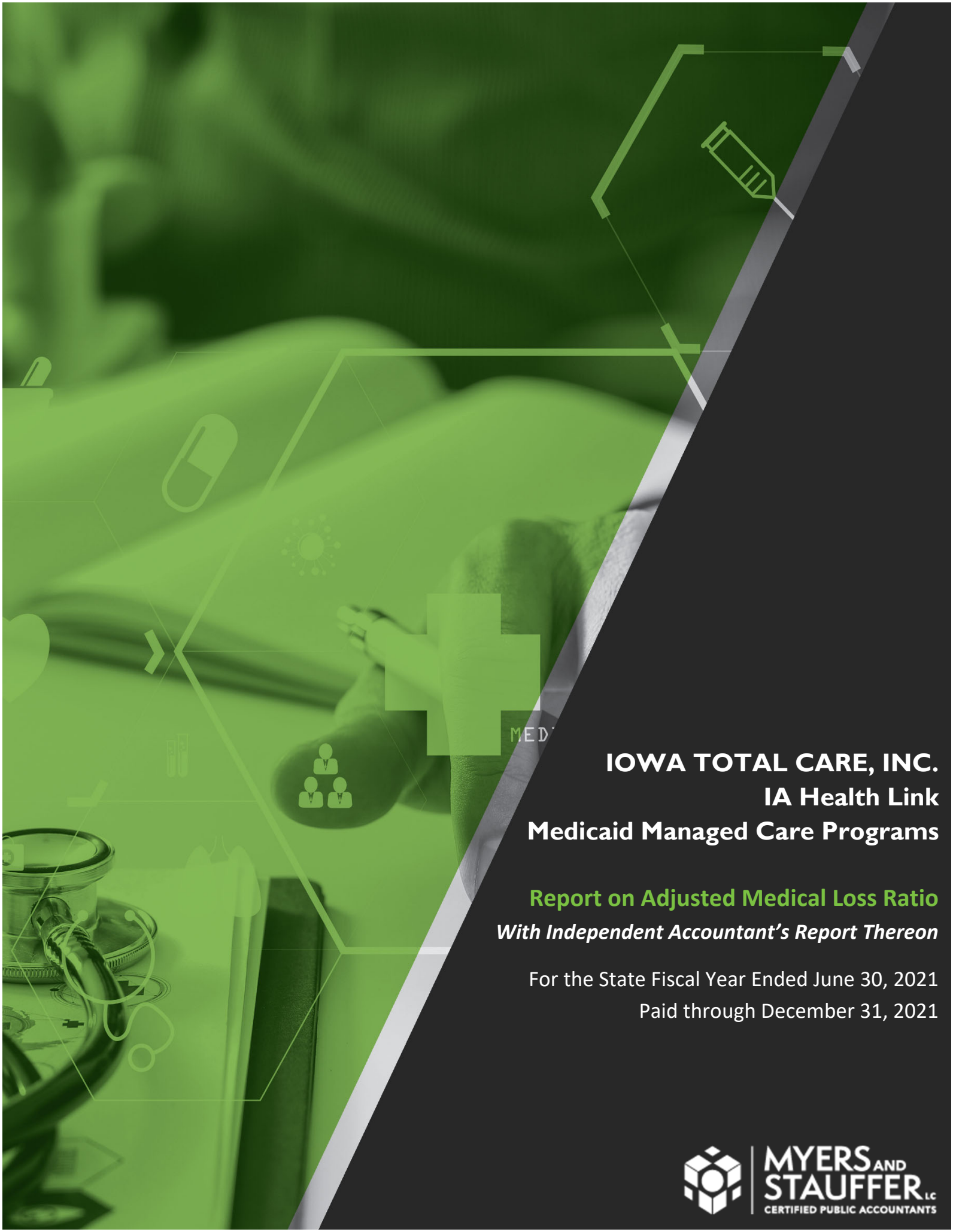

IOWA TOTAL CARE, INC.
IA Health Link
Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio

With Independent Accountant's Report Thereon

For the State Fiscal Year Ended June 30, 2021

Paid through December 31, 2021

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

State of Iowa
Department of Human Services, Iowa Medicaid
Des Moines, Iowa

Independent Accountant's Report

We have examined the Medical Loss Ratio Calculation of Iowa Total Care, Inc. (health plan) for the state fiscal year ended June 30, 2021. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio Calculation in accordance with the criteria set forth in 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 qualified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our engagement.

The accompanying Adjusted Medical Loss Ratio was prepared from information contained in the Medical Loss Ratio Calculation 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.

In our opinion, except for the possible effect of the item addressed in the Schedule of Data Caveats, the Adjusted Medical Loss Ratio is presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratio exceeds the state requirement of eighty-nine percent (89%) for the state fiscal year ended June 30, 2021.

This report is intended solely for the information and use of the Iowa Medicaid, CBIZ Optumas, and the health plan 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
Kansas City, Missouri
May 25, 2023

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2021 Paid Through December 31, 2021

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2021 Paid Through December 31, 2021				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
Numerator				
1	Adjusted Incurred Claims	$ 2,013,121,457	$ 46,962,644	$ 2,060,084,101
2	Health Care Quality Improvement Expenses	$ 46,665,679	$ (9,902,413)	$ 36,763,266
3	Total Adjusted MLR Numerator	$ 2,059,787,136	$ 37,060,231	$ 2,096,847,367
Denominator				
4	Premium and Other Revenue	$ 2,264,109,978	$ 55,785,297	$ 2,319,895,275
5	Taxes and Fees	$ 23,675,953	$ (5,506,636)	$ 18,169,317
6	Total Adjusted MLR Denominator	$ 2,240,434,026	$ 61,291,933	$ 2,301,725,958
MLR Calculation				
7	MLR Percentage Achieved	91.94%	-0.8%	91.1%
8	Credibility Adjustment	0.00%	0.0%	0.0%
9	Adjusted MLR Percentage Achieved	91.94%	-0.8%	91.1%
Remittance Calculation				
10	MLR Requirement	89.00%		89.0%
11	Percentage Below Requirement	0.00%	0.0%	0.0%
12	Dollar Amount of Remittance Requirement	$ -	$ -	$ -
Member Months				
13	Member Months	3,620,751	612	3,621,363
Informational Only*				
14	Other Non-Claims Costs	$ -	$ 18,910,717	$ 18,910,717

**The Non-Claims Costs line has not be subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. This includes adjustments identified during the course of the examination directly affecting the Non-Claims Costs line. Accordingly, we express no opinion on the Non-Claims Costs line.*

Note: The Reported Amount within MLR calculation on line 6 contains a variance due to rounding.

Schedule of Data Caveats

During our examination, we identified the following data caveat.

Data Caveat #1 – **Settlement Agreement**

The State of Iowa entered into a settlement agreement, in the amount of $44,455,199, with the health plan regarding pharmacy benefit manager (PBM) practices. The agreement was effective on December 14, 2022 and encompassed pharmacy benefits and services provided between January 1, 2016 and December 14, 2022 which includes the Medical Loss Ratio (MLR) reporting period under examination. The Centene Corporation is the owner of the health plan and PBM. The settlement amount was not allocated by MLR reporting period, line of business, nor did it clearly identify the impact related to pharmacy paid claims, any applicable penalty, or other factors developed within the settlement calculation. Therefore, the impact of the settlement was not considered in the calculation of the MLR.

Schedule of Adjustments and Comments for the State Fiscal Year Ended June 30, 2021

During our examination, we identified the following adjustments.

Adjustment #1 – To remove interest expense included in incurred claims

The health plan included interest paid on untimely processed claims as an incurred claims expense. Interest on paid claims is a non-allowable cost in medical expense. An adjustment was proposed to remove the interest expense and reclassify it to non-claims costs. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($154,857)
14	Other Non-Claims Costs	$154,857

Adjustment #2 – To remove non-qualifying HCQI expenses

The health plan reported health care quality improvement (HCQI) expenses utilizing salaries and benefits as well as overhead costs. It was determined the health plan included non-qualifying expenses based on federal guidance. An adjustment was proposed to remove non-qualifying salaries and benefits and overhead and reclassify it to non-claims costs. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2	Health Care Quality Improvement Expenses	($10,499,237)
14	Other Non-Claims Costs	$10,499,237

Adjustment #3 – To include related party HCQI vendor expenses

The health plan did not report nurseline and disease management services of a related party vendor, Envolve PeopleCare. An adjustment was proposed to include the salaries and benefits of Envolve PeopleCare within HCQI expenses and overhead and profit in non-claims costs. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2	Health Care Quality Improvement Expenses	$596,824
14	Other Non-Claims Costs	$1,273,902

Adjustment #4 – To adjust related party vision vendor expenses

The health plan reported vision services of a related party vendor, Envolve Vision, based on a per-member per-month (PMPM) arrangement per the general ledger. Paid claims detail was submitted to support the vendor's actual claim payments incurred for medical services performed for the MLR reporting period. An adjustment was proposed to remove the administrative component of the PMPM amount and reclassify it to non-claims costs. The third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($884,160)
14	Other Non-Claims Costs	$884,160

Adjustment #5 – To adjust related party PBM vendor expenses

The health plan's related party PBM, Envolve Pharmacy Solutions, contracts with a secondary PBM, RxAdvance, to process claims with pharmacies. The pharmacy expense was reported based on the health plan claims data. Paid claims detail was submitted from RxAdvance to support the amount paid to pharmacies. It was determined the reported pharmacy expense per the health plan was overstated. An adjustment was proposed to decrease the expenses to the supported paid claims per RxAdvance. The third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($665,718)

Adjustment #6 – To adjust incurred claims expense to final net payments to pharmacies

The health plan reported pharmacy incurred claims expense based on paid claims detail only reflecting ingredient cost and dispensing fees. It was determined the reported pharmacy incurred claims expense was overstated due to excluding the transaction fees assessed to the pharmacies by the PBM, within incurred claims expense to reflect the final paid to the pharmacy. An adjustment was proposed to reduce incurred claims expense for the transaction fees assessed to pharmacies. The third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($255,352)
14	Other Non-Claims Costs	$255,352

Adjustment #7 – To adjust income taxes per audited financial statement information

The health plan reported income taxes that included amounts for investment income. Per regulations, investments should be excluded from taxes reported for MLR purposes. Additionally, the change in deferred tax assets noted in the audited financial statements was not captured in the reporting of the taxes. An adjustment was proposed to decrease taxes to the appropriate amount per supporting documentation. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Centers for Medicare & Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
5	Taxes and Fees	($2,259,534)
14	Other Non-Claims Costs	$2,259,534

Adjustment #8 – To remove IBNR margin per supporting documentation

The health plan reported incurred but not reported (IBNR) expenses that included an amount in excess of the incurred claims contained within the health plan's lag tables. It was determined the reported amount included a non-allowable reserve margin percentage. An adjustment was proposed to remove the calculated IBNR margin amount and reclassify to non-claims cost. The medical expense and IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($2,358,648)
14	Other Non-Claims Costs	$2,358,648

Adjustment #9 – To adjust provider incentives payments per supporting documentation

The health plan reported various types of expenses within provider incentives. It was determined reported expenses were overstated and included non-allowable medical expenses for credentialing, vendor prior authorization expenses, and claims recovery fees. An adjustment was proposed to remove the overstated provider incentive cost and reclassify the administrative portion of costs to non-claims costs. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($13,704,569)
14	Other Non-Claims Costs	$1,225,027

Adjustment #10 – To adjust COB recovery amounts

The health plan did not report third party liability (TPL) vendor coordination of benefit (COB) recovery amounts captured outside of the paid claims lags for the MLR reporting period. An adjustment was proposed to reflect medical and pharmacy COB recoveries as a reduction to incurred claims expense. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($14,926,134)

Adjustment #11 – To adjust TPL recoveries

The MLR Calculation improperly added TPL vendor recoveries to incurred claims cost. These recoveries should be reported as a deduction to expense rather than an addition. An adjustment was proposed to correct the MLR Calculation formula error. Adjustment #10 includes the reduction of incurred claims cost for the recovery amount. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1	Adjusted Incurred Claims	($921,340)

Adjustment #12 – To adjust revenues per state data

The health plan reported revenue amounts that did not reflect payments received for its members applicable to the covered dates of service for the MLR reporting period. An adjustment was proposed to report the revenues per state data for capitation payments, maternity payments, and withhold payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2). The health plan completed the MLR Calculation based on the template instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
4	Premium and Other Revenue	($4,684,954)

Adjustment #13 – To adjust premium revenues and incurred claims to incorporate approved directed payment programs

The MLR Calculation did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the University of Iowa Hospitals and Clinics Physician Average Commercial Rate (UIHC ACR), Nursing Facility Covid Relief Rate (NF CRR), and Ground Emergency Medical Transportation (GEMT) payments are approved under 42 CFR § 438.6(c); and therefore should be included in the MLR calculation.

UIHC ACR Program

The following outlines the UIHC ACR directed payment revenue and expenses per state date. A reconciliation for the UIHC ACR directed payment was contractually in effect January 1, 2021 through June 30, 2021 of the MLR reporting period. The reconciliation calculation occurred subsequent to the filing of the MLR Calculation and was not reported by the health plan. A revenue adjustment was proposed to report the UIHC revenue, including the reconciliation settlement, per state data. An incurred claims adjustment was proposed to include the UIHC directed payment expense, per state data net of the amount misclassified as directed payment expense rather than claims expense in the reported health plan data.

UIHC ACR	
Description	**Amount**
Revenue - State Data	$43,060,675
Reconciliation Settlement	$1,040,746
Total Directed Payment Revenue	$44,101,421
Total Directed Payment Expense	$48,485,291
Reclassification to Claims Expense	$10,184,328
Incurred Claims Adjustment	$58,669,619

NR CCR Program

The following outlines the NF CRR directed payment revenue and expenses per state data. A risk corridor for the NF CRR was contractually in effect for the MLR reporting period. The risk corridor calculation occurred subsequent to the filing of the MLR Calculation and was not reported by the health plan. A revenue adjustment was proposed to report NF CRR revenue, including the risk corridor settlement, per state data. An incurred claims adjustment was proposed to include the NF CRR directed payment expense, per state data including the amount misclassified as claims expense rather than directed payment expense in the reported health plan data.

NF CRR	
Description	**Amount**
Revenue - State Data	$214,683
Risk Corridor Settlement	$944,551
Total Directed Payment Revenue	$1,159,234
Total Directed Payment Expense	$2,425,200
Reclassification from Claims Expense	($756,600)
Incurred Claims Adjustment	$1,668,600

GEMT Program

An adjustment was proposed to report the GEMT revenue per state data and GEMT expense per health plan data.

GEMT	
Description	**Amount**
Total Directed Payment Revenue	$11,764,557
Total Directed Payment Expense	$9,999,049

Premium revenue and incurred claims were summarized and adjusted based on the above. Directed payments and associated expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and § 438.6(c). The health plan completed the MLR Calculation based on the template instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
4	Premium and Other Revenue	$57,025,212
1	Adjusted Incurred Claims	$70,337,268

Adjustment #14 – To adjust HIF revenue and expenses per state data

The Health Insurer Fee (HIF) revenue and expenses reported by the health plan did not agree with the state data for the MLR reporting period. An adjustment was proposed to reflect HIF revenues and expenses per state data. The revenue and taxes and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2), § 438.8(f)(3), and the CMS Health Insurance Providers Fee for Medicaid Managed Care Plans FAQ dated October 2014.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
4	Premium and Other Revenue	($1,655,318)
5	Taxes and Fees	($3,247,103)

Adjustment #15 – To include GME revenue expenses per state data

The MLR Calculation did not reflect graduate medical education (GME) in the numerator nor the denominator of the calculation. GME payments are not considered pass-through payments and therefore should be included in the MLR calculation. An adjustment was proposed to reflect GME revenues and expenses per state data. The revenue and medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and § 438.8(f)(2). The health plan completed the MLR Calculation based on the template instructions.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
4	Premium and Other Revenue	$10,496,154
1	Adjusted Incurred Claims	$10,496,154

Adjustment #16 – To adjust the risk corridor per state data

A risk corridor was contractually in effect for January 1, 2021 through June 30, 2021 of the MLR reporting period. The risk corridor calculation occurred subsequent to the filing of the MLR Calculation and was not reported by the health plan. All applicable MLR examination adjustments are reflected within the final risk corridor calculation. An adjustment was proposed to report the revenues per state data for the risk corridor recoupment. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
4	Premium and Other Revenue	($5,395,797)

Adjustment #17 – To adjust member months per state data

The health plan reported member months that did not reflect accurate amounts for the MLR reporting period. An adjustment was proposed to reflect member months per state data. The member month reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
13	Member Months	612