

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a cross. The text is positioned on the right side of the page, set against a dark grey background.

**FOUR CORNERS COMMUNITY  
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**  
L<sup>LC</sup>  
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 Four Corners Community Behavioral Health (Four Corners) Prepaid Mental Health Plan for the state fiscal year ending June 30, 2020. Four Corners' 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 Substance Abuse 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 Mental Health 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 Four Corners 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 14, 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   |
| <b>1. Numerator</b>  |   |                    |                    |                    |
| 1.1  | Incurred Claims   | \$ 3,496,277       | \$ (55,761)        | \$ 3,440,515       |
| 1.2  | Quality Improvement                                     | \$ 33,784          | \$ (33,784)        | \$ -               |
| 1.3  | Total Numerator [Incurred Claims + Quality Improvement] | \$ 3,530,061       | \$ (89,546)        | \$ 3,440,515       |
| <b>2. Denominator</b>  |   |                    |                    |                    |
| 2.1  | Premium Revenue   | \$ 4,223,039       | \$ 65,140          | \$ 4,288,179       |
| 2.2  | Taxes and Fees  | \$ 39,306          | \$ (39,306)        | \$ 0               |
| 2.3  | Total Denominator [Premium Revenue - Taxes and Fees]    | \$ 4,183,733       | \$ 104,446         | \$ 4,288,179       |
| <b>3. Credibility Adjustment</b>   |   |                    |                    |                    |
| 3.1  | Member Months   | 58,769             | 935                | 59,704             |
| 3.2  | Credibility   | Partially Credible |                    | Partially Credible |
| 3.3  | Credibility Adjustment                                  | 2.70%              | 0.0%               | 2.7%               |
| <b>4. MLR Calculation</b>  |   |                    |                    |                    |
| 4.1  | Unadjusted MLR [Total Numerator / Total Denominator]    | 84.38%             | -4.2%              | 80.2%              |
| 4.2  | Credibility Adjustment                                  | 2.70%              | 0.0%               | 2.7%               |
| 4.3  | Adjusted MLR [Unadjusted MLR + Credibility Adjustment]  | 87.08%             | -4.2%              | 82.9%              |
| <b>5. Remittance Calculation</b>   |   |                    |                    |                    |
| 5.1  | Is Plan Membership Above the Minimum Credibility Value? | Yes                |                    | Yes                |
| 5.2  | MLR Standard  | 85.00%             |                    | 85.0%              |
| 5.3  | Adjusted MLR  | 87.08%             |                    | 82.9%              |
| 5.4  | Meets MLR Standard                                      | Yes                |                    | 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   |
| <b>1. Numerator</b>  |  |                    |                    |                    |
| 1.1  | Incurring Claims   | \$ 291,358         | \$ 393             | \$ 291,751         |
| 1.2  | Quality Improvement                                      | \$ 2,632           | \$ (2,632)         | \$ -               |
| 1.3  | Total Numerator [Incurring Claims + Quality Improvement] | \$ 293,990         | \$ (2,239)         | \$ 291,751         |
| <b>2. Denominator</b>  |  |                    |                    |                    |
| 2.1  | Premium Revenue  | \$ 328,995         | \$ 3,817           | \$ 332,812         |
| 2.2  | Taxes and Fees   | \$ 6,789           | \$ (6,789)         | \$ -               |
| 2.3  | Total Denominator [Premium Revenue - Taxes and Fees]     | \$ 322,206         | \$ 10,605          | \$ 332,812         |
| <b>3. Credibility Adjustment</b>   |  |                    |                    |                    |
| 3.1  | Member Months  | 58,294             | 477                | 58,771             |
| 3.2  | Credibility  | Partially Credible |                    | Partially Credible |
| 3.3  | Credibility Adjustment                                   | 2.70%              | 0.0%               | 2.7%               |
| <b>4. MLR Calculation</b>  |  |                    |                    |                    |
| 4.1  | Unadjusted MLR [Total Numerator / Total Denominator]     | 91.24%             | -3.5%              | 87.7%              |
| 4.2  | Credibility Adjustment*                                  | 2.70%              | 0.0%               | 2.7%               |
| 4.3  | Adjusted MLR [Unadjusted MLR + Credibility Adjustment]   | 93.94%             | -3.5%              | 90.4%              |
| <b>5. Remittance Calculation</b>   |  |                    |                    |                    |
| 5.1  | Is Plan Membership Above the Minimum Credibility Value?  | Yes                |                    | Yes                |
| 5.2  | MLR Standard   | 85.00%             |                    | 85.0%              |
| 5.3  | Adjusted MLR   | 93.94%             |                    | 90.4%              |
| 5.4  | Meets MLR Standard                                       | Yes                |                    | Yes                |

*\*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 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 costs for CPT code T1013, as there were no associated units.
- Remove advertising expenses on Schedule 5.
- Remove bad debt expenses on Schedule 5.
- Remove inpatient bed days and cost with dates of service outside the cost report period on Schedule 4A Part 4R, and adjust Schedule 3MH & Schedule 4 inpatient units to reconcile to adjustments for claims outside the period.
- Adjust Schedule 5 Inpatient client cost general ledger amounts to reconcile to adjustments for claims outside the period under review.
- Adjust encounter units on Schedule 4 and 3MH to recalculated units.

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  | (\$55,761) |

## **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



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

CFR § 158.221 for the calculation of the MLR under the Affordable Care Act, but is 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. However, the health plan did not provide actual HCQI expense. Therefore, an adjustment was proposed to remove the HCQI expenses from the MLR 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 | (\$33,784) |

### **Adjustment #3 – 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   | (\$39,306) |

### **Adjustment #4 – To adjust capitation revenues 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. 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  | \$65,140 |



**Adjustment #5 – To adjust member months per state data**

The health plan reported member month amounts that did not reflect the total member months per the state data for its members applicable to the covered dates of service for the MLR reporting period. An adjustment was proposed to report the member months per the state data. The member months reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(1)(xiii).

| Proposed Adjustment |                  |        |
|---------------------|------------------|--------|
| Line #              | Line Description | Amount |
| 3.1                 | Member Months    | 935    |





# 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 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 costs for CPT code T1013, as there were no associated units.
- Remove advertising expenses on Schedule 5.
- Remove bad debt expenses on Schedule 5.
- Adjust encounter units on Schedule 4 and 3SA to recalculated units.

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  | \$393  |

## **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 is 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. However, the health plan did not provide actual HCQI expense. Therefore, an adjustment was proposed to remove



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

the HCQI expenses from the MLR 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 | (\$2,632) |

### **Adjustment #3 – 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   | (\$6,789) |

### **Adjustment #4 – To adjust capitation revenue 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. 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  | \$3,817 |

### **Adjustment #5 – To adjust member months per state data**

The health plan reported member month amounts that did not reflect the total member months per the state data for its members applicable to the covered dates of service for the MLR reporting



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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period. An adjustment was proposed to report the member months per the state data. The member months reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(1)(xiii).

| Proposed Adjustment |                  |        |
|---------------------|------------------|--------|
| Line #              | Line Description | Amount |
| 3.1                 | Member Months    | 477    |