

ANNUAL MEDICAL LOSS RATIO REPORT

Molina Healthcare of Arizona, Inc.
AHCCCS Complete Care Program
Year Ended September 30, 2023
With Report of Independent Accountants

Molina Healthcare of Arizona, Inc.
AHCCCS Complete Care Program
Annual Medical Loss Ratio Report

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholder
Molina Healthcare of Arizona, Inc.

We have examined the accompanying Annual Medical Loss Ratio Report of Molina Healthcare of Arizona, Inc. for the year ended September 30, 2023. Molina Healthcare of Arizona, Inc.'s management is responsible for presenting the Annual Medical Loss Ratio Report in accordance with the criteria set forth in the Financial Reporting Guide for Arizona Health Care Cost Containment System (AHCCCS) Complete Care Contractors. Our responsibility is to express an opinion on the Annual Medical Loss Ratio Report 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 Annual Medical Loss Ratio Report is in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Annual Medical Loss Ratio Report. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of the Annual Medical Loss Ratio Report, whether due to fraud or error. We believe that the evidence we have 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 relating to the engagement.

In our opinion, the accompanying Annual Medical Loss Ratio Report of Molina Healthcare of Arizona, Inc. for the year ended September 30, 2023, is presented in accordance with the criteria set forth in the Financial Reporting Guide, in all material respects.

This report is intended solely for the information and use of Molina Healthcare of Arizona, Inc. and the Arizona Health Care Cost Containment System and is not intended to be and should not be used by anyone other than those specified parties.

Grant Thornton LLP

Appleton, Wisconsin
June 20, 2024

Molina Healthcare of Arizona, Inc.
 AHCCCS Complete Care Program
 Annual Medical Loss Ratio Report
 Contract Year Ended September 30, 2023

			Incurred Basis
			CYE23
	Member Months		590,563
	Revenue		
	Include		
1	Prospective Capitation	\$	273,086,314
2	APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) contribution by AHCCS	\$	1,023,511
3	Delivery Supplement	\$	4,316,292
4	Unpaid Cost Sharing Amounts	\$	-
5	Changes to Unearned Premium Reserves	\$	-
6	Reserved	\$	-
7	Prospective Tiered	\$	(44,050,606)
8	Reserved	\$	-
9	Other Reconciliation Settlements	\$	(696,060)
10	Share of Cost (SOC) Settlement	\$	-
11	Reserved	\$	-
12	Reserved	\$	-
13	Other Income	\$	10,000
14	Patient Contributions	\$	-
15	Other Accruals	\$	-
16	State Directed Payments Revenue (excludes Premium Tax)	\$	57,136,786
17	Differential Adjusted Payments Revenue (excludes Premium Tax)	\$	-
18	Total Premium Revenue	\$	290,826,237
	Taxes, Licensing and Regulatory Fees		
19	Federal Income & Federal Tax (include Tax Benefit)	\$	3,851,249
20	Premium Tax	\$	5,849,588
21	Reserved	\$	-
22	Other Federal, State, Local Taxes and Licensing and Regulatory Fees	\$	-
23	Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c	\$	851,494
24	Total Taxes, Licensing and Regulatory Fees	\$	10,282,331

Molina Healthcare of Arizona, Inc.
 AHCCCS Complete Care Program
 Annual Medical Loss Ratio Report (continued)
 Contract Year Ended September 30, 2023

		Incurred Basis
		CYE23
	Incurred Claims	
	Include	
25	Include paid claims to providers/subcontractors for Medicaid covered services to Medicaid enrollees. Exclude sub-capitation/block payments related to delegated managed care administrative expenses. The costs of the delegated managed care activities cannot be included in the managed care plan's medical loss ratio calculation. Contractors who have providers/subcontractors with delegated managed care activities must include these costs in admin unless they are quality improvement activities which should be reported in the Expenditures for Activities that Improve Health Care Quality Section.	\$ 186,859,638
26	Changes in other claims-related reserves (Change in unpaid claims between the prior year's and the current year's unpaid claims (i.e., RBUC) and change in claims incurred but not reported (IBNR) from the prior year to the current year)	\$ 2,838,671
27	Provider Withholds from Payments	\$ -
28	Provider Incentive/Bonus Payments (include Unreimbursed PBP)	\$ 1,289,681
29	Payments recovered through Fraud Recovery efforts less related expenses	\$ -
30	Contingent Benefits/ Medical claim portion of lawsuits	\$ -
31	Value Added Services	\$ -
32	Provider Payments Attributable to State Directed Payments (Excluding Premium Tax)	\$ 57,136,786
33	Differential Adjusted Payments to Providers	\$ -
	Deduct	
34	Reinsurance Recoveries	\$ (6,311,260)
35	Provider/Subcontractor Overpayment Recoveries	\$ -
36	Rx Rebates (received/accrued)	\$ (84,375)
37	Pharmacy Performance Guarantee	\$ -
38	TPL, COB, Subrogation Recoveries and recoverable COB claims	\$ (204,919)
39	Total Incurred Claims	\$ 241,524,222

Molina Healthcare of Arizona, Inc.
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 Annual Medical Loss Ratio Report (continued)
 Contract Year Ended September 30, 2023

			Incurred Basis
			CYE23
	Detail		
	Non-Claims Costs		
40	Compensation	\$	14,792,801
41	Occupancy	\$	397,257
42	Depreciation	\$	681,898
43	Care Management/Care Coordination not included in Health Care Quality Improvement Expenses	\$	-
44	Professional and Outside Services	\$	4,835,080
45	Office Supplies and Equipment	\$	503,745
46	Travel	\$	151,833
47	Repair and Maintenance	\$	285,617
48	Bank Service Charge	\$	95,694
49	Insurance	\$	115,124
50	Marketing	\$	593,516
51	Interest Expense	\$	839,333
52	Pharmacy Benefit Manager Expenses	\$	410,661
53	Amounts paid to third party vendors for secondary network savings	\$	-
54	Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management.	\$	-
55	Amounts paid, including amounts paid to a provider, for professional or administrative services that do not represent compensation or reimbursement for covered services provided to an enrollee. (e.g., Non-Medical (Administrative component) of Sub-Capitated or Block Payments)	\$	350,376
56	Interpretation/Translation Services	\$	86,915
57	Other Administrative Expenses	\$	1,799,238
58	Fines and penalties assessed by regulatory authorities	\$	-
59	Loss Adjustment Expense	\$	(259,044)
60	Total Non-Claims Costs	\$	25,680,045

Molina Healthcare of Arizona, Inc.
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 Annual Medical Loss Ratio Report (continued)
 Contract Year Ended September 30, 2023

		Incurred Basis
		CYE23
	Detail	
	Health Care Quality Improvement and Other Expenses	
61	Improvement of health outcomes	\$ 3,532,275
62	Activities to prevent hospital readmission	\$ 524,336
63	Improvement of patient safety and reduce medical errors	\$ 586,532
64	Wellness and health promotion activities	\$ 2,778,338
65	Health information technology expenses related to improving health care quality	\$ 790,999
66	Activities related to external quality review	\$ -
67	Total Health Care Quality Improvement and Other Expenses	\$ 8,212,480
68	Program Integrity: Fraud, Waste, and Abuse Prevention Expenses	\$ 232,899
69	Credibility Adjustment (if applicable)	0.0%
	Numerator	
70	Incurred Claims	\$ 241,524,222
71	Expenditures for activities that improve health care quality	\$ 8,212,480
72	Total	\$ 249,736,702
	Denominator	
73	Premium Revenue	\$ 290,826,237
74	Taxes, licensing, and regulatory fees	\$ (10,282,331)
75	Total	\$ 280,543,906
76	Medical Loss Ratio	89.0%
77	Medical Loss Ratio with Credibility Adjustment	89.0%

Molina Healthcare of Arizona, Inc.
AHCCCS Complete Care Program
Notes to Annual Medical Loss Ratio Report
Contract Year Ended September 30, 2023

1. Organization

Molina Healthcare of Arizona, Inc. (the Plan) is a wholly owned subsidiary of Molina Healthcare, Inc. (the Parent). On December 31, 2020, the Parent closed on its acquisition of 100% of the outstanding equity interests of the Magellan Complete Care line of business of Magellan Health, Inc., which included the Plan, formerly known as Magellan Complete Care of Arizona, Inc.

The Plan was incorporated in the state of Arizona (the State) on October 20, 2011. On January 7, 2013, the Plan received a certificate of authority from the Arizona Department of Insurance (the Department) to transact health care services business in the State.

The Plan began providing healthcare services to Medicaid recipients in Arizona on October 1, 2018, under the Arizona Health Care Cost Containment System (AHCCCS) Contract with the AHCCCS Administration. The contract term with all extensions expires September 30, 2027. Each contract year is October 1 through September 30.

As of September 30, 2023, the Plan served approximately 45,000 members eligible for Medicaid and Medicare services. The Plan contracts with independent physician associations, hospitals, and other providers to provide medical services to its members. As a health maintenance organization (HMO), the Plan is at risk for all covered outpatient and inpatient claims incurred by its beneficiaries.

2. Medical Loss Ratio

The Plan is required by the contract with AHCCCS to maintain a minimum medical loss ratio (MLR) for each contract year of at least 85%. The MLR numerator is defined by the Financial Reporting Guide for AHCCCS Complete Care Contractor as incurred claims and expenditures for activities that improve health care quality, and the denominator is defined as premium revenue less taxes and licensing and regulatory fees. A credibility adjustment is added, when applicable, to the overall calculation. The accompanying annual MLR report is for the contract year ended September 30, 2023.

Numerator

Incurred claims represent all claims with dates of service from October 1, 2022 through September 30, 2023 (the Contract Year). This includes actual claims related to the Contract Year that were paid through December 31, 2023, as well as an estimate for unpaid claims as of December 31, 2023 of \$2,838,671. Reinsurance recoveries are presented as reduction of incurred claims.

Expenditures for activities that improve health care quality include administrative expenses related to case management, care coordination, chronic disease management, and medication and care compliance initiatives.

State Directed Payments, excluding premium taxes, paid to providers are included in the numerator.

The Non-Claims Costs are not included in the numerator for purposes of determining the reported on Adjusted Medical Loss Ratio Rebate Calculation.

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AHCCCS Complete Care Program
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Contract Year Ended September 30, 2023

Denominator

Premium revenue included within the annual MLR report includes the revenue related to the Contract Year. This excludes any changes in estimates recorded in the Contract Year related to prior contract years. Taxes included within the annual MLR report include the provision for income taxes for the period, including taxes associated with the Health Insurance Providers Fee and premium taxes. The presentation within this MLR report is consistent with the guidelines included within the Criteria for such report; however, this presentation differs from that included within the Audited Financial Statements prepared in conformity with generally accepted accounting principles.

State Directed Payments, excluding premium taxes, paid to providers are included in the denominator.