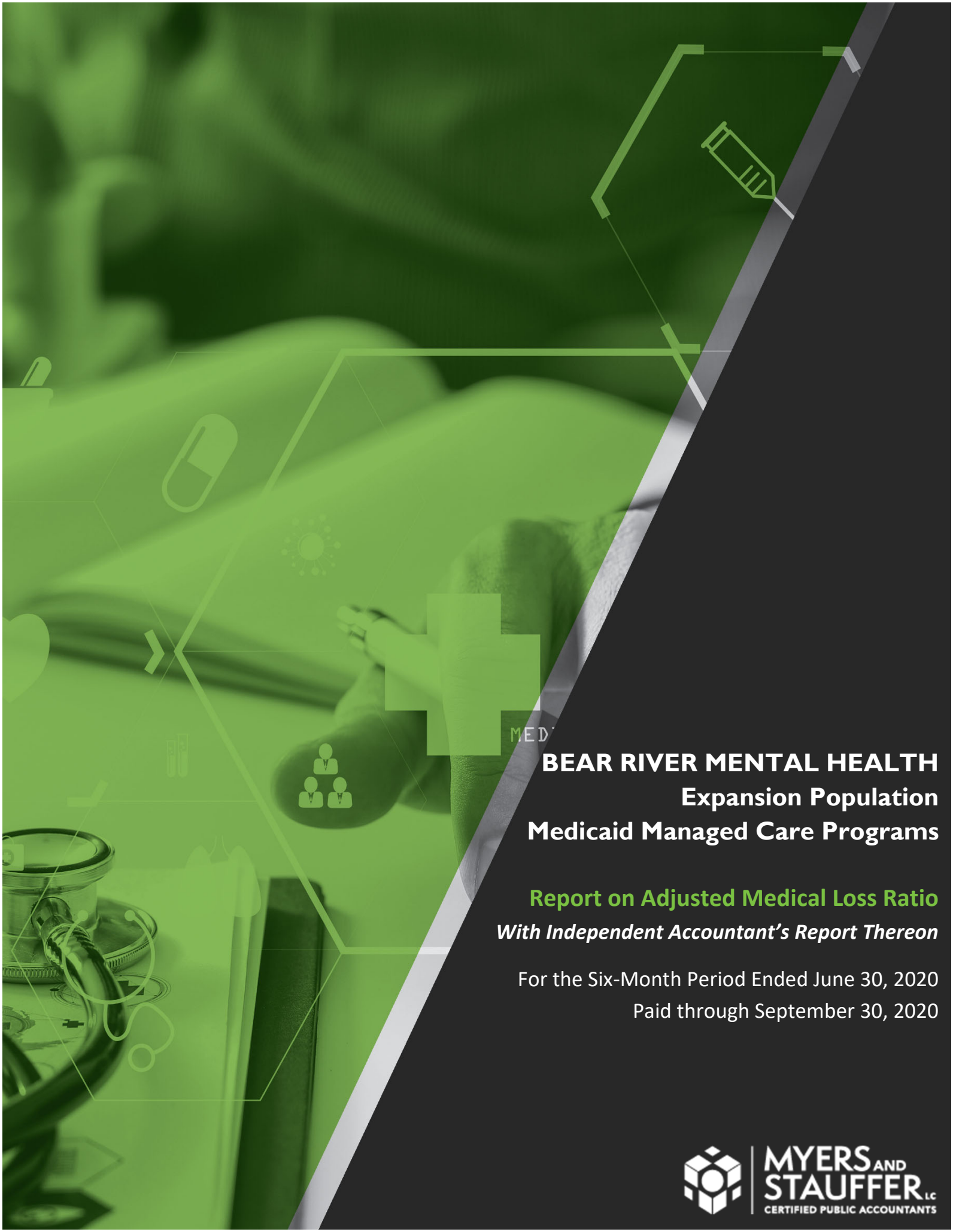

# BEAR RIVER MENTAL HEALTH
## Expansion Population
## Medicaid Managed Care Programs

### Report on Adjusted Medical Loss Ratio

***With Independent Accountant's Report Thereon***

For the Six-Month Period Ended 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 Bear River Mental Health Prepaid Mental Health Plan for the six-month period ended June 30, 2020. Bear River Mental Health'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, 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 for the Mental Health population exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the six-month period ended June 30, 2020.

This report is intended solely for the information and use of the Department of Health, Milliman, and Bear River Mental Health 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
June 10, 2022

# Adjusted Mental Health Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020

| Adjusted Mental Health Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020 Expansion Population | | | | | | |
|---|---|---|---|---|---|---|
| **Line #** | **Line Description** | **Reported Amounts** | **Adjustment Amounts** | **Preliminary Adjusted Amounts** | **Risk Corridor Cost Settlement Amount** | **Adjusted Amounts** |
| **1. Numerator** | | | | | | |
| **1.1** | Incurred Claims | $ 871,495 | $ 148,971 | $ 1,020,466 | | $ 1,020,466 |
| **1.2** | Quality Improvement | $ 6,673 | $ (3,339) | $ 3,334 | | $ 3,334 |
| **1.3** | Total Numerator [Incurred Claims + Quality Improvement] | **$ 878,168** | **$ 145,632** | **$ 1,023,800** | | **$ 1,023,800** |
| **2. Denominator** | | | | | | |
| **2.1** | Premium Revenue | $ 834,130 | $ (10,298) | $ 823,832 | $ 348,862 | $ 1,172,694 |
| **2.2** | Taxes and Fees | $ 25,024 | $ (25,024) | $ - | | $ - |
| **2.3** | Total Denominator [Premium Revenue - Taxes and Fees] | **$ 809,106** | **$ 14,725** | **$ 823,832** | **$ 348,862** | **$ 1,172,694** |
| **3. Credibility Adjustment** | | | | | | |
| **3.1** | Member Months | 15,308 | - | 15,308 | | $ 15,308 |
| **3.1a** | Annualized Member Months | 30,616 | - | 30,616 | | $ 30,616 |
| **3.2** | Credibility | Partially Credible | | Partially Credible | | Partially Credible |
| **3.3** | Credibility Adjustment | 2.42% | 1.3% | 3.7% | | 3.7% |
| **4. MLR Calculation** | | | | | | |
| **4.1** | Unadjusted MLR [Total Numerator / Total Denominator] | 108.54% | 15.8% | 124.3% | -37.0% | 87.3% |
| **4.2** | Credibility Adjustment | 2.42% | 1.3% | 3.7% | | 3.7% |
| **4.3** | Adjusted MLR [Unadjusted MLR + Credibility Adjustment] | **110.96%** | **17.0%** | **128.0%** | **-37.0%** | **91.0%** |
| **5. Remittance Calculation** | | | | | | |
| **5.1** | Is Plan Membership Above the Minimum Credibility Value? | Yes | | Yes | | Yes |
| **5.2** | MLR Standard | 85.00% | | 85.0% | | 85.0% |
| **5.3** | Adjusted MLR Prior to Risk Corridor Cost Settlement | 110.96% | | 128.0% | | 128.0% |
| **5.4** | Risk Corridor Cost Settlement Due to Health Plan | | | | $ 348,862 | $ 348,862 |
| **5.5** | Adjusted MLR | | | | | **91.0%** |
| **5.6** | Meets MLR Standard | Yes | | Yes | | Yes |

# Schedule of Reporting Caveats

During our examination, the following reporting issues were identified.

**Caveat #1 – MLR reporting period does not align with the rating period**

The Department of Health had an 18-month rating period of January 1, 2020 through June 30, 2021. The MLR Report was developed by the Department of Health to capture data for the MLR reporting period of January 1, 2020 through June 30, 2020. Per 42 CFR § 438.8, the MLR reporting year should be a period of 12 months consistent with the rating period selected by the state. For purposes of this engagement, the six-month MLR reporting period was examined.

# Mental Health Schedule of Adjustments and Comments for the Six-Month Period Ended June 30, 2020

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. After performing verification procedures on the PMHP report, adjustments were made to the financial report for the following items:

- To remove non-allowable advertising costs from Schedule 5 and 6.
- To remove one hour for CPT code "Interpretive Services" due to a mis-key on the as-filed MLR report.
- To adjust encounter units based on state encounter data for the following:
    - misclassification of encounters between legacy and expansion populations;
    - correct expansion rate cells;
    - include encounter units incorrectly submitted as FFS, but since voided and resubmitted as Medicaid encounter units; and
    - remove encounter units provided by unlicensed employees, since voided in the health plan's system.
- To include missing employee hours and cost per submitted support.
- To adjust group services and group transportation hour amounts to reconcile with recalculated direct hours.
- To convert hard coded total hours of adjusted employees into a formula that will update automatically.
- To reconcile third party liability payments for Medicaid Crossover to health plan submitted data.

These adjustments to the PMHP 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 Adjustment | | |
|---|---|---|
| **Line #** | **Line Description** | **Amount** |
| 1.1 | Incurred Claims | $148,971 |

**Adjustment #2 – To adjust health care quality improvement expenses reported as 0.8 percent of premium revenues.**

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 was outlined in 45 CFR § 158.221 for the calculation of the MLR under the Affordable Care Act, but was not referenced in the calculation of the MLR per 42 CFR § 483.8 of the Medicaid Managed Care Final Rule. Actual HCQI costs were requested to support the expenses based on the health plans records. The health plan provided actual HCQI expense incurred. Therefore, an adjustment was proposed to remove the as-filed HCQI expenses from the MLR Report, and to add in the actual HCQI expense incurred. 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 | $(3,339) |

**Adjustment #3 – To adjust capitation revenue rate per 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. It was noted that the Health Plan used the incorrect capitation rate in the as-filed capitation revenue. An adjustment was proposed to report the 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 Adjustment | | |
|---|---|---|
| **Line #** | **Line Description** | **Amount** |
| 2.1 | Premium Revenue | $(10,298) |

**Adjustment #4 – To correct a formula error on the as-submitted medical loss ratio template regarding the calculation of allowable Community Benefit Expenditures.**

The DOH 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 | $(25,024) |

**Adjustment #5 – To correct a formula error on the as-submitted medical loss ratio template regarding the calculation of the expansion population credibility adjustment.**

The DOH MLR Report contains a formula error in the calculation of the credibility adjustment for the expansion populations. The formula is referencing member months for the legacy population instead of annualized member months for the expansion population. An adjustment was proposed to update the report formula to correctly reference expansion population member months on the MLR Report. The credibility adjustment reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(h) and the Medical Loss Ratio Credibility Adjustment CMCS Informational Bulletin dated July 31, 2017.

| Proposed Adjustment | | |
|---|---|---|
| **Line #** | **Line Description** | **Amount** |
| 3.3 | Credibility Adjustment | 1.3% |