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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 the University of Utah for the state fiscal year ended June 30, 2022 related to Healthy Outcomes Medical Excellence program (HOME). The University of Utah's management is responsible for presenting information contained in the Medical Loss Ratio 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 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.

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 Ratio was prepared from information contained in the Medical Loss Ratio Report 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 Adjusted Medical Loss Ratio is presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratio does not meet 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 University of Utah 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 December 14, 2023

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

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022						
Line #	Line Description	ı	Reported Amounts	Ad	ljustment Amounts	Adjusted Amounts
1.	Medical Loss Ratio Numerator					
1.1	Incurred Claims	\$	10,179,859	\$	468,866	\$ 10,648,725
1.2	Activities that Improve Health Care Quality	\$	1,377,575	\$	(1,127,248)	\$ 250,327
1.3	MLR Numerator	\$	11,557,434	\$	(658,382)	\$ 10,899,052
1.4	Non-Claims Costs (Not Included in Numerator)	\$	1,377,575	\$	(1,377,575)	\$ (0)
2.	Medical Loss Ratio Denominator					
2.1	Premium Revenue	\$	16,083,503	\$	-	\$ 16,083,503
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	-	\$	-	\$ -
2.3	MLR Denominator	\$	16,083,503	\$	-	\$ 16,083,503
3.	MLR Calculation					
3.1	Member Months		16,442		-	16,442
3.2	Unadjusted MLR		71.90%		-4.1%	67.8%
3.3	Credibility Adjustment		5.10%		0.0%	5.1%
3.4	Adjusted MLR		77.00%		-4.1%	72.9%
4.	Remittance					
4.2	State Minimum MLR Requirement		85.00%			85.0%
4.6.2	Adjusted MLR					72.9%
4.6.3	Meets MLR Standard		No			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. Adjustments identified during the course of the examination were not tested to determine any impact on Non-Claims Costs. 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 TPL payments per health plan supporting documentation

The health plan incorrectly reported the amount of third party liability (TPL) payments for the reporting period based on posting date rather than service date. An adjustment was proposed to adjust TPL payments to the amount per the health plan's supporting documentation based on service date. The TPL payment and incurred claims reporting requirements are addressed the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment					
Line #	Line Description	Amount			
1.1	Incurred Claims	(\$103,923)			

#### Adjustment #2 – To adjust IBNR per health plan supporting documentation

The health plan incorrectly reported the amount of incurred but not reported (IBNR) claims for the reporting period. An adjustment was proposed to adjust IBNR expense to the amount per health plan supporting documentation excluding amounts related to IBNR margin for the reporting period. The IBNR reporting requirements are addressed the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment				
Line #	Line Description	Amount		
1.1	Incurred Claims	\$64,132		

#### Adjustment #3 - To reclassify and include eligible salaries within incurred claims

The health plan included salary and benefits for select positions in quality improvement. Based on testing performed, it was determined that the salaries and benefits are related to direct care rather than quality improvement. Additionally, duties of positions noted as non-billing by the health plan were noted to be duties supporting the direct provision of patient care, and therefore costs allowable as incurred claims. An adjustment was proposed to reclassify the applicable salaries from quality improvement to incurred claims and to increase incurred claims by the direct salaries not originally included. The incurred claims reporting requirements are addressed the Medicaid Managed Care Final

Rule 42 CFR § 438.8(e)(2) and the HCQI/ HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment				
Line #	Line Description	Amount		
1.1	Incurred Claims	\$508,657		
1.2	Activities that Improve Health Care Quality	(\$508,657)		

#### Adjustment #4 – To remove non-qualifying HCQI/ HIT expenses

The health plan reported health care quality improvement/health information technology (HCQI/HIT) expenses based on salaries and benefits, as well as overhead costs. It was determined the health plan included non-qualifying expenses per federal regulation. An adjustment was proposed to remove nonqualifying salaries and benefits and overhead from HCQI/HIT expenses. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment				
Line #	Line Description	Amount		
1.2	Activities that Improve Health Care Quality	(\$618,591)		

#### Adjustment #5 – To correct a formula error on the as-submitted MLR Report

The 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 health care quality improvement (HCQI) lines, resulting in HCQI being duplicated in the Non-Claims Costs in the MLR Report. An adjustment was proposed to remove reported HCQI 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 Adjustment				
Line # Line Description		Amount		
1.4	Non-Claims Cost	(\$1,377,575)		