



Table of Contents

Table of Contents	1
Independent Accountant's Report	2
Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through November 30, 2020	. 4
Schedule of Adjustments and Comments for the State Fiscal Year Ending June	
30, 2020	. 7
Appendix A: Credibility Adjustment	. 12

MYERS AND STAUFFER www.myersandstauffer.com | page 1



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, 2020. 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 Peach State Health Plan. 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.

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.

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The Other Non-Claims Costs amount reported on the Adjusted Medical Loss Ratio Rebate Calculation is presented for purposes of additional analysis. Such information 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 is presented in accordance with the above referenced criteria, in all material respects. The Adjusted Medical Loss Ratio Percentage Achieved does exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the Low Income Medicaid and Breast and Cervical Cancer (LIM +BCC) population. The Adjusted Medical Loss Ratio Percentage Achieved does not exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for Peachcare for Kids® (PCK), Planning for Healthy Babies (P4HB) and Georgia Families 360° (GF 360°) populations the state fiscal year ending June 30, 2020.

This report is intended solely for the information and use of the Georgia Department of Community Health, Milliman, 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 December 5, 2022

MYERS AND STAUFFER www.myersandstauffer.com page 3



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through November 30, 2020

Adjusted Medical Loss Ratio for the State Fis	scal Yea	r Ending June 30, 2020	Pai	d Through November 30, 2	020	
GF Medicaid (excluding PCK) + P4HB						
Line Description	<i>A</i>	As-Filed Amounts		Adjustment Amounts		Adjusted Amounts
Reporting Requirement		SFY2020				
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$	805,302,333	\$	(3,650,857)	ς	801,651,476
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$	25,979,295	\$	(3,059,315)		22,919,980
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$	108,756,953	\$	6,710,172	\$	115,467,125
42 CFR 438.8(k) (1) (v) Premium revenue.	\$	1,044,210,744	\$	(50,493,989)		993,716,755
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$	53,516,566	\$	(7,712,413)		45,804,153
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	7	0.0%	~	1.6%	Y	1.6%
42 CFR 438.8(k) (1) (ix) The calculated MLR.		83.9%		3.1%		87.0%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$	19,537,290	\$	(19,537,290)	\$	-
42 CFR 438.8(k)(1) (xiii) The number of member months.	,	4,067,100		-		4,067,100
LIM + BCC						
Line Description	4	As-Filed Amounts		Adjustment Amounts		Adjusted Amounts
Reporting Requirement		SFY2020				
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$	803,945,628	\$	(3,650,906)	Ś	800,294,722
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$	25,007,379	\$	(2,921,206)		22,086,173
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$	105,062,083	\$	6,572,112		111,634,195
42 CFR 438.8(k) (1) (v) Premium revenue.	\$	1,040,127,459	\$	(50,493,989)		989,633,470
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$	53,510,835	\$	(7,712,413)		45,798,422
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.		0.0%		0.0%		0.0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.		84.0%		3.1%		87.1%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$	19,537,290	\$	(19,537,290)	\$	-
42 CFR 438.8(k)(1) (xiii) The number of member months.		3,898,102		-		3,898,102



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through November 30, 2020

Adjusted Medical Loss Ratio for the State F	iscal Y	ear Ending June 30, 2020	Pai	id Through November 30, 2	020	0
<u>PCK</u>						
Line Description		As-Filed Amounts		Adjustment Amounts		Adjusted Amounts
Reporting Requirement		SFY2020			_	
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$	55,968,255	\$	(288,549)	Ś	55,679,706
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$	2,374,410	\$	(261,060)		2,113,350
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$	10,015,639	\$	549,609	\$	10,565,248
42 CFR 438.8(k) (1) (v) Premium revenue.	\$	76,913,719	\$	(425,932)	\$	76,487,787
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$	4,281,829	\$	(64,546)		4,217,283
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.		0.0%		0.0%		0.0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.		80.3%		-0.4%		80.0%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$	3,576,021	\$	241,527	\$	3,817,549
42 CFR 438.8(k)(1) (xiii) The number of member months.		396,443		-		396,443
<u>P4HB</u>						
Line Description		As-Filed Amounts	Adjustment Amounts		Adjusted Amounts	
Reporting Requirement		SFY2020			'	
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$	1,356,705	\$	49	\$	1,356,754
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$	971,916	\$	(138,109)	\$	833,807
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$	3,694,870	\$	138,060	\$	3,832,930
42 CFR 438.8(k) (1) (v) Premium revenue.	\$	4,083,285	\$	-	\$	4,083,285
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$	5,731	\$	-	\$	5,731
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.		0.0%		1.6%		1.6%
42 CFR 438.8(k) (1) (ix) The calculated MLR.		57.1%		-1.8%		55.3%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$	-	\$	-	\$	-
42 CFR 438.8(k)(1) (xiii) The number of member months.		168,998		_		168,998



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through November 30, 2020

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through November 30, 2020								
GF 360°								
Line Description		As-Filed Amounts		Adjustment Amounts		Adjusted Amounts		
Reporting Requirement		SFY2020						
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$	124,739,696	\$	(195,516)	\$	124,544,180		
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$	9,930,334	\$	(1,117,824)	\$	8,812,510		
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$	21,455,262	\$	1,313,340	\$	22,768,602		
42 CFR 438.8(k) (1) (v) Premium revenue.	\$	178,659,410	\$	-	\$	178,659,410		
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$	9,858,261	\$	-	\$	9,858,261		
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.		0.0%		1.1%		1.1%		
42 CFR 438.8(k) (1) (ix) The calculated MLR.		79.8%		0.3%		80.1%		
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable. ¹	\$	-	\$	8,294,217	\$	8,294,217		
42 CFR 438.8(k)(1) (xiii) The number of member months.		348,357		-		348,357		

¹The GF360 remittance was not calculated on the as-filed MLR. The state confirmed that Amerigroup has not yet made a remittance payment for the GF360 population.

Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2020

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 a third party vendor cost from medical expense to non-claims cost.

Amerigroup has a third party therapy vendor whose costs were included as medical expense on the MLR. However, based on review of the vendor contract, the duties performed by the vendor are administrative and should have been reported as non-claims costs. The costs associated with this vendor will be reclassified from incurred claims to non-claims costs as shown below. The MLR numerator reporting requirements are addressed in the Georgia Department of Community Health (DCH) MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC					
Line Description	Amount				
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$937,789)				
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$937,789				

Proposed Adjustment – PCK					
Line Description	Amount				
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$94,804)				
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$94,804				

Proposed Adjustment – GF360				
Line Description	Amount			
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$83,812)			
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$83,812			

Adjustment #2 - To adjust vision expense to the certification statement provided by the vendor.

Amerigroup reported the following vision expense: \$6,247,736 for LIM+BCC, \$632,084 for PCK and \$557,384 for GF360. The vision vendor provided a certification statement with the incurred claims totaling \$3,669,474 for LIM+BCC, \$452,322 for PCK and \$475,897 for GF360. The variances between the as-filed amounts and the certification statement provided by the vendor will be reclassified to nonclaims costs as shown below. The MLR numerator reporting requirements are addressed in the Georgia Department of Community Health (DCH) MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC					
Line Description	Amount				
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$2,578,262)				
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$2,578,262				

Proposed Adjustment – PCK					
Line Description	Amount				
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$179,762)				
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$179,762				

Proposed Adjustment – GF360				
Line Description	Amount			
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$81,487)			
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$81,487			

Adjustment #3 - To adjust dental expense to the certification statement provided by the vendor.

Amerigroup reported the following dental expense: \$45,938,371 for LIM+BCC, \$6,665,976 for PCK, \$0 for P4HB, and \$5,691,545 for GF360. The dental vendor provided a certification statement with the incurred claims totaling \$45,803,516 for LIM+BCC, \$6,651,993 for PCK, \$49 for P4HB, and \$5,661,328 for GF360. The variances between the as-filed amounts and the certification statement provided by the vendor will be reclassified to non-claims costs as shown below. The MLR numerator reporting requirements are addressed in the Georgia Department of Community Health (DCH) MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC				
Line Description	Amount			
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$134,855)			
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$134,855			

Proposed Adjustment – PCK					
Line Description	Amount				
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$13,983)				
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$13,983				

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$49
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$49)

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$30,217)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$30,217

Adjustment #4 - To remove non-allowable HCQI items found in the plan's supporting documentation.

Amerigroup reported HCQI amounts totaling \$25,007,379 for LIM+BCC, \$2,374,409 for PCK, \$971,916 for P4HB, and \$9,930,335 for GF360. The plan allocates HCQI at the cost center level and by individual jobs. Based on review of the departments and the job descriptions provided by the plan, there are some activities performed by the departments that should be excluded from HCQI according to 45 CFR § 158.150. The variance between the amounts reported by the plan and our updated allocation amounts will be reclassified from HCQI to non-claims as shown below. The MLR numerator reporting requirements are addressed in the Georgia Department of Community Health (DCH) MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities	(\$2,921,206)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$2,921,206

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities	(\$261,060)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$261,060

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities	(\$138,109)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$138,109

Proposed Adjustment – GF360	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities	(\$1,117,824)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$1,117,284

Adjustment #5 – To adjust Premium Revenue to verified State capitation data.

Amerigroup reported revenue amounts of \$1,040,127,459 for LIM+BCC and \$76,913,719 for PCK, but the state capitation data supported \$989,633,470 for LIM+BCC and \$76,487,787 for PCK. The variance between what was reported and what was verified by the state's actuary will be adjusted for as shown below. The MLR denominator reporting requirements are addressed in Georgia Department of Community Health's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$50,493,989)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$425,932)

Adjustment #6 - To adjust income tax based on revenue adjustments.

Amerigroup reported income tax amounts of \$18,426,261 for LIM+BCC and \$1,673,601 for PCK. Based on our adjustments to revenue in adjustment 5, the income tax amounts were recalculated to \$11,849,963 for LIM+BCC and \$1,618,639 for PCK. The variance between what was reported and what was recalculated will be adjusted for as shown below. The MLR denominator reporting requirements are addressed in Georgia Department of Community Health's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	(\$6,576,298)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	(\$54,962)

Adjustment #7 – To adjust Premium Tax to verified State data.

Amerigroup reported premium tax amounts of \$23,402,868 for LIM+BCC and \$1,730,599 for PCK. Based on our adjustments to revenue in adjustment 5, the verified premium tax amount is \$22,266,753 for LIM+BCC and \$1,720,975 for PCK. The variance between what was reported and what was verified will be an adjustment as shown below. The MLR denominator reporting requirements are addressed in Georgia Department of Community Health's MLR Reporting Guide and the Medicaid Managed Care Final Rule 42 CFR § 438.8(f).

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	(\$1,136,115)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	(\$9,584)

Appendix A: Credibility Adjustment

Credibility Adjustment Overview:

The credibility adjustment for the MLR was introduced and described in 42 CFR 438.8(h). A 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 2020 MLR. Based on 42 CFR 438.8, it was determined that a partial credibility adjustment should have been applied to the 2020 MLR for the Planning for Healthy Babies (P4HB) and GA Families 360° (GF 360°) populations. Myers and Stauffer applied a partial credibility adjustment in the Adjusted Medical Loss Ratio for the period ending June 30, 2020 paid through November 30, 2020.

Amerigroup Community Care's P4HB and GF 360° populations had 168,988 and 348,357 member months. This is shown on the Adjusted Medical Loss Ratio on page 5 and 6 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 1.6% for P4HB and 1.1% for GF 360°. This is included on the Adjusted Medical Loss Ratio on page 5 and 6 of this report. Amerigroup Community Care's P4HB adjusted MLR percentage achieved after the credibility adjustment is 55.3% and GF 360° adjusted MLR percentage achieved after the credibility adjustment is 80.1%. This is included on the Adjusted Medical Loss Ratio on page 5 and 6 of this report.

MYERS AND STAUFFER www.myersandstauffer.com page 12