

LOUISIANA DEPARTMENT OF HEALTH AND HOSPITALS
Baton Rouge, Louisiana

Independent Auditor's Report for the Louisiana Department of Health and Hospitals
Adjusted Medical Loss Ratio (MLR) Rebate Calculation of
Louisiana Healthcare Connections, Inc.

For the Calendar Year Ended December 31, 2013



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Independent Auditor's Report

Louisiana Department of Health and Hospitals

Report on Medical Loss Ratio Rebate Calculation

We have audited the accompanying Louisiana Healthcare Connection, Inc.'s (LHC) Adjusted Medical Loss Ratio Rebate Calculation for the calendar year ended December 31, 2013.

Management's Responsibility for the Medical Loss Ratio Rebate Calculation

LHC's management is responsible for the preparation and fair presentation of the Medical Loss Ratio Rebate Calculation in accordance with the Bayou Health Financial Reporting Guide for Prepaid Organizations; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of the Medical Loss Ratio Rebate Calculation that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the Medical Loss Ratio Rebate Calculation based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Medical Loss Ratio Rebate Calculation is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts in the Medical Loss Ratio Rebate Calculation. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the Medical Loss Ratio Rebate Calculation, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the Medical Loss Ratio Rebate Calculation in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Medical Loss Ratio Rebate Calculation.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the Adjusted Medical Loss Ratio Rebate Calculation referred to above presents fairly, in all material respects, the financial position of LHC for the calendar year ended December 31, 2013, in accordance with accounting principles generally accepted in the United States of America and based on criteria set forth in the Bayou Health Financial Reporting Guide for Prepaid Organizations.

Atlanta, Georgia
January 13, 2015

Organization Background

Louisiana Healthcare Connections, Inc. (LHC), a Louisiana Corporation, is a wholly owned subsidiary of Healthy Louisiana Holdings, LLC (HLH). LHC was incorporated in October 2009 and began enrolling Medicaid members in the Bayou Health program on February 1, 2012. LHC is one of three providers that offer services on a full-risk basis.

HLH was formed as a joint venture between Centene Corporation (Centene) and Louisiana Partnership for Choice and Access, LLC (LPC&A). Centene purchased LPC&A's interest in the joint venture on October 31, 2012, making Centene the sole owner of HLH and LHC wholly owned by Centene.

LHC's entire source of revenue is derived from its contract with the Louisiana Department of Health and Hospitals (DHH). LHC completed its three-phase membership rollout for the statewide service areas during June 2012. The Plan provides coverage for a broad range of medically necessary medical services to meet its members' healthcare needs.

Our examination was conducted from September 10, 2014 to December 16, 2014.

Schedule of Adjustments and Comments

During our audit we noted certain matters involving internal controls and other operational matters that are presented for your consideration. These adjustments, comments and recommendations are intended to improve internal controls or result in other operating efficiencies and are summarized below.

There were no adjustments or comments identified during the audit.

**LOUISIANA HEALTHCARE CONNECTIONS, INC.
ADJUSTED MEDICAL LOSS RATIO REBATE CALCULATION
FOR THE CALENDAR YEAR ENDED DECEMBER 31, 2013**

MLR Line #	MLR Line Description	Reported FY 2013	Adjustments	Adjusted FY 2013
Revenue and New Enrollee Adjustments				
1	Capitation and Maternity Payments	\$462,446,783		\$462,446,783
2	Less: Premium tax	\$10,404,882		\$10,404,882
3	Net YTD MLR Revenue	\$452,041,901		\$452,041,901
4	Less: Adj. attributed to new enrollees	\$0		\$0
5	Add: Adj. attributed to new enrollees	\$0		\$0
6	Adjusted MLR Capitation Revenue	\$452,041,901	\$0	\$452,041,901
MLR Medical and Administrative Expense Adjustments				
7	Net Medical Expenses from I/S	\$381,306,937		\$381,306,937
8	Plus: Incurred claim adj. additions	\$0		\$0
9	Less: Incurred claim adj. deductions	\$0		\$0
10	Less: Incurred claim adj. exclusions	\$0		\$0
11	Adjusted Net Medical Expenses	\$381,306,937	\$0	\$381,306,937
12	Plus: HCQI and HIT expenses	\$13,202,441		\$13,202,441
13	Adj. or Exc. to HCQI/HIT	\$0		\$0
14	Adjusted HCQI/HIT expenses	\$13,202,441		\$13,202,441
15	Adjusted MLR Expenses	\$394,509,378	\$0	\$394,509,378
16	Less: Adj. attributed to new enrollees	\$0		\$0
17	Add: Adj. attributed to new enrollees	\$0		\$0
18	Total Adj. MLR Expenses	\$394,509,378	\$0	\$394,509,378
19	MLR percentage achieved	87.3%		87.3%
20	MLR percentage requirement	85.0%		85.0%
21	Percentage above requirement	2.3%		2.3%
22	Dollar amount of rebate requirement	\$0		\$0