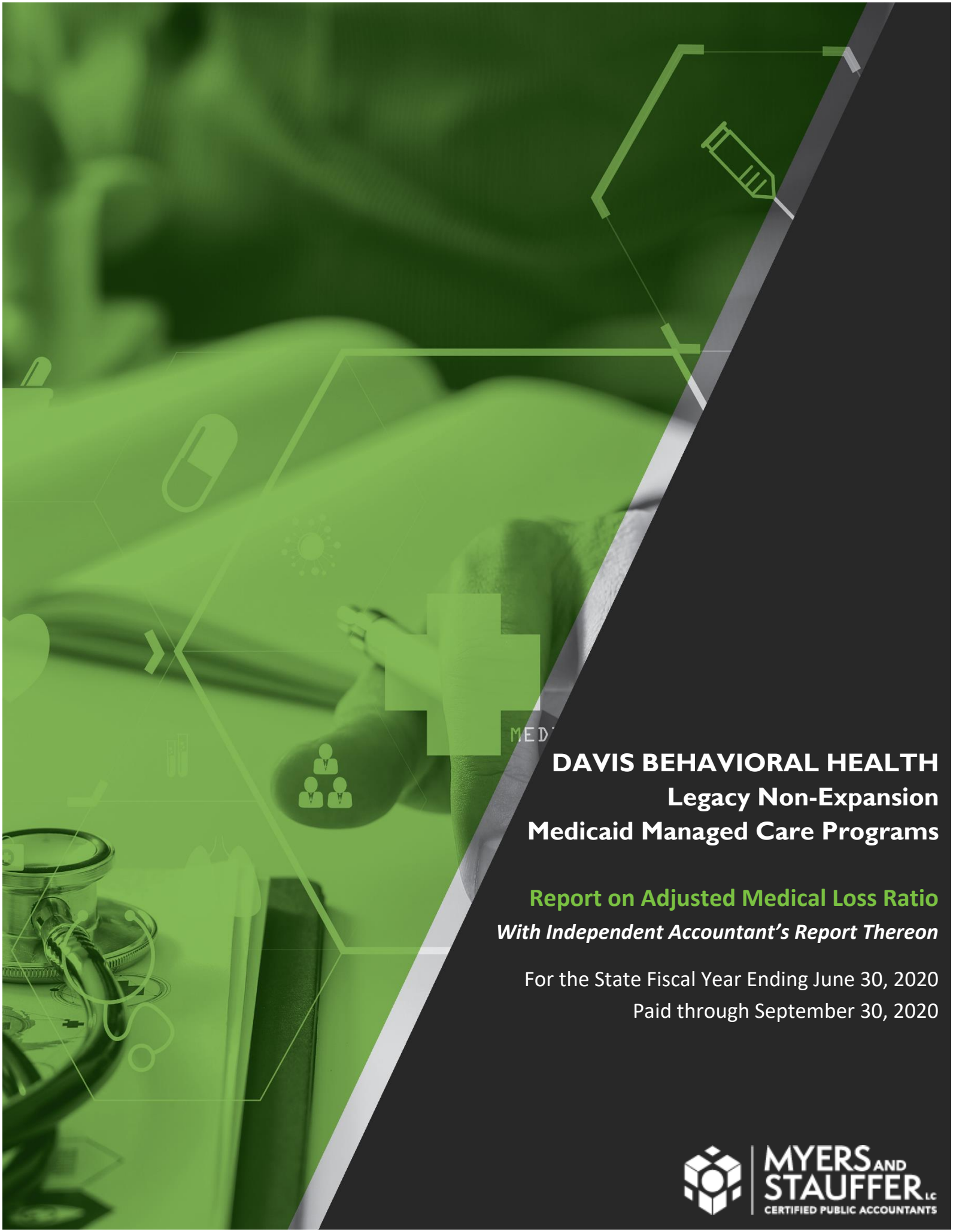

DAVIS BEHAVIORAL HEALTH
Legacy Non-Expansion Medicaid Managed Care Programs

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

Table of Contents

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 Davis Behavioral Health Prepaid Mental Health Plan for the state fiscal year ending June 30, 2020. Davis Behavioral 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, 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 for the Mental Health population exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the state fiscal year ending June 30, 2020; however, the Substance Abuse population does not exceed the requirement 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 Davis Behavioral 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
April 7, 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	$ 12,172,825	$ (266,409)	$ 11,906,416
1.2	Quality Improvement	$ 185,521	$ (111,132)	$ 74,389
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 12,358,346	$ (377,541)	$ 11,980,805
2. Denominator				
2.1	Premium Revenue	$ 12,592,279	$ -	$ 12,592,279
2.2	Taxes and Fees	$ 248,072	$ (248,072)	$ (0)
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 12,344,208	$ 248,072	$ 12,592,279
3. Credibility Adjustment				
3.1	Member Months	251,557	-	251,557
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.34%	0.0%	1.3%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	100.11%	-5.0%	95.1%
4.2	Credibility Adjustment	1.34%	0.0%	1.3%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	101.45%	-5.0%	96.4%
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	101.45%		96.4%
5.4	Meets MLR Standard	Yes		Yes

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	$ 602,415	$ (8,396)	$ 594,019
1.2	Quality Improvement	$ 11,842	$ (7,094)	$ 4,748
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 614,256	$ (15,489)	$ 598,767
2. Denominator				
2.1	Premium Revenue	$ 945,367	$ -	$ 945,367
2.2	Taxes and Fees	$ 772,612	$ (772,612)	$ 0
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 172,755	$ 772,612	$ 945,367
3. Credibility Adjustment				
3.1	Member Months	245,520	-	245,520
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.36%	0.0%	1.3%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	355.57%	-292.3%	63.3%
4.2	Credibility Adjustment*	1.36%	0.0%	1.3%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	356.93%	-292.3%	64.6%
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	356.93%		64.6%
5.4	Meets MLR Standard	Yes		No

**Note 1: The Credibility Adjustment formula as-submited 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 adjust HCQI based on supporting documentation

The health plan reported health care quality improvement (HCQI) expenses based on actual cost utilizing salaries and benefits of four employees. During testing, job summaries were reviewed for each employee and were determined to be non-qualifying based on federal guidance. Therefore, an adjustment was proposed to remove the employee wages reported as HCQI expenses from the MLR Report. Additionally, the health plan included credible expenses as health information technology (HIT) on the MLR report. An adjustment was proposed to report the Medicaid percentage of credible expense based on the calculation of Schedule 4 expenses from the PMHP report. 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	($111,132)

Adjustment #2 – 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	($116,578)

Adjustment #3 – To adjust CBE per supporting documentation

The health plan reported community benefit expenditures (CBE) related to the costs incurred by their Prevention services reported on the Schedule 4. Based on review of the supporting documentation, these expenses were found to be non-qualifying as CBE due to the receipt of specific grant funding related to these services. An adjustment was proposed to remove the CBE from 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	($131,494)

Adjustment #4 – 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:

- Adjustment to include additional contractor costs excluded from Schedule 5, causing a variance to the financial statements
- Adjustment to complete the Pharmacy Cost reclassification in the outpatient cost center
- Removal of advertising costs
- Remove units for reported for H2000 from the cost report
- Reclassification of wages and hours for Family Resource Facilitation employees
- Removal of bed days and cost from outside the cost report period and remove duplicated inpatient bed days and cost
- Remove accrued other post-employment benefits
- Reclassification of inpatient hours related to utilization review to non covered services

These adjustments to the PMHP report then impacted the incurred claims cost reported on the MLR. 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	($266,409)

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 adjust HCQI based on supporting documentation

The health plan reported health care quality improvement (HCQI) expenses based on actual cost utilizing salaries and benefits of four employees. During testing, job summaries were reviewed for each employee and were determined to be non-qualifying based on federal guidance. Therefore, an adjustment was proposed to remove the employee wages reported as HCQI expenses from the MLR Report. Additionally, the health plan included credible expenses as health information technology (HIT) on the MLR report. An adjustment was proposed to report the Medicaid percentage of credible expense based on the calculation of Schedule 4 expenses from the PMHP report. 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	($7,094)

Adjustment #2 – 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	($27,481)

Adjustment #3 – To remove CBE per supporting documentation

The health plan reported community benefit expenditures (CBE) related to the costs incurred by their Prevention services reported on the Schedule 4. Based on review of the supporting documentation, these expenses were found to be non-qualifying as CBE due to the receipt of specific grant funding related to these services. An adjustment was proposed to remove the CBE from 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	($745,131)

Adjustment #4 – 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:

- Adjustment to include additional contractor costs excluded from Schedule 5, causing a variance to the financial statements
- Adjustment to complete the pharmacy cost reclassification in the outpatient cost center
- Removal of advertising costs from Schedule 5
- Remove units for reported for H2036 from the cost report
- Reclassification of wages and hours for Family Resource Facilitation employees
- Inclusion of Substance Abuse Medicaid crossover payments
- Remove accrued other post-employment benefits

These adjustments to the PMHP report then impacted the incurred claims cost reported on the MLR. 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	($8,396)