



October 31, 2019

Via Electronic Mail

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

Re: Community Care Health Plan of Louisiana, Inc., d/b/a Healthy Blue Period Ending 2017 Expansion MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Community Care Health Plan of Louisiana, Inc., d/b/a Healthy Blue's Period Ending 2017 Expansion Medical Loss Ratio (MLR) report.

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

Kind Regards,

Myers and Stauffer LC

**Community Care Health Plan of Louisiana, Inc.
d/b/a “Healthy Blue”
Medicaid Expansion
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 July 1, 2016
through December 31, 2017**

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 Community Care Health Plan of Louisiana, Inc., d/b/a "Healthy Blue" related to the Medicaid Expansion population for the period of July 1, 2016 through December 31, 2017. Healthy Blue's management is responsible for presenting the Medical Loss Ratio Rebate Calculation in accordance with the criteria set forth in the Healthy Louisiana's Expansion MLR Reporting Guide. This criteria was used to prepare the Adjusted Medical Loss Ratio. 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.

The Member Months reported on the Adjusted Medical Loss Ratio Rebate Calculation has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it.

The accompanying Adjusted Medical Loss Ratio were 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.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of Healthy Blue is presented in accordance with the Healthy Louisiana's Expansion MLR Reporting Guide, in all material respects, but does not exceed the eighty-five percent (85%) requirement for the period of July 1, 2016 through December 31, 2017.

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

Myers and Stauffer LC
October 30, 2019



Organizational Background

Community Care Health Plan of Louisiana, Inc., d/b/a “Healthy Blue”, is a jointly owned corporation and is licensed as a health maintenance organization in the state of Louisiana and operates as a licensee of the Blue Cross and Blue Shield Association (“BCBSA”).

Currently, Anthem Partnership Holding Company, LLC (“APHC”), an indirect wholly-owned subsidiary of Anthem, Inc., owns eighty percent (80%) of the corporation’s stock while Louisiana Health Service & Indemnity Company, d/b/a Blue Cross and Blue Shield of Louisiana (“BCBS LA”) owns the remaining twenty (20%) of the corporation’s stock. The original corporation, previously owned by Amerigroup Corporation (“AGP”) until the acquisitions by APHC on November 15, 2016 and BCBS LA on March 31, 2017, commenced operations on February 1, 2012.

Healthy Blue’s members include children and families served by Medicaid’s TANF as well as people with disabilities through the Healthy Louisiana program. Healthy Blue is currently one of five health plans that offer services on a full-risk basis. Effective February 1, 2012, Healthy Blue commenced operations in New Orleans and North Shore. Effective April 1, 2012, Healthy Blue commenced operations in Baton Rouge, Lafayette, and Thibodaux; and on June 1, 2012, Healthy Blue commenced operations in the remaining regions of Alexandria, Lake Charles, Monroe and Shreveport.

The Patient Protection and Affordable Care Act (Affordable Care Act) was signed into law on March 23, 2010. The Affordable Care Act affected Medicaid by expanding the population of individuals that were eligible for Medicaid services. Medicaid eligibility was expanded to include all individuals with incomes up to 138 percent of the federal poverty level, regardless of their age, family status or health. The Medicaid expansion population is defined as individuals whom previously were not eligible for Medicaid services, but became eligible due to the expansion of Medicaid eligibility under the Affordable Care Act.

On January 12, 2016, the Governor of Louisiana signed Executive Order JBE 16-01 which expanded Medicaid in Louisiana effective July 1, 2016. Each Medicaid Managed Care Organization now serves this expansion population in addition to the original non-expansion population. Healthy Blue’s submitted MLR under examination reflects only the Medicaid expansion activity for the period of July 1, 2016 through December 31, 2017.



Schedule of Adjustments and Comments

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. In addition, the adjustments made reflect only changes applicable to the expenditures of the Medicaid expansion population.

Adjustment #1 – To adjust reported tax amount to documented costs

Healthy Blue reported \$36,070,074 on Line 17: Other taxes and licensing and regulatory fees. The supporting documentation that Healthy Blue provided during the examination supports a recalculated tax amount of \$34,782,804. Healthy Blue's methodology utilized an effective income tax rate that was inclusive of income taxes generated from permanent and temporary tax differences which were primarily attributable to changes realized from contingency, bad debt, and other insurance reserve accounts. While the tax amount was included in the numerator, the actual changes (gains) were excluded from the denominator of this effective income tax rate calculation resulting in a 46.70% effective tax rate calculation, which was then applied towards the restated expansion population's net income totals for Calendar Year 2016 to determine its tax amounts to report. We recommend that the additional tax generated from the inflated tax rate percentage be specifically excluded from the Expansion population's calculation since these tax differences are attributable to the Non-Expansion population's reserve account changes realized as this was the first year of existence for the Expansion population. Therefore, we utilized the applicable income tax rates in effect for the periods under review and determined the income tax expense solely attributable to the Expansion population operations when recalculating the reduction to the denominator amounts utilized in the MLR calculation for income tax expense as set forth in 42 CFR § 438.8(f)(3) for Federal, State, and local taxes and licensing and regulatory fees.

We recommend an adjustment to remove \$1,287,270 of taxes attributable to timing differences and tax recognition treatment of revenues and expenses attributable to the Non-Expansion Population from Line 17: Other taxes and licensing and regulatory fees of the MLR. We also recommend that Healthy Blue revise its processes for reporting costs on the MLR rebate calculation properly to accurately report its Federal, State, and local taxes and licensing and regulatory fees.



Community Care Health Plan of Louisiana, Inc.
d/b/a "Healthy Blue"
Medicaid Expansion Adjusted Medical Loss
Ratio (MLR) Rebate Calculation
For the Period Ending December 31, 2017

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
MLR Medical and Administrative Expense Adjustments				
1	Total Incurred Claims	\$ 491,926,972	\$ -	\$ 491,926,972
	<i>Adjustments to Incurred Claims</i>			
2	Deductions:			
2a	Prescription drug rebates	\$ 2,784,488	\$ -	\$ 2,784,488
2b	Prompt pay discounts	\$ -	\$ -	\$ -
2c	Overpayment recoveries received from providers	\$ -	\$ -	\$ -
3	Inclusions:			
3a	Incentive and bonus payments made to providers	\$ -	\$ -	\$ -
3b	Fraud reduction expenses	\$ 117,940	\$ -	\$ 117,940
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	\$ 8,581,414	\$ -	\$ 8,581,414
5e	Reinsurance premiums exceeding reinsurance recoveries	\$ -	\$ -	\$ -
6	Other: Incurred claims assumed	\$ -	\$ -	\$ -
7	Adjusted Incurred Claims	\$ 480,679,010	\$ -	\$ 480,679,010
	<i>Health Care Quality Improvement (HCQI) Expenses</i>			
8	HCQI administrative expenses	\$ 6,924,741	\$ -	\$ 6,924,741
9	Exclusions to HCQI	\$ 624,822	\$ -	\$ 624,822
	<i>Health Information Technology (HIT) Expenses</i>			
10	HIT administrative expenses	\$ 1,615,549	\$ -	\$ 1,615,549
11	Exclusions to HIT expenses	\$ -	\$ -	\$ -
12	External Quality Review (EQR) related expenses	\$ 127,093	\$ -	\$ 127,093
13	Total Adjusted MLR Numerator	\$ 488,721,571	\$ -	\$ 488,721,571
Capitation Revenue and New Enrollee Adjustments				
14	Expansion Healthy Louisiana Premium Revenue	\$ 659,652,319	\$ -	\$ 659,652,319
	<i>Revenue Adjustments</i>			
15	Less: Health Insurance Provider Fee (HIPF)	\$ -	\$ -	\$ -
16	Less: Premium tax component of reported revenue	\$ 36,280,878	\$ -	\$ 36,280,878
17	Less: Other taxes and licensing and regulatory fees	\$ 36,070,074	\$ (1,287,270)	\$ 34,782,804
18	Total Adjusted MLR Denominator	\$ 587,301,367	\$ 1,287,270	\$ 588,588,637



Community Care Health Plan of Louisiana, Inc.
 d/b/a "Healthy Blue"
 Medicaid Expansion Adjusted Medical Loss
 Ratio (MLR) Rebate Calculation
 For the Period Ending December 31, 2017

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
19	MLR Percentage Achieved	83.21%	(0.18%)	83.03%
20	MLR Percentage Requirement for Rebate Calculation	85.00%		85.00%
21	Percentage Below 85% Requirement	1.79%	0.18%	1.97%
22	Dollar Amount of Rebate Requirement	\$ 10,484,591	\$ 1,094,180	\$ 11,578,771

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
23	MLR Percentage Achieved	83.21%	(0.18%)	83.03%
24	MLR Percentage Requirement for Refund Calculation	95.00%		95.00%
25	Percentage Above 95% Requirement	0.00%		0.00%
26	Dollar Amount of Refund Requirement	\$ -	\$ -	\$ -

27	MLR Member Months	1,204,081		1,204,081
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