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State of Louisiana Louisiana Department of Health Baton Rouge, Louisiana

#### **Independent Accountant's Report**

We have examined the Medical Loss Ratio Report of Healthy Blue of Louisiana (health plan) for the calendar year ended December 31, 2022. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio Report in accordance with the criteria set forth in 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 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 from information contained in the Medical Loss Ratio Report 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, the Adjusted Medical Loss Ratio is presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratio exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of 85 percent for the Non-Expansion and Expansion populations for the calendar year ended December 31, 2022.



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

Myers and Stauffer LC Atlanta, Georgia May 23, 2024



### Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023 Non-Expansion Population							
Line #	Line Description	Re	ported Amounts	Adjı	ustment Amounts	Ad	djusted Amounts
Numerato	r						
1	Total Incurred Claims	\$	1,021,153,719	\$	-	\$	1,021,153,719
	Adjustments to Incurred Claims						
2	Deductions:						
2a	Prescription drug rebates	\$	1,493,569	\$	-	\$	1,493,569
2b	Prompt pay discounts	\$	-	\$	-	\$	-
2c	Overpayment recoveries received from providers	\$	-	\$	-	\$	-
3	Inclusions:						
3a	Incentive and bonus payments made to providers	\$	38,854,701	\$	25,048,895	\$	63,903,596
3b	Fraud reduction expenses	\$	-	\$	-	\$	-
4	Optional Inclusion: Value-Added Services	\$	3,871,889	\$	-	\$	3,871,889
5	Exclusions:						
5a	Non-Claims Costs	\$	-	\$	-	\$	-
5b	Prior year MLR rebates paid to LDH	\$	-	\$	-	\$	-
5c	Payments delegated vendors exceeding amount paid to providers	\$	-	\$	-	\$	-
5d	Spread pricing amounts paid to PBM	\$	-	\$	-	\$	-
5e	Reinsurance premiums exceeding reinsurance recoveries	\$	-	\$	-	\$	-
6	Other: Incurred claims assumed	\$	-	\$	-	\$	-
7	Adjusted Incurred Claims	\$	1,062,386,740	\$	25,048,895	\$	1,087,435,635
	Health Care Quality Improvement (HCQI) Expenses						
8	HCQI admin expenses	\$	13,051,899	\$	(3,610,685)	\$	9,441,214
9	Exclusions to HCQI	\$	1,055,530	\$	-	\$	1,055,530
	Health Information Technology (HIT) Expenses		<u> </u>				<u> </u>
10	HIT administrative expenses	\$	1,195,309	\$	-	\$	1,195,309
11	Exclusions to HIT expenses	\$	-	\$	-	\$	-
12	External Quality Review (EQR) related expenses	\$	-	\$	-	\$	-
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$	1,075,578,419	\$	(3,610,685)	\$	1,071,967,734
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 33 below	\$	-	\$	-	\$	-
16	Total Adjusted MLR Numerator	\$	1,075,578,419	\$	21,438,210	\$	1,097,016,629
	Non-Claims Costs (For reporting purposes only, not included in Numerator)						
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	58,594,015	\$	-	\$	58,594,015
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)	\$	1,622,700	\$	-	\$	1,622,700
19	Adjustments to Non-Claims including amounts removed in the line 5 exclusions. (Excluding any related party profit)	\$	-	\$	-	\$	-
20	Total Adjusted Non-Claims Cost	\$	60,216,716	\$	-	\$	60,216,716



## Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023

	Adjusted Medical Loss Ratio for the Calendar Year Endec Non-Expansion P			Paid 1	Through April 30	J, 202	23
Line#	Line Description	Re	ported Amounts	Adju	stment Amounts	Ad	justed Amounts
enomina	ator						
21	Healthy Louisiana Premium Revenue	\$	1,166,119,544	\$	17,754,535	\$	1,183,874,07
	Revenue Adjustments						
22	Less: Premium tax component of reported revenue	\$	55,500,817	\$	6,621,634	\$	62,122,45
23	Less: Other taxes and licensing and regulatory fees	\$	-	\$	-	\$	-
24	Net Annual MLR Revenue	\$	1,110,618,727	\$	24,376,169	\$	1,134,994,89
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	\$	1,110,618,727	\$	24,376,169	\$	1,134,994,89
ILR Calc	ulation						
28	MLR Percentage Achieved		96.8%		-0.1%		96.3
29	MLR Percentage Requirement for Rebate Calculation		85.0%		0.0%		85.0
30	Percentage Below 85% Requirement		0.0%		0.0%		0.0
31	Dollar Amount of Rebate Requirement	\$	-	\$	-	\$	-
econcilia	ation 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		2,508,266		-		2,508,26
				-	•		
	y Adjustment Applied						
36	MLR Percentage Achieved		0.0%		0.0%		0.
37	Credibility Adjustment		0.0%		0.0%		0.
38	Adjusted MLR Percentage Achieved		0.0%		0.0%		0.0
39	MLR Percentage Requirement for Rebate Calculation		85.0%		0.0%		85.0
40	Percentage Below 85% Requirement		85.0%		0.0%		85.

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. Adjustments identified during the course of the examination were not tested to determine any impact on Non-Claims Costs. Accordingly, we express no opinion on the Non-Claims Costs line.

0.0%

**Dollar Amount of Rebate Requirement** 

0.0%



### Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023 Expansion Population							
Line #	Line Description	Rep	ported Amounts	Adju	stment Amounts	Ad	ljusted Amounts
Numerato	or .						
1	Total Incurred Claims	\$	1,148,189,103	\$	-	\$	1,148,189,103
	Adjustments to Incurred Claims						
2	Deductions:						
2a	Prescription drug rebates	\$	948,781	\$	-	\$	948,781
2b	Prompt pay discounts	\$	-	\$	-	\$	-
2c	Overpayment recoveries received from providers	\$	-	\$	-	\$	-
3	Inclusions:						
3a	Incentive and bonus payments made to providers	\$	44,447,078	\$	29,008,156	\$	73,455,234
3b	Fraud reduction expenses	\$	-	\$	-	\$	-
4	Optional Inclusion: Value-Added Services	\$	10,163,978	\$	-	\$	10,163,978
5	Exclusions:						
5a	Non-Claims Costs	\$	-	\$	-	\$	-
5b	Prior year MLR rebates paid to LDH	\$	-	\$	-	\$	-
5c	Payments delegated vendors exceeding amount paid to providers	\$	-	\$	-	\$	-
5d	Spread pricing amounts paid to PBM	\$	-	\$	-	\$	-
5e	Reinsurance premiums exceeding reinsurance recoveries	\$	-	\$	-	\$	-
6	Other: Incurred claims assumed	\$	-	\$	-	\$	-
7	Adjusted Incurred Claims	\$	1,201,851,378	\$	29,008,156	\$	1,230,859,534
	Health Care Quality Improvement (HCQI) Expenses						
8	HCQI admin expenses	\$	9,246,980	\$	(2,754,036)	\$	6,492,944
9	Exclusions to HCQI	\$	899,154	\$	-	\$	899,154
	Health Information Technology (HIT) Expenses						
10	HIT administrative expenses	\$	1,039,259	\$	-	\$	1,039,259
11	Exclusions to HIT expenses	\$	-	\$	-	\$	-
12	External Quality Review (EQR) related expenses	\$	-	\$	-	\$	-
13	Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses	\$	1,211,238,463	\$	(2,754,036)	\$	1,208,484,427
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 33 below	\$	-	\$	-	\$	-
16	Total Adjusted MLR Numerator	\$	1,211,238,463	\$	26,254,120	\$	1,237,492,583
	Non-Claims Costs (For reporting purposes only, not included in Numerator)						
17	Non-Claims Cost (Excluding amounts reported on lines 18 and 19)	\$	40,309,983	\$	-	\$	40,309,983
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)	\$	1,385,096	\$	-	\$	1,385,096
	Adjustments to Non-Claims including amounts removed in the line 5	_		_		<u>,</u>	
19	exclusions. (Excluding any related party profit)	\$	-	\$	-	\$	-

# Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023

	Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2022 Paid Through April 30, 2023 Expansion Population						
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts			
Denomina	itor						
21	Healthy Louisiana Premium Revenue	\$ 1,375,383,404	\$ 25,485,302	\$ 1,400,868,706			
	Revenue Adjustments						
22	Less: Premium tax component of reported revenue	\$ 65,470,897	\$ 7,766,271	\$ 73,237,168			
23	Less: Other taxes and licensing and regulatory fees	\$ -	\$ -	\$ -			
24	Net Annual MLR Revenue	\$ 1,309,912,507	\$ 33,251,573	\$ 1,343,164,080			
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	\$ 1,309,912,507	\$ 33,251,573	\$ 1,343,164,080			
	•	, , ,	. ,	, , ,			
MLR Calcu	ılation						
28	MLR Percentage Achieved	92.5%	-0.4%	92.1%			
29	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%			
30	Percentage Below 85% Requirement	0.0%	0.0%	0.0%			
31	Dollar Amount of Rebate Requirement	\$ -	\$ -	\$ -			
Reconcilia	tion 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	1,911,570	-	1,911,570			
Credibility	Adjustment Applied						
36	MLR Percentage Achieved	0.0%	0.0%	0.0%			
37	Credibility Adjustment	0.0%	0.0%	0.0%			
38	Adjusted MLR Percentage Achieved	0.0%	0.0%	0.0%			
39	MLR Percentage Requirement for Rebate Calculation	85.0%	0.0%	85.0%			
40	Percentage Below 85% Requirement	85.0%	0.0%	85.0%			
41	Dollar Amount of Rebate Requirement	0.0%	0.0%	0.0%			

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. Adjustments identified during the course of the examination were not tested to determine any impact on Non-Claims Costs. Accordingly, we express no opinion on the Non-Claims Costs line.

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## Schedule of Adjustments and Comments for the Calendar Year Ended December 31, 2022

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 adjust MCIP revenue and expense to verified amount.

Healthy Blue of Louisiana did not report all MCIP payments in 2022, which resulted in MCIP being understated for both populations. This adjustment is to properly allocate the as-filed MCIP expense and account for additional MCIP revenue and expense supported by the state's data. The MLR denominator and numerator reporting requirements are addressed in Healthy Louisiana's MLR Reporting Guide and Medicaid Managed Care Final Rule 42 CFR § 438.8(f) and 438.8(e).

	Proposed Adjustment – Non-Expansion							
Line #	Line Description	Amount						
3a	Incentive and bonus payments made to providers	\$25,048,895						
21	Healthy Louisiana Premium Revenue	\$25,823,603						

Proposed Adjustment – Expansion							
Line #	Line Description	Amount					
3a	Incentive and bonus payments made to providers	\$29,008,156					
21	Healthy Louisiana Premium Revenue	\$29,905,315					

### Adjustment #2 - To adjust Health Care Quality Improvement (HCQI) expenses to the verified amount.

Healthy Blue of Louisiana reported HCQI of \$13,051,899 for the Non-Expansion population and \$9,246,980 for the Expansion population. Myers and Stauffer identified non-allowable salaries and benefits, indirect overhead, and vendor expenses of \$3,734,877 for the Non-Expansion population and \$2,830,046 for the Expansion population that do not meet the criteria for HCQI as defined in 42 CFR § 158.150. The MLR numerator reporting requirements are addressed in Healthy Louisiana's MLR Reporting Guide and Medicaid Managed Care Final Rule 42 CFR § 438.8(e).

	Proposed Adjustment – Non-Expansion							
Line #	Line Description	Amount						
8	HCQI administrative expenses	(\$3,610,685)						

	Proposed Adjustment – Expansion							
Line #	Line Description	Amount						
8	HCQI administrative expenses	(\$2,754,036)						

### Adjustment #3 – To adjust premium revenue to the verified amount.

Healthy Blue of Louisiana reported Premium Revenue of \$1,129,499,111 for the Non-Expansion population and \$1,331,584,877 for the Expansion population. The state's capitation and quality withhold data supported premium revenue of \$1,327,164,864 for the Non-Expansion population and \$1,121,430,043 for the Expansion population. The variance between the reported amounts and the state's data was an adjustment to line 21 as shown below. The MLR denominator reporting requirements are addressed in Healthy Louisiana's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

	Proposed Adjustment – Non-Expansion							
Line #	Line Description	Amount						
21	Healthy Louisiana Premium Revenue	(\$8,069,068)						

	Proposed Adjustment - Expansion							
Line #	Line Description	Amount						
21	Healthy Louisiana Premium Revenue	(\$4,420,013)						

### Adjustment #4 – To adjust premium taxes to the verified amount.

Healthy Blue of Louisiana excluded the premium tax associated with directed payments from the reported Premium Tax amount. Healthy Blue of Louisiana reported premium taxes of \$55,500,817 for the Non-Expansion population and \$65,470,897 for the Expansion population. The state's revenue data supported premium taxes of \$62,122,451 for the Non-Expansion population and \$73,237,168 for the Expansion population. The variance between the reported amounts and the state's data was an adjustment to line 22 as shown below. The MLR denominator reporting requirements are addressed in Healthy Louisiana's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).



	Proposed Adjustment – Non-Expansion							
Line #	Line Description	Amount						
22	Healthy Louisiana Premium Revenue	\$6,621,634						

Proposed Adjustment - Expansion		
Line #	Line Description	Amount
22	Healthy Louisiana Premium Revenue	\$7,766,271