



August 13, 2021

Via Electronic Mail

Georgia Department of Community Health
Kim Morris, Director of Medicaid 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 Peach State Health Plan 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.

**Peach State Health Plan
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.....	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 Plan for the state fiscal year ending June 30, 2019. 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.

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 does exceed the CMS requirement of eighty-five percent (85%) for the Low Income Medicaid and Breast and Cervical Cancer (LIM+BCC) population for the state fiscal year ending June 30, 2019. 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 PeachCare for Kids® (PCK) and Planning for Healthy Babies (P4HB) 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 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
August 11, 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			
GF Medicaid (excluding PCK) + P4HB			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2019		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$773,223,372	(\$434,680)	\$772,788,692
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$16,918,825	(\$2,338,351)	\$14,580,474
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$143,133,820	\$0	\$143,133,820
42 CFR 438.8(k) (1) (v) Premium revenue.	\$988,957,791	(\$3,149,975)	\$985,807,816
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$35,342,246	\$20,986,026	\$56,328,272
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%	1.9%	84.7%
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.	3,942,672	0	3,942,672
LIM + BCC			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2019		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$770,389,484	(\$273,624)	\$770,115,860
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$16,809,014	(\$2,323,166)	\$14,485,848
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$142,228,262	\$0	\$142,228,262
42 CFR 438.8(k) (1) (v) Premium revenue.	\$982,541,591	(\$1,934,462)	\$980,607,129
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$35,118,440	\$20,849,771	\$55,968,211
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.	83.1%	1.8%	84.9%
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.	3,795,763	0	3,795,763
PCK			
Line Description	As-Filed Amounts	Adjustment Amounts	Adjusted Amounts
Reporting Requirement	SFY2019		
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$60,887,355	(\$26,585)	\$60,860,770
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$1,292,370	(\$178,429)	\$1,113,941
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$18,852,973	\$0	\$18,852,973
42 CFR 438.8(k) (1) (v) Premium revenue.	\$81,792,387	(\$50,810)	\$81,741,577
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$2,966,731	\$1,735,849	\$4,702,579
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.	78.9%	1.6%	80.4%
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.	420,036	0	420,036



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.	\$2,833,888	(\$161,056)	\$2,672,832
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$109,810	(\$15,185)	\$94,625
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$905,558	\$0	\$905,558
42 CFR 438.8(k) (1) (v) Premium revenue.	\$6,416,199	(\$1,215,513)	\$5,200,686
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$223,806	\$136,255	\$360,061
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	1.7%	1.7%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	47.5%	11.4%	58.9%
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.	146,909	0	146,909



PSSchedule 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 the Third Party vendor expense to tie to the certification statement provided by the Vendor.

The Plan reported net claims amounts of \$6,058,332 for LIM+BCC NIA Radiology and \$758,626 for PCK NIA Radiology. The Plan correctly removed administrative expenses from the net claim amount they reported for NIA Radiology, but this net claim amount is different from the amount NIA Radiology reported on the certification statement. The certification statement provided by the vendor reported claims expense of \$5,910,487 for LIM+BCC and \$709,391 for PCK. The variances between the reported amounts and the amounts on the certification statement are shown below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$147,845)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$49,235)

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

The Plan reported \$6,989,296 for behavioral health inpatient and \$28,285,585 for behavioral health outpatient for LIM+BCC, and they reported \$860,360 for behavioral health inpatient and \$3,241,017 for behavioral health outpatient for PCK. The plan included CHIP behavioral health allocated liability in LIM+BCC, when it should have been included in the PCK amounts. The verified behavioral health inpatient amounts are \$6,998,007 for LIM+BCC and \$851,650 for PCK. The verified behavioral health outpatient amounts are \$28,291,307 for LIM+BCC and \$3,235,295 for PCK. The variances between the reported and verified are below.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$14,432)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$14,432

Adjustment #3 – To adjust Resource Care Mother based on the salary documentation provided by the Plan.

The Plan reported \$305,000 for Resource Care Mother, but the salary documentation provided only supported \$261,711. The variance between the reported amount and the verified amount is below.

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$43,289)

Adjustment #4 – To adjust HCQI expenses to remove non-HCQI allowable items found in the documentation provided by the Plan.

The Plan reported HCQI amounts totaling \$16,809,014 for LIM+BCC, \$1,292,370 for PCK, and \$109,810 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 actions performed by the departments that are excluded according to 45 CFR 158.150. We adjusted the allocation amounts for the departments based on the federal regulations and determined the variance between the amounts reported by the Plan and the updated allocation amounts.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$2,323,166)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$178,429)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$15,185)

Adjustment #5 – To adjust the as-filed tax amount based on the pro forma documentation provided by the Plan.

The Plan stated that they did not know they needed to report the tax amounts on the MLR so they reported \$0 tax amounts for each population. The amounts below were calculated using the pro forma documentation provided by the Plan, and allocated across the populations.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$20,849,771

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$1,735,849

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$136,255

Adjustment #6 – To adjust the spread pricing amount reported by the Plan to tie to the certification statement provided by the pharmacy vendor

The Plan reported spread pricing amounts totaling \$24,172,447 for LIM+BCC, \$3,075,864 for PCK, and \$152,718 for P4HB. The pharmacy vendor provided a certification statement with 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 \$24,312,659 for LIM+BCC, \$3,038,782 for PCK, and \$270,485 for P4HB. The differences between the reported amounts and the verified amounts are shown below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$140,212)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$37,082

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$117,767)

Adjustment #7 – To adjust Premium Revenue to tie the reported amounts to the State capitation data.

The Plan reported revenue amounts of \$971,572,060 for LIM+BCC, \$80,659,940 for PCK, and \$6,331,777 for revenue, but the State Capitation data supported \$ 969,637,598 for LIM+BCC, \$80,609,130 for PCK, and \$5,116,264. A portion of the LIM+BCC and P4Hb variances are due to the Plan reported the FY19 P4HB rate accrual amount as a positive amount, but based on the data provided by the State, the rate accrual amount should have been a negative amount. They subtract the P4HB amounts from a GF Medicaid total to get the LIM+BCC amounts. The variance between what was reported and what was verified is shown below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (v) Premium Revenue	(\$1,934,462)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$50,810)

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$1,215,513)



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 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. 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.

Peach State Health Plan's P4HB population had 146,909 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 1.7%. 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 58.9%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.