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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 of MCNA Insurance Company (MCNA) for the period July 1, 2020 through December 31, 2020. MCNA's management is responsible for presenting the Medical Loss Ratio (MLR) Reporting in accordance with the criteria set forth in the Code of Federal Regulations (CFR) 42 § 438.8 and other applicable federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio 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 is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratio. 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 Medical Loss Ratio, 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 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, except for the effect of the item addressed in the Schedule of Reporting Caveats, the above referenced accompanying Adjusted Medical Loss Ratio is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted Medical Loss Ratio Percentage achieved did not exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the period July 1, 2020 through December 31, 2020.

This report is intended solely for the information and use of the Louisiana Department of Health, Mercer, and MCNA 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 Atlanta, Georgia October 17, 2022

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Adjusted Medical Loss Ratio for the Period July 1, 2020 Through December 31, 2020 Paid Through April 30, 2021

					April 30, 2021		
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Expenses							
1	Total Incurred Claims	\$	93,884,789	\$	806,034	\$	94,690,823
Adjustmen	nts to Incurred Claims						
2	Deductions:						
2a	Prescription drug rebates	\$	-	\$	-	\$	-
2b	Prompt pay discounts	\$	-	\$	-	\$	-
2c	Overpayment recoveries received from providers	\$	-	\$	-	\$	-
3	Inclusions:						
3a	Incentive and bonus payments made to providers	\$	-	\$	-	\$	-
3b	Fraud reduction expenses	\$	-	\$	-	\$	-
4	Optional Inclusion: Value-Added Services	\$	-	\$	-	\$	-
5	Exclusions:						
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	\$	806,034	\$	(806,034)	\$	-
7	Adjusted Incurred Claims	\$	94,690,823	\$	-	\$	94,690,823
Health Car	e Quality Improvement (HCQI) Expenses						
8	HCQI administrative expenses	\$	238,837	\$	-	\$	238,837
9	Exclusions to HCQI	\$	-	\$	-	\$	-
Health Info	ormation Technology (HIT) Expenses						
10	HIT administrative expenses	\$	-	\$	-	\$	-
11	Exclusions to HIT expenses	\$	-	\$	-	\$	-
12	External Quality Review (EQR) related expenses	\$	-	\$	-	\$	-
_	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$	94,929,661	\$	-	\$	94,929,661
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 34 below	\$	-	\$	-	\$	-
16	Total Adjusted MLR Numerator	\$	94,929,661			\$	94,929,661
	s Cost (For reporting purposes only, not included in Numerator)		,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,			-	,,
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	-	\$	-	\$	-
18	Program Integrity Activities [42 CFR §438.608(a)(1) through (5), (7), (8) and (b)]. (Must reconcile to the detail amounts on the Program Integrity Cost tab)	\$	-	\$	-	\$	-
19	Adjustments to Non-Claims Cost including amounts removed in the line 5 exclusions. (Excluding any related party profit)	\$	-	\$	-	\$	-
20	Total Adjusted Non-Claim Cost	\$	-	\$	-	\$	-
Revenues							
21	Healthy Louisiana Premium Revenue	\$	120,884,116	Ś	930,535	\$	121,814,651
	djustments			_	•		
22	Less: Health Insurance Provider Fee (HIPF)	\$	1,736,601	\$	-	\$	1,736,601
	Less: Premium tax component of reported revenue	\$	2,719,893	\$	20,937	\$	2,740,830
	Less: Other taxes and licensing and regulatory fees	\$	475,161		-	\$	475,161
	Net Annual MLR Revenue	\$	115,952,461		909,598	\$	116,862,059
26	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$	-	\$	-	\$	-
\neg	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	*		ļ .			

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Adjusted Medical Loss Ratio for the Period July 1, 2020 Through December 31, 2020¹ Paid Through April 30, 2021

	Adjusted Medical Loss Ratio for the Period July 1, 2020 Through December 31, 2020 Paid Through April 30, 2021							
Line #	Line Description	Reported	Adjustment	Adjusted				
		Amounts	Amounts	Amounts				
MLR Calcu	MLR Calculation							
29	MLR Percentage Achieved	81.9%	-0.6%	81.2%				
30	MLR Percentage Requirement for Rebate Calculation	85.0%	85.0%	85.0%				
31	Percentage Below 85% Requirement	3.1%	0.6%	3,8%				
32	Dollar Amount of Rebate Requirement	\$ 3,629,931	\$ 773,159	\$ 4,403,090				

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

- 1	36	MLR Member Months	10,016,918

Credibility Adjustment Applied				
37	MLR Percentage Achieved		81%	
38	Credibility Adjustment		0%	
39	Adjusted MLR Percentage Achieved		81%	
40	MLR Percentage Requirement for Rebate Calculation		85%	
41	Percentage Below 85% Requirement		4%	
42	Dollar Amount of Rebate Requirement	\$	4,403,090	

¹The examination period of July 1, 2020 through December 31, 2020 was due to the change in the rating period from State Fiscal Year to Calendar Year. This six month period allows the subsequent MLR reporting periods to align the change to the rating period.

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Schedule of Adjustments and Comments for the Period July 1, 2020 Through December 31, 2020

During our examination, we noted certain matters involving costs and revenue 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 - Adjustment to Revenue

MCNA reported \$120,884,116 for Line 21, Healthy Louisiana Premium Revenue. The State provided capitation data with runout through April 30, 2021 that supported \$121,814,651. We recommend an adjustment to Line 21 for this variance of \$930,535.

MCNA reported \$2,719,893 for Line 23, Premium tax component of reported revenue. Given a premium tax rate of 2.25%, the State provided capitation data with runout through April 30, 2021 that supported \$2,740,830. We recommend an adjustment to Line 23 for this variance \$20,937.

The MLR denominator reporting requirements are addressed in the Healthy Louisiana's MLR Reporting

Proposed Adjustment				
Line #	Line Description	Amount		
21	Healthy Louisiana Premium Revenue	\$930,535		
23	Premium tax component of reported revenue	\$20,937		

Adjustment #2 - Incurred Claims Assumed

MCNA reported \$806,034 for Line 6, Incurred Claims Assumed. The analysis of IBNR found the amount reported on Line 6 to be reasonable; however, it was determined that IBNR should be reported in Line 1 rather than Line 6. We recommend an adjustment to reclassify the IBNR amount of \$806,034 from Line 6 to Line 1.

The MLR numerator reporting requirements are addressed in the Healthy Louisiana's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

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Proposed Adjustment				
Line #	Line Description	Amount		
1	Total Incurred Claims	\$806,034		
6	Other: Incurred Claims Assumed	(\$806,034)		

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