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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 Wasatch 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 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.

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 18, 2024

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

Adjı	Adjusted Mental Health Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022 Paid Through September 30, 2022					
Line #	Line Description	R	eported Amounts	Adjustment Amounts	Adjusted Amounts	
1.	Medical Loss Ratio Numerator					
1.1	Incurred Claims	\$	27,396,782	\$ 94,228	\$ 27,491,010	
1.2	Activities that Improve Health Care Quality	\$	127,551	\$ (117,769)	\$ 9,782	
1.3	MLR Numerator	\$	27,524,333	\$ (23,541)	\$ 27,500,792	
1.4	Non-Claims Costs (Not Included in Numerator)	\$	693,126	\$ (693,126)	\$ -	
2.	Medical Loss Ratio Denominator					
2.1	Premium Revenue	\$	32,843,550	\$ (29,680)	\$ 32,813,870	
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	565,574	\$ 36,435	\$ 602,009	
2.3	MLR Denominator	\$	32,277,976	\$ (66,115)	\$ 32,211,861	
3.	MLR Calculation					
3.1	Member Months		-	681,037	681,037	
3.2	Unadjusted MLR		85.30%	0.1%	85.4%	
3.3	Credibility Adjustment		Non-Credible	0.0%	0.0%	
3.4	Adjusted MLR		N/A	85.4%	85.4%	
4.	Remittance					
4.2	State Minimum MLR Requirement		85.00%		85.0%	
4.6.2	Adjusted MLR				85.4%	
4.6.3	Meets MLR Standard		Yes		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.

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

Adjus	sted Substance Abuse Medical Loss Ratio for the State Fiscal	Yea	r Ended June 30, 2	022	Paid Through Sep	ter	nber 30, 2022
Line #	Line Description		Reported Amounts	Adj	justment Amounts	,	Adjusted Amounts
1.	Medical Loss Ratio Numerator						
1.1	Incurred Claims	\$	1,261,911	\$	415,235	\$	1,677,146
1.2	Activities that Improve Health Care Quality	\$	5,734	\$	(5,151)	\$	583
1.3	MLR Numerator	\$	1,267,645	\$	410,084	\$	1,677,729
1.4	Non-Claims Costs (Not Included in Numerator)	\$	52,186	\$	(52,186)	\$	
2.	Medical Loss Ratio Denominator						
2.1	Premium Revenue	\$	2,024,547	\$	(956)	\$	2,023,59
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$	46,452	\$	6,327	\$	52,779
2.3	MLR Denominator	\$	1,978,095	\$	(7,283)	\$	1,970,812
3.	MLR Calculation						
3.1	Member Months		-		681,037		681,03
3.2	Unadjusted MLR		64.10%		21.0%		85.19
3.3	Credibility Adjustment		Non-Credible		0.0%		0.09
3.4	Adjusted MLR		N/A		85.1%		85.19
4.	Remittance						
4.2	State Minimum MLR Requirement		85.00%				85.09
4.6.2	Adjusted MLR						85.19
4.6.3	Meets MLR Standard		Yes				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 adjust incurred claims to reconcile to the as-filed cost report.
- To adjust employee direct hours on Schedule 6 to health plan supporting documentation.
- To adjust non-wage expenses for non-covered housing, supportive living, and inpatient reported on Schedule 5 to health plan supporting documentation.
- To adjust units reported on the Schedule 3 and Schedule 4 to health plan supporting documentation.
- To adjust TPL payment on Schedule 2 to health plan supporting documentation.

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						
	Legacy Population					
Line #	Line Description	Mental Health	Substance Abuse			
1.1	Incurred Claims	\$94,228	\$415,235			

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

The health plan reported health care quality improvement (HCQI) expense based on costs of activities performed by specific staff members. Some of the costs claimed do not qualify as HCQI expense based on current guidance. An adjustment was proposed to remove non-qualifying HCQI expense and 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).

Proposed Adjustments					
Legacy Population					
Line #	Line Description	Mental Health	Substance Abuse		
1.2	Activities that Improve Health Care Quality	(\$117,769)	(\$5,151)		

Adjustment #3 – To adjust premium revenues per state data

The health plan reported premium revenues that did not reflect the total payments received 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 premium revenues per the state data. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed Adjustments						
	Legacy Population					
Line #	Line # Line Description Mental Health Substance					
2.1	Premium Revenue	(\$29,680)	(\$956)			

Adjustment #4 – To include qualifying CBE expenses

The health plan reported community benefit expenditures (CBE) related to the costs incurred for non-covered housing and client meals. Based on the supporting documentation, a small portion of the reported CBE costs did not qualify as allowable CBE expense per CMS guidance. Additionally, allowable CBE expense increased due to the adjustments proposed to the PMHP financial report CBE carve-out calculation as described in Adjustment # 1. An adjustment was proposed to include the qualifying CBE expense on the MLR Report for 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					
Legacy Population					
Line #	Line Description	Mental Health	Substance Abuse		
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$35,956	\$6,295		

Adjustment #5 – 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. However, the as-filed administrative fee did not agree to the state data. An adjustment was proposed to include the administrative fee amounts per the state data. 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	\$479	\$32		

Adjustment #6 - To adjust member months per state data

The health plan did not report member months on the submitted MLR. 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						
	Legacy Population					
Line #	Line Description	Mental Health	Substance Abuse			
3.1	Member Months	681,037	681,037			

Adjustment #7 – 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) and quality improvement expenses, resulting in total Taxes and Fees and Quality Improvement Expenses being duplicated in the Non-Claims Costs in the MLR. An adjustment was proposed to remove reported Taxes and Fees and Quality Improvement Expenses 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 Numerator)	(\$693,126)	(\$52,186)			