April 26, 2019

Via Electronic Mail

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

Re: UnitedHealthcare of Louisiana, Inc. 2017 Non-Expansion MLR Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of UnitedHealthcare of Louisiana Inc.'s 2017 Non-Expansion Medical Loss Ratio (MLR) report. As a courtesy to LDH and other readers, we have also included UnitedHealthcare of 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

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

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UnitedHealthcare of Louisiana, Inc.
Medicaid Non-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 January 1, 2017
through December 31, 2017

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 UnitedHealthcare of Louisiana, Inc. (UHC) related to the Medicaid Non-Expansion population for the period of January 1, 2017 through December 31, 2017. UHC'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.

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.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of UHC is presented in accordance with the Healthy Louisiana's MCO Financial Reporting Guide, in all material respects, and exceeds the eighty-five percent (85%) requirement for the period of January 1, 2017 through December 31, 2017.

This report is intended solely for the information and use of the Louisiana Department of Health and UHC 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
April 3, 2019

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UnitedHealthcare of Louisiana, Inc. (UHC) is a wholly owned subsidiary of UnitedHealthcare, Inc. United Healthcare, Inc., is a wholly owned subsidiary of United HealthCare Services, Inc. United HealthCare Services, Inc., is a wholly owned subsidiary of UnitedHealth Group Incorporated, which is publicly held company currently trading on the New York Stock Exchange. UnitedHealthcare of Louisiana, Inc. began enrolling Medicaid members in the Healthy Louisiana (formerly Bayou Health) program on February 1, 2015. UHC is currently one of five health plans that offer services on a full risk basis.

UHC was incorporated in April 1986 as a Health Management Organization. They initially contracted with the Louisiana Department of Health (LDH) under an Administrative Services Only (ASO) agreement in 2011, providing primary care case management. This contract was then converted into a Medicaid risk and service contract effective February 2015. UHC provides coverage for a broad range of medically necessary medical services to meet its members' healthcare needs.

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. UHC's submitted MLR under examination reflects only the Medicaid non-expansion activity for the period of January 1, 2017 through December 31, 2017.

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 non-expansion population.

Adjustment #1 - To remove non-allowable HCQI items included in HCQI

UnitedHealthcare of Louisiana, Inc., reported several intercompany accounts within the amounts claimed as HCQI and HIT administrative expenses on Line 8 of the MLR on a per-member-per-month (PMPM) basis. UnitedHealthcare of Louisiana, Inc., provided documentation that identified profit and administrative expenses as components of the PMPM amounts that should be excluded from the HCQI expenses.

The administrative component does not meet the HCQI definitions included within the Healthy Louisiana MCO Financial Reporting Guide's Appendix A: Medical Loss Ratio (MLR) Rebate Calculation instructions and must be removed. In addition, the profit component should be removed entirely in accordance with the related organization guidance provided in CMS Publication 15-1, Chapter 10 on the treatment of allowable costs for related organizations. The exception to the related organizations listed in section 1010 was not met, and therefore UnitedHealthcare of Louisiana, Inc., is limited to the claiming of actual cost amounts of these intercompany transactions exclusive of any profit margin.

We recommend an adjustment to remove $2,712,151 from the HCQI and HIT administrative expenses included on Line 8 related to the profit and administrative amounts identified. This is a reoccurring finding identified in prior examinations and as such, we also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable HCQI expenses and to properly classify non-claims cost. Representatives from UnitedHealthcare of Louisiana, Inc., indicated that this issue will be addressed and accounted for in subsequent MLR filings.

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
MLR Medical and Administrative Expense Adjustments				
1	**Total Incurred Claims**	**$ 1,072,767,367**	**$ -**	**$ 1,072,767,367**
	Adjustments to Incurred Claims:			
2	**Deductions:**			
2a	Prescription drug rebates	$ 14,048,531	$ -	$ 14,048,531
2b	Prompt pay discounts	$ -	$ -	$ -
2c	Overpayment recoveries received from providers	$ 587,400	$ -	$ 587,400
3	**Inclusions:**			
3a	Incentive and bonus payments made to providers	$ 13,688,937	$ -	$ 13,688,937
3b	Fraud reduction expenses	$ 96,894	$ -	$ 96,894
4	Optional Inclusion: Value-Added Services	$ 6,402,451	$ -	$ 6,402,451
5	**Exclusions:**			
5a	Non-Claims Costs	$ 1,693,403	$ -	$ 1,693,403
5b	Prior year MLR rebates paid to LDH	$ -	$ -	$ -
5c	Payments to delegated vendors exceeding amount paid to providers	$ 2,952,455	$ -	$ 2,952,455
5d	Spread pricing amounts paid to PBM	$ 21,919,520	$ -	$ 21,919,520
5e	Reinsurance premiums exceeding reinsurance recoveries	$ 1,049,746	$ -	$ 1,049,746
6	Other: Incurred claims assumed	$ -	$ -	$ -
7	**Adjusted Incurred Claims**	**$ 1,050,704,594**	**$ -**	**$ 1,050,704,594**
	Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) Expenses			
8	HCQI and HIT administrative expenses	$ 20,007,513	$ (2,712,151)	$ 17,295,362
9	Exclusions to HCQI and HIT expenses	$ -	$ -	$ -
10	External Quality Review (EQR) related expenses	$ -	$ -	$ -
11	**Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses**	**$ 1,070,712,107**	**$ (2,712,151)**	**$ 1,067,999,956**
12	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	$ -	$ -	$ -
13	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 28 below	$ -	$ -	$ -
14	**Total Adjusted MLR Numerator**	**$ 1,070,712,107**	**$ (2,712,151)**	**$ 1,067,999,956**
Capitation Revenue and New Enrollee Adjustments				
15	**Non-Expansion Healthy Louisiana Premium Revenue**	**$ 1,221,094,543**	**$ -**	**$ 1,221,094,543**
	Revenue Adjustments			
16	Less: Health Insurance Provider Fee (HIPF)	$ -	$ -	$ -
17	Less: Premium tax component of reported revenue	$ 68,957,752	$ -	$ 68,957,752
18	Less: Income taxes	$ 7,797,609	$ -	$ 7,797,609
19	**Net Annual MLR Revenue**	**$ 1,144,339,182**	**$ -**	**$ 1,144,339,182**
20	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	$ -	$ -	$ -
21	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 27 below	$ -	$ -	$ -
22	**Total Adjusted MLR Denominator**	**$ 1,144,339,182**	**$ -**	**$ 1,144,339,182**

Line #		Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
23	**MLR Percentage Achieved**	**93.6%**	**(0.3%)**	**93.3%**
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%
25	Percentage Below 85% Requirement	0.0%		0.0%
26	**Dollar Amount of Rebate Requirement**	**$ -**	**$ -**	**$ -**

Reconciliation of Prior Year New Enrollee Capitation Exclusion				
27	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	$ -	$ -	$ -
28	Less: Prior year incurred claims for excluded New Enrollees	$ -	$ -	$ -
29	**Total Net Adjustment for New Enrollees from prior years**	$ -	$ -	$ -

30	**MLR Member Months**	**3,743,926**		**3,743,926**

Credibility Adjustment Applied (*if applicable*)				
31	MLR Percentage Achieved	93.6%	(0.3%)	93.3%
32	Credibility Adjustment	0.0%	0.0%	0.0%
33	**Adjusted MLR Percentage Achieved**	**93.6%**	**(0.3%)**	**93.3%**
34	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%
35	**Percentage Below 85% Requirement**	**0.0%**		**0.0%**
36	**Dollar Amount of Rebate Requirement**	**$ -**	**$ -**	**$ -**

UnitedHealthcare of Louisiana, Inc.

Management's Response

UNITEDHEALTH GROUP

3838 N. Causeway Blvd. Suite 2600
Metairie, LA 70002

April 10, 2019

Myers and Stauffer LC
133 Peachtree St NE, Suite 3150
Atlanta, GA 30303

Re: MLR Audit Report – 2017 Louisiana Nonexpansion Plan

We have reviewed the audit report for the Louisiana MLR audit on the Non-Expansion Medicaid plan as of December 31, 2017. Our response to the recommended adjustment noted on the report is addressed below. If you require additional information, please let us know.

Adjustment #1 – To remove non-allowable HCQI items included in HCQI.

We recommend an adjustment to remove $2,712,151 from the HCQI and HIT administrative expenses included on line 8 related to the profits and administrative amounts identified. This is a reoccurring finding identified in prior examinations and as such, we also recommend that UnitedHealthcare of Louisiana, Inc., revise its processes for reporting costs on the MLR rebate calculation properly to only include allowable HCQI expenses and to properly classify non-claims cost. Representatives from UnitedHealthcare of Louisiana, Inc., indicated that this issue will be addressed and accounted for in subsequent MLR filings.

UHC Response:

The Company continues to believe that the related organization guidance provided in CMS Publication 15-1, Chapter 10 is not applicable to Medicaid managed care. In the event the CMS Publication is applicable, the Company believes that it has met the exceptions noted in the provision. Recognizing that the Louisiana Department of Health and Myers & Stauffer disagree and since this is a recurring finding, the Company will revise its processes for reporting costs but reserves the right to dispute this finding as new guidance or information is developed.

Thank you for allowing us the opportunity to address this audit finding. If we could be of any assistance to you, please let us know.

Tatyana Koslovskiy

Plan Chief Financial Officer