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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 Ratios of Louisiana HealthCare Connections, Inc. (health plan) for their Medicaid Non-Expansion and Expansion populations for the period of January 1, 2023 through June 30, 2023. The health plan's management is responsible for presenting the Medical Loss Ratios in accordance with the criteria set forth in 42 Code of Federal Regulations (CFR) § 438.8 and other applicable federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratios. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratios 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 Ratios are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratios. 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 Ratios, 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 Ratios were prepared from information contained in the Medical Loss Ratios 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 Adjusted Medical Loss Ratios are presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratios meet or exceed the Centers for Medicare & Medicaid Services (CMS) and state requirement of 85 percent for the Medicaid Non-Expansion and Expansion populations for the period of January 1, 2023 through June 30, 2023.

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 June 17, 2025



| Adjusted Medical Loss Ratio for the Period of January 1, 2023 through June 30, 2023 Paid Through October 31, 2023<br>Non-Expansion Population |  |            |            |                    |                  |  |
|---|--|------------|------------|--------------------|------------------|--|
| Line #  | Line Description   | Reported A | Amounts    | Adjustment Amounts | Adjusted Amounts |  |
| Numerato  | r  |            |            |                    |                  |  |
| 1   | Total Incurred Claims  | \$ 68      | 89,415,310 | \$ -               | \$ 691,539,584   |  |
|   | Adjustments to Incurred Claims   |            |            |                    |                  |  |
| 2   | Deductions:  |            |            |                    |                  |  |
| 2a  | Prescription drug rebates  | \$         | 271,393    | \$ -               | \$ 271,393       |  |
| 2b  | Prompt pay discounts   | \$         | -          | \$ -               | \$ -             |  |
| 2c  | Overpayment recoveries received from providers   | \$         | -          | \$ -               | \$ -             |  |
| 3   | Inclusions:  |            |            |                    |                  |  |
| 3a  | Incentive and bonus payments made to providers   | \$ :       | 21,694,101 | \$ (14,789,800)    | \$ 6,904,301     |  |
| 3b  | Fraud reduction expenses   | \$         | -          | \$ -               | \$ -             |  |
| 3c  | State Directed Payments (SDPs distributed to providers)  | \$ 23      | 21,378,326 | \$ (30,883,578)    | \$ 190,494,748   |  |
| 4   | Optional Inclusion: Value-Added Services   | \$         | 2,124,275  | \$ -               | \$ 2,124,275     |  |
| 5   | Exclusions:  |            |            |                    |                  |  |
| 5a  | Non-Claims Costs   | \$         | 858,130    | \$ -               | \$ 858,130       |  |
| 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   | \$ 9:      | 33,482,488 | \$ (45,673,378)    | \$ 887,809,110   |  |
|   | Health Care Quality Improvement (HCQI) Expenses  |            |            |                    |                  |  |
| 8   | HCQI admin expenses  | \$         | 7,556,143  | \$ -               | \$ 7,556,143     |  |
| 9   | Exclusions to HCQI   | \$         | -          | \$ -               | \$ -             |  |
|   | Health Information Technology (HIT) Expenses   |            |            |                    |                  |  |
| 10  | HIT administrative expenses  | \$         | 1,092,330  | \$ -               | \$ 1,092,330     |  |
| 11  | Exclusions to HIT expenses   | \$         | -          | \$ -               | \$ -             |  |
| 12  | External Quality Review (EQR) related expenses   | \$         | -          | \$ -               | \$ -             |  |
| 13  | Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses   | \$ 94      | 42,130,961 | \$ (45,673,378)    | \$ 896,457,583   |  |
| 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   | \$ 94      | 42,130,961 | \$ (45,673,378)    | \$ 896,457,583   |  |
|   | Non-Claims Costs (For reporting purposes only, not included in Numerator)*   |            |            |                    |                  |  |
| 17  | Non-Claims Cost (Excluding amounts reported on lines 18 and 19)  | \$ 4       | 43,500,923 | \$ -               | \$ 43,500,923    |  |
| 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) | \$         | 3,967,037  | \$ -               | \$ 3,967,037     |  |
| 19  | Adjustments to Non-Claims including amounts removed in the line 5 exclusions. (Excluding any related party profit)   | \$         | 858,130    | \$ -               | \$ 858,130       |  |
| 20  | Total Adjusted Non-Claims Cost   | \$ 4       | 48,326,091 | \$ -               | \$ 48,326,091    |  |
|   | i otal najastea Roll-Claims Cost   | , ب        | 10,020,031 | · -                | ÷0,320,0         |  |



| 22 [                    | Line Description   |     |               | Adjusted Medical Loss Ratio for the Period of January 1, 2023 through June 30, 2023 Paid Through October 31, 2023<br>Non-Expansion Population |                |     |               |  |  |  |
|-------------------------|--|-----|---------------|---|----------------|-----|---------------|--|--|--|
| <b>21 F</b> 22 <b>C</b> |  | кер | orted Amounts | Adju  | stment Amounts | Adj | usted Amounts |  |  |  |
| 22 [                    | or   |     |               |   |                |     |               |  |  |  |
|                         | Healthy Louisiana Premium Revenue  | \$  | 793,025,925   | \$  | (11,324,891)   | \$  | 781,701,03    |  |  |  |
| R                       | Directed Payments  | \$  | 234,262,779   | \$  | (32,681,035)   | \$  | 201,581,74    |  |  |  |
|                         | Revenue Adjustments  |     |               |   | , , , ,        |     |               |  |  |  |
| 23 L                    | Less: Premium tax component of reported revenue  | \$  | 55,818,401    | \$  | (1,737,848)    | \$  | 54,080,55     |  |  |  |
| 24 L                    | Less: Other taxes and licensing and regulatory fees  | \$  | (15,320,358)  | \$  | -              | \$  | (15,320,358   |  |  |  |
|                         | Net Annual MLR Revenue   | \$  | 986,790,661   | \$  | (42,268,078)   | \$  | 944,522,583   |  |  |  |
| 26                      | Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)  | \$  | -             | \$  | -              | \$  | -             |  |  |  |
| 27 e                    | 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 | \$  | -             | \$  | -              | \$  | -             |  |  |  |
| 28 <b>T</b>             | Total Adjusted MLR Denominator   | \$  | 986,790,661   | \$  | (42,268,078)   | \$  | 944,522,583   |  |  |  |
| MLR Calcula             | ation  |     |               |   |                |     |               |  |  |  |
|                         | MLR Percentage Achieved (Unadjusted MLR)   |     | 95.5%         |   | -0.6%          |     | 94.9          |  |  |  |
| -                       | Credibility Adjustment   |     | 0.0%          |   | 0.0%           |     | 0.0           |  |  |  |
|                         | Adjusted MLR   |     | 95.5%         |   | -0.6%          |     | 94.9          |  |  |  |
|                         | MLR Percentage Requirement for Rebate Calculation  |     | 85.0%         |   | 0.0%           |     | 85.0          |  |  |  |
|                         | Calculated Percentage for Remittance Purposes  |     | 0.0%          |   | 0.0%           |     | 0.0           |  |  |  |
|                         | Dollar Amount of Rebate Requirement  | \$  | -             | \$  | -              | \$  | -             |  |  |  |
|                         |  |     |               |   |                |     |               |  |  |  |
| Reconciliation          | on of Prior Year New Enrollee Capitation Exclusion   |     |               |   |                |     |               |  |  |  |
|                         | Prior year new enrollee capitation adjustment exclusion (net of premium tax)   | \$  | -             | \$  | -              | \$  | -             |  |  |  |
|                         | Less: Prior year incurred claims for excluded New Enrollees  | \$  | -             | \$  | -              | \$  | -             |  |  |  |
| 37 T                    | Total Net Adjustment for New Enrollees from prior years  | \$  | -             | \$  | -              | \$  |               |  |  |  |
| 38 1                    | MLR Member Months  |     | 1,986,629     |   | _              |     | 1,986,629     |  |  |  |

<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.



| Adjusted Medical Loss Ratio for the Period of January 1, 2023 through June 30, 2023 Paid Through October 31, 2023  Expansion Population |  |                  |                    |                  |  |
|---|--|------------------|--------------------|------------------|--|
| Line #  | Line Description   | Reported Amounts | Adjustment Amounts | Adjusted Amounts |  |
| Numerato  | r  |                  | '                  |                  |  |
| 1   | Total Incurred Claims  | \$ 624,539,873   | \$ -               | \$ 624,539,873   |  |
|   | Adjustments to Incurred Claims   |                  | ·                  |                  |  |
| 2   | Deductions:  |                  |                    |                  |  |
| 2a  | Prescription drug rebates  | \$ 307,804       | \$ -               | \$ 307,804       |  |
| 2b  | Prompt pay discounts   | \$ -             | \$ -               | \$ -             |  |
| 2c  | Overpayment recoveries received from providers   | \$ -             | \$ -               | \$ -             |  |
| 3   | Inclusions:  |                  | <u>'</u>           |                  |  |
| 3a  | Incentive and bonus payments made to providers   | \$ 17,869,154    | \$ (13,801,043)    | \$ 4,068,111     |  |
| 3b  | Fraud reduction expenses   | \$ -             | \$ -               | \$ -             |  |
| 3c  | State Directed Payments (SDPs distributed to providers)  | \$ 139,938,359   | \$ 31,666,947      | \$ 171,605,306   |  |
| 4   | Optional Inclusion: Value-Added Services   | \$ 5,267,815     | \$ -               | \$ 5,267,815     |  |
| 5   | Exclusions:  |                  |                    |                  |  |
| 5a  | Non-Claims Costs   | \$ 1,070,875     | \$ -               | \$ 1,070,875     |  |
| 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   | \$ 786,236,521   | \$ 17,865,904      | \$ 804,102,425   |  |
|   | Health Care Quality Improvement (HCQI) Expenses  | , , , , ,        | , , , , , , ,      | , , , ,          |  |
| 8   | HCQI admin expenses  | \$ 5,547,404     | \$ -               | \$ 5,547,404     |  |
| 9   | Exclusions to HCQI   | \$ -             | \$ -               | \$ -             |  |
|   | Health Information Technology (HIT) Expenses   | 7                | , <del>,</del>     | <u> </u>         |  |
| 10  | HIT administrative expenses  | \$ 904,266       | \$ -               | \$ 904,266       |  |
| 11  | Exclusions to HIT expenses   | \$ -             | \$ -               | \$ -             |  |
| 12  | External Quality Review (EQR) related expenses   | \$ -             | \$ -               | \$ -             |  |
| 13  | Adjusted Incurred Claims and Adjusted HCQI, HIT and EQR Expenses   | \$ 792,688,190   | \$ 17,865,904      | \$ 810,554,094   |  |
| 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   | \$ 792,688,190   | \$ 17,865,904      | \$ 810,554,094   |  |
|   | Non-Claims Costs (For reporting purposes only, not included in Numerator)*   |                  |                    |                  |  |
| 17  | Non-Claims Cost (Excluding amounts reported on lines 18 and 19)  | \$ 36,309,295    | \$ -               | \$ 36,309,295    |  |
| 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) | \$ 3,245,758     | \$ -               | \$ 3,245,758     |  |
| 19  | Adjustments to Non-Claims including amounts removed in the line 5 exclusions. (Excluding any related party profit)   | \$ 1,070,875     | \$ -               | \$ 1,070,875     |  |
| 20  | Total Adjusted Non-Claims Cost   | \$ 40,625,928    | \$ -               | \$ 40,625,928    |  |



| Adjusted Medical Loss Ratio for the Period of January 1, 2023 through June 30, 2023 Paid Through October 31, 2023  Expansion Population |  |     |                |     |                  |     |               |
|---|--|-----|----------------|-----|------------------|-----|---------------|
| Line #  | Line Description   | Rep | oorted Amounts | Adj | justment Amounts | Adj | usted Amounts |
| Denomina  | ator   |     |                |     |                  |     |               |
| 21  | Healthy Louisiana Premium Revenue  | \$  | 717,843,469    | \$  | (18,388,893)     | \$  | 699,454,576   |
| 22  | Directed Payments  | \$  | 148,082,919    | \$  | 33,509,997       | \$  | 181,592,916   |
|   | Revenue Adjustments  |     |                |     |                  |     |               |
| 23  | Less: Premium tax component of reported revenue  | \$  | 47,028,227     | \$  | 1,429,385        | \$  | 48,457,612    |
| 24  | Less: Other taxes and licensing and regulatory fees  | \$  | (7,822,092)    | \$  | -                | \$  | (7,822,092    |
| 25  | Net Annual MLR Revenue   | \$  | 826,720,254    | \$  | 13,691,719       | \$  | 840,411,973   |
| 26  | Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)  | \$  | -              | \$  | -                | \$  | -             |
| 27  | 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 | \$  | -              | \$  | -                | \$  | -             |
| 28  | Total Adjusted MLR Denominator   | \$  | 826,720,254    | \$  | 13,691,719       | \$  | 840,411,973   |
| MLR Calcu   | ulation  |     |                |     |                  |     |               |
| 29  | MLR Percentage Achieved (Unadjusted MLR)   |     | 95.9%          |     | 0.5%             |     | 96.49         |
| 30  | Credibility Adjustment   |     | 0.0%           |     | 0.0%             |     | 0.09          |
| 31  | Adjusted MLR   |     | 95.9%          |     | 0.5%             |     | 96.49         |
| 32  | MLR Percentage Requirement for Rebate Calculation  |     | 85.0%          |     | 0.0%             |     | 85.09         |
| 33  | Calculated Percentage for Remittance Purposes  |     | 0.0%           |     | 0.0%             |     | 0.09          |
| 34  | Dollar Amount of Rebate Requirement  | \$  | -              | \$  | -                | \$  | -             |
|   |  |     |                |     |                  |     |               |
| Reconcilia  | ation of Prior Year New Enrollee Capitation Exclusion  |     |                |     |                  |     |               |
| 35  | Prior year new enrollee capitation adjustment exclusion (net of premium tax)   | \$  | -              | \$  | -                | \$  | -             |
| 36  | Less: Prior year incurred claims for excluded New Enrollees  | \$  | -              | \$  | -                | \$  | -             |
| 37  | Total Net Adjustment for New Enrollees from prior years  | \$  | -              | \$  | -                | \$  | -             |
| 38  | MLR Member Months  |     | 1,141,914      |     | _                |     | 1,141,914     |
| J0  | INITIV INICIIINEI INICIICIIS   |     | 1,141,914      |     |                  |     | 1,141         |

<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.

## **Schedule of Adjustments**

During our examination, we identified the following adjustments.

### Adjustment #1 - To adjust State directed payments to the verified amounts

The health plan reported state directed payments on the as-filed MLR. We will make an adjustment to the directed payments to the verified State amounts. The difference between the as-filed amounts and the verified amounts will be an adjustment as shown below. The MLR numerator and denominator reporting requirements are addressed in the Healthy Louisiana's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e) and 438.8(f).

| Proposed Adjustment – Non-Expansion |   |                |  |  |  |  |
|-------------------------------------|---|----------------|--|--|--|--|
| Line #                              | Line Description  | Amount         |  |  |  |  |
| 3c                                  | State Directed Payments (SDPs distributed to providers) | (\$30,883,578) |  |  |  |  |
| 22                                  | Directed Payments                                       | (\$32,681,035) |  |  |  |  |

|        | Proposed Adjustment – Expansion                         |              |  |  |  |  |  |
|--------|---|--------------|--|--|--|--|--|
| Line # | Line Description  | Amount       |  |  |  |  |  |
| 3c     | State Directed Payments (SDPs distributed to providers) | \$31,666,947 |  |  |  |  |  |
| 22     | Directed Payments                                       | \$33,509,997 |  |  |  |  |  |

### Adjustment #2 - To remove contracted incentive program payments and expenses qualifying under 42 CFR § 438.6(b)(2)

The health plan reported Louisiana's Managed Care Incentive Payment (MCIP) expenses and revenues in the numerator and denominator, respectively, within the health plan's MLR filing. This contracted incentive program qualifies under 42 CFR § 438.6(b)(2) and both the incentive revenue received by the health plan and any health plan distributions to its providers associated with this program are excludable from the MLR calculation. Incentive program payments qualifying under 42 CFR § 438.6(b)(2) are not listed as includable for the MLR calculation and this exclusion treatment is further confirmed within the MLR final rule commentary. Therefore, adjustments were proposed to remove the as-filed MLR expenses and revenues for the Non-Expansion and Expansion populations related to this incentive program. The MLR numerator and denominator reporting requirements are addressed in the Healthy Louisiana's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e) and 438.8(f).

|        | Proposed Adjustment – Non-Expansion            |                |  |  |  |  |  |
|--------|--|----------------|--|--|--|--|--|
| Line # | Line Description                               | Amount         |  |  |  |  |  |
| 3a     | Incentive and bonus payments made to providers | (\$14,789,800) |  |  |  |  |  |
| 21     | Healthy Louisiana Premium Revenue              | (\$14,975,812) |  |  |  |  |  |

|        | Proposed Adjustment – Expansion                |                |  |  |  |  |  |
|--------|--|----------------|--|--|--|--|--|
| Line # | Line Description                               | Amount         |  |  |  |  |  |
| 3a     | Incentive and bonus payments made to providers | (\$13,801,043) |  |  |  |  |  |
| 21     | Healthy Louisiana Premium Revenue              | (\$15,561,195) |  |  |  |  |  |

### Adjustment #3 - To adjust capitation amount to amount verified in state data

The health plan reported premium revenue for the Non-Expansion population and the Expansion population which did not match the amount verified in the state data. The variance between the reported premium revenue amounts and the state's data will be an adjustment to line 21 as shown below. The MLR denominator reporting requirements are addressed in the 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   | \$3,650,921 |  |  |  |  |  |

| Proposed Adjustment – Expansion |                                   |               |  |  |  |  |
|---------------------------------|-----------------------------------|---------------|--|--|--|--|
| Line #                          | Line Description                  | Amount        |  |  |  |  |
| 21                              | Healthy Louisiana Premium Revenue | (\$2,827,698) |  |  |  |  |

### Adjustment #4 – To adjust premium taxes to the verified amounts

The health plan reported premium taxes for the Non-Expansion population and the Expansion population which did not match the recalculation based on verified premium revenue using the state data. The variance between the reported premium tax amounts and the verified amounts will be an adjustment to line 23 as shown below. The MLR denominator reporting requirements are addressed in the 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        |  |  |  |  |  |
| 23                                  | Less: Premium tax component of reported revenue | (\$1,737,848) |  |  |  |  |  |

| Proposed Adjustment – Expansion |   |             |
|---------------------------------|---|-------------|
| Line #                          | Line Description                                | Amount      |
| 23                              | Less: Premium tax component of reported revenue | \$1,429,385 |