



November 30, 2021

Via Electronic Mail

Louisiana Department of Health
Brandon Bueche, 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 MCNA Insurance Company Adjusted Medical Loss Ratio for the period ended June 30, 2020.

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 person lying down. A large green cross is centered over the person. The right side of the image is a dark grey diagonal gradient. Various medical icons are overlaid in a light green color, including a syringe, a pill, a stethoscope, a microscope, a person icon, and a group of three people icon. The word 'MED' is partially visible on the person's arm.

**MCNA Insurance Company
Medicaid Managed Care Programs**

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

For the Period Ending
June 30, 2020
Paid through October 31, 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 MCNA Insurance Company (MCNA) for the period ending June 30, 2020. MCNA'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.

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 MCNA 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 July 1, 2019 through June 30, 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
Atlanta, Georgia
November 4, 2021



Adjusted Medical Loss Ratio for the Period Ending June 30, 2020 Paid Through October 31, 2020

Adjusted Medical Loss Ratio for the Period Ending June 30, 2020 Paid Through October 31, 2020				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
1	Total Incurred Claims	\$ 124,987,333	\$ 145,651	\$ 125,132,984
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	\$ 34,322,768	\$ -	\$ 34,322,768
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	\$ 145,651	\$ (145,651)	\$ -
7	Adjusted Incurred Claims	\$ 159,455,752	\$ -	\$ 159,455,752
Health Care Quality Improvement (HCQI) Expenses				
8	HCQI administrative expenses	\$ 312,468	\$ 134,590	\$ 447,058
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	\$ 159,768,220	\$ 134,590	\$ 159,902,810
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*	\$ 159,768,220	\$ 134,590	\$ 159,902,810
Revenues				
17	Healthy Louisiana Premium Revenue	\$ 217,497,424	\$ 621	\$ 217,498,045
Revenue Adjustments				
18	Less: Health Insurance Provider Fee (HIPF)	\$ 1,736,601	\$ 10,691	\$ 1,747,292
19	Less: Premium tax component of reported revenue	\$ 4,869,627	\$ 24,079	\$ 4,893,706
20	Less: Other taxes and licensing and regulatory fees	\$ 475,161	\$ (10,691)	\$ 464,470
21	Net Annual MLR Revenue	\$ 210,416,035	\$ (23,458)	\$ 210,392,577
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	\$ 210,416,035	\$ (23,458)	\$ 210,392,577



Adjusted Medical Loss Ratio for the Period Ending June 30, 2020 Paid Through October 31, 2020

Adjusted Medical Loss Ratio for the Period Ending June 30, 2020 Paid Through October 31, 2020				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
MLR Calculation				
25	MLR Percentage Achieved	75.9%	0.1%	76.0%
26	MLR Percentage Requirement for Rebate Calculation	85.0%	85.0%	85.0%
27	Percentage Below 85% Requirement	9.1%	-0.1%	9.0%
28	Dollar Amount of Rebate Requirement	\$ 19,085,410	\$ (154,530)	\$ 18,930,880

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		18,257,629
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Credibility Adjustment Applied			
33	MLR Percentage Achieved		76.0%
34	Credibility Adjustment		0%
35	Adjusted MLR Percentage Achieved		76.0%
36	MLR Percentage Requirement for Rebate Calculation		85.0%
37	Percentage Below 85% Requirement		9.0%
38	Dollar Amount of Rebate Requirement		\$ 18,930,880

Schedule of Adjustments and Comments for the Period Ending June 30, 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 or revenue and other operational matters that are presented for your consideration.

Adjustment #1 – Adjustments to Revenue

MCNA reported \$217,497,424 for Line 17, Healthy Louisiana Premium Revenue. The State provided capitation data with runout through October 31, 2020 that supported \$217,498,045. We recommend an adjustment to Line 17 for this variance of \$621.

MCNA reported \$1,736,601 for Line 18, Health Insurance Provider Fee (HIPF). The State provided HIPF payments for 2020 that supported \$1,747,292. We recommend an adjustment to Line 18 for this variance of \$10,691.

MCNA reported \$4,869,627 for Line 19, Premium tax component of reported revenue. Given a premium tax rate of 2.25%, the State provided capitation data with runout through October 31, 2020 that supported \$4,893,706. We recommend an adjustment to Line 19 for this variance of \$24,079.

MCNA reported \$475,161 for Line 20, Other taxes and licensing and regulatory fees. This amount represents the HIPF portion of the federal tax. Given a premium tax rate of 2.25%, the State provided HIPF payments for 2020 that supported \$464,470 for the HIPF portion of federal taxes. We recommend an adjustment to Line 20 for this variance of (\$10,691).

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

Proposed Adjustment		
Line #	Line Description	Amount
17	Healthy Louisiana Premium Revenue	\$621
18	Health Insurance Provider Fee (HIPF)	\$10,691
19	Premium tax component of reported revenue	\$24,079
20	Other taxes and licensing and regulatory fees	(\$10,691)

Adjustment #2 – HCQI Administrative Expenses

MCNA reported \$312,468 for Line 8, HCQI administrative expenses. During the examination, the Plan submitted HCQI expense documentation that supports \$447,058. The documentation was examined and determined to be reasonable. We recommend an adjustment to Line 8 for the variance between the submitted MLR and supporting documentation of \$134,590. 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).

Proposed Adjustment		
Line #	Line Description	Amount
8	HCQI administrative expenses	\$134,590

Adjustment #3 – Incurred Claims Assumed

MCNA reported \$145,651 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 \$145,651 from Line 6 to Line 1. 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).

Proposed Adjustment		
Line #	Line Description	Amount
1	Total Incurred Claims	\$145,651
6	Other: Incurred claims assumed	(\$145,651)