

May 31, 2019

Via Electronic Mail

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

Re: Issuance of Amended Aetna Better Health of Louisiana, Inc. 2017 Non-Expansion MLR Examination Report

This letter is to inform you that certain corrections required that Myers and Stauffer LC amend and reissue the final 2017 MLR examination report for Aetna Better Health of Louisiana, Inc. We previously issued this report dated April 15, 2019 as part of the final report packet submitted to the Louisiana Department of Health (LDH) on April 26, 2019. On May 28, 2019 Myers and Stauffer LC determined that the Reported MLR Amounts for Line 1 Total Incurred Claims amount did not match the report submitted to LDH. In addition, the amounts reported on Line 6 Other: Incurred Claims Assumed was actually the Incurred But Not Reported (IBNR) amount. Therefore, we request that LDH disregard the previous version of this report and accept this amended report containing the following modification from the original report dated April 15, 2019:

- The sixth sentence of paragraph two of the Independent Accountant's Report contains the additional statement: *"This amended report, which supersedes the original reported dated April 15, 2019 and transmitted on April 26, 2019, presents the amended results for ABHLA's Medical Loss Ratio Rebate Calculation for the period of January 1, 2017 through December 31, 2017. Our previous report should not be relied upon."*
- Adjustment #2 and Adjustment #3 were added to the Schedule of Adjustments and Comments.
- The Adjusted Medical Loss Ratio Rebate Calculation contains an updated table to reflect the additional adjustments.

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 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, 2017
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 (ABHLA) related to the Medicaid Non-Expansion population for the period of January 1, 2017 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 (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. This amended report, which supersedes the original reported dated April 15, 2019 and transmitted on April 26, 2019, presents the amended results for ABHLA's Medical Loss Ratio Rebate Calculation for the period of January 1, 2017 through December 31, 2017. Our previous report should not be relied upon.

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.

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, 2017 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
April 15, 2019



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, 2017 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 non-expansion population.

Adjustment #1 - To adjust the revenue, premium taxes, and expense associated with Full Medicaid Pricing (FMP)

Aetna Better Health of Louisiana reported revenue amounts that did not reflect all capitation payments received for its members applicable to the covered dates of service for the period of January 1, 2017 through December 31, 2017. The additional payments are primary attributable to the Full Medicaid Payments (FMP) made to Aetna Better Health of Louisiana. The Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions state that a MCO must report the total capitation payments received from LA Medicaid for each MLR reporting year. We therefore recommend that Line 15 Non-Expansion Healthy Louisiana Premium Revenue and Line 17 Premium Tax Component of Reported Revenue be adjusted to reflect the reported payment information through April 30, 2018, for the covered dates of service for the period ending December 31, 2017. We also recommend that the Line 1 Total Incurred Claims expense be increased for the associated Full Medicaid Payments expenses amounts. LDH has informed us that both the FMP capitation payments and the expenses incurred are allowable for MLR calculation purposes.

We recommend that adjustments of \$36,623,315 be added to Line 1 Total Incurred Claims, \$38,430,662 be added to Line 15 Non-Expansion Healthy Louisiana Premium Revenue, and \$17,829 be subtracted from Line 17 Premium Tax Component of Reported Revenue to reflect the updated capitation payments and incurred claims expense. We also recommend that Aetna Better Health of Louisiana revise its processes for reporting all revenues and expense in accordance with the MLR instructions.

Adjustment #2 - To adjust the report total incurred claims to match the supporting documentation

Aetna Better Health of Louisiana's reported Line 1 Total Incurred Claims did not reconcile to supporting documentation which included claim run-out for the period. MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions state that a MCO must include direct claims paid to or received by providers whose services are covered by the subcontract for Clinical services or supplies covered by LDH's contract with the MCO. In addition, the report must include claim reserves associated with claims incurred during the MLR reporting year, the change in contract reserves, reserves for contingent benefits and the claim portion of lawsuits, and any experience rating refunds paid or received. Reimbursement for Clinical services as defined in this section is referred to as "incurred claims". We therefore recommend that Line 1 Total Incurred Claims be adjusted to reflect the supporting documentation for the covered dates of service for the period ending December 31, 2017.



Schedule of Adjustments and Comments

We recommend that an adjustment of \$1,967,525 be added to Line 1 Total Incurred Claims to reflect the supporting documentation for complete incurred claims expense. We also recommend that Aetna Better Health of Louisiana revise its processes for reporting all expenses in accordance with the MLR instructions.

Adjustment #3 - To reclassify IBNR from Line 6: Other Incurred Claims Assumed

Aetna Better Health of Louisiana reported their Incurred But Not Reported (IBNR) changes on Line 6: Other Incurred Claims Assumed, rather than including this amount in their Line 1 Total Incurred Claims totals.

MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions state that a MCO must include direct claims paid to or received by providers whose services are covered by the subcontract for Clinical services or supplies covered by LDH's contract with the MCO. In addition, the report must include claim reserves associated with claims incurred during the MLR reporting year, the change in contract reserves, reserves for contingent benefits and the claim portion of lawsuits, and any experience rating refunds paid or received. Reimbursement for Clinical services as defined in this section is referred to as "incurred claims". Incurred claims must include the change in IBNR claims from the prior year to the current year. Additionally, the MLR instructions define the Line 6 Incurred Claims Assumed as, "Incurred claims paid by one MCO that is later assumed by another entity must be reported by the assuming MCO for the entire MLR reporting year and no incurred claims for that MLR reporting year may be reported by the ceding MCO." There was no assumption of incurred claims by Aetna Better Health of Louisiana during the examination period.

We recommend that \$2,090,803 be reclassified from Line 6 Other: Incurred Claims Assumed and added to Line 1 Total Incurred Claims. We also recommend that Aetna Better Health of Louisiana revise its processes for reporting all expenses in accordance with the MLR instructions.



Aetna Better Health of Louisiana, Inc.
 Medicaid Non-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
MLR Medical and Administrative Expense Adjustments				
1	Total Incurred Claims	\$ 176,998,965	\$ 40,681,643	\$ 217,680,608
	<i>Adjustments to Incurred Claims:</i>			
2	Deductions:			
2a	Prescription drug rebates	\$ 963,753	\$ -	\$ 963,753
2b	Prompt pay discounts	\$ -	\$ -	\$ -
2c	Overpayment recoveries received from providers	\$ 2,311,085	\$ -	\$ 2,311,085
3	Inclusions:			
3a	Incentive and bonus payments made to providers	\$ 148,697	\$ -	\$ 148,697
3b	Fraud reduction expenses	\$ -	\$ -	\$ -
4	Optional Inclusion: Value-Added Services	\$ 1,650,196	\$ -	\$ 1,650,196
5	Exclusions:			
5a	Non-Claims Costs	\$ 226,000	\$ -	\$ 226,000
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	\$ -	\$ -	\$ -
6	Other: Incurred claims assumed	\$ 2,090,803	\$ (2,090,803)	\$ -
7	Adjusted Incurred Claims	\$ 177,387,823	\$ 38,590,840	\$ 215,978,663
	<i>Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) Expenses</i>			
8	HCQI and HIT administrative expenses	\$ 2,804,293	\$ -	\$ 2,804,293
9	Exclusions to HCQI and HIT expenses	\$ -	\$ -	\$ -
10	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
11	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$ 180,192,116	\$ 38,590,840	\$ 218,782,956
12	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	\$ -	\$ -	\$ -
13	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 28 below	\$ -	\$ -	\$ -
14	Total Adjusted MLR Numerator	\$ 180,192,116	\$ 38,590,840	\$ 218,782,956
Capitation Revenue and New Enrollee Adjustments				
15	Non-Expansion Healthy Louisiana Premium Revenue	\$ 203,015,505	\$ 38,430,662	\$ 241,446,167
	<i>Revenue Adjustments</i>			
16	Less: Health Insurance Provider Fee (HIPF)	\$ -	\$ -	\$ -
17	Less: Premium tax component of reported revenue	\$ 13,297,368	\$ (17,829)	\$ 13,279,539
18	Less: Income taxes	\$ 537,633	\$ -	\$ 537,633
19	Net Annual MLR Revenue	\$ 189,180,504	\$ 38,448,491	\$ 227,628,995
20	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
21	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 27 below	\$ -	\$ -	\$ -
22	Total Adjusted MLR Denominator	\$ 189,180,504	\$ 38,448,491	\$ 227,628,995



Schedule of Adjustments and Comments

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
23	MLR Percentage Achieved	95.2%	0.9%	96.1%
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%
25	Percentage Below 85% Requirement	0.0%		0.0%
26	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -

Reconciliation of Prior Year New Enrollee Capitation Exclusion				
27	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	\$ -	\$ -	\$ -
28	Less: Prior year incurred claims for excluded New Enrollees	\$ -	\$ -	\$ -
29	Total Net Adjustment for New Enrollees from prior years	\$ -	\$ -	\$ -

30	MLR Member Months	764,773		764,773
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Credibility Adjustment Applied (if applicable)				
31	MLR Percentage Achieved	95.2%	0.9%	96.1%
32	Credibility Adjustment	0.0%	0.0%	0.0%
33	Adjusted MLR Percentage Achieved	95.2%	0.9%	96.1%
34	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%
35	Percentage Below 85% Requirement	0.0%		0.0%
36	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -