

The background of the cover is a blurred photograph of a medical professional, likely a nurse, wearing a white coat and gloves, attending to a patient. A large, semi-transparent green cross is centered over the image. Various medical icons are overlaid in a light green color, including a syringe, a pill, a virus particle, a stethoscope, and a group of three people. A network of thin green lines connects some of these icons, suggesting a medical or healthcare system. The right side of the cover features a dark grey diagonal band where the title and other text are located.

PEACH STATE HEALTH PLAN 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** 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, 2020 Paid Through November 30, 2020.....	4
■ Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2020.....	6
■ Appendix A: Credibility Adjustment.....	10



State of Georgia
Georgia Department of Community Health
Atlanta, Georgia

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of Peach State Health Plan for the state fiscal year ending June 30, 2020. Peach State Health Plan'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 not exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the Low Income Medicaid and Breast and Cervical (LIM+BCC) population, PeachCare for Kids® (PCK) population, and 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 Peach State 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
December 13, 2022



PEACH STATE HEALTH PLAN ADJUSTED MEDICAL LOSS RATIO

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.	\$ 772,661,148	\$ (580,416)	\$ 772,080,732
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 18,891,484	\$ (2,781,643)	\$ 16,109,841
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 124,581,204	\$ 3,352,191	\$ 127,933,395
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 1,032,008,983	\$ (43,228,161)	\$ 988,780,822
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 56,059,501	\$ (215,065)	\$ 55,844,436
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.	81.1%	3.4%	84.5%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$ 45,463,341	\$ (33,779,775)	\$ 11,683,566
42 CFR 438.8(k)(1) (xiii) The number of member months.	4,099,686	-	4,099,686
LIM + BCC			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 770,160,814	\$ (447,744)	\$ 769,713,070
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 18,803,920	\$ (2,763,744)	\$ 16,040,176
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 123,639,706	\$ 3,178,660	\$ 126,818,366
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 1,025,988,578	\$ (43,228,161)	\$ 982,760,417
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 55,723,374	\$ (215,065)	\$ 55,508,309
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.	81.3%	3.4%	84.7%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$ 45,463,341	\$ (33,779,775)	\$ 11,683,566
42 CFR 438.8(k)(1) (xiii) The number of member months.	3,930,146	-	3,930,146



PEACH STATE HEALTH PLAN ADJUSTED MEDICAL LOSS RATIO

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			
PCK			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 58,109,433	\$ (54,051)	\$ 58,055,382
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 1,459,108	\$ (222,156)	\$ 1,236,952
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 9,494,930	\$ 286,075	\$ 9,781,005
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 76,131,876	\$ (572,146)	\$ 75,559,730
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 4,317,694	\$ 45,392	\$ 4,363,086
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.	82.9%	0.3%	83.2%
42 CFR 438.8(k) (1) (x) Any remittance owed to the State, if applicable.	\$ 1,653,049	\$ (250,244)	\$ 1,402,805
42 CFR 438.8(k)(1) (xiii) The number of member months.	400,335	-	400,335
P4HB			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2020		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$ 2,500,334	\$ (132,672)	\$ 2,367,662
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$ 87,564	\$ (17,899)	\$ 69,665
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$ 941,498	\$ 150,571	\$ 1,092,069
42 CFR 438.8(k) (1) (v) Premium revenue.	\$ 6,020,406	\$ -	\$ 6,020,406
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$ 336,127	\$ -	\$ 336,127
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.	45.5%	-2.6%	42.9%
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.	169,540	-	169,540



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 the Third Party vendor expense to the certification statement provided by the vendor.

Peach State reported net claims amounts of \$6,184,643 for LIM+BCC NIA Radiology and \$740,767 for PCK NIA Radiology. The certification statement provided by the vendor reported claims expense of \$5,556,813 for LIM+BCC and \$661,736 for PCK. The variances between the reported amounts and the amounts on the certification statement 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.	(\$627,830)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$627,830

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$79,031)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$79,031

Adjustment #2 – To reclassify CHIP (PCK) Behavioral Health liability amounts that were included in incurred claims for LIM+BCC.

Peach State included CHIP behavioral health allocated liability in LIM+BCC, when it should have been included in the PCK amounts. The verified behavioral health inpatient amount for PCK allocated liability is \$5,262 and the verified behavioral health outpatient amount for PCK is \$4,606. These amounts were included in LIM+BCC. Our adjustment is to reclassify the total of these amounts from LIM+BCC to PCK. 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.	(\$9,868)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$9,868

Adjustment #3 – To remove non-allowable HCQI items found in the plan’s supporting documentation.

Peach State reported HCQI amounts totaling \$18,803,920 for LIM+BCC, \$1,459,108 for PCK, and \$87,564 for P4HB. The plan allocates 100% of certain departments to HCQI. 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 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.	(\$2,763,744)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$2,763,744

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$222,156)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$222,156

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$17,899)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$17,899



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #4 – To adjust the spread pricing amount to the certification statement provided by the pharmacy vendor.

Peach State reported spread pricing of \$1,275,363 for LIM+BCC, \$162,486 for PCK, and \$11,869 for P4HB on the as-filed. The certification statement provided by the vendor included the pharmacy amounts with spread pricing removed. This certification statement was used to determine the actual spread pricing amounts. The verified spread pricing amounts are \$1,085,409 for LIM+BCC, \$147,374 for PCK, and \$144,541 for P4HB. The differences between the reported amounts and the verified amounts will be reclassified from non-claims to incurred 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.	\$189,954
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$189,954)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$15,112
42 CFR 438.8(k) (1) (iv) Non-claims costs.	(\$15,112)

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$132,672)
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$132,672

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

Peach State reported revenue amounts of \$1,025,988,578 for LIM+BCC and \$76,131,876 for PCK but the State Capitation data supported \$982,760,417 for LIM+BCC and \$75,559,730 for PCK. The variance between what was reported and what was verified by the state's actuary is 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	(\$43,228,161)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$572,146)

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

Peach State reported premium tax amounts of \$22,327,174 for LIM+BCC and \$1,654,702 for PCK. Based on our adjustments to revenue in adjustment 5, the verified premium tax amount is \$22,112,109 for LIM+BCC and \$1,700,094 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.	(\$215,065)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$45,392



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 Peach State Health Plan:

Peach State Health Plan 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) population. 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.

Peach State Health Plan's P4HB population had 169,540 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, Peach State Health Plan received a credibility adjustment of 1.6%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report. Peach State Health Plan's P4HB adjusted MLR percentage achieved after the credibility adjustment is 44.5%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.