



Table of Contents

Table of Contents	1
Independent Accountant's Report	
Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through December 31, 2020	3
Schedule of Adjustments and Comments for the State Fiscal Year Ending June	
30, 2020	. 5

MYERS AND STAUFFER www.myersandstauffer.com | page 1



State of Mississippi Division of Medicaid Jackson, Mississippi

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of Magnolia Health Plan, Inc. (Magnolia) related to the Mississippi Coordinated Access Network (CAN) for the state fiscal year ending June 30, 2020. Magnolia's management is responsible for presenting the Medical Loss Ratio (MLR) Rebate Calculation Report in accordance with the criteria set forth in the Exhibit C: Medical Loss Ratio (MLR) Requirements, 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.

The Other Non-Claims Costs amount reported on the Adjusted Medical Loss Ratio Rebate Calculation is presented for purposes of additional analysis. Such information 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 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, 2020.

This report is intended solely for the information and use of the 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 Atlanta, Georgia February 14, 2022

MYERS AND STAUFFER www.myersandstauffer.com page 2



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through December 31, 2020

	Adjusted Medical Loss Ratio for the State Fiscal Year Ending Jun	e 30, i	2020 Paid Throug	h December 31, 2020)	
Line #	Line Description		Reported	Adjustment	Adjusted	
Lille #			Amounts	Amounts		Amounts
Capitation Revenue and Tax Assessments						
1	Total YTD Capitation Revenue and Maternity Kick Payments	\$	1,098,964,850	\$ (37,641,124)	\$	1,061,323,726
	Tax Components of Reported Revenue					
2	Less: Health Insurer Tax	\$	13,803,586	\$ -	\$	13,803,586
3	Less: Allocation for premium taxes	\$	32,554,838	\$ (1,129,234)	\$	31,425,604
4	Less: Other taxes and other revenue-based assessments	\$	-	\$ -	\$	-
5	NET Current YTD Adjusted Premium Revenue*	\$	1,052,606,427	\$ (36,511,890)	\$	1,016,094,537
MLR Medical and Administrative Expenses						
6	Total Net Medical Expenses from Income Statement	\$	947,142,471	\$ (227,493)	\$	946,914,978
	MLR Expense Adjustments as defined in Exhibit C					
7	Incurred claim adjustment additions	\$	-	\$ -	\$	-
8	Incurred claim adjustment deductions	\$	-	\$ -	\$	-
9	Incurred claim adjustment exclusions	\$	18,118,158	\$ -	\$	18,118,158
10	Adjusted Net Medical Expenses	\$	929,024,313	\$ (227,493)	\$	928,796,820
	Health Care Quality Improvement (HCQI) and Health Information Technology (HIT)					
	Meaningful Use Expenses	_				
11	HCQI and HIT Administrative Expenses from Income Statement	\$	12,513,106		\$	12,513,106
12	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$	1,079,846	\$ -	\$	1,079,846
13	Adjusted HCQI/HIT expenses	\$	13,592,952	\$ -	\$	13,592,952
14	Other Non-Claims Costs (For Reporting Purposes Only. Not Included in Numerator)**	\$	68,173,352	\$ 227,493	\$	68,400,845
15	Total Adjusted Current YTD MLR Medical Expenditures	\$	942,617,265	\$ (227,493)	\$	942,389,772
16	Reporting MLR Percentage		89.6%	3.1%		92.7%
17	MLR percentage requirement for rebate calculation		85.0%			85.0%
18	Percentage below 85% Requirement		0.0%			0.0%
19	Dollar Amount of Rebate Requirement	\$	-	\$ -	\$	-

MYERS AND STAUFFER LC www.myersandstauffer.com page 3



Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through December 31, 2020

Adjusted Medical Loss Ratio for the State Fiscal Year Ending June 30, 2020 Paid Through December 31, 2020						
Line #	Line Description	Reported	Adjustment	Adjusted		
Lille #		Amounts	Amounts	Amounts		
Credibility Adjustment Applied						
20	MLR Member Months	2,343,742	-	2,343,742		
21	MLR Member Months (Annualized)	2,343,742	-	2,343,742		
22	Credibility Adjustment	0.0%		0.0%		
23	Adjusted Reporting MLR Percentage	89.6%	3.1%	92.7%		
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%		
25	Percentage below 85% Requirement	0.0%		0.0%		
26	Dollar Amount of Rebate Required	\$ -	\$ -	\$ -		

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

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^{**}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, 2020

During our examination, we identified the following adjustments.

Adjustment #1 – To include the COVID-19 Risk Corridor recoupment

The Division of Medicaid implemented a risk corridor to address the uncertainty of medical cost given the COVID-19 pandemic for the second quarter (April 1, 2020 through June 30, 2020) of calendar year 2020. The settlement amount related to this risk corridor occurred subsequent to the filing of the medical loss ratio rebate calculation. Due to the timing and uncertainly of the risk corridor, the plan did not accrue for the potential settlement amount. This proposed adjustment amount reflects all applicable Medical Loss Ratio examination adjustments incorporated into Milliman's final risk corridor settlement calculation. Due to the amount of the settlement and its impact to the medical loss ratio calculation, an adjustment is necessary to include the final settlement amount and its impact on the premium taxes owed. The Denominator requirements are addressed in the Exhibit C: Medical Loss Ratio (MLR) Requirements and the Medicaid Managed Care Final Rule 42 CFR §438.8(f)(2)(vi).

This is a newly identified finding for this examination. We understand the Division of Medicaid initially instructed the CCOs to leave the risk corridor amount out of the MLR template submission. The Division will amend the MLR template to include the risk corridor amounts, as applicable, for future submissions. Accordingly, this finding will not be counted against Magnolia for future MLR audit reviews. We expect Magnolia to include any risk corridor amounts in future MLR template submissions, upon request by the Division.

Proposed Adjustment					
Line #	Line Description	Amount			
1	Total YTD Capitation Revenue and Maternity Kick Payments	(\$37,641,124)			
3	Allocation for Premium taxes and other revenue based assessments	(\$1,129,234)			

Adjustment #2 - To reclassify incentive payments to Non-Claims costs

The health plan included payments made to their Non-Emergency Transportation subcontractor for meeting contract established quality metrics as incurred medical expenses. These payments do not meet the criteria of provider incentives or has Healthcare Quality Initiatives expenses as MTM is a service arranger rather than a service provider. As a result, these expenses should be reclassified as Non-Claims Costs and not reported as medical expenses. The medical expense are addressed in the



Exhibit C: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8, 45 CFR 158.140(b) (3)(iii), and 45 CFR 158.150.

This is a newly identified finding for this examination and as such, we recommend that Magnolia revise its processes for reporting payments to their subcontractors on the MLR rebate calculation.

Proposed Adjustment					
Line #	Line Description	Amount			
6	Total Net Medical Expenses from Income Statement	(\$227,493)			
14	Other Non-Claims Costs	\$227,493			