

## **Guidance on Reporting Quality Improvement Activities in the Supplemental Health Care Exhibit**

This document is solely intended to provide assistance for completing the Quality Improvement Activity (QIA) reporting requirements on the Supplemental Health Care Exhibit, and has not been adopted as part of the annual statement instructions.

### **Reporting QIA Expenses on the Supplemental Health Care Exhibit Tracking and Reporting Actual QIA Expenses versus Standardized Amount Equal to 0.8 Percent of the Reporting Entities' Earned Premium**

Starting with the 2018 annual statement, the NAIC will allow reporting entities to use the same method allowed by the Centers for Medicare & Medicaid Services (CMS) for medical loss ratio (MLR) reporting on the Supplemental Health Care Exhibit that reduces the burden associated with the QIA reporting requirements.

The U.S. Department of Health and Human Services Notice of Benefit and Payment Parameters for 2019 Final Rule allows reporting entities the option to either continue tracking and reporting actual QIA expenses or report a standardized amount equal to 0.8 percent of the reporting entities' earned premium for the year for a minimum of three consecutive MLR reporting years without having to separately track such expenses.

Reporting entities that elect the option to include 0.8 percent of earned premium for QIA expenses are required to indicate as such when describing the allocation method used for QIA expenses. Those reporting entities that spend more than 0.8 percent of earned premium on QIA would have the option to report the total actual, higher amount spent and, if choosing this option, would have to report QIA in the five categories, as well as comply with the allocation of expenses requirements.

Reporting entities and their affiliates that elect the standardized QIA reporting option must apply it consistently across all of their states and markets that are subject to the MLR requirements in section 2718 of the Public Health Service Act. Further, reporting entities and their affiliates that elect the standardized QIA reporting option must apply this reporting method for a minimum of three consecutive reporting years. In addition, the NAIC will require all affiliated reporting entities to elect the same QIA reporting method. These provisions will ensure that the new QIA reporting option is appropriately utilized by reporting entities to simplify reporting, rather than to inflate the MLR based on the experience of a particular year.