



### **Table of Contents**

Table of Contents	.1
Independent Accountant's Report	.2
Mental Health Legacy Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022	3
Substance Abuse Legacy Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022	
Schedule of Adjustments and Comments for the State Fiscal Year Ended  June 30, 2022	5



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 Salt Lake County 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 populations do 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 February 14, 2024

# 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		Reported Amounts	Adjustment Amounts		Adjusted Amounts	
1.	Medical Loss Ratio Numerator						
1.1	Incurred Claims	\$	56,823,789	\$	(398,199)	\$	56,425,590
1.2	Activities that Improve Health Care Quality	\$	2,035,011	\$	(895,049)	\$	1,139,962
1.3	MLR Numerator	\$	58,858,800	\$	-	\$	57,565,552
1.4	Non-Claims Costs (Not Included in Numerator)	\$	3,784,119	\$	(3,784,119)	\$	-
2.	Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$	73,544,932	\$	-	\$	73,544,932
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	1,749,108	\$	(7,458)	\$	1,741,650
2.3	MLR Denominator	\$	71,795,824	\$	-	\$	71,803,282
3.	MLR Calculation						
3.1	Member Months		1,434,114		-		1,434,114
3.2	Unadjusted MLR		82.00%		-1.8%		80.29
3.3	Credibility Adjustment		0.00%		0.0%		0.09
3.4	Adjusted MLR		82.00%		-1.8%		80.29
4.	Remittance						
4.2	State Minimum MLR Requirement		85.00%				85.09
4.6.2	Adjusted MLR						80.29
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.

# 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 for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022							
Line #	Line Description		Reported Amounts	Adj	ustment Amounts	A	Adjusted Amounts
1.	Medical Loss Ratio Numerator						
1.1	Incurred Claims	\$	5,778,463	\$	-	\$	5,778,463
1.2	Activities that Improve Health Care Quality	\$	249,708	\$	(109,828)	\$	139,880
1.3	MLR Numerator	\$	6,028,171	\$	-	\$	5,918,343
1.4	Non-Claims Costs (Not Included in Numerator)	\$	488,982	\$	(488,982)	\$	
2.	Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$	9,024,391	\$	-	\$	9,024,393
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	239,274	\$	(916)	\$	238,358
2.3	MLR Denominator	\$	8,785,118	\$	-	\$	8,786,034
3.	MLR Calculation						
3.1	Member Months		1,416,972		-		1,416,972
3.2	Unadjusted MLR		68.60%		-1.2%		67.49
3.3	Credibility Adjustment		0.00%		0.0%		0.09
3.4	Adjusted MLR		68.60%		-1.2%		67.49
4.	Remittance						
4.2	State Minimum MLR Requirement		85.00%				85.09
4.6.2	Adjusted MLR						67.49
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.

# 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 third party vendor expenses that are not considered incurred claims

The health plan included payments to Valley Behavioral Health (VBH) related to Behavioral Health Outreach salary expense. Based on the explanations provided by Optum for activities performed by the salaried personnel, their primary responsibility was to assist people with Medicaid enrollment. Additionally, the health plan included the administrative fee paid to Utah Transit Authority (UTA), and fees paid to University of Utah for crisis intervention training. These types of expense do not qualify as incurred claims cost. An adjustment was proposed to remove the non-allowable cost per supporting documentation. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustments							
Legacy Population							
Line #	Line Description	Mental Health	Substance Abuse				
1.1	Incurred Claims	(\$329,628)	\$0				

## Adjustment #2 – To reclassify vendor expenses for Mental Health Court from incurred claims to activities that improve health care quality

The health plan included a program provided by University Neuropsychiatric Institute (UNI) as incurred claims. During testing, the program offered was noted to be health care quality improvement (HCQI). The Mental Health Court expense was reclassified to HCQI expense and allocated between Mental Health and Substance Abuse as it is not Mental Health specific. The adjustments were proposed utilizing the supporting documentation provided by Optum Health and Salt Lake County. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2). The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed Adjustments							
Legacy Population							
Line #	Line Description	Mental Health	Substance Abuse				
1.1	Incurred Claims	(\$68,571)	\$0				
1.2	Activities that Improve Health Care Quality	\$61,077	\$7,494				

#### Adjustment #3 - To remove non-allowable HCQI expenses

The health plan included in Health Care Quality Improvement/Health Information Technology (HCQI/HIT) expenses that do not meet the definition of HCQI/HIT expenses and ineligible salary expense. During testing, it was noted that the HCQI allocation included indirect overhead, which does not qualify as HCQI expense. Therefore, an adjustment was proposed to remove the non-qualifying amounts and salaried positions. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3), 45 CFR § 158.150, and 45 CFR § 158.151.

Proposed Adjustments							
	Legacy Population						
Line #	Line Description	Substance Abuse					
1.2	Activities that Improve Health Care Quality	(\$956,126)	(\$117,322)				

#### Adjustment #4 - To adjust examination fees, state premium taxes, local taxes and assessments

The health plan reported state and federal taxes based on marginal income. An adjustment was made to calculate allowable taxes based on adjusted taxable income rather than marginal income and to include the change in deferred income tax. The qualifying tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Adjustments							
Legacy Population							
Line #	Line Description	Mental Health	Substance Abuse				
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	(\$7,458)	(\$916)				

#### 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 HCQI, resulting in total Taxes and Fees and HCQI being duplicated in the Non-Claims Costs in the MLR. An adjustment was proposed to remove reported Taxes and Fees and 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 Adjustments							
Legacy Population							
Line #	Line Description	Mental Health	Substance Abuse				
1.4	Non-Claims Costs (Not Included in	(\$3,784,119)	(\$488,982)				
	Numerator)						