June 29, 2017

Via Electronic Mail

Louisiana Department of Health
Steve Annison, Medicaid Program Manager
628 N. 4th Street
Baton Rouge, LA 70802

Re: AmeriHealth Caritas Louisiana, Inc. 2015 MLR Examination

This letter is to inform you that Myers and Stauffer LC has completed the examination of AmeriHealth Caritas Louisiana, Inc.'s 2015 Medical Loss Ratio (MLR) report. As a courtesy to LDH and other readers, we have also included AmeriHealth Caritas Louisiana, Inc. management's response letter, in addition to our examination report, as part of this transmittal packet. Myers and Stauffer LC, in no manner, expresses an opinion on the accuracy, truthfulness, or validity of the statements presented within the management's response letter.

Please contact us at the phone number below if you have questions.

Kind Regards,

Myers and Stauffer LC

Myers and Stauffer LC

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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 January 1, 2015
through December 31, 2015

Prepared by:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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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 January 1, 2015 through December 31, 2015. ACLA's management is responsible for presenting the Medical Loss Ratio Rebate Calculation in accordance with the criteria set forth in the Healthy Louisiana's (Formerly Bayou Health) 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. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Adjusted Medical Loss Ratio Rebate Calculation is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Medical Loss Ratio Rebate Calculation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Medical Loss Ratio Calculation, 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.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of ACLA presents fairly, in all material respects, ACLA's compliance with the criteria set forth in the Healthy Louisiana's MCO Financial Reporting Guide and exceeds the eighty-five percent (85%) requirement for the period ended December 31, 2015.

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

Myers and Stauffer LC
June 16, 2017

AmeriHealth Caritas Louisiana, Inc. was formed on October 5, 2010 for the purpose of providing prepaid managed care services to Medicaid enrollees in the 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.

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 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.

Adjustment #1 –To add back Consumer Incentives to HCQI Expenses

AmeriHealth Caritas Louisiana, Inc., reduced Net Medical Expenses by their reported Enhanced Benefit totals of $4,979,076 on Line 11 of the MLR. Myers and Stauffer determined that $868,629 of this amount met the definition of Consumer Incentives which are allowable as Healthcare Quality Initiatives (HCQI) per the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions. We therefore recommend that these expenses be added to the Line 14 HCQI Expenses on the adjusted MLR.

We are recommending an adjustment of $868,629 be added to the Line 14 HCQI Expenses of the MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to include all allowable expenses.

Adjustment #2 – To adjust Logisticare Transportation expense to the actual cost incurred medical expense

AmeriHealth Caritas Louisiana, Inc., allocated $5,265,991 in Non-Emergency Transportation (NEMT) Expense on Line 8 of their MLR calculation. Actual claims paid related to the MLR reporting period were provided by Logisticare totaling $3,793,822. The remaining $1,472,169 amount was determined to be related to a capitated per-member-per-month Administrative Service Agreement between Logisticare and Amerihealth Caritas Louisiana, Inc. This amount should be considered "Other non-claims costs". The instructions included in the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions clearly defines "Incurred claims costs" and "Other non-claims costs".

We recommend an adjustment to remove $1,472,169 as non-medical expenses from Line 8. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims expense.

Adjustment #3 – To remove NIA Radiology Capitation from Medical Expense

AmeriHealth Caritas Louisiana, Inc., included $887,123 in Radiology capitation payments to National Imaging Associates (NIA) on Line 8 of their MLR calculation. Myers and Stauffer LC determined that these services were administrative in nature through the review of the contract between AmeriHealth Caritas Louisiana, Inc., and National Imaging Associates, as well as through correspondence with AmeriHealth Caritas Louisiana, Inc. This amount should be considered "Other non-claims costs". The Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical

Loss Ratio (MLR) Rebate Calculation instructions clearly defines "Incurred claims costs" and "Other non-claims costs".

<u>We recommend an adjustment to remove $887,123 as non-medical expenses from Line 8. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims expense.</u>

AmeriHealth Caritas Louisiana, Inc.

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
Capitation Revenue and New Enrollee Adjustments				
1	**Total YTD Capitation Payments**	$ 633,848,480	$ -	$ 633,848,480
2	**Less: Health Insurer Provider Fee**	$ 16,024,002	$ -	$ 16,024,002
3	**Less: Premium tax component of reported revenue**	$ 14,261,591	$ -	$ 14,261,591
4	**NET Current YTD MLR Revenue**	$ 603,562,887	$ -	$ 603,562,887
5	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	$ -	$ -	$ -
6	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 25 below.	$ -	$ -	$ -
7	**Adjusted Current YTD MLR Capitation Revenue**	**$ 603,562,887**	**$ -**	**$ 603,562,887**
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses from Income Statement	$ 541,019,238	$ (2,359,292)	$ 538,659,946
	MLR Expense Adjustments defined in Appendix A			
9	Incurred claim adjustment additions	$ -	$ -	$ -
10	Incurred claim adjustment deductions	$ -	$ -	$ -
11	Less: Enhanced Benefit Expense	$ 4,979,076	$ -	$ 4,979,076
12	Incurred claim adjustment exclusions	$ -	$ -	$ -
13	**Adjusted Net Medical Expenses**	$ 536,040,162	$ (2,359,292)	$ 533,680,870
	Health care quality improvement (HCQI) and health care information technology and meaningful use expenses			
14	HCQI and HIT administrative expenses from Income Statement	$ 8,338,811	$ 868,629	$ 9,207,440
15	Adjustments or exclusions to HCQI/HIT meaningful use expenses	$ -	$ -	$ -
16	**Adjusted HCQI/HIT expenses**	$ 8,338,811	$ 868,629	$ 9,207,440
17	**Total adjusted current YTD MLR expenditures**	$ 544,378,973	$ (1,490,663)	$ 542,888,310
18	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees.	$ -	$ -	$ -
19	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 26 below.	$ -	$ -	$ -
20	**Total Adjusted MLR expenses**	**$ 544,378,973**	**$ (1,490,663)**	**$ 542,888,310**
21	**MLR percentage achieved**	**90.2%**	**(0.3%)**	**89.9%**
22	**MLR percentage requirement for rebate calculation**	85.0%		85.0%
23	**Percentage below 85% requirement**	0.0%		0.0%
24	**Dollar amount of rebate requirement**	$ -		$ -
Reconciliation of Prior Year New Enrollee Capitation Exclusion				
25	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	$ -	$ -	$ -
26	Less: Prior year incurred claims for excluded New Enrollees	$ -	$ -	$ -
27	**Total Net Adjustment for New Enrollees from prior years**	**$ -**	**$ -**	**$ -**

We have identified additional payments of $9,479,328, most of which were retroactive adjustment payments for the dates of service in our examination period, but paid subsequent to the 2015 reporting period and were therefore not included in the reported Line 1 totals. We elected not to make an adjustment to revenue since the as-filed MLR would not be reflective of an accurate incurred claims estimate for these members.

<u>We recommend that the Louisiana Department of Health provide additional timing clarification expectations within the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions for the Managed Care Organizations (MCOs) to report the most accurate revenue and expenditures, as well as provide specified percentage change threshold guidelines in which it is necessary for the MCOs to submit a revised MLR calculation.</u>

AmeriHealth Caritas Louisiana, Inc.

Management Response

AmeriHealth Caritas
Louisiana

P.O. Box 83580
Baton Rouge, LA 70884

Myers and Stauffer LC
Attn: Kathy Haley, Senior Manager
9265 Counselors Row, Suite 100
Indianapolis, IN 46240

Dear Kathy:

Enclosed please find AmeriHealth Caritas Louisiana's responses to the findings that were noted in the 2015 Medical Loss Ratio (MLR) draft report which was received from Myers and Stauffer LC on June 8, 2017.

We would like to accept your offer of an exit conference to discuss the report and our responses. Please let us know what dates and times are convenient for you.

Sincerely,

Kyle Viator
Market President
AmeriHealth Caritas Louisiana

AmeriHealth Caritas
Louisiana

P.O. Box 83580
Baton Rouge, LA 70884

6/1/17 Draft Report	Recommendation	Management Response
Adjustment #1 – To add back Consumer Incentives to HCQI Expenses	We are recommending an adjustment of $868,629 be added to the Line 14 HCQI Expenses of the MLR. We also recommend that AmeriHealth Caritas Louisiana, Inc. revise its processes for reporting costs on the MLR rebate calculation properly to include all allowable expenses.	ACLA currently is compliant with State instructions. Management agrees that consumer incentives meet the definition of HCQI. As such, we believe that state instructions relating to enhanced benefits should be revised and/or the State should provide a hierarchy for MCOs, to use as guidance, in instances where enhance benefits also meet criteria for HCQI. Additionally, additional guidance from the State should be developed around whether expenses should be included as both enhance benefits and HCQI expenses to provider further clarity. Enhanced benefits offered to our members outside of the contract requirements are aimed at improving member quality. Additional enhanced benefits may be categorized as meeting the definition of allowable HCQI initiatives (State Instructions, page 4, Activities That Improve Health Care Quality, Activity Requirements #1.A – I). As such, $4,979,076 would be added to HCQI. This would increase Total Adjusted MLR Expenses. The result would be an increased MLR.
Adjustment #2 – To adjust Logisticare Transportation expense to the actual cost incurred medical expense	We recommend an adjustment to remove $1,472,169 as non-medical expenses from Line 8. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims expense.	With regard to the MLR claims inclusions/exclusions instructions, unless if shown that the NEMT Vendor Cap represented compensation or reimbursement for Covered services provided to an enrollee (State Instructions, page 4, Adjustments to Incurred Claims, #3c), then this cost should be excluded from MLR exhibits going forward. In this regard, ACLA is merely following MLR reporting guidelines, although this unfavorably impacts ACLA's MLR report.

AmeriHealth Caritas
Louisiana

P.O. Box 83580
Baton Rouge, LA 70884

6/1/17 Draft Report	Recommendation	Management Response
Adjustment #3 – To remove NIA Radiology Capitation from Medical Expense	We recommend an adjustment to remove $887,123 as non-medical expenses from Line 8. We also recommend that AmeriHealth Caritas Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable claims expense.	The NIA capitation expense reported in each calendar year financial report shows the part of radiology claims paid out to NIA as their expense for meeting the 85% target. We are of the understanding that this cost to be excluded from MLR exhibits going forward, as it does not meet the definition of claims for MLR. In this regard, ACLA is merely following MLR reporting guidelines, although this unfavorably impacts ACLA's MLR report.
Other (page 6 of draft report) - AmeriHealth Caritas Louisiana, Inc., reported revenue amounts that did not reflect all capitation payments received for its members applicable to the covered dates of service for the period ending December 31, 2015. We have identified additional payments of $9,479,328, most of which were subsequent to December 31, 2015 which were not included in the reported Line 1 totals. AmeriHealth Caritas Louisiana, Inc. agrees with this assessment of their reported revenues.	We recommend that the Louisiana Department of Health provide additional timing clarification expectations within the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions for the Managed Care Organizations (MCOs) to report the most accurate revenue and expenditures, as well as provide specified percentage change threshold guidelines in which it is necessary for the MCOs to submitted a revised MLR calculation. We also recommend that AmeriHealth Caritas Louisiana, Inc., closely monitor their revenues and expenditures subsequent to the MLR reporting period and MLR filing date, and if necessary, submit a revised MLR whenever significant member retro-eligibility or rate adjustments occur and in compliance with LDH's instructions.	ACLA respectfully disagrees with the recommendation provided as it is our understanding that all MLR instructions, relating to the calculation of earned revenue, given by the State were appropriately followed. Earned revenue was calculated using all data available at the time the Minimum MLR Rebate report was required to be submitted to the State (June 30, 2016). The report due to the State on June 30, 2016 utilizes the April 30, 2016 data, which appropriately follows State instruction. The State instructions are mentioned in 'M&S to State Instructions, Page 3: Capitation Payments; and Page 3 -4; Reimbursement for Clinical Services Provided to Enrollees.' Currently, revenues and expenditures are closely monitored. However, LDH should publish additional guidance for a timeframe or threshold for submitting a revised MLR report when major changes in revenue and expense occur. If LDH chooses to change the instructions and provide additional guidance, ACLA will continue to adhere to the current State guidance.