

The background features a blurred medical scene with a person lying down. A green semi-transparent overlay covers the image, containing various medical icons: 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 chest. The right side of the image is a dark grey diagonal gradient.

SELECTHEALTH, INC.
Expansion 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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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 SelectHealth, Inc. (SelectHealth) Accountable Care Organization for the state fiscal year ended June 30, 2021. SelectHealth'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 SelectHealth 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 7, 2022



SELECTHEALTH, INC.
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

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						
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	\$ 16,271,078	\$ 200,340	\$ 16,471,418		\$ 16,471,418
1.2	Quality Improvement	\$ 199,470	\$ 15,240	\$ 214,710		\$ 214,710
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 16,470,548	\$ 215,580	\$ 16,686,128		\$ 16,686,128
2. Denominator						
2.1	Premium Revenue	\$ 14,206,436	\$ -	\$ 14,206,436	\$ 4,893,686	\$ 19,100,122
2.2	Taxes and Fees	\$ 928	\$ -	\$ 928		\$ 928
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 14,205,507	\$ -	\$ 14,205,508	\$ 4,893,686	\$ 19,099,194
3. Credibility Adjustment						
3.1	Member Months	31,977	-	31,977		\$ 31,977
3.2	Credibility	Partially Credible		Partially Credible		Partially Credible
3.3	Credibility Adjustment	3.6%	0.0%	3.6%		3.6%
4. MLR Calculation						
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	115.9%	1.6%	117.5%	-30.1%	87.4%
4.2	Credibility Adjustment	3.6%	0.0%	3.6%		3.6%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	119.5%	1.6%	121.1%	-30.1%	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	119.5%		121.1%		121.1%
5.4	Risk Corridor Cost Settlement Due to Health Plan				\$ 4,893,686	\$ 4,893,686
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 adjust IBNR to reflect the entire reporting period

The health plan submitted claim lag tables for the incurred but not reported (IBNR) estimate that did not reflect the entire reporting period within the calculation. Revised supporting documentation was submitted to properly encompass the entire reporting period. An adjustment was proposed to increase IBNR to the appropriate amount. The IBNR and 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	\$217,033

Adjustment #2 – To remove administrative transaction fees

The health plan reported pharmacy claims expense including an administrative transaction fee of \$.05 per claim for certain claims within the dataset. The health plan submitted supporting documentation of the total transaction fee amount by population. An adjustment was proposed to remove the administrative transaction fee from incurred claims. 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	(\$1,453)

Adjustment #3 – To reclassify HCQI expenses

The health plan reported sub-capitated expense on the MLR Report. Based on the information provided, the per-member-per month expenses represent care coordination services paid to providers for a restricted program intended to manage the care of the members. Care coordination services are considered health care quality improvement (HCQI) expenses. Therefore, an adjustment was proposed to reclassify the care coordination services from incurred claims expense to HCQI. The medical and HCQI



SCHEDULE OF ADJUSTMENTS AND COMMENTS

expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and § 438.8(e)(3).

Proposed Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	(\$15,240)
1.2	Quality Improvement	\$15,240