

The background features a blurred image of a person lying in a hospital bed, partially covered by a white sheet. A large, semi-transparent green cross is centered over the person's chest. The entire image is overlaid with a network of thin green lines and various medical icons, including a syringe, a pill, a virus, a stethoscope, and a group of people. The right side of the image transitions into a dark grey diagonal band where the text is located.

**NORTHEASTERN COUNSELING
CENTER**
**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 Northeastern Counseling Center's Prepaid Mental Health Plan for the state fiscal year ending June 30, 2020. Northeastern Counseling Center'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 Percentages Achieved for both the Mental Health and Substance Abuse populations do not exceed 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 Northeastern Counseling Center 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
March 10, 2022



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

Adjusted Mental Health 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	\$ 3,689,747	\$ 101,283	\$ 3,791,030
1.2	Quality Improvement	\$ 77,656	\$ -	\$ 77,656
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 3,767,403	\$ 101,283	\$ 3,868,686
2. Denominator				
2.1	Premium Revenue	\$ 4,927,193	\$ -	\$ 4,927,193
2.2	Taxes and Fees	\$ 104,631	\$ (104,631)	\$ -
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 4,822,562	\$ 104,631	\$ 4,927,193
3. Credibility Adjustment				
3.1	Member Months	124,032	-	124,032
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.85%	0.0%	1.9%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	78.12%	0.4%	78.5%
4.2	Credibility Adjustment	1.85%	0.0%	1.9%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	79.97%	0.4%	80.4%
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	79.97%		80.4%
5.4	Meets MLR Standard	No		No



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

Adjusted Substance Abuse 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	\$ 431,830	\$ (131,921)	\$ 299,909
1.2	Quality Improvement	\$ 8,993	\$ -	\$ 8,993
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 440,823	\$ (131,921)	\$ 308,902
2. Denominator				
2.1	Premium Revenue	\$ 436,681	\$ -	\$ 436,681
2.2	Taxes and Fees	\$ 26,484	\$ (26,484)	\$ -
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 410,197	\$ 26,484	\$ 436,681
3. Credibility Adjustment				
3.1	Member Months	122,463	-	122,463
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.85%	0.0%	1.9%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	107.47%	-36.8%	70.7%
4.2	Credibility Adjustment*	1.85%	0.0%	1.9%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	109.32%	-36.8%	72.6%
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	109.32%		72.6%
5.4	Meets MLR Standard	Yes		No

**Note 1: The Credibility Adjustment formula as-submitted template referenced Mental Health member months in the calculation of the Substance Abuse credibility adjustment. The Substance Abuse Credibility Adjustment formula was updated to reference Substance Abuse member months.*



Mental Health 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 remove items that do not qualify as examination fees, state premium taxes, local taxes and assessments

The health plan reported the PMHP administrative charge as a local tax on the MLR Report. This is part of an intergovernmental transfer (IGT) between the health plan and Utah Department of Health (DOH). After discussions with the DOH, it was determined that the administrative charge does not meet the definition of an allowable tax per the federal guidance. An adjustment was proposed to remove the administrative charge from the MLR calculation. The qualifying tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	(\$45,635)

Adjustment #2 – To adjust CBE per supporting documentation

The health plan reported community benefit expenditures (CBE) related to a property owned to house transitional patients and homeless people. Based on review of the supporting documentation, it was noted that these CBE costs relate to room and board for Medicaid clients. An adjustment was proposed to remove the CBE expenses from the MLR Report as these are non-covered Medicaid expenses. 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 Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	(\$58,996)



Adjustment #3 – To adjust incurred claims cost based on adjustments made to the PMHP cost report

The health plan's incurred claims cost was reported based on the claims cost included in the PMHP financial report. After performing verification procedures on the PMHP report, adjustments were made to the financial report for the following items:

- Remove advertising costs on Schedule 5.
- Offset the San Juan contract amount by the San Juan administrative expense reimbursement on Schedule 5.
- Adjust CPT direct hours on Schedule 6 to health plan support.
- Remove retroactive inpatient claims on Schedule 4A Part 4R, remove prior year accruals on Schedule 4A Part 4R, and adjust Schedule 3MH & Schedule 4 inpatient units to reconcile to retroactive adjustments.
- Adjust Schedule 5 MH inpatient hospitalization general ledger amounts to reconcile to retroactive and accrual adjustments.
- Adjust Schedule 4 audited financial amount, and adjust reconciling items between audited financial expense amount and Schedule 4 expense amount.
- Adjust Schedule 6 to allocate 10% of information technology employees' salaries to health plan administrative costs.

These adjustments to the PMHP report then impacted the incurred claims cost reported on the MLR report. The incurred claims reported 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	\$101,283



Substance Abuse 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 remove items that do not qualify as examination fees, state premium taxes, local taxes and assessments

The health plan reported the PMHP administrative charge as a local tax on the MLR Report. This is part of an intergovernmental transfer (IGT) between the health plan and Utah Department of Health (DOH). After discussions with the DOH, it was determined that the administrative charge does not meet the definition of an allowable tax per the federal guidance. An adjustment was proposed to remove the administrative charge from the MLR calculation. The qualifying tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	(\$13,384)

Adjustment #2 – To adjust incurred claims cost based on adjustments made to the PMHP cost report

The health plan's incurred claims cost was reported based on the claims cost included in the PMHP financial report. After performing verification procedures on the PMHP report, adjustments were made to the financial report for the following items:

- Remove advertising costs on Schedule 5.
- Offset the San Juan contract amount by the San Juan administrative expense reimbursement on Schedule 5.
- Adjust CPT direct hours on Schedule 6 to plan support.
- Adjust third party liability amounts on Schedule 2BSA to health plan support.
- Adjust Schedule 4 audited financial amount, and adjust reconciling items between audited financial expense amount and Schedule 4 expense amount.
- Adjust H0018 and H2036 Schedule 6 SA minutes/hours equal to units.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

- Adjust Schedule 6 to allocate 10% of information technology employees' salaries to health plan administrative costs.

These adjustments to the PMHP report then impacted the incurred claims cost reported on the MLR report. The incurred claims reported 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	(\$131,921)

Adjustment #3 – To correct a formula error on the as-submitted medical loss ratio template regarding the calculation of allowable Community Benefit Expenditures

The DOH's MLR Report contains a formula error in the calculation of maximum allowable community benefit expenditures (CBE) for tax exempt health plans. The formula includes the lesser of three percent of premium revenues or actual CBE expense in the MLR calculation. Because the health plan submitted the MLR Report with a blank value rather than a zero value for CBE expense, the lesser of logic included three percent of premium revenue in the MLR calculation rather than zero. As a result, the MLR calculation was overstated. An adjustment was proposed to update the report formula to correctly calculate CBE on the MLR Report. 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 Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	(\$13,100)