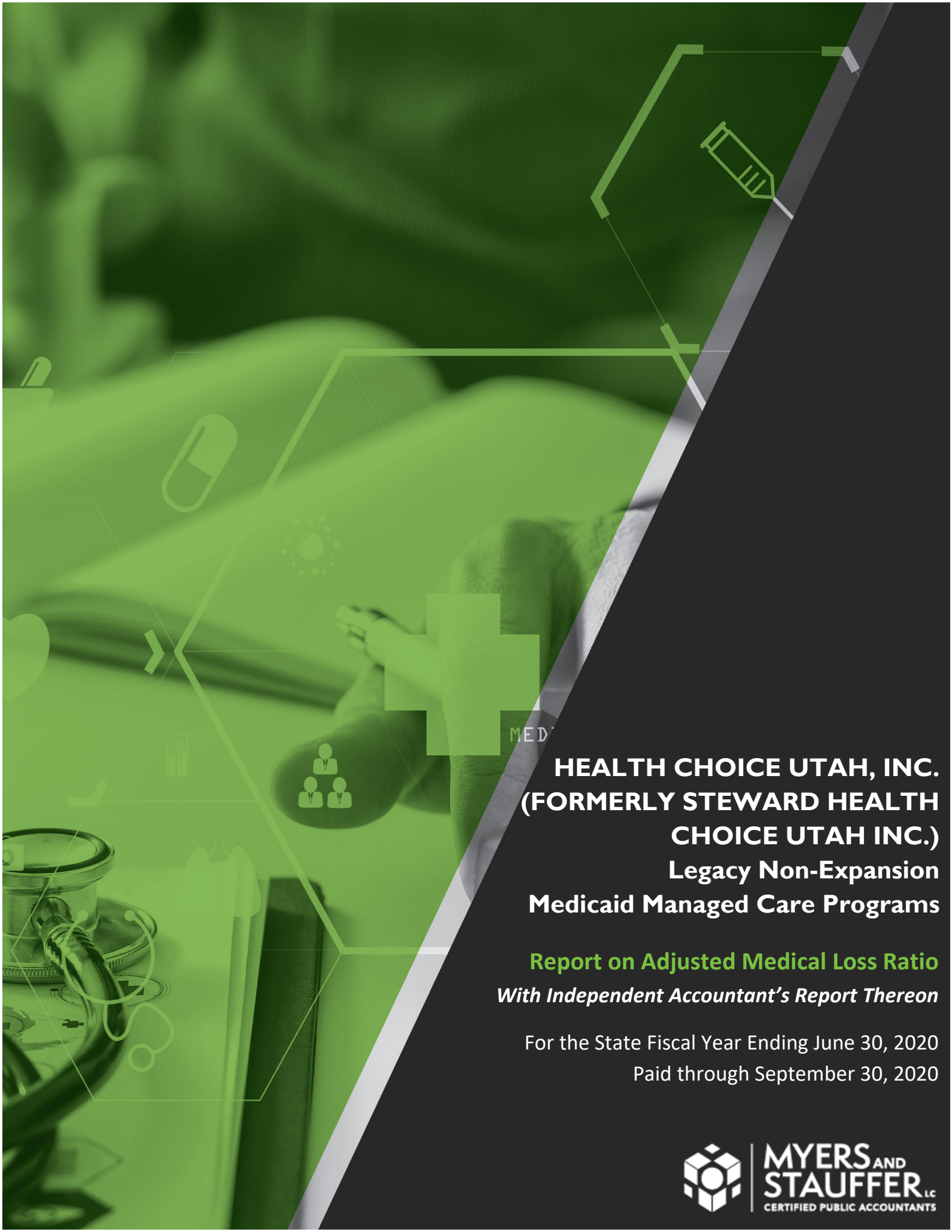

HEALTH CHOICE UTAH, INC. (FORMERLY STEWARD HEALTH CHOICE UTAH INC.)

Legacy Non-Expansion Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio

With Independent Accountant's Report Thereon

For the State Fiscal Year Ending June 30, 2020

Paid through September 30, 2020

MYERS AND STAUFFER LC

CERTIFIED PUBLIC ACCOUNTANTS

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State of Utah
Department of Health, Division of Medicaid and Health Financing
Salt Lake City, Utah

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of Health Choice Utah, Inc. (Health Choice) Accountable Care Organization for the state fiscal year ending June 30, 2020. Health Choice's management is responsible for presenting 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 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.

The accompanying Adjusted Medical Loss Ratio was prepared 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 above referenced accompanying Adjusted Medical Loss Ratio is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted Medical Loss Ratio Percentage Achieved exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the state fiscal year ending June 30, 2020.

This report is intended solely for the information and use of the Department of Health, Milliman, and Health Choice 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
January 13, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through September 30, 2020

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through September 30, 2020				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1. Numerator				
1.1	Incurred Claims	$ 55,775,782	$ 23,158,633	$ 78,934,416
1.2	Quality Improvement	$ 1,406,028	$ (443,750)	$ 962,278
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 57,181,810	$ 22,714,883	$ 79,896,693
2. Denominator				
2.1	Premium Revenue	$ 66,770,067	$ 25,348,194	$ 92,118,261
2.2	Taxes and Fees	$ 951,036	$ 152,544	$ 1,103,580
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 65,819,031	$ 25,195,650	$ 91,014,681
3. Credibility Adjustment				
3.1	Member Months	221,623	-	221,623
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.42%	0.0%	1.4%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	86.88%	0.9%	87.8%
4.2	Credibility Adjustment	1.42%	0.0%	1.4%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	88.30%	0.9%	89.2%
5. Remittance Calculation				
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes
5.2	MLR Standard	85.00%		85.0%
5.3	Adjusted MLR	88.30%		89.2%
5.4	Meets MLR Standard	Yes		Yes

Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2020

During our examination, we identified the following adjustments.

Adjustment #1 – To adjust incurred claims to supporting documentation

The health plan reported incurred claims on the MLR Report that did not agree to the supporting documentation. Based on testing performed, it was determined the paid claims detail was appropriate. However, the detail reflected additional rate cells related to the Non-Integrated Expansion population, which should have been excluded. Therefore, an adjustment was proposed to decrease the amount of incurred claims to properly reflect the total paid claims amount excluding the Non-Integrated Expansion population. 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	($241,696)

Adjustment #2 – To remove interest expense included in paid claims

The health plan included interest paid on untimely processed claims as an incurred claims cost. Interest is not an allowable incurred claims cost. Therefore, an adjustment was proposed to remove the interest expense. The incurred claims cost 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	($9,130)

Adjustment #3 – To adjust qualified taxes to actual incurred expense

The health plan did not appropriately report incurred income taxes related to the Non-Integrated Expansion population on the MLR Report. An adjustment was proposed to reduce the tax based on the audited financial statements and the expense apportioned to the Non-Integrated Expansion population. The taxes and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42

CFR § 438.8(f)(3) and Centers for Medicare & Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.2	Taxes and Fees	($152,297)

Adjustment #4 – To adjust premium revenue and incurred claims to include directed payments and associated expense

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. After discussions with the Department of Health, it was determined the private hospitals 26-36d-205, state hospital inpatient upper payment limit (UPL), state hospital outpatient UPL, and the University of Utah Medical Group payments are approved under 42 CFR § 438.6(c); and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The directed payment and associated expense reporting requirements are addressed Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and § 438.6(c). The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$24,178,398
2.1	Premium Revenue	$24,178,398

Adjustment #5 – To adjust premium revenue to state data

The health plan reported revenue amounts that did not reflect all 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, Health Insurer Fee (HIF) payments, and maternity payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2). The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.1	Premium Revenue	$1,169,796

Adjustment #6 – To remove non-qualifying HCQI expenses

The health plan reported health care quality improvement (HCQI) expenses utilizing vendor data as well as salaries and benefits. It was noted certain salaries included within the MLR Report were non-qualifying expenses or not reported appropriately per supporting documentation. Additionally, it was determined a related party expense for care coordination was included in HCQI expenses based on a $2 per member per month. The health plan was unable to provide the actual cost of the related party entity providing the service to support the expense. Therefore, an adjustment was proposed remove the non-qualifying salaries and benefits, properly reflect expenses per supporting documentation, as well as the unsupported related party expense from HCQI expenses. The HCQI reporting requirements are addressed in Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and related party principles are addressed in CMS Publication 15-1, Chapter 10.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Quality Improvement	($443,750)

Adjustment #7 – To remove spread pricing from pharmacy expense

The health plan reported pharmacy expenses based on internal claims data, which included amounts the health plan paid to the pharmacy benefit manager (PBM). Based on claims detail sample testing, it was determined variances existed between the amounts paid to retail pharmacies compared to payments reflected in the health plan's data, and spread pricing was the difference in the two data sources. This margin charged to the health plan is considered PBM profit and is an unallowable medical expense. Therefore, an adjustment was proposed to remove the identified spread pricing to report actual pharmacy medical expenditures. The medical expense and third party reporting requirements related to spread pricing are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8 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	($710,129)

Adjustment #8 – To adjust IBNR to supporting documentation and remove administrative fees

The health plan reported incurred but not reported (IBNR) expenses greater than the amount per supporting documentation, which was noted to be an error in filling of the MLR Report. Additionally, the health plan included an amount related to an additional 2.5 percent administration fee. An adjustment

was proposed to decrease IBNR expense based on supporting documentation and remove the non-allowable administration expense from medical expense. 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	($58,810)

Adjustment #9 – To adjust the HIF expense to state data

The health plan did not report the HIF expense for the MLR reporting period. The associated HIF revenues were included within Adjustment #5 and adjusted to state data. An adjustment was proposed to include HIF expense to reflect state data amounts. The taxes and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and the CMS Health Insurance Providers Fee for Medicaid Managed Care Plans FAQ dated October 2014. The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.2	Taxes and Fees	$304,841