



September 23, 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 SelectHealth, 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

The background features a blurred image of a child's face, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a cross. The right side of the page is a dark grey diagonal band containing the text.

**SELECTHEALTH, 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**<sup>LC</sup>  
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) for the state fiscal year ending June 30, 2019 related to the Children's Health Insurance Program (CHIP). SelectHealth'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 exceeds 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 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  
September 14, 2021



**SELECTHEALTH, INC.**  
**ADJUSTED MEDICAL LOSS RATIO**

## 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
<b>1. Numerator</b>				
1.1	Incurred Claims	\$ 20,309,710	\$ -	\$ 20,309,710
1.2	Quality Improvement	\$ 174,927	\$ 125,410	\$ 300,337
1.3	Total Numerator [Incurred Claims + Quality Improvement]	\$ 20,484,637	\$ 125,410	\$ 20,610,047
<b>2. Denominator</b>				
2.1	Premium Revenue	\$ 21,865,838	\$ -	\$ 21,865,838
2.2	Taxes and Fees	\$ 1,294	\$ 103,833	\$ 105,127
2.3	Total Denominator [Premium Revenue - Taxes and Fees]	\$ 21,864,544	\$ (103,833)	\$ 21,760,711
<b>3. Credibility Adjustment</b>				
3.1	Member Months	131,085	-	131,085
3.2	Credibility	Partially Credible		Partially Credible
3.3	Credibility Adjustment	1.82%	0.0%	1.8%
<b>4. MLR Calculation</b>				
4.1	Unadjusted MLR [Total Numerator / Total Denominator]	93.69%	1.0%	94.7%
4.2	Credibility Adjustment	1.82%	0.0%	1.8%
4.3	Adjusted MLR [Unadjusted MLR + Credibility Adjustment]	95.51%	1.0%	96.5%
<b>5. Remittance Calculation</b>				
5.1	Is Plan Membership Above the Minimum Credibility Value?	Yes		Yes
5.2	MLR Standard	85.00%		85.0%
5.3	Adjusted MLR	95.51%		96.5%
5.4	Meets MLR Standard	Yes		Yes



## 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 HCQI expenses**

The health plan reported health care quality improvement (HCQI) expenses utilizing 0.8% of premium revenues instead of actual cost. This election of reporting HCQI expenses is outlined in 45 CFR § 158.221 for the calculation of the MLR under the Affordable Care Act. However, is not referenced in the calculation of the MLR per the Medicaid Managed Care Final Rule. Therefore, actual HCQI costs were requested and examined. During review of the revised supporting documentation of actual HCQI cost totaling \$338,077, non-qualifying items were identified including salaried positions as well as administrative overhead expenses amounting in \$37,740. Those amounts were deducted from the actual cost to arrive at the verified amount. An adjustment was proposed to include the additional HCQI costs per the revised supporting documentation, excluding non-qualifying expenses. 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	\$125,410

### **Adjustment #2 – To adjust the HIF expense to state data**

The health plan did not report the Health Insurer Fee (HIF) expense for the MLR reporting period. The associated HIF revenues were included within the capitation payments reflected on the MLR Report. An adjustment was proposed to increase the HIF expense to reflect state data amounts. The taxes and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and the CMS Health Insurance Providers Fee for Medicaid Managed Care Plans FAQ dated October 2014. The health plan completed the MLR Report based on the template and instructions.

Proposed Adjustment		
Line #	Line Description	Amount
2.2	Taxes and Fees	\$103,833



## Appendix A: Health Plan Responses

The health plan responses are attached below. The responses have been reviewed by Myers and Stauffer prior to finalization of the examination report, and have been incorporated into the adjustments if deemed necessary by Myers and Stauffer.





5281 Green Street  
Murray, UT 84123  
selecthealth.org

September 14, 2021

Utah Department of Health  
Division of Medicaid and Health Financing  
Salt Lake City, Utah

Re: SelectHealth's Management Response to the State Fiscal Year (SFY) 2019 Children's Health Insurance Program Medical Loss Ratio (MLR) Examination Report

Please accept this letter as SelectHealth, Inc.'s (the Company) formal response to the Schedule of Adjustments and Comments section of the above mentioned MLR Examination Report for SFY2019 prepared by Myers and Stauffer, LC (M&S).

**Adjustment #1 – Health Care Quality Improvement (HCQI) Expenses**

The Company respectfully disagrees with M&S's assessment that certain administrative expenses related to the management and overhead of HCQI efforts do not qualify as eligible HCQI expenses. The Company believes that cost associated with managerial oversight and administrative support of its employees is necessary in achieving HCQI objectives. Understanding M&S's position, the Company will work with the Utah Department of Health to determine an appropriate reporting approach in future periods.

**Adjustment #2 – Health Insurer Fee Expense**

The Company followed the provided MLR instructions that explicitly stated to exclude HIF expenses. The Company agrees that the instructions should have included this element and looks forward to revised instructions in future periods.

We appreciate the opportunity to provide our feedback and look forward to working with you to strengthen this process in the years to come.

Sincerely,

SelectHealth, Inc.