



April 9, 2018

Via Electronic Mail

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

Re: Aetna Better Health of Louisiana 2016 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Aetna Better Health of Louisiana'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

**Aetna Better Health of Louisiana  
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 Aetna Better Health of Louisiana (ABHLA) related to the Medicaid Non-Expansion population for the period of January 1, 2016 through December 31, 2016. ABHLA'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 ABHLA 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 ABHLA and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC  
March 15, 2018



## Organizational Background

Aetna Better Health, Inc., a Louisiana corporation, was incorporated on July 27, 2010 in the State of Louisiana. Aetna Better Health, Inc., d/b/a Aetna Better Health of Louisiana (ABHLA) is wholly owned subsidiary of Aetna Health Holdings, LLC. Aetna Inc., a publicly held company currently trading on the New York Stock Exchange, is the ultimate parent corporation.

ABHLA entered into a contract with the Louisiana Department of Health (LDH) and began enrolling Medicaid members in the Healthy Louisiana program (formerly Bayou Health) effective February 1, 2015. ABHLA is currently one of five health plans that offer Medicaid medical services on a full risk basis in Louisiana. ABHLA provides coverage for a broad range of medically necessary services to meet its members' healthcare needs.

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. ABHLA'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 properly allocate premium tax between Medicaid expansion and non-expansion populations**

Aetna did not properly allocate the premium tax amounts between the Medicaid expansion and non-expansion populations on the submitted MLR. Based on the testwork performed, the non-expansion revenues were reported at 64% of the total population, therefore, premium tax should also represent 64% of the total population's premium tax totaling to \$15,147,852. Therefore, the proposed adjustment is to increase premium tax by \$2,761,493 on line 3 (Premium Tax Component of Reported Revenue) of the MLR. The instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions clearly defines revenue adjustments related to the MLR on page 2.

We recommend that Aetna revise its processes for reporting revenue adjustments on the MLR Rebate Calculation Report to properly split all revenues adjustments between the appropriate populations related to the period under review.



Aetna Better Health of Louisiana  
 Medicaid Non-Expansion Adjusted Medical Loss  
 Ratio (MLR) Rebate Calculation  
 For the Period Ending December 31, 2016

Aetna Better Health of Louisiana

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
<b>Capitation Revenue and New Enrollee Adjustments</b>				
1	Annual Non-Expansion Healthy Louisiana Payments	\$ 270,159,145	\$ -	\$ 270,159,145
2	Less: Health Insurer Provider Fee	\$ 3,872,848	\$ -	\$ 3,872,848
3	Less: Premium tax component of reported revenue	\$ 12,386,359	\$ 2,761,493	\$ 15,147,852
4	<b>Net Annual MLR Revenue</b>	\$ 253,899,938	\$ (2,761,493)	\$ 251,138,445
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	<b>Adjusted Annual MLR Revenue</b>	\$ 253,899,938	\$ (2,761,493)	\$ 251,138,445
<b>MLR Medical and Administrative Expense Adjustments</b>				
8	Total Net Medical Expenses	\$ 236,012,322	\$ -	\$ 236,012,322
<b>MLR Expense Adjustments defined in Appendix A</b>				
9	Incurring claim adjustment additions	\$ -	\$ -	\$ -
10	Incurring claim adjustment deductions	\$ -	\$ -	\$ -
11	Less: Enhanced Benefit Expense	\$ 2,133,349	\$ -	\$ 2,133,349
12	Incurring claim adjustment exclusions	\$ -	\$ -	\$ -
13	<b>Adjusted Net Medical Expenses</b>	\$ 233,878,973	\$ -	\$ 233,878,973
<b>Health care quality improvement (HCQI) and health care information technology and meaningful use expenses</b>				
14	HCQI and HIT administrative expenses	\$ 3,538,457	\$ -	\$ 3,538,457
15	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$ -	\$ -	\$ -
16	<b>Adjusted HCQI/HIT expenses</b>	\$ 3,538,457	\$ -	\$ 3,538,457
17	<b>Total MLR Expenditures Adjusted for HCQI/HIT</b>	\$ 237,417,430	\$ -	\$ 237,417,430
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	<b>Total Adjusted Annual MLR Expenses</b>	\$ 237,417,430	\$ -	\$ 237,417,430
21	<b>MLR percentage achieved</b>	<b>93.5%</b>	<b>1.0%</b>	<b>94.5%</b>
22	<b>MLR percentage requirement for rebate calculation</b>	<b>85.0%</b>		<b>85.0%</b>
23	<b>Percentage below 85% requirement</b>	<b>0.0%</b>		<b>0.0%</b>
24	<b>Dollar amount of rebate requirement</b>	\$ -		\$ -
<b>Reconciliation of Prior Year New Enrollee Capitation Exclusion</b>				
25	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	\$ -	\$ -	\$ -
26	Less: Prior year incurred claims for excluded New Enrollees	\$ -	\$ -	\$ -
27	<b>Total Net Adjustment for New Enrollees from prior years</b>	\$ -	\$ -	\$ -