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: Louisiana Healthcare Connections, Inc. 2016 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Louisiana Healthcare Connections, 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

Myers and Stauffer LC

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Louisiana Healthcare Connections, 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:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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

Myers and Stauffer LC

Myers and Stauffer LC
March 26, 2018

Organizational Background

Louisiana Healthcare Connections, Inc. (LHCC), a Louisiana Corporation, is a wholly owned subsidiary of Healthy Louisiana Holdings, LLC (HLH). LHCC was incorporated in October 2009 and began enrolling Medicaid members in the Bayou Health program on February 1, 2012. LHCC is currently one of five health plans that offer services on a full-risk basis.

HLH was formed as a joint venture between Centene Corporation (Centene) and Louisiana Partnership for Choice and Access, LLC (LPC&A). Centene purchased LPC&A's interest in the joint venture on October 31, 2012, making Centene the sole owner of HLH and LHCC wholly owned by Centene.

LHCC's entire source of revenue is derived from its full-risk contract with the Louisiana Department of Health (LDH). LHCC completed its three-phase membership rollout for the statewide service areas during June 2012. The Plan provides coverage for a broad range of medically necessary medical 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. LHCC's submitted MLR under examination reflects only the Medicaid non-expansion activity for the period of January 1, 2016 through December 31, 2016.

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 adjust for the variance between Line 8 on the Submitted MLR and the Supporting Trial Balance

Louisiana Healthcare Connections, Inc., included an amount of $1,273,355,512 on Line 8 as Total Net Medical Expenses. However, the supporting general ledger for this amount totaled $1,272,530,583. This represents a variance of $824,929.

We recommend an adjustment to remove $824,929 from Total Net Medical Expenses included on Line 8. We also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable clinical service expenses.

Adjustment #2 –To remove Fraud, Waste, and Abuse expense in excess of recoveries

Louisiana Healthcare Connections, Inc., included $1,765,177 in Fraud, Waste, and Abuse expenses on Line 8 as Total Net Medical Expenses. These expenses do not meet definition of incurred claims as defined in Appendix A: Healthy Louisiana – Prepaid Medical Loss Ratio (MLR) Rebate Calculation Instructions. In addition, the instructions for HCQI, Exclusions section 1H, specifically excludes 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 recommend an adjustment to remove $1,765,177 from the Total Net Medical Expenses included on Line 8. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable expenses.

Adjustment #3 – To adjust Magellan Health radiology expense to actual incurred medical expense

Louisiana Healthcare Connections, Inc., reported the per-member-per-month capitation expense of $6,561,740 for radiology services provided by NIA/Magellan Health as a medical expense for the non-expansion population on Line 8 of their MLR calculation out of a total amount of $6,761,140 reported in their general ledger. This non-expansion capitation represents 97.05% of the total Radiology capitation paid to Magellan/NIA. Actual claims paid for both the expansion and non-expansion populations for the MLR reporting period were provided by Magellan Health and totaled

$6,161,786. This represents a total variance of $599,354 and requires an allocation between the expansion and non-expansion populations. Therefore, the proposed adjustment removes $581,678 from the non-expansion population claimed medical expenses. This amount should be considered "Other non-claims costs". This requirement is addressed in CMS MLR Guidance issued 7.18.11 (Q&A #19), 5.13.11 (Q&A #12), and 2.10.12 (Q&A #20). CMS Guidance states that an "issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees". Question 12 also goes on to recognize what should be included in the non-claims cost component. Additionally, the instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions clearly defines "Incurred claims costs" and "Other non-claims costs".

We recommend an adjustment to remove $581,678 from the Total Net Medical Expenses included on Line 8. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims expenses.

Adjustment #4 – To adjust Envolve Pharmacy expense to actual incurred medical expense

Louisiana Healthcare Connections, Inc., included $245,029,684 in non-expansion population expenses incurred from Envolve Pharmacy, on Line 8 as Total Net Medical Expenses out of the total amount of $273,796,359 reported in their general ledger. This non-expansion pharmacy expense represents 89.49% of the total Pharmacy Expense. Our testing revealed that the payment amounts made by Envolve Pharmacy to providers differed from the amount invoiced to Louisiana Healthcare Connections, Inc. This practice is referred to as spread pricing in the industry. The difference between the amount paid to the provider and the invoiced amount may be considered "Other non-claims costs". However, since Envolve Pharmacy is a subsidiary company of Centene Corporation and thus a related party organization to Louisiana Healthcare Connections, Inc., additional analysis beyond the scope of this examination would be required to determine the actual allowable "Other non-claims costs". The instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation Instructions clearly define "Incurred claims costs" and "Other non-claim costs".

Myers and Stauffer LC utilized actual incurred claims data provided by Louisiana Healthcare Connections, Inc., and Envolve Pharmacy to arrive at a total of $250,751,272 in supported Pharmacy claim expense. This represents a total variance of $23,045,087 and requires an allocation between the expansion and non-expansion populations. Therefore, the proposed adjustment removes $20,623,833 from the non-expansion claimed medical expenses. Louisiana Healthcare Connections, Inc., submitted documentation contending that part of the difference should be considered as Healthcare Quality Initiative (HCQI) expenses. However, based on the documentation received, the expenses outlined do not meet the definition of HCQI expenses according the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation Instructions.

We recommend an adjustment to remove $20,623,833 from Total Net Medical Expenses included on Line 8 of the MLR as a non-allowable markup expense. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise it processes for reporting costs on the MLR rebate calculation properly to only include allowable claims and HCQI expenses.

Adjustment #5 – To adjust Envolve PeopleCare (formerly Nurtur Health, Inc.) related party expenses to documented costs

Louisiana Healthcare Connections, Inc., reported related party expenses for Envolve PeopleCare (formerly Nurtur Health, Inc.), of $3,891,997 on Line 14 as HCQI and HIT administrative expenses. These costs reflect LHCC's non-expansion population costs from their per-member-per-month (PMPM) arrangement with Envolve PeopleCare and did not reflect the actual costs incurred by Envolve PeopleCare. CMS Publication 15-1, Chapter 10 provides clear guidance on the treatment of allowable costs for related organizations. Since they do not meet the exception to the related organization principle listed in section 1010, they are limited to claim the actual cost amounts for this vendor, exclusive of any profits. In addition, the instructions in the Healthy Louisiana MCO Financial Reporting Guide Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions define the allowable "Healthcare Quality Initiative" expenses.

Envolve PeopleCare's submitted documentation supported a total of $1,950,829 of allowable HCQI expense applicable to LHCC. This allowable expense was then allocated between the non-expansion and expansion populations utilizing the applicable member months for each respective population during the year under review. As a result, 89.06% of the $1,950,829, or $1,737,352 is attributable to the non-expansion members. This results in an adjustment to remove $2,154,645 from Line 14 HCQI and HIT administrative expenses which relates to amounts identified as the corporate allocated overhead and profit margin amounts. We requested documentation supporting the corporate overhead amounts incurred by Envolve PeopleCare to determine how much, if any, of these amounts meet the definitions of HCQI. However, we were not provided sufficient detailed expense documentation to assess these amounts and allocations. The profit margin amount is not allowable as medical expense based on CMS's treatment of allowable costs for related organizations.

We recommend an adjustment to remove $2,154,645 as unsupported costs and non-allowable profit margin from HCQI and HIT administrative expenses on Line 14. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable and properly supported HCQI expenses.

Adjustment #6 – To adjust Envolve PeopleCare (formerly NurseWise LP) related party expenses to documented costs

Louisiana Healthcare Connections, Inc., reported related party expenses for Envolve PeopleCare (formerly NurseWise LP) of $1,807,027 on Line 14 as HCQI and HIT administrative expenses. These costs reflect LHCC's non-expansion costs from their per-member-per-month (PMPM) arrangement with Envolve PeopleCare and did not reflect the actual costs incurred by Envolve PeopleCare. CMS Publication 15-1, Chapter 10 provides clear guidance on the treatment of allowable costs for related organizations. Since they do not meet the exception to the related organization principle listed in section 1010, they are limited to claim the actual cost amounts for this vendor, exclusive of any profits. In addition, the instructions in the Healthy Louisiana MCO Financial Reporting Guide Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions define the allowable "Healthcare Quality Initiative" expenses.

Envolve PeopleCare's submitted documentation supported a total of $1,132,877 of allowable HCQI expense applicable to LHCC. This allowable expense was then allocated between the non-expansion and expansion populations utilizing the applicable member months for each respective population during the year under review. As a result, 89.06% of the $1,132,877, or $1,008,907 is attributable to the non-expansion members. This results in an adjustment to remove $798,120 from Line 14 HCQI and HIT administrative expenses which relates to amounts identified as the corporate allocated overhead and profit margin amounts. We requested documentation supporting the corporate overhead amounts incurred by Envolve PeopleCare to determine how much, if any, of these amounts meet the definitions of HCQI. However, we were not provided sufficient detailed expense documentation to assess these amounts and allocations. The profit margin amount is not allowable as medical expense based on CMS's treatment of allowable costs for related organizations.

We recommend an adjustment to remove $798,120 as unsupported costs and non-allowable profit margin from HCQI and HIT administrative expenses on Line 14. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable and properly supported HCQI expenses.

Adjustment #7 – To adjust Pharmacy Rebates to reflect 100% of rebates collected

Louisiana Healthcare Connections, Inc., included Pharmacy rebates amount of $3,071,001 as a reduction to the Total Net Medical Expenses amount reported on Line 8 of the MLR. Louisiana Healthcare Connections, Inc.'s, contract with Envolve Pharmacy (formerly US Script, Inc.), indicates that Envolve Pharmacy only remits 75% of the total Pharmacy rebates collected to Louisiana Healthcare Connections, Inc., with 25% being retained by Envolve Pharmacy. The instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation Instructions clearly state that prescription drug rebates received by the MCO must be deducted from incurred claims. Since Louisiana Healthcare Connections, Inc., and US Script are related organizations the entire rebate amount must be considered as a reduction to expenses. As a result, we recommend an adjustment of $1,023,667 for the remaining unreported rebate amount.

We recommend an adjustment to remove $1,023,667 ($3,071,000.57 divided by 75% multiplied by 25%) from Total Net Medical Expenses included on Line 8 of the MLR. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting Pharmacy Rebates on the MLR rebate calculation to properly reduce expense by all rebates.

Adjustment #8 –To remove Reinsurance expense in excess of recoveries

Louisiana Healthcare Connections, Inc., included a net amount of $7,851,317 in Reinsurance premium expenses that exceeded the Reinsurance recovery amounts on Line 8 as Total Net Medical Expenses. The Healthy Louisiana MCO Financial Reporting Guide and MLR instructions do not specifically identify reinsurance expense as an allowable clinical service expenditure and therefore absent specific instructions, these expenses should be classified as "Other non-claim costs". In addition, this excess expense amount cannot be considered as Healthcare Quality Initiative (HCQI) costs based on the MLR instructions for HCQI, which specifically excludes expenditures that are designed primarily to control or contain costs. The primary purpose of reinsurance is to minimize or reduce the risk exposure of the organization.

We recommend an adjustment to remove $7,851,317 from Total Net Medical Expenses included on Line 8. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable clinical service expenses and to properly classify non-claims cost.

Adjustment #9 – To adjust Cenpatico Behavioral Health expenses to incurred medical expense

Louisiana Healthcare Connections, Inc., reported $185,515,432 in non-expansion population per-member-per-month behavioral health capitation expense provided by Cenpatico Behavioral Health, Inc., on Line 8 of their MLR calculation as Total Net Medical Expenses out of the total amount of $215,267,244 reported in their general ledger. This non-expansion expense represents 86.18% of the total Behavioral Health expense. Actual claims paid related to the MLR reporting period were provided totaling $203,505,568. This represents a total variance of $11,761,676 and requires an allocation between the expansion and non-expansion populations. As a result, an adjustment is necessary to reduce the reported non-expansion population expenses by $10,136,109. However, we also recognize that Cenpatico Behavior Health incurred and paid expenses during 2016 in excess of their estimated IBNR amount claimed in 2015 in the amount of $874,167. This is considered an additional allowable non-expansion population expense (as a change in IBNR balances) incurred during the ordinary course of business. Therefore, the proposed adjustments result in a netted adjustment to remove $9,261,942 from the non-expansion claimed medical expenses. This amount, or a portion thereof (after subjection to related organization cost principles) may be considered "Other non-claims costs". This requirement is addressed in CMS MLR Guidance issued 7.18.11 (Q&A #19), 5.13.11 (Q&A #12), and 2.10.12 (Q&A #20). CMS Guidance states that an "issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees". Question 12 also goes on to recognize what should be included in the non-claims cost component. Additionally, the instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions clearly defines "Incurred claims costs" and "Other non-claims costs".

The amount removed from medical cost for this adjustment may be considered allowable as "Other non-claims costs". However, since Cenpatico is a subsidiary company of Centene Corporation and thus a related party organization to Louisiana Healthcare Connections, Inc., additional analysis beyond the scope of this examination would be required to determine the actual allowable "Other non-claims costs".

<u>We recommend an adjustment to remove $9,261,942 of non-medical expenses from Total Net Medical Expenses on Line 8 of the MLR. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims in medical expenses and to properly classify non-claims cost.</u>

<u>Adjustment #10 – To adjust Envolve Vision (Formerly Opticare) expenses to incurred medical expense</u>

Louisiana Healthcare Connections, Inc., reported $14,854,150 in non-expansion population per-member-per-month vision capitation expense provided by Envolve Vision on Line 8 of their MLR calculation as Total Net Medical Expenses out of the total amount of $17,132,004 reported in their general ledger. This non-expansion expense represents 86.70% of the Vision expense. Actual claims paid related to the MLR reporting period were provided totaling $10,548,676. This results in a total variance of $6,583,328 and requires an allocation between the expansion and non-expansion populations. As a result, an adjustment is necessary to reduce the reported non expansion population expense by $5,708,015. However we also identified that Envolve Vision incurred and paid expenses during 2016 that were less than the estimated IBNR amount claimed in 2015 in the amount of $54,790 resulting in an additional adjustment (as a change in IBNR balances) that should be considered as transpiring during the ordinary course of business to reduce the non-expansion population expense. Therefore, the proposed adjustments result in a netted adjustment to remove $5,762,805 from the non-expansion claimed medical expenses. This amount, or a portion thereof (after subjection to related organization cost principles) may be considered "Other non-claims costs". This requirement is addressed in CMS MLR Guidance issued 7.18.11 (Q&A #19), 5.13.11 (Q&A #12), and 2.10.12 (Q&A #20). CMS Guidance states that an "issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees". Question 12 also goes on to recognize what should be included in the non-claims cost component. Additionally, the instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions clearly defines "Incurred claims costs" and "Other non-claims costs".

The amount removed from medical cost for this adjustment may be considered allowable as "Other non-claims costs". However, since Envolve Vision is a subsidiary company of Centene Corporation and thus a related party organization to Louisiana Healthcare Connections, Inc., additional analysis beyond the scope of this examination would be required to determine the actual allowable "Other non-claims costs".

<u>We recommend an adjustment to remove $5,762,805 of non-medical expenses from Total Net Medical Expenses on Line 8 of the MLR. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims in medical expenses and to properly classify non-claims cost.</u>

<u>Adjustment #11 – To adjust Logisticare transportation expense to the actual incurred medical expense</u>

Louisiana Healthcare Connections, Inc., reported the non-expansion population per-member-per-month capitation expense for transportation services provided by Logisticare as a medical expense in the amount of $7,038,189 on Line 8 of their MLR calculation. This represents 89.77% of the $7,840,102 in total capitation payments made to Logisticare. During the course of our examination Logisticare and LHCC asserted that a component of the capitation expense (approximately $1,000,000) pertained to duties performed by Logisticare employees that should be considered as additional direct Medical and/or HCQI expenses and provided some support for these costs. We agreed that a significant portion of these costs may be considered allowable with additional support, however we were not provided this additional support and as such could not identify the exact portion to include. Therefore, these costs were excluded from our analysis and the allowable amounts were limited to the actual claims incurred. Actual claims incurred for both the expansion and non-expansion populations for the MLR reporting period were provided by Logisticare and totaled $9,163,181. This represents a total variance of $1,323,079 and requires an allocation between the expansion and non-expansion populations. Therefore, the proposed adjustment adds $1,187,750 to the allowable medical expense calculation for the non-expansion population.

<u>We recommend an adjustment to add $1,187,750 to Total Net Medical Expenses on Line 8. This is a reoccurring finding identified in prior examinations and as such, we also recommend that Louisiana Healthcare Connections, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to include all allowable incurred claims expense.</u>

<u>Adjustment #12 – To adjust for the duplicate reporting of Account 4036</u>

Louisiana Healthcare Connections, Inc., reported the $1,640,322 amount recorded in general ledger "Account 4036- Premium Tax rev-HIF" twice in their Line 2 and Line 3 MLR deductions. Therefore, the proposed adjustment removes $1,640,322 from Line 2 of the adjusted MLR so that this amount is only counted once and as a result the deduction from the reported revenue amounts occurs once.

<u>We recommend an adjustment to remove $1,640,322 from the Health Insurer Provider Fee on Line 2 of the MLR. We also recommend that Louisiana Healthcare Connections, In., revise its processes to avoid duplication of amounts reported on the MLR.</u>

Louisiana Healthcare Connections, 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**	$ 1,480,903,773	$ -	$ 1,480,903,773
2	**Less: Health Insurer Provider Fee**	$ 35,047,162	$ (1,640,322)	$ 33,406,840
3	**Less: Premium tax component of reported revenue**	$ 81,162,454	$ -	$ 81,162,454
4	**Net Annual MLR Revenue**	$ 1,364,694,157	$ 1,640,322	$ 1,366,334,479
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**	**$ 1,364,694,157**	**$ 1,640,322**	**$ 1,366,334,479**
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses	$ 1,273,355,512	$ (46,507,598)	$ 1,226,847,914
	MLR Expense Adjustments defined in Appendix A			
9	Incurred claim adjustment additions	$ -	$ -	$ -
10	Incurred claim adjustment deductions	$ -	$ -	$ -
11	Less: Enhanced Benefit Expense	$ 812,258	$ -	$ 812,258
12	Incurred claim adjustment exclusions	$ -	$ -	$ -
13	**Adjusted Net Medical Expenses**	$ 1,272,543,254	$ (46,507,598)	$ 1,226,035,656
	Health care quality improvement (HCQI) and health care information technology and meaningful use expenses			
14	HCQI and HIT administrative expenses	$ 20,501,920	$ (2,952,765)	$ 17,549,155
15	Adjustments or exclusions to HCQI/HIT meaningful use expenses	$ -	$ -	$ -
16	**Adjusted HCQI/HIT expenses**	$ 20,501,920	$ (2,952,765)	$ 17,549,155
17	**Total MLR Expenditures Adjusted for HCQI/HIT**	$ 1,293,045,174	$ (49,460,363)	$ 1,243,584,811
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**	**$ 1,293,045,174**	**$ (49,460,363)**	**$ 1,243,584,811**
21	**MLR percentage achieved**	**94.7%**	**(3.7%)**	**91.0%**
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**	**$ -**	**$ -**	**$ -**