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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 Four Corners Community Behavioral Health (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 legacy and 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.

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 August 29, 2023

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# 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 the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022						
Line #	Line Description	F	Reported Amounts	Adjustment Amounts	£	Adjusted Amounts
1.	Medical Loss Ratio Numerator					
1.1	Incurred Claims	\$	4,390,620	\$ (51,884)	\$	4,338,736
1.2	Activities that Improve Health Care Quality	\$	-	\$ -	\$	-
1.3	MLR Numerator	\$	4,390,620	\$ -	\$	4,338,736
1.4	Non-Claims Costs (Not Included in Numerator)	\$	52,219	\$ (52,219)	\$	-
2.	Medical Loss Ratio Denominator					
2.1	Premium Revenue	\$	5,138,010	\$ -	\$	5,138,010
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	52,219	\$ 120,820	\$	173,039
2.3	MLR Denominator	\$	5,085,791	\$ -	\$	4,964,971
3.	MLR Calculation					
3.1	Member Months		75,630	-		75,630
3.2	Unadjusted MLR		86.30%	1.1%		87.49
3.3	Credibility Adjustment		2.40%	0.0%		2.49
3.4	Adjusted MLR		88.70%	1.1%		89.8%
4.	Remittance					
4.2	State Minimum MLR Requirement		85.00%			85.0%
4.6.2	Adjusted MLR					89.8%
4.6.3	Meets MLR Standard		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.

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

Line #	Line Description	Rej	ported Amounts	Adjustment Amounts	Adju	sted Amounts
1.	Medical Loss Ratio Numerator					
1.1	Incurred Claims	\$	472,841	\$ (36,398)	\$	436,443
1.2	Activities that Improve Health Care Quality	\$	-	\$ -	\$	
1.3	MLR Numerator	\$	472,841	\$ -	\$	436,443
1.4	Non-Claims Costs (Not Included in Numerator)	\$	10,618	\$ (10,618)	\$	
2.	Medical Loss Ratio Denominator					
2.1	Premium Revenue	\$	352,742	\$ -	\$	352,742
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	10,618	\$ 10,591	\$	21,209
2.3	MLR Denominator	\$	342,124	\$ -	\$	331,533
3.	MLR Calculation					
3.1	Member Months		74,368	-		74,368
3.2	Unadjusted MLR		138.20%	-6.6%		131.69
3.3	Credibility Adjustment		2.40%	0.0%		2.49
3.4	Adjusted MLR		140.60%	-6.6%		134.09
4.	Remittance					
4.2	State Minimum MLR Requirement		85.00%			85.09
4.6.2	Adjusted MLR					134.09
4.6.3	Meets MLR Standard		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.

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### 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 the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022							
Line #	Line Description	Reported Amounts	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement	Adjusted Amounts		
1.	Medical Loss Ratio Numerator							
1.1	Incurred Claims	\$ 867,279	\$ (15,934)	\$ 851,345		\$ 851,345		
1.2	Activities that Improve Health Care Quality	\$ -	\$ -	\$ -		\$ -		
1.3	MLR Numerator	\$ 867,279	\$ -	\$ 851,345		\$ 851,345		
1.4	Non-Claims Costs (Not Included in Numerator)	\$ -	\$ -	\$ -		\$ -		
2.	Medical Loss Ratio Denominator							
2.1	Premium Revenue	\$ 1,915,816	\$ -	\$ 1,915,816	\$ (853,875)	\$ 1,061,941		
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ -	\$ 11,902	\$ 11,902		\$ 11,902		
2.3	MLR Denominator	\$ 1,915,816	\$ -	\$ 1,903,914	\$ (853,875)	\$ 1,050,039		
3.	MLR Calculation							
3.1	Member Months	25,691	-	25,691		25,691		
3.2	Unadjusted MLR	45.30%	-0.6%	44.7%		81.1%		
3.3	Credibility Adjustment	3.90%	0.0%	3.9%		3.9%		
3.4	Adjusted MLR	49.20%	-0.6%	48.6%		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	49.20%		48.6%		48.6%		
4.6.1	Risk Corridor Cost Settlement Due to Department				\$ (853,875)	\$ (853,875)		
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.

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### 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 Rati	o for the State Fiscal \	/ear Ended June 30, 2	2022 Paid Through Se	ptember 30, 2022	
Line #	Line Description	Reported Amounts	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement	Adjusted Amounts
1.	Medical Loss Ratio Numerator					
1.1	Incurred Claims	\$ 771,581	\$ (3,465)	\$ 768,116		\$ 768,116
1.2	Activities that Improve Health Care Quality	\$ -	\$ -	\$ -		\$ -
1.3	MLR Numerator	\$ 771,581	\$ -	\$ 768,116		\$ 768,116
1.4	Non-Claims Costs (Not Included in Numerator)	\$ -	\$ -	\$ -		\$ -
2.	Medical Loss Ratio Denominator					
2.1	Premium Revenue	\$ 792,672	\$ -	\$ 792,672	\$ 109,990	\$ 902,662
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ -	\$ 20,558	\$ 20,558		\$ 20,558
2.3	MLR Denominator	\$ 792,672	\$ -	\$ 772,114	\$ 109,990	\$ 882,104
3.	MLR Calculation					
3.1	Member Months	25,694	-	25,694		25,694
3.2	Unadjusted MLR	97.30%	2.2%	99.5%		87.1%
3.3	Credibility Adjustment	3.92%	0.0%	3.9%		3.9%
3.4	Adjusted MLR	101.22%	2.2%	103.4%		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	101.22%		103.4%		103.4%
4.6.1	Risk Corridor Cost Settlement Due to Health Plan				\$ 109,990	\$ 109,990
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.

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# 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 the medical loss ratio incurred claims cost to reconcile to the financial report.
- To reclassify employee direct hours to administrative support hours.
- To reclassify non-wage prevention costs on schedule 5 from the center wide allocation to the prevention cost center.
- To adjust the inpatient cost accrual per the health plan's supporting documentation.
- To reclassify SMR units to mental health per the health plan's supporting documentation.

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 Population									
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse				
1.1	Incurred Claims	(\$51,884)	(\$36,398)	(\$15,934)	(\$3,465)				

#### Adjustment #2 – To adjust to include qualifying CBE expenses.

The health plan did not report community benefit expenditures (CBE) on the as-submitted MLR. Support was provided for non-covered housing, non-covered client housing, non-covered prevention and OTP transportation CBE expenses. Based on the supporting documentation, these costs qualify as allowable CBE expense per CMS guidance. An adjustment was proposed to allocate the allowable CBE expense 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).

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	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	\$117,821	\$10,582	\$11,902	\$20,558			

### Adjustment #3 – To adjust examination fees, state premium taxes, local taxes and assessments to state reported amounts.

The health plan reported an administrative fee, deemed to qualify as a state assessment by UDHHS. However, the as-filed administrative fee did not agree to the state data. An adjustment was proposed to include the administrative fee amounts per the state data. The qualifying tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

	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	\$2,999	\$9	\$0	\$0			

#### Adjustment #4 – 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 Population Expansion Popul									
Line #	Line Description	Mental Health	Substance Abuse	Mental Health	Substance Abuse				
1.4	Non-Claims Costs (Not Included in Numerator)	(\$52,219)	(\$10,618)	\$0	\$0				

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