



May 6, 2020

Via Electronic Mail

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

Re: Community Care Health Plan of Louisiana, Inc., d/b/a "Healthy Blue" 2018 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Community Care Health Plan of Louisiana, Inc., d/b/a Healthy Blue's 2018 Medical Loss Ratio (MLR) report.

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

Kind Regards,

Myers and Stauffer LC

**Community Care Health Plan of Louisiana, Inc.  
d/b/a “Healthy Blue”  
Report on Adjusted 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, 2018  
through December 31, 2018**

**Prepared by:**





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State of Louisiana  
Louisiana Department of Health  
Baton Rouge, Louisiana

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio Rebate Calculation of Community Care Health Plan of Louisiana, Inc., d/b/a "Healthy Blue" related to the Louisiana Medicaid and Children's Health Insurance Program (CHIP) populations for the period of January 1, 2018 through December 31, 2018. Healthy Blue's management is responsible for presenting the Medical Loss Ratio Rebate Calculation in accordance with the criteria set forth in the Healthy Louisiana's MLR Reporting Guide (Guide) and Centers for Medicare & Medicaid Services (CMS) federal guidance 42 CFR 438.8. 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 was 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 Healthy Blue is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted MLR Percentage Achieved exceeds the CMS minimum requirement of eighty-five percent (85%) for the period of January 1, 2018 through December 31, 2018.

This report is intended solely for the information and use of the Louisiana Department of Health and Healthy Blue and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC  
April 24, 2020



*Adjusted Medical Loss Ratio - Calendar Year Ending December 31, 2018*

Adjusted Medical Loss Ratio - Calendar Year Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Expenses</b>				
<b>1</b>	<b>Total Incurred Claims</b>	\$ 1,186,119,151	\$ -	\$ 1,186,119,151
	<i>Adjustments to Incurred Claims</i>			
<b>2</b>	Deductions:			
<b>2a</b>	Prescription drug rebates	\$ 6,825,962	\$ -	\$ 6,825,962
<b>2b</b>	Prompt pay discounts	\$ -	\$ -	\$ -
<b>2c</b>	Overpayment recoveries received from providers	\$ -	\$ -	\$ -
<b>3</b>	Inclusions:			
<b>3a</b>	Incentive and bonus payments made to providers	\$ 2,211,527	\$ -	\$ 2,211,527
<b>3b</b>	Fraud reduction expenses	\$ 310,947	\$ -	\$ 310,947
<b>4</b>	Optional Inclusion: Value-Added Services	\$ -	\$ -	\$ -
<b>5</b>	Exclusions:			
<b>5a</b>	Non-Claims Costs	\$ 251,721	\$ -	\$ 251,721
<b>5b</b>	Prior year MLR rebates paid to LDH	\$ -	\$ -	\$ -
<b>5c</b>	Payments to delegated vendors exceeding amount paid to providers	\$ -	\$ -	\$ -
<b>5d</b>	Spread pricing amounts paid to PBM	\$ 22,650,154	\$ -	\$ 22,650,154
<b>5e</b>	Reinsurance premiums exceeding reinsurance recoveries	\$ -	\$ -	\$ -
<b>6</b>	Other: Incurred claims assumed	\$ -	\$ -	\$ -
<b>7</b>	<b>Adjusted Incurred Claims*</b>	\$ 1,158,913,787	\$ -	\$ 1,158,913,787
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
<b>8</b>	HCQI administrative expenses	\$ 18,978,041	\$ -	\$ 18,978,041
<b>9</b>	Exclusions to HCQI	\$ 2,465,488	\$ -	\$ 2,465,488
	<i>Health Information Technology (HIT) Expenses</i>			
<b>10</b>	HIT administrative expenses	\$ 4,054,683	\$ -	\$ 4,054,683
<b>11</b>	Exclusions to HIT expenses	\$ -	\$ -	\$ -
<b>12</b>	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
<b>13</b>	<b>Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses*</b>	\$ 1,179,481,023	\$ -	\$ 1,179,481,023
<b>14</b>	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	\$ -	\$ -	\$ -
<b>15</b>	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 30 below	\$ -	\$ -	\$ -
<b>16</b>	<b>Total Adjusted MLR Numerator</b>	\$ 1,179,481,023	\$ -	\$ 1,179,481,023
<b>Revenues</b>				
<b>17</b>	<b>Healthy Louisiana Premium Revenue</b>	\$ 1,337,450,157	\$ (5,217,804)	\$ 1,332,232,353
	<i>Revenue Adjustments</i>			
<b>18</b>	Less: Health Insurance Provider Fee (HIPF)	\$ 25,444,367	\$ (6,448,875)	\$ 18,995,492
<b>19</b>	Less: Premium tax component of reported revenue	\$ 73,559,759	\$ (286,979)	\$ 73,272,780
<b>20</b>	Less: Other taxes and licensing and regulatory fees	\$ -	\$ -	\$ -
<b>21</b>	<b>Net Annual MLR Revenue*</b>	\$ 1,238,446,032	\$ 1,518,050	\$ 1,239,964,082
<b>22</b>	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
<b>23</b>	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 29 below	\$ -	\$ -	\$ -
<b>24</b>	<b>Total Adjusted MLR Denominator</b>	\$ 1,238,446,032	\$ 1,518,050	\$ 1,239,964,082

\*Minor footing variance due to rounding.



*Adjusted Medical Loss Ratio - Calendar Year Ending December 31, 2018*

Adjusted Medical Loss Ratio - Calendar Year Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>MLR Calculation</b>				
25	MLR Percentage Achieved	95.2%	-0.1%	95.1%
26	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%
27	Percentage Below 85% Requirement	0.0%		0.0%
28	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -

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

32	MLR Member Months			3,089,817
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Credibility Adjustment Applied				
33	MLR Percentage Achieved			95.1%
34	Credibility Adjustment			0%
35	<b>Adjusted MLR Percentage Achieved</b>			<b>95.1%</b>
36	MLR Percentage Requirement for Rebate Calculation			85.0%
37	<b>Percentage Below 85% Requirement</b>			<b>0.0%</b>
38	Dollar Amount of Rebate Requirement			\$ -



## *Schedule of Adjustments and Comments for the Calendar Year Ending December 31, 2018*

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.

### **Adjustment #1 - To adjust Premium Revenue and the amounts reported in relation to Health Insurer Provider Fee (HIPF)**

Healthy Blue reported \$1,337,450,157 on Line 17: Healthy Louisiana Premium Revenue. The state provided capitation data with runout through April 30, 2019 supported \$1,306,787,986 and the state provided HIPF payment data supported \$25,444,367 for a total of \$1,332,232,353. We recommend an adjustment to line 17 for this variance of \$5,217,804.

Healthy Blue reported \$25,444,367 on Line 18: Health Insurance Provider Fee (HIPF). The amount reported represents the HIPF revenue amount received from LDH, rather than the HIPF expense incurred by Healthy Blue. The amount reported by Healthy Blue on line 18 represents the portion of HIPF revenue received from LDH designated to cover the HIPF expense of \$18,995,492, premium taxes of \$1,399,440, and federal income taxes of \$5,049,435 incurred by Healthy Blue. The Healthy Louisiana's MLR Reporting Guide instructs the MCOs to reduce the overall denominator, in total, by this payment amount and exclude from the MLR calculation. LDH reimburses each managed care organization a comprehensive amount that is designed to cover the incurred HIPF expenses, insurance premium taxes, and income taxes resulting from the reimbursement for these expenses. Each of these expenses have their own specific revenue adjustment lines 18 through 20 on the MLR template. While the instructions do not specify whether the revenue adjustment for line 18 should represent this total LDH payment amount or only the portion paid out by the MCO as the HIPF expense, the sum of these deductions to the denominator should never exceed the LDH payment. Healthy Blue reported the full HIPF revenue as an adjustment to line 18 and also included the HIPF revenue in their federal income tax calculation resulting in income tax amounts that were reported on line 20. This resulted in the reporting of deduction amounts, in total, that exceeded LDH's payment. We have made adjustments to lines 18 through 20 revenue adjustments, where applicable, to accurately reflect the amounts for each expense type as they were incurred by the MCO for the calendar year.

#### **Proposed Adjustment:**

<b>Line #</b>	<b>Line Description</b>	<b>Amount</b>
17	Healthy Louisiana Premium Revenue	\$(5,217,804)
18	Health Insurance Provider Fee	\$(6,448,875)
19	Premium tax component of reported revenue	\$(286,979)