

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and hexagons. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a virus, and a group of people. A large green cross is centered over the person's face. The word 'MED' is partially visible on the person's chest.

CARESOURCE
Medicaid Managed Care Programs

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

For the State Fiscal Year Ending June 30, 2020
Paid through November 30, 2020



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS



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State of Georgia
Georgia Department of Community Health
Atlanta, Georgia

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of CareSource for the state fiscal year ending June 30, 2020. CareSource'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.



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, and the Adjusted Medical Loss Ratio Percentage Achieved does exceed the Centers for Medicare and Medicaid Services (CMS) requirement of eighty-five percent (85%) for the Low Income Medicaid and Breast and Cervical Cancer (LIM + BCC) and Peachcare for Kids[®] (PCK) population for the state fiscal year ending June 30, 2020. 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) population for 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, Deloitte, and CareSource and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
Atlanta, Georgia
November 29, 2022



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 Medicaid (excluding PCK) + P4HB			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 620,825,696	\$ (1,842,377)	\$ 618,983,319
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 8,153,509	\$ 4,134,124	\$ 12,287,633
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 70,727,794	\$ (2,034,924)	\$ 68,692,870
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 703,406,934	\$ (23,794,367)	\$ 679,612,567
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 3,544,852	\$ (118,971)	\$ 3,425,881
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	0.0%	1.8%	1.8%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	89.9%	3.5%	93.4%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$ (3,861,293)	\$ (16,902,928)	\$ (20,764,221)
42 CFR 438.8(k)(1) (xiii) The number of member months.	2,748,628	0	2,748,628
LIM + BCC			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 619,691,419	\$ (1,884,342)	\$ 617,807,077
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 8,129,219	\$ 4,093,910	\$ 12,223,129
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 71,013,569	\$ (1,952,745)	\$ 69,060,824
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 700,268,773	\$ (23,794,367)	\$ 676,474,406
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 3,529,389	\$ (118,971)	\$ 3,410,418
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.	90.1%	3.5%	93.6%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$ (3,861,293)	\$ (16,902,928)	\$ (20,764,221)
42 CFR 438.8(k)(1) (xiii) The number of member months.	2,619,619	-	2,619,619
PCK			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 34,754,902	\$ (205,480)	\$ 34,549,422
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 390,940	\$ 428,569	\$ 819,509
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 4,888,697	\$ (200,505)	\$ 4,688,192
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 40,948,076	\$ 608,781	\$ 41,556,857
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 204,200	\$ 3,044	\$ 207,244
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	0.0%	1.4%	1.4%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	86.3%	0.6%	86.9%
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.	232,812	-	232,812



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			
P4HB			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 1,134,277	\$ 41,965	\$ 1,176,242
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 24,290	\$ 40,214	\$ 64,504
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ (285,775)	\$ (82,179)	\$ (367,954)
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 3,138,161	\$ -	\$ 3,138,161
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 15,462	\$ -	\$ 15,462
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	0.0%	1.8%	1.8%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	37.1%	4.5%	41.6%
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.	129,009	-	129,009



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 adjust spread pricing to the certification statement submitted by the pharmacy vendors.

CareSource reported spread pricing of (\$4,193,149) for LIM+BCC, (\$403,168) for PCK, and (\$32,788) for P4HB on the as-filed MLR. The certification statements provided by CVS and ESI included the pharmacy amounts with spread pricing removed. The statements were used to determine actual spread pricing. MSLC's verified spread pricing amounts are (\$4,967,602) for LIM+BCC, (\$508,343) for PCK, and (\$61,020) for P4HB. The differences between reported and verified spread pricing will be reclassified from incurred claims to non-claims as shown below. The MLR numerator 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) (i) Total incurred claims.	(\$774,452)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$774,452

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$105,175)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$105,175

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$28,232)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$28,232



Adjustment #2 – To adjust third party vision capitation and admin to the amounts verified on Versant’s certification statement.

CareSource reported full risk sub-capitation of \$6,948 for LIM+BCC and \$557 for PCK. The plan also reported full risk CAP/NS admin of (\$188) for LIM+BCC and (\$15) for PCK. The plan’s support indicated the reported amounts were incorrect and the correct full risk sub-capitation was \$263,771 for LIM+BCC and \$23,141 for PCK. To verify how much of the corrected amount should have been allocated to medical expenses, MSLC used a certification statement provided by the plan’s vision vendor. Verified medical expenses were \$76,307 for LIM+BCC and \$10,435 for PCK. The difference between verified medical expenses and reported full risk sub-capitation less reported CAP/NS admin was an adjustment to incurred claims as shown below. To calculate the adjustment to full risk CAP/NS Admin, MSLC deducted verified medical expense and as filed CAP/NS admin from the corrected full risk sub-capitation. The remaining balance was an adjustment to non-claims as show below. The MLR numerator 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) (i) Total incurred claims.	\$69,547
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$187,276

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$9,893
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$12,691

Adjustment #3 – To adjust pharmacy rebates to the amount verified on the pharmacy vendors’ certification statement.

CareSource reported pharmacy rebates of (\$1,890,798) for LIM+BCC, (\$195,696) for PCK, and (\$71,770) for P4HB on the as-filed MLR. The certification statements provided by CVS and ESI included a table for rebates. The table was used to determine the actual rebate amount. MSLC’s verified pharmacy rebates are (\$1,944,939) for LIM+BCC, (\$266,499) for PCK, and (\$75) for P4HB. The difference between reported and verified pharmacy rebates will be reclassified to non-claims as shown below. The MLR numerator 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).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – LIM + BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$54,141)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$54,141

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$70,803)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$70,803

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$71,695
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$71,695)

Adjustment #4 – To reclassify a 10% Incurred But Not Reported (IBNR) margin the plan included in as filed incurred claims.

CareSource included a 10% IBNR margin of \$1,125,296 for LIM+BCC, \$39,395 for PCK, and \$1,498 for P4HB in as filed incurred claims. IBNR margin is not an allowable claim expense. The 10% IBNR margin was reclassified from incurred claims to non-claims as show below. The MLR numerator 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) (i) Total incurred claims.	(\$1,125,296)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$1,125,296

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$39,395)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$39,395

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$1,498)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$1,498



Adjustment #5 – To reclassify additional Health Care Quality Improvement (HCQI) expense from non-claims to HCQI.

CareSource reported HCQI expenses of \$8,129,219 for LIM+BCC, \$390,940 for PCK, and \$24,290 for P4HB. During the course of our review, the plan re-ran their HCQI query using updated methodology. This documentation supported HCQI expenses of \$13,486,595 for LIM+BCC, \$951,071 for PCK, and \$73,654 for P4HB. MSLC determined the updated methodology better allocated HCQI expenses in accordance with the criteria defined in 45 CFR § 158.150. Additionally, MSLC selected a sample of HCQI departments and found non-allowable expenses totaling (\$1,263,466) for LIM+BCC, (\$131,562) for PCK, (\$9,149) for P4HB. The difference between reported HCQI and the plan's updated support was netted for the non-allowable expenses and reclassified from non-claims to HCQI as show below. The MLR numerator 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) (ii) Expenditures on quality improving activities.	\$4,093,910
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$4,093,910)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$428,569
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$428,569)

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$40,214
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$40,214)

Adjustment #6 – To adjust Premium Revenue to verified State capitation data.

CareSource reported revenue amounts of \$699,884,876 for LIM+BCC and \$40,840,027 for PCK but the State Capitation data supported \$676,090,509 for LIM+BCC and \$41,448,808 for PCK. The variance between what was reported and what was verified by the state's actuary will be an adjustment to premium revenue 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).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium revenue.	(\$23,794,367)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium revenue.	\$608,781

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

CareSource reported premium tax amounts of \$3,499,424 for LIM+BCC and \$204,200 for PCK. Based on our adjustments to revenue in adjustment 6, the verified premium tax amount is \$3,380,453 for LIM+BCC and \$207,244 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.	(\$118,971)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$3,044



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 CareSource:

CareSource 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 Peachcare for Kids[®] (PCK) and Planning for Healthy Babies (P4HB) 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.

CareSource's PCK and P4HB populations had 232,812 and 129,009 member months. This is shown on the Adjusted Medical Loss Ratio on pages 4 and 5 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, CareSource received a credibility adjustment of 1.4% for PCK and 1.8% for P4HB. This is included on the Adjusted Medical Loss Ratio on pages 4 and 5 of this report. CareSource's PCK adjusted MLR percentage achieved after the credibility adjustment is 86.9% for PCK and 41.6% for P4HB. This is included on the Adjusted Medical Loss Ratio on pages 4 and 5 of this report.