MOLINA HEALTHCARE OF MISSISSIPPI Mississippi Coordinated Access Network (CAN) Medicaid Managed Care Programs

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**Report on Adjusted Medical Loss Ratio** With Independent Accountant's Report Thereon

For the State Fiscal Year Ending June 30, 2020 Paid through December 31, 2020





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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 of Molina Healthcare of Mississippi (Molina) related to the Mississippi Coordinated Access Network (CAN) for the state fiscal year ending June 30, 2020. Molina'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 Molina 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 22, 2022



### MOLINA HEALTHCARE OF MISSISSIPPI MISSISSIPPI COORDINATED ACCESS NETWORK ADJUSTED MEDICAL LOSS RATIO

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,	2020 Paid Throug	gh D	ecember 31, 2020	)	
Line #	Line Description		Reported Amounts		Adjustment Amounts		Adjusted Amounts
Capitatio	n Revenue and Tax Assessments						
1	Total YTD Capitation Revenue and Maternity Kick Payments	\$	381,883,185	\$	(15,175,366)	\$	366,707,819
	Tax Components of Reported Revenue						
2	Less: Health Insurer Tax	\$	3,139,500	\$	-	\$	3,139,500
3	Less: Allocation for premium taxes	\$	11,393,957	\$	(392,722)	\$	11,001,235
4	Less: Other taxes and other revenue-based assessments	\$	2,561,330	\$	(246,078)	\$	2,315,252
5	NET Current YTD Adjusted Premium Revenue*	\$	364,788,399	\$	(14,536,566)	\$	350,251,833
MLR Med	ical and Administrative Expenses						
6	Total Net Medical Expenses from Income Statement	\$	311,959,270	\$	(1,828,916)	\$	310,130,354
	MLR Expense Adjustments as defined in Exhibit C						
7	Incurred claim adjustment additions	\$	4,277,198	\$	(4,277,198)	\$	-
8	Incurred claim adjustment deductions	\$	-	\$	-	\$	-
9	Incurred claim adjustment exclusions	\$	1,311,994	\$	3,053,505	\$	4,365,499
10	Adjusted Net Medical Expenses	\$	314,924,474	\$	(9,159,619)	\$	305,764,855
	Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) Meaningful Use Expenses						
11	HCQI and HIT Administrative Expenses from Income Statement	\$	3,982,765	\$	1,575,130	\$	5,557,895
12	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$	-	\$	-	\$	-
13	Adjusted HCQI/HIT expenses	\$	3,982,765	\$	1,575,130	\$	5,557,895
14	Other Non-Claims Costs (For Reporting Purposes Only. Not Included in Numerator)**	\$	34,170,618	\$	2,904,101	\$	37,074,719
15	Total Adjusted Current YTD MLR Medical Expenditures	\$	318,907,239	\$	(7,584,489)	\$	311,322,750
16	Reporting MLR Percentage		87.4%		1.5%		88.9%
17	MLR percentage requirement for rebate calculation		85.0%				85.0%
18	Percentage below 85% Requirement		0.0%				0.0%



### MOLINA HEALTHCARE OF MISSISSIPPI MISSISSIPPI COORDINATED ACCESS NETWORK ADJUSTED MEDICAL LOSS RATIO

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 Amounts	Adjustment Amounts	Adjusted Amounts			
19	Dollar Amount of Rebate Requirement	\$-	\$-	\$-			
Credibility	Credibility Adjustment Applied						
20	MLR Member Months	835,113	-	835,113			
21	MLR Member Months (Annualized)	835,113	-	835,113			
22	Credibility Adjustment	0.0%		0.0%			
23	Adjusted Reporting MLR Percentage	87.4%	1.5%	88.9%			
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%			
25	Percentage below 85% Requirement	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.

\*\*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 Molina for future MLR audit reviews. We expect Molina 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	(\$15,175,366)				
3	Allocation for Premium taxes and other revenue- based assessments	(\$455,261)				

#### Adjustment #2 – To adjust expenses to supported documentation totals

The plan reported \$311,959,270 of incurred medical claims expense on the as filed MLR. The health plan was unable to provide documentation supporting this as filed amount since they did not save the information utilized to complete the MLR. As a result, the health plan provided documentation of their incurred claims as of the date of our request referred to as their "pure period" totals. We utilized these more current amounts resulting in an adjustment to the Line 6 amounts. The medical expenses 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 a newly identified finding for this examination and as such, we recommend that Molina save their backup documentation for all subsequent financial report filings.

Proposed Adjustment				
Line #	Line Description	Amount		
6	Total Net Medical Expenses from Income Statement	(\$1,127,238)		

#### Adjustment #3 – To reclassify reinsurance recovery amounts included in incurred claim totals

The health plan reported a reinsurance recovery amount that increased the incurred claim totals included in the MLR. The health plan indicated that this amount was the result of an accounting error that was corrected in the subsequent period. The Medicaid Managed Care Final Rule provides that the net payments or receipts related to risk sharing mechanisms, such as reinsurance, may be includable within the Denominator of the MLR calculation when this risk sharing mechanism is described within the health plan's contract with the state. When this is not described within the contract, these net reinsurance amounts, by default, should be classified as non-claims costs and excluded from the MLR calculation. Reinsurance is not described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the MLR described within the health plan's contract with the Mississippi Division of Medicaid. These treatment of reinsurance expenses and recoveries is addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.6(b), 438.8(b), and 438.8(f)(2)(vi).

This is a newly identified finding for this examination and as such, we recommend that Molina revise its processes for reporting their reinsurance amounts on the MLR rebate calculation submission.

Proposed Adjustment				
Line #	Line Description	Amount		
6	Total Net Medical Expenses from Income Statement	(\$701,678)		
14	Other Non-claims Costs	\$701,678		

#### Adjustment #4 – To reverse the reported incurred claim addition amount

The health plan reported an incurred claim adjustment addition of \$4,277,198. The documentation provided indicates that this amount relates to an adjustment intended to account for differences between their general ledger totals and their actual paid claims and reserve totals for SFY 2020. However, it appears that this calculation included a duplication of the outstanding liability totals. In addition, we were provided with the most current "pure period" claims totals and utilized these



amounts as our starting incurred claims totals for this examination. Therefore, this additional adjustment would not be necessary. The health plan confirmed that this amount should be excluded when the pure period amounts are utilized. The incurred claims expense reporting requirements are addressed in the Exhibit C: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8.

This a newly identified finding for this examination and as such, we recommend that Molina ensure that they properly report the incurred claims totals for subsequent MLR filings.

Proposed Adjustment				
Line #	Line Description	Amount		
7	Incurred claim adjustment additions	(\$4,277,198)		

## Adjustment #5 – To adjust for the overstatement of Federal Income Taxes and understatement of Premium Taxes.

An analysis of the supporting documentation provided for the health insurance premium taxes and federal income taxes indicates that adjustments are necessary. Our analysis indicates that the health plan underreported their incurred premium taxes by \$62,539 and overstated their federal income taxes by (\$246,078). This overstatement appears to be primarily attributable to the plan not accounting for the change in the deferred tax assets reported in their audited financial statements. The income tax expense reporting requirements are addressed in the Exhibit C: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3), and 45 CFR 158.130(b).

This is a newly identified finding for this examination and as such, we recommend that Molina review their reported tax amounts and make any necessary corrections to ensure that any changes to the deferred tax assets reported in the audited financial statements are incorporated into the MLR reported totals.

Proposed Adjustment					
Line #	Line Description	Amount			
3	Allocation for Premium taxes and other revenue- based assessments	\$62,539			
4	Other taxes and other revenue-based assessments	(\$246,078)			

#### Adjustment #6 – To exclude and reclassify payments to non-related party subcontractors

The health plan estimated and excluded a portion of the payments made to non-related subcontractors that exceeded the incurred claims totals. The health plan's reported adjustment of (\$1,311,994) was included on the Line 9 Incurred claim adjustment exclusions. However, additional analysis of the three



vendors' certification statements representing the actual incurred claims indicated that an additional adjustment (\$3,053,505) is necessary to reclassify these costs from incurred claims to non-claims expense. Also, an additional reconciliation adjustment of \$724,048 was identified to ensure that all of the excess subcontractors' non-claims costs were properly reported on Line 14 Non-Claims expense. The medical expense and non-related party subcontractors reporting requirements are addressed in the Exhibit C: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8.

This is a repeated finding for this examination and as such, we recommend that Molina revise its processes for reporting exclusions on the MLR rebate calculation to properly exclude payments to non-related party subcontractors.

Proposed Adjustment				
Line #	Line Description	Amount		
9	Incurred claim adjustment exclusions	\$3,053,505		
14	Other Non-Claims Costs	\$3,777,553		

#### Adjustment #7 – To reclassify payments from Non-Claims to HCQI

Additional Healthcare Quality Initiative (HCQI) amounts were identified during the Medical Loss Ratio examination primarily due to the utilization of allocation statistics obtained in the prior year(s) that did not properly distribute the current year's expenses between Non-Claims and HCQI. Additionally, we identified a business units that were performing duties that did not meet the definitions of HCQI and required an adjustment to the percentages utilized. The net additional costs will be reclassified from Non-Claims costs and added to HCQI. The HCQI expense reporting requirements are addressed in the Exhibit C: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8, and 45 CFR 158.150.

This is a newly identified finding for this examination and as such, we recommend that Molina revise its processes for reporting HCQI on the MLR rebate calculation to properly allocate costs between HCQI and non-claims costs utilizing the most accurate statistics available and in accordance with HCQI regulations.

	Proposed Adjustment					
Line #	Line Description	Amount				
11	HCQI and HIT administrative expenses from Income Statement	\$1,575,130				
14	Other Non-Claims Costs	(\$1,575,130)				