MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 2021

Via Electronic Mail

Utah Department of Health, Division of Medicaid Health Financing
Aaron Eliason, Auditor IV
288 North 1460 West
Salt Lake City, UT 84116

Re: Adjusted Medical Loss Ratio Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Molina Healthcare of Utah Inc.'s Adjusted Medical Loss Ratio for the period of July 1, 2018 through June 30, 2019. As a courtesy to the Utah Department of Health and other readers, the health plan management's response letter is included, if provided, in addition to our examination report, as part of this transmittal packet. Myers and Stauffer LC, in no manner, expresses an opinion on the accuracy, truthfulness, or validity of the statements presented within the management's response letter.

Please contact us at the phone number below if you have questions.

Kind Regards,

Myers and Stauffer LC

Myers and Stauffer LC

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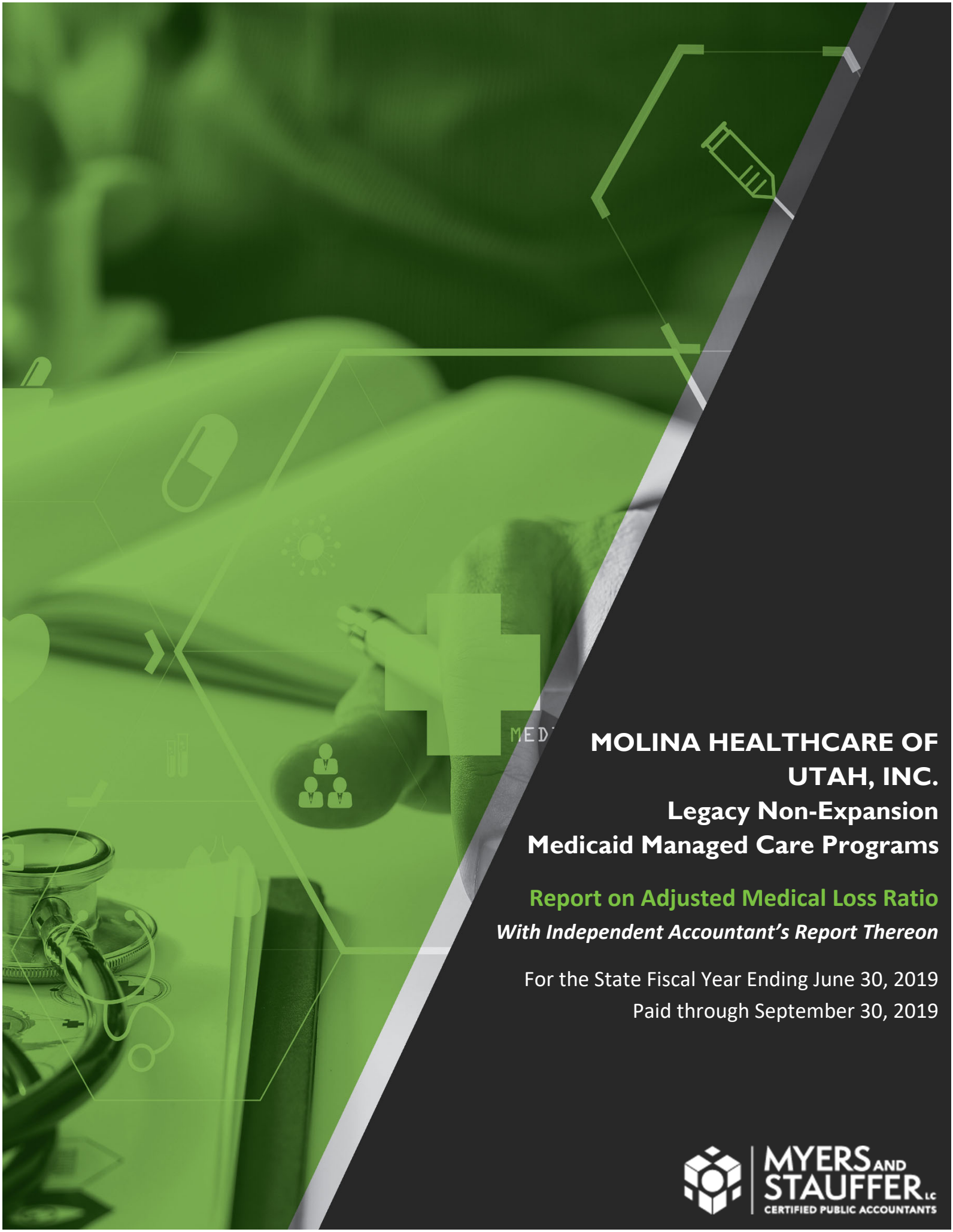

MOLINA HEALTHCARE OF UTAH, INC.
Legacy Non-Expansion Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio

With Independent Accountant's Report Thereon

For the State Fiscal Year Ending June 30, 2019

Paid through September 30, 2019

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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MYERS AND STAUFFER LC
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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 Molina Healthcare of Utah, Inc. (Molina) Accountable Care Organization for the state fiscal year ending June 30, 2019. Molina's management is responsible for presenting the Medical Loss Ratio (MLR) Reporting 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, except for the effect of the item addressed in the Schedule of Reporting Caveats, 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 does not exceed the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the state fiscal year ending June 30, 2019.

This report is intended solely for the information and use of the Department of Health, Milliman, and Molina 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
August 18, 2021

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through September 30, 2019

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2019 Paid Through September 30, 2019				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1. Numerator				
1.1	Incurred Claims	$ 134,032,551	$ 40,953,063	$ 174,985,614
1.2	Quality Improvement	$ 5,201,388	$ (3,622,107)	$ 1,579,281
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 139,233,939	$ 37,330,956	$ 176,564,895
2. Denominator				
2.1	Premium Revenue	$ 176,917,663	$ 43,720,225	$ 220,637,888
2.2	Taxes and Fees	$ 6,526,993	$ (1,101,774)	$ 5,425,219
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 170,390,670	$ 44,821,999	$ 215,212,669
3. Credibility Adjustment				
3.1	Member Months	716,486	-	716,486
3.2	Credibility	Fully Credible		Fully Credible
3.3	Credibility Adjustment	0.00%	0.0%	0.0%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	81.71%	0.3%	82.0%
4.2	Credibility Adjustment	0.00%	0.0%	0.0%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	81.71%	0.3%	82.0%
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	81.71%		82.0%
5.4	Meets MLR Standard	No		No

Schedule of Reporting Caveats

During our examination, the following reporting issues were identified.

Caveat #1 – MLR reporting period not aligning with the rating period

The Department of Health had a 12-month rating period of January 1, 2018 through December 31, 2018, followed by a 6-month rating period of January 1, 2019 through June 30, 2019, due to transitioning to a state fiscal year rating period. The MLR Report was developed by the Department of Health to capture data for the MLR reporting period of July 1, 2018 through June 30, 2019. Per 42 CFR § 438.8, the MLR reporting year should be consistent with the rating period selected by the state. For purposes of this engagement, the 12-month MLR reporting period was examined.

Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2019

During our examination, we identified the following adjustments.

Adjustment #1 – To adjust incentives to network providers to supporting documentation

The health plan included total incentives paid, or expected to be paid, to network providers on the MLR Report. Based on supporting documentation, it was determined the amount reported was overstated. An adjustment was proposed to remove the unsupported provider incentives. 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	($140,345)

Adjustment #2 – To adjust third party vendors to incurred claims cost

The health plan reported vision services as a per-member-per-month (PMPM) on the MLR Report. Based on the supporting certification statement attesting to incurred medical expense from the vision vendor, VSP, it was determined non-claims cost was included in medical expenses. An adjustment was proposed to reduce vision services expense to incurred cost based on the certification statement. The medical expense and third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(v).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($318,849)

Adjustment #3 – 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 paid amounts 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	($673,498)

Adjustment #4 – To adjust HCQI to revised methodology for reporting expenses

The health plan reported health care quality improvement (HCQI) expenses utilizing an incorrect application of the federal HCQI regulations. After further discussion with the health plan, it was determined new supporting documentation would be submitted to aligned with HCQI regulations. Testing procedures were completed on the revised documentation and was deemed reasonable after applying the 2020 allocation percentages. 2019 allocation percentages originally reported on the MLR report were not supported by actual time studies. However, the revised and reallocated amounts were less than previously reported on the MLR Report. Therefore, an adjustment was proposed to remove the unsupported HCQI expenses per the revised supporting documentation. The HCQI reporting requirements are addressed in Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Quality Improvement	($3,622,107)

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 revenues 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	$1,634,470

Adjustment #6 – To adjust income taxes based on audited financial statement information

The health plan reported income taxes that included amounts for investment income. Per the regulations, investments should be excluded from the taxes reported for MLR purposes. Additionally, deferred tax assets noted in the audited financials were not captured in the reporting of the taxes. A recalculation to include all pertinent items was completed and was determined to be lower than the MLR report. Therefore, an adjustment was proposed to reduce taxes down to the appropriate amounts per the recalculation. The tax 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	($1,101,774)

Adjustment #7 – 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), 42 CFR § 438.6(c), and 45 CFR § 158.130. The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$42,085,755
2.1	Premium Revenue	$42,085,755

Appendix A: Health Plan Responses

The health plan responses are attached below. The responses have been reviewed by Myers and Stauffer prior to finalization of the examination report, and have been incorporated into the adjustments if deemed necessary by Myers and Stauffer.

August 19, 2021

Myers and Stauffer
175 S Main St Floor 7
Salt Lake City, UT 84111

Dear Myers and Stauffer,

Thank you for meeting and providing the report on adjusted medical loss ratio this past Tuesday, August 17th.

During this call we learned that Myers and Stauffer made adjustments to QI values resubmitted by Molina by referencing a subsequent reporting period for QI allocations. We believe the revised amount Molina provided during the audit is more accurate than the adjusted MLR on the report. There are reasons why our QI allocations will differ materially between different reporting periods, including material shifts in LOB mix. As part of developing our QI submission we follow CMS guidelines using an auditable process using latest guidance from CMS and input from leadership across the Health plan.

The adjustments resulted in a material reduction of reported QI. While we recognize the report covering SFY ending June 30, 2019 has no financial impact, we reiterate our belief that the Quality Improvement (QI) adjustments of negative $3,622,107 understate the QI. As a result of the QI adjustment, we believe the MLR is materially understated.

Despite the lower MLR reported, we do recognize the difficulty with reporting on a SFY effective 7/1/2018, spanning two calendar years. We also recognize that this report, given the timeframe covered, is informational and request that we are given an opportunity to review future filings with material adjustments.

Sincerely,

DocuSigned by:
Alex Gantman
76D27BE3CE714C7...

Alex Gantman
Finance AVP
Molina Healthcare of Utah & Idaho