

The background features a blurred medical scene with a patient lying down. A green semi-transparent overlay covers the image, containing various medical icons: a syringe, a pill, a virus, a stethoscope, a group of people, and a large cross. A dark grey diagonal shape on the right side contains the text.

**DentaQuest USA
Insurance Company, Inc.
Medicaid Managed Care Programs**

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

For the Calendar Year Ended December 31, 2021
Paid through April 30, 2022



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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 DentaQuest USA Insurance Company, Inc. (DentaQuest) for the calendar year ended December 31, 2021. DentaQuest's management is responsible for presenting the Medical Loss Ratio (MLR) Reporting in accordance with the criteria set forth in Healthy Louisiana's MLR Reporting Guide, 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

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.

The Other Non-Claims Costs amount reported on the Adjusted Medical Loss Ratio Rebate Calculation has not been subjected to the procedures applied in the examination. In accordance with CFR 42 § 438.8, reporting of the Other Non-Claims Costs is required. Any adjustments to the Other Non-Claims Costs were determined without testing as the procedure was outside of the scope of our examination, and accordingly, we express no opinion on it.

In our opinion 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 does not



exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for both the Expansion and Non-Expansion populations for the calendar year ended December 31, 2021.

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

Myers and Stauffer LC
Atlanta, GA
August 8, 2023



Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022				
Expansion				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
1	Total Incurred Claims	\$ 1,322,872	\$ 2,917,747	\$ 4,240,619
	<i>Adjustments to Incurred Claims</i>			
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	\$ 2,672,501	\$ (2,672,501)	\$ -
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			
7	Adjusted Incurred Claims	\$ 3,995,373	\$ 245,246	\$ 4,240,619
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
8	HCQI administrative expenses	\$ 8,520	\$ (8,520)	\$ -
9	Exclusions to HCQI	\$ -	\$ -	\$ -
	<i>Health Information Technology (HIT) Expenses</i>			
10	HIT administrative expenses	\$ 6,737	\$ (6,737)	\$ -
11	Exclusions to HIT expenses	\$ -	\$ -	\$ -
12	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$ 4,010,630	\$ 229,989	\$ 4,240,619
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	\$ 4,010,630	\$ 229,989	\$ 4,240,619
	Non-Claims Cost <i>(For reporting purposes only, not included in Numerator)</i>			
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$ 736,574	\$ (251,731)	\$ 484,843
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	\$ 736,574	\$ (251,731)	\$ 484,843
Revenues				
21	Healthy Louisiana Premium Revenue	\$ 12,472,919	\$ 1,279,905	\$ 13,752,824
	<i>Revenue Adjustments</i>			
22	Less: Premium tax component of reported revenue	\$ 277,808	\$ 31,631	\$ 309,439
23	Less: Other taxes and licensing and regulatory fees	\$ -	\$ 1,777,515	\$ 1,777,515
24	Net Annual MLR Revenue	\$ 12,195,110	\$ (529,241)	\$ 11,665,869
25	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
26	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	\$ -	\$ -	\$ -
27	Total Adjusted MLR Denominator	\$ 12,195,110	\$ (529,241)	\$ 11,665,869



Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022				
Expansion				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
MLR Calculation				
28	MLR Percentage Achieved	32.9%	3.5%	36.4%
29	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%
30	Percentage Below 85% Requirement	52.1%	-3.5%	48.6%
31	Dollar Amount of Rebate Requirement	\$ 6,353,653	\$ (684,040)	\$ 5,669,613
Reconciliation of Prior Year New Enrollee Capitation Exclusion				
32	Prior year new enrollee capitation adjustment exclusion (net of premium tax)		\$	-
33	Less: Prior year incurred claims for excluded New Enrollees		\$	-
34	Total Net Adjustment for New Enrollees from prior years		\$	-
35	MLR Member Months			1,024,792
Credibility Adjustment Applied				
36	MLR Percentage Achieved			36.4%
37	Credibility Adjustment			0%
38	Adjusted MLR Percentage Achieved			36.4%
39	MLR Percentage Requirement for Rebate Calculation			85.0%
40	Percentage Below 85% Requirement			48.6%
41	Dollar Amount of Rebate Requirement		\$	5,669,613



Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022				
Non-Expansion				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Expenses				
1	Total Incurred Claims	\$ 65,124,288	\$ 24,344,527	\$ 89,468,815
	<i>Adjustments to Incurred Claims</i>			
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	\$ 24,660,320	\$ (24,660,320)	\$ -
3b	Fraud reduction expenses	\$ 24,222	\$ (12,120)	\$ 12,102
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			
7	Adjusted Incurred Claims	\$ 89,808,830	\$ (327,913)	\$ 89,480,917
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
8	HCQI administrative expenses	\$ 78,617	\$ (78,617)	\$ -
9	Exclusions to HCQI	\$ -	\$ -	\$ -
	<i>Health Information Technology (HIT) Expenses</i>			
10	HIT administrative expenses	\$ 62,163	\$ (62,163)	\$ -
11	Exclusions to HIT expenses	\$ -	\$ -	\$ -
12	External Quality Review (EQR) related expenses	\$ -	\$ -	\$ -
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$ 89,949,610	\$ (468,693)	\$ 89,480,917
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	\$ 89,949,610	\$ (468,693)	\$ 89,480,917
	<i>Non-Claims Cost (For reporting purposes only, not included in Numerator)</i>			
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$ 6,796,686	\$ 490,435	\$ 7,287,121
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	\$ 6,796,686	\$ 490,435	\$ 7,287,121
Revenues				
21	Healthy Louisiana Premium Revenue	\$ 115,059,844	\$ (1,148,863)	\$ 113,910,981
	<i>Revenue Adjustments</i>			
22	Less: Premium tax component of reported revenue	\$ 2,563,458	\$ (461)	\$ 2,562,997
23	Less: Other taxes and licensing and regulatory fees	\$ -	\$ 3,161,222	\$ 3,161,222
24	Net Annual MLR Revenue	\$ 112,496,386	\$ (4,310,546)	\$ 108,185,840
25	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$ -	\$ -	\$ -
26	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	\$ -	\$ -	\$ -
27	Total Adjusted MLR Denominator	\$ 112,496,386	\$ (4,310,546)	\$ 108,185,840



Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022				
Non-Expansion				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
MLR Calculation				
28	MLR Percentage Achieved	80.0%	2.7%	82.7%
29	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%
30	Percentage Below 85% Requirement	5.0%	-2.7%	2.3%
31	Dollar Amount of Rebate Requirement	\$ 5,624,819	\$ (3,136,545)	\$ 2,488,274
Reconciliation of Prior Year New Enrollee Capitation Exclusion				
32	Prior year new enrollee capitation adjustment exclusion (net of premium tax)			\$ -
33	Less: Prior year incurred claims for excluded New Enrollees			\$ -
34	Total Net Adjustment for New Enrollees from prior years			\$ -
35	MLR Member Months			9,456,195
Credibility Adjustment Applied				
36	MLR Percentage Achieved			82.7%
37	Credibility Adjustment			0%
38	Adjusted MLR Percentage Achieved			82.7%
39	MLR Percentage Requirement for Rebate Calculation			85.0%
40	Percentage Below 85% Requirement			2.3%
41	Dollar Amount of Rebate Requirement			\$ 2,488,274



Report Disclosure

During our examination, we identified the following.

Report Disclosure #1 – DentaQuest System Limitations

During our examination of the claims samples and supporting documentation provided by DentaQuest, we identified claims that were listed as having a February 2021 paid date; however, the paid amount included in the data was not the amount paid in February. The sampled claims were adjusted subsequently which led to discrepancies between the claims data and the Explanation of Payment (EOP) documentation. After follow up and discussions with DentaQuest it was determined their system lists the original paid date even in cases when the claim was adjusted at a later date. We requested DentaQuest rerun their lag tables and provide claims data to reflect the proper payment dates which should include the amounts paid on those dates including the history of the original payment, void of the original payment, and the final adjusted payment. DentaQuest was unable to do so. They stated they have two claims systems in place. One system has the claim history that shows the original claim payment, the void of the original claim payment, and the adjusted claim paid. The other claims system provides the ability to split the claims detail between Expansion and Non-Expansion; however, the claim values are adjusted and the payment date reflects the original incurred date instead of the final payment date. Furthermore, DentaQuest stated they are unable to break out the claims data between Expansion and Non-Expansion within the system that houses the history of the claims payment which is the reason they provided the data set that only includes the final adjusted claims. DentaQuest was able to demonstrate the claims data provided included payments incurred during the period under examination and included proper run-out. Myers and Stauffer recommends DentaQuest work on changes to their system to ensure the data provided for the MLR examination and other state projects reflects the correct payment dates and amounts as well as includes the original payments, voids, and adjustments.



Schedule of Adjustments and Comments for the Calendar Year Ended December 31, 2021

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 for the Expansion and Non-Expansion populations that are presented for your consideration.

Adjustment #1 – To adjust fee-for-service claims to the verified amount and reclassify to non-claims costs.

DentaQuest reported the fee for service claims of \$64,911,412 for the Non-Expansion population. The plan's documentation supported fee for service claims of \$64,887,190 for the Non-Expansion population. The variance between the as-filed amount and the verified amount will be reclassified from line 1 to line 17 as shown below. 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 – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$(24,222)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$24,222

Adjustment #2 – To adjust Incurred but Not Reported (IBNR) expenses to the verified amounts and reclassify from one population to the other.

DentaQuest reported IBNR of \$26,428 for the Expansion population and \$212,877 for the Non-Expansion population. The plan's documentation supported IBNR of \$4,686 for Expansion and \$234,619 for Non-Expansion. The variances below will be reclassified from Expansion to Non-Expansion. 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 - Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$(21,742)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$21,742

Adjustment #3 – To adjust provider incentives to the verified amounts and reclassify to non-claims costs.

DentaQuest reported provider incentives of \$2,672,501 for the Expansion population and \$24,660,320 for the Non-Expansion population. The plan’s documentation supported provider incentives of \$2,939,489 for the Expansion population and \$24,347,007 for the Non-Expansion population. The variance will be reclassified from line 17 to line 3a as shown below. Based on further review, Myers and Stauffer determined that the as-filed provider incentive amounts were actually Federal Matching Payments (FMP) and should be reported in incurred claims. See Adjustment #4 below for the reclassification to incurred claims. 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 - Expansion		
Line #	Line Description	Amount
3a	Incentive and bonus payments made to providers	\$266,988
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$(266,988)

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
3a	Incentive and bonus payments made to providers	\$(313,313)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$313,313

Adjustment #4 – To reclassify reported provider incentives to incurred claims.

Myers and Stauffer determined the as-filed provider incentive amounts were actually Federal Matching Payments (FMP), which should be reported in incurred claims. The verified amounts from adjustment #3, \$2,939,489 for Expansion and \$24,347,007 for Non-Expansion, were reclassified from line 3a to line 1 as shown below. 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).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$2,939,489
3a	Incentive and bonus payments made to providers	\$(2,939,489)

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$24,347,007
3a	Incentive and bonus payments made to providers	\$(24,347,007)

Adjustment #5 – To adjust fraud reduction expense to the verified amount and reclassify to non-claims costs.

DentaQuest reported fraud reduction expense of \$24,222 for the Non-Expansion population. The plan's documentation supported fraud reduction expense of \$12,102. The variance between the as-filed amount and the verified amount will be reclassified from line 3b to line 17 as shown below. 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 – Non-Expansion		
Line #	Line Description	Amount
3b	Fraud reduction expenses	\$(12,120)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$12,120

Adjustment #6 – To adjust Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) expenses to the verified amount and reclassify to non-claims costs.

DentaQuest reported HCQI expenses of \$8,520 for the Expansion population and \$78,617 for the Non-Expansion population. They also reported HIT expenses of \$6,737 for Expansion and \$62,163 for Non-Expansion. Based on the supporting documentation provided by the plan and the plan's inability to measure and track HCQI outcomes, Myers and Stauffer determined that the reported expenses do not meet the criteria for HCQI or HIT as defined in 45 CFR § 158.150 and 45 CFR § 158.151. All HCQI and HIT expenses were reclassified from lines 8 and 10 to line 17 as shown below. 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).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
8	HCQI administrative expenses	\$(8,520)
10	HIT administrative expenses	\$(6,737)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$15,257

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
8	HCQI administrative expenses	\$(78,617)
10	HIT administrative expenses	\$(62,163)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$140,780

Adjustment #7 – To adjust capitation revenue and premium tax to the verified amounts.

DentaQuest reported premium revenue of \$12,472,919 for the Expansion population and \$115,059,844 for Non-Expansion population. The state’s capitation data supported premium revenue of \$13,752,824 for the Expansion population and \$113,910,981 for the Non-Expansion population. The variance between the reported amounts and the state’s data was an adjustment to line 21 as shown below.

DentaQuest reported premium taxes of \$277,808 for the Expansion population and \$2,563,458 for the Non-Expansion population. The state’s revenue data supported premium taxes of \$309,439 for the Expansion population and \$2,562,997 for the Non-Expansion population. The variance between the reported amounts and the state’s data was an adjustment to line 22 as shown below.

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 - Expansion		
Line #	Line Description	Amount
21	Healthy Louisiana Premium Revenue	\$1,279,905
22	Premium tax component of reported revenue	\$31,631

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
21	Healthy Louisiana Premium Revenue	\$(1,148,863)
22	Premium tax component of reported revenue	\$(461)



Adjustment #8 – To adjust income taxes to the verified amounts.

DentaQuest did not report any income tax. Based on the supporting documentation provided by the plan and taking into account the adjustments made during the examination, Myers and Stauffer determined that income tax of \$1,777,515 for the Expansion population and \$3,161,222 for the Non-Expansion population should have been reported. The income tax amounts were an adjustment to line 23 as shown below. 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 - Expansion		
Line #	Line Description	Amount
23	Other taxes and licensing and regulatory fees	\$1,777,515

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
23	Other taxes and licensing and regulatory fees	\$3,161,222