

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 virus, a stethoscope, a clipboard, and a group of people. A large green cross is centered over the person's face.

**NORTHEASTERN
COUNSELING CENTER**
Expansion Population
Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio
With Independent Accountant's Report Thereon

For the Six-Month Period Ended June 30, 2020
Paid through September 30, 2020



**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 Northeastern Counseling Center Prepaid Mental Health Plan for the six-month period ended June 30, 2020. Northeastern Counseling Center'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, 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 for the Mental Health and Substance Abuse populations exceeds the Centers for Medicare & Medicaid Services (CMS) requirement of eighty-five percent (85%) for the six-month period ended June 30, 2020.

This report is intended solely for the information and use of the Department of Health, Milliman, and Northeastern Counseling Center 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
June 27, 2022



NORTHEASTERN COUNSELING CENTER
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

Adjusted Mental Health Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020

Adjusted Mental Health Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020 Expansion Population						
Line #	Line Description	Reported Amounts	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement Amount	Adjusted Amounts
1. Numerator						
1.1	Incurred Claims	\$ 384,644	\$ 12,344	\$ 396,987		\$ 396,987
1.2	Quality Improvement	\$ 7,773	\$ -	\$ 7,773		\$ 7,773
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 392,417	\$ 12,344	\$ 404,760		\$ 404,760
2. Denominator						
2.1	Premium Revenue	\$ 535,188	\$ -	\$ 535,188	\$ (36,006)	\$ 499,182
2.2	Taxes and Fees	\$ 16,056	\$ (16,056)	\$ -		\$ -
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 519,132	\$ 16,056	\$ 535,188	\$ (36,006)	\$ 499,182
3. Credibility Adjustment						
3.1	Member Months	12,923	-	12,923		\$ 12,923
3.1a	Annualized Member Months	25,846	-	25,846		\$ 25,846
3.2	Credibility	Partially Credible		Partially Credible		Partially Credible
3.3	Credibility Adjustment	2.43%	1.5%	3.9%		3.9%
4. MLR Calculation						
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	75.59%	0.0%	75.6%	5.5%	81.1%
4.2	Credibility Adjustment	2.43%	1.5%	3.9%		3.9%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	78.02%	1.5%	79.5%	5.5%	85.0%
5. Remittance Calculation						
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes		Yes
5.2	MLR Standard	85.00%		85.0%		85.0%
5.3	Adjusted MLR Prior to Risk Corridor Cost Settlement	78.02%		79.5%		79.5%
5.4	Risk Corridor Cost Settlement Due to Department				\$ (36,006)	\$ (36,006)
5.5	Adjusted MLR					85.0%
5.6	Meets MLR Standard	No		No		Yes



NORTHEASTERN COUNSELING CENTER
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

Adjusted Substance Abuse Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020

Adjusted Substance Abuse Medical Loss Ratio for the Six-Month Period Ended June 30, 2020 Paid Through September 30, 2020						
Expansion Population						
Line #	Line Description	Reported Amounts	Adjustment Amounts	Preliminary Adjusted Amounts	Risk Corridor Cost Settlement Amount	Adjusted Amounts
1. Numerator						
1.1	Incurred Claims	\$ 117,734	\$ 36,565	\$ 154,300		\$ 154,300
1.2	Quality Improvement	\$ 2,781	\$ -	\$ 2,781		\$ 2,781
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 120,515	\$ 36,565	\$ 157,081		\$ 157,081
2. Denominator						
2.1	Premium Revenue	\$ 197,423	\$ -	\$ 197,423	\$ (3,698)	\$ 193,725
2.2	Taxes and Fees	\$ 5,923	\$ (5,923)	\$ -		\$ -
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 191,500	\$ 5,923	\$ 197,423	\$ (3,698)	\$ 193,725
3. Credibility Adjustment						
3.1	Member Months	12,923	-	12,923		\$ 12,923
3.1a	Annualized Member Months	25,846	-	25,846		\$ 25,846
3.2	Credibility	Partially Credible		Partially Credible		Partially Credible
3.3	Credibility Adjustment	2.43%	1.5%	3.9%		3.9%
4. MLR Calculation						
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	62.93%	16.7%	79.6%	1.5%	81.1%
4.2	Credibility Adjustment	2.43%	1.5%	3.9%		3.9%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	65.36%	18.2%	83.5%	1.5%	85.0%
5. Remittance Calculation						
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes		Yes
5.2	MLR Standard	85.00%		85.0%		85.0%
5.3	Adjusted MLR Prior to Risk Corridor Cost Settlement	65.36%		83.5%		83.5%
5.4	Risk Corridor Cost Settlement Due to Department				\$ (3,698)	\$ (3,698)
5.5	Adjusted MLR					85.0%
5.6	Meets MLR Standard	No		No		Yes



Schedule of Reporting Caveats

During our examination, the following reporting issues were identified.

Caveat #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 January 1, 2020 through June 30, 2020. 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 six-month MLR reporting period was examined.



Mental Health Schedule of Adjustments and Comments for the Six-Month Period Ended 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 financial 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 item:

- To remove advertising costs on Schedule 5.
- To offset the San Juan contract amount by the San Juan administrative expense reimbursement on Schedule 5.
- To adjust CPT direct hours on Schedule 6 to health plan support.
- To remove retroactive inpatient claims on Schedule 4A Part 4R, remove prior year accruals on Schedule 4A Part 4R, and adjust Schedule 3MH & Schedule 4 inpatient units to reconcile to retroactive adjustments.
- To adjust Schedule 5 MH inpatient hospitalization general ledger amounts to reconcile to retroactive and accrual adjustments.
- To adjust Schedule 4 audited financial amount, and adjust reconciling items between audited financial expense amount and Schedule 4 expense amount.
- To adjust Schedule 6 to allocate 10% of information technology employees’ salaries to health plan administrative costs.

These adjustments to the PMHP report impact the incurred claims cost reported on the MLR. The incurred claims 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	\$ 12,344



Adjustment #2 – To remove non-qualifying 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	\$ (16,056)

Adjustment #3 – To correct a formula error on the as-submitted medical loss ratio template regarding the calculation of the expansion population credibility adjustment.

The DOH MLR Report contains a formula error in the calculation of the credibility adjustment for the expansion populations. The formula is referencing member months for the legacy population instead of annualized member months for the expansion population. An adjustment was proposed to update the report formula to correctly reference expansion population member months on the MLR Report. The credibility adjustment reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(h) and the Medical Loss Ratio Credibility Adjustment CMCS Informational Bulletin dated July 31, 2017.

Proposed Adjustment		
Line #	Line Description	Amount
3.3	Credibility Adjustment	1.5%



Substance Abuse Schedule of Adjustments and Comments for the Six-Month Period Ended 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 financial 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 item:

- To remove advertising costs on Schedule 5.
- To offset the San Juan contract amount by the San Juan administrative expense reimbursement on Schedule 5.
- To adjust CPT direct hours on Schedule 6 to plan support.
- To adjust third party liability amounts on Schedule 2BSA to health plan support.
- To adjust Schedule 4 audited financial amount, and adjust reconciling items between audited financial expense amount and Schedule 4 expense amount.
- To adjust H0018 and H2036 Schedule 6 SA minutes/hours equal to units.
- To adjust Schedule 6 to allocate 10% of information technology employees' salaries to health plan administrative costs.

These adjustments to the PMHP report impact the incurred claims cost reported on the MLR. The incurred claims 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	\$ 36,565

Adjustment #2 – To remove non-qualifying 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



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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	\$ (5,923)

Adjustment #3 – To correct a formula error on the as-submitted medical loss ratio template regarding the calculation of the expansion population credibility adjustment.

The DOH MLR Report contains a formula error in the calculation of the credibility adjustment for the expansion populations. The formula is referencing member months for the legacy population instead of annualized member months for the expansion population. An adjustment was proposed to update the report formula to correctly reference expansion population member months on the MLR Report. The credibility adjustment reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(h) and the Medical Loss Ratio Credibility Adjustment CMCS Informational Bulletin dated July 31, 2017.

Proposed Adjustment		
Line #	Line Description	Amount
3.3	Credibility Adjustment	1.5%