

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: _____ TELEPHONE: _____ EMAIL ADDRESS: _____ ON BEHALF OF: _____ NAME: <u>Steve Drutz</u> TITLE: <u>Chief Financial Analyst</u> AFFILIATION: <u>WA Office of the Insurance Commissioner</u> ADDRESS: _____ _____ _____	DATE: <u>08/23/2022</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2022-16BWG</u> Year <u>2023</u> Changes to Existing Reporting <input checked="" type="checkbox"/> [X] New Reporting Requirement <input type="checkbox"/> []	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
	No Impact <input checked="" type="checkbox"/> [X] Modifies Required Disclosure <input type="checkbox"/> []	DISPOSITION
	<input type="checkbox"/> [] Rejected For Public Comment <input type="checkbox"/> [] Referred To Another NAIC Group <input checked="" type="checkbox"/> [X] Received For Public Comment <input type="checkbox"/> [] Adopted Date _____ <input type="checkbox"/> [] Rejected Date _____ <input type="checkbox"/> [] Deferred Date _____ <input type="checkbox"/> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|---|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input type="checkbox"/> [] INSTRUCTIONS | <input checked="" type="checkbox"/> [X] CROSSCHECKS |
| <input type="checkbox"/> [] QUARTERLY STATEMENT | <input checked="" type="checkbox"/> [X] BLANK | |
| <input checked="" type="checkbox"/> [X] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] Separate Accounts | <input type="checkbox"/> [] Title |
| <input checked="" type="checkbox"/> [X] Property/Casualty | <input type="checkbox"/> [] Protected Cell | <input type="checkbox"/> [] Other _____ |
| <input checked="" type="checkbox"/> [X] Health | <input type="checkbox"/> [] Health (Life Supplement) | |

Anticipated Effective Date: Annual 2023

IDENTIFICATION OF ITEM(S) TO CHANGE

Remove Supplemental Health Care Exhibit Part 3 and Supplemental Health Care Exhibit's Expense Allocation Report

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The purpose of this proposal is to remove parts of the Supplemental Health Care Exhibit that are no longer used regularly as part of a review of the Annual Statement for duplication or items not regularly used by regulators.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL, HEALTH, AND PROPERTY

SUPPLEMENTAL HEALTH CARE EXHIBIT – PARTS 1 AND, 2 AND 3

The purpose of this supplemental exhibit is to assist state and federal regulators in identifying and defining elements that make up the medical loss ratio as described in Section 2718(b) of the Public Health Service Act (PHSA) and for purposes of submitting a report to the HHS Secretary, as required by Section 2718(a) of the PHSA. The supplemental exhibit is also intended to track and compare financial results of health care business as reported in the annual financial statements. Thus, the numbers included in this supplemental exhibit are not the exact numbers that will be utilized for rebate purposes due to possible revisions for claim reserve run-off subsequent to year-end, statistical credibility concerns and other defined adjustments.

A schedule must be prepared and submitted for each jurisdiction in which the company has written direct comprehensive major medical health business, or has direct amounts paid, incurred or unpaid for provisions of health care services. In addition, a schedule must be prepared and submitted that contains the grand total (GT) for the company. However, insurers that have no business that would be included in Columns 1 through 9 or 12 of Part 1 for ANY of the states are not required to complete this supplement at all. If an insurer is required to file the supplement, then the insurer must complete Parts 1 and 2 for each state in which the insurer has any health business, even if a particular state will show \$0 earned premiums reported in Columns 1 through 9 or 12 of Part 1. ~~Also, Part 3 must be completed for any state in which there are non zero amounts in Columns 1 through 9 of Part 1. Companies should contact their domiciliary regulator to obtain a waiver of the filing if the only reportable business in Columns 1 through 9 are comprised of closed blocks of small group, large group or individual business that, if totaled across all states, does not equal 1,000 lives in total.~~

=====**Detail Eliminated to Conserve Space**=====

Improving Health Care Quality Expenses – General Definition:

Quality Improvement (QI) expenses are expenses, other than those billed or allocated by a provider for care delivery (i.e., clinical or claims costs), for all plan activities that are designed to improve health care quality and increase the likelihood of desired health outcomes in ways that are capable of being objectively measured and of producing verifiable results and achievements.

The expenses must be directed toward individual enrollees or may be incurred for the benefit of specified segments of enrollees, recognizing that such activities may provide health improvements to the population beyond those enrolled in coverage, as long as no additional costs are incurred due to the non-enrollees other than allowable QI expenses associated with self-insured plans.

Qualifying QI expenses should be grounded in evidence-based medicine, widely accepted best clinical practice or criteria issued by recognized professional medical societies, accreditation bodies, government agencies or other nationally recognized health care quality organizations.

They should not be designed primarily to control or contain cost, although they may have cost-reducing or cost-neutral benefits, as long as the primary focus is to improve quality.

Qualifying QI activities are primarily designed to achieve the following goals set out in Section 2717 of the PHSA and Section 1311 of the PPACA:

- Improve health outcomes including increasing the likelihood of desired outcomes compared to a baseline and reducing health disparities among specified populations;
- Prevent hospital readmissions;
- Improve patient safety and reduce medical errors, lower infection and mortality rates;
- Increase wellness and promote health activities; or
- Enhance the use of health care data to improve quality, transparency and outcomes.

NOTE: Expenses that otherwise meet the definitions for QI but were paid for with grant money or other funding separate from premium revenues shall NOT be included in QI expenses.

SUPPLEMENTAL HEALTH CARE EXHIBIT – PART 1

(To Be Filed By April 1 – Not for Rebate Purposes – See Cautionary Statement at
www.naic.org/cmte_e_app_blanks.htm.)

Detail Eliminated to Conserve Space

Line 4 – Deductible Fraud and Abuse Detection/Recovery Expenses

This amount is the lesser of the expense reported in Part 3, Column 7, Lines 1.11, 2.11, 3.11, 4.11, 5.11, 6.11, 7.11, 8.11 and 9.11, and the fraud and abuse recoveries reported in Part 2, Line 3, Columns 1, 2, 3, 4, 5, 6, 7, 8 and 9, respectively.

Detail Eliminated to Conserve Space

Line 6.1 – Improve Health Outcomes

Include expenses meeting the definition of Improve Health Outcomes in Improving Health Care Quality Expenses – General Definition Part 3, Column 1 that are not health information technology expenses.

- Part 1, Column 1, Line 6.1 should tie to Part 3, Column 1, Line 1.10
- Part 1, Column 2, Line 6.1 should tie to Part 3, Column 1, Line 2.10
- Part 1, Column 3, Line 6.1 should tie to Part 3, Column 1, Line 3.10
- Part 1, Column 4, Line 6.1 should tie to Part 3, Column 1, Line 4.10
- Part 1, Column 5, Line 6.1 should tie to Part 3, Column 1, Line 5.10
- Part 1, Column 6, Line 6.1 should tie to Part 3, Column 1, Line 6.10
- Part 1, Column 7, Line 6.1 should tie to Part 3, Column 1, Line 7.10
- Part 1, Column 8, Line 6.1 should tie to Part 3, Column 1, Line 8.10
- Part 1, Column 9, Line 6.1 should tie to Part 3, Column 1, Line 9.10

Line 6.2 – Activities to Prevent Hospital Readmissions

Include expenses meeting the definition of Improving Activities to Prevent Hospital Readmissions in Improving Health Care Quality Expenses – General Definition Part 3, Column 2 that are not health information technology expenses.

- Part 1, Column 1, Line 6.2 should tie to Part 3, Column 2, Line 1.10
- Part 1, Column 2, Line 6.2 should tie to Part 3, Column 2, Line 2.10
- Part 1, Column 3, Line 6.2 should tie to Part 3, Column 2, Line 3.10
- Part 1, Column 4, Line 6.2 should tie to Part 3, Column 2, Line 4.10
- Part 1, Column 5, Line 6.2 should tie to Part 3, Column 2, Line 5.10
- Part 1, Column 6, Line 6.2 should tie to Part 3, Column 2, Line 6.10
- Part 1, Column 7, Line 6.2 should tie to Part 3, Column 2, Line 7.10
- Part 1, Column 8, Line 6.2 should tie to Part 3, Column 2, Line 8.10
- Part 1, Column 9, Line 6.2 should tie to Part 3, Column 2, Line 9.10

Line 6.3 – Improve Patient Safety and Reduce Medical Errors

Include expenses meeting the definition of Improve Patient Safety and Reduce Medical Errors in Improving Health Care Quality Expenses – General Definition ~~Part 3, Column 3~~ that are not health information technology expenses.

~~Part 1, Column 1, Line 6.3 should tie to Part 3, Column 3, Line 1.10~~

~~Part 1, Column 2, Line 6.3 should tie to Part 3, Column 3, Line 2.10~~

~~Part 1, Column 3, Line 6.3 should tie to Part 3, Column 3, Line 3.10~~

~~Part 1, Column 4, Line 6.3 should tie to Part 3, Column 3, Line 4.10~~

~~Part 1, Column 5, Line 6.3 should tie to Part 3, Column 3, Line 5.10~~

~~Part 1, Column 6, Line 6.3 should tie to Part 3, Column 3, Line 6.10~~

~~Part 1, Column 7, Line 6.3 should tie to Part 3, Column 3, Line 7.10~~

~~Part 1, Column 8, Line 6.3 should tie to Part 3, Column 3, Line 8.10~~

~~Part 1, Column 9, Line 6.3 should tie to Part 3, Column 3, Line 9.10~~

Line 6.4 – Wellness and Health Promotion Activities

Include expenses meeting the definition of Wellness and Health Promotion Activities in Improving Health Care Quality Expenses – General Definition ~~Part 3, Column 4~~ that are not health information technology expenses.

~~Part 1, Column 1, Line 6.4 should tie to Part 3, Column 4, Line 1.10~~

~~Part 1, Column 2, Line 6.4 should tie to Part 3, Column 4, Line 2.10~~

~~Part 1, Column 3, Line 6.4 should tie to Part 3, Column 4, Line 3.10~~

~~Part 1, Column 4, Line 6.4 should tie to Part 3, Column 4, Line 4.10~~

~~Part 1, Column 5, Line 6.4 should tie to Part 3, Column 4, Line 5.10~~

~~Part 1, Column 6, Line 6.4 should tie to Part 3, Column 4, Line 6.10~~

~~Part 1, Column 7, Line 6.4 should tie to Part 3, Column 4, Line 7.10~~

~~Part 1, Column 8, Line 6.4 should tie to Part 3, Column 4, Line 8.10~~

~~Part 1, Column 9, Line 6.4 should tie to Part 3, Column 4, Line 9.10~~

Line 6.5 – Health Information Technology Expenses related to Health Improvement

Include expenses meeting the definition of HIT Expenses for Health Care Quality Improvements in Improving Health Care Quality Expenses – General Definition Part 3, Column 5 that are health information technology expenses.

~~Part 1, Column 1, Line 6.5 should tie to Part 3, Column 5, Line 1.10~~

~~Part 1, Column 2, Line 6.5 should tie to Part 3, Column 5, Line 2.10~~

~~Part 1, Column 3, Line 6.5 should tie to Part 3, Column 5, Line 3.10~~

~~Part 1, Column 4, Line 6.5 should tie to Part 3, Column 5, Line 4.10~~

~~Part 1, Column 5, Line 6.5 should tie to Part 3, Column 5, Line 5.10~~

~~Part 1, Column 6, Line 6.5 should tie to Part 3, Column 5, Line 6.10~~

~~Part 1, Column 7, Line 6.5 should tie to Part 3, Column 5, Line 7.10~~

~~Part 1, Column 8, Line 6.5 should tie to Part 3, Column 5, Line 8.10~~

~~Part 1, Column 9, Line 6.5 should tie to Part 3, Column 5, Line 9.10~~

Line 8.1 – Cost Containment Expenses not Included in Quality of Care Expenses in Line 6.6

Include: Expenses that actually serve to reduce the number of health services provided or the cost of such services. Exclude cost containment expenses that improve the quality of health care (reported in Line 6.6). The following are examples of items that shall be considered “cost containment expenses” only if they result in reduced levels of costs or services (see the instructions for Improving Health Care Quality Expenses – General Definition Part 3 of this supplement for items that qualify for Quality Improvement instead of “cost containment”):

↓ **====** **Detail Eliminated to Conserve Space** **====** **↓**

SUPPLEMENTAL HEALTH CARE EXHIBIT – PART 3

This exhibit is intended to provide disclosure of expenses by major type of activity that improves health care quality, as defined below, as well as the amount of those expenses that is used for other activities and reported separately for the comprehensive health coverage (individual, small group and large group business), mini-med plans (individual, small group and large group business), expatriate plans (small group and large group business) and student health plans.

This exhibit also shows the amount of qualifying HIT expenses, reported separately for the comprehensive health coverage (individual, small group and large group business), mini-med plans (individual, small group and large group business), expatriate plans (small group and large group business) and student health plans, broken down into the four categories of Quality Improvement expenses (see below); similarly, the Other than HIT qualifying Quality Improvement expenses are disclosed for each of the four categories of Quality Improvement expenses.

The definitions of Individual, Small Group and Large Group are found in the instructions for Parts 1 and 2 of this supplement exhibit.

Improving Health Care Quality Expenses – General Definition:

Quality Improvement (QI) expenses are expenses, other than those billed or allocated by a provider for care delivery (i.e., clinical or claims costs), for all plan activities that are designed to improve health care quality and increase the likelihood of desired health outcomes in ways that are capable of being objectively measured and of producing verifiable results and achievements.

The expenses must be directed toward individual enrollees or may be incurred for the benefit of specified segments of enrollees, recognizing that such activities may provide health improvements to the population beyond those enrolled in coverage, as long as no additional costs are incurred due to the non-enrollees other than allowable QI expenses associated with self-insured plans.

Qualifying QI expenses should be grounded in evidence-based medicine, widely accepted best clinical practice or criteria issued by recognized professional medical societies, accreditation bodies, government agencies or other nationally recognized health care quality organizations.

They should not be designed primarily to control or contain cost, although they may have cost-reducing or cost-neutral benefits, as long as the primary focus is to improve quality.

Qualifying QI activities are primarily designed to achieve the following goals set out in Section 2717 of the PHSA and Section 1311 of the PPACA:

- Improve health outcomes including increasing the likelihood of desired outcomes compared to a baseline and reducing health disparities among specified populations;
- Prevent hospital readmissions;
- Improve patient safety and reduce medical errors, lower infection and mortality rates;
- Increase wellness and promote health activities; or
- Enhance the use of health care data to improve quality, transparency and outcomes.

NOTE: Expenses that otherwise meet the definitions for QI but were paid for with grant money or other funding separate from premium revenues shall NOT be included in QI expenses.

~~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 as defined above.~~

~~This category can include costs for associated activities such as:~~

- ~~● Effective case management, care coordination and chronic disease management, including:
 - ~~○ Patient centered intervention, such as:
 - ~~▪ Making/verifying appointments;~~
 - ~~▪ Medication and care compliance initiatives;~~
 - ~~▪ Arranging and managing transitions from one setting to another (such as hospital discharge to home or to a rehabilitation center);~~
 - ~~▪ Programs to support shared decision-making with patients, their families and the patient's representatives; and~~
 - ~~▪ Reminding insured of physician appointment, lab tests or other appropriate contact with specific providers;~~~~
 - ~~○ Incorporating feedback from the insured to effectively monitor compliance;~~
 - ~~○ Providing coaching or other support to encourage compliance with evidence based medicine;~~
 - ~~○ Activities to identify and encourage evidence based medicine;~~
 - ~~○ Use of the medical homes model as defined for purposes of Section 3602 of PPACA;~~
 - ~~○ Activities to prevent avoidable hospital admissions;~~
 - ~~○ Education and participation in self-management programs; and~~
 - ~~○ Medication and care compliance initiatives, such as checking that the insured is following a medically effective prescribed regimen for dealing with the specific disease/condition and incorporating feedback from the insured in the management program to effectively monitor compliance;~~~~
- ~~● Accreditation fees by a nationally recognized accrediting entity directly related to quality of care activities included in Columns 1 through 5;~~
- ~~● 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; and~~
- ~~● Health information technology expenses to support these activities (report in Column 5—see instructions) including:
 - ~~○ Data extraction, analysis and transmission in support of the activities described above; and~~
 - ~~○ Activities designed to promote sharing of medical records to ensure that all clinical providers have access to consistent and accurate records from all participants in a patient's care.~~~~

~~Column 2 ———— Activities to Prevent Hospital Readmission~~

~~Expenses for implementing activities to prevent hospital readmissions as defined above, including:~~

- ~~● 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 ensure 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; and~~
- ~~● Health information technology expenses to support these activities (report in Column 5 — see instructions) including:~~
 - ~~○ Data extraction, analysis and transmission in support of the activities described above; and~~
 - ~~○ Activities designed to promote sharing of medical records to ensure that all clinical providers have access to consistent and accurate records from all participants in a patient's care.~~

~~Column 3 ———— Improve Patient Safety and Reduce Medical Errors~~

~~Expenses for implementing activities to improve patient safety and reduce medical errors (as defined above) through:~~

- ~~● 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; and~~
- ~~● Health information technology expenses to support these activities (report in Column 5 — see instructions), including:~~
 - ~~○ Data extraction, analysis and transmission in support of the activities described above; and~~
 - ~~○ Activities designed to promote sharing of medical records to ensure that all clinical providers have access to consistent and accurate records from all participants in a patient's care.~~

~~Column 4 ———— Wellness & Health Promotion Activities~~

~~Expenses for programs that provide wellness and health promotion activity as defined above (e.g., face to face, telephonic or Web based interactions or other forms of communication), including:~~

- ~~● 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; and~~
- ~~● 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 with the following restrictions:~~
 - ~~Only allowed for small and large employer groups, not individual business; and the expense amount is limited to the same percentage as the HIPAA incentive amount limit;~~
- ~~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); and~~
- ~~Health information technology expenses to support these activities (Report in Column 5— See instructions).~~

Column 5 — HIT Expenses for Health Care Quality Improvements

~~The PPACA also contemplates “Health Information Technology” as a function that may in whole or in part improve quality of care or provide the technological infrastructure to enhance current QI or make new QI initiatives possible. Include HIT expenses required to accomplish the activities reported in Columns 1 through 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, consistent with Medicare/Medicaid meaningful use requirements, in the following ways:~~

- ~~1. Monitoring, measuring or reporting clinical effectiveness, including reporting and analysis 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;~~
- ~~2. Advancing the ability of enrollees, providers, insurers 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;~~
- ~~3. Tracking whether a specific class of medical interventions or a bundle of related services leads to better patient outcomes;~~
- ~~4. 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~~
- ~~5. Provision of electronic health records and patient portals.~~

~~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 (e.g., 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.~~

- ~~NOTE:~~
- ~~a. Health Care Professional Hotlines: Expenses for health care 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, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, and Wellness & Health Promotion 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, Activities to Prevent Hospital Readmissions, Improve Patient Safety and Reduce Medical Errors, and Wellness & Health Promotion Activities, AND the prospective utilization review activities are not conducted in accordance with a program that has been accredited by a recognized accreditation body.~~

The following items are broadly excluded as not meeting the definitions above:

- ~~• All retrospective and concurrent utilization review;~~
- ~~• Fraud prevention activities (all are reported as cost containment, but Part 1, Line 4 includes MLR recognition of fraud detection/recovery expenses up to the amount recovered that reduces incurred claims);~~
- ~~• The cost of developing and executing provider contracts and fees associated with establishing or managing a provider network;~~
- ~~• Provider credentialing;~~
- ~~• Marketing expenses;~~
- ~~• Any accreditation fees that are not directly related to activities included in Columns 1 through 5;~~
- ~~• Costs associated with calculating and administering individual enrollee or employee incentives; and~~
- ~~• Any function or activity not expressly included in Columns 1 through 5.~~

~~NOTE:~~ The NAIC will review requests to include expenses for broadly excluded activities and activities not described under Columns 1 through 5 above. Upon an adequate showing that the activity's costs support the definitions and purposes therein, or otherwise support monitoring, measuring, or reporting health care quality improvement, the NAIC may recommend that the HHS Secretary certify those expenses as Quality Improvement.

The sections for comprehensive health coverage (individual, small group and large group business), mini med plans (individual, small group and large group business) and expatriate plans (small group and large group business) are defined as per the comprehensive health coverage (individual, small group and large group business), mini med plans (individual, small group and large group business), expatriate plans (small group and large group business) and student health plans columns in Parts 1 and 2 of this supplement.

For questions on definitions, refer to the instructions for the Annual Statement Expenses Schedule (i.e., the Underwriting and Investment Exhibit, Part 3 for P/C and Health, and Exhibit 2 for Life and Fraternal), for the line references provided below. **DIFFERENT FROM A/S EXPENSE REPORTING:** For non-affiliated management agreements/outsourced services, report all amounts in the supplement's Line 1.2, 2.2, 3.2, 4.2, 5.2, 6.2, 7.2, 8.2 or 9.2 for Outsourced Services (not just those amounts less than 10% of total expenses). Continue to allocate all affiliated management agreements/outsourced services to the appropriate expense lines as if the costs had been borne directly by the insurer.

~~Lines 1.1, 2.1,
3.1, 4.1, 5.1,
6.1, 7.1, 8.1
& 9.1~~ Salaries

Life/Fraternal Statement:

~~Exhibit 2, Line 2 Salaries and wages
Exhibit 2, Line 3.11 Contributions for benefit plans for employees
Exhibit 2, Line 3.12 Contributions for benefit plans for agents
Exhibit 2, Line 3.21 Payments to employees under non-funded benefit plans
Exhibit 2, Line 3.22 Payments to agents under non-funded benefit plans
Exhibit 2, Line 3.31 Other employee welfare
Exhibit 2, Line 3.32 Other agent welfare~~

Health Statement:

~~U&I Part 3, Line 2 Salaries, wages and other benefits~~

P/C Statement:

~~U&I Part 3, Line 8.1 Salaries
U&I Part 3, Line 9 Employee relations and welfare
U&I Part 3, Line 11 Directors' fees~~

~~Lines 1.2, 2.2,
3.2, 4.2, 5.2,
6.2, 7.2, 8.2
& 9.2~~ Outsourced Services

~~Include: All non-affiliated expenses for administrative services, claim management services, new programming, membership services, and other similar services, regardless of amount. Thus, non-affiliated amounts greater than the 10% threshold that are reported in the various expense categories (e.g., salaries, rent) for A/S Expense Exhibit reporting will be backed out of the expense categories and reported in Outsourced Services in the Supplemental Health Care Exhibit, Part 3. In addition, the non-affiliated amounts less than the 10% threshold will be included in Outsourced Services (reported as follows in the A/S Expense Exhibit):~~

Life/Fraternal Statement:

~~Exhibit 2, Line 4.5 Expense of investigation and settlement of policy claims
Outsourced portion of Exhibit 2, Line 7.1 Agency expense allowance~~

Health Statement:

~~U&I Part 3, Line 14 Outsourced services including EDP, claims, and other services~~

P/C Statement:

~~Outsourced portion of U&I Part 3, Line 1.4 Net claim adjustment services
Outsourced portion of U&I Part 3, Line 2.8 Net commission/brokerage
Outsourced portion of U&I Part 3, Line 3 Allowances to manager and agents~~

~~Exclude: Services provided by affiliates under management agreements.~~

Lines 1.3, 2.3,
3.3, 4.3, 5.3,
6.3, 7.3, 8.3
& 9.3 ——— EDP Equipment and Software

Life/Fraternal Statement:

Exhibit 2, Line 5.7 Cost or depreciation of EDP equipment and software

Health Statement:

U&I Part 3, Line 13 Cost or depreciation of EDP equipment and software

P/C Statement:

U&I Part 3, Line 15 Cost or depreciation of EDP equipment and software

Lines 1.4, 2.4,
3.4, 4.4, 5.4,
6.4, 7.4, 8.4
& 9.4 ——— Other Equipment (excluding EDP)

Life/Fraternal Statement:

Exhibit 2, Line 5.6 Rental of equipment

Equipment amounts from Exhibit 2, Line 5.5 Cost or depreciation of furniture/equipment

Health Statement:

U&I Part 3, Line 12 Equipment

P/C Statement:

U&I Part 3, Line 14 Equipment

Lines 1.5, 2.5,
3.5, 4.5, 5.5,
6.5, 7.5, 8.5
& 9.5 ——— Accreditation and Certification

Include: ——— Fees associated with the certification and accreditation of a health plan, including but not limited to: fees paid to Joint Commission on Accreditation of Health Care Organizations (JCAHO), National Committee on Quality Assurance (NCQA), and American Accreditation Health Care Commission (URAC).

Life/Fraternal Statement:

Applicable portion of Exhibit 2, Line 6.2 Bureau and association fees

Health Statement:

U&I Part 3, Line 5 Certification and Accreditation

P/C Statement:

Applicable portion of U&I Part 3, Line 5 Boards, bureaus and associations

Exclude: ——— Rating agencies and other similar organizations.

~~Lines 1.6, 2.6,
3.6, 4.6, 5.6,
6.6, 7.6, 8.6
& 9.6~~ Other Expenses

Include: _____ Any additional expenses not included in another category.

Life/Fraternal Statement:

~~Exhibit 2, Line 1 Rent~~

~~Exhibit 2, Line 4.1 Legal fees and expenses~~

~~Exhibit 2, Line 4.2 Medical examination fees~~

~~Exhibit 2, Line 4.3 Inspection report fees~~

~~Exhibit 2, Line 4.4 Fees of public accountants and consulting actuaries~~

~~Exhibit 2, Line 5.1 Traveling expenses~~

~~Exhibit 2, Line 5.2 Advertising~~

~~Exhibit 2, Line 5.3 Postage, express, telegraph and telephone~~

~~Exhibit 2, Line 5.4 Printing and stationery~~

~~Furniture portion of Exhibit 2, Line 5.5 Cost or depreciation of
furniture/equipment~~

~~Exhibit 2, Line 6.1 Books and periodicals~~

~~Non-accreditation portion of Exhibit 2, Line 6.2 Bureau and association fees~~

~~Exhibit 2, Line 6.3 Insurance, except on real estate~~

~~Exhibit 2, Line 6.4 Miscellaneous losses~~

~~Exhibit 2, Line 6.5 Collection and bank service charges~~

~~Exhibit 2, Line 6.6 Sundry general expenses~~

~~In house portion of Exhibit 2, Line 7.1 Agency expense allowance~~

~~Exhibit 2, Line 7.2 Agents' balances charged off (less \$__ recovered)~~

~~Exhibit 2, Line 7.3 Agency conferences other than local meetings~~

~~Exhibit 2, Line 9.1 Real estate expenses~~

~~Exhibit 2, Line 9.2 Investment expenses not included elsewhere~~

~~Exhibit 2, Line 9.3 Aggregate write ins for expenses~~

Health Statement:

U&I Part 3, Line 1 Rent
U&I Part 3, Line 3 Commissions
U&I Part 3, Line 4 Legal fees
U&I Part 3, Line 6 Auditing, actuarial and other consulting
U&I Part 3, Line 7 Traveling expenses
U&I Part 3, Line 8 Marketing and advertising
U&I Part 3, Line 9 Postage, express and telephone
U&I Part 3, Line 10 Printing and office supplies
U&I Part 3, Line 11 Occupancy, depreciation and amortization
U&I Part 3, Line 15 Boards, bureaus and association fees
U&I Part 3, Line 16 Insurance, except on real estate
U&I Part 3, Line 17 Collection and bank service charges
U&I Part 3, Line 18 Group service and administration fees
U&I Part 3, Line 21 Real estate expenses
U&I Part 3, Line 24 Investment expenses not included elsewhere
U&I Part 3, Line 25 Aggregate write ins

P/C Statement:

In house portion of U&I Part 3, Line 1.4 Net claim adjustment services
In house portion of U&I Part 3, Line 2.8 Net commission/brokerage
In house portion of U&I Part 3, Line 3 Allowances to manager and agents
U&I Part 3, Line 4 Advertising
~~Non-accreditation portion of U&I Part 3, Line 5 Boards, bureaus and associations~~
U&I Part 3, Line 6 Surveys and underwriting reports
U&I Part 3, Line 7 Audit of assured's records
U&I Part 3, Line 10 Insurance
U&I Part 3, Line 12 Travel and travel items
U&I Part 3, Line 13 Rent and rent items
U&I Part 3, Line 16 Printing and stationery
U&I Part 3, Line 17 Postage, telephone and telegraph, exchange and express
U&I Part 3, Line 18 Legal and auditing
U&I Part 3, Line 21 Real estate expenses
U&I Part 3, Line 24 Aggregate write ins

~~Lines 1.8, 2.8,
3.8, 4.8, 5.8,
6.8, 7.8, 8.8
& 9.8~~ Reimbursement by uninsured plans and fiscal intermediaries

Life Statement:

~~Exhibit 2, Line 6.7 Group service and administration fees~~

~~Exhibit 2, Line 6.8 Reimbursements by uninsured plans~~

Health Statement:

~~U&I Part 3, Line 19 Reimbursements by uninsured plans~~

~~U&I Part 3, Line 20 Reimbursements from fiscal intermediaries (e.g., Medicare, CHAMPUS, other governmental)~~

P/C Statement:

~~U&I Part 3, Line 23 Reimbursements by uninsured plans~~

~~Lines 1.9, 2.9,
3.9, 4.9, 5.9,
6.9, 7.9, 8.9
& 9.9~~ Taxes, Licenses and Fees

Life/Fraternal Statement:

~~Exhibit 3, Line 1 Real estate taxes~~

~~Exhibit 3, Line 2 State insurance department licenses and fees~~

~~Exhibit 3, Line 3 State taxes on premiums~~

~~Exhibit 3, Line 4 Other state taxes, incl \$___ for employee benefits~~

~~Exhibit 3, Line 5 U.S. Social Security taxes~~

~~Exhibit 3, Line 6 All other taxes~~

Health Statement:

~~U&I Part 3, Line 22 Real Estate Taxes~~

~~U&I Part 3, Line 23.1 State and local insurance taxes~~

~~U&I Part 3, Line 23.2 State premium taxes~~

~~U&I Part 3, Line 23.3 Regulatory authority licenses and fees~~

~~U&I Part 3, Line 23.4 Payroll taxes~~

~~U&I Part 3, Line 23.5 Other (excluding federal income and real estate)~~

P/C Statement:

~~U&I Part 3, Line 8.2 Payroll taxes~~

~~U&I Part 3, Line 20.1 State and local insurance taxes, deducting guaranty association credits of \$___~~

~~U&I Part 3, Line 20.2 Insurance department licenses and fees~~

~~U&I Part 3, Line 20.3 Gross guaranty association assessments~~

~~U&I Part 3, Line 20.4 All other taxes, licenses and fees (excluding federal and foreign income and real estate)~~

~~U&I Part 3, Line 22 Real estate taxes~~

~~Lines 1.11, 2.11,~~

~~3.11, 4.11, 5.11,~~

~~6.11, 7.11, 8.11~~

~~& 9.11 Total Fraud and Abuse Detection/Recovery Expenses Included in Column 7 (Informational Only)~~

~~Include: Fraud and abuse detection and recovery expenses as well as prevention expenses.~~

EXPENSE ALLOCATION SUPPLEMENTAL FILING

A single (not state by state), separate, regulator only supplemental filing must be made by the insurer to provide a description of the method utilized to allocate QI expenses to each state and to each line and column on Part 3.

Additionally, companies reporting QI expenses in Part 3, Columns 1 through 5 must include a detailed description of such expense elements, including how the specific expenses meet the definitions above.

The definitions established in the Supplemental Health Care Exhibit apply to this supplemental filing, as well. For a **new initiative** that otherwise meets the definition of QI above but has not yet met the objective, verifiable results requirement, include an "X" in the "New" column of the supplement and include in the description the expected time frame for the activity to accomplish the objective, verifiable results.

Expenses for prospective utilization review and the costs of reward or bonuses associated with wellness and health promotion that are included in QI should include an "E" in the "New" column. These will be reviewed for adherence to the definition and standards of QI and may be specifically incorporated into, or excluded from, the instructions for QI for future reporting purposes.

<u>Expense Type from Part 3</u>	<u>Line Number</u>
Improve Health Outcomes	1.0001 – 1.9999
Activities to Prevent Hospital Readmission.....	2.0001 – 2.9999
Improve Patient Safety and Reduce Medical Errors	3.0001 – 3.9999
Wellness & Health Promotion Activities.....	4.0001 – 4.9999
HIT Expenses for Health Care Quality Improvements	5.0001 – 5.9999

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL, HEALTH, AND PROPERTY

SUPPLEMENTAL HEALTH CARE EXHIBIT – PART 3

(To Be Filed By April 1 – Not for Rebate Purposes)

REPORT FOR: 1. CORPORATION _____ 2. _____

(LOCATION)

NAIC Group Code _____ BUSINESS IN THE STATE OF _____ DURING THE YEAR _____ NAIC Company Code _____

	All Expenses	Improving Health Care Quality Expenses						Claims Adjustment Expenses		9 General Administrative Expenses	10 Total Expenses (6 to 9)
		1 Improve Health Outcomes	2 Activities to Prevent Hospital Readmissions	3 Improve Patient Safety and Reduce Medical Errors	4 Wellness & Health Promotion Activities	5 HIT Expenses	6 Total (1 to 5)	7 Cost Containment Expenses	8 Other Claims Adjustment Expenses		
1.	Individual Comprehensive Coverage Expenses:										
	1.1 Salaries (including \$ ___ for affiliated services)										
	1.2 Outsourced services										
	1.3 EDP equipment and software (incl \$ ___ for affiliated services) ..										
	1.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services) ..										
	1.5 Accreditation and certification (incl \$ ___ for affiliated services) ..		XXX	XXX	XXX	XXX					
	1.6 Other expenses (incl \$ ___ for affiliated services)										
	1.7 Subtotal before reimbursements and taxes (1.1 to 1.6)										
	1.8 Reimbursements by uninsured plans and fiscal intermediaries ..										
	1.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	1.10 Total (1.7 to 1.9)										
	1.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)										
2.	Small Group Comprehensive Coverage Expenses:										
	2.1 Salaries (including \$ ___ for affiliated services)										
	2.2 Outsourced Services										
	2.3 EDP equipment and software (incl \$ ___ for affiliated services) ..										
	2.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services) ..										
	2.5 Accreditation and certification (incl \$ ___ for affiliated services) ..		XXX	XXX	XXX	XXX					
	2.6 Other expenses (incl \$ ___ for affiliated services)										
	2.7 Subtotal before reimbursements and taxes (2.1 to 2.6)										
	2.8 Reimbursements by uninsured plans and fiscal intermediaries ..										
	2.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	2.10 Total (2.7 to 2.9)										
	2.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)										
3	Large Group Comprehensive Coverage Expenses:										
	3.1 Salaries (including \$ ___ for affiliated services)										
	3.2 Outsourced services										
	3.3 EDP equipment and software (incl \$ ___ for affiliated services) ..										
	3.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services) ..										
	3.5 Accreditation and certification (incl \$ ___ for affiliated services) ..		XXX	XXX	XXX	XXX					
	3.6 Other expenses (incl \$ ___ for affiliated services)										
	3.7 Subtotal before reimbursements and taxes (3.1 to 3.6)										
	3.8 Reimbursements by uninsured plans and fiscal intermediaries ..										
	3.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	3.10 Total (3.7 to 3.9)										
	3.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)										

SUPPLEMENTAL HEALTH CARE EXHIBIT — PART 3 (Continued)

(To Be Filed By April 1 — Not for Rebate Purposes)

	All Expenses	Improving Health Care Quality Expenses					Claims Adjustment Expenses		9 General Administrative Expenses	10 Total Expenses (6-10)
		1 Improve Health Outcomes	2 Activities to Prevent Hospital Readmissions	3 Improve Patient Safety and Reduce Medical Errors	4 Wellness & Health Promotion Activities	5 HIT Expenses	6 Total (1 to 5)	7 Cost Containment Expenses		
4.	Individual Mini-Med Plans Expenses									
	4.1 Salaries (including \$ ___ for affiliated services)									
	4.2 Outsourced services									
	4.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	4.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	4.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	4.6 Other expenses (incl \$ ___ for affiliated services)									
	4.7 Subtotal before reimbursements and taxes (4.1 to 4.6)									
	4.8 Reimbursements by uninsured plans and fiscal intermediaries									
	4.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	4.10 Total (4.7 to 4.9)									
	4.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									
5.	Small Group Mini-Med Plans Expenses									
	5.1 Salaries (including \$ ___ for affiliated services)									
	5.2 Outsourced services									
	5.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	5.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	5.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	5.6 Other expenses (incl \$ ___ for affiliated services)									
	5.7 Subtotal before reimbursements and taxes (5.1 to 5.6)									
	5.8 Reimbursements by uninsured plans and fiscal intermediaries									
	5.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	5.10 Total (5.7 to 5.9)									
	5.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									
6.	Large Group Mini-Med Plans Expenses									
	6.1 Salaries (including \$ ___ for affiliated services)									
	6.2 Outsourced services									
	6.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	6.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	6.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	6.6 Other expenses (incl \$ ___ for affiliated services)									
	6.7 Subtotal before reimbursements and taxes (6.1 to 6.6)									
	6.8 Reimbursements by uninsured plans and fiscal intermediaries									
	6.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	6.10 Total (6.7 to 6.9)									
	6.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									

SUPPLEMENTAL HEALTH CARE EXHIBIT — PART 3 (Continued)

(To Be Filed By April 1 — Not for Rebate Purposes)

	All Expenses	Improving Health Care Quality Expenses					Claims Adjustment Expenses		9 General Administrative Expenses	10 Total Expenses (6-10)
		1 Improve Health Outcomes	2 Activities to Prevent Hospital Readmissions	3 Improve Patient Safety and Reduce Medical Errors	4 Wellness & Health Promotion Activities	5 HIT Expenses	6 Total (1 to 5)	7 Cost Containment Expenses		
7.	Small Group Expatriate Plans Expenses									
	7.1 Salaries (including \$ ___ for affiliated services)									
	7.2 Outsourced services									
	7.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	7.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	7.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	7.6 Other expenses (incl \$ ___ for affiliated services)									
	7.7 Subtotal before reimbursements and taxes (7.1 to 7.6)									
	7.8 Reimbursements by uninsured plans and fiscal intermediaries									
	7.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	7.10 Total (7.7 to 7.9)									
	7.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									
8.	Large Group Expatriate Plans Expenses									
	8.1 Salaries (including \$ ___ for affiliated services)									
	8.2 Outsourced services									
	8.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	8.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	8.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	8.6 Other expenses (incl \$ ___ for affiliated services)									
	8.7 Subtotal before reimbursements and taxes (8.1 to 8.6)									
	8.8 Reimbursements by uninsured plans and fiscal intermediaries									
	8.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	8.10 Total (8.7 to 8.9)									
	8.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									
9.	Student Health Plans Expenses									
	9.1 Salaries (including \$ ___ for affiliated services)									
	9.2 Outsourced services									
	9.3 EDP equipment and software (incl \$ ___ for affiliated services)									
	9.4 Other equipment (excl. EDP) (incl \$ ___ for affiliated services)									
	9.5 Accreditation and certification (incl \$ ___ for affiliated services)		XXX	XXX	XXX	XXX				
	9.6 Other expenses (incl \$ ___ for affiliated services)									
	9.7 Subtotal before reimbursements and taxes (9.1 to 9.6)									
	9.8 Reimbursements by uninsured plans and fiscal intermediaries									
	9.9 Taxes, licenses and fees (in total, for tying purposes)	XXX	XXX	XXX	XXX	XXX	XXX	XXX		
	9.10 Total (9.7 to 9.9)									
	9.11 Total fraud and abuse detection/recovery expenses included in Column 7 (informational only)									

SUPPLEMENTAL HEALTH CARE EXHIBIT'S EXPENSE ALLOCATION REPORT

(To Be Filed by April 1)

NAIC Group Code: _____ NAIC _____ Company _____ Code: _____

Description of allocation methodology:

Detailed Description of Quality Improvement Expenses:

Expense Type from Part 3	New	Detailed Description of Expense
1. Improve Health Outcomes:		
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2. Activities to Prevent Hospital Readmission:		
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3. Improve Patient Safety and Reduce Medical Errors:		
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4. Wellness & Health Promotion Activities:		
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5. HIT Expenses for Health Care Quality Improvements:		
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