April 9, 2018

Via Electronic Mail

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

Re: UnitedHealthcare of Louisiana, Inc. 2016 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of UnitedHealthcare of Louisiana Inc.'s 2016 Medical Loss Ratio (MLR) report. As a courtesy to LDH and other readers, we have also included UnitedHealthcare of Louisiana, Inc., management's response letter, in addition to our examination report, as part of this transmittal packet. Myers and Stauffer LC, in no manner, expresses an opinion on the accuracy, truthfulness, or validity of the statements presented within the management's response letter.

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

Kind Regards,

Myers and Stauffer LC

Myers and Stauffer LC

UnitedHealthcare of 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:

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 UnitedHealthcare of Louisiana, Inc. (UHC) related to the Medicaid Non-Expansion population for the period of January 1, 2016 through December 31, 2016. UHC'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 UHC 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 UHC 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 12, 2018

UnitedHealthcare of Louisiana, Inc. (UHC) is a wholly owned subsidiary of UnitedHealthcare, Inc. United Healthcare, Inc., is a wholly owned subsidiary of United HealthCare Services, Inc. United HealthCare Services, Inc., is a wholly owned subsidiary of UnitedHealth Group Incorporated, which is publicly held company currently trading on the New York Stock Exchange. UnitedHealthcare of Louisiana, Inc. began enrolling Medicaid members in the Healthy Louisiana (formerly Bayou Health) program on February 1, 2015. UHC is currently one of five health plans that offer services on a full risk basis.

UHC was incorporated in April 1986 as a Health Management Organization. They initially contracted with the Louisiana Department of Health (LDH) under an Administrative Services Only (ASO) agreement in 2011, providing primary care case management. This contract was then converted into a Medicaid risk and service contract effective February 2015. UHC 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. UHC'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 properly allocate revenue and expense activity between Medicaid expansion and non-expansion populations

UnitedHealthcare of Louisiana, Inc., reported inaccurate Medicaid non-expansion activity amounts on their submitted MLR. The MLR under examination for this reporting period is supposed to solely reflect the non-expansion population activity, however our examination procedures identified inaccurate Medicaid non-expansion population amounts. As a result, we have identified several adjustments necessary to properly separate the two populations' transactions, as well as to adjust the amounts to the support documentation provided during this examination.

We recommend the following adjustments to properly reflect the Medicaid non-expansion revenue and expense amounts on the MLR: Annual Non-Expansion Healthy Louisiana Payments (Line 1) $690,756, Premium Tax component of reported revenue (Line 3) ($188,284), Total Net Net Medical Expenses (Line 8) $1,194,152, and (Line 14) HCQI and HIT administrative Expenses $1,060,123. We also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes to ensure that Medicaid expansion and non-expansion activities are accurately tracked and reported separately.

Adjustment #2 - To remove non-allowable HCQI items included in HCQI

UnitedHealthcare of Louisiana, Inc., reported several intercompany accounts within the amounts claimed as HCQI and HIT administrative expenses on Line 14 of the MLR on a per-member-per-month (PMPM) basis. UnitedHealthcare of Louisiana, Inc., provided documentation that identified profit and administrative expenses as components of the PMPM amounts that should be excluded from the HCQI expenses.

The administrative component does not meet the HCQI definitions included within the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions and must be removed. In addition, the profit component should be removed entirely in accordance with the related organization guidance provided in CMS Publication 15-1, Chapter 10 on the treatment of allowable costs for related organizations. The exception to the related organizations listed in section 1010 was not met, and therefore UnitedHealthcare of Louisiana, Inc., is limited to the claiming of actual cost amounts of these intercompany transactions exclusive of any profit margin.

We recommend an adjustment to remove $2,593,615 from the HCQI and HIT administrative expenses included on Line 14 related to the profit and administrative amounts identified. This is a reoccurring finding identified in prior examinations and as such, we also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable HCQI expenses and to properly classify non-claims cost.

Adjustment #3 – To adjust pharmacy expenses to actual paid claims cost

UnitedHealthcare of Louisiana, Inc., submitted documentation in support of our pharmacy claims testing request that indicated that these pharmacy costs reported on Line 8 of MLR as medical expenses included amounts greater than the actual amount paid to pharmacy providers, or contained what is known in the industry as spread pricing. The actual amount paid to pharmacy providers was separately recorded within a separate general ledger account. UnitedHealthcare of Louisiana, Inc., failed to remove these amounts, but acknowledged in writing that this failure was an oversight. Therefore, the proposed adjustment removes $18,730,220 from line 8 (Total Net Medical Expenses from Income Statement) of the MLR. This requirement is addressed in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions.

We recommend an adjustment to remove $18,730,220 from 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 UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR Rebate Calculation Report properly to include only allowable medical expenses.

UnitedHealthcare of 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**	$ 1,265,010,019	$ 690,756	$ 1,265,700,775
2	**Less: Health Insurer Provider Fee**	$ 27,114,499	$ -	$ 27,114,499
3	**Less: Premium tax component of reported revenue**	$ 70,010,323	$ (188,284)	$ 69,822,039
4	**Net Annual MLR Revenue**	$ 1,167,885,197	$ 879,040	$ 1,168,764,237
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**	**$ 1,167,885,197**	**$ 879,040**	**$ 1,168,764,237**
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses	$ 1,070,440,767	$ (17,536,068)	$ 1,052,904,699
	MLR Expense Adjustments defined in Appendix A			
9	Incurred claim adjustment additions	$ -	$ -	$ -
10	Incurred claim adjustment deductions	$ -	$ -	$ -
11	Less: Enhanced Benefit Expense	$ 4,783,882	$ -	$ 4,783,882
12	Incurred claim adjustment exclusions	$ -	$ -	$ -
13	**Adjusted Net Medical Expenses**	$ 1,065,656,885	$ (17,536,068)	$ 1,048,120,817
	Health care quality improvement (HCQI) and health care information technology and meaningful use expenses			
14	HCQI and HIT administrative expenses	$ 21,772,436	$ (1,533,492)	$ 20,238,944
15	Adjustments or exclusions to HCQI/HIT meaningful use expenses	$ -	$ -	$ -
16	**Adjusted HCQI/HIT expenses**	$ 21,772,436	$ (1,533,492)	$ 20,238,944
17	**Total MLR Expenditures Adjusted for HCQI/HIT**	$ 1,087,429,321	$ (19,069,560)	$ 1,068,359,761
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**	**$ 1,087,429,321**	**$ (19,069,560)**	**$ 1,068,359,761**
21	**MLR percentage achieved**	**93.1%**	**(1.7%)**	**91.4%**
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**	**$ -**	**$ -**	**$ -**

UnitedHealthcare of Louisiana, Inc.

Management Response

UNITEDHEALTH GROUP

3838 N. Causeway Blvd, Suite 2600, Metairie, LA 70002

March 20, 2018

Myers and Stauffer LC
133 Peachtree St NE, Suite 3150
Atlanta, GA 30303

We have reviewed the audit report dated March 12, 2018 for the Louisiana MLR audit. Our responses to each of the recommended adjustments noted on the report are addressed below. If you require additional information, please let us know.

Adjustment #1 – To properly allocate revenue and expense activity between Medicaid expansion and non-expansion populations

We recommend the following adjustments to properly reflect the Medicaid non-expansion revenue and expense amounts on the MLR: Annual Non-Expansion Healthy Louisiana Payments (Line 1) $690,756, Premium Tax component of reported revenue (Line 3) ($188,284), Total Net Medical Expenses (Line 8) $1,194,152, and (Line 14) HCQI and HIT administrative Expenses $1,060,123. We also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes to ensure that Medicaid expansion and non-expansion activities are accurately tracked and reported separately.

UHC Response:

The Company agrees with the aforementioned adjustments to properly reflect the Medicaid non-expansion revenue and expense amounts on the MLR. Additionally, the Company has since revised its process to ensure Medicaid expansion and non-expansion activities are tracked and reported separately within its general ledger for the 2017 MLR reporting year.

Adjustment #2 - To remove non-allowable HCQI items included in HCQI

We recommend an adjustment to remove $2,593,615 from the HCQI and HIT administrative expenses included on Line 14 related to the profit and administrative amounts identified. This is a reoccurring finding identified in prior examinations and as such, we also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable HCQI expenses and to properly classify non-claims cost.

UHC Response:

The Company continues to believe that the CMS provision cited in the report is not applicable to Medicaid managed care. In the event the CMS Publication is applicable, the Company believes that it has met the exceptions noted in the provision. The Company reserves the right to continue to dispute this finding.

Adjustment #3 – To adjust pharmacy expenses to actual paid claims cost

We recommend an adjustment to remove $18,730,220 from 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 UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR Rebate Calculation Report properly to include only allowable medical expenses.

UHC Response:

The Company agrees with the recommendation for removing the excess pharmacy expense from incurred claims. Management has since changed the reporting preparation to ensure this cost is excluded.

Thank you for allowing us the opportunity to address the audit findings. If we could be of any assistance to you, please let us know.

Bill [signature]

Plan Chief Financial Officer