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State of Louisiana Louisiana Department of Health Baton Rouge, Louisiana

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of Louisiana Healthcare Connections for the calendar year ended December 31, 2021. Louisiana Healthcare Connections' management is responsible for presenting the Medical Loss Ratio (MLR) Reporting in accordance with the criteria set forth in Healthy Louisiana's MLR Reporting Guide, the Code of Federal Regulations (CFR) 42 § 438.8, and other applicable federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio 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 is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratio. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Adjusted Medical Loss Ratio, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

The accompanying Adjusted Medical Loss Ratio was 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.

The Other Non-Claims Costs amount reported on the Adjusted Medical Loss Ratio Rebate Calculation has not been subjected to the procedures applied in the examination. In accordance with CFR 42 § 438.8, reporting of the Other Non-Claims Costs is required. Any adjustments to the Other Non-Claims Costs were determined without testing as the procedure was outside of the scope of our examination, and accordingly, we express no opinion on it.

In our opinion, except for the possible effect of the item addressed in the Schedule of Data Caveats, the above referenced accompanying Adjusted Medical Loss Ratio is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted Medical Loss Ratio exceeds the Centers for

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Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the Expansion and Non-Expansion population for the calendar year ended December 31, 2021.

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

Myers and Stauffer LC Atlanta, GA April 26, 2023

	Adjusted Medical Loss Ratio for the Calendar Year Ending Decer Expansion	nber :	51, 2021 Pald Th	rougn	April 30, 2022		
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Expenses							
1	Total Incurred Claims	\$	1,108,276,745	\$	(8,838,223)	\$	1,099,438,522
	Adjustments to Incurred Claims						
2	Deductions:						
2a	Prescription drug rebates	\$	441,434	\$	-	\$	441,434
2b	Prompt pay discounts	\$	-	\$	-	\$	-
2c	Overpayment recoveries received from providers	\$	-	\$	-	\$	-
3	Inclusions:						
3a	Incentive and bonus payments made to providers	\$	52,128,899	\$	-	\$	52,128,899
3b	Fraud reduction expenses	\$	1,542,441	\$	-	\$	1,542,44
4	Optional Inclusion: Value-Added Services	\$	9,167,158	\$	-	\$	9,167,15
5	Exclusions:						
5a	Non-Claims Costs	\$	7,462,168	\$	-	\$	7,462,168
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	\$	-	\$	-	\$	-
5e	Reinsurance premiums exceeding reinsurance recoveries	\$	195,573			\$	195,573
6	Other: Incurred claims assumed						
7	Adjusted Incurred Claims	\$	1,163,016,067	\$	(8,838,223)	\$	1,154,177,844
	Health Care Quality Improvement (HCQI) Expenses						
8	HCQI administrative expenses	\$	12,097,648	\$	(6,646,108)	\$	5,451,540
9	Exclusions to HCQI	\$	139,757	\$	-	\$	139,75
	Health Information Technology (HIT) Expenses						
10	HIT administrative expenses	\$	2,858,917	\$	-	\$	2,858,917
11	Exclusions to HIT expenses	\$	-	\$	-	\$	-
12	External Quality Review (EQR) related expenses	\$	-	\$	-	\$	-
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$	1,177,832,875	\$	(15,484,331)	\$	1,162,348,54
14	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	\$	-	\$	-		
15	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 34 below	\$	-	\$	-		
16	Total Adjusted MLR Numerator	\$	1,177,832,875	\$	(15,484,331)	\$	1,162,348,544
	Non-Claims Cost (For reporting purposes only, not included in Numerator)						
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	88,186,114	\$	6,646,108	\$	94,832,222
18	Program Integrity Activities [42 CFR §438.608(a)(1) through (5), (7), (8) and (b)]. (Must reconcile to the detail amounts on the Program Integrity Cost tab)	\$	2,500,837	\$	-	\$	2,500,83
19	Adjustments to Non-Claims Cost including amounts removed in the line 5 exclusions. (Excluding any related party profit)	\$	7,462,168	\$	-	\$	7,462,168
20	Total Adjusted Non-Claim Cost	\$	98,149,118	Ś	6,646,108	Ś	104,795,226
20	Total Aujusteu Nori-Cidilli Cost	۲ ا	70,147,110	۲	0,040,108	٧	104,733,22

	Adjusted Medical Loss Ratio for the Calendar Year Ending Decem	ıber	31, 2021 Paid Th	rou	gh April 30, 2022		
	Expansion						
Line #	Line Description		Reported		Adjustment		Adjusted
			Amounts		Amounts		Amounts
Revenues	5						
21	Healthy Louisiana Premium Revenue	\$	1,374,664,243	\$	(20,138,980)	\$	1,354,525,263
	Revenue Adjustments						
22	Less: Premium tax component of reported revenue	\$	73,185,357	\$	-	\$	73,185,357
23	Less: Other taxes and licensing and regulatory fees	\$	6,779,383	\$	-	\$	6,779,383
24	Net Annual MLR Revenue	\$	1,294,699,502	\$	(20,138,980)	\$	1,274,560,522
25	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$	-	\$	-	\$	-
26	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 29 below	\$	-	\$	-	\$	-
27	Total Adjusted MLR Denominator	\$	1,294,699,502	\$	(20,138,980)	\$	1,274,560,522

MLR Calculation							
28	MLR Percentage Achieved	91.0%	0.2%	91.2%			
29	MLR Percentage Requirement for Rebate Calculation	85.0%	85.0%	85.0%			
30	Percentage Below 85% Requirement	0.0%	0.0%	0.0%			
31	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -			

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

35 MLR Member Months	2,105,700
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Credibility Adjustment Applied					
36	MLR Percentage Achieved		0.0%		
37	Credibility Adjustment		0.0%		
38	Adjusted MLR Percentage Achieved	(0.0%		
39	MLR Percentage Requirement for Rebate Calculation	8	35.0%		
40	Percentage Below 85% Requirement	(0.0%		
41	Dollar Amount of Rebate Requirement	\$	-		



LOUISIANA HEALTHCARE CONNECTIONS, INC. ADJUSTED MEDICAL LOSS RATIO

	Adjusted Medical Loss Ratio for the Calendar Year Ending Decer Non-Expansion	nber	31, 2021 Paid Th	rough	April 30, 2022		
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Expenses							
1	Total Incurred Claims	\$	1,440,636,132	\$	(6,581,355)	\$	1,434,054,777
	Adjustments to Incurred Claims						
2	Deductions:						
2a	Prescription drug rebates	\$	312,881	\$	-	\$	312,881
2b	Prompt pay discounts	\$	-	\$	-	\$	-
2c	Overpayment recoveries received from providers	\$	-	\$	-	\$	-
3	Inclusions:						
3a	Incentive and bonus payments made to providers	\$	94,635,529	\$	-	\$	94,635,529
3b	Fraud reduction expenses	\$	2,229,510	\$	-	\$	2,229,510
4	Optional Inclusion: Value-Added Services	\$	3,357,873	\$	-	\$	3,357,873
5	Exclusions:						
5a	Non-Claims Costs	\$	8,123,061	\$	-	\$	8,123,061
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	\$	-	\$	-	\$	-
5e	Reinsurance premiums exceeding reinsurance recoveries	\$	362,066	Ś	-	\$	362,066
6	Other: Incurred claims assumed		·				·
7	Adjusted Incurred Claims	\$	1,532,061,036	\$	(6,581,355)	\$	1,525,479,681
	Health Care Quality Improvement (HCQI) Expenses		· · ·		,, ,		
8	HCQI administrative expenses	\$	14,914,236	Ś	(8,244,336)	Ś	6,669,900
9	Exclusions to HCQI	\$	267,627	-	-	\$	267,627
	Health Information Technology (HIT) Expenses						,
10	HIT administrative expenses	\$	3,463,290	Ś	-	\$	3,463,290
11	Exclusions to HIT expenses	\$	-	\$	-	\$	-
12	External Quality Review (EQR) related expenses	\$	-	\$	-	\$	-
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	Ś	1.550.170.936	Ś	(14.825.691)	Ś	1.535.345.245
14	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees	\$	-	\$	-	\$	-
15	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 34 below	\$	-	\$	-	\$	-
16	Total Adjusted MLR Numerator	\$	1,550,170,936	\$	(14,825,691)	\$	1,535,345,245
	Non-Claims Cost (For reporting purposes only, not included in Numerator)				, , , , ,		
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	108,185,175	\$	8,244,336	\$	116,429,511
18	Program Integrity Activities [42 CFR §438.608(a)(1) through (5), (7), (8) and (b)]. (Must reconcile to the detail amounts on the Program Integrity Cost tab)	\$	3,651,797		-	\$	3,651,797
19	Adjustments to Non-Claims Cost including amounts removed in the line 5 exclusions. (Excluding any related party profit)	\$	8,123,061	\$	-	\$	8,123,061
20	Total Adjusted Non-Claim Cost	\$	119,960,034	Ś	8,244,336	Ś	128,204,370

	Adjusted Medical Loss Ratio for the Calendar Year Ending Decem	ıber	31, 2021 Paid Th	rou	ıgh April 30, 2022	
	Non-Expansion					
Line#	Line Description		Reported	Adjustment		Adjusted
Line ii			Amounts		Amounts	Amounts
Revenues	3					
21	Healthy Louisiana Premium Revenue	\$	1,705,237,754	\$	4,032,143	\$ 1,709,269,897
	Revenue Adjustments					
22	Less: Premium tax component of reported revenue	\$	89,232,419	\$	-	\$ 89,232,419
23	Less: Other taxes and licensing and regulatory fees	\$	(16,629,706)	\$	-	\$ (16,629,706)
24	Net Annual MLR Revenue	\$	1,632,635,040	\$	4,032,143	\$ 1,636,667,183
25	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	\$	-	\$	-	\$ -
26	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 29 below	\$	-	\$	-	\$ -
27	Total Adjusted MLR Denominator	\$	1,632,635,040	\$	4,032,143	\$ 1,636,667,183

MLR Calc	MLR Calculation								
28	MLR Percentage Achieved	94.9%	-1.1%	93.8%					
29	MLR Percentage Requirement for Rebate Calculation	85.0%	85.0%	85.0%					
30	Percentage Below 85% Requirement	0.0%	0.0%	0.0%					
31	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -					

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

35	MLR Member Months	4,236,240	
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Credibility Adjustment Applied		
36	MLR Percentage Achieved	0.0%
37	Credibility Adjustment	0.0%
38	Adjusted MLR Percentage Achieved	0.0%
39	MLR Percentage Requirement for Rebate Calculation	85.0%
40	Percentage Below 85% Requirement	0.0%
41	Dollar Amount of Rebate Requirement	\$ -

Schedule of Data Caveats

During our examination, we identified the following data caveat.

Data Caveat #1 - Settlement Agreement

The State of Louisiana entered into a settlement agreement, in the amount of \$64,244,449.94, with the health plan regarding pharmacy benefit manager (PBM) practices. The agreement was effective on November 12, 2021 and encompassed pharmacy benefits and services provided between January 1, 2016 and November 12, 2021 which includes the Medical Loss Ratio (MLR) reporting period under examination. The Centene Corporation is the owner of the health plan and PBM. The settlement amount was not allocated by MLR reporting period, line of business, nor did it clearly identify the impact related to pharmacy paid claims, any applicable penalty, or other factors developed within the settlement calculation. Therefore, the impact of the settlement was not considered in the calculation of the MLR.

Schedule of Adjustments and Comments for the Calendar Year Ending December 31, 2021

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.

Adjustment #1 - To reclassify reported HEP-C settlement from incurred claims to a reduction from revenue.

Louisiana Healthcare Connections, Inc. reported the HEP-C settlement as an expense on line 1 of the asfiled MLR when it should have been reported as a reduction in revenue. MSLC removed \$8,838,223 for the Expansion population and \$6,581,355 for the Non-Expansion population of HEP-C expense from line 1 of the MLR and reduced the revenue amount by the verified state HEP-C amounts of \$8,852,734 for the Expansion population and \$5,130,760 for the Non-Expansion population. The additional HEP-C variance is due to a timing variance. The MLR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8.

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	(\$8,838,223)
21	Healthy Louisiana Premium Revenue	(\$8,852,734)

Proposed Adjustment – Non-Expansion		
Line #	Line Description	Amount
1	Total Incurred Claims	(\$6,581,355)
21	Healthy Louisiana Premium Revenue	(\$5,130,760)

Adjustment #2 - To remove non-allowable Healthcare Quality Improvement (HCQI) items found in the plan's supporting documentation.

Louisiana Healthcare Connections, Inc. reported HCQI of \$12,097,648 for the Expansion population and \$14,914,236 for the Non-Expansion population. MSLC identified salaries and benefits of \$6,646,108 for the Expansion population and \$8,244,336 for the Non-Expansion population that do not meet the criteria for HCQI as defined in 42 CFR § 158.150. The non-allowable HCQI expenses were reclassified

from the numerator to non-claims as shown below. The MLR numerator reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e).

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
8	HCQI administrative expenses	(\$6,646,108)
17	Non-Claims Cost	\$6,646,108

Proposed Adjustment –Non-Expansion		
Line #	Line Description	Amount
8	HCQI administrative expenses	(\$8,244,336)
17	Non-Claims Cost	\$8,244,336

Adjustment #3 – To adjust premium income to the verified state amounts.

Louisiana Healthcare Connections, Inc. reported premium income of \$1,374,664,243 for the Expansion population and \$1,705,237,754 for the Non-Expansion population. MSLC adjusted premium income to the state verified amounts of \$1,354,525,263 for the Expansion population and \$1,709,269,896 for the Non-Expansion population. The remaining variance between the as-filed MLR amount and the verified state revenue data is accounted for in adjustment 1. The MLR denominator reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
21	Healthy Louisiana Premium Revenue	(\$11,286,246)

Proposed Adjustment –Non-Expansion		
Line # Line Description		Amount
21	Healthy Louisiana Premium Revenue	\$9,162,903



April 24, 2023

Myers and Stauffer LC 1349 W Peachtree Street NE, Suite 1600 Atlanta, GA 30309

We have reviewed M&S's Medicaid Managed Care Programs Report on Adjusted Medical Loss Ratio for Louisiana Healthcare Connections for the calendar year ended December 31, 2021. Our Adjusted Medical Loss Ratio does not exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the Expansion and Non-Expansion population for the calendar year ended December 31, 2021. Nevertheless, LHCC requests M&S include this correspondence to the final published report to Louisiana Department of Health.

Adjustment #1 – To reclassify reported HEP-C settlement from incurred claims to a reduction from revenue"

No additional responses from LHCC.

Adjustment #2 - To remove non-allowable Healthcare Quality Improvement (HCQI) items found in the plan's supporting documentation:

LHCC, as subsidiary of Centene Corporation, acknowledges the proposed adjustment to disallow \$6,46,107.77 (Expansion) and \$8,244,335.99 (Non-Expansion) of HCQI items and offers the following context in response:

- We transitioned to a survey process in late 2020; calendar year 2021 was the first full year of implementation
- Our survey process was developed in consultation with PricewaterhouseCoopers (PWC); it is understanding that other MCOs also utilize a survey process and it is a preferred approach to identify HCQI expenses
- The framework of our survey process is the 4-part test issued by the NAIC (see Resource section herein for more detail)
- The application of the 4-part test to a general job description could be very subjective and is an antiquated means to identify allowable expenses designed to improve health care quality
- Centene and its subsidiaries acknowledge the subjective nature of job descriptions; therefore, our Corporate QIA (Quality Improvement Activity) team evaluates survey responses for reasonableness. LHCC's QIA % was within a reasonable range for the 2021 examination period
- Centene and LHCC believe the testing procedures applied to HCQI expenses should be reevaluated for future testing periods



Adjustment #3 – To adjust premium income to the verified state amounts:

No additional responses from LHCC.

Chief F	inancial Officer or	Other Person	Authorized to Sign
Vice	President,	Finance	
Title		1 0000000 0	_
4	126/23_		
Date			_

Resource:

Definition: Quality Improvement Expense

The National Association of Insurance Commissioners ("NAIC") model regulation has defined quality improvement expenses as "expenses other than those billed or allocated by a provider for care delivery (i.e. clinical or claims costs), for all plan activities that are designed to improve health care quality." According to the Code of Federal Regulations, Section 158.150 Activities that improve health care quality, in order for an activity to quality as a quality improvement expense, the activity must be designed to do the following²:

- (1) Improve Health Quality
- (2) Increase the likelihood of desired health outcomes in ways that are capable of being objectively measured and of producing verifiable results and achievements
- (3) Be directed toward individual enrollees or incurred for the benefit of specified segments of enrollees or provide health improvements to the population beyond those enrolled in coverage as long as no additional costs are incurred due to the non-enrollees
- (4) Be grounded in evidence-based medicine, widely accepted best clinical practice, or criteria issued by recognized professional medical associations, accreditation bodies, government agencies or other nationally recognized health care quality organizations

Code of Federal Regulations: Reference: https://www.gpo.gov/fdsys/pkg/CFR-2017-title45 vol1/xml/CFR-2017-title45_vol1-sec158-150.xml

Centers for Medicare and Medicaid Services (CMS): https://www.cms.gov/CCIIO/Programs-and-Initiatives/Health-Insurance-Market-Reforms/Medical-Loss-Ratio.html