



December 9, 2019

Via Electronic Mail

Mississippi Division of Medicaid
Jennifer Wentworth, Deputy Administrator | Administration
550 High Street, Suite 1000
Jackson, Mississippi 39201

Re: Magnolia Health Plan, Inc. MSCHIP Medical Loss Ratio for the period of July 1, 2017 through June 30, 2018 Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of Magnolia Health Plan, Inc. MSCHIP Medical Loss Ratio (MLR) for the period of July 1, 2017 through June 30, 2018. As a courtesy to the Mississippi Division of Medicaid (DOM) and other readers, the Magnolia Health Plan, Inc. 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

**Magnolia Health Plan, Inc.
Mississippi Children's Health Insurance Program
Report on Adjusted Medical Loss Ratio Rebate Calculation
(With Independent Accountant's Report Thereon)**

**State of Mississippi
Division of Medicaid
Jackson, Mississippi**

**For the period of July 1, 2017
through June 30, 2018**

Prepared by:





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State of Mississippi
Division of Medicaid
Jackson, Mississippi

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio Rebate Calculation of Magnolia Health Plan, Inc. (Magnolia) related to the Mississippi Children's Health Insurance Program for the period of July 1, 2017 through June 30, 2018. Magnolia's management is responsible for presenting the Medical Loss Ratio Rebate Calculation in accordance with the criteria set forth in the contract between the Division of Medicaid and Magnolia, Exhibit D: Medical Loss Ratio (MLR) Requirements and Centers for Medicare & Medicaid Services (CMS) federal guidance 42 CFR 438.8. Our responsibility is to express an opinion on the Medical Loss Ratio Rebate Calculation 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 Rebate Calculation is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Medical Loss Ratio Rebate Calculation. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Medical Loss Ratio Calculation, 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 Other Non-Claims Costs amount reported on the Adjusted Medical Loss Ratio Rebate Calculation has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it.

The accompanying Adjusted Medical Loss Ratio were 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 Rebate Calculation of Magnolia is presented in accordance with the above referenced criteria, in all material respects, and the Adjusted MLR Percentage Achieved exceeds the CMS minimum requirement of eighty-five percent (85%) for the period of July 1, 2017 through June 30, 2018.

This report is intended solely for the information and use of the Mississippi Division of Medicaid, Milliman, and Magnolia and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
December 5, 2019



Adjusted Medical Loss Ratio - for the State Fiscal Year Ending June 30, 2018

Adjusted Medical Loss Ratio - for the State Fiscal Year Ending June 30, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Revenue and New Enrollee Adjustments				
1	Total YTD Capitation and Maternity Payments	\$ 55,232,791	\$ -	\$ 55,232,791
	Premium Tax Component of Reported Revenue			
2	Less: Health Insurer Tax	\$ 677,451	\$ -	\$ 677,451
3	Less: Allocation for premium taxes and other revenue-based assessments	\$ 1,636,660	\$ -	\$ 1,636,660
4	NET Current YTD MLR Revenue	\$ 52,918,679	\$ -	\$ 52,918,679
5	Less: Optional Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net premium tax component)	\$ -	\$ -	\$ -
6	Add: Adjustment for 50% or more TOTAL capitation attributed to new enrollees (net premium tax component) deferred from prior year from line 25 below.	\$ -	\$ -	\$ -
7	Adjusted Current YTD MLR Capitation Revenue	\$ 52,918,679	\$ -	\$ 52,918,679
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses from Income Statement	\$ 51,745,679	\$ (16,776)	\$ 51,728,903
	MLR Expense Adjustments defined in Exhibit C			
9	Incurred claim adjustment additions	\$ -	\$ -	\$ -
10	Incurred claim adjustment deductions	\$ -	\$ -	\$ -
11	Incurred claim adjustment exclusions	\$ 1,087,935	\$ 360,511	\$ 1,448,446
12	Adjusted Net Medical Expenses	\$ 50,657,744	\$ (377,287)	\$ 50,280,457
	Health care quality improvement (HCQI) and health care information technology meaningful use expenses			
13	HCQI and HIT administrative expenses from Income Statement	\$ 948,704	\$ -	\$ 948,704
14	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$ 30,008	\$ -	\$ 30,008
15	Adjusted HCQI/HIT expenses	\$ 978,712	\$ -	\$ 978,712
16	Other Non-Claims Costs (FOR REPORTING PURPOSES ONLY. NOT INCLUDED IN NUMERATOR.)	\$ 2,754,614	\$ 93,128	\$ 2,847,742
17	Total Adjusted Current YTD MLR Expenditures	\$ 51,636,456	\$ (377,287)	\$ 51,259,169
18	Less: Adjustment for 50% or more of Medical expenses attributed to new enrollees.	\$ -	\$ -	\$ -
19	Add: Prior Year New Enrollee Medical Expenditures deferred to current year from line 25 below.	\$ -	\$ -	\$ -
20	Total Adjusted MLR expenses	\$ 51,636,456	\$ (377,287)	\$ 51,259,169
21	MLR percentage achieved	97.6%	-0.7%	96.9%
22	MLR percentage requirement for rebate calculation	85.0%		85.0%
23	Percentage below 85% requirement	0.0%		0.0%
24	Dollar amount of rebate requirement	\$ -	\$ -	\$ -
Reconciliation of Prior Year New Enrollee Capitation Exclusion				
25	Prior year new enrollee capitation adjustment exclusion (net of premium tax)	\$ -	\$ -	\$ -
26	Less: Prior year incurred claims for excluded New Enrollees	\$ -	\$ -	\$ -
27	Total Net Adjustment for New Enrollees from prior years	\$ -	\$ -	\$ -

*Minor footing variance due to rounding. Reported amounts have been rounded to match the as-filed report.

**The "Other Non-Claims Costs" line reported on the Medical Loss Ratio Rebate Calculation Report has not been subjected to the procedures applied in the examination, and accordingly, we express no opinion on it. However, any adjustments identified during the course of the examination procedures directly affecting the "Other Non-Claims Costs" line, will be properly reflected within the adjustment totals.



Schedule of Adjustments and Comments for the State Fiscal Year Ending June 30, 2018

During our examination we noted certain matters involving costs, that in our determination did not meet the definitions of allowable medical expenses and other operational matters that are presented for your consideration.

Adjustment #1 – To reclassify interest expense

The health plan reported medical expenses that included interest on paid claims. Interest on paid claims is a non-allowable medical expense. Interest can be included as non-claims cost. The proposed adjustment is to reclassify the interest expense per supporting documentation. The medical expense reporting requirements are addressed in the Exhibit D: Medical Loss Ratio (MLR) Requirements and the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

This is a newly identified finding for this examination and as such, we recommend that Magnolia revise its processes for reporting interest expense on the MLR rebate calculation to properly report interest as non-claims cost.

Proposed Adjustment:

Line #	Line Description	Amount
8	Total Net Medical Expenses from Income Statement	\$ (16,776)
16	Other Non-Claims Costs	\$ 16,776

Adjustment #2 – To remove related party pharmacy cost

The health plan reported related party pharmacy expenses on a per-member-per-month (PMPM) basis within the incurred claims line of the MLR and subsequently utilized the exclusions line on the MLR in their attempt to adjust the expense to actual incurred claims cost via the supplied vendor claim lag tables as instructed. However, during our review of the health plan's exclusion analysis, it was discovered that their analysis did not take into account certain trial balance NADAC restatement adjustments designed to adjust their reported trial balance amounts to reflect the corrected PMPM capitation payment totals for the current fiscal year. These adjusted totals should have been included as the starting basis to then be utilized in the comparison to incurred claims for the period under review. As a result, we recalculated the exclusion amount for the related party vendor. A portion of this exclusion amount, to the extent that related party profit margins are removed, may be considered allowable as Non-Claims administrative expense. Determination of the allowable non-claims expense is beyond the scope of this MLR examination and has no impact on the MLR calculation, therefore the



non-claims cost amounts were left unadjusted. The medical expense and related party reporting requirements are addressed in the Exhibit D: Medical Loss Ratio (MLR) Requirements, CMS Publication 15-1, Section 1010, and the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

This is a newly identified finding for this examination and as such, we recommend that Magnolia revise its processes for reporting exclusions on the MLR rebate calculation to properly include the NADAC restatement adjustments in order to provide a starting basis for the exclusion analysis.

Proposed Adjustment:

Line #	Line Description	Amount
11	Incurred claim adjustment exclusions	\$ 4,521

Adjustment #3 – To remove related party dental cost

The health plan reported related party dental expenses on a per-member-per-month (PMPM) basis within the incurred claims line of the MLR and subsequently utilized the exclusions line on the MLR in their attempt to adjust the expense to actual incurred claims cost via the supplied vendor claim lag tables as instructed. However, during our review of the health plan's exclusion analysis, it was discovered that their analysis did not take into account certain trial balance risk corridor restatement adjustments designed to adjust their reported trial balance amounts to reflect the corrected PMPM capitation payment totals for the current fiscal year. These adjusted totals should have been included as the starting basis to then be utilized in the comparison to incurred claims for the period under review. As a result, we recalculated the exclusion amount for the related party vendor. A portion of this exclusion amount, to the extent that related party profit margins are removed, may be considered allowable as Non-Claims administrative expense. Determination of the allowable non-claims expense is beyond the scope of this MLR examination and has no impact on the MLR calculation, therefore the non-claims cost amounts were left unadjusted. The medical expense and related party reporting requirements are addressed in the Exhibit D: Medical Loss Ratio (MLR) Requirements, CMS Publication 15-1, Section 1010, and the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

This is a newly identified finding for this examination and as such, we recommend that Magnolia revise its processes for reporting exclusions on the MLR rebate calculation to properly include the trial balance risk corridor restatement adjustments in order to provide a starting basis for the exclusion analysis.



Proposed Adjustment:

Line #	Line Description	Amount
11	Incurred claim adjustment exclusions	\$ 69,601

Adjustment #4 - To revise amounts included for third party vendors

The health plan reported third party radiology expenses on a per-member-per-month (PMPM) basis within the incurred claims line of the MLR and subsequently utilized the exclusions line on the MLR in their attempt to adjust the expense to actual incurred claims cost via the supplied National Imaging Associates, Inc. (NIA) vendor certification statement as instructed. However, during our review of the health plan's exclusion analysis, it was discovered that their analysis did not take into account certain trial balance restatement adjustments designed to reflect the corrected PMPM capitation payments. These adjusted totals should have been included as the starting basis to then be utilized in the comparison to incurred claims for the period under review. Additionally, a significant error was identified during the confirmation process with NIA regarding the incurred claims reported on the certification statement. NIA had originally included claim total amounts that were related to their commercial Marketplace population. This population should not have been included as part of this Medicaid MLR. A revised certification statement was obtained and we recalculated the exclusion amount for the third party vendor. The proposed adjustment removes the incorrect claim populations, accounts for the restated trial balance amounts, and reclassifies the remaining PMPM costs paid to the third party vendor as non-claims administrative expense. The medical expense, related party, and administrative reporting requirements are addressed in the Exhibit D: Medical Loss Ratio (MLR) Requirements, CMS Publication 15-1, Section 1010, the Medicaid Managed Care Final Rule 42 CFR § 438.8, and 45 CFR 158.160.

This is a newly identified finding for this examination period and as such, we recommend that Magnolia revise its processes for reporting exclusions on the MLR rebate calculation to properly include the trial balance restatement adjustments in order to provide a starting basis for the exclusion analysis.

Proposed Adjustment:

Line #	Line Description	Amount
11	Incurred claim adjustment exclusions	\$ 286,389
16	Other Non-Claims Costs	\$ 76,352



Health Plan Responses

The health plan did not provide responses for the state fiscal year under review.