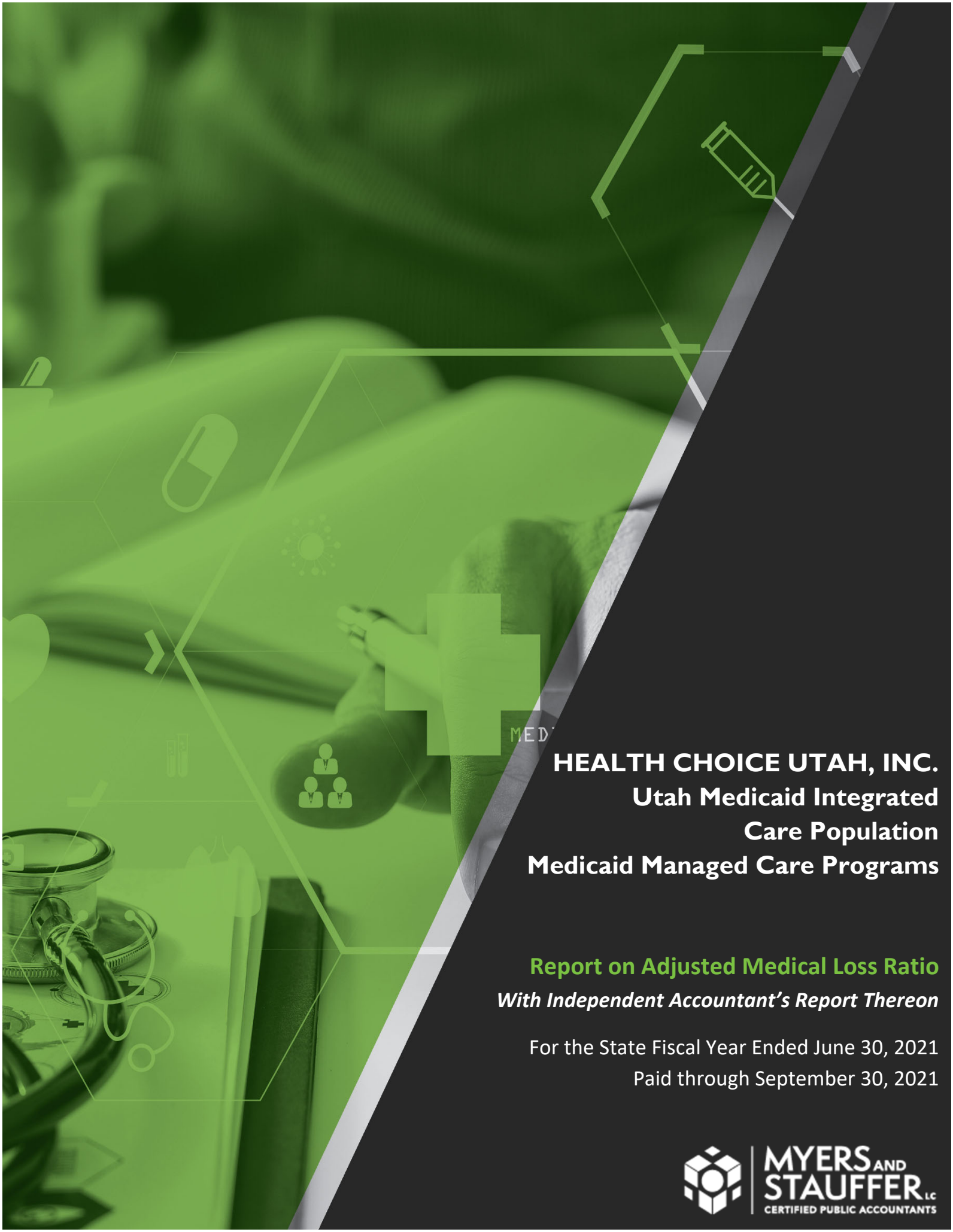

HEALTH CHOICE UTAH, INC.
Utah Medicaid Integrated Care Population
Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio

With Independent Accountant's Report Thereon

For the State Fiscal Year Ended June 30, 2021
Paid through September 30, 2021

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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 Health Choice Utah, Inc. (Health Choice) Accountable Care Organization for the state fiscal year ended June 30, 2021. Health Choice's management is responsible for presenting the Medical Loss Ratio 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, 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 exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the state fiscal year ended June 30, 2021.

This report is intended solely for the information and use of the Department of Health, Milliman, and Health Choice 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 20, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2021 Paid Through September 30, 2021

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2021 Paid Through September 30, 2021 Utah Medicaid Integrated Care Population						
Line #	Line Description	Reported Amounts	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement Amount	Adjusted Amounts
1. Numerator						
1.1	Incurred Claims	$ 49,062,310	$ (728,021)	$ 48,334,289		$ 48,334,289
1.2	Quality Improvement	$ 360,585	$ 55,217	$ 415,802		$ 415,802
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 49,422,895	$ (672,804)	$ 48,750,091		$ 48,750,091
2. Denominator						
2.1	Premium Revenue	$ 53,619,874	$ (12,826)	$ 53,607,048	$ 1,633,314	$ 55,240,362
2.2	Taxes and Fees	$ 433,046	$ 38,333	$ 471,379		$ 471,379
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 53,186,828	$ (51,159)	$ 53,135,669	$ 1,633,314	$ 54,768,983
3. Credibility Adjustment						
3.1	Member Months	97,997	-	97,997		$ 97,997
3.2	Credibility	Partially Credible		Partially Credible		Partially Credible
3.3	Credibility Adjustment	2.0%	0.0%	2.0%		2.0%
4. MLR Calculation						
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	92.9%	-1.2%	91.7%	-2.7%	89.0%
4.2	Credibility Adjustment	2.0%	0.0%	2.0%		2.0%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	94.9%	-1.2%	93.7%	-2.7%	91.0%
5. Remittance Calculation						
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes		Yes
5.2	MLR Standard	85.0%		85.0%		85.0%
5.3	Adjusted MLR Prior to Risk Corridor Cost Settlement	94.9%		93.7%		93.7%
5.4	Risk Corridor Cost Settlement Due to Health Plan				$ 1,633,314	$ 1,633,314
5.5	Adjusted MLR					91.0%
5.6	Meets MLR Standard	Yes		Yes		Yes

Report Disclosure

Note #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 July 1, 2020 through June 30, 2021. 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 12-month MLR reporting period was examined.

Schedule of Adjustments and Comments for the State Fiscal Year Ended June 30, 2021

During our examination, we identified the following adjustments.

Adjustment #1 – 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 amounts paid 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	($747,732)

Adjustment #2 – To adjust prescription drug rebates received and accrued

The health plan reported prescription drug rebates received and accrued on the MLR Report. It was determined the amount reported was overstated, due to over accruing, based on the health plan's supporting documentation. An adjustment was proposed to decrease the prescription drug rebates based on supporting documentation. Pharmacy rebates are a reduction to incurred claims cost, therefore the decrease in pharmacy rebates is shown as a positive adjustment. The reporting requirement for prescription drug rebates received and accrued is addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(ii)(B).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$19,711

Adjustment #3 – To remove non-qualifying HCQI expenses and adjust the allocation statistic

The health plan reported health care quality improvement (HCQI) expenses utilizing vendor data as well as salaries and benefits. It was noted certain salaries included within the MLR Report were non-qualifying expenses or not reported appropriately per supporting documentation. Additionally, the health plan utilized membership from 2020 to allocate the HCQI expenses for 2021. Therefore, an adjustment was proposed remove the non-qualifying salaries and benefits and reallocate based on the 2021 membership statistic. 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	$55,217

Adjustment #4 – To adjust qualified taxes to actual incurred expense

The health plan did not appropriately report incurred income taxes related to the UMIC population on the MLR Report. An adjustment was proposed to increase the tax based on the audited financial statements and the expense apportioned to the UMIC population. The taxes and fees reporting 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	$38,333

Adjustment #5 – To adjust premium revenue per state data

The health plan reported revenue amounts that did not reflect 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. 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	($12,826)