SELECTHEALTH, INC.
ACO Expansion Population
Medicaid Managed Care Programs

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 LC
CERTIFIED PUBLIC ACCOUNTANTS

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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 SelectHealth, Inc. (health plan) Accountable Care Organization 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 and state 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 meets 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

Myers and Stauffer LC
Kansas City, Missouri
October 21, 2024

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**	**Preliminary Adjusted Amounts**	**Risk Corridor Cost Settlement**	**Adjusted Amounts**
1.	**Medical Loss Ratio Numerator**					
1.1	Incurred Claims	$ 23,077,038	$ (445,618)	$ 22,631,420		$ 22,631,420
1.2	Activities that Improve Health Care Quality	$ 231,853	$ 24,164	$ 256,017		$ 256,017
1.3	MLR Numerator	$ 23,308,891	$ (421,454)	$ 22,887,437		$ 22,887,437
1.4	Non-Claims Costs (Not Included in Numerator)	$ 1,739,492	$ (233,201)	$ 1,506,291		$ 1,506,291
2.	**Medical Loss Ratio Denominator**					
2.1	Premium Revenue	$ 27,108,549	$ 390,998	$ 27,499,547	$ -	$ 27,499,547
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 1,348	$ -	$ 1,348		$ 1,348
2.3	MLR Denominator	$ 27,107,201	$ 390,998	$ 27,498,199	$ -	$ 27,498,199
3.	**MLR Calculation**					
3.1	Member Months	46,352	-	46,352		46,352
3.2	Unadjusted MLR	86.0%	-2.8%	83.2%		83.2%
3.3	Credibility Adjustment	3.0%	0.0%	3.0%		3.0%
3.4	Adjusted MLR	89.0%	-2.8%	86.2%		86.2%
4.	**Remittance**					
4.2	State Minimum MLR Requirement	85.0%		85.0%		85.0%
4.2.1	Adjusted MLR Prior to Risk Corridor Cost Settlement	89.0%		86.2%		86.2%
4.6.1	Risk Corridor Cost Settlement Due to Department				$ -	$ -
4.6.2	Adjusted MLR					86.2%
4.6.3	Meets MLR Standard	Yes		Yes		Yes

**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. 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 withholds included in pharmacy claims

The health plan included pharmacy paid claims based on the amounts the health plan paid its PBM. During testing of the paid claims, it was determined the PBM transactions with the pharmacies reflected amounts withheld from the payments to the pharmacies that were not included as a reduction to the paid amounts reported by the health plan. An adjustment was proposed to reduce incurred claims for the amount withheld from the pharmacies per the PBM supporting documentation. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and the Center for Medicaid and CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$(4,764)

Adjustment #2 – To adjust IBNR to supporting documentation

The health plan submitted more current claim lag tables for the incurred but not reported (IBNR) estimate that reflected material differences in IBNR by population to the original estimate. An adjustment was proposed to decrease IBNR to the appropriate amount per supporting information. The IBNR and 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	$(419,134)

Adjustment #3 – To remove unsupported care coordination expenses

The health plan reported sub-capitated expense on the MLR Report. Based on the information submitted, the per-member-per month expenses represented care coordination services paid to providers for a restricted program intended to manage the care of the members. Care coordination services are considered health care quality improvement (HCQI) expenses. Documentation supporting

the amount of allowable HCQI costs incurred by the providers was not provided. An adjustment has been proposed to remove the unsupported amounts. The medical and HCQI expenses reporting requirements are addressed in the Medicaid Managed Care Final Rule §§ 42 CFR 438.8(e)(2) and 438.8(e)(3).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($21,720)

Adjustment #4 – To adjust HCQI expenses to amount per supporting documentation

The health plan reported HCQI expense on the MLR Report. Based on updated cost study information submitted, the amount reported per the template was lower than supporting information. An adjustment is proposed to increase the allowable amount included per supporting documentation. The HCQI expenses 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	$24,164

Adjustment #5 – To adjust premium revenue per state data

The health plan reported revenue amounts that did not reflect payments received for its members applicable to the covered dates of service for the MLR reporting period. An adjustment was proposed to report the revenues per state data for capitation payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.1	Premium Revenue	$390,998

Adjustment #6 – 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 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 Costs (Not Included in Numerator)	$(233,201)