



September 23, 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 SelectHealth, 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

The background features a blurred image of a person's face and hands, overlaid with a green semi-transparent layer. This layer contains various medical icons: a syringe, a pill, a virus, a stethoscope, a clipboard, and a group of three people. A large green cross is centered over the person's face. The right side of the image is a dark grey diagonal gradient.

SELECTHEALTH, 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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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 SelectHealth, Inc. (SelectHealth) Accountable Care Organization for the state fiscal year ending June 30, 2019. SelectHealth'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 exceeds 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 SelectHealth 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
September 14, 2021



SELECTHEALTH, INC.
ADJUSTED MEDICAL LOSS RATIO

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	\$ 304,966,831	\$ 142,637,910	\$ 447,604,741
1.2	Quality Improvement	\$ 2,682,712	\$ 1,289,375	\$ 3,972,087
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 307,649,543	\$ 143,927,285	\$ 451,576,828
2. Denominator				
2.1	Premium Revenue	\$ 335,338,959	\$ 147,572,006	\$ 482,910,965
2.2	Taxes and Fees	\$ 17,076	\$ 1,619,332	\$ 1,636,408
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 335,321,883	\$ 145,952,674	\$ 481,274,557
3. Credibility Adjustment				
3.1	Member Months	1,099,563	-	1,099,563
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]	91.75%	2.1%	93.8%
4.2	Credibility Adjustment	0.00%	0.0%	0.0%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	91.75%	2.1%	93.8%
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	91.75%		93.8%
5.4	Meets MLR Standard	Yes		Yes



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 HCQI expenses

The health plan reported health care quality improvement (HCQI) expenses utilizing 0.8% of premium revenues instead of actual cost. This election of reporting HCQI expenses is outlined in 45 CFR § 158.221 for the calculation of the MLR under the Affordable Care Act. However, is not referenced in the calculation of the MLR per the Medicaid Managed Care Final Rule. Therefore, actual HCQI costs were requested and examined. During review of the revised supporting documentation of actual HCQI cost totaling \$4,480,730, non-qualifying items of \$508,643 were identified including salaried positions as well as administrative overhead expenses. Those amounts were deducted from the submitted cost to arrive at the verified amount. An adjustment was proposed to include the additional HCQI costs per the revised supporting documentation, excluding non-qualifying expenses. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	Line Description	Amount
1.2	Quality Improvement	\$1,289,375

Adjustment #2 – 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, maternity payments, and high cost drug pool 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	\$4,934,096



Adjustment #3 – 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 #2 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. The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	\$1,619,332

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), 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	\$142,637,910
2.1	Premium Revenue	\$142,637,910



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.



5281 Green Street
Murray, UT 84123
selecthealth.org

September 14, 2021

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

Re: SelectHealth's Management Response to the State Fiscal Year (SFY) 2019 Legacy Non-Expansion Medicaid Managed Care Programs Medical Loss Ratio (MLR) Examination Report

Please accept this letter as SelectHealth, Inc.'s (the Company) formal response to the Schedule of Adjustments and Comments section of the above mentioned MLR Examination Report for SFY2019 prepared by Myers and Stauffer, LC (M&S).

Adjustment #1 – Health Care Quality Improvement (HCQI) Expenses

The Company respectfully disagrees with M&S's assessment that certain administrative expenses related to the management and overhead of HCQI efforts do not qualify as eligible HCQI expenses. The Company believes that cost associated with managerial oversight and administrative support of its employees is necessary in achieving HCQI objectives. Understanding M&S's position, the Company will work with the Utah Department of Health to determine an appropriate reporting approach in future periods.

Adjustment #2 – Premium Revenue

The MLR instructions provided explicitly stated that the high cost drug settlement was not applicable to SFY2019. The Company excluded reimbursement related to the Health Insurer Fee (HIF) since the provided MLR instructions explicitly said to exclude HIF tax expense. The Company excluded HIF revenues, understanding that MLR regulations generally intend to match contract period premiums with the expenses they were underwritten to cover. The Company agrees that the instructions should have included these elements and looks forward to revised instructions in future periods.

Adjustment #3 – Health Insurer Fee Expense

The Company followed the provided MLR instructions that explicitly stated to exclude HIF expenses. The Company agrees that the instructions should have included this element and looks forward to revised instructions in future periods.



5281 Green Street
Murray, UT 84123
selecthealth.org

Adjustment #4 – Directed Payments

The Company followed the provided MLR instructions that explicitly stated to exclude directed payments from capitation revenue. The MLR reporting form and instructions did not provide lines to report directed payment activity in either the incurred claims or premium revenue sections. The Company agrees that the instructions should have included this element and looks forward to revised instructions in future periods.

We appreciate the opportunity to provide our feedback and look forward to working with you to strengthen this process in the years to come.

Sincerely,

SelectHealth, Inc.