



August 13, 2021

Via Electronic Mail

Georgia Department of Community Health  
Kim Morris, Director of Reimbursement  
2 Peachtree Street, NW  
Atlanta, GA 30303-3159

Re: Adjusted Medical Loss Ratio Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Amerigroup Community Care Adjusted Medical Loss Ratio for the period ended June 30, 2019. As a courtesy to the Georgia Department of Community Health and other readers, the health plan management's response letter is included, if provided, 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

The background features a blurred image of a person's face and hands, overlaid with a green semi-transparent layer. This layer contains various medical icons: a syringe, a pill, a stethoscope, a microscope, a group of people, and a large cross. A dark grey diagonal band runs from the top right to the bottom left, containing the text.

Amerigroup Community Care  
Medicaid Care Management Organization

**Report on Adjusted Medical Loss Ratio**  
*With Independent Accountant's Report Thereon*

For the State Fiscal Year Ending June 30, 2019  
Paid through November 30, 2019



**MYERS AND  
STAUFFER** LLC  
CERTIFIED PUBLIC ACCOUNTANTS



## Table of Contents

■ Table of Contents.....	1
■ Independent Accountant’s Report.....	2
■ Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through November 30, 2019.....	4
■ Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2019.....	6
■ Appendix A: Credibility Adjustment.....	11



State of Georgia  
Georgia Department of Community Health  
Atlanta, Georgia

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

We have examined the accompanying Adjusted Medical Loss Ratio of Amerigroup Community Care for the state fiscal year ending June 30, 2019. Amerigroup Community Care's management is responsible for presenting the Medical Loss Ratio (MLR) Reporting 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.

Appendix A includes a description and explanation of the credibility adjustment applied to the Adjusted Medical Loss Ratio for Amerigroup Community Care. This credibility adjustment was applied in accordance with 42 CFR 438.8(h), and the amounts discussed in Appendix A were calculated using formulas presented in the Centers for Medicare & Medicaid Services (CMS) federal guidance. The application of the credibility adjustment depends upon evidence about the Adjusted Medical Loss Ratio and proper calculation of the CMS credibility adjustment formula. We believe that the evidence we obtained and the calculation of the CMS credibility adjustment formula is sufficient and appropriate to provide a reasonable basis for our opinion.

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.

In our opinion, 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 Percentage Achieved exceeds the CMS requirement of eighty-five percent (85%) for the Low Income Medicaid and Breast and Cervical Cancer (LIM+BCC) and the PeachCare for Kids® (PCK) populations, and the Adjusted Medical Loss Ratio Percentage Achieved does not exceed the Centers for Medicare & Medicaid Services



(CMS) requirement of eighty-five percent (85%) for the Planning for Healthy Babies (P4HB) and the Georgia Families (GF360) populations for the state fiscal year ending June 30, 2019.

This report is intended solely for the information and use of the Georgia Department of Community Health, Guidehouse, and Amerigroup Community Care and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC  
Atlanta, Georgia  
August 2, 2021



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through  
November 30, 2019

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through November 30, 2019			
<b>GF Medicaid (excluding PCK) + P4HB</b>			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
<b>Reporting Requirement</b>	<b>SFY2019</b>		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$787,884,575	(\$3,966,071)	\$783,918,504
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$24,730,363	(\$409,626)	\$24,320,737
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$119,883,617	\$967,404	\$120,851,021
42 CFR 438.8(k) (1) (v) Premium revenue.	\$983,970,728	(\$11,405,465)	\$972,565,263
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$44,573,403	(\$8,218,809)	\$36,354,594
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	N/A	N/A
42 CFR 438.8(k) (1) (ix) The calculated MLR.	86.5%	-0.2%	86.3%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	N/A	N/A	N/A
42 CFR 438.8(k)(1) (xiii) The number of member months.	3,816,182	0	3,816,182
<b>LIM + BCC</b>			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
<b>Reporting Requirement</b>	<b>SFY2019</b>		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$786,432,681	(\$3,872,958)	\$782,559,723
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$23,871,864	(\$324,216)	\$23,547,648
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$116,644,754	\$883,989	\$117,528,743
42 CFR 438.8(k) (1) (v) Premium revenue.	\$979,523,900	(\$11,557,582)	\$967,966,318
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$44,521,255	(\$6,200,852)	\$38,320,403
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	0.0%	0.0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	86.7%	0.0%	86.7%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	N/A	N/A	N/A
42 CFR 438.8(k)(1) (xiii) The number of member months.	3,672,683	0	3,672,683
<b>PCK</b>			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
<b>Reporting Requirement</b>	<b>SFY2019</b>		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$61,285,006	(\$189,466)	\$61,095,540
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$2,524,006	(\$36,327)	\$2,487,679
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$12,656,987	\$98,514	\$12,755,501
42 CFR 438.8(k) (1) (v) Premium revenue.	\$76,452,176	(\$90,775)	\$76,361,401
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$2,582,439	\$206,815	\$2,789,254
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	0.0%	0.0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	86.4%	0.0%	86.4%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	N/A	N/A	N/A
42 CFR 438.8(k)(1) (xiii) The number of member months.	409,793	0	409,793



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through November 30, 2019

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through November 30, 2019			
P4HB			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2019		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$1,451,894	\$133,456	\$1,585,350
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$858,498	(\$12,519)	\$845,979
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$3,238,863	\$0	\$3,238,863
42 CFR 438.8(k) (1) (v) Premium revenue.	\$4,446,829	(\$11,067)	\$4,435,762
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$52,148	\$65,269	\$117,417
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	1.8%	1.8%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	52.6%	5.5%	58.1%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	N/A	N/A	N/A
42 CFR 438.8(k)(1) (xiii) The number of member months.	143,499	0	143,499
GF 360*			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2019		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$131,420,069	(\$226,569)	\$131,193,500
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$9,361,943	(\$72,891)	\$9,289,052
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$26,319,084	\$83,415	\$26,402,499
42 CFR 438.8(k) (1) (v) Premium revenue.	\$182,596,516	\$163,184	\$182,759,700
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$10,739,857	(\$2,083,226)	\$8,656,631
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	1.1%	1.1%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	81.9%	-0.1%	81.8%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	N/A	N/A	N/A
42 CFR 438.8(k)(1) (xiii) The number of member months.	345,850	0	345,850



## Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2019

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 total incurred claims expenses based on pharmacy lag tables provided by the Plan.

The Plan reported pharmacy amounts totaling \$98,735,672 for LIM+BCC, \$11,151,506 for PCK, \$597,548 for P4HB, and \$21,062,856 for GF360. The pharmacy lag tables provided by the Plan did not tie the amounts reported by the Plan on the MLR. The Plan stated the data had been restated from when they originally filed and they could not provide the lag tables they originally used. The variance between the reported amounts and the amounts supported by the lag tables.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$1,125,759)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$23,327

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$11,521)

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$110,385)





## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### Adjustment #2 – To reclassify a third party vendor claimed as a medical expense to non-claim cost.

The Plan has a therapy vendor that performs administrative duties, and the Plan included the therapy amounts as medical expenses on the MLR. Based on review of the therapy vendor contract, the duties performed by the vendor should have been reported as Non-claims costs.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$883,989)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$883,989

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$98,514)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$98,514

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$83,415)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$83,415

### Adjustment #3 – To adjust third party medical expense amounts to tie to the certification statement provided by the vendor

The Plan reported \$5,887,491 for LIM+BCC, \$656,745 for PCK, \$0 for P4HB, and \$554,483 for GF360. The vision vendor provided a certification statement with the incurred claims amounts totaling \$4,024,281 for LIM+BCC, \$542,467 for PCK, \$144,977 for P4HB, and \$521,715 for GF360. The variances between the reported amounts and the certification statement provided by the vendor are listed below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$1,863,210)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$114,279)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$144,977

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$32,769)

**Adjustment #4 – To adjust the as-filed tax amount to tie to the pro forma and tax documentation provided.**

The Plan reported taxes, licensing, and regulatory totaling (\$10,446,922) for LIM+BCC, \$69,279 for PCK, \$102,304 for P4HB, (\$4,527,445) for GF360. They stated that they used an incorrect rate to calculate taxes and provided the pro forma tax document and supporting documentation with the correct rates. The tax amounts verified using the supporting documentation are (\$4,246,070) for LIM+BCC, (\$137,537) for PCK, \$37,035 for P4HB, and (\$2,444,219) for GF360. The variances between the reported amount and the verified amount are listed below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory	(\$6,200,852)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory	\$206,815

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory	\$65,269

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory	(\$2,083,226)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### Adjustment #5 – To adjust the as-filed HCQI amounts to only include HCQI items allowable under 45 CFR 158.150

The Plan reported the following HCQI amounts totaling \$23,871,864 for LIM+BCC, \$2,524,006 for PCK, \$858,498 for P4HB, and \$9,361,943 for GF360. The Plan allocates HCQI percentages to entire departments and reports those amounts on the MLR. The Plan provided job descriptions for their departments we sampled and new HCQI allocation amounts were determined using the HCQI federal regulations in 45 CFR 158.150. The job descriptions provided by the Plan contained some items that were excluded as HCQI according to the federal regulations. The difference between the HCQI amounts verified and the amounts reported by the Plan are shown below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving	(\$324,216)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving	(\$36,327)

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving	(\$12,519)

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving	(\$72,891)

### Adjustment #6 – To adjust the as-filed Premium Revenue amount to tie to the capitation data provided by the State.

The Plan reported revenue totaling \$966,508,677 for LIM+BCC, \$75,479,294 for PCK, \$4,802,948 for P4HB, and \$180,393,384 for GF360. The State capitation data and FY19 rate accrual amounts total \$954,951,095 for LIM+BCC, \$75,388,519 for PCK, \$4,791,881 for P4HB, and \$180,556,568 for GF360. The variances between the as-filed amounts and the State data is shown below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$11,557,582)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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<b>Proposed Adjustment – PCK</b>	
<b>Line Description</b>	<b>Amount</b>
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$90,775)

<b>Proposed Adjustment – P4HB</b>	
<b>Line Description</b>	<b>Amount</b>
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$11,067)

<b>Proposed Adjustment – GF360</b>	
<b>Line Description</b>	<b>Amount</b>
42 CFR 438.8(k) (1) (v) Premium Revenue	\$163,184



# Appendix A: Credibility Adjustment

## **Credibility Adjustment Overview:**

The credibility adjustment for the MLR was introduced and described in 42 CFR 438.8(h). An CMO's MLR is dependent upon accurate estimates regarding items such as unit cost, frequency of health care use, and the health of the enrollees. These estimates are more likely to be accurate for CMO's with a larger number of member months, and less likely to be accurate for a CMO with a fewer number of member months. Random variations around the estimates disproportionately affect plans with fewer member months.

The CMO's with few member months will have more difficulty in using the actuary's assumptions to accurately calculate a target MLR percentage because of random variations between the actuary's assumptions and what is actually experienced. The credibility adjustment is used to account for random variations in the MLR that have a disproportionate effect on plans with fewer member months.

42 CFR 438.8(b) divides plans into three categories: Fully-credible (They will not receive any credibility adjustment), Partially-credible (They will be receive a partial credibility adjustment), and Non-credible (They will automatically meet the target MLR Standard).

## **Impact of the Credibility Adjustment on Amerigroup Community Care:**

Amerigroup Community Care did not have the credibility adjustment applied on their as filed 2019 MLR. Based on 42 CFR 438.8, it was determined that a partial credibility adjustment should have been applied to the 2019 MLR for the Planning for Healthy Babies (P4HB) population and for the Georgia Families 360 (GF360) population. Myers and Stauffer applied a partial credibility adjustment in the Adjusted Medical Loss Ratio for the period ending June 30, 2019 paid through November 30, 2020.

Amerigroup Community Care's P4HB population had 143,499 member months. This is shown on the Adjusted Medical Loss Ratio on page 4 of this report. After calculation of the credibility adjustment based on the guidelines in 42 CFR 438.8(h) and the CMCS Informational Bulletin "Medical Loss Ratio (MLR) Credibility Adjustments" dated July 31, 2017, Amerigroup Community Care received a credibility adjustment of 1.8%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report. Amerigroup Community Care's P4HB adjusted MLR percentage achieved after the credibility adjustment is 58.05%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.

Amerigroup Community Care's GF360 population had 345,850 member months. This is shown on the Adjusted Medical Loss Ratio on page 4 of this report. After calculation of the credibility adjustment based on the guidelines in 42 CFR 438.8(h) and the CMCS Informational Bulletin "Medical Loss Ratio (MLR) Credibility Adjustments" dated July 31, 2017, Amerigroup Community Care received a credibility adjustment of 1.1%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.



## Appendix A: Credibility Adjustment

Amerigroup Community Care's GF360 adjusted MLR percentage achieved after the credibility adjustment is 81.8%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.