MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

November 21, 2024

Via Electronic Mail

Florida Healthy Kids Corporation
Lindsay Lichti, Deputy Director | Plan Management
P.O. Box 980
Tallahassee, FL 32302

Re: Adjusted Medical Loss Ratio examination report for Community Care Plan for calendar year ended December 31, 2021

This letter is to inform you that Myers and Stauffer LC has completed the examination of the Adjusted Medical Loss Ratio for Community Care Plan (health plan) for calendar year ended December 31, 2021. As a courtesy to the Florida Health Kids Corporation and other readers, the health plan's management 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 response letter.

Please contact us at the phone number below if you have questions.

Kind Regards,

Myers and Stauffer LC

Myers and Stauffer LC

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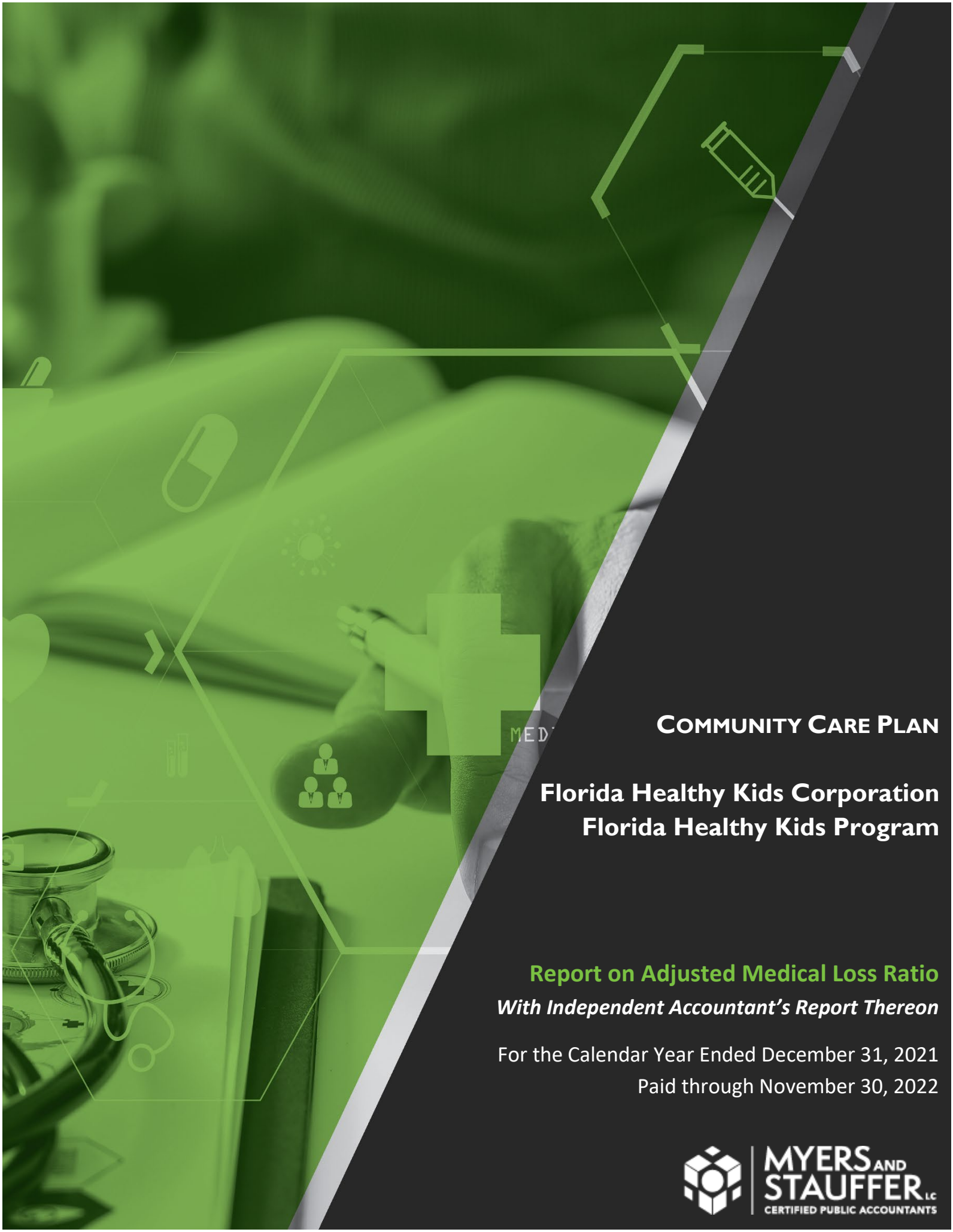

COMMUNITY CARE PLAN

Florida Healthy Kids Corporation
Florida Healthy Kids Program

Report on Adjusted Medical Loss Ratio

With Independent Accountant's Report Thereon

For the Calendar Year Ended December 31, 2021

Paid through November 30, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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Florida Healthy Kids Corporation
Tallahassee, Florida

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio of Community Care Plan (health plan) for the calendar year ended December 31, 2021. The health plan's management is responsible for presenting the Medical Loss Ratio 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 opinion.

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

The accompanying Adjusted Medical Loss Ratio was prepared from information contained in the Medical Loss Ratio 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, the Adjusted Medical Loss Ratio is presented in accordance with the criteria, in all material respects, and the Adjusted Medical Loss Ratio does not meet the Centers for Medicare & Medicaid Services (CMS) requirement of 85 percent for the calendar year ended December 31, 2021.

This report is intended solely for the information and use of the Florida Healthy Kids Corporation, Milliman, 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
July 29, 2024

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through November 30, 2022

Adjusted Medical Loss Ratio for the Calendar Year Ended December 31, 2021 Paid Through November 30, 2022				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1.	**Medical Loss Ratio Numerator**			
1.1	Incurred Claims	$ 14,495,150	$ (344,619)	$ 14,150,531
1.2	Activities that Improve Health Care Quality	$ 1,461,332	$ (528,364)	$ 932,968
1.3	MLR Numerator	$ 15,956,481	$ (872,983)	$ 15,083,498
1.4	Non-Claims Costs (Not Included in Numerator)	$ 3,083,859	$ -	$ 3,083,859
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 18,831,433	$ 77,010	$ 18,908,443
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ -	$ -	$ -
2.3	MLR Denominator	$ 18,831,433	$ 77,010	$ 18,908,443
3.	**MLR Calculation**			
3.1	Member Months	126,024	-	126,024
3.2	Unadjusted MLR	84.73%	-5.0%	79.8%
3.3	Credibility Adjustment	1.80%	0.0%	1.8%
3.4	Adjusted MLR	86.53%	-5.0%	81.6%
4.	**Remittance**			
4.1	Contract includes Remittance Requirement	Yes		Yes
4.2	FHKC Minimum MLR Requirement	85.00%		85.0%
4.5	Calculated MLR for Remittance Purposes	86.53%	-5.0%	81.6%
4.6.1	Remittance Dollar Amount Owed for MLR Reporting Period	$ -	$ 648,326	$ 648,326

**The Non-Claims Costs line has not been subjected to the procedures applied in the examination, including testing for allowability of expenses or appropriate allocation to the Medicaid line of business. Adjustments identified during the course of the examination were not tested to determine any impact on Non-Claims Costs. Accordingly, we express no opinion on the Non-Claims Costs line.*

Schedule of Adjustments and Comments for Calendar Year Ended December 31, 2021

During our examination, we identified the following adjustments.

Adjustment #1 – To adjust incurred claims per health plan supporting documentation

The health plan reported paid claims based on the specified runout period, including estimated incurred but not reported (IBNR), for the medical loss ratio (MLR) reporting period. A comparison was performed between a revised paid lag table with additional runout through February of 2024 to the health plan's reported paid claims and IBNR estimate, which indicated the reported incurred claims, including IBNR were understated. An adjustment was proposed to increase incurred claims per supporting documentation. The incurred claims 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**
1.1	Incurred Claims	$34,336

Adjustment #2 – To adjust reinsurance amounts to net to zero

The health plan reported reinsurance premiums and recoveries on the MLR. Per a review of the health plan's contract with FHKC, reinsurance is not mandated in the state of Florida. An adjustment was proposed to remove the reporting of reinsurance from the MLR calculation. The reinsurance reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2) and 438.8(f)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($260,870)

Adjustment #3 – To adjust third party vendor expenses

The health plan reported services for third party vendors; Health Network One, 20/20 iCare, and Coastal Care Services based on per-member-per-month (PMPM) and fee-for-service (FFS) arrangements. Either certification statements and/or paid claims listings were submitted for each, which did not reconcile to the reported amounts. An adjustment was proposed to increase incurred

claims per the vendor supporting documentation. The incurred claims and 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**
1.1	Incurred Claims	$26,855

Adjustment #4 – To adjust to pharmacy paid claims per PBM certification statement

The health plan reported pharmacy paid claims for the third party pharmacy benefit manager (PBM), Magellan Rx. It was determined that the pharmacy paid claims on the certification statement were greater than the amount reported. An adjustment was proposed to report pharmacy paid claims per the PBM certification statement. The incurred claims and third party reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	$37,640

Adjustment #5 – To adjust pharmacy rebates reported per the PBM certification

The health plan reported prescription drug rebates received and accrued. It was determined the amount reported was understated based on supporting documentation submitted from the PBM, Magellan Rx. An adjustment was proposed to increase the prescription drug rebates based on PBM supporting documentation. Pharmacy rebates are a reduction to incurred claims, therefore the increase in rebates is shown as a negative adjustment. The prescription drug rebates received and accrued reporting requirement are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(ii)(B) 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**
1.1	Incurred Claims	($101,364)

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

The health plan reported pharmacy incurred claims expense for the third party PBM, Magellan Rx, 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 transmission fees assessed to the pharmacies by the PBM. An adjustment was proposed to reduce incurred claims by the amount related to the transaction fees in order to reflect the final amount paid to the pharmacies. The incurred claims and 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**
1.1	Incurred Claims	($1,476)

Adjustment #7 – To remove non-qualifying HCQI/HIT expenses

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

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Activities that Improve Health Care Quality	($528,364)

Adjustment #8 – To adjust expanded benefits per supporting documentation

The health plan reported expanded benefits expense related to a waived co-pay program. The amount reported was higher when compared to the payment listing provided by the health plan, therefore an adjustment was proposed to the health plan supporting documentation. During the review of the sample claims documentation and through conversations with the plan, it was discovered that the amount reported as expanded benefits was included twice in incurred claims. An adjustment was proposed to remove the expanded benefits expense duplicated within incurred claims and report the waived co-pay amount as revenue based on federal guidance. The incurred claims and waived cost share reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2) and 438.8(f)(2).

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($79,740)
2.1	Premium Revenue	$77,010

Appendix A: 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.

Community Care Plan
The Health Plan with a Heart

July 30, 2024

Florida Healthy Kids Corporation ("FHKC")
Ryan West, Chief Executive Officer, FHKC (via email to: westr@healthykids.org)
Suzetta Furlong, Chief Operating Officer, FHKC (via email to: furlongs@healthykids.org)
1203 Governors Square Boulevard, Ste. 400
Tallahassee, FL 32301

Re: Community Care Plan's ("CCP") Management Response to 2020 and 2021 MLR Examination Reports

Please accept this letter as a follow up to my email dated July 15, 2024, and in preparation for our call this coming Thursday, August 1, 2024. This letter will also serve as CCP's formal response to the 2020 and 2021 MLR Examination Reports (the "Reports") prepared by Myers and Stauffer, LLC ("M&S").

As you know, CCP has worked with M&S over the past several months and provided voluminous documentation to M&S during their preparation of the Report. On June 20, 2024, CCP received a first draft of the proposed MLR Audit Report for the 2020 and 2021 reporting periods. CCP disagreed with the findings in this preliminary report and participated in a conference call with M&S to discuss the Report's conclusions. M&S agreed to revisit certain assumptions in the report, and CCP provided additional information and documentation to M&S in the following weeks. M&S revised and re-sent the proposed, and presumably final, draft Reports to CCP on Friday, July 26, 2024, at 5:59 p.m., requesting executed Management Representation Letters and a Management Response letter by the following Monday, July 29, 2024.

As detailed in the contractually required MLR reporting and follow-up communications between CCP and FHKC, CCP agrees it owes a contractual rebate to FHKC. However, for the reasons outlined herein, CCP is not in agreement with the conclusory adjustments and amounts owed in the proposed M&S Report.

Adjustments #9 (2020) and #8 (2021) – To adjust expanded benefits per supporting documentation: CCP acknowledges duplication in incurred claims reporting and agrees with that portion of this adjustment. However, M&S also

determined that waived member copays during the COVID-19 public health emergency ("PHE") period should have been included in premium revenue for the MLR calculation.

CCP Response: CCP worked cooperatively with FHKC and other plan partners during the PHE to waive member copays and facilitate access to necessary care in this unprecedented time. M&S' targeted and siloed interpretation of CMS regulations does not account for the unique circumstances surrounding the PHE and the intent of this waiver.

M&S' unilateral attempt to include this figure in the premium calculation overlooks the simple fact that this waiver was not an "expanded benefit" intended to induce members to choose CCP as a plan as the regulations are designed to address. Moreover, M&S did not consider that these waived copays were not able to be collected from enrollees by design, as an attempt at collection would be entirely antithetical to the purpose of the waiver: FHKC and the plans' joint efforts to ensure CHIP enrollees were not foregoing care because of cost during the emergency.

During this period, the plan incurred additional medical costs by absorbing these expenditures. CCP would feel this financial impact a second time through the inclusion of a copayment premium adjustment in the restated rebate calculations. CCP does not agree with this proposed adjustment to the MLR rebate calculation.

Adjustment #7 (2020) and #7 (2021) – To remove non-qualifying HCQI/HIT Expenses: M&S determined that various employee and vendor expenditures did not qualify as health care quality improvement (HCQI) and health information technology (HIT) expenses.

CCP Response: CCP has noted throughout the audit process that M&S sought to impose rigid and arbitrary standards in reviewing CCP's submitted HCQI and HIT expenses for the years under audit. CCP provided detailed documentation and support to FHKC as a part of regular MLR reporting, but years later, M&S is now seeking to impose standards and certain CMS interpretations not published or otherwise in effect during the periods under audit.

M&S partially acknowledged this and accounted for additional expenses in its most recent draft Report, allowing certain submitted cost allocations back into the calculation following discussion with CCP. Still, M&S sought information and documentation (e.g. time studies, tailored job descriptions by line of business and daily task, etc.) not previously requested by FHKC or otherwise serving to detract from CCP's pre-existing documentation and reporting regarding HCQI and HIT expenses for the years under audit.

To apply these altered standards without the opportunity to work with FHKC on a mutually agreeable documentation and reporting standard for these expenses resulted in an overly aggressive dismissal of otherwise supportable and legitimate expenses and job functions directly related to improving the quality of healthcare provided to FHKC enrollees. CCP does not agree with the amount of this proposed adjustment to the MLR rebate calculation.

Adjustments #8 (2020) and #2 (2021) – To adjust reinsurance amounts to net to zero: M&S proposed an adjustment to remove reinsurance from the MLR calculation.

Response: CMS guidance in effect at the time period under audit did not explicitly exclude reinsurance from the proposed MLR rebate calculation. Reinsurance is also increasingly required for many providers entering value-based purchasing and risk-based contracts, both in operation and by regulation.

Moreover, throughout the periods under audit, FHKC included this item in the contractually required Quarterly and Annual Experience Report as part of the MLR calculation. The Agency for Health Care Administration similarly includes and audits this item in its annual ASR submissions as part of the MLR calculation in the Statewide Medicaid Managed Care program. Removal of these costs years after the period under audit with no further clarification or communication from FHKC is unwarranted. CCP does not agree with this proposed adjustment to the MLR rebate calculation.

Community Care Plan
The Health Plan with a Heart

CCP welcomes the opportunity to discuss these items in more detail, and to work cooperatively with FHKC on a transparent process moving forward to ensure CCP's efforts to improve the quality of healthcare provided to FHKC enrollees are properly acknowledged moving forward.

Sincerely,

Jessica Lerner
President and CEO
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