



April 16, 2021

Via Electronic Mail

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


Re: Adjusted Medical Loss Ratio Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Magellan Complete Care of Louisiana Adjusted Medical Loss Ratio for the period ended December 31, 2019. As a courtesy to the Louisiana Department of Health and other readers, the health plan management's response letter is included, if provided, 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

The background features a blurred medical scene with a green overlay. A diagonal white line separates the green area from a dark grey area on the right. Various medical icons are scattered across the green area, including a syringe, a pill, a stethoscope, a microscope, a person icon, and a group of three people icon. A large green cross is centered in the lower half of the green area. The word 'MED' is partially visible in the lower right of the green area.

Magellan Complete Care of
Louisiana, Inc.

Report on Adjusted Medical Loss Ratio
With Independent Accountant's Report Thereon

For the Period Ending
December 31, 2019
Paid through April 30, 2020



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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 (MLR) of Magellan Complete Care of Louisiana, Inc. (Magellan) for the period ending December 31, 2019. Magellan's management is responsible for presenting the Financial Reporting Template in accordance with the criteria set forth in Healthy Louisiana's MLR Reporting Guide (Guide), and Centers for Medicare & Medicaid Services (CMS) federal guidance (criteria). This criteria was used to prepare the Adjusted MLR. Our responsibility is to express an opinion on the Adjusted MLR 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 MLR is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted MLR. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Adjusted MLR, 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.

Appendix A includes a description and explanation of the credibility adjustment applied to the Adjusted MLR for Magellan. This credibility adjustment was applied in accordance with 42 CFR 438.8(h), and the amounts discussed in Appendix A were calculated using formulas presented in CMS federal guidance. The application of the credibility adjustment depends upon evidence about the Adjusted MLR and proper calculation of the CMS credibility adjustment formula. We believe that the evidence we obtained and the calculation of the CMS credibility adjustment formula is sufficient and appropriate to provide a reasonable basis for our opinion.

The accompanying Adjusted MLR 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 Magellan, after consideration of the credibility adjustment, is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted MLR Percentage achieved does not exceed the CMS minimum requirement of eighty-five percent (85%) for the period of November 1, 2018 through December 31, 2019.

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

Myers and Stauffer LC
Atlanta, Georgia
April 9, 2021



Adjusted Medical Loss Ratio for the Period Ending December 31, 2019 Paid Through April 30, 2020

Adjusted Medical Loss Ratio for the Period Ending December 31, 2019 Paid Through April 30, 2020				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
1	Total Incurred Claims	\$ 60,557,901	\$ -	\$ 60,557,901
Adjustments to Incurred Claims				
2	<i>Deductions:</i>			
2a	Prescription drug rebates	\$ -	\$ -	\$ -
2b	Prompt pay discounts	\$ -	\$ -	\$ -
2c	Overpayment recoveries received from providers	\$ -	\$ -	\$ -
3	<i>Inclusions:</i>			
3a	Incentive and bonus payments made to providers	\$ -	\$ -	\$ -
3b	Fraud reduction expenses	\$ -	\$ -	\$ -
4	Optional Inclusion: Value-Added Services	\$ -	\$ -	\$ -
5	<i>Exclusions:</i>			
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	\$ -	\$ -	\$ -
6	Other: Incurred claims assumed	\$ -	\$ -	\$ -
7	Adjusted Incurred Claims	\$ 60,557,901	\$ -	\$ 60,557,901
Health Care Quality Improvement (HCQI) Expenses				
8	HCQI administrative expenses	\$ 2,759,013	\$ (187,139)	\$ 2,571,874
9	Exclusions to HCQI	\$ -	\$ -	\$ -
Health Information Technology (HIT) Expenses				
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	\$ 63,316,914	\$ (187,139)	\$ 63,129,775
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	\$ 63,316,914	\$ (187,139)	\$ 63,129,775
Revenues				
17	Healthy Louisiana Premium Revenue	\$ 87,572,006	\$ (399,922)	\$ 87,172,084
Revenue Adjustments				
18	Less: Health Insurance Provider Fee (HIPF)	\$ -	\$ -	\$ -
19	Less: Premium tax component of reported revenue	\$ 4,794,464	\$ -	\$ 4,794,464
20	Less: Other taxes and licensing and regulatory fees	\$ 820,224	\$ (111,441)	\$ 708,783
21	Net Annual MLR Revenue	\$ 81,957,318	\$ (288,481)	\$ 81,668,837
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	\$ 81,957,318	\$ (288,481)	\$ 81,668,837



Adjusted Medical Loss Ratio for the Period Ending December 31, 2019 Paid Through April 30, 2020

Adjusted Medical Loss Ratio for the Period Ending December 31, 2019 Paid Through April 30, 2020				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
MLR Calculation				
25	MLR Percentage Achieved	77.26%	0%	77.30%
26	MLR Percentage Requirement for Rebate Calculation	85.00%	0.00%	85.00%
27	Percentage Below 85% Requirement	7.74%	0.00%	7.70%
28	Dollar Amount of Rebate Requirement	\$ 6,346,806	\$ (58,069)	\$ 6,288,736
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			34,975
Credibility Adjustment Applied				
33	MLR Percentage Achieved			77.30%
34	Credibility Adjustment			3.50%
35	Adjusted MLR Percentage Achieved			80.80%
36	MLR Percentage Requirement for Rebate Calculation			85.00%
37	Percentage Below 85% Requirement			4.20%
38	Dollar Amount of Rebate Requirement		\$	3,432,794

Schedule of Adjustments and Comments for the Period Ending December 31, 2019

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 HCQI by removing excludable activities that were claimed in the MLR.

During our examination, Magellan Complete Care of Louisiana, Inc. provided support for the calculation of submitted Health Care Quality Improvement (HCQI) expenses. Myers and Stauffer obtained job descriptions and summaries for employees utilized in the HCQI costs for the period under review. Non-allowable HCQI duties were noted in the Project Manager II, Medical Director, and Director of Quality positions. Non-allowable HCQI expenses included but were not limited to: service authorization, credentialing, grievances, and co-chair to various committees. These expenses are non-allowable costs within HCQI in accordance with 45 CFR § 158.150. However, these costs are allowable administrative costs, which are not reported on the MLR form. We have made an adjustment to remove these expenses from line 8 of the MLR.

Proposed Adjustment		
Line #	Line Description	Amount
8	HCQI administrative expenses	(187,139)

Adjustment #2 – To adjust premium revenue by removing interest revenue.

During our examination, we determined Magellan Complete Care of Louisiana, Inc. included interest revenue in the reported Healthy Louisiana Premium Revenue on line 17 of the MLR. Premium revenue should not include any interest revenue. We have made an adjustment to remove interest revenue from line 17.

Proposed Adjustment		
Line #	Line Description	Amount
17	Healthy Louisiana Premium Revenue	(399,922)

Adjustment #3 – To adjust income tax expense by removing tax associated with interest revenue.

During our examination, we determined Magellan Complete Care of Louisiana, Inc. included interest tax expense in the reported other taxes and licensing and regulatory fees on line 20 of the MLR. Income tax expense should not include any income tax expenses associated with interest revenue. We have made an adjustment to remove the tax expense from line 20.

Proposed Adjustment		
Line #	Line Description	Amount
20	Other taxes and licensing and regulatory fees	(111,441)

Appendix A: Credibility Adjustment

Credibility Adjustment Overview:

The credibility adjustment for the MLR was introduced and described in 42 CFR 438.8(h). An MCO's MLR is dependent upon accurate estimates regarding items such as unit cost, frequency of health care use, and the health of the enrollees. These estimates are more likely to be accurate for MCO's with a larger number of member months, and less likely to be accurate for an MCO with a fewer number of member months. Random variations around the estimates disproportionately affect plans with fewer member months.

The MCO's with few member months will have more difficulty in using the actuary's assumptions to accurately calculate a target MLR percentage because of random variations between the actuary's assumptions and what is actually experienced. The credibility adjustment is used to account for random variations in the MLR that have a disproportionate effect on plans with fewer member months.

42 CFR 438.8(b) divides plans into three categories: Fully-credible (They will not receive any credibility adjustment), Partially-credible (They will be receive a partial credibility adjustment), and Non-credible (They will automatically meet the target MLR Standard).

Impact of the Credibility Adjustment on Magellan Complete Care of Louisiana:

Magellan did not have the credibility adjustment applied on their as filed 2019 MLR. Based on 42 CFR 438.8, it was determined that a partial credibility adjustment should have been applied to the 2019 MLR. Myers and Stauffer applied a partial credibility adjustment in the Adjusted Medical Loss Ratio for the period ending December 31, 2019 paid through April 30, 2020.

Magellan had 34,975 member months. This is shown on Line 32 of the Adjusted Medical Loss Ratio on page 4 of this report. After calculation of the credibility adjustment based on the guidelines in 42 CFR 438.8(h) and the CMCS Informational Bulletin "Medical Loss Ratio (MLR) Credibility Adjustments" dated July 31, 2017, Magellan received a credibility adjustment of 3.50%. This is included on Line 34 of the Adjusted Medical Loss Ratio on page 4 of this report. Magellan's adjusted MLR percentage achieved after the credibility adjustment is 80.80%. This is included on Line 35 of the Adjusted Medical Loss Ratio on page 4 of this report.