

The background of the entire page is a blurred photograph of a medical professional, likely a nurse, wearing a white coat and gloves, attending to a patient. A semi-transparent green overlay covers the left and center portions of the image. Overlaid on this green area are several white line-art icons: a syringe in the upper right, a pill in the middle left, a virus particle in the center, a large medical cross in the center, and a group of three stylized human figures in the lower center. A network of thin white lines connects these icons and other points across the green area. The right side of the page is a solid dark grey triangle that points towards the bottom left, containing the title and other text.

SOUTHWEST BEHAVIORAL HEALTH CENTER

Legacy and Expansion Populations 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** L.C.
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 Southwest 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 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, however, the Adjusted Medical Loss Ratios for the mental health and substance abuse legacy populations do not meet the requirement 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 24, 2023



SOUTHWEST BEHAVIORAL HEALTH CENTER
ADJUSTED MEDICAL LOSS RATIO
LEGACY POPULATION

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	Adjusted Amounts
1. Medical Loss Ratio Numerator				
1.1	Incurred Claims	\$ 13,690,073	\$ (69,397)	\$ 13,620,676
1.2	Activities that Improve Health Care Quality	\$ 13,157	\$ 1,144	\$ 14,301
1.3	MLR Numerator	\$ 13,703,230	\$ -	\$ 13,634,977
1.4	Non-Claims Costs (Not Included in Numerator)	\$ 706,027	\$ (307,764)	\$ 398,263
2. Medical Loss Ratio Denominator				
2.1	Premium Revenue	\$ 16,608,904	\$ -	\$ 16,608,904
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 294,607	\$ (3,279)	\$ 291,328
2.3	MLR Denominator	\$ 16,314,297	\$ -	\$ 16,317,576
3. MLR Calculation				
3.1	Member Months	381,421	-	381,421
3.2	Unadjusted MLR	84.00%	-0.4%	83.6%
3.3	Credibility Adjustment	0.00%	0.0%	0.0%
3.4	Adjusted MLR	84.00%	-0.4%	83.6%
4. Remittance				
4.2	State Minimum MLR Requirement	85.00%		85.0%
4.6.2	Adjusted MLR			83.6%
4.6.3	Meets MLR Standard	No		No

**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.*



SOUTHWEST BEHAVIORAL HEALTH CENTER
ADJUSTED MEDICAL LOSS RATIO
LEGACY POPULATION

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	Adjustment Amounts	Adjusted Amounts
1. Medical Loss Ratio Numerator				
1.1	Incurred Claims	\$ 1,012,488	\$ 1,515	\$ 1,014,003
1.2	Activities that Improve Health Care Quality	\$ -	\$ 1,449	\$ 1,449
1.3	MLR Numerator	\$ 1,012,488	\$ -	\$ 1,015,452
1.4	Non-Claims Costs (Not Included in Numerator)	\$ 51,362	\$ (22,051)	\$ 29,311
2. Medical Loss Ratio Denominator				
2.1	Premium Revenue	\$ 1,260,877	\$ -	\$ 1,260,877
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 22,051	\$ 18,710	\$ 40,761
2.3	MLR Denominator	\$ 1,238,826	\$ -	\$ 1,220,116
3. MLR Calculation				
3.1	Member Months	381,421	(4,430)	376,991
3.2	Unadjusted MLR	81.70%	1.5%	83.2%
3.3	Credibility Adjustment	0.00%	1.0%	1.0%
3.4	Adjusted MLR	81.70%	2.5%	84.2%
4. Remittance				
4.2	State Minimum MLR Requirement	85.00%		85.0%
4.6.2	Adjusted MLR			84.2%
4.6.3	Meets MLR Standard	No		No

**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.*



SOUTHWEST BEHAVIORAL HEALTH CENTER
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

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	\$ 1,386,422	\$ (5,846)	\$ 1,380,576		\$ 1,380,576
1.2	Activities that Improve Health Care Quality	\$ 1,030	\$ 19	\$ 1,049		\$ 1,049
1.3	MLR Numerator	\$ 1,387,452	\$ -	\$ 1,381,625		\$ 1,381,625
1.4	Non-Claims Costs (Not Included in Numerator)	\$ 74,820	\$ (34,907)	\$ 39,913		\$ 39,913
2. Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$ 2,136,759	\$ -	\$ 2,136,759	\$ (439,524)	\$ 1,697,235
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 33,877	\$ (24,370)	\$ 9,507		\$ 9,507
2.3	MLR Denominator	\$ 2,102,882	\$ -	\$ 2,127,252	\$ (439,524)	\$ 1,687,728
3. MLR Calculation						
3.1	Member Months	42,829	-	42,829		42,829
3.2	Unadjusted MLR	66.00%	-1.1%	64.9%		81.9%
3.3	Credibility Adjustment	3.10%	0.0%	3.1%		3.1%
3.4	Adjusted MLR	69.10%	-1.1%	68.0%		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	69.10%		68.0%		68.0%
4.6.1	Risk Corridor Cost Settlement Due to Department				\$ (439,524)	\$ (439,524)
4.6.2	Adjusted MLR					85.0%
4.6.3	Meets MLR Standard	No		No		Yes

**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.*



SOUTHWEST BEHAVIORAL HEALTH CENTER
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

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	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement	Adjusted Amounts
1. Medical Loss Ratio Numerator						
1.1	Incurred Claims	\$ 388,366	\$ 740	\$ 389,106		\$ 389,106
1.2	Activities that Improve Health Care Quality	\$ -	\$ 403	\$ 403		\$ 403
1.3	MLR Numerator	\$ 388,366	\$ -	\$ 389,509		\$ 389,509
1.4	Non-Claims Costs (Not Included in Numerator)	\$ 23,509	\$ (12,297)	\$ 11,212		\$ 11,212
2. Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$ 901,884	\$ -	\$ 901,884	\$ (422,431)	\$ 479,453
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 12,297	\$ (8,650)	\$ 3,647		\$ 3,647
2.3	MLR Denominator	\$ 889,586	\$ -	\$ 898,236	\$ (422,431)	\$ 475,805
3. MLR Calculation						
3.1	Member Months	42,829	-	42,829		42,829
3.2	Unadjusted MLR	43.70%	-0.3%	43.4%		81.9%
3.3	Credibility Adjustment	3.14%	0.0%	3.1%		3.1%
3.4	Adjusted MLR	46.84%	-0.3%	46.5%		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	46.84%		46.5%		46.5%
4.6.1	Risk Corridor Cost Settlement Due to Department				\$ (422,431)	\$ (422,431)
4.6.2	Adjusted MLR					85.0%
4.6.3	Meets MLR Standard	No		No		Yes

**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.*



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 reclassify encounter units on schedules 3MH, 3SA, and 4 to the proper cost center.
- To adjust cost for non-coded transportation based on supporting documentation.
- To adjust TPL allocation between rate cells based on adjustments to encounter units.
- To remove duplicated direct hours for two employees on Schedule 6.

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					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
1.1	Incurred Claims	\$ (69,397)	\$ (5,846)	\$ 1,515	\$ 740

Adjustment #2 – To adjust HCQI expense based on supporting documentation provided by the health plan.

The health plan reported health care quality improvement (HCQI) expenses based on costs of activities performed by specific staff members. Based on the supporting documentation, reported costs qualify as allowable HCQI expense. However, the health plan allocated all allowable HCQI expense to the mental health legacy and expansion populations rather than only the Medicaid managed care line of business. An adjustment was proposed to allocate the qualifying HCQI expense to the Medicaid managed care line of business. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustments					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
1.2	Activities that Improve Health Care Quality	\$ 1,144	\$ 19	\$ 1,449	\$ 403

Adjustment #3 – To adjust reported CBE expenses to the Medicaid share of allowable CBE expenses based on supporting documentation.

The health plan reported community benefit expenditures (CBE) related to the costs incurred net of revenues received for community housing, community meals, and social determinants of health. Based on the supporting documentation, reported costs qualify as allowable CBE costs. However, upon review of the revenues, it was determined the health plan did not offset all applicable revenues against qualifying costs. An adjustment was proposed to offset applicable revenues against qualifying CBE expenses and to allocate the allowable amount 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).

Proposed Adjustments					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ (12,084)	\$ (4,697)	\$ 2,691	\$ (346)

Adjustment #4 – 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, which included expense not applicable to the Medicaid managed care line of business. The plan allocated the administrative fee to both the legacy and expansion populations. Per guidance from UDHHS, the fee only applies to legacy population. An adjustment was proposed to remove the portion of the fee applied to expansion population and report the legacy portion of the fee per the state's records. The qualifying tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Adjustments					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 8,805	\$ (19,673)	\$ 16,019	\$ (8,304)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #5 – To adjust member months per state data.

The health plan reported member month amounts that did not reflect the total member months for its members, per the state data, applicable to the covered dates of service for the MLR reporting period. An adjustment was proposed to report the member months per the state data. The member months reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(1)(xiii).

Proposed Adjustments					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
3.1	Member Months	-	-	(4,430)	-

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 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					
		Mental Health		Substance Abuse	
Line #	Line Description	Legacy	Expansion	Legacy	Expansion
1.4	Non-Claims Costs (Not Included in Numerator)	\$(307,764)	\$ (34,907)	\$ (22,051)	\$ (12,297)