



October 31, 2019

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, Inc. Period Ending 2017 Expansion 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, Inc.'s Period Ending 2017 Expansion 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, Inc.  
Medicaid 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 July 1, 2016  
through December 31, 2017**

**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, Inc. (ABHLA) related to the Medicaid Expansion population for the period of July 1, 2016 through December 31, 2017. 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 Expansion MLR Reporting Guide. This criteria was used to prepare the Adjusted Medical Loss Ratio. 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.

The Member Months reported on the Adjusted Medical Loss Ratio Rebate Calculation has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it.

The accompanying Adjusted Medical Loss Ratio were prepared for the purpose of complying with the criteria, and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of ABHLA is presented in accordance with the Healthy Louisiana's Expansion MLR Reporting Guide, in all material respects, and exceeds the eighty-five percent (85%) requirement for the period of July 1, 2016 through December 31, 2017.

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  
October 15, 2019



## Organizational Background

Aetna Better Health of Louisiana, 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 expansion activity for the period of July 1, 2016 through December 31, 2017.



## 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 expansion population.

### **Adjustment #1 – To remove Health Insurance Provider Fee (HIPF) from revenue**

Aetna Better Health of Louisiana, Inc., included HIPF on their as submitted Medical Loss Ratio report for the Expansion population. HIPF is generated based on revenues received from the prior year. Since the HIPF expense was generated based solely on the 2015 Non-Expansion population premiums received, the 2016 HIPF amount received would only be applicable to the 2016 Non-Expansion population.

We recommend an adjustment to remove \$1,506,875 from Line 14: Expansion Healthy Louisiana Premium Revenue and Line 15: Health Insurance Provider Fee (HIPF). We also recommend that Aetna Better Health of Louisiana, Inc., revise its processes for reporting the Healthy Louisiana Payments to reflect accurate amounts for the MLR reporting period.

### **Adjustment #2 – To adjust revenue amounts to capitated payment documentation**

Aetna Better Health of Louisiana, Inc., reported revenue amounts that included capitation and income taxes. Income taxes should not be included in revenues. We have identified excess revenues of \$8,015,856, which should not be included and reported on Line 14: Expansion Healthy Louisiana Premium Revenue totals on the MLR. In addition, an adjustment of \$9,278, should be added to Line 16: Premium tax component of reported revenue to correct the premium tax amounts associated with the adjusted revenue totals. The revenue reporting requirements are addressed in the Healthy Louisiana Expansion MLR Reporting Guide instructions.

We recommend that \$8,015,856 be removed from Line 14: Expansion Healthy Louisiana Premium Revenue and \$9,278 be added to Line 16: Premium tax component of the reported revenue. We recommend that Aetna Better Health of Louisiana, Inc. revise its processes for reporting the Healthy Louisiana Payments to reflect accurate amounts for the MLR reporting period.

### **Adjustment #3 - To remove the Per-Member Per-Month amounts related to Administrative Services provided to coordinate vision and dental services**

Aetna Better Health of Louisiana, Inc., pays an Administrative Services Only (ASO) per-member-per month capitation on behalf of its members to manage all dental and vision services coordinated by DentalQuest and Superior Vision respectively. All vision and dental claim



## Schedule of Adjustments and Comments

expenses incurred on behalf of their members are separately paid to Aetna Better Health of Louisiana, Inc.'s, vision and dental subcontracted vendors on a pass-through basis in accordance with the fee schedules outlined in the Services and Compensation Schedule portion of the contracts with each vendor. Aetna Better Health of Louisiana, Inc., has reported both the medical claims expense and the ASO expense on Line 4: Optional Inclusion: Value-Added Services. The ASO expenses associated with this service and incurred by Aetna Better Health of Louisiana, Inc., meets the definition set forth in the Healthy Louisiana Expansion MLR Reporting Guide instructions for non-claims costs and may be allowable as such. The expense does not meet the definition of incurred claims expense. Therefore, the proposed adjustment removes the ASO amounts from the MLR calculation.

We recommend an adjustment to remove \$922,278 to decrease the ASO totals reported for DentaQuest and Superior Vision on Line 4: Optional Inclusion: Value-Added Services. We also recommend that Aetna Better Health of Louisiana, Inc., revise its processes for reporting all expenses in accordance with the MLR instructions.

### **Adjustment #4 – To adjust HCQI allocation methodology**

During the 2016 and 2017 calendar year Aetna Better Health of Louisiana, Inc., allocated their HCQI expenses based on their revenue totals. However, revenues do not always directly correlate with expenditures and therefore do not represent the most accurate allocation methodology available. Member months are a better allocation statistic to utilize as each member has equal access to these HCQI services. The HCQI cost has been recalculated based on member months rather than revenues. Therefore, the proposed adjustment removes \$1,639,248 from Line 8: HCQI administrative expenses, as these are applicable to the non-expansion population.

We recommend an adjustment to remove \$1,639,248 from Line 8: HCQI administrative expenses of the MLR. We also recommend that Aetna Better Health of Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly.



Aetna Better Health of Louisiana, Inc.  
 Medicaid Expansion Adjusted Medical Loss  
 Ratio (MLR) Rebate Calculation  
 For the Period Ending December 31, 2017

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
<b>MLR Medical and Administrative Expense Adjustments</b>				
1	<b>Total Incurred Claims</b>	\$ 389,426,097	\$ -	\$ 389,426,097
	<i>Adjustments to Incurred Claims</i>			
2	<b>Deductions:</b>			
2a	Prescription drug rebates	\$ 2,171,056	\$ -	\$ 2,171,056
2b	Prompt pay discounts	\$ -	\$ -	\$ -
2c	Overpayment recoveries received from providers	\$ 2,586,403	\$ -	\$ 2,586,403
3	<b>Inclusions:</b>			
3a	Incentive and bonus payments made to providers	\$ 1,085,445	\$ -	\$ 1,085,445
3b	Fraud reduction expenses	\$ -	\$ -	\$ -
4	Optional Inclusion: Value-Added Services	\$ 6,902,621	\$ (922,278)	\$ 5,980,343
5	<b>Exclusions:</b>			
5a	Non-Claims Costs	\$ -	\$ -	\$ -
5b	Prior year MLR rebates paid to LDH	\$ -	\$ -	\$ -
5c	Payments to delegated vendors exceeding amount paid to providers	\$ -	\$ -	\$ -
5d	Spread pricing amounts paid to PBM	\$ -	\$ -	\$ -
5e	Reinsurance premiums exceeding reinsurance recoveries	\$ 173,695	\$ -	\$ 173,695
6	Other: Incurred claims assumed	\$ -	\$ -	\$ -
7	<b>Adjusted Incurred Claims</b>	\$ 392,483,009	\$ (922,278)	\$ 391,560,731
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
8	HCQI administrative expenses	\$ 6,250,821	\$ (1,639,248)	\$ 4,611,573
9	Exclusions to HCQI	\$ -	\$ -	\$ -
	<i>Health Information Technology (HIT) Expenses</i>			
10	HIT administrative expenses	\$ -	\$ -	\$ -
11	Exclusions to HIT expenses	\$ -	\$ -	\$ -
12	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
13	<b>Total Adjusted MLR Numerator</b>	\$ 398,733,830	\$ (2,561,526)	\$ 396,172,304
<b>Capitation Revenue and New Enrollee Adjustments</b>				
14	<b>Expansion Healthy Louisiana Premium Revenue</b>	\$ 502,430,366	\$ (9,522,731)	\$ 492,907,635
	<i>Revenue Adjustments</i>			
15	Less: Health Insurance Provider Fee (HIPF)	\$ 1,506,875	\$ (1,506,875)	\$ -
16	Less: Premium tax component of reported revenue	\$ 27,100,642	\$ 9,278	\$ 27,109,920
17	Less: Other taxes and licensing and regulatory fees	\$ 8,184,554	\$ -	\$ 8,184,554
18	<b>Total Adjusted MLR Denominator</b>	\$ 465,638,295	\$ (8,025,134)	\$ 457,613,161





Aetna Better Health of Louisiana, Inc.  
 Medicaid Expansion Adjusted Medical Loss  
 Ratio (MLR) Rebate Calculation  
 For the Period Ending December 31, 2017

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
19	MLR Percentage Achieved	85.63%	0.94%	86.57%
20	MLR Percentage Requirement for Rebate Calculation	85.00%		85.00%
21	Percentage Below 85% Requirement	0.00%		0.00%
22	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
23	MLR Percentage Achieved	85.63%		86.57%
24	MLR Percentage Requirement for Refund Calculation	95.00%		95.00%
25	Percentage Above 95% Requirement	0.00%		0.00%
26	Dollar Amount of Refund Requirement	\$ -	\$ -	\$ -

27	MLR Member Months	867,835		867,835
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