MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

October 31, 2019

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. Period Ending 2017 Expansion 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 Period Ending 2017 Expansion 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

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UnitedHealthcare 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:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

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 Expansion population for the period of July 1, 2016 through December 31, 2017. 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 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 UHC is presented in accordance with the Healthy Louisiana's Expansion MLR Reporting Guide, in all material respects, but does not exceed 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 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
October 24, 2019

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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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 expansion activity for the period of July 1, 2016 through December 31, 2017.

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 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 Lines 8 and 10, respectively, 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 and HIT expenses.

The administrative component does not meet the HCQI definitions included within the Healthy Louisiana Expansion MLR Reporting Guide and must be removed. The Reporting Guide provides specific exclusions to the quality improvement activities listed below:

- *Any cost that is not directly applicable to providing measurable quality improving activities such as corporate administrative allocations, amounts exceeding cost of providing service, or other overhead expenses that do not directly support the healthcare quality initiative*
- *Any function or activity not expressly included in the functions or activities paid for with grant money or other funding separate from LDH capitation payments, unless otherwise approved by and within the discretion of LDH, upon adequate showing by the MCO that the activity's costs support the definitions and purposes described above or otherwise support monitoring, measuring or reporting HCQI*

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 $408,867 from Line 8: HCQI administrative expenses and $37,469 from Line 10: HIT administrative expenses. 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.

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
MLR Medical and Administrative Expense Adjustments				
1	**Total Incurred Claims**	**$ 812,323,221**	**$ -**	**$ 812,323,221**
	Adjustments to Incurred Claims:			
2	**Deductions:**			
2a	Prescription drug rebates	$ 7,445,969	$ -	$ 7,445,969
2b	Prompt pay discounts	$ -	$ -	$ -
2c	Overpayment recoveries received from providers	$ (255)	$ -	$ (255)
3	**Inclusions:**			
3a	Incentive and bonus payments made to providers	$ -	$ -	$ -
3b	Fraud reduction expenses	$ 283,458	$ -	$ 283,458
4	Optional Inclusion: Value-Added Services	$ 15,728,957	$ -	$ 15,728,957
5	**Exclusions:**			
5a	Non-Claims Costs	$ 740,472	$ -	$ 740,472
5b	Prior year MLR rebates paid to LDH	$ -	$ -	$ -
5c	Payments to delegated vendors exceeding amount paid to providers	$ 305,341	$ -	$ 305,341
5d	Spread pricing amounts paid to PBM	$ 11,113,783	$ -	$ 11,113,783
5e	Reinsurance premiums exceeding reinsurance recoveries	$ 893,302	$ -	$ 893,302
6	Other: Incurred claims assumed	$ -	$ -	$ -
7	**Adjusted Incurred Claims**	**$ 807,837,024**	**$ -**	**$ 807,837,024**
	Health Care Quality Improvement (HCQI) Expenses			
8	HCQI administrative expenses	$ 8,506,955	$ (408,867)	$ 8,098,088
9	Exclusions to HCQI	$ 179,773	$ -	$ 179,773
	Health Information Technology (HIT) Expenses			
10	HIT administrative expenses	$ 2,168,842	$ (37,469)	$ 2,131,373
11	Exclusions to HIT expenses	$ 22,429	$ -	$ 22,429
12	External Quality Review (EQR) related expenses	$ -	$ -	$ -
13	**Total Adjusted MLR Numerator**	**$ 818,310,619**	**$ (446,336)**	**$ 817,864,283**
Capitation Revenue and New Enrollee Adjustments				
14	**Expansion Healthy Louisiana Premium Revenue**	**$ 1,122,020,547**	**$ -**	**$ 1,122,020,547**
	Revenue Adjustments			
15	Less: Health Insurance Provider Fee (HIPF)	$ -	$ -	$ -
16	Less: Premium tax component of reported revenue	$ 62,119,403	$ -	$ 62,119,403
17	Less: Other taxes and licensing and regulatory fees	$ 55,033,040	$ -	$ 55,033,040
18	**Total Adjusted MLR Denominator**	**$ 1,004,868,104**	**$ -**	**$ 1,004,868,104**

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
19	**MLR Percentage Achieved**	**81.43%**	**(0.04)%**	**81.39%**
20	MLR Percentage Requirement for Rebate Calculation	85.00%	-	85.00%
21	Percentage Below 85% Requirement	3.57%	0.04%	3.61%
22	**Dollar Amount of Rebate Requirement**	**$ 35,827,269**	**$ 446,336**	**$ 36,273,605**

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
23	**MLR Percentage Achieved**	**81.43%**		**81.39%**
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**	2,074,690		2,074,690

UnitedHealthcare of Louisiana, Inc.

Management’s Response

UNITEDHEALTH GROUP

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

October 28, 2019

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

Re: MLR Audit Report – 2017 Louisiana Expansion Plan

We have reviewed the audit report for the Louisiana MLR audit on the Expansion Medicaid plan as of December 31, 2017. Our response to the recommended adjustment noted on the report is addressed below. If you require additional information, please let us know.

Adjustment #1 – To remove non-allowable HCQI items included in HCQI.

We recommend an adjustment to remove $408,867 from Line 8: HCQI administrative expenses and $37,469 from Line 10: HIT administrative expenses. 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 costs.

UHC Response:

As noted in our previous responses, the Company respectfully disagrees with the regulators' opinion on the treatment of Administrative expenses as it relates to CMS Publication 15-1, Chapter 10. We understand that such expenses must contribute towards the quality improvement of the plan members. We believe our expenses meet that definition.

We believe that CMS allows plans to include the full expenditures made to vendors for Quality Improvement Activities. See 42 CFR 438.8(e)(1). Louisiana's MLR methodology allows plans to include in reportable expenses shared expenses related to the provision of a service as long as they are apportioned pro rata to the entities incurring the expenses.

Recognizing that the Louisiana Department of Health and Myers & Stauffer disagree with this position and since this is a recurring finding, the Company revised its processes for reporting these costs for 2018. Since the guidance from CMS has been inconsistently communicated, we respectfully request the Department of Health reassess the intent of the instructions.

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

Joseph Wagner

Regional Plan Chief Financial Officer