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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 Children's Health Insurance Program (CHIP) 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 D: 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 does not exceed 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 17, 2022

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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						
			Reported	Adjustment		Adjusted
Line #	Line Description		Amounts	Amounts		Amounts
Capitation	n Revenue and Tax Assessments					
1	Total YTD Capitation Revenue and Maternity Kick Payments	\$	37,087,201	\$ -	\$	37,087,201
	Tax Components of Reported Revenue					
2	Less: Health Insurer Tax	\$	88,500	\$ -	\$	88,500
3	Less: Allocation for premium taxes	\$	1,116,493	\$ 1,335	\$	1,117,828
4	Less: Other taxes and other revenue-based assessments	\$	707,293	\$ (71,232)	\$	636,061
5	NET Current YTD Adjusted Premium Revenue	\$	35,174,915	\$ 69,897	\$	35,244,812
MLR Med	ical and Administrative Expenses					
6	Total Net Medical Expenses from Income Statement	\$	21,458,919	\$ (245,457)	\$	21,213,462
	MLR Expense Adjustments as defined in Exhibit C					
7	Incurred claim adjustment additions	\$	-	\$ -	\$	-
8	Incurred claim adjustment deductions	\$	23,344	\$ (23,344)	\$	-
9	Incurred claim adjustment exclusions	\$	165,208	\$ 177,231	\$	342,439
10	Adjusted Net Medical Expenses	\$	21,270,367	\$ (399,344)	\$	20,871,023
	Health Care Quality Improvement (HCQI) and Health Information Technology (HIT)					
	Meaningful Use Expenses					
11	HCQI and HIT Administrative Expenses from Income Statement	\$	434,154	\$ 266,705	\$	700,859
12	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$	-	\$ -	\$	-
13	Adjusted HCQI/HIT expenses	\$	434,154	\$ 266,705	\$	700,859
14	Other Non-Claims Costs (For Reporting Purposes Only. Not Included in Numerator)**	\$	3,055,781	\$ 143,842	\$	3,199,623
15	Total Adjusted Current YTD MLR Medical Expenditures	\$	21,704,521	\$ (132,639)	\$	21,571,882
16	Reporting MLR Percentage		61.7%	-0.5%		61.2%
17	MLR percentage requirement for rebate calculation		85.0%			85.0%
18	Percentage below 85% Requirement		23.3%	0.5%		23.8%
19	Dollar Amount of Rebate Requirement	\$	8,195,755	\$ 192,510	\$	8,388,265

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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		
		Amounts	Amounts	Amounts		
Credibility	Credibility Adjustment Applied					
20	MLR Member Months	133,630	-	133,630		
21	MLR Member Months (Annualized)	133,630	66,815	200,445		
22	Credibility Adjustment	1.8%	-0.3%	1.5%		
23	Adjusted Reporting MLR Percentage	63.5%	-0.8%	62.7%		
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%		
25	Percentage below 85% Requirement	21.5%	0.8%	22.3%		
26	Dollar Amount of Rebate Required	\$ 7,562,607	\$ 296,986	\$ 7,859,593		

^{**}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.

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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 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 (\$165,208) 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 (\$177,231) is necessary to reclassify these costs from incurred claims to non-claims expense. Also, an additional reconciliation adjustment of \$48,795 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 D: Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8.

This is a newly identified 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	\$177,231		
14	Other Non-Claims Costs	\$391,234		

Adjustment #2 - 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 \$1,335 and overstated their federal income taxes by (\$71,232). 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 D: 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	\$1,335		
4	Other taxes and other revenue-based assessments	(\$71,232)		

Adjustment #3 – To adjust expenses to supported documentation totals

The plan reported \$21,458,919 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 D: 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	(\$226,144)		

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

The health plan reported an incurred claim adjustment deduction of \$23,344. 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. 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 D: 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		
8	Incurred claim adjustment deductions	(\$23,344)		

Adjustment #5 - To reclassify reinsurance amounts included in incurred claims costs

The health plan reported reinsurance amounts within the incurred claim totals included in the MLR. 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 expenses are not described within the health plan's contract with the Mississippi Division of Medicaid. These expenses and recoveries are 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 net reinsurance totals on the MLR rebate calculation submission.

Proposed Adjustment				
Line #	Line Description	Amount		
6	Total Net Medical Expenses from Income Statement	(\$19,313)		
14	Other Non-Claims Costs	\$19,313		

Adjustment #6 – To properly annualize the member months

The health plan operated for a partial year during the state fiscal year under examination. The reported member months reported by the health plan on the as-filed MLR represented the member months for the period of November 2019 through June 2020. However, the annualized member month calculation on the MLR template did not properly annualize these totals, resulting in an incorrect credibility adjustment being applied. An increasing adjustment of 66,815 member months will be applied to properly annualize the member months. This decreases the reported credibility adjustment from 1.8% to 1.5%. The credibility reporting requirements are addressed in the Exhibit D: Medical Loss Ratio (MLR) Requirements and the Medicaid Managed Care Final Rule 42 CFR §438.8(h).



Proposed Adjustment				
Line #	Line Description	Amount		
21	MLR Member Months (Annualized)	66,815		

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	\$266,705			
14	Other Non-Claims Costs	(\$266,705)			