HEALTHY U
Legacy 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

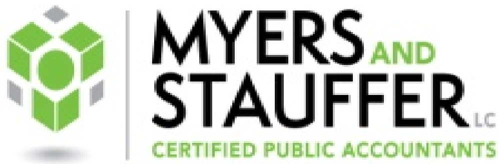
Paid through September 30, 2021

MYERS AND STAUFFER LC

CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

- Table of Contents……….1
- Independent Accountant's Report………………………………………………………………………………………….2
- Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2021 Paid Through September 30, 2021………..……………………………………..…………………………………………………3
- Schedule of Adjustments and Comments for the State Fiscal Year Ended June 30, 2021………4



State of Utah
Department of Health and Human Services
Salt Lake City, Utah

Independent Accountant's Report

We have examined the Medical Loss Ratio Report of Healthy U (health plan) Accountable Care Organization for the state fiscal year ended June 30, 2021. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio 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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

The accompanying Adjusted Medical Loss Ratio was prepared from information contained in the Medical Loss Ratio Report 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 Adjusted Medical Loss Ratio is presented in accordance with the 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 Utah Department of Health and Human Services, Milliman, and the health plan 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 16, 2023

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				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1. Numerator				
1.1	Incurred Claims	$ 272,000,938	$ 16,643,165	$ 288,644,103
1.2	Quality Improvement	$ 2,841,610	$ (1,568,547)	$ 1,273,063
1.3	Total Numerator [Incurred Claims + Quality Improvement]	$ 274,842,548	$ 15,074,618	$ 289,917,166
2. Denominator				
2.1	Premium Revenue	$ 319,418,004	$ 11,900,722	$ 331,318,726
2.2	Taxes and Fees	$ -	$ -	$ -
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	$ 319,418,004	$ 11,900,722	$ 331,318,726
3. Credibility Adjustment				
3.1	Member Months	693,269	-	693,269
3.2	Credibility	Fully Credible		Fully Credible
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
4. MLR Calculation				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	86.0%	1.5%	87.5%
4.2	Credibility Adjustment	0.0%	0.0%	0.0%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	86.0%	1.5%	87.5%
5. Remittance Calculation				
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	86.0%		87.5%
5.4	Meets MLR Standard	Yes		Yes

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 adjust prescription drug rebates received and accrued

The health plan included prescription drug rebates received and accrued on the Medical Loss Ratio (MLR) Report. It was determined the amount reported was understated based on support provided by the pharmacy benefit manager (PBM), which appropriately accounted for the separation of the expansion populations from the total. An adjustment was proposed to increase the prescription drug rebates based on supporting documentation. Pharmacy rebates are a reduction to incurred claims cost, therefore the increase in rebates is shown as a negative 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	($970,818)

Adjustment #2 – To adjust provider incentive payments to supporting documentation

The health plan included total incentives paid, or expected to be paid, to network providers on the MLR Report. Based on supporting documentation, the reported expense related to Intensive Outpatient Clinic (IOC) services, performed by a related party, rather than provider incentives. Testing was conducted to ensure the amount reported was at the actual cost of the related entity. An adjustment was proposed to decrease to the actual cost of the entity after removal of related party profit. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and CMS Publication 15-1, Chapter 10.

Proposed Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	($229,293)

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

The health plan reported health care quality improvement (HCQI) expenses utilizing an allocation of parent company salaries determined by percentage of claims volume. Based on supporting documentation, time spent was also tracked and recorded by employee for the amount of time allotted between lines of business. This was determined to be a more appropriate metric to allocate salaries and was utilized to recalculate the allocation of parent company HCQI salaries. The health plan however, did not track time spent to allocate the Medicaid populations between legacy and expansion populations. Therefore, after discussions with the health plan, membership was utilized to isolate the legacy population portion of time spent. Additionally, an adjustment was proposed to remove non-qualifying salaries and benefits from HCQI expenses. Job functions were reviewed and discussed with the health plan to arrive at final HCQI allocation percentage determinations. 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	($1,568,547)

Adjustment #4 – 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 and settlements related to the concurrent risk score and the high cost drug pool. 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	$4,073,616

Adjustment #5 – To adjust premium revenues and incurred claims for directed payments

The health plan reported directed payments and associated expense amounts that did not reflect all payments received for its members applicable to the MLR reporting period. An adjustment was proposed to report the directed payments and associated expense per state data. The directed payment and associated expense reporting requirements are addressed Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), § 438.8(f)(2), and § 438.6(c).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$7,827,106
2.1	Premium Revenue	$7,827,106

Adjustment #6 – To reverse the health plan's adjustment for anticipated coordination of benefits

The health plan reduced incurred claims amounts by the costs savings identified from the anticipated coordination of benefits on the MLR Report. Per the health plan, this reduction should be excluded from the MLR calculation as the incurred claims totals reported represent the final claims paid amounts to the provider after the coordination of benefits. Therefore, an adjustment was proposed to reverse the health plan's adjustment. The medical expense 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	$10,502,655

Adjustment #7 – To adjust IBNR per supporting documentation

The health plan reported IBNR expenses based on an actuarial model utilizing paid and incurred claims. It was determined the IBNR model utilized did not align with the claims reporting system. Incurred claims per the template did not align with the paid claims utilized in the IBNR analysis. After further discussions with the plan, the data utilized by the actuary required updates. Upon completion of the updated data, a revised IBNR model was submitted and demonstrated a revised IBNR amount. An adjustment was proposed to the revised IBNR model provided by the health plan. The medical expense and IBNR 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	($137,237)

Adjustment #8 – To remove the calculated IBNR modified amount

The health plan reported IBNR expenses that included an estimated calculation in addition to the lag table supporting documentation based on incurred claims. It was determined the IBNR modified amount claimed within the total IBNR reported was calculated based on a non-allowable reserve margin and

administrative expenses. An adjustment was proposed to remove the calculated IBNR modified amount. The medical expense and IBNR 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	($349,248)