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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 calendar year ended December 31, 2021. MCNA'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

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exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for 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 MCNA and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC Atlanta, GA June 22, 2023



	Adjusted Medical Loss Ratio for the Calendar Year Ended Decem Expansion	ber 3	1, 2021 Paid Thr	oug	h April 30, 2022		
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Expenses							
1	Total Incurred Claims	\$	7,912,931	\$	252,053	\$	8,164,984
	Adjustments 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	7		Ť		+	
7	Adjusted Incurred Claims	\$	7,912,931	\$	252,053	\$	8,164,984
	Health Care Quality Improvement (HCQI) Expenses	7	7,512,551	Ť	232,033	Ť	0,104,304
8		\$		\$		\$	
9	HCQI administrative expenses Exclusions to HCQI	\$	-	\$	-	\$	
9	č	۶		۶	-	٦	
10	Health Information Technology (HIT) Expenses	\$		ć	-	\$	
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	\$	7,912,931	\$	252,053	\$	8,164,984
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	\$	7,912,931	\$	252,053	\$	8,164,984
	Non-Claims Cost (For reporting purposes only, not included in Numerator)						
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	4,128,384	\$	(252,053)	\$	3,876,331
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	\$	4,128,384	\$	(252,053)	\$	3,876,331
Revenues	·		<u> </u>		. , ,		
21	Healthy Louisiana Premium Revenue	\$	13,574,987	\$	25.430	Ś	13,600,417
	Revenue Adjustments	-		Ť	20,100	Ť	
22	Less: Premium tax component of reported revenue	\$	311,517	\$	(5,508)	Ś	306,009
23	Less: Other taxes and licensing and regulatory fees	\$		\$	178,824	_	178,824
24	Net Annual MLR Revenue	\$	13,263,470	\$	(147,886)	_	13,115,584
	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net		13,203,470		(147,000)		13,113,364
25	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	\$	13,263,470	Ś	(147,886)	Ś	13,115,584

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022							
	Expansion						
Line # Line Description Reported Adjustment							
Lille #	Line Description	Amounts	Amounts	Amounts			
MLR Calcu	ılation						
28	MLR Percentage Achieved	59.7%	2.6%	62.3%			
29	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%			
30	Percentage Below 85% Requirement	25.3%	-2.6%	22.7%			
31	Dollar Amount of Rebate Requirement	\$ 3,355,658	\$ (378,420)	\$ 2,977,238			

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	3,839,767

Credibility Adjustment Applied				
36	MLR Percentage Achieved		62.3%	
37	Credibility Adjustment		0.0%	
38	Adjusted MLR Percentage Achieved		62.3%	
39	MLR Percentage Requirement for Rebate Calculation		85.0%	
40	Percentage Below 85% Requirement		22.7%	
41	Dollar Amount of Rebate Requirement	\$	2,977,238	

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	Adjusted Medical Loss Ratio for the Calendar Year Ended Decem Non-Expansion	ber 3	1, 2021 Paid Thr	oug	th April 30, 2022		
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Expenses							
1	Total Incurred Claims	\$	90,866,782	\$	2,123,404	\$	92,990,186
	Adjustments 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	-		Ť		Ť	
7	Adjusted Incurred Claims	\$	90,866,782	\$	2.123.404	\$	92,990,186
	Health Care Quality Improvement (HCQI) Expenses	Ť	30,000,702	Ť	2,123,404	Ť	32,330,100
8		\$		\$		\$	
9	HCQI administrative expenses Exclusions to HCQI	\$		\$	-	\$	
9	č	٦		۶	-	٦	
10	Health Information Technology (HIT) Expenses	\$		ć	-	\$	
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	\$	90,866,782	\$	2,123,404	\$	92,990,186
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	\$	90,866,782	\$	2,123,404	\$	92,990,186
	Non-Claims Cost (For reporting purposes only, not included in Numerator)						
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	7,136,889	\$	(2,123,404)	\$	5,013,485
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	\$	7,136,889	\$	(2,123,404)	Ś	5,013,485
Revenues			,,	Ė	() = , = ,	Ė	2,2 2, 22
21	Healthy Louisiana Premium Revenue	\$	113,878,257	\$	410,395	\$	114,288,652
	Revenue Adjustments	-		Ť	120,000	Ť	
22	Less: Premium tax component of reported revenue	\$	2,551,478	Ś	20,017	¢	2,571,495
23	Less: Other taxes and licensing and regulatory fees	\$		\$	1,949,419		1,949,419
24	Net Annual MLR Revenue	\$	111,326,779	\$	(1,559,041)		109,767,738
	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net		111,320,7/9		(1,333,041)		103,/07,/38
25	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	\$	111,326,779	Ś	(1,559,041)	Ś	109,767,738

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through April 30, 2022								
	Non-Expansion							
Line # Line Description Reported Adjustment								
Line #	Line Description	Amounts	Amounts	Amounts				
MLR Calcu	ılation							
28	MLR Percentage Achieved	81.6%	3.1%	84.7%				
29	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%				
30	Percentage Below 85% Requirement	3.4%	-3.1%	0.3%				
31	Dollar Amount of Rebate Requirement	\$ 3,785,110	\$ (3,472,719)	\$ 312,391				

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 Mei	6,637,956 6,637,956
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Credibility Adjustment Applied				
36	MLR Percentage Achieved		84.7%	
37	Credibility Adjustment		0.0%	
38	Adjusted MLR Percentage Achieved		84.7%	
39	MLR Percentage Requirement for Rebate Calculation		85.0%	
40	Percentage Below 85% Requirement		0.3%	
42	Dollar Amount of Rebate Requirement	\$	312,391	

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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 lag amounts and to reclassify to non-claims costs.

MCNA Insurance Company (MCNA) reported the following fee-for-service claims amount totals for Expansion and Non-Expansion respectively: \$7,868,172 and \$90,243,809. MCNA's documentation supported \$8,137,723 for Expansion and \$92,618,243 for Non-Expansion. The variance between the asfiled amount and the Plan's support will be adjusted for as shown below along with the reclassification of this amount to non-claims costs for both populations. 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(e).

	Proposed Adjustment - Expansion					
Line #	Line Description	Amount				
1	Total Incurred Claims	\$269,551				
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$(269,551)				

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$2,374,435
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$(2,374,435)

Adjustment #2 - To adjust IBNR amounts and to reclassify to non-claims costs.

MCNA reported the following IBNR amount totals for Expansion and Non-Expansion respectively: \$44,759 and \$622,973. MCNA's documentation supported \$27,260 for Expansion and \$371,942 for Non-Expansion. The variance between the as-filed amount and the Plan's support will be adjusted for as shown below along with the reclassification of this amount to non-claims costs. 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(e).

Proposed Adjustment – Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$(17,499)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$17,499

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	\$(251,031)
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$251,031

Adjustment #3 – To adjust capitation revenue and premium tax to the verified State amounts.

MCNA reported \$13,574,987 on Line 21, Health Louisiana Premium Revenue for Expansion and \$113,878,257 for Non-Expansion. The State provided capitation data with runout through April 30, 2022 that supported \$13,600,417 for Expansion and \$114,288,652 for Non-Expansion. The Plan states that this variance to their supporting documentation is due to the Plan missing vouchers from the State. Myers and Stauffer recommends an adjustment to Line 21 for the variance of \$25,430 for Expansion and \$410,395 for Non-Expansion as shown below.

MCNA reported \$311,517 on Line 22, Premium tax component of reported revenue for Expansion and \$2,551,478 for Non-Expansion. Given a premium tax rate of 2.25%, the State provided capitation data with runout through April 30, 2022 that supported \$306,009 for Expansion and \$2,571,495 for Non-Expansion. Myers and Stauffer recommends an adjustment to Line 22 for this variance of \$(5,508) for Expansion and \$20,017 for Non-Expansion 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	\$25,430
22	Premium tax component of reported revenue	\$(5,508)

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
21	Healthy Louisiana Premium Revenue	\$410,395
22	Premium tax component of reported revenue	\$20,017

Adjustment #4 – To adjust income tax amounts.

MCNA did not report amounts on Line 23, Other taxes and licensing and regulatory fees for Expansion and Non-Expansion. Based on the supporting documentation provided by the Plan, Myers and Stauffer determined that income tax amounts should be reported in Line 23. The variance between the as-filed amount and the Plan support will be adjusted for both populations 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	\$178,824

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
23	Other taxes and licensing and regulatory fees	\$1,949,419