

The background of the entire page is a blurred photograph of a medical professional, likely a dentist, wearing a white coat and mask. Overlaid on this is a semi-transparent green geometric pattern consisting of various shapes like hexagons, lines, and icons. These icons include a syringe, a pill, a virus/cell, a stethoscope, a group of people, and a large medical cross. The right side of the page is a solid dark grey triangle.

# **MCNA INSURANCE COMPANY Medicaid Dental Managed Care Program**

## **Report on Adjusted Medical Loss Ratio** *With Independent Accountant's Report Thereon*

For the State Fiscal Year Ended June 30, 2022  
Paid through September 30, 2022



**MYERS AND  
STAUFFER** LLC  
CERTIFIED PUBLIC ACCOUNTANTS



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## Table of Contents

■ Table of Contents.....	1
■ Independent Accountant's Report.....	2
■ Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022.....	3
■ Schedule of Adjustments and Comments for the State Fiscal Year Ended June 30, 2022.....	4



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 MCNA Insurance Company (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 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 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  
January 9, 2024



**MCNA DENTAL**  
**ADJUSTED MEDICAL LOSS RATIO**  
**DENTAL POPULATION**

## 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	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>1.</b>	<b>Medical Loss Ratio Numerator</b>			
1.1	Incurring Claims	\$ 14,564,068	\$ (64,917)	\$ 14,499,151
1.2	Activities that Improve Health Care Quality	\$ 7,157	\$ 2,941	\$ 10,098
1.3	MLR Numerator	\$ 14,571,225	\$ -	\$ 14,509,249
1.4	Non-Claims Costs (Not Included in Numerator)	\$ 506,164	\$ 57,760	\$ 563,924
<b>2.</b>	<b>Medical Loss Ratio Denominator</b>			
2.1	Premium Revenue	\$ 22,178,082	\$ -	\$ 22,178,082
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 499,007	\$ (382,201)	\$ 116,806
2.3	MLR Denominator	\$ 21,679,075	\$ -	\$ 22,061,276
<b>3.</b>	<b>MLR Calculation</b>			
3.1	Member Months	825,492	-	825,492
3.2	Unadjusted MLR	67.2%	-1.4%	65.8%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	67.2%	-1.4%	65.8%
<b>4.</b>	<b>Remittance</b>			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.6.2	Adjusted MLR			65.8%
4.6.3	Meets MLR Standard	No		No

*\*The Non-Claims Costs line has not be 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.*



## 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 remove the calculated IBNR margin amount**

The health plan reported IBNR expenses that included an estimated calculation in addition to the lag table supporting documentation based on incurred claims. It was determined the IBNR modified amount claimed within the total IBNR reported was calculated based on a non-allowable reserve margin and administrative expenses. An adjustment was proposed to remove the calculated IBNR modified amount. The medical expense and IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	(\$56,524)
1.4	Non-Claims Cost	\$56,524

### **Adjustment #2 – To adjust fraud recovery expense to amount of actual recovery**

The health plan reported fraud reduction expense greater than actual fraud recovery amounts. Supported fraud recoveries were determined to be lower than the estimated fraud reduction expenses reported. An adjustment was proposed to adjust fraud reduction expense to the supported recovery amounts. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	(\$8,393)
1.4	Non-Claims Cost	\$8,393

### **Adjustment #3 – To adjust HCQI expenses per supporting documentation**

The health plan submitted supporting documentation for health care quality improvement (HCQI) expenses greater than the amount reflected on the MLR Report. Upon review of the documentation submitted, it was determined that the health plan inadvertently excluded HCQI expense for half of the



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

reporting period. An adjustment was proposed to increase HCQI expenses to the appropriate amount per supporting documentation. The HCQI 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	Quality Improvement	\$2,941

### Adjustment #4 – To remove insurance premium taxes and include qualifying federal income taxes

The health plan reported insurance premium taxes for the MLR reporting period. Based on guidance received from the state, the health plan is exempt from paying premium taxes under Utah State Code. An adjustment was proposed to reclassify insurance premium taxes to non-claims cost. Additionally, an adjustment was proposed to include health plan qualifying federal income taxes that were not reported based on health plan supporting documentation. The taxes and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Utah Code 59-9-101(5)(c).

Proposed Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	(\$499,007)
2.2	Taxes and Fees	\$116,806
1.4	Non-Claims Cost	\$499,007

### 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 total Taxes and Fees and HCQI being duplicated in the Non-Claims Costs in the MLR Report. An adjustment was proposed to remove reported Taxes and Fees & 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	(\$506,164)