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State of Utah

Department of Health and Human Services
Salt Lake City, Utah

### **Independent Accountant's Report**

We have examined the Medical Loss Ratio Report of Central Utah Counseling Center (health plan) Prepaid Mental Health Plan for the state fiscal year ended June 30, 2022. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio (MLR) Report 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 Ratios. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratios 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 Ratios are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratios. 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 Ratios, 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.

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 Ratios were prepared from information contained in the Medical Loss Ratio Report for the purpose of complying with the criteria, and are not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Adjusted Medical Loss Ratios are presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratios for the mental health and substance abuse expansion populations meet or exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the state fiscal year ended June 30, 2022, however, the Adjusted Medical Loss Ratios for the mental health and substance abuse legacy populations do not meet the requirement for state fiscal year ended June 30, 2022.

This report is intended solely for the information and use of the Utah Department of Health and Human Services, Milliman, and the health plan and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC Kansas City, Missouri November 29, 2023

# Adjusted Mental Health Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022

Adjı	usted Mental Health Medical Loss Ratio for the State Fiscal	Year	Ended June 30, 20	22 Paid Through Sept	eml	ber 30, 2022	
Line #	Line Description		Reported Amounts	Adjustment Amounts		Adjusted Amounts	
1.	Medical Loss Ratio Numerator						
1.1	Incurred Claims	\$	4,309,514	\$ (38,561)	\$	4,270,953	
1.2	Activities that Improve Health Care Quality	\$	233,525	\$ (233,525)	\$		
1.3	MLR Numerator	\$	4,543,039	\$ -	\$	4,270,953	
1.4	Non-Claims Costs (Not Included in Numerator)	\$	856,329	\$ (409,325)	\$	447,004	
2.	Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$	5,607,507	\$ -	\$	5,607,50	
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	175,800	\$ (61,203)	\$	114,597	
2.3	MLR Denominator	\$	5,431,707	\$ -	\$	5,492,910	
3.	MLR Calculation						
3.1	Member Months		131,894	-		131,89	
3.2	Unadjusted MLR		83.60%	-5.8%		77.89	
3.3	Credibility Adjustment		1.80%	0.0%		1.89	
3.4	Adjusted MLR		85.40%	-5.8%		79.69	
4.	Remittance						
4.2	State Minimum MLR Requirement		85.00%			85.09	
4.6.2	Adjusted MLR					79.69	
4.6.3	Meets MLR Standard		Yes			No	

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. This includes adjustments identified during the course of the examination directly affecting the Non-Claims Costs line.

Accordingly, we express no opinion on the Non-Claims Costs line.

## Adjusted Substance Abuse Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022

Adjus	sted Substance Abuse Medical Loss Ratio for the State Fiscal	Yea	r Ended June 30, 2	022 P	aid Through Sep	tem	ber 30, 2022	
Line #	ne # Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts	
1.	Medical Loss Ratio Numerator							
1.1	Incurred Claims	\$	346,619	\$	(4,899)	\$	341,720	
1.2	Activities that Improve Health Care Quality	\$	18,563	\$	(18,563)	\$		
1.3	MLR Numerator	\$	365,181	\$	-	\$	341,720	
1.4	Non-Claims Costs (Not Included in Numerator)	\$	89,797	\$	(41,348)	\$	48,449	
2.	Medical Loss Ratio Denominator							
2.1	Premium Revenue	\$	439,803	\$	-	\$	439,803	
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	22,786	\$	3,942	\$	26,728	
2.3	MLR Denominator	\$	417,017	\$	-	\$	413,075	
3.	MLR Calculation							
3.1	Member Months		131,894		(2,888)		129,006	
3.2	Unadjusted MLR		87.60%		-4.9%		82.79	
3.3	Credibility Adjustment		1.80%		0.0%		1.89	
3.4	Adjusted MLR		89.40%		-4.9%		84.59	
4.	Remittance							
4.2	State Minimum MLR Requirement		85.00%				85.09	
4.6.2	Adjusted MLR						84.59	
4.6.3	Meets MLR Standard		Yes				No	

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. This includes adjustments identified during the course of the examination directly affecting the Non-Claims Costs line.

Accordingly, we express no opinion on the Non-Claims Costs line.

## Adjusted Mental Health Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022

	Adjusted Mental Health Medical Loss Ratio	for t	he State Fiscal Ye	ear	Ended June 30, 20	22 Paid Through Sep	tem	ber 30, 2022		
Line #	Line Description	R	eported Amounts	A	djustment Amounts	Preliminary Adjusted Amounts	F	Risk Corridor Cost Settlement	A	djusted Amounts
1.	Medical Loss Ratio Numerator									
1.1	Incurred Claims	\$	1,524,191	\$	(13,804)	\$ 1,510,387			\$	1,510,387
1.2	Activities that Improve Health Care Quality	\$	81,678	\$	(81,678)	\$ -			\$	-
1.3	MLR Numerator	\$	1,605,869	\$	-	\$ 1,510,387			\$	1,510,387
1.4	Non-Claims Costs (Not Included in Numerator)	\$	280,166	\$	(123,821)	\$ 156,345			\$	156,345
2.	Medical Loss Ratio Denominator									
2.1	Premium Revenue	\$	1,713,828	\$	-	\$ 1,713,828	\$	14,420	\$	1,728,248
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	42,142	\$	(37,560)	\$ 4,582			\$	4,582
2.3	MLR Denominator	\$	1,671,686	\$	-	\$ 1,709,246	\$	14,420	\$	1,723,666
3.	MLR Calculation									
3.1	Member Months		37,668		-	37,668				37,668
3.2	Unadjusted MLR		96.10%		-7.7%	88.4%	,			87.6%
3.3	Credibility Adjustment		3.40%		0.0%	3.4%	5			3.4%
3.4	Adjusted MLR		99.50%		-7.7%	91.8%				91.0%
4.	Remittance									
4.2	State Minimum MLR Requirement		85.00%			85.0%				85.0%
4.2.1	Adjusted MLR Prior to Risk Corridor Cost Settlement		99.50%			91.8%				91.8%
4.6.1	Risk Corridor Cost Settlement Due to Health Plan						\$	14,420	\$	14,420
4.6.2	Adjusted MLR									91.0%
4.6.3	Meets MLR Standard		Yes			Yes				Yes

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. This includes adjustments identified during the course of the examination directly affecting the Non-Claims Costs line. Accordingly, we express no opinion on the Non-Claims Costs line.

## Adjusted Substance Abuse Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022

	Adjusted Substance Abuse Medical Loss Ratio	o for t	he State Fiscal Y	⁄eaı	r Ended June 30, 2	022 Paid Through Se	ptember 30, 2022		
Line #	Line Description	Rep	oorted Amounts	Ac	djustment Amounts	Preliminary Adjusted Amounts	Adı		djusted Amounts
1.	Medical Loss Ratio Numerator								
1.1	Incurred Claims	\$	371,128	\$	(5,290)	\$ 365,838		\$	365,838
1.2	Activities that Improve Health Care Quality	\$	19,878	\$	(19,878)	\$ -		\$	-
1.3	MLR Numerator	\$	391,006	\$	-	\$ 365,838		\$	365,838
1.4	Non-Claims Costs (Not Included in Numerator)	\$	82,021	\$	(30,139)	\$ 51,882		\$	51,882
2.	Medical Loss Ratio Denominator								
2.1	Premium Revenue	\$	809,535	\$	-	\$ 809,535	\$ (356,443)	\$	453,092
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	10,261	\$	(5,355)	\$ 4,906		\$	4,906
2.3	MLR Denominator	\$	799,274	\$	-	\$ 804,629	\$ (356,443)	\$	448,185
3.	MLR Calculation								
3.1	Member Months		37,668		-	37,668			37,668
3.2	Unadjusted MLR		48.90%		-3.4%	45.5%			81.6%
3.3	Credibility Adjustment		3.37%		0.0%	3.4%			3.4%
3.4	Adjusted MLR		52.27%		-3.4%	48.9%			85.0%
4.	Remittance								
4.2	State Minimum MLR Requirement		85.00%			85.0%			85.0%
4.2.1	Adjusted MLR Prior to Risk Corridor Cost Settlement		52.27%			48.9%			48.9%
4.6.1	Risk Corridor Cost Settlement Due to Department						\$ (356,443)	\$	(356,443)
4.6.2	Adjusted MLR								85.0%
4.6.3	Meets MLR Standard		No			No			Yes

<sup>\*</sup>The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. This includes adjustments identified during the course of the examination directly affecting the Non-Claims Costs line. Accordingly, we express no opinion on the Non-Claims Costs line.

# Schedule of Adjustments and Comments for the State Fiscal Year Ended June 30, 2022

During our examination, we identified the following adjustments.

Adjustment #1 – To adjust incurred claims cost based on adjustments made to the PMHP financial report.

The health plan's incurred claims cost was reported based on the claims cost included in the PMHP financial report (financial report). After performing verification procedures on the financial report, adjustments were made to the financial report for the following items:

- To adjust employee hours on Schedule 6 to health plan supporting documentation.
- To remove health plan related administrative expenses from the Schedule 5 center wide cost allocation.
- To remove inpatient days and expense for inpatient claims outside the MLR reporting period.

These adjustments to the financial report impact the incurred claims cost reported on the MLR. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustments										
Legacy Population Expansion Populatio										
		Mental Substance								
Line #	Line Description	Health	Abuse	Health	Abuse					
1.1	Incurred Claims	(\$38,561)	(\$4,899)	(\$13,804)	(\$5,290)					

## Adjustment #2 – To adjust HCQI expense based on supporting documentation provided by the health plan.

The health plan reported health care quality improvement (HCQI) expense based on costs of activities performed by specific staff members. However, the health plan did not carve out HCQI costs from the center wide cost allocation on the cost report, and therefore, the HCQI cost is included on the MLR in incurred claims and separately reported as HCQI. An adjustment was proposed to remove the duplicated HCQI expense reported on the Activities that Improve Health Care Quality line of the MLR template. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

	Proposed Adjustments									
		Legacy Po	pulation	<b>Expansion Population</b>						
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse					
1.2	Activities that Improve Health Care Quality	(\$233,525)	(\$18,563)	(\$81,678)	(\$19,878)					

### Adjustment #3 – To remove the non-Medicaid share of reported CBE expenses.

The health plan reported community benefit expenditures (CBE) related to the costs incurred net of revenues received for client meals, semi-independent housing, and group home room and board. Based on the supporting documentation, reported costs qualify as allowable CBE expense. However, total CBE expense is included in the MLR rather than only the portion related to the Medicaid line of business, and CBE expense for the substance abuse legacy population exceeded the premium revenue limit set by federal guidance. An adjustment was proposed to allocate allowable CBE expenses to the Medicaid managed care line of business. The CBE reporting requirements are addressed in the Medicaid Managed Care Final Rule §§ 42 CFR 438.8(f)(3) and 45 CFR 158.162(c).

	Proposed Adjustments Legacy Population Expansion Population									
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse					
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	(\$61,203)	\$3,942	(\$37,560)	(\$5,355)					

### Adjustment #4 - To adjust member months per state data.

The health plan reported member month amounts that did not reflect the total member months for its members, per the state data, applicable to the covered dates of service for the MLR reporting period. An adjustment was proposed to report the member months per the state data. The member months reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(1)(xiii).

	Proposed Adjustments										
		Legacy Po	opulation	<b>Expansion Population</b>							
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse						
3.1	Member Months	0	(2,888)	0	0						



### Adjustment #5 - To correct a formula error on the as-submitted medical loss ratio template.

The UDHHS MLR Report contains a formula error in the calculation of the Non-Claims Costs. The Non-Claims Cost total is linked to Non-Benefit Expenses. The Non-Benefit Expenses total includes a formula that is linked to the total taxes and community benefit expenditures (CBE), resulting in total Taxes and Fees being duplicated in the Non-Claims Costs in the MLR. An adjustment was proposed to remove reported Taxes and Fees from Non-Claims Costs. The Non-Claims Costs reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustments									
		Legacy Po	pulation	<b>Expansion Population</b>					
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse				
1.4	Non-Claims Costs (Not Included in Numerator)	(\$409,325)	(\$41,348)	(\$123,821)	(\$30,139)				