MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 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 Molina Healthcare of Utah Inc.'s Adjusted Medical Loss Ratio for the period of July 1, 2018 through June 30, 2019 related to the Children's Health Insurance Program. 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

Myers and Stauffer LC

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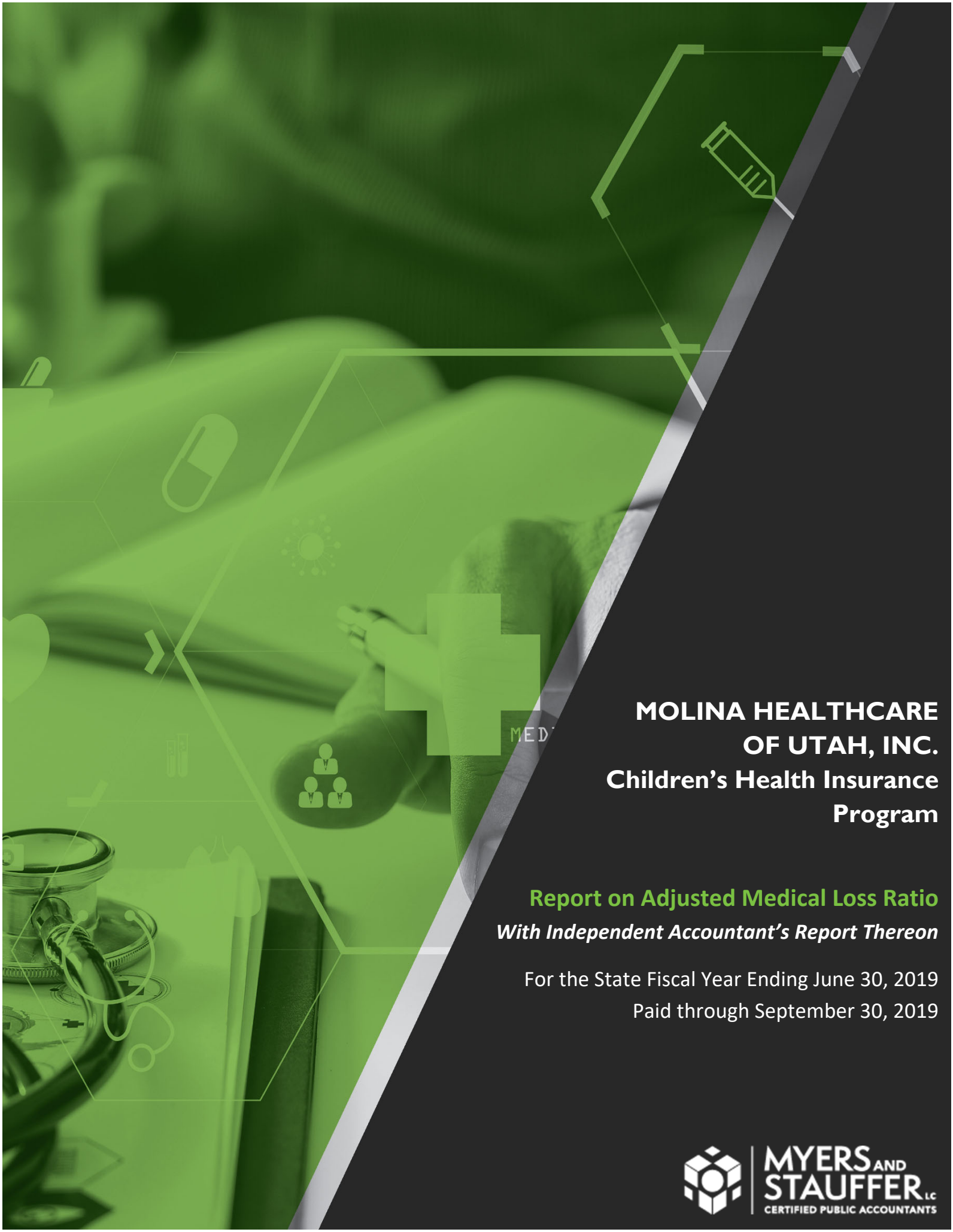

MOLINA HEALTHCARE OF UTAH, INC.
Children's Health Insurance Program

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 Molina Healthcare of Utah, Inc. (Molina) for the state fiscal year ending June 30, 2019 related to the Children's Health Insurance Program (CHIP). Molina'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 does not exceed 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 Molina 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
August 18, 2021

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	$ 6,908,210	$ (104,306)	$ 6,803,904
1.2	Quality Improvement	$ 254,229	$ 244,163	$ 498,392
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 7,162,439	$ 139,857	$ 7,302,296
2. Denominator				
2.1	Premium Revenue	$ 9,169,700	$ -	$ 9,169,700
2.2	Taxes and Fees	$ 211,514	$ (23,685)	$ 187,829
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 8,958,186	$ 23,685	$ 8,981,871
3. Credibility Adjustment				
3.1	Member Months	87,403	-	87,403
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	2.16%	0.0%	2.2%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	79.95%	1.4%	81.3%
4.2	Credibility Adjustment	2.16%	0.0%	2.2%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	82.11%	1.4%	83.5%
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	82.11%		83.5%
5.4	Meets MLR Standard	No		No

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 third party vendors to incurred claims cost

The health plan reported vision services as a per-member-per-month (PMPM) on the MLR Report. Based on the supporting certification statement attesting to incurred medical expense from the vision vendor, VSP, it was determined non-claims cost was included in medical expenses. An adjustment was proposed to reduce vision services expense to incurred cost based on the certification statement. The medical expense and third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(v).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($53,892)

Adjustment #2 – To remove spread pricing from pharmacy expense

The health plan reported pharmacy expenses based on internal claims data, which included amounts the health plan paid to the pharmacy benefit manager (PBM). Based on claims detail sample testing, it was determined variances existed between the paid amounts to retail pharmacies compared to payments reflected in the health plan's data and spread pricing was the difference in the two data sources. This margin charged to the health plan is considered PBM profit and is an unallowable medical expense. Therefore, an adjustment was proposed to remove the identified spread pricing to report actual pharmacy medical expenditures. The medical expense and third party reporting requirements related to spread pricing are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8 and the Center for Medicaid and CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($50,414)

Adjustment #3 – To adjust HCQI to revised methodology for reporting expenses

The health plan reported health care quality improvement (HCQI) expenses utilizing an incorrect application of the federal HCQI regulations. After further discussion with the health plan, it was determined new supporting documentation would be submitted to aligned with HCQI regulations. Testing procedures were completed on the revised documentation and was deemed reasonable. However, the revised and reallocated amounts to CHIP were greater than previously reported on the MLR Report. Therefore, an adjustment was proposed to include additional HCQI expenses per the revised supporting documentation. The HCQI reporting requirements are addressed in Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Quality Improvement	$244,163

Adjustment #4 – To adjust income taxes based on audited financial statement information

The health plan reported income taxes that included amounts for investment income. Per the regulations, investments should be excluded from the taxes reported for MLR purposes. Additionally, deferred tax assets noted in the audited financials were not captured in the reporting of the taxes. A recalculation to include all pertinent items was completed and was determined to be lower than the MLR report. Therefore, an adjustment was proposed to reduce taxes down to the appropriate amounts per the recalculation. The tax requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Centers for Medicare & Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.2	Taxes and Fees	($23,685)

Appendix A: Health Plan Responses

The health plan did not provide responses for the state fiscal year included within the report.