



May 6, 2020

Via Electronic Mail

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

Re: Louisiana Healthcare Connections, Inc. 2018 MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Louisiana Healthcare Connections, Inc.'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

**Louisiana Healthcare Connections, Inc.
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 Louisiana Healthcare Connections, Inc. (LHCC) related to the Louisiana Medicaid and Children's Health Insurance Program (CHIP) populations for the period of January 1, 2018 through December 31, 2018. LHCC'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 LHCC 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 LHCC and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
April 21, 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
Expenses				
1	Total Incurred Claims	\$ 1,897,053,612	\$ -	\$ 1,897,053,612
	<i>Adjustments to Incurred Claims</i>			
2	Deductions:			
2a	Prescription drug rebates	\$ 12,193,038	\$ -	\$ 12,193,038
2b	Prompt pay discounts	\$ -	\$ -	\$ -
2c	Overpayment recoveries received from providers	\$ -	\$ -	\$ -
3	Inclusions:			
3a	Incentive and bonus payments made to providers	\$ 27,605,818	\$ -	\$ 27,605,818
3b	Fraud reduction expenses	\$ 2,021,357	\$ -	\$ 2,021,357
4	Optional Inclusion: Value-Added Services	\$ 11,127,115	\$ -	\$ 11,127,115
5	Exclusions:			
5a	Non-Claims Costs	\$ 9,360,039	\$ -	\$ 9,360,039
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	\$ 16,861,446	\$ (5,014,901)	\$ 11,846,545
5e	Reinsurance premiums exceeding reinsurance recoveries	\$ 821,316	\$ -	\$ 821,316
6	Other: Incurred claims assumed	\$ -	\$ -	\$ -
7	Adjusted Incurred Claims*	\$ 1,898,572,062	\$ 5,014,901	\$ 1,903,586,963
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
8	HCQI administrative expenses	\$ 24,015,700	\$ -	\$ 24,015,700
9	Exclusions to HCQI	\$ 2,105,036	\$ -	\$ 2,105,036
	<i>Health Information Technology (HIT) Expenses</i>			
10	HIT administrative expenses	\$ -	\$ -	\$ -
11	Exclusions to HIT expenses	\$ -	\$ -	\$ -
12	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$ 1,920,482,726	\$ 5,014,901	\$ 1,925,497,627
14	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	\$ -	\$ -	\$ -
15	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 30 below	\$ -	\$ -	\$ -
16	Total Adjusted MLR Numerator*	\$ 1,920,482,726	\$ 5,014,901	\$ 1,925,497,627
Revenues				
17	Healthy Louisiana Premium Revenue	\$ 2,295,000,366	\$ (12,038,645)	\$ 2,282,961,721
	<i>Revenue Adjustments</i>			
18	Less: Health Insurance Provider Fee (HIPF)	\$ 53,353,934	\$ (11,204,326)	\$ 42,149,608
19	Less: Premium tax component of reported revenue	\$ 126,225,020	\$ (662,125)	\$ 125,562,895
20	Less: Other taxes and licensing and regulatory fees	\$ 10,501,426	\$ -	\$ 10,501,426
21	Net Annual MLR Revenue	\$ 2,104,919,986	\$ (172,194)	\$ 2,104,747,792
22	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
23	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	\$ -	\$ -	\$ -
24	Total Adjusted MLR Denominator	\$ 2,104,919,986	\$ (172,194)	\$ 2,104,747,792

*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
MLR Calculation				
25	MLR Percentage Achieved	91.2%	0.3%	91.5%
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	Total Net Adjustment for New Enrollees from prior years			\$ -

32	MLR Member Months			5,762,764
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Credibility Adjustment Applied				
33	MLR Percentage Achieved			91.5%
34	Credibility Adjustment			0%
35	Adjusted MLR Percentage Achieved			91.5%
36	MLR Percentage Requirement for Rebate Calculation			85.0%
37	Percentage Below 85% Requirement			0.0%
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)

Louisiana Healthcare Connections, Inc. reported \$2,295,000,366 on Line 17: Healthy Louisiana Premium Revenue. The state provided capitation data with runout through April 30, 2019 supported \$2,226,502,532 and the state provided HIPF payment data supported \$56,459,189 for a total of \$2,282,961,721. We recommend an adjustment to line 17 for this variance of \$12,038,645.

Louisiana Healthcare Connections, Inc. reported \$53,353,934 on Line 18: Health Insurance Provider Fee (HIPF). LDH documentation showed that they provided HIPF revenue to LHCC in the amount of \$56,459,189. The amount reported by LHCC on line 18 represents the portion of the HIPF revenue amount received from LDH designated to cover the HIPF expense of \$42,149,608 and the federal income taxes of \$11,204,326 incurred by LHCC. The remaining \$3,105,255 was reported by LHCC in their Line 19 Premium tax component of reported revenue total. 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. As noted above, LHCC reported the full HIPF revenue as adjustments split between lines 18 and 19 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:		
Line #	Line Description	Amount
17	Healthy Louisiana Premium Revenue	\$(12,038,645)
18	Health Insurance Provider Fee	\$(11,204,326)
19	Premium tax component of reported revenue	\$(662,125)

Adjustment #2 - To adjust Spread Pricing Amounts Paid to the PBM

Louisiana Healthcare Connections, Inc. reported \$16,861,446 on Line 5d: Spread pricing amounts paid to PBM. Documentation from the PBM supported a spread pricing amount of \$11,846,545. We recommend an adjustment for this variance of \$5,014,901.

Proposed Adjustment:		
Line #	Line Description	Amount
5d	Spread pricing amounts paid to PBM	\$(5,014,901)