



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

April 9, 2018

Via Electronic Mail

Louisiana Department of Health
Steve Annison, Medicaid Program Manager
628 N. 4th Street
Baton Rouge, LA 70802

Re: AmeriHealth Caritas Louisiana, Inc. 2016 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of AmeriHealth Caritas Louisiana Inc.'s 2016 Medical Loss Ratio (MLR) report.

Please contact us at the phone number below if you have questions.

Kind Regards,

Myers and Stauffer LC

**AmeriHealth Caritas Louisiana, Inc.
Medicaid Non-Expansion
Report on Medical Loss Ratio Rebate Calculation
(With Independent Accountant's Report Thereon)**

**State of Louisiana
Louisiana Department of Health
Baton Rouge, Louisiana**

**For the period of January 1, 2016
through December 31, 2016**

Prepared by:





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Independent Accountant's Report

State of Louisiana
Louisiana Department of Health
Baton Rouge, Louisiana

We have examined the accompanying Adjusted Medical Loss Ratio Rebate Calculation of AmeriHealth Caritas Louisiana, Inc. (ACLA) related to the Medicaid Non-Expansion population for the period of January 1, 2016 through December 31, 2016. ACLA's management is responsible for presenting the Medical Loss Ratio Rebate Calculation in accordance with the criteria set forth in the Healthy Louisiana's (Formerly Bayou Health) MCO Financial Reporting Guide. Our responsibility is to express an opinion on the Medical Loss Ratio Rebate Calculation based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Adjusted Medical Loss Ratio Rebate Calculation is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Medical Loss Ratio Rebate Calculation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Medical Loss Ratio Calculation, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of ACLA is presented in accordance with the Healthy Louisiana's MCO Financial Reporting Guide, in all material respects, and exceeds the eighty-five percent (85%) requirement for the period of January 1, 2016 through December 31, 2016.

This report is intended solely for the information and use of the Louisiana Department of Health and ACLA and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
March 29, 2018



Organizational Background

AmeriHealth Caritas Louisiana, Inc. (formerly known as AmeriHealth Mercy of Louisiana, Inc.) was formed on October 5, 2010 for the purpose of providing prepaid managed care services to Medicaid enrollees in the state of Louisiana. Effective February 1, 2012, ACLA entered into contract with the State of Louisiana's Department of Health to provide care to Medicaid enrollees. ACLA is currently one of five health plans that offer services on a full-risk basis.

ACLA is a wholly owned subsidiary of AmeriHealth Caritas Health Plan (ACHP) (formerly AmeriHealth Mercy Health Plan), a Pennsylvania general partnership formed to develop and operate managed care business.

The Patient Protection and Affordable Care Act (Affordable Care Act) was signed into law on March 23, 2010. The Affordable Care Act affected Medicaid by expanding the population of individuals that were eligible for Medicaid services. Medicaid eligibility was expanded to include all individuals with incomes up to 138 percent of the federal poverty level, regardless of their age, family status or health. The Medicaid expansion population is defined as individuals whom previously were not eligible for Medicaid services, but became eligible due to the expansion of Medicaid eligibility under the Affordable Care Act.

On January 12, 2016, the Governor of Louisiana signed Executive Order JBE 16-01 which expanded Medicaid in Louisiana effective July 1, 2016. Each Medicaid Managed Care Organization now serves this expansion population in addition to the original non-expansion population. ACLA's submitted MLR under examination reflects only the Medicaid non-expansion activity for the period of January 1, 2016 through December 31, 2016.



Schedule of Adjustments and Comments

During our examination we noted certain matters involving costs, that in our determination did not meet the definitions of allowable medical expenses and other operational matters that are presented for your consideration. These adjustments, comments and recommendations are intended to improve internal controls or result in other operating efficiencies and are summarized below. In addition, the adjustments made reflect only changes applicable to the expenditures of the Medicaid non-expansion population.

Adjustment #1 -To remove Fraud, Waste, and Abuse expense in excess of recoveries

AmeriHealth Caritas Louisiana, Inc., included \$3,047,858 of “alternative medical costs” on line 8 (Total Net Medical Expenses) of the MLR. Myers and Stauffer determined that \$2,891,862 of this amount did not meet the requirements per the Healthy Louisiana MCO Financial Reporting Guide’s Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions. The cost was stated to be Fraud, Waste, & Abuse according to the MCO. These costs do not meet the definitions of Medical expenses and the instructions for HCQI, Exclusions section 1H, specifically exclude fraud prevention activities from quality improving activities, other than fraud detection/recovery expenses up to the amount recovered that reduced incurred claims. We did not identify any fraud related recoveries during our examination. As a result, these expenses should be classified as “Other non-claim costs”.

We are recommending an adjustment to remove \$2,891,862 from Line 8 (Total Net Medical Expenses) of the MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable expenses.



AmeriHealth Caritas Louisiana, Inc.
 Medicaid Non-Expansion Adjusted Medical Loss
 Ratio (MLR) Rebate Calculation
 For the Period Ending December 31, 2016

AmeriHealth Caritas Louisiana, Inc.

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
Capitation Revenue and New Enrollee Adjustments				
1	Annual Non-Expansion Healthy Louisiana Payments	\$ 714,602,879	\$ -	\$ 714,602,879
2	Less: Health Insurer Provider Fee	\$ 17,598,021	\$ -	\$ 17,598,021
3	Less: Premium tax component of reported revenue	\$ 38,335,267	\$ -	\$ 38,335,267
4	Net Annual MLR Revenue	\$ 658,669,591	\$ -	\$ 658,669,591
5	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
6	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 25 below.	\$ -	\$ -	\$ -
7	Adjusted Annual MLR Revenue	\$ 658,669,591	\$ -	\$ 658,669,591
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses	\$ 602,491,571	\$ (2,891,862)	\$ 599,599,709
MLR Expense Adjustments defined in Appendix A				
9	Incurred claim adjustment additions	\$ -	\$ -	\$ -
10	Incurred claim adjustment deductions	\$ -	\$ -	\$ -
11	Less: Enhanced Benefit Expense	\$ 3,248,404	\$ -	\$ 3,248,404
12	Incurred claim adjustment exclusions	\$ 3,944,459	\$ -	\$ 3,944,459
13	Adjusted Net Medical Expenses	\$ 595,298,707	\$ (2,891,862)	\$ 592,406,846 ¹
Health care quality improvement (HCQI) and health care information technology and meaningful use expenses				
14	HCQI and HIT administrative expenses	\$ 8,723,481	\$ -	\$ 8,723,481
15	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$ -	\$ -	\$ -
16	Adjusted HCQI/HIT expenses	\$ 8,723,481	\$ -	\$ 8,723,481
17	Total MLR Expenditures Adjusted for HCQI/HIT	\$ 604,022,188	\$ (2,891,862)	\$ 601,130,327 ¹
18	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees.	\$ -	\$ -	\$ -
19	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 26 below.	\$ -	\$ -	\$ -
20	Total Adjusted Annual MLR Expenses	\$ 604,022,188	\$ (2,891,862)	\$ 601,130,327 ¹
21	MLR percentage achieved	91.7%	(0.4%)	91.3%
22	MLR percentage requirement for rebate calculation	85.0%		85.0%
23	Percentage below 85% requirement	0.0%		0.0%
24	Dollar amount of rebate requirement	\$ -	\$ -	\$ -
Reconciliation of Prior Year New Enrollee Capitation Exclusion				
25	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	\$ -	\$ -	\$ -
26	Less: Prior year incurred claims for excluded New Enrollees	\$ -	\$ -	\$ -
27	Total Net Adjustment for New Enrollees from prior years	\$ -	\$ -	\$ -

1) Minor cross-foot variance due to rounding.