sales salaries and benefits

Include compensation (including but not limited to salary and benefits) to employees engaged in soliciting and generating sales to policyholders for the issuer.

Line 5.4 – Agents and brokers fees and commissions

All expenses incurred by the issuer payable to a licensed agent, broker, or producer who is not an employee of the issuer in relation to the sale and solicitation of policies for the company.

Line 5.5 – Other taxes

5.5a – Taxes and assessments not excluded from premium. (Do not include amounts reported in Section 3 or Line 9.)

Include:

- Taxes and assessments not deducted from Premium in Section 3

- State sales taxes if the issuer does not exercise the option of including such taxes with the cost of goods sold and services purchased
- Any portion of commissions or allowances on reinsurance assumed that represent specific reimbursement of premium taxes
- Any portion of commissions or allowances on reinsurance ceded that represents specific reimbursement of premium taxes

5.5b – Fines and penalties of regulatory authorities, and fees for examinations by any State or Federal departments other than those included in Line 3.3, above.

Line 5.6 – Other general and administrative expenses

Include: General and Administrative Expenses not previously reported in Sections 3, 4, or 5 above.

These expenses include such examples as:

- Salaries
- Outsource services
- EDP equipment, other equipment
- Accreditation and certification fees
- Reimbursement by uninsured plans and fiscal intermediaries
- ICD-10 maintenance costs
- ICD-10 implementation expenses in excess of 0.3% of earned premium
- Community benefit expenditures – report only the amount in excess of what is already reported in Part 1, Line 3.2c
- Other additional expenses not included in another category such as rent, legal fees and expenses, medical examination expenses, inspection reports, professional consulting fees, travel, advertising, postage, utilities, etc.

Exclude:

- Any elements already reported on Lines 5.1, 5.2, 5.3, 5.4, and 5.5
- Services provided by affiliates under management agreements
- Rating agencies and other similar organizations

Line 5.7 – Total community benefit expenditures (informational only; include amounts reported in Lines 3.2c and 5.6)

Line 5.8 – Total ICD-10 expenses (informational only; include amounts reported in Lines 4.6 and 5.6)

Include all implementation and maintenance expenses associated with ICD-10.

Section/Line 6 – Income from fees on uninsured plans

Section 7 – Other indicators or information

Line 7.1 – Number of policies/certificates

In the individual market, this is the number of individual policies, not counting dependents, in force as of the last day of the reporting year.

In the group markets, this is the number of certificates issued to individuals covered under a group policy in force as of the last day of the reporting year (e.g. number of employees, NOT counting dependents). It is NOT the number of group policyholders (e.g. employers).

Reasonable approximations are allowed when exact information is not available to the issuer for group business.

Line 7.2 – Number of covered lives

This is the total number of lives insured, including dependents, under individual policies and under group certificates as of the last day of the reporting year. Reasonable approximations are allowed when exact information is not available to the issuer.

Line 7.3 – Number of groups

Applicable to the group markets *only*. This is the total number of employer groups insured as of the last day of the reporting year. This is NOT the number of certificates, employees, covered lives, or life-years.

Line 7.4 – Member months

The total number of lives, including dependents, insured on a pre-specified day of each month of the reporting period. Reasonable approximations are allowed when exact information is not available to the issuer.

Line 7.5 – Number of life-years

Part 1, Line 7.4 / 12.

Section 8 – Net investment income and other gain/(loss)

Enter the Grand Total as of 12/31 for ALL markets in Columns 1–43 of each State filing.

Section 9 – Other Federal income taxes

Enter the Grand Total as of 12/31 for ALL markets in Columns 1–43 of each State filing.

Include: Federal income taxes on investment income and capital gains.

Exclude: Taxes entered on Part 1, Lines 3.1a, 3.1b, and 3.1c.

Instructions for MLR Annual Reporting Form – Part 2 (Premium and Claims)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013.

In addition to the instructions below, the General Instructions and Column Definitions at the beginning of these Filing Instructions apply to Part 2. The General Instructions and Column Definitions include instructions regarding reporting of reinsurance, deferred business, individual business through an association, employer business through a group trust or MEWA, group coverage in multiple States, and dual contract group health coverage.

Please note that the MLR Form and Filing Instructions implement the requirements of 45 CFR Part 158 and are not identical to the definitions or instructions of the NAIC's SHCE.

Section 1 – Health Premiums Earned

Earned premium means all monies paid by a policyholder or subscriber as a condition of receiving coverage from the issuer, including any fees or other contributions associated with the health plan and reported on a direct basis. Any amounts for ACA fees collected in advance of the MLR reporting year in which the fee is payable must not be reported as unearned premium.

Line 1.1 – Direct premium written

12/31 Column – report amount as of 12/31 of the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year.

3/31 Column (premium for coverage in MLR reporting year only) – report premium collected from 1/01 of the MLR reporting year through 3/31 of the year following the MLR reporting year for coverage in the MLR reporting year only, plus uncollected (due and unpaid) premium for coverage in the MLR reporting year only as of 3/31 of the year following the MLR reporting year. Premium should reflect retroactive eligibility adjustments related to coverage in the MLR reporting year. PLEASE NOTE that this methodology differs from NAIC SHCE methodology. However, issuers may choose to report amounts on the same basis as in the 12/31 columns.

Premium should include all amounts collected toward ACA fees, regardless of whether the fees were included in premium or billed as a separate line item.

Include:

- Premium assumed under a 100% assumption reinsurance agreement (with a novation) must be reported by the assuming issuer for the entire MLR reporting year during which the policies are assumed and must not be reported by the ceding issuer
- Premium assumed under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into and also effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business

Exclude:

- Premium ceded under a 100% assumption reinsurance agreement (with a novation) must be reported by the assuming issuer for the entire MLR reporting year during which the policies are assumed and must not be reported by the ceding issuer
- Premium ceded under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into and also effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business
- Assessments paid to or subsidies received from State and Federal high risk pools
- Amounts for rate credits paid

Line 1.2 – Unearned premium (year preceding the MLR reporting year)

12/31 Column – report reserves established to account for the portion of the premium paid prior to the MLR reporting year that was intended to provide coverage during the MLR reporting year. Report reserves as of 12/31 of the year preceding the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the year preceding the MLR reporting year.

3/31 Column (premium for coverage in the MLR reporting year only) – report premium for coverage in the MLR reporting year only, collected in the immediately preceding MLR reporting year. Report amounts as of 12/31 of the year preceding the MLR reporting year. PLEASE NOTE that this methodology differs from NAIC SHCE methodology. However, if the issuer chose to report direct written premium in Line 1.1 on the same basis as in the 12/31 column, the issuer should report unearned premium reserves consistently with how it reports direct written premium.

Line 1.3 – Unearned premium (MLR reporting year)

12/31 Column – report reserves established to account for the portion of the premium paid in the MLR reporting year that was intended to provide coverage during the following MLR reporting year. Report reserves as of 12/31 of the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as filed on the NAIC SHCE filing for the MLR reporting year.

3/31 Column – report zero (note that if collected and due and unpaid premium is reported correctly in Line 1.1 above, Line 1.1 should not include amounts that would constitute unearned premium for coverage in years subsequent to the MLR reporting year). PLEASE NOTE that this methodology differs from the NAIC SHCE methodology. However, if the issuer chose to report direct written premium in Line 1.1 on the same basis as in the 12/31 column, the issuer should report unearned premium reserves consistently with how it reports direct written premium. Do not include any amounts collected during 2013 for 2014 ACA fees as unearned premium.

Line 1.4 – Experience rating refunds (rate credits) paid or received

1.4a – 12/31 Column – report all refunds paid or received through 12/31 of the MLR reporting year.

1.4b – 3/31 Column – report refunds associated only with claims incurred during the MLR reporting year, paid or received through 3/31 of the following year.

Include: Experience rating refunds and State premium refunds paid or received during the MLR reporting year. Experience rating refund is the return of a portion of premium pursuant to a retrospectively rated funding arrangement when the sum of incurred losses, retention, and margin are less than earned premium.

Exclude: Federal and State MLR rebates.

Line 1.5 – Reserves for experience rating refunds (MLR reporting year)

12/31 Column – all refunds unpaid as of 12/31 of the MLR reporting year.

3/31 Column –refunds associated only with claims incurred during the MLR reporting year, not paid or received through 3/31 of the following year.

Include: Reserves for experience rating refunds, plus reserves for State premium refunds.

Exclude: Reserves for Federal and State MLR rebates.

Deduct: Amounts receivable under retrospectively rated funding arrangements.

Line 1.6 – Reserves for experience rating refunds (year preceding the MLR reporting year)

12/31 Column – as of 12/31 of the year preceding the MLR reporting year.

See instructions for Line 1.5.

Line 1.7 – Premium write-offs

Include:

- Agents' or premium balances determined to be uncollectible and written off as losses
- Recoveries made during the MLR reporting year on balances previously written
- Include actual write-offs

Exclude:

- Reserves for bad debt or statutory non-admitted amounts

Line 1.8 – Group conversion charges

If the amount entered on Line 1.1 has been reduced or increased by the amount of any conversion charges associated with group conversion privileges between Group and Individual lines of business in your annual statement accounting, enter the reverse of these charges on this line in the appropriate columns.

If an issuer transfers portions of earned premium associated with group conversion privileges between group and individual lines of business in its Annual Statement, these amounts must be added to or subtracted from incurred claims. (See Part 2, Section 2 – Claims.)

Line 1.9 – Premium ceded under 100% reinsurance (informational only; excluded from Line 1.1)

Include:

- Premium ceded under a 100% assumption reinsurance agreement (with a novation)
- Premium ceded under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into and also effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business

Line 1.10 – Premium assumed under 100% reinsurance agreement (informational only; included in Line 1.1)

Include:

- Premium assumed under a 100% assumption reinsurance agreement (with a novation)
- Premium assumed under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into and also effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business

Section 2 – Claims

Amounts reported in Section 2 must include direct claims paid to or received by physicians and other non-physician clinical providers, including under capitation contracts with those providers, whose services are covered by the policy for clinical services or supplies covered by the policy. Non-physician clinical providers must be licensed, accredited, or certified to perform clinical health services, consistent with State law, and engaged in the delivery of medical services to enrollees.

Reimbursement for clinical services to enrollees is also referred to as incurred claims.

Line 2.1 – Claims paid

2.1a – 12/31 Column – claims paid during the MLR reporting year regardless of incurred date.

2.1b – 3/31 Column – claims incurred only during the MLR reporting year, paid from 1/01 of the MLR reporting year through 3/31 of the following year.

Include:

- Report payments net of risk share amount collected or paid
- Any overpayment that has not yet been recovered should be included in paid claims and included in health care receivables
- Market stabilization payments by issuers that are directly tied to claims incurred and other claims based or census based assessments
- State subsidies based on a stop-loss payment methodology (include as a negative adjustment)

- Claims assumed under a 100% assumption reinsurance agreement (with a novation) must be reported by the assuming issuer for the entire MLR reporting year during which the policies are assumed and must not be reported by the ceding issuer
- Claims assumed under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into an effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business
- Payment to unsubsidized State programs designed to address distribution of health risks across issuers via charges to low risk issuers that are distributed to high risk issuers must be included in incurred claims

Exclude:

- Claims ceded under a 100% assumption reinsurance agreement (with a novation) must be reported by the assuming issuer for the entire MLR reporting year during which the policies are assumed and must not be reported by the ceding issuer
- Claims ceded under a 100% indemnity reinsurance and administrative agreement, limited to only those agreements both entered into an effective prior to March 23, 2010, where the assuming entity is responsible for 100% of the ceding entity's financial risk and takes on all of the administration of the block of business
- Amounts paid to third party vendors for secondary network savings
- Amounts paid to third party vendors for network development, administrative fees and profit, claims processing, and concurrent or post-service utilization management or any other issuer function
- Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee
- Incentive and bonus payments made to providers (to be reported in Line 2.11)

Deduct:

- Any overpayment that has already been received from providers should not be reported as a paid claim
- Prescription drug rebates, refunds, incentive payments, bonuses, discounts charge backs, coupons, grants, direct or indirect subsidies, direct or indirect remuneration, upfront payments, goods in kinds or similar benefits received by the issuer
- Market stabilization receipts by issuers that are directly tied to claims incurred and other claims based or census based assessments
- Payment from unsubsidized State programs designed to address distribution of health risks across issuers via charges to low risk issuers that are distributed to high risk issuers must be deducted from incurred claims

Line 2.2 – Direct claim liability (MLR reporting year)

2.2a – 12/31 Column – liability as of 12/31 of MLR reporting year for all claims regardless of incurred date.

2.2b – 3/31 Column – liability based on claims incurred only during the MLR reporting year, and unpaid as of 3/31 of the following year.

Include:

- Unpaid claims, including claims reported in the process of adjustment, percentage withholds from payments made to contracted providers, recoverable for anticipated coordination of benefits (COB) and subrogation (including third party liability)
- Incurred but not reported – report claims incurred only during the MLR reporting year and not reported by 3/31 of the following year. Except where inapplicable, the reserve included in these lines should be based on past experience, modified to reflect current conditions, such as changes in exposure

Line 2.3 – Direct claim liability prior year (year preceding the MLR reporting year)

12/31 Column – liability as of 12/31 of the year preceding the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as reported on the NAIC SHCE filing for the year preceding the MLR reporting year.

Line 2.4 – Direct claim reserves (MLR reporting year)

2.4a – 12/31 Column – reserves as of 12/31 of MLR reporting year for all claims regardless of incurred date.

2.4b – 3/31 Column – reserves based on experience incurred only in the MLR reporting year, calculated as of 3/31 of the following year.

Report reserves related to healthcare services for present value of amounts not yet due on claims.

Line 2.5 – Direct claim reserves prior year (year preceding the MLR reporting year)

12/31 Column – reserves as of 12/31 of the year preceding the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as reported on the NAIC SHCE filing for the year preceding the MLR reporting year.

Line 2.6 – Direct contract reserve (MLR reporting year)

Report the amount of reserves required when, due to the gross premium structure, the future benefits exceed the future net premium. Contract reserves are in addition to claim liabilities and claim reserves.

Include: Contract reserves and other claims related reserves.

Exclude: Premium deficiency reserves.
Reserves for expected MLR rebates.

2.6a – 12/31 Column – reserves as of 12/31 of the MLR reporting year, as reported to the regulatory authority in the issuer's State of domicile or as reported on the NAIC SHCE filing for the MLR reporting year.

2.6b – 3/31 Column – for policies issued prior to 2011, contract reserves may only be used in the MLR calculation if such reserves were held prior to 2011, and may include reserves used for the purpose of leveling policy duration-based variation in claims experience only if durational contract reserves were held for such policies prior to 2011. Reported contract

reserves may not exceed contract reserves calculated using the applicable product pricing assumptions. Calculate as of 12/31 of the MLR reporting year.

Line 2.7 – Direct contract reserves prior year (year preceding the MLR reporting year)

12/31 Column – amount reported as of 12/31 of the year preceding the MLR reporting year.

3/31 Column – amount reported on Line 2.6b in the 3/31 Column of the MLR Form for the preceding year.

Line 2.8 – Experience rating refunds (rate credits) paid or received

2.8a – 12/31 Column – report all refunds paid or received through 12/31 of the MLR reporting year.

2.8b – 3/31 Column – report refunds associated only with claims incurred during the MLR reporting year, paid or received through 3/31 of the following year.

Include: Experience rating refunds and State premium refunds paid or received during the MLR reporting year. Experience rating refund is the return of a portion of premium pursuant to a retrospectively rated funding arrangement when the sum of incurred losses, retention, and margin are less than earned premium.

Exclude: Federal and State MLR rebates.

Line 2.9 – Reserves for experience rating refunds (MLR reporting year)

2.9a – 12/31 Column – all refunds unpaid as of 12/31 of the MLR reporting year.

2.9b – 3/31 Column – refunds associated only with claims incurred during the MLR reporting year, not paid or received as of 3/31 of the following year.

Include: Reserves for experience rating refunds, plus reserves for State premium refunds.

Exclude: Reserves for Federal and State MLR rebates.

Deduct: Amounts receivable under retrospectively rated funding arrangements.

Line 2.10 – Reserves for experience rating refunds (year preceding the MLR reporting year)

12/31 Column – as of 12/31 of the year preceding the MLR reporting year.

See instructions for Line 2.9.

Line 2.11 – Incurred medical incentive pools and bonuses

12/31 Column – based on all payments through 12/31 of the MLR reporting year.

3/31 Column – based on amounts incurred only during the MLR reporting year and paid through 3/31 of the following year.

Include arrangements with providers and other risk sharing arrangements whereby the reporting entity agrees to either share savings or make incentive payments to providers.

2.11a – Paid medical incentive pools and bonuses for the MLR reporting year.

2.11b – Accrued medical incentive pools and bonuses for the MLR reporting year. Exclude amounts recorded on Line 2.11a, include only the amount of medical incentive and bonus pool payments that are estimated to be owed but not yet paid for the MLR reporting year.

2.11c – Accrued medical incentive pools and bonuses for the year preceding the MLR reporting year.

Line 2.12 – Net healthcare receivables

12/31 Column – receivables reported as of 12/31 of the MLR reporting year.

3/31 Column – receivables incurred during the MLR reporting year and that remain outstanding as of 3/31 of the following year.

2.12a – Healthcare receivables (MLR reporting year).

2.12b – Healthcare receivables (year preceding the MLR reporting year).

The amounts on these lines are the gross healthcare receivable assets, not just the admitted portion. These amounts should not include those healthcare receivables, such as loans or advances to non-related party hospitals, established as prepaid assets that are not expensed until the related claims have been received from the provider.

Line 2.13 – Contingent benefit and lawsuit reserves for claims incurred in the MLR reporting year

12/31 Column – reserves as of 12/31 of the MLR reporting year.
If not separately reported in annual financial filings to the issuer's regulatory authority, the issuer does not need to separately report this element in this column.

3/31 Column – reserves related to claims incurred during the MLR reporting year and unpaid as of 3/31 of the following year.
Issuer must separately report this data element in the 3/31 column as provided in 45 CFR Part 158 and as noted in the General Instructions.

Include: The claims-related portion of reserves for contingent benefits and lawsuits.

Exclude: Reserves related to costs associated with claims lawsuits within Line 2.13; e.g., legal fees, court costs, pain and suffering damages, punitive damages, etc.

Line 2.14 – Group conversion charges

If there are any group conversion charges for a health plan, the conversion charges must be subtracted from the incurred claims for the aggregation that includes the conversion policies and this same amount must be added to the incurred claims for the aggregation that provides coverage that is intended to be replaced by the conversion policies.

If an issuer transfers portions of earned premium associated with group conversion privileges between group and individual lines of business in its annual statement accounting, these amounts must be added to or subtracted from incurred claims.

Line 2.15 – Blended rate adjustment

Affiliated issuers that offer group coverage at a blended rate *may choose* whether to make an adjustment to each affiliate's incurred claims and activities to improve health care quality, to reflect the experience of the issuer with respect to the employer as a whole, according to an objective formula the issuer defined prior to the beginning of the MLR reporting year, so as to result in each affiliate having the same ratio of incurred claims to earned premium for that employer group for the MLR reporting year as the ratio of incurred claims to earned premium calculated for the employer group in the aggregate. From the date an issuer ***chooses*** to use such an adjustment, it must be used for a minimum of three consecutive MLR reporting years. Affiliated issuers that choose to make such an adjustment must do so for all policies with blended rates in the applicable State market.

Line 2.16 Total incurred claims

12/31 column: Part 2 Lines 2.1a + 2.2a – 2.3 + 2.4a – 2.5 + 2.6a – 2.7 + 2.8a + 2.9a – 2.10 + 2.11a + 2.11b – 2.11c – 2.12a + 2.12b + 2.13 + 2.14 + 2.15

3/31 column: Part 2 Lines 2.1b + 2.2b + 2.4b + 2.6b – 2.7 + 2.8b + 2.9b + 2.11a + 2.11b – 2.12a + 2.13 + 2.14 + 2.15

(Note: Allowable fraud reduction expenses are added to Incurred Claims in the calculation of Adjusted Incurred Claims in Part 4, Line 1.2.)

Line 2.17 – Allowable fraud reduction expenses

Report the amount of claims payments recovered through fraud reduction efforts not to exceed the amount of fraud reduction expenses.

This amount is limited to the lesser of the total fraud reduction expenses reported on Line 2.17a or the actual fraud recoveries collected on paid claims on Line 2.17b. If either Line 2.17a or Line 2.17b is equal to zero (0) then the allowable amount is equal to zero (0).

2.17a – Total fraud reduction expense.

2.17b – Total fraud recoveries that reduced PAID claims in Part 2, Line 2.1.
Include collected fraud recoveries on paid claims only.

Reporting Form – Part 3
(Expense Allocation Methodology)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013. Complete Part 3 only within the GT template.

Description of Methods to Allocate Expenses

Describe the methods used to allocate expenses, as reported on the MLR Form, including incurred claims, quality improvement expenses, Federal and State taxes and licensing or regulatory fees, and other non-claims costs, to each health insurance market (e.g., individual, small group, large group, mini-med plans, expatriate plans, government program plans, other health business, and uninsured plans, each as defined in the Column Definitions at the beginning of these Filing Instructions) in each State.

A detailed description of each expense element must be provided, including how each specific expense meets the criteria for the type of expense in which it is categorized, as well as the method by which it was aggregated. (See instructions within Parts 1 and 2 for descriptions of the various expense elements.)

For a new initiative that otherwise meets the definition of quality improvement activities (QI) (see Filing Instructions for Part 1) but has not yet met the requirement that it be capable of being objectively measured and of producing verifiable results and achievements, note that it is "NEW" in the description of the QI and include the expected timeframe for the activity to meet this requirement.

Acceptable Bases for Allocation of Expenses

Allocation of each type of expense among health insurance markets should be based on a generally accepted accounting method that is expected to yield the most accurate results. If this is not feasible, the issuer should provide an explanation as to why it believes a more accurate result will be gained from its allocation of expenses, including pertinent factors or ratios, such as studies of employee activities, salary ratios or similar analyses.

Many entities operate within a group where personnel and facilities are shared. Shared expenses, including expenses under the terms of a management or administrative services contract, must be apportioned pro rata to the entities incurring the expense.

Any basis adopted to apportion expenses must be that which is expected to yield the most accurate results and may result from special studies of employee activities, salary ratios, premium ratios or similar analyses. Expenses that relate to a specific entity or sub-set of entities, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by that specific entity or subset of entities and must not be apportioned to other entities within a group.

Line References

Line 1 – Incurred Claims (as reported on Part 2, Lines 2.1 through 2.15)

Line 2 – Federal and State Taxes and Licensing or Regulatory Fees (as reported on Part 1, Section 3)

Line 2.a – Federal taxes and assessments (as reported on Part 1, Lines 3.1a, 3.1b, and 3.1c)

Line 2.b – State insurance, premium, and other taxes (as reported on Part 1, Lines 3.2a and 3.2b)
Line 2.c – Community benefit expenditures (as reported on Part 1, Line 3.2c)
Line 2.d – Regulatory authority licenses and fees (as reported on Part 1, Line 3.3)

Line 3 – Quality Improvement Expenses (as reported on Part 1, Section 4)

Line 3.a – Improve health outcomes (as reported on Part 1, Line 4.1)
Line 3.b – Activities to prevent hospital readmission (as reported on Part 1, Line 4.2)
Line 3.c – Improve patient safety and reduce medical errors (as reported on Part 1, Line 4.3)
Line 3.d – Wellness and health promotion activities (as reported on Part 1, Line 4.4)
Line 3.e – Allowable ICD-10 expenses not to exceed 0.3 % of premium (as reported on Part 1, Line 4.5)
Line 3.f – Health Information Technology (HIT) expenses related to health improvement (as reported on Part 1, Line 4.6)

Line 4 – Non-claims Costs (as reported on Part 1, Section 5)

Line 4.a – Cost containment expenses (as reported on Part 1, Line 5.1)
Line 4.b – All other claims adjustment expenses (as reported on Part 1, Line 5.2)
Line 4.c – Direct sales salaries and benefits (as reported on Part 1, Line 5.3)
Line 4.d – Agents and brokers fees and commissions (as reported on Part 1, Line 5.4)
Line 4.e – Other taxes (as reported on Part 1, Line 5.5a and 5. 5b)
Line 4.f – Other general and administrative expenses (as reported on Part 1, Line 5.6)
Line 4.g – Community benefit expenditures (as reported on Part 1, Line 5.7)
Line 4.h – ICD-10 implementation and maintenance (as reported on Part 1, Line 5.8)

Instructions for MLR Annual Reporting Form – Part 4 (MLR and Rebate Calculation)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013.

No data needs to be entered in any of the cells shaded grey or pink.

COLUMN DEFINITIONS – PART 4

Columns 1, 5, 9, 13, 17, 21 – **PY2**

Report the information for the MLR reporting year that is 2 years prior to the MLR reporting year. Report corrected amounts if reported in error in prior MLR Form submissions. All elements should be reported in accordance with the applicable reporting year's instructions. Exception: Part 4, Line 1.1 should be reported as originally submitted.

Columns 2, 6, 10, 14, 18, 22 – **PY1**

Report the information for the MLR reporting year that is 1 year prior to the MLR reporting year. Report corrected amounts if reported in error in prior MLR Form submissions. All elements should be reported in accordance with the applicable reporting year's instructions. Exception: Part 4, Line 1.1 should be reported as originally submitted.

Columns 3, 7, 11, 15, 19, 23, 35 – **CY**

Report the information for the MLR reporting year.

Columns 4, 8, 12, 16, 20, 24, 36 – **Total**

For Sections 1 and 2 and Line 3.1, report the sum of the amounts in PY2, PY1, and CY columns, except for Lines 1.5, 1.6, and 2.3. Otherwise, follow line instructions. The Total column is used to calculate the numerator and denominator of the MLR calculation. CY adjusted premium is used to calculate the issuer's rebate, if any.

<u>Column Groupings</u>

For the definitions for each of the following markets, see the Column Definitions at the beginning of these Filing Instructions.

Columns 1–4 – Individual Market
Columns 5–8 – Small Group Market
Columns 9–12 – Large Group Market
Columns 13–16 – Mini-Med plans – Individual Market
Columns 17–20 – Mini-Med plans – Small Group Market
Columns 21–24 – Mini-Med plans – Large Group Market
Columns 25–28 – Expatriate plans – Small Group Market (Not applicable for 2013)
Columns 29–32 – Expatriate plans – Large Group Market (Not applicable for 2013)

Columns 33–36 – Student Health plans – Individual Market (GT template only)

LINE INSTRUCTIONS – PART 4

Columns 1–24 are not applicable for the GT template, with the exception of Line 5.4.

Section 1 – Medical Loss Ratio Numerator

Line 1.1 – Adjusted incurred claims as reported on the MLR Form for prior year(s)

PY2 Column – 2011 MLR Form, Part 1, Line 2.1, Columns 3/31 + Deferred PY– Deferred CY

PY1 Column – 2012 MLR Form, Part 1, Lines 2.1 + 2.11, Columns 3/31 + Deferred PY– Deferred CY

Line 1.2 – Adjusted incurred claims as of 3/31 of the year following the MLR reporting year

Report corrected amounts if prior year's information was reported inaccurately.

PY2 Column – enter the amount of adjusted incurred claims reported on Part 1, Lines 2.1, Columns 3/31 + Deferred PY1 – Deferred CY of the MLR Form 2 years prior to the MLR reporting year, restated as of 3/31 of the year following the MLR reporting year. For example, for reporting year 2013, enter 2011 adjusted incurred claims restated as of 3/31/2014. (This is also known as claims incurred in 12 months and paid in 39 months.) Restate all applicable elements of adjusted incurred claims, including reserves and the allowable fraud reduction expense, in accordance with the Filing Instructions from 2 years prior to the MLR reporting year.

PY1 Column – enter the amount of adjusted incurred claims reported on Part 1, Line 2.1 + Part 2, Line 2.17, Columns 3/31 + Deferred PY1 – Deferred CY of the MLR Form for the preceding MLR reporting year, restated as of 3/31 of the year following the MLR reporting year. (This is also known as claims incurred in 12 months and paid in 27 months). Restate all applicable elements of adjusted incurred claims, including reserves and the allowable fraud reduction expense, in accordance with the Filing Instructions from the year preceding the MLR reporting year.

CY Column – Part 1, Lines 2.1 + 2.11, Columns 3/31 + Deferred PY1 – Deferred CY (Note that adjusted incurred claims in the Deferred PY1 columns on Parts 1 and 2 should have been restated as of 3/31 of the year following the MLR reporting year.)

Line 1.3 – Improving Health Care Quality Expenses

PY2 Column – 2011 MLR Form, Part 1, Line 4.6, Columns 3/31 + Deferred PY1 – Deferred CY

PY1 Column – 2012 MLR Form, Part 1, Lines 4.1 + 4.2 + 4.3 + 4.4 + 4.5 + 4.6, Columns 3/31 + Deferred PY1 – Deferred CY

CY Column – Part 1, Lines 4.1 + 4.2 + 4.3 + 4.4 + 4.5 + 4.6, Columns 3/31 + Deferred PY1 – Deferred CY

Line 1.4 – MLR rebates paid based on experience for the two immediately preceding MLR reporting years

PY2 Column – enter the amount of the Federal MLR rebates paid for the 2011 MLR reporting year experience.

PY1 Column – enter the amount of the Federal MLR rebates paid for the 2012 MLR reporting year experience.

Exclude: Interest paid to policyholders for late payments of MLR rebates.

Line 1.5 – MLR numerator

PY2 Column – Lines 1.2 + 1.3

PY1 Column – Lines 1.2 + 1.3

CY Column – Lines 1.2 + 1.3

Total Column – Lines 1.2 + 1.3 + 1.4

In states with different MLR standards for the current reporting year or either of the two prior years, issuers may scale the experience included in the Total column for Line 1.5 to account for the change(s) in MLR standards. The scaling adjustment for the prior year is the current year standard minus the prior year standard, multiplied by the prior year adjusted premium. The scaling adjustment for two years prior is the current year standard minus the standard from two years prior, multiplied by the adjusted premium from two years prior. For example, an issuer subject to a 67% MLR standard in 2011, a 75% standard in 2012, and an 80% MLR standard in 2013, with adjusted premiums of $1,000,000, $1,200,000, and $1,300,000 in 2011, 2012, and 2013, respectively, would have an adjustment of (80% - 75%) * $1,200,000 and (80% - 67%) * $1,000,000 = $60,000 + $130,000 = $190,000. Note that the scaling adjustment amount(s) should be added to the Total Column for Line 1.5, and not in the CY, PY1, or PY2 columns.

Massachusetts only: Issuers with health insurance coverage in both the Massachusetts individual and small group markets, who merge their markets in accordance with Massachusetts law, should combine Lines 1.2 + 1.3 + 1.4 for both markets and all years of aggregation, and enter this combined amount on Line 1.5 in the Total Columns for both markets (Columns 4 and 8). Please note that MLR numerator, denominator, and life-years to determine credibility are the only fields on the MLR Form where experience for the two markets can be combined.

Line 1.6 – Mini-Med and Student Health Plan numerator after adjustment factor

PY2 Column – enter the results of the following calculation:

Mini-Med: 2.0 x (Lines 1.2 + 1.3). Note: Use this amount to determine the base credibility factor in Line 3.2. Do NOT use this amount to calculate the 2013 MLR numerator in Line 1.6, Total Column.

PY1 Column – enter the results of the following calculation:

Mini-Med: 1.75 x (Lines 1.2 + 1.3). Note: Use this amount to determine the base credibility factor in Line 3.2. Do NOT use this amount to calculate the 2013 MLR numerator in Line 1.6, Total Column.

CY Column – enter the results of the following calculation:

Mini-Med: 1.50 x (Lines 1.2 + 1.3)

Total Column – enter the results of the following calculations:

Mini-Med: 1.50 x (Total Column, Lines 1.2 + 1.3 + 1.4)
(Note: Mini-Med issuers must add the reported experience for each MLR year together and then apply the multiplier for the 2013 MLR reporting year (1.50) to the aggregated experience.)

Expatriate: Not applicable for the 2013 MLR reporting year

Student Health: 1.15 x (Total Column, Lines 1.2 + 1.3 + 1.4)

Massachusetts only: Issuers with health insurance coverage in both the Massachusetts Mini-Med individual and small group markets, who merge their markets in accordance with Massachusetts law, should combine 1.50 x (Lines 1.2 + 1.3 + 1.4) for both markets and all years of aggregation, and enter this combined amount on Line 1.5 in the Total Columns for both markets (Columns 16 and 20). Please note that MLR numerator, denominator, and life-years to determine credibility are the only fields on the MLR Form where experience for the two markets can be combined.

Section 2 - Medical Loss Ratio Denominator

Line 2.1 – Premium earned including Federal and State high risk programs

PY2 Column – 2011 MLR Form, Part 1, Line 1.4, Columns 3/31 + Deferred PY1 – Deferred CY

PY1 Column – 2012 MLR Form, Part 1, Lines 1.1 + 1.2 + 1.3, Columns 3/31 + Deferred PY1 – Deferred CY

CY Column – Part 1, Lines 1.1 + 1.2 + 1.3, Columns 3/31 + Deferred PY1 – Deferred CY

Line 2.2 – Federal and State taxes and licensing or regulatory fees

PY2 Column – 2011 MLR Form, Part 1, Line 3.4, Columns 3/31 + Deferred PY1 – Deferred CY

PY1 Column – 2012 MLR Form, Part 1, Lines 3.1a + 3.1b + 3.2a + (the higher of 3.2b or 3.2c) + 3.3, Columns 3/31 + Deferred PY1 – Deferred CY

Note: If Line 3.2b is negative and Line 3.2c is zero or blank (or vice versa), zero may not be used as the higher of the two: only the negative amount may be used in the equation.

CY Column – enter the result of the following calculation:

Federal tax-exempt issuers:

Part 1, Lines 3.1a + 3.1b + 3.1c + 3.2a + 3.2b + 3.2c + 3.3, Columns 3/31 + Deferred PY1 – Deferred CY

Not Federal tax-exempt issuers:

Part 1, Lines 3.1a + 3.1b + 3.1c + 3.2a + (the higher of 3.2b or 3.2c) + 3.3, Columns 3/31 + Deferred PY1 – Deferred CY

Note: If Line 3.2b is negative and Line 3.2c is zero or blank (or vice versa), zero may not be used as the higher of the two: only the negative amount may be used in the equation.

Line 2.3 – MLR denominator

Total Column – enter the result of the following calculation:

Lines 2.1 – 2.2

Massachusetts only: For Health Insurance Coverage and Mini-med plans respectively, issuers with experience in both Massachusetts' individual and small group markets who merge markets in accordance with Massachusetts law, should combine Lines 2.1 – 2.2 for both markets and all years of aggregation, and enter this combined amount on Line 2.3 in the Total Columns for both markets (Columns 4 and 8 for health insurance coverage, Columns 16 and 20 for Mini-med plans.). Please note that MLR numerator and denominator, and life-years to determine credibility are the only fields on the MLR Form where experience for the two markets may be combined.

Section 3 – Credibility Adjustment

Line 3.1 – Life-years

PY2 Column – 2011 MLR Form, Part 1, Line 11.5, Columns 3/31 + Deferred PY2 – Deferred CY

PY1 Column – 2012 MLR Form, Part 1, Line 7.5, Columns 3/31 + Deferred PY1 – Deferred CY

CY Column – Part 1, Line 7.5, Columns 3/31 + Deferred PY1 – Deferred CY

Massachusetts only: For Health Insurance Coverage and Mini-med plans respectively, issuers with experience in both Massachusetts' individual and small group markets who merge their markets in accordance with Massachusetts law, should combine Line 3.1 for both markets and all years of aggregation, and enter this combined amount on Line 3.1 in the Total Columns for both markets (Columns 4 and 8 for health insurance coverage, Columns 16 and 20 for Mini-med plans.). Please note that MLR numerator, denominator, and life-years to determine credibility are the only fields on the MLR Form where experience for the two markets may be combined.

Line 3.2 – Base credibility factor

Non-credible experience: An issuer with aggregated life-years of less than 1,000 as reported in Line 3.1, Total Column for the relevant market is presumed to meet or exceed the applicable MLR standard and does not receive a credibility adjustment.

Fully credible experience: An issuer with 75,000 or more aggregated life-years as reported in Line 3.1, Total Column for the relevant market does not receive a credibility adjustment. Enter zero (0%) or leave blank.

Partially credible experience: An issuer with at least 1,000 but fewer than 75,000 aggregated life-years as reported in Line 3.1, Total Column for the relevant market may receive a base credibility factor calculated as follows:

Beginning with the 2013 reporting year, the credibility adjustment for an MLR based on partially credible experience is zero if both of the following conditions are met:

(1) The current MLR reporting year and each of the two previous MLR reporting years included experience of at least 1,000 life-years; and
(2) Without applying any credibility adjustment, the issuer's MLR for the current MLR reporting year and each of the two previous MLR reporting years were below the applicable MLR standard for each year.

Specifically, the base credibility factor is zero if all of the following conditions are met:

- Line 3.1, PY2 Column is at least 1,000; and
- Line 3.1, PY1 Column is at least 1,000; and
- Line 3.1, CY Column is at least 1,000; and
- Line 4.1a or 4.1b, PY2 Column is less than Line 5.1, PY2 Column; and
- Line 4.1a or 4.1b, PY1 Column is less than Line 5.1, PY1 Column; and
- Line 4.1a or 4.1b, CY Column is less than Line 5.1, CY Column.

Otherwise, if the aggregated life-years as reported in Line 3.1, Total Column exactly matches a life-year category listed in Table 1 below, the value associated with that number of life-years is the base credibility factor. The base credibility factor for a number of life-years between the values shown in Table 1 is determined by linear interpolation. **DO NOT ROUND.**

Table 1

Life Years	**Base credibility factor**
< 1,000	No Credibility
1,000	8.3%
2,500	5.2%
5,000	3.7%
10,000	2.6%
25,000	1.6%
50,000	1.2%
>= 75,000	0.0% (Full Credibility)

Line 3.3 – Average deductible

Issuers who choose to use a deductible factor of 1.0 can skip Steps 1 and 2, leave Line 3.3 blank, and enter 1.0 on Line 3.4.

Step 1: Calculate average deductibles separately for policies in force in PY2, PY1, and CY.

The per-person deductible for a policy that covers a subscriber and the subscriber's dependents shall be calculated as follows:

The lesser of the deductible applicable to each of the individual family members or the overall family deductible for the subscriber and subscriber's family divided by two (regardless of the total number of individuals covered through the subscriber).

Issuers offering products with differing deductibles should use a weighted average based upon life-years for each deductible level of policies included in the aggregation.

Step 2: Calculate the weighted average (based upon life-years) of the PY2, PY1, and CY average deductibles computed in Step 1. Enter this three-year weighted average deductible on Line 3.3.

Line 3.4 – Deductible factor

This amount is calculated based upon the average deductible reported in the Total Column for Line 3.3. The deductible factor ranges from 1.0 to 1.736 and is shown in Table 2 below and in the Tables tab of the MLR Form. When the average deductible used to determine the deductible factor exactly matches a deductible level listed in Table 2, the deductible factor associated with that average deductible level is the factor in Table 2. The deductible factor for a deductible level between the values shown in Table 2 is determined by linear interpolation (do not round).

Table 2

Health plan deductible	Deductible Factor
< $2,500	1.000
$2,500	1.164
$5,000	1.402
>= $10,000	1.736

Enter the amount from the table corresponding with the average deductible. Issuers with non-credible or fully credible experience do not have a deductible factor and can enter a value of 1.0.

Line 3.5 – Credibility adjustment

Enter the result of the following calculation:
Lines 3.2 x 3.4 (DO NOT ROUND)

Issuers with non-credible or fully credible experience do not receive a credibility adjustment and should enter zero.

Section 4 – Medical Loss Ratio Calculation

Issuers with less than 1,000 aggregated life-years (Line 3.1, Total Column) are presumed to meet the MLR standard and may leave Section 4 blank.

Line 4.1 – Preliminary Medical Loss Ratio

4.1a – Preliminary MLR

PY2 Column – (Lines 1.2 + 1.3) / (Lines 2.1 – 2.2), PY2 Column

PY1 Column – (Lines 1.2 + 1.3) / (Lines 2.1 – 2.2), PY1 Column

CY Column – (Lines 1.2 + 1.3) / (Lines 2.1 – 2.2), CY Column

Total Column – Line 1.5 / Line 2.3, Total Column. Do not round.

4.1b – Preliminary MLR: Mini-Med and Student Health Plans

PY2 Column – ((Lines 1.2 + 1.3) * adjustment factor) / (Lines 2.1 – 2.2), PY2 Column

PY1 Column – ((Lines 1.2 + 1.3) * adjustment factor) / (Lines 2.1 – 2.2), PY1 Column

CY Column – ((Lines 1.2 + 1.3) * adjustment factor) / (Lines 2.1 – 2.2), CY Column

Total Column – Line 1.6 / Line 2.3, Total Column. Do not round.

Line 4.2 – Credibility adjustment

Enter the value from:
Line 3.5, Total Column.

Line 4.3 – MLR including credibility adjustment (if applicable)

Enter the result of the following calculation:
Lines 4.1a or 4.1b + 4.2, Total Column. After adding, round to three decimal places, e.g. 0.801 or 80.1%.

Section 5 – MLR Rebate Calculation

Line 5.1 – MLR Standard

PY2 Column – 2011 MLR Form, Part 5, Line 5.1, Total Column

PY1 Column – 2012 MLR form, Part 4, Line 5.1, Total Column

CY and Total Columns – The applicable MLR standard is based on one of the following:

- The statutory MLR standard for the relevant market (i.e., 80% for the individual market and small group market; and 85% for the large group market); or

- The HHS-approved adjusted MLR standard for a particular State's individual market; or
- The State MLR standard, if the State requires a higher percentage than the statutory MLR standard for the relevant market for rebate purposes.
- If an issuer thinks a State's higher MLR standard does not apply to its MLR and rebate requirements under Federal law, please contact CCIIO at MLRQuestions@cms.hhs.gov.

Line 5.2 – Credibility-adjusted MLR

Enter the value from:
Line 4.3, Total column

Line 5.3 – Adjusted earned premium

Enter the value from:
Lines 2.1 – 2.2, CY Column only

Line 5.4 – Rebate amount if credibility-adjusted MLR is less than the MLR standard

Enter the result of the following calculation:
(Lines 5.1 – 5.2) x Line 5.3, Total Column

If Line 5.3 is negative, enter zero ($0) in Line 5.4.

On the GT template for Health Insurance Coverage and Mini-med plans, enter the sum of MLR rebates owed by the company for all States for each market.

Section 6 – Optional Temporary Adjustments

Line 6.1 - ACA assessments on non-calendar year policies (2013 only)

For the 2013 MLR reporting year, issuers may defer including in their MLR and rebate calculations the portion of 2013 premiums collected for 2014 ACA assessments or fees on non-calendar year policies. If issuers elect to defer this portion of premium in the 2013 MLR and rebate calculations, they must disclose the deferred amount for each respective state and market. In addition, issuers must disclose and reduce the MLR tax adjustment to premium by the amount of federal and state taxes and fees associated with the deferred portion of premium. (Note: The optional premium and tax adjustments will be added back into the MLR calculation in the 2014 MLR reporting year.)

6.1a Disclose the deferred portion of premium for each respective State and market. This amount may be excluded from Line 2.1, CY column but must be included in Part 1, Line 1.1.

6.1b Disclose the total Federal and State taxes paid on the associated premium revenue. If the issuer choses to exclude the premium in Line 6.1a from Line 2.1, CY column, the issuer must also exclude the taxes and fees in Line 6.1b from Line 2.2, CY column. Note that the amount of taxes and fees in Line 6.1b must be included in Part 1, Section 3.

Instructions for MLR Annual Reporting Form – Part 5 (Rebate Disbursement)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013.

The Column Definitions, which immediately follow the General Instructions at the beginning of these Filing Instructions, apply to the markets to be reported in Columns 1 through 9 of Part 5.

Column 1 – Individual Market
Column 2 – Small Group Market
Column 3 – Large Group Market
Column 4 – Mini-Med plans – Individual Market
Column 5 – Mini-Med plans – Small Group Market
Column 6 – Mini-Med plans – Large Group Market
Column 7 – Expatriate plans – Small Group Market (not applicable in 2013)
Column 8 – Expatriate plans – Large Group Market (not applicable in 2013)
Column 9 – Student Health plans – Individual Market

Additional definitions:

- **Group Policyholder** means any entity that has entered into a contract with an issuer to receive health insurance coverage. (Applicable only in the group markets.)

- **Subscriber** (Applicable in all markets.)

    - In the individual market, subscriber means the person who purchases an individual policy and who is responsible for the payment of premiums. This does not include the number of dependents and therefore does not correspond to the number of covered lives or life-years; rather, this corresponds to the number of individual policies.
    - In the group market, subscriber means the person, generally the employee, whose eligibility is the basis for the enrollment in the group health plan and who is responsible for the payment of premiums. This does not correspond to the number of group policyholders (e.g. employers). This also does not include the number of dependents and therefore does not correspond to the number of covered lives or life-years; rather, this corresponds to the number of certificates (e.g. number of employees).

Section/Line 1 – Number of policies/certificates (from Part 1, Line 7.1)

Section 2 – Number of policyholders/subscribers owed rebates

Line 2.a – Number of group policyholders who are being paid a rebate (only applicable in the group markets)

Include: All group policies (e.g. employers) within the respective group markets that are due a rebate and to whom the issuer is paying the rebate directly. This is a count of the groups, not a count of the certificates, covered lives, or life-years in the groups.

Exclude: Rebates being paid in the individual market and rebates in group markets which the issuer is paying directly to the group's subscribers rather than to the group policyholder.

Line 2.b – Number of subscribers being paid a rebate

- Individual market: All subscribers under individual policies that are due a rebate. This does not include dependents; consequently, this is not the number of covered lives or life-years.
- Small and large group markets: Those subscribers to whom the issuer is paying the rebate directly. This does not include subscribers where the issuer is paying the rebate to the group policyholder. This is not the number of employers, covered lives or life-years; typically, this is the number of employees (not including dependents).

Line 2.c – Number of group policyholders whose calculated rebate is de minimis

De Minimis –

- For a group policy for which the issuer distributes the rebate directly to the policyholder, if the total rebate owed to the policyholder and its subscribers combined is less than $20 for the MLR reporting year. This is not the number of certificates, covered lives or life-years; typically, this is the number of employers.

Line 2.d – Number of subscribers whose calculated rebate is de minimis

De Minimis –

- For a group policy for which the issuer distributes the rebate directly to the subscribers, if the total rebate owed to each subscriber is less than $5 for a given MLR reporting year. This is not the number of employers, covered lives or life-years; typically, this is the number of employees (not including dependents).
- For an individual policy, if the total rebate owed to each subscriber is less than $5 for a given MLR reporting year. This does not include dependents; consequently, this is not the number of covered lives or life-years.

Section 3 – Total amount of rebates

Line 3.a – Total amount of rebates (from Part 4, Line 5.4)

Line 3.b – Total amount of de minimis rebates

Line 3.c – Amount of rebates being paid by premium credit

Line 3.d – Amount of rebates being paid by lump-sum reimbursement

Section 4 – Prior MLR year rebates

Line 4.a – Total amount of rebates paid for the previous MLR reporting year

Line 4.b – Total amount of rebates still owed for the previous MLR reporting year

Line 4.c – Percentage of rebate notices timely sent to individual and group policyholders owed a rebate

Enter the percentage of notices sent by August 1 following the prior MLR reporting year.

Line 4.d – Percentage of notices timely sent to subscribers of group policies owed a rebate

Enter the percentage of notices sent by August 1 following the prior MLR reporting year.

Line 4.e – Percentage of rebate amounts timely paid to individual and group policyholders owed a rebate

Include:

- Rebate amounts paid as a lump-sum check or reimbursement to individual policyholders and directly to group policyholders (e.g., if this form is being filed for the 2013 MLR reporting year, include rebates for the 2012 MLR reporting year that were disbursed as a lump sum by August 1, 2013)
- Rebate amounts credited to individual policyholders and directly to group policyholders for the premium due on or after August 1 following the prior MLR reporting year (e.g., if this form is being filed for the 2013 MLR reporting year, enter the percentage of rebates based upon the 2012 MLR reporting year that were paid as premium credit beginning August 1, 2013)

Exclude: Rebates in group markets which the issuer paid directly to the group's subscribers rather than to the group policyholder.

Line 4.f – Percentage of rebates amounts timely paid directly to subscribers of group policies owed a rebate

Enter the percentage of rebate amounts paid by August 1 following the prior MLR reporting year, for rebates which the issuer paid directly to the group's subscribers rather than to the group policyholder.

Line 4.g – Amount of unclaimed rebates from the prior MLR reporting year

Report rebate checks issued but not presented for payment. Report the amount of rebates owed based on the previous MLR reporting year which remain unpaid because the issuer was unable, after making a good faith effort, to locate a former policyholder or subscriber.

Line 4.h – Describe the methods used to locate policyholders/subscribers to distribute the prior MLR reporting year's unclaimed rebates

Line 4.i – Disbursement method of the prior MLR reporting year's unclaimed rebates

Describe the method used to disburse the prior MLR reporting year's unclaimed rebates.

Instructions for MLR Annual Reporting Form – Part 6 (Additional Responses)

These MLR Form Filing Instructions only apply to the 2013 MLR reporting year and its reporting requirements. These Filing Instructions will be revised to reflect changes that apply to the filing years subsequent to 2013.

Line 1 – If the issuer reported amounts in Part 1, Line 3.2c, Community Benefit Expenditures, provide the state premium tax rate that was used in determining the reported amount. Complete on each State template and not on the GT template.

Line 2 – If the issuer reported amounts in Part 2, Line 2.15, Blended rate adjustment, provide the affiliate(s)' name(s) for which blended rate adjustments were made.

Line 3 – If the issuer reported amounts in the 3/31 Columns related to dual contract options with affiliates providing out-of-network coverage, provide the affiliate(s)' name(s) for which experience is being reported.

Line 4 – If the issuer entered into any 100% assumption reinsurance agreements (with a novation) during the MLR reporting year provide the name(s) of the entity(ies) with which the agreement was (were) made and the effective date of the novation. Report only those agreements that are applicable to "health insurance coverage" as defined at the beginning of these Filing Instructions.

Line 5 – If the issuer novated any business in the MLR reporting year, and that novation was effective during the MLR reporting year, provide the name(s) of the entity(ies) to which the business was sold and the date of the sale or transfer.

Line 6 – If the issuer has any 100% indemnity reinsurance and administrative agreements effective prior to March 23, 2010, for which the assuming entity is responsible for 100 percent of the ceding entity's financial risk and takes on all of the administration of the block of business, provide name(s) of the entity(ies) that is (are) reporting the experience related to such business. Report only those agreements that are applicable to "health insurance coverage" as defined at the beginning of these Filing Instructions.