November 30, 2018

Via Electronic Mail

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

Re: UnitedHealthcare Community Plan MS CAN MLR for the period of January 1, 2017 through June 30, 2017 Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of UnitedHealthcare Community Plan MS CAN Medical Loss Ratio (MLR) report for the period of January 1, 2017 through June 30, 2017. As a courtesy to DOM and other readers, we have also included the UnitedHealthcare Community Plan management's response letter, 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

Myers and Stauffer LC

DEDICATED TO GOVERNMENT HEALTH PROGRAMS
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UnitedHealthcare Community Plan
Mississippi Coordinated Access Network
Report on Medical Loss Ratio Rebate Calculation
(With Independent Accountant's Report Thereon)

State of Mississippi
Division of Medicaid
Jackson, Mississippi

For the period of January 1, 2017
through June 30, 2017

Prepared by:

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Independent Accountant's Report

State of Mississippi
Division of Medicaid
Jackson, Mississippi

We have examined the accompanying Adjusted Medical Loss Ratio Rebate Calculation of UnitedHealthcare Community Plan (UHC) related to the Mississippi Coordinated Access Network for the period of January 1, 2017 through June 30, 2017. UHC'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 UHC, Exhibit C: Medical Loss Ratio (MLR) Requirements. 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.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio Rebate Calculation of UHC is presented in accordance with the criteria set forth in the Exhibit C: Medical Loss Ratio (MLR) Requirements, in all material respects, and exceeds the eighty-five percent (85%) requirement for the period of January 1, 2017 through June 30, 2017.

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

Myers and Stauffer LC

Myers and Stauffer LC
November 16, 2018

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Organizational Background

UnitedHealthcare Community Plan, a Mississippi Corporation, is a wholly owned subsidiary of UnitedHealthcare Group Incorporated (UHG). UHC began enrolling Medicaid members in the Mississippi Coordinated Access Network program January 1, 2011.

UnitedHealthcare Community Plan provides services to members of the Mississippi Coordinated Access Network (CAN) and Children's Health Insurance Program (CHIP). United Healthcare Community Plan was one of two coordinated care organizations providing services in the state of Mississippi during the examination period.

United Healthcare has various management agreements with both internal and external vendors to provide management, major medical, behavioral health, pharmacy, dental, non-emergency transportation, and vision services to members in the program.

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. These adjustments, comments and recommendations are intended to improve internal controls or result in other operating efficiencies and are summarized below.

Adjustment #1 – To adjust vision expense to actual cost incurred

UHC did not report all applicable vision costs from March Vision, a third party vendor, accurately on line 16 (Other Non-Claims Cost) of the MLR. Documentation provided by UHC on behalf of March Vision for the applicable dates of service totaled $3,980,473, while the general ledger detail included $7,064,742 in expense. The difference in cost of $3,084,269 is the allowable administrative expense that can be reported on line 16 (Other Non-Claims Cost). Therefore, the proposed adjustment is to add $3,084,269 of administrative expense to line 16 (Other Non-Claims Cost) of this year's MLR to properly include all paid amounts related to March Vision. This requirement is addressed in the Exhibit C: Medical Loss Ratio (MLR) instructions, section B and E and CMS MLR Guidance issued 7/18/2011 (Q and A#19), CMS guidance issued 5/13/2011 (Q and A#12), and CMS guidance issued 2/10/2012 (Q and A#20).

This is a reoccurring finding identified in prior examinations and as such, we recommend that UHC revise its processes for reporting costs on the MLR Rebate Calculation Report to properly include all appropriate administrative expenses.

Adjustment #2 – To adjust transportation expense to actual cost incurred

UHC did not report all applicable transportation costs from MTM, a third party vendor, accurately on line 16 (Other Non-Claims Cost) of the MLR. Documentation provided by UHC on behalf of MTM for the applicable dates of service totaled to $2,357,557, while the general ledger detail included $3,676,369 in expense. The difference in cost of $1,318,812 is the allowable administrative expense that can be reported on line 16 (Other Non-Claims Cost). Therefore, the proposed adjustment is to add $1,318,812 of administrative expense to line 16 (Other Non-Claims Cost) of this year's MLR to properly include all paid amounts related to MTM. This requirement is addressed in the Exhibit C: Medical Loss Ratio (MLR) instructions, section B and E and CMS MLR Guidance issued 7/18/2011 (Q and A#19), CMS guidance issued 5/13/2011 (Q and A#12), and CMS guidance issued 2/10/2012 (Q and A#20).

This is a reoccurring finding identified in prior examinations and as such, we recommend that UHC revise its processes for reporting costs on the MLR Rebate Calculation Report to properly include all appropriate administrative expenses.

<u>Adjustment #3 – To remove and reclassify non-allowable HCQI/HIT expenses</u>

UHC reported several intercompany accounts within the amounts claimed as Healthcare Quality Initiative (HCQI/HIT) on line 13 (HCQI and HIT administrative expenses from Income Statement) of the MLR on a per-member-per-month (PMPM) basis. UHC provided documentation that identified profit and administrative components of the PMPM amounts that should be excluded from the HCQI expenses.

The administrative component does not meet the HCQI definitions included within Exhibit C: Medical Loss Ratio (MLR), section C instructions and may be considered allowable as "Other non-claims costs". In addition, the profit component should be removed entirely in accordance with the related organization guidance provided in CMS Publication 15-1, Chapter 10 section 1000 on the treatment of allowable costs for related organizations. The exception to the related organizations listed in section 1010 was not met, and therefore UHC is limited to the claiming of actual cost amounts of these intercompany transactions exclusive of any profit margin.

The proposed adjustment removes $1,179,431 from line 13 (HCQI and HIT administrative expenses from Income Statement) and reclassifies the administrative component of $567,851 to line 16 (Other Non-Claims Costs) of the MLR. The profit margin amount of $611,580 is eliminated through this adjustment.

<u>This is a reoccurring finding identified in prior examinations and as such, we recommend that UHC revises its processes for reporting costs on the MLR Rebate Calculation Report to only include allowable expenses related to activities that improve health care quality in HCQI/HIT.</u>

Line #	Revenue or Expense	Reported MLR Amounts	Adjustment Amounts	Adjusted MLR Amounts
Capitation Revenue and New Enrollee Adjustments				
1	**Total YTD Capitation Payments**	$ 522,382,169	$ -	$ 522,382,169
2	**Less: Health Insurer Tax**	$ -	$ -	$ -
3	**Less: Allocation for premium taxes and other revenue-based assessments**	$ 15,698,374	$ -	$ 15,698,374
4	**NET Current YTD MLR Revenue**	$ 506,683,795	$ -	$ 506,683,795
5	Less: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component)	$ -	$ -	$ -
6	Add: Adjustment for 50% or more of TOTAL capitation attributed to new enrollees (net of premium tax component) deferred from prior year from line 25 below.	$ -	$ -	$ -
7	**Adjusted Current YTD MLR Capitation Revenue**	**$ 506,683,795**	**$ -**	**$ 506,683,795**
MLR Medical and Administrative Expense Adjustments				
8	Total Net Medical Expenses from CCO Income Statement	$ 468,701,262	$ -	$ 468,701,262
	MLR Expense Adjustments defined in Exhibit C			
9	Incurred claim adjustment additions	$ -	$ -	$ -
10	Incurred claim adjustment deductions	$ 353,011	$ -	$ 353,011
11	Incurred claim adjustment exclusions	$ 1,202	$ -	$ 1,202
12	**Adjusted Net Medical Expenses**	$ 468,347,050[2]	$ -	$ 468,347,050[2]
	Health care quality improvement (HCQI) and health care information technology meaningful use expenses			
13	HCQI and HIT administrative expenses from Income Statement	$ 8,575,797	$ (1,179,431)	$ 7,396,366
14	Adjustments or exclusions to HCQI/HIT meaningful use expenses	$ -	$ -	$ -
15	**Adjusted HCQI/HIT expenses**	$ 8,575,797	$ (1,179,431)	$ 7,396,366
16	**Other Non-Claims Costs (For Reporting Purposes Only. Not included in Numerator.)[1]**	$ 34,072,430	$ 4,970,932	$ 39,043,362
17	**Total adjusted current YTD MLR expenditures**	$ 476,922,847	$ (1,179,431)	$ 475,743,416
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 26 below.	$ -	$ -	$ -
20	**Total Adjusted MLR expenses**	**$ 476,922,847**	**$ (1,179,431)**	**$ 475,743,416**
21	**MLR percentage achieved**	**94.1%**	**(0.2%)**	**93.9%**
22	**MLR percentage requirement for rebate calculation**	85.0%	85.0%	85.0%
23	**Percentage below 85% requirement**	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**	**$ -**	**$ -**	**$ -**

[1] Other Non-Claims Cost may be subjected to additional procedures which may result in further adjustments. Currently, this report contains only adjustments identified during the Medical Loss Ratio examination procedures.
[2] Minor footing variance due to rounding.

Managment Responses

UnitedHealthcare
Community Plan

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November 16, 2018

Myers and Stauffer LC
133 Peachtree St NE, Suite 3150
Atlanta, GA 30303

Re: MLR Audit Report - MS CAN

We have reviewed the audit report for the Mississippi MLR audit on the MS CAN plan as of June 30, 2017. Our responses to each of the recommended adjustments noted on the report are addressed below. If you require additional information, please let us know.

Adjustment #1 – To adjust vision expense to actual cost incurred

We recommend that UHC revise its processes for reporting costs on the MLR Rebate Calculation Report to properly include all appropriate administrative expenses.

UHC Response:

As noted in the last audit response memo, the Company agrees to the proposed adjustment to add the administrative expense to line 16 (Other Non-Claims Cost). The timing of this audit did not enable us to implement the process changes timely. In the future, we will record the expenses accurately.

Adjustment #2 – To adjust transportation expense to actual cost incurred

We recommend that UHC revise its processes for reporting costs on the MLR Rebate Calculation Report to properly include all appropriate administrative expenses.

UHC Response:

As noted in the last audit response memo, the Company agrees to the proposed adjustment to add the administrative expense to line 16 (Other Non-Claims Cost). The timing of this audit did not enable us to implement the process changes timely. In the future, we will record the expenses accurately.

Adjustment #3 – To remove and reclassify non-allowable HCQI expenses

We recommend that UHC revises its processes for reporting costs on the MLR Rebate Calculation Report to only include allowable expenses related to activities that improve health care quality in HCQI/HIT.

UHC Response:

The Company continues to disagree with this finding, however, we will focus on developing a process to comply with this requirement and record the expenses as requested.

CPA

Chief Financial Officer
UnitedHealthcare Community Plan of Mississippi