

**AmeriHealth Caritas Louisiana, Inc.
Report on Medical Loss Ratio Rebate Calculation
(With Independent Accountant's Report Thereon)**

**State of Louisiana
Louisiana Department of Health
Baton Rouge, Louisiana**

**For the period of February 1, 2012
through December 31, 2012**

Prepared by:





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Independent Accountant's Report

State of Louisiana
Louisiana Department of Health
Baton Rouge, Louisiana

We have examined the accompanying Adjusted Medical Loss Ratio Rebate Calculation of AmeriHealth Caritas Louisiana, Inc. (ACLA) for the period of February 1, 2012 through December 31, 2012. ACLA's management is responsible for the preparation and fair presentation of the Medical Loss Ratio Rebate Calculation in accordance with the Bayou Health's MCO Financial Reporting Guide. Our responsibility is to express an opinion on the Medical Loss Ratio Rebate Calculation based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Based on these standards, our examination included examining, on a test basis, evidence supporting ACLA's Medical Loss Ratio Rebate Calculation for the period of February 1, 2012 through December 31, 2012 and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion.

An examination involves performing procedures to obtain evidence about the amounts reported in the Medical Loss Ratio Rebate Calculation. The procedures selected depend on the examiner's professional judgment, including the assessment of the risks of material misstatement of the Medical Loss Ratio Rebate Calculation. An examination also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. A calculation of less than Eighty-Five Percent (85%) requires that the Managed Care Organization rebate a portion of their capitation payments received from Bayou Health.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of ACLA for the period cited present fairly, in all material respects, based on the criteria set forth in the Bayou Health's MCO Financial Reporting Guide and exceeds the eighty-five percent (85%) requirement.

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

Myers and Stauffer LC
October 13, 2016
Atlanta, GA



Organizational Background

AmeriHealth Caritas Louisiana, Inc. (ACLA) was formed on October 5, 2010. ACLA provides Medicaid managed care services to enrollees in state of Louisiana. Effective February 1, 2012, ACLA entered into contract with the State of Louisiana's Department of Health to provide care to Medicaid enrollees. ACLA is currently one of five providers that offer services on a full-risk basis.

ACLA is a wholly owned subsidiary of AmeriHealth Caritas Health Plan (ACHP) (formerly AmeriHealth Mercy Health Plan), a Pennsylvania partnership formed to develop and operate managed care business for Medicaid and Medicare enrollees.

Our examination was conducted from March 28, 2016 to October 13, 2016.



Schedule of Adjustments and Comments

During our examination we noted certain matters, that in our determination did not fairly present allowable revenues and expenses that are presented for your consideration. These adjustments, comments and recommendations are intended to improve internal controls or result in other operating efficiencies and are summarized below.

The MLR instructions included Appendix B Bayou Health's MCO Financial Reporting Guide allows for a new enrollee experience adjustment. These instructions state, *"If 50 percent or more of the total capitation and maternity payments incurred in an MLR calendar reporting year is attributable to new enrollees with less than 12 months of experience in that MLR reporting year, the experience of these enrollees may be excluded from the MLR report. If the Contractor chooses to defer reporting of newer business, then the excluded experience must be added to the experience reported in the following MLR reporting year."*

ACLA's as filed 2012 MLR did not include adjustments to indicate that ACLA was electing to defer the revenues and expenses to the 2013 MLR, however ACLA's as filed 2013 MLR indicates otherwise. MSLC previously audited ACLA's 2013 MLR and determined that ACLA had combined both the revenues and expenses for the 2012 MLR and 2013 MLR. One of our 2013 audit findings was to properly reclassify these 2012 amounts to the appropriate lines on the MLR report and were subsequently reviewed and included in our revised 2013 MLR calculation.

The revenue and expenses amounts reported on the 2012 MLR and 2013 MLR were not identical. This was determined to be attributable to retrospective revenue adjustments and an extended claims run out period. ACLA utilized more accurate and actual information rather than estimated information when completing their 2013 MLR. ACLA's CY 2012 net revenues and net expenses must be included in one MLR report calculation, but cannot be included in both. As a result, we have determined that the 2013 MLR report is the most appropriate year for these revenue and expense amounts. These have been previously audited by us, included in our recalculated MLR determination, and had an opinion issued by us for the 2013 MLR report. Therefore, we will make the appropriate deductions to the as filed 2012 MLR revenues and expenses by the amounts included in our 2013 MLR audit. Please refer to our "Independent Auditor's Report for the Louisiana Department of Health and Hospitals Adjusted Medical Loss Ratio (MLR) Rebate Calculation of AmeriHealth Caritas Louisiana, Inc. for the Calendar Year Ended December 31, 2013."

Adjustment #1 – Deferral of Revenue Amounts

The 2013 MLR included \$268,852,218 in deferred revenue carried forward from 2012. These amounts were reviewed as part of the 2013 MLR audit. These amounts were accepted and included the 2013 MLR recalculation formula.

The 2012 MLR reported \$267,390,386 in revenues on Line 5. This amount is \$1,461,832 less than the amounts included in the 2013 MLR. This difference was attributable to a retrospective adjustment made by ACLA for the 2012 revenues in December 2013.

Since the reported 2013 MLR contains deferred 2012 revenue amounts greater than the revenue amounts reported on the 2012 MLR report, we are including an adjustment to



Schedule of Adjustments and Comments

decrease the 2012 MLR revenues by the amount reported on the 2012 MLR or (\$267,390,386), resulting in \$0 of allowable revenue for the 2012 MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting revenues on the MLR rebate calculation report to properly account for any deferred experience of new enrollees.

Adjustment #2 – Deferral of Medical Expenses

The 2013 MLR included \$249,900,585 in deferred medical expense carried forward from 2012. These amounts were reviewed as part of the 2013 MLR audit. These amounts were accepted and included the 2013 MLR recalculation formula.

The 2012 MLR reported \$256,137,464 in medical expenses on Line 10. This amount is \$6,236,879 more than was carried forward to 2013. This difference was attributable ACLA's usage of a more accurate 16-month IBNR run out period for the 2012 expenses that were deferred and included on the 2013 MLR report. As a result, the amounts included in the 2013 MLR report appear to reflect more accurate and actual 2012 expenses, rather than estimates.

We are including an adjustment to decrease the 2012 MLR medical expenses by the amount deferred and included on the 2013 MLR or (\$249,900,585), resulting in \$6,236,879 of medical expenses remaining for the 2012 MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting medical expenses on the MLR rebate calculation report to properly account for any deferred experience of new enrollees.

Adjustment #3 – Deferral of HCQI Expenses

The 2013 MLR included \$3,640,646 in deferred HCQI expenses carried forward from 2012. These amounts were part of the \$8,920,733 included on Line 12 of the 2013 MLR and were reviewed as part of the 2013 MLR audit. These amounts were accepted and included the 2013 MLR recalculation formula.

The 2012 MLR reported the same \$3,640,646 in HCQI expenses on Line 11. We are including an adjustment to decrease the 2012 MLR HCQI expenses by the amount deferred and included on the 2013 MLR or (\$3,640,646), resulting in \$0 of HCQI expenses remaining for the 2012 MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting HCQI expenses on the MLR rebate calculation report to properly account for any deferred experience of new enrollees.



AmeriHealth Caritas Louisiana, Inc.
 Adjusted Medical Loss Ratio (MLR) Rebate Calculation
 For the Period of February 1, 2012 through December 31, 2012

The following table summarizes:

- ACLA's reported Medical Loss Ratio Rebate Calculation data
- Myers and Stauffer's adjusted Medical Loss Rebate Calculation Data utilizing documentation obtained from ACLA

MLR Line #	MLR Line Description	Reported MLR Feb 2012 through Dec 2012	Adjustments	Adjusted MLR Feb 2012 through Dec 2012
Revenue and New Enrollee Adjustments				
1	Total YTD Capitation and Maternity Payments	\$273,544,558	\$0	\$273,544,558
2	Less: Premium tax	6,154,172	0	6,154,172
3	Net YTD MLR Revenue	\$267,390,386	\$0	\$267,390,386
4	Less: Adjustment attributed to new enrollees	\$0	\$267,390,386	\$267,390,386
5	Adjusted MLR Capitation Revenue	\$267,390,386	(\$267,390,386)	\$0
MLR Medical and Administrative Expense Adjustments				
6	Total Net Medical Expenses from I/S	\$256,137,464	(\$249,900,585)	\$6,236,879
7	Add: Incurred claim adjustment additions	0	0	0
8	Less: Incurred claim adjustment deductions	0	0	0
9	Less: Incurred claim adjustment exclusions	0	0	0
10	Adjusted Net Medical Expenses	\$256,137,464	(\$249,900,585)	\$6,236,879
11	Add: HCQI and HIT expenses	\$3,640,646	(\$3,640,646)	\$0
12	Adjustments or Exclusions to HCQI/HIT	0	0	0
13	Adjusted HCQI/HIT expenses	\$3,640,646	(\$3,640,646)	\$0
14	Total Adjusted current YTD MLR Expenditures	\$259,778,110	(\$253,541,231)	\$6,236,879
15	Add: Adj. attributed to new enrollees	\$0	0	0
16	Total Adj. MLR Expenses	\$259,778,110	(\$253,541,231)	\$6,236,879
17	MLR percentage achieved	97.2%		NA%¹
18	MLR percentage requirement	85.0%		85.0%
19	Percentage above requirement	12.2%		NA%
20	Dollar amount of rebate requirement	\$0		\$0²

¹ The recalculated MLR percentage cannot be mathematically calculated since all revenues have been deferred to the 2013 MLR and this report reflects an adjusted \$0 numerator amount, which when divided by an adjusted \$6,236,879 denominator amount, results in an undefined percentage.

² Even though the MLR percentage achieved cannot be defined, no rebate amount is due as ACLA has met the minimum medical expense requirement of being equal to or exceeding 85% of the revenues. In this case \$0 multiplied by 85% equals \$0 and ACLA has incurred expenses greater than \$0.