



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 Wellcare of Georgia, Inc 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.

Wellcare of Georgia, Inc.

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



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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 Wellcare of Georgia, Inc. for the state fiscal year ending June 30, 2019. Wellcare of Georgia, Inc.'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 WellCare of Georgia, Inc. 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 PeachCare for Kids (PCK) populations, and the Adjusted Medical



Loss Ratio Percentage Achieved does not exceed the CMS requirement of eighty-five percent (85%) for the Planning for Healthy Babies (P4HB) population 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 Wellcare of Georgia, Inc. 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.	\$1,132,151,202	(\$3,549,228)	\$1,128,601,974
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$30,899,167	(\$4,588,387)	\$26,310,780
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$145,618,344	\$0	\$145,618,344
42 CFR 438.8(k) (1) (v) Premium revenue.	\$1,369,062,945	\$0	\$1,369,062,945
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$66,786,001	\$0	\$66,786,001
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	0%	0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	89.3%	-0.6%	88.7%
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.	5,354,434	0	5,354,434
<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.	\$1,129,721,921	(\$3,548,542)	\$1,126,173,379
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$30,790,961	(\$4,577,433)	\$26,213,528
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$145,085,639	\$0	\$145,085,639
42 CFR 438.8(k) (1) (v) Premium revenue.	\$1,363,690,216	\$0	\$1,363,690,216
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$65,987,422	\$0	\$65,987,422
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	0%	0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	89.4%	-0.6%	88.8%
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.	5,210,146	0	5,210,146
<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.	\$89,597,797	\$2,881,110	\$92,478,907
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$2,435,424	(\$400,213)	\$2,035,211
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$15,622,946	\$0	\$15,622,946
42 CFR 438.8(k) (1) (v) Premium revenue.	\$113,111,941	\$0	\$113,111,941
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$6,983,886	\$0	\$6,983,886
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	0%	0%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	86.7%	2.3%	89.1%
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.	597,574	0	597,574



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.	\$2,429,281	(\$686)	\$2,428,595
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	\$108,206	(\$10,954)	\$97,252
42 CFR 438.8(k) (1) (iv) Non-claims costs.	\$532,706	\$0	\$532,706
42 CFR 438.8(k) (1) (v) Premium revenue.	\$5,372,729	\$0	\$5,372,729
42 CFR 438.8(k) (1) (vi) Taxes, licensing and regulatory fees.	\$798,579	\$0	\$798,579
42 CFR 438.8(k) (1) (viii) Any credibility adjustment applied.	N/A	1.75%	1.75%
42 CFR 438.8(k) (1) (ix) The calculated MLR.	55.5%	1.5%	57.0%
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.	144,288	0	144,288



## 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 medical claims expense to tie to submitted lag tables.

The health plan reported medical expenses of \$846,590,244 for LIM+BCC, \$55,274,090 for PCK, and \$1,830,848 for the P4HB population on the MLR. However, the plan provided lag detail for their Medical expenses that supported \$846,009,431 for LIM+BCC, \$55,279,509 for PCK, and \$1,800,766 for the P4HB population. This variance between the medical expense lag amounts and the reported MLR amounts is shown below. The claims expense was adjusted to the health plan support for each population to ensure consistency.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$580,814)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$5,419

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$30,082)

### Adjustment #2 – To adjust third party claims expense reported for physical therapy, occupational therapy, and speech therapy to the net claim amount reported on the certification statement provided by the vendor.

The health plan reported a net claims amount that excluded administrative expenses, taxes, profit, and health quality improvement for physical therapy, occupational therapy, and speech therapy of \$8,237,715 for LIM+BCC, \$1,429,510 for PCK, and (\$434) for P4HB. The physical therapy, occupational therapy, and speech therapy vendor provided a certification statement that reported incurred claims





## SCHEDULE OF ADJUSTMENTS AND COMMENTS

totaling \$8,821,891 for LIM+BCC, \$1,558,847 for PCK, and \$30,291 for P4HB. The variances between the net claims amounts reported on the MLR and the vendor certification statement are noted below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$584,176

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$129,337

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$30,725

**Adjustment #3 – To adjust third party claims expense for Dental to the net claim amount reported on the certification statement provided by the vendor.**

The health plan reported a net claims amount that excluded administrative expenses, taxes, profit, and health quality improvement for Dental of \$75,057,377 for LIM+BCC, \$8,591,059 for PCK, and \$4,528 for P4HB. The Dental vendor provided a certification statement that reported incurred claims totaling \$71,659,329 for LIM+BCC, \$11,249,12 for PCK, and \$3,199 for P4HB. The variances between the net claims amounts reported on the MLR and the vendor certification statement are noted below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$3,398,049)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$2,657,953

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$1,329)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

**Adjustment #4 – To adjust third party claims expense for Vision to the net claim amount reported on the certification statement provided by the vendor.**

The health plan reported a net claims amount that excluded administrative expenses, taxes, profit, and health quality improvement for Vision of \$ 6,017,208 for LIM+BCC and \$690,379 for PCK. The Vision vendor provided a certification statement that reported incurred claims totaling for \$5,863,352 LIM+BCC and \$778,780 for PCK. The variances between the net claims amounts reported on the MLR and the vendor certification statement are noted below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	(\$153,855)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (i) Total incurred claims.	\$88,401

**Adjustment #5 – To remove non-allowable Health Care Quality Improvement (HCQI) expenses included by the health plan.**

The health plan reported the following HCQI amounts for LIM+BCC, PCK, and P4HB respectively: \$30,790,961, \$2,435,424, \$108,206. Based on the job descriptions and allocation amounts provided by the health plan for the positions that were included in the HCQI amount filed for each population, Myers and Stauffer determined the job descriptions contained items that are not allowable for HCQI according to 45 CFR 158.150. The allowable HCQI amounts for LIM+BCC, PCK, and P4HB respectively are \$26,213,528, \$2,035,211, and \$97,252. The variances between the as-filed amounts and the verified amounts are detailed below.

Proposed Adjustment – LIM+BCC	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$4,577,433)

Proposed Adjustment – PCK	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$400,213)

Proposed Adjustment – P4HB	
Line Description	Amount
42 CFR 438.8(k) (1) (ii) Expenditures on quality improving activities.	(\$10,954)



## Appendix A: Credibility Adjustment

### **Credibility Adjustment Overview:**

The credibility adjustment for the MLR was introduced and described in 42 CFR 438.8(h). A Care Management Organization's (CMO) 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 a CMO 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 CMOs 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 receive a partial credibility adjustment), and Non-credible (They will automatically meet the target MLR Standard).

### **Impact of the Credibility Adjustment on Wellcare of Georgia, Inc.:**

WellCare of Georgia, Inc. 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.

WellCare of Georgia, Inc.'s P4HB population had 144,288 member months, as shown on the Adjusted Medical Loss Ratio on page 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, WellCare of Georgia, Inc.'s P4HB population received a credibility adjustment of 1.75%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report. WellCare of Georgia, Inc.'s P4HB adjusted MLR percentage achieved after the credibility adjustment is 57.0%. This is included on the Adjusted Medical Loss Ratio on page 5 of this report.