LOUISIANA HEALTHCARE CONNECTIONS, INC.

Agreed-Upon Procedures Related to
Louisiana Department of Health and Hospitals and Bayou Health

December 31, 2012

(With Independent Accountants' Report Thereon)

KPMG LLP
Suite 900
10 South Broadway
St. Louis, MO 63102-1761

Independent Accountants' Report

The Board of Directors
Louisiana Healthcare Connections, Inc.:

We have performed the procedures enumerated in Attachment 1, which were agreed to by Louisiana Healthcare Connections, Inc. and the Louisiana Department of Health and Hospitals (the Department), solely to assist Louisiana Healthcare Connections, Inc. in complying with reporting requirements of the Department for the period ended December 31, 2012. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of Louisiana Healthcare Connections, Inc. and the Department. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed, findings from our procedures, and the related sample selections are enumerated in the accompanying Agreed-upon Procedures Performed (Attachment 1) and the Sample Selection (Attachment 2), respectively.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on compliance. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of Louisiana Healthcare Connections, Inc. and the Department and is not intended to be, and should not be, used by anyone other than these specified parties.

KPMG LLP

June 28, 2013

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
The following procedures were applied to Louisiana Healthcare Connections, Inc. as outlined in the agreement between Bayou Health and the Louisiana Department of Health and Hospitals: Note: Throughout the procedures enumerated below, differences of $5,000 were determined immaterial and were not considered exceptions.			
Step 1: Trace and agree reported **Member Months.**			
a. Trace and agree the membership reports, received and/or accrued for the 12-month period ending December 31 received from the DHH to the membership amounts reported in the 4th Quarter YTD Income Statement. Provide contractor's explanation for any discrepancies.		**X**	
b. Trace and agree the membership reports, received and/or accrued for the 12-month period ending December 31 from the contractor's internal enrollment reports to the membership amounts reported in the 4th Quarter YTD Income Statement. Provide contractor's explanation for any discrepancies.		**X**	
Step 2: Trace and agree reported **Maternity Delivery Payment Count.**			
a. Trace and agree the maternity delivery payment count, received and/or accrued for the 12-month period ending December 31 received from the DHH to the maternity counts reported in the 4th Quarter YTD Income Statement. Provide contractor's explanation for any discrepancies.		**X**	
b. Trace and agree the maternity delivery payment count, received and/or accrued for the 12-month period ending December 31 from the contractor's internal maternity count reports to the maternity delivery counts reported in the 4th Quarter YTD Income Statement. Provide contractor's explanation for any discrepancies.	**X**		

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 3: Trace and agree the dollar amounts reported as **Capitation.**			
a. Trace and agree each of the monthly capitation files received from DHH during the year to the proper posting in the contractor's general ledger. Obtain representation from the contractor's management that the contractor is reporting on an accrual or cash basis as prescribed in the Financial Reporting Guide Prepaid Health Plan (the Guide). Provide contractor's explanation for any discrepancies.	**X**		
b. Trace and agree that the total general ledger postings of capitation files during the year (plus/minus accruals for under/over-payments as necessary for proper accrual-based reporting) to the 4th Quarter YTD Income Statement. Obtain and provide reconciliation for any differences other than adjustments for accrual-based reporting and a contractor's explanation for any discrepancies.	**X**		
Step 4: Trace and agree the dollar amounts reported as **Maternity Delivery Payments.**			
a. Trace and agree each of the monthly payment files received from DHH during the year to the proper posting in the contractor's general ledger. Obtain representation from the contractor's management that the contractor is reporting on an accrual or cash basis as prescribed in the Guide. Provide contractor's explanation for any discrepancies.	**X**		
b. Trace and agree that the total general ledger postings of payment files during the year (plus/minus accruals for under/over-payments as necessary for proper accrual-based reporting) to the 4th Quarter YTD Income Statement. Obtain a reconciliation for any differences other than adjustments for accrual-based reporting and a contractor's explanation for any discrepancies.	**X**		

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 5: Trace and agree the amounts reported as **Medical Expenses**.			
a. Select total hospitalization (Line 15), total outpatient services (Line 22), total physician services (Line 40) and total other medical expenses (Line 56) from each of the income statement categories and the three largest (greatest dollar amount) sub category expense Line items within each total category (hospitalization, outpatient, physician and other medical).	**X**		
b. For the total categories (hospitalization, outpatient, physician and other medical) and for the sample of sub categories selected in Step 5a, trace and agree selected cells to the supporting documentation used by the contractor to complete the report for the 4th Quarter YTD amounts. Provide contractor's explanation for any discrepancies.	**X**		
c. For the total categories (hospitalization, outpatient, physician and other medical) and for the sample of sub categories selected in Step 5a, trace and agree amount reported in each cell to actual claims paid and an allocation of expenses incurred but not reported. Provide contractor's explanation for any discrepancies.	**X**		
d. For the total categories (hospitalization, outpatient, physician and other medical) and for the sample of sub categories selected in Step 5a, recalculate the allocation of Incurred but not Reported (IBNR) expenses to each income statement to determine if they are in the same proportional amounts as received (and allowed) and/or paid claims. If they are not in the same proportion, describe the methodology used by the contractor to allocate IBNR expenses for the completion of the report and recalculate the allocation based upon the contractor's methodology. Provide contractor's explanation for any discrepancies.	**X**		

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
e. For the total categories (hospitalization, outpatient, physician, and other medical) and for the sample of subcategories selected in Step 5a, select two paid claims from each group.	**X**		
f. For the sample selected in Step 5e, trace and agree the classification of the medical expense to the classification reported within the Income Statement. Determine the claims selected from Step 5e are included in an appropriate Income Statement medical expenses category. Provide contractor's explanation for any discrepancies.	**X**		
Step 6: Trace and agree the amounts reported as **Medical Expense Adjustments**.			
a. Trace and agree the 4th Quarter YTD Income Statement total for Reinsurance Premiums, Reinsurance Recoveries, Third Party Liability Subrogation, Fraud and Abuse Recoveries and Other Recoveries to the supporting documentation and files of the contractor. Provide contractor's explanation for any discrepancies.	**X**		
b. For Reinsurance Premiums, recalculate the annual premium based upon the contractor's reinsurance agreement and agree to the amount reported as the 4th Quarter YTD Income Statement value. Provide contractor's explanation for any discrepancies.	**X**		
c. For Reinsurance Recoveries, select four individual cases (an individual case is defined as a member that met the threshold of the reinsurance agreement and that resulted in a recovery from the reinsurance provider) that resulted in a reinsurance recovery.	**X**		
d. For the sample selected in Step 6c, review the individual members' claim payment history and recalculate and agree that the amount reported as reinsurance recovery is consistent with the terms of the contractor's	**X**		

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
reinsurance agreement and the individual members' paid claims. Provide contractor's explanation for any discrepancies.			
Step 7: Trace and agree the amounts reported as **Administrative Services Expenses.**			
a. Read the BAYOU HEALTH Prepaid Health Plan Financial Reporting Guide Instructions for guidance on administrative expenses that are "allowable" and "excludable" from Health Care Quality Improvement (HCQI) expenses.	**X**		
b. Obtain and review the contractor's definition of HCQI "allowable" and "excludable" expenses policy and compare to item(s) from Step 7a. Report the discrepancies and provide contractor's explanation for any discrepancies.	**X**		
c. Read the BAYOU HEALTH Prepaid Health Plan Financial Reporting Guide Instructions for guidance on "methods used to allocate expenses."	**X**		
d. Obtain and review the contractor's allocation methodologies and compare to item(s) from Step 7c. Report the discrepancies and provide contractor's explanation for any discrepancies.	**X**		
e. Obtain and review the contractor's summarized general ledger and agree to total administrative expense (Line 90). Provide reconciliation for any differences and a contractor's explanation for any discrepancies.	**X**		
f. Trace and agree supporting documentation to the dollar amounts reported in Lines 65 – 74 and Lines 76 – 88. Provide reconciliation for any differences and a contractor's explanation for any discrepancies.	**X**		

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
g. Select the three largest (greatest dollar amount) and one other subcategories reported as HCQI expenses (Lines 65 – 74) and obtain and provide representations from the contractor's management that the expenses are appropriately classified as HCQI expenses consistent with Step 7a and Step 7b.	**X**		
Step 8: Trace and agree the amounts reported as Nonoperating Income (Loss), Income Taxes, Premium Tax Assessments and Other.			
a. Trace and agree the 4th Quarter YTD Income Statement total for Nonoperating Income (Loss), Income Taxes, Premium Tax Assessments and Other to the supporting documentation and files of the contractor. Provide contractor's explanation for any discrepancies.	**X**		
b. Obtain representation from the contractor's management that Line 95 (Income Taxes) includes all State, Federal, and Local Income Taxes and that these taxes are not reported as an administrative expense within Lines 65 ─ 90. Review the general ledger account descriptions for administrative expenses within Lines 65 – 90 and confirm that no descriptions are labeled State, Federal and Local Income Taxes. Provide contractor's explanation for any discrepancies.	**X**		
c. Obtain representation from the contractor's management Line 96 (Premium Tax Assessments) includes all State Premium Tax Assessments and that these taxes are not reported as an administrative expense within Lines 65 ─ 90. The contractor should calculate the 2.25% premium tax and the auditor should confirm the accuracy of this calculation in accordance with contract requirements and agree the amount calculated to Line 96 (Premium Tax Assessments). Provide contractor's explanation for any discrepancies.	**X**		

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 9: Identify and trace and agree the amount and payment methodology for related party transactions reported within Schedule A – Income Statement. The term **related party** refers to any entity(ies) that is(are) associated with the contractor by any form of common, privately held ownership, control, or investment.			
a. Obtain and provide a list of transactions between the contractor and any related party reported within Schedule A – Income Statement. The list of transactions must include the name of related party, relationship to contractor, description of transaction (a series of transactions for the same purpose can be listed as on transaction), total dollar amount reported within Schedule A – Income Statement and payment/contract terms.	**X**		
b. For related party administrative service expenses, identify those expenses that are allocated to the contractor. For all allocated administrative service expenses, report whether the allocation is based on cost or cost plus. If cost plus, report the percentage above cost.	**X**		
c. From the list of transactions in Step 9a, select the three highest dollar amount transactions and one other random transaction. Note: include a series of transactions as one transaction for this selection.	**X**		
d. For the sample of transactions selected in Step 9b, recalculate the total dollar amount reported within Schedule A – Income Statement based upon the payment/contract terms of the agreement between the contractor and related party. List discrepancies and provide contractor's explanation for such discrepancies.	**X**		
The following procedures were applied to the Schedules O-R – Lag Reports released by the Louisiana Department of Health and Hospitals for the year ended December 31, 2012.			

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 1: Trace and agree the amounts paid for each month (Total Paid by Month – Column AN) for the most recent 12 month period ending December 31st.			
a. Trace and agree each monthly amount to the supporting documentation used by the contractor to complete each lag report. Provide contractor's explanation for any discrepancies.	**X**		
b. Trace and agree each monthly amount to the monthly check register or claims system monthly summary. Provide contractor's explanation for any discrepancies.		**X**	
c. Obtain representation from the contractor's management that medical cost is reported net of third party liability (TPL) and coordination of benefits (COB). Provide contractor's explanation for any discrepancies.	**X**		
Step 2: Trace and agree the amounts paid in the individual cells for the most recent 12 month incurral period ending December 31.			
a. For the claims paid and incurred on Schedules O-R, trace and agree 4 cells from each lag report (a total of 16 cells) to the supporting documentation used by the contractor to complete the lag report. Provide contractor's explanation for any discrepancies.		**X**	
b. Validate that the amounts within the 4th quarter lag report has not changed from the prior quarter. Specifically, trace and agree amounts reported in Lines 4 through 37 to the corresponding paid and incurred months within the 3rd quarter lag reports. Provide contractor's explanation for any discrepancies.		**X**	
Step 3: Trace and agree the amounts that comprise the individual cells.			
a. From the sample selected in Step 2a, select 3 claims from each cell (a total of 48 claims).	**X**		

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
b. For the sample selected in Step 3a, verify the claim is reported in the correct month of service by tracing and agreeing to the date of service on the claim. Provide contractor's explanation for any discrepancies.	**X**		
c. For the sample selected in Step 3a, verify the claim is reported in the correct month of payment by tracing and agreeing to the claim payment system or underlying check register. Provide contractor's explanation for any discrepancies.	**X**		
d. For the sample selected in Step 3a, verify the claim is reported in the appropriate lag report (hospital, outpatient, physician or other) by tracing and agreeing type of service to the hard/electronic copy of the claim. Provide contractor's explanation for any discrepancies.	**X**		
e. For the sample selected in Step 3a, verify the claim is related to a BAYOU HEALTH Prepaid Medicaid beneficiary by tracing and agreeing to the contractor's member eligibility system. Provide contractor's explanation for any discrepancies.	**X**		
f. For the sample selected in Step 3a, verify the claim was paid in accordance with the terms of the applicable provider contract in effect at the date of service. Provide contractor's explanation for any discrepancies.	**X**		
Step 4: Trace and agree the Global/Subcapitation Payments (Line 39-Global/Subcapitation Payments) for the most recent 12 month incurral period ending December 31. This step is not applicable if the lag report does not contain subcapitation payments.			
a. Trace and agree each monthly amount to the supporting documentation used by the contractor to complete the lag report. Provide contractor's explanation for any discrepancies.			**X**

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
b. Trace and agree each monthly amount to the general ledger. Provide contractor's explanation for any discrepancies.			**X**
c. In the event that there are no subcapitation payments, obtain representations from the contractor confirming that the contractor did not have payments of this nature during the reporting period.	**X**		
Step 5: Trace and agree the amounts that comprise global/subcapitation payments. This step is not applicable if the lag report does not contain subcapitation payments.			
a. From each lag report select 2 cells. From each cell, select 2 (a total of 4 subcapitation payments per lag report) subcapitation payments.			**X**
b. For the sample selected in Step 5a, recalculate the monthly payment based upon the provider contract in effect during the month of payment. Provide contractor's explanation for any discrepancies.			**X**
c. For the sample selected in Step 5a, verify that the transaction is recorded in the correct month of service by tracing and agreeing to the invoice or check request that substantiates the check. Provide contractor's explanation for any discrepancies.			**X**
d. For the sample selected in Step 5a, verify that the check has cleared the bank by tracing and agreeing to the bank statement. Provide contractor's explanation for any discrepancies.			**X**
e. For the sample selected in Step 5a, verify the transaction is reported in the appropriate lag report by tracing and agreeing to the contract provider type and covered services. Provide contractor's explanation for any discrepancies.			**X**

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 6: Trace and agree the amounts reported as settlements (Line 40-Settlements) of the most recent 12 month incurral period ending December 31. This step is not applicable if the lag report does not contain settlements.			
a. Trace and agree all settlement amounts to the supporting documentation used by the contractor to complete the report. Provide contractor's explanation for any discrepancies.			**X**
b. For the reported settlement amounts, verify the transaction is reported in the appropriate lag report by tracing and agreeing to the supporting documentation. Provide contractor's explanation for any discrepancies.			**X**
c. In the event that there are no settlements reported, obtain representations from the contractor confirming that the contractor did not have settlements during the reporting period.			**X**
Step 7: Report on the contractor's total IBNRs (Line 42 –Current Estimate of Remaining Liability - Claims Incurred But Not Reported).			
a. Obtain and read the contractor's policy, procedures and methodologies for calculating IBNR medical claim liability.	**X**		
b. If the IBNR estimation includes a premium deficiency reserve and/or built-in cushion/reserve obtain and provide the amount for each and the methodology for calculation.			**X**
c. Include the item(s) obtained in 7a and 7b as an attachment to the AUP report.	**X**		

Attachment 1

Agreed-Upon Procedures Performed			
Procedures	**No exception**	**Exception**	**N/A**
Step 8: Trace and agree the allocation of IBNRs (Line 42 –Current Estimate of Remaining Liability - Claims Incurred But Not Reported) by month of service.			
a. Trace and agree the IBNR reported by month for the lag triangles to the supporting documentation used by the contractor to complete the report. Provide contractor's explanation for any discrepancies.	**X**		

Attachment 1

Exception #1 – This exception relates to Schedule A Step 1a.

	Per DHH report	4th quarter YTD income statement	Variance
Membership months	1,479,542	1,481,765	(2,223)
Contractor's explanation	The variance represents membership months which are accrued as the Company expects to receive payment.		

Exception #2 – This exception relates to Schedule A Step 1b.

	Per internal enrollment reports	4th quarter YTD income statement	Variance
Membership months	1,482,791	1,481,765	1,026
Contractor's explanation	The variance represents membership months which the Company is analyzing for expected payment.		

Exception #3 – This exception relates to Schedule A Step 2a.

	Per DHH	4th quarter YTD income statement	Variance
Delivery payment count	5,501	5,739	(238)
Contractor's explanation	The variance represents delivery payments which are accrued as the Company expects to receive payment.		

Exception #4 – This exception relates to Schedule O – R Step 1b.

	Per supporting documentation of contractor	Schedule O – R	Variance due to pharmacy	Variance due to radiology	Other variance
February 2012	970,536	974,502	—	3,966	—
March 2012	4,088,352	4,129,495	—	41,197	(54)
April 2012	6,049,682	6,112,289	—	63,626	(1,019)
May 2012	14,352,421	14,501,481	—	151,699	(2,639)
June 2012	12,765,649	12,872,403	—	135,102	(28,348)
July 2012	17,818,154	17,993,838	—	167,080	8,604
August 2012	26,509,753	26,786,763	—	258,055	18,955
September 2012	19,842,014	20,011,036	—	160,233	8,789
October 2012	27,796,068	28,094,672	—	297,834	770
November 2012	19,875,439	19,398,626	(690,934)	213,254	867
December 2012	26,936,520	25,890,915	(1,298,974)	251,872	1,497

Contractor's explanation

On a monthly basis, the pharmacy variance represents specialty pharmacy claims considered in paid lags but not paid through the claims system. The radiology variance represents claims not considered in the paid lags as they are capitated expenses but they are paid through the claims system. The remaining variances represent adjustments in the month specified to claims that originated in prior months.

Exception #5 – This exception relates to Schedule O – R Step 2a.

Lag report	Per supporting documentation of contractor	Schedule O – R	Variance
Hospitalization	3,607,022	3,433,759	173,263
Hospitalization	1,134,517	1,311,115	(176,598)
Hospitalization	2,211,611	2,537,166	(325,555)
Hospitalization	1,258,238	1,247,825	10,412
Outpatient	2,050,160	2,017,726	32,434
Outpatient	2,419,336	2,451,454	(32,118)
Outpatient	2,300,273	2,238,544	61,730
Outpatient	1,387,757	1,412,053	(24,296)
Physician	1,238,738	1,307,596	(68,858)
Physician	3,765,329	3,887,527	(122,198)
Physician	543,776	559,124	(15,348)
Physician	3,347,409	3,624,203	(276,794)
Physician	765,215	755,458	9,757

Contractor's explanation	The variance represents a timing difference between the two schedules. Schedule O – R was completed in January 2013 while the supporting documentation, which included development of claim data, was completed in February 2013.

Exception #6 – This exception relates to Schedule O – R Step 2b.

The chart below depicts the amounts that changed from the prior quarter within the 4th quarter lag report.

Line	Month of payment[1]	Sep-13	Aug-13	Jul-13	Jun-13	May-13	Apr-13	Mar-13	Feb-13
4	September-12	$ 46,304	94,983	13,340	36,791	60,060	8,063	18,533	145
5	August-12		81,724	124,645	33,867	8,932	3,821	1,910	930
6	July-12			41,570	(51,322)	11,233	145,708	4,280	1,477
7	June-12				(13,543)	86,862	18,330	489	2,154
8	May-12					50,179	88,893	20,628	7,198
9	February-12						(42,946)	51,520	23,365
10	March-12							22,581	41,856
11	February-12								10,067

Contractor's explanation — The variance represents a development of claim data between the third and the fourth quarter 2012.

[1] Totals inclusive of the lag triangles for hospitalization, outpatient, physician, and other medical.

Attachment 2

Sample Selection

From the details of the cells selected in Schedule O-R Step 3a, we made the following selections:

	Member Number	Rate Cell Description	Cost Category
1	58025701	SSI – 3 -11 MONTHS, MALE AND FEMALE	Hospital Inpatient
2	56891101	SSI - 0 – 2 MONTHS, MALE AND FEMALE	Hospital Inpatient
3	36307901	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Hospital Inpatient
4	34369701	FAMILY & CHILDREN – 6 – 13 YEARS, MALE AND FEMALE	Hospital Inpatient
5	55936401	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Hospital Inpatient
6	34824301	SSI – 45+ YEARS, MALE AND FEMALE	Hospital Inpatient
7	44037101	SSI – 19 – 44 YEARS, MALE AND FEMALE	Hospital Inpatient
8	36092301	SSI – 19 – 44 YEARS, MALE AND FEMALE	Hospital Inpatient
9	55100101	FAMILY & CHILDREN – 0 – 2 MONTHS, MALE AND FEMALE	Hospital Inpatient
10	69516901	FAMILY & CHILDREN – 0 – 2 MONTHS, MALE AND FEMALE	Hospital Inpatient
11	45515301	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Hospital Inpatient
12	59948701	FAMILY & CHILDREN – 1 – 5 YEARS, MALE AND FEMALE	Hospital Inpatient
13	44768601	FAMILY & CHILDREN – 14 – 18 YEARS, FEMALE	Emergency Room
14	38052201	SSI – 45+ YEARS, MALE AND FEMALE	Hospital Outpatient
15	31840401	FAMILY & CHILDREN – 6 – 13 YEARS, MALE AND FEMALE	Hospital Outpatient
16	33457001	SSI – 45+ YEARS, MALE AND FEMALE	Hospital Outpatient
17	42974901	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Emergency Room
18	25813601	FAMILY & CHILDREN – 45+ YEARS, FEMALE	Hospital Outpatient
19	33886901	FAMILY & CHILDREN – 14 – 18 YEARS, FEMALE	Emergency Room
20	25560501	SSI – 45+ YEARS, MALE AND FEMALE	Hospital Outpatient
21	56710801	FAMILY & CHILDREN – 3 – 11 MONTHS, MALE & FEMALE	Emergency Room

Attachment 2

	Member Number	Rate Cell Description	Cost Category
22	32842001	SSI – 45+ YEARS, MALE AND FEMALE	Hospital Outpatient
23	37707101	SSI – 19 – 44 YEARS, MALE AND FEMALE	Emergency Room
24	28521601	FAMILY & CHILDREN – 14 – 18 YEARS, FEMALE	Hospital Outpatient
25	27088001	BREAST AND CERVICAL	Specialist
26	29787801	SSI – 6 – 13 YEARS, MALE AND FEMALE	Specialist
27	31375101	SSI – 19 – 44 YEARS, MALE AND FEMALE	Emergency Room
28	55659701	FAMILY & CHILDREN – 0 – 2 MONTHS, MALE AND FEMALE	Specialist
29	43594301	FAMILY & CHILDREN – 1 – 5 YEARS, MALE AND FEMALE	Emergency Room
30	33220901	SSI – 45+ YEARS, MALE AND FEMALE	Primary Care
31	35145901	FAMILY & CHILDREN – 14 – 18 YEARS, FEMALE	Emergency Room
32	28810501	SSI – 1 – 5 YEARS, MALE AND FEMALE	Specialist
33	40687901	FAMILY & CHILDREN – 6 – 13 YEARS, MALE AND FEMALE	Primary Care
34	38448401	FAMILY & CHILDREN – 14 – 18 YEARS, MALE	Specialist
35	40317101	FAMILY & CHILDREN – 14 – 18 YEARS, MALE	Specialist
36	35731401	FAMILY & CHILDREN – 1 – 5 YEARS, MALE AND FEMALE	Primary Care
37	41589301	SSI – 45+ YEARS, MALE AND FEMALE	Other Medical
38	30565901	SSI – 19 – 44 YEARS, MALE AND FEMALE	Other Medical
39	46466401	SSI – 1 – 5 YEARS, MALE AND FEMALE	Other Medical
40	35803201	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Other Medical
41	25622801	SSI – 19 – 44 YEARS, MALE AND FEMALE	Other Medical
42	36793901	SSI – 45+ YEARS, MALE AND FEMALE	Other Medical
43	40521801	FAMILY & CHILDREN – 14 – 18 YEARS, FEMALE	Other Medical
44	38679101	SSI – 45+ YEARS, MALE AND FEMALE	Other Medical

Attachment 2

	Member Number	Rate Cell Description	Cost Category
45	33566801	SSI – 45+ YEARS, MALE AND FEMALE	Other Medical
46	26934801	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Other Medical
47	55107401	FAMILY & CHILDREN – 3 – 11 MONTHS, MALE & FEMALE	Other Medical
48	55935701	FAMILY & CHILDREN – 19 – 44 YEARS, FEMALE	Other Medical

Attachment 3

This attachment correlates with Schedule O-R, Step 7a. and 7c.

Louisiana Healthcare Connections, Inc.

Medical Claims Liability

As of December 31, 2012

Medical claims liability includes claims reported but not yet paid, or inventory, estimates for claims incurred but not reported, or IBNR, and estimates for the costs necessary to process unpaid claims at the end of each period. Louisiana Healthcare Connections, Inc. (the Company) estimates its medical claims liability using actuarial methods that are commonly used by health insurance actuaries and meet Actuarial Standards of Practice. These actuarial methods consider factors such as historical data for payment patterns, cost trends, product mix, seasonality, utilization of healthcare services and other relevant factors.

Actuarial Standards of Practice generally require that the medical claims liability estimates be adequate to cover obligations under moderately adverse conditions. Moderately adverse conditions are situations in which the actual claims are expected to be higher than the otherwise estimated value of such claims at the time of estimate. In many situations, the claims amounts ultimately settled will be different than the estimate that satisfies the Actuarial Standards of Practice. The Company includes in its IBNR an estimate for medical claims liability under moderately adverse conditions which represents the risk of adverse deviation of the estimates in its actuarial method of reserving.

The Company uses its judgment to determine the assumptions to be used in the calculation of the required estimates. The assumptions it considers when estimating IBNR include, without limitation, claims receipt and payment experience (and variations in that experience), changes in membership, provider billing practices, healthcare service utilization trends, cost trends, product mix, seasonality, prior authorization of medical services, benefit changes, known outbreaks of disease or increased incidence of illness such as influenza, provider contract changes, changes to fee schedules, and the incidence of high dollar or catastrophic claims.

The Company's development of the medical claims liability estimate is a continuous process which it monitors and refines on a monthly basis as additional claims receipts and payment information becomes available. As more complete claim information becomes available, the Company adjusts the amount of the estimates, and includes the changes in estimates in medical costs in the period in which the changes are identified. In every reporting period, the operating results include the effects of more completely developed medical claims liability estimates associated with previously reported periods. The Company consistently applies its reserving methodology from period to period. As additional information becomes known, it adjusts the actuarial model accordingly to establish medical claims liability estimates.

The Company periodically reviews actual and anticipated experience compared to the assumptions used to establish medical costs. The Company establishes premium deficiency reserves if actual and anticipated experience indicates that existing policy liabilities together with the present value of future gross premiums will not be sufficient to cover the present value of future benefits, settlement and maintenance costs. As of December 31, 2012, no premium deficiency reserve had been established for the Company.