

March 18, 2022

Via Electronic Mail

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

Re: UnitedHealthcare Community Plan of Mississippi's MSCHIP Medical Loss Ratio for the period of July 1, 2019 through June 30, 2020 Examination Report Transmittal

This letter is to inform you that Myers and Stauffer LC has completed the examination of UnitedHealthcare Community Plan of Mississippi's MSCHIP Medical Loss Ratio (MLR) for the period of July 1, 2019 through June 30, 2020. As a courtesy to the Mississippi Division of Medicaid (DOM) and other readers, the UnitedHealthcare Community Plan of Mississippi 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 belov	w if you have	questions.
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Kind Regards,

Myers and Stauffer LC





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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 UnitedHealthcare Community Plan of Mississippi (United) related to the Mississippi Children's Health Insurance Program (CHIP) for the state fiscal year ending June 30, 2020. United'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 United 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 23, 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 Jun	e 30, 2	2020 Paid Throug	h December 31, 2020	)	
Line #	Line Description		Reported	Adjustment		Adjusted
			Amounts	Amounts		Amounts
Capitatio	n Revenue and Tax Assessments					
1	Total YTD Capitation Revenue and Maternity Kick Payments	\$	100,146,484	\$ -	\$	100,146,484
	Tax Components of Reported Revenue					
2	Less: Health Insurer Tax	\$	891,850	\$ -	\$	891,850
3	Less: Allocation for premium taxes	\$	3,018,191	\$ (13,797)	\$	3,004,394
4	Less: Other taxes and other revenue-based assessments	\$	3,535,802	\$ (713,552)	\$	2,822,250
5	NET Current YTD Adjusted Premium Revenue	\$	92,700,641	\$ 727,349	\$	93,427,990
MLR Med	ical and Administrative Expenses					
6	Total Net Medical Expenses from Income Statement	\$	74,543,315	\$ -	\$	74,543,315
	MLR Expense Adjustments as defined in Exhibit C					
7	Incurred claim adjustment additions	\$	-	\$ -	\$	-
8	Incurred claim adjustment deductions	\$	671,245	\$ -	\$	671,245
9	Incurred claim adjustment exclusions	\$	918,280	\$ -	\$	918,280
10	Adjusted Net Medical Expenses	\$	72,953,790	\$ -	\$	72,953,790
	Health Care Quality Improvement (HCQI) and Health Information Technology (HIT)					
	Meaningful Use Expenses					
11	HCQI and HIT Administrative Expenses from Income Statement	\$	1,857,771	\$ -	\$	1,857,771
12	Adjustments or exclusions to HCQI/HIT meaningful use expenses	\$	251,793	\$ -	\$	251,793
13	Adjusted HCQI/HIT expenses	\$	1,605,978	\$ -	\$	1,605,978
14	Other Non-Claims Costs (For Reporting Purposes Only. Not Included in Numerator)**	\$	7,483,495	\$ -	\$	7,483,495
15	Total Adjusted Current YTD MLR Medical Expenditures	\$	74,559,768	\$ -	\$	74,559,768
16	Reporting MLR Percentage		80.4%	-0.6%		79.8%
17	MLR percentage requirement for rebate calculation		85.0%			85.0%
18	Percentage below 85% Requirement		4.6%	0.6%		5.2%
19	Dollar Amount of Rebate Requirement	\$	4,264,229	\$ 594,026	\$	4,858,255

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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	
Line #		Amounts	Amounts	Amounts	
Credibility	Adjustment Applied				
20	MLR Member Months	356,575	-	356,575	
21	MLR Member Months (Annualized)	356,575	-	356,575	
22	Credibility Adjustment	1.1%		1.1%	
23	Adjusted Reporting MLR Percentage	81.5%	-0.6%	80.9%	
24	MLR Percentage Requirement for Rebate Calculation	85.0%		85.0%	
25	Percentage below 85% Requirement	3.5%	0.6%	4.1%	
26	Dollar Amount of Rebate Required	\$ 3,244,522	\$ 586,026	\$ 3,830,548	

<sup>\*\*</sup>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 adjustment.

#### Adjustment #1 – Allowable Premium Taxes and State Income Taxes

The health plan reported a combined total of premium taxes and state income taxes that exceeds the maximum allowable incurred tax amounts for the period under review. Mississippi tax code requires that insurance companies pay an annual license or privilege tax of three percent (3%) of the gross premiums received, in addition to state income taxes payable on net income. Both tax types are allowed to be reported as a deduction within the MLR's denominator calculation. However, further review of the Mississippi tax code dictates that the premium tax remittance amount shall be reduced by the net income tax paid to the state for the preceding calendar year. Three-percent of gross revenues typically results in the maximum combined accrued premium tax and state income tax liability, which should be recognized as expense for the period under review. Annual variations in the credits applied against the privilege taxes, due to state income tax liability, should be recognized as a deferred tax asset.

As a result, we have recalculated the allowable combined premium tax and state income tax amounts to be three-percent (3%) of the allowable premiums. For reporting purposes, we have classified this tax as premium taxes which results in an adjustment to decrease the premium taxes on Line 3 and a removal of the state income taxes reported as part of Line 4 of the MLR. The premium tax and 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 Miss. Code Ann. § 27-15-103.

This is a newly identified finding for this examination and as such, we recommend that United properly calculate and report their premium and state income taxes for subsequent MLR filings.

Proposed Adjustment				
Line #	Line Description	Amount		
3	Allocation for Premium Taxes and Other Revenue-Based Assessments	(\$13,797)		
4	Other Taxes and Other Revenue-Based Assessments	(\$713,552)		



### Health Plan Responses

The health plan responses are attached below. The responses have been reviewed by Myers and Stauffer prior to finalization of the examination report, and have been incorporated into the adjustments if deemed necessary by Myers and Stauffer.



March \$, 2022

Mr. Randy C. Rehn, CPA, CFE Senior Manager Myers and Stauffer LLC. 1349 W Peachtree Street NE, Suite 1600 Atlanta, GA 30309

RE: AMENDED MANAGEMENT RESPONSE TO CAN/CHIP MEDICAL LOSS RATIO (MLR) AUDIT ADJUSTMENTS FOR SFY 2020

Dear Mr. Rehn,

Please find below our amended formal written response to the CAN/CHIP MLR Audit Adjustments for SFY 2020. Our response to the proposed adjustments are as follows:

Adjustment Line #3 – Allocation for Premium Taxes and State Income Taxes and Other Revenue-Based Assessments

Respor se: UHC agrees with CFR 438.8 (f)3(v)(A). Whereas, 3% of premiums earned will be considered to be included in the "Federal, State, and local taxes and licensing and regulatory fees" section of the MLR reporting. We ask that DOM clarify the "Premium Tax" definition in upcoming MLR reporting form instructions to be "3% of premium earned" as defined in CFR 438.8 (f)3(v)(A). The current CAN/CHIP contract amendments verbiage has been changed to clarify the definition of "Premium Tax."

As requested by Myers and Stauffer (M&S), if asked UHC will provide the detailed line of business assignments behind income totals and other items affecting the taxable amounts for each quarter. UHC and M&S agree that UHC will continue to use its current allocation process for Federal and State income taxes on a going forward basis.

As we stated in the exit interview, we appreciate the feedback from M&S in making sure that we report accurate and timely data. We look forward to future audits to collaborate together and continue to refine the process of MLR reporting.

Thank you again for your time and we look forward to working with your team.

Best Regards.

Chandler Ewing

**UHC Market Chief Financial Officer**