

Department of Economic Security
Division of Developmental Disabilities ALTCS Contract

Medical Loss Ratio Report

September 30, 2024



A Report to the Arizona Legislature

Lindsey A. Perry
Auditor General





The Arizona Auditor General's mission is to provide independent and impartial information and specific recommendations to improve the operations of State and local government entities. To this end, the Office provides financial audits and accounting services to the State and political subdivisions, investigates possible misuse of public monies, and conducts performance audits and special reviews of school districts, State agencies, and the programs they administer.

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LINDSEY A. PERRY
AUDITOR GENERAL

ARIZONA
AUDITOR GENERAL

MELANIE M. CHESNEY
DEPUTY AUDITOR GENERAL

Independent accountants' report

Members of the Arizona State Legislature

Kristen Challacombe, Deputy Director of Business Operations
Arizona Health Care Cost Containment System

Marcus Johnson, Deputy Director of Community Engagement
Arizona Health Care Cost Containment System

Michael Wisehart, Director
Arizona Department of Economic Security

We have examined the Medical Loss Ratio Report (MLR Report) of the State of Arizona, Department of Economic Security, Division of Developmental Disabilities (Division), Arizona Long Term Care System Contract (ALTCS Contract), as of and for the year ended September 30, 2024. The Division's management is responsible for presenting the MLR Report in accordance with the criteria prescribed by 42 CFR §438.8 and the Arizona Health Care Cost Containment Systems' (AHCCCS) Financial Reporting Guide. Our responsibility is to express an opinion on the MLR Report for the year ended September 30, 2024, based on our examination.

We conducted our examination 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 this report is in accordance with the criteria prescribed by 42 CFR §438.8 and the AHCCCS, Financial Reporting Guide in all material respects. An examination involves performing procedures to obtain evidence about the amounts in this 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 report, 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 relating to the engagement.

In our opinion, the MLR Report referred to above is presented in accordance with the criteria prescribed by 42 CFR §438.8 and the AHCCCS, Financial Reporting Guide, in all material respects.

The purpose of this report is to satisfy requirements of 42 CFR §438.8 and the AHCCCS, Financial Reporting Guide. Accordingly, this report is not suitable for any other purpose.

Lindsey A. Perry

Lindsey A. Perry, CPA, CFE
Auditor General

June 13, 2025

**Department of Economic Security
Division of Developmental Disabilities ALTCS Contract
Medical Loss Ratio Report
September 30, 2024**

NOTES: Do not duplicate any amounts in multiple lines.
GAAP Basis should agree to the submitted financial statements.
USE FOR ANNUAL REPORT ONLY¹² - Adjustment columns should report prior year adjustments and true up any estimates to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.

| MLR Category | Citation | Format of Amount to be Entered | Line # | Detail | Specific Applicability to Line of Business | Financial Statement Account # (If applicable) | GAAP Basis | | | | | Incurred Basis | | | | |
|---|--|--------------------------------|--------------------------------|--|--|---|----------------|----------------|----------------|----------------|-----------------|----------------|---------------------------------|-----------------|---|---|
| | | | | | | | Member Months | Dec-23 | Mar-24 | Jun-24 | Sep-24 | CYE 24 | Annual Adjustments ¹ | | Annual Adjustments ² | Restated CYE 24 |
| | | | | | | | | 124,909 | 126,525 | 129,468 | 131,837 | 512,739 | 0 | | 0 | 512,739 |
| Revenue | | | | | | | | | | | | | | | | |
| Include | | | | | | | | | | | | | | | | |
| Premium Revenue | 42 CFR§438.8(f)(2)(i) | + | 1 | Prospective Capitation | ALL | 40105-01 | \$738,856,189 | \$841,910,132 | \$802,822,224 | \$809,408,431 | \$3,192,996,976 | \$ 0 | \$ 1,508,602 | \$3,194,505,578 | Include full capitation including 1% withhold payment. Exclude State Directed Payments revenue (reported in line 16) and risk adjustment revenue (reported in line 6). | |
| | 42 CFR§438.8(f)(2)(iii) | +/- | 2 | APM 1% Withhold Settlement 42 CFR 438.6(b)(3) and Performance Based Payments (PBP) contribution by AHCCCS | ACC/ALTCS E/PPD (ACOM 306) ALL - PBP | 40115-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include Alternative Payment Model (APM) settlements related to Withholds, Incentives (see ACOM 306) and Performance Based Payments (see ACOM 307). Unearned withhold should be deducted. Earned incentive should be added. | |
| | 42 CFR§438.8(f)(2)(ii) | + | 3 | Delivery Supplement | ACC/ACC-RBHA | 40120-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR§438.8(f)(2)(iv) | + | 4 | Unpaid Cost Sharing Amounts | ALL | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include unpaid cost-sharing amounts that could have been collected from enrollees under the contract, except those amounts that can be shown it made a reasonable, but unsuccessful, effort to collect. | |
| | 42 CFR§438.8(f)(2)(v) | +/- | 5 | Changes to Unearned Premium Reserves | ALL | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include adjustments to Deferred Revenue | |
| | 42 CFR§438.8 (f)(2)(vi) | +/- | 6 | Reserved | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include amounts for risk adjustment after adjusted amounts are computed or amounts that can be reasonably estimated and accrued. | |
| | | +/- | 7 | Prospective Tiered | ACC/ACC-RBHA/ALTCS E/PPD | 40130-01, 40135-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | +/- | 8 | Reserved | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | +/- | 9 | Other Reconciliation Settlements | ACC/ACC-RBHA/ALTCS E/PPD | 40145-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include other reconciliation settlements like APSI settlement (see ACOM 325). Do not include monthly premium component of APSI. |
| | | +/- | 10 | Share of Cost (SOC) Settlement | ALTCS E/PPD | 40150-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | +/- | 11 | Reserved | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | + | 12 | Reserved | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | + | 13 | Other Income | | ALL | 40310-01 | \$ 260,137 | \$ 88,838 | \$ 146,171 | \$ 4,166,403 | \$ 4,661,549 | \$ 0 | \$ 0 | \$ 4,661,549 | Other income should not include any types of non-operating income such as gain on sale, etc. | |
| | + | 14 | Patient Contributions | | ALTCS E/PPD | 40315-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | +/- | 15 | Other Accruals (Explain below) | | ALL | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR § 438.8(e)(2)(i)(A) | + | 16 | State Directed Payments Revenue (Excluding Premium Tax) | | 40165-01 | \$ 2,492,670 | \$ 18,944,939 | \$ 22,339,663 | \$ 19,476,093 | \$ 63,253,365 | \$ 0 | \$ 125,169,388 | \$ 188,422,753 | If the State Directed Payment process takes almost a year or more, plans should use the most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments. | |
| | 42 CFR§438.6(c)(1)(iii)(B) | + | 17 | Differential Adjusted Payments Revenue (Excluding Premium Tax) | | 40170-01 | \$ 7,354,642 | \$ 7,449,792 | \$ 7,623,076 | \$ 7,762,563 | \$ 30,190,073 | \$ 0 | \$ 0 | \$ 30,190,073 | | |
| | | | 18 | Total Premium Revenue | | Should agree to 40105-01 through 40315-01 | \$748,963,638 | \$868,393,701 | \$832,931,134 | \$840,813,490 | \$3,291,101,963 | \$ 0 | \$ 126,677,990 | \$3,417,779,953 | | |
| Taxes, Licensing and Regulatory Fees | | | | | | | | | | | | | | | | |
| Taxes, Licensing and Regulatory Fees | 42 CFR§438.8(f)(3)(iii) | + | 19 | Federal Income & Federal Tax (include Tax Benefit) | ACC/ACC-RBHA/ALTCS E/PPD | 90105-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Exclude Federal income taxes and tax benefit on investment income, capital gains and Federal employment taxes. | |
| | | + | 20 | Premium Tax | ALL | 90205-01 | \$ 14,556,934 | \$ 15,939,713 | \$ 17,309,503 | \$ 17,384,732 | \$ 65,190,882 | \$ 0 | \$ 2,554,477 | \$ 67,745,359 | | |
| | | + | 21 | Reserved | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR§438.8(f)(3) | + | 22 | Other Federal, State, Local Taxes and Licensing and Regulatory Fees | ALL | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR§438.8(f)(3) | + | 23 | Community Benefit Expenses (otherwise exempt from Federal income tax) and Community Reinvestment Expenses meeting requirements of 45 CFR 158.162c | ACC/ACC-RBHA/ALTCS E/PPD | 990105-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Limited to 3% of earned premium | |
| | | | 24 | Total Taxes, Licensing and Regulatory Fees | | | \$ 14,556,934 | \$ 15,939,713 | \$ 17,309,503 | \$ 17,384,732 | \$ 65,190,882 | \$ 0 | \$ 2,554,477 | \$ 67,745,359 | | |
| Incurred Claims | | | | | | | | | | | | | | | | |
| Include | | | | | | | | | | | | | | | | |
| Incurred Claims | 42 CFR§438.8(e)(2)(i)(A) & 42 CFR§438.230(c)(2)(1) | + | 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. | | 50105-01 through 50350-01, 50370-01; 60105-01 through 61305-01 (ACC-RBHA) | \$699,640,179 | \$731,002,357 | \$726,859,619 | \$840,691,224 | \$2,998,193,379 | \$ 0 | \$ 2,613,868 | \$3,000,807,247 | Total reported in lines 25 and 26 should equal the total reported in the income statement for Account #'s 50105-01 to 50360-01 and 50370-01 (60105 through 61205 for ACC-RBHAs). For ALTCS/EPD and DDD LOBs: exclude Account # 50365-01 - ALTCS E/PPD Case Management which should be reported in lines 61-66, as appropriate. The majority of the items explicitly requested to be quantified on a subsequent line in the Incurred Claims section are not to be reported in line 25. | |
| | 42 CFR§438.8(e)(2)(i)(G) | + | 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) | | Change in A/C 20120-01 | \$ 2,188,959 | \$ (7,885,063) | \$ (8,065,021) | \$ 6,422,269 | \$ (7,338,856) | \$ 0 | \$ 0 | \$ (7,338,856) | Report changes each quarter from the prior Contract year RBUCS and IBNR | |
| | 42 CFR§438.8(e)(2)(i)(C) | + | 27 | Provider Withholds from Payments | | ALL | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR§438.8(e)(2)(iii)(A) | + | 28 | Provider Incentive/Bonus Payments (include Unreimbursed PBP) | | ALL | \$ 1,542,500 | \$ 1,087,129 | \$ 1,323,621 | \$ 0 | \$ 3,953,250 | \$ 0 | \$ 0 | \$ 3,953,250 | Performance Based Payments. Also include Unreimbursed PBP. | |
| | 42 CFR§438.8(e)(2)(iii)(B) | - | 29 | Payments recovered through Fraud Recovery efforts less related expenses | | 81405-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Report total Fraud Recoveries reduced by Fraud Recovery Expenses. The amount of Fraud Recovery expenses must not include Fraud Prevention Activities. | |
| | 42 CFR§438.8(e)(2)(i)(H) | + | 30 | Contingent Benefits/ Medical claim portion of lawsuits | | ALL | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | | |
| | 42 CFR§438.3(e)(1)(i) | + | 31 | Value Added Services (Explain below) | | ALL | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include those services provided in addition to those covered under the state plan for which costs are not included in capitation payments (i.e., services not covered by AHCCCS). These expenses should improve health and reduce costs, including interventions intended to address social determinants of health. Exclude community benefit expenses or expenses paid with Community Reinvestment funds (reported in line #23). | |
| | 42 CFR§438.6(c)(2)(iii)(A) | + | 32 | Provider Payments Attributable to State Directed Payments (Excluding Premium Tax) | | 50350-05 | \$ 20,719,800 | \$ 344,027 | \$ 30,050,795 | \$ 7,853,932 | \$ 58,968,554 | \$ 0 | \$ 129,780,815 | \$ 188,749,369 | most accurate available information for MLR reporting. Include Rural, Nursing Facility, APSI, PSI, HEATHII, ARP and Targeted Investments State Directed Payments. | |
| | 42 CFR§438.6(c)(1)(iii)(B) | + | 33 | Differential Adjusted Payments to Providers (Excluding Premium Tax) | | 50350-10 | \$ 3,475,505 | \$ 5,455,284 | \$ 4,991,829 | \$ 5,754,362 | \$ 19,676,980 | \$ 0 | \$ 0 | \$ 19,676,980 | | |
| Deduct | | | | | | | | | | | | | | | | |
| | 42 CFR§438.8(e)(2)(vi) | - | 34 | Reinsurance Recoveries | | 70105-01 | \$ (5,879,782) | \$ (5,977,844) | \$ (5,083,735) | \$ (3,520,639) | \$ (20,462,000) | \$ 0 | \$ 0 | \$ (20,462,000) | Amount should be generally stated as a negative number. | |

**Department of Economic Security
Division of Developmental Disabilities ALTCS Contract
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September 30, 2024**

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GAAP Basis should agree to the submitted financial statements.

| MLR Category | Citation | Format of Amount to be Entered | Line # | Detail | Specific Applicability to Line of Business | Financial Statement Account # (If applicable) | GAAP Basis | | | | | Incurred Basis | | Notes | | | |
|--|---|--------------------------------|--------|---|---|---|----------------------|----------------------|----------------------|----------------------|------------------------|----------------|---------------------------------|------------------------|---------------------------------|-----------------|--|
| | | | | | | | Member Months | Dec-23 | Mar-24 | Jun-24 | Sep-24 | CYE 24 | Annual Adjustments ¹ | | Annual Adjustments ² | Restated CYE 24 | |
| | | | | | | | | 124,909 | 126,525 | 129,468 | 131,837 | 512,739 | 0 | | 0 | 512,739 | |
| | 42 CFR§438.8(e)(2)(ii)(A) | - | 35 | Provider/Subcontractor Overpayment Recoveries | ALL | 70305-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Amount should be generally stated as a negative number. |
| | 42 CFR§438.8(e)(2)(ii)(B) | - | 36 | Rx Rebates (received/accrued) | ALL | 70310-05 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Amount should be generally stated as a negative number. |
| | | - | 37 | Pharmacy Performance Guarantee | ALL | 70310-10 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Amount should be generally stated as a negative number. |
| | 42 CFR§438.8(e)(2) (i) (D)(E) | - | 38 | TPL, COB, Subrogation Recoveries and recoverable COB claims | ALL | 70205-02 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Amount should be generally stated as a negative number. |
| | | | 39 | Total Incurred Claims | | | \$721,687,161 | \$724,025,890 | \$750,077,108 | \$857,201,148 | \$3,052,991,307 | \$ 0 | \$132,394,683 | \$3,185,385,990 | | | |
| Non-Claims Costs (Administrative Expenditures) | | | | | | | | | | | | | | | | | |
| | | | | Non-Claims Costs | | | | | | | | | | | | | |
| | | + | 40 | Compensation | ALL | 80105-01 | \$ 28,451,310 | \$ 25,782,374 | \$ 26,760,697 | \$ 28,333,495 | \$ 109,327,876 | \$ 0 | \$ 0 | \$ 109,327,876 | | | Exclude Compensation classified as Health Care Quality Improvement expenses (reported in lines 61-66). |
| | | + | 41 | Occupancy | ALL | 80205-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 42 | Depreciation | ALL | 80305-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 43 | Care Management/Care Coordination not included in Health Care Quality Improvement Expenses | ALL | 80405-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 44 | Professional and Outside Services | ALL | 80505-01 | \$ 3,492,526 | \$ 4,358,204 | \$ 3,265,257 | \$ 2,731,499 | \$ 13,847,486 | \$ 0 | \$ 0 | \$ 13,847,486 | | | Exclude expenses classified as Health Care Quality Improvement expenses (reported in lines 61-66) or as Fraud, Waste and Abuse expenses (reported in line 68). |
| | | + | 45 | Office Supplies and Equipment | ALL | 80605-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 46 | Travel | ALL | 80705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 47 | Repair and Maintenance | ALL | 80805-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 48 | Bank Service Charge | ALL | 80905-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 49 | Insurance | ALL | 81005-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 50 | Marketing | ALL | 81105-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 51 | Interest Expense | ALL | 81205-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 52 | Pharmacy Benefit Manager Expenses | ALL | 81305-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 42 CFR§ 438.8(e)(2)(v)(A)(1) | + | 53 | Amounts paid to third party vendors for secondary network savings | ALL | 81505-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 42 CFR§ 438.8(e)(2)(v)(A)(1) | + | 54 | Amounts paid to third party vendors for network development, administrative fees, claims processing, and utilization management. | ALL | 81505-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 25. |
| | 42 CFR§ 438.8(e)(2)(v)(A)(3) | + | 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) | ALL | 81605-01 | \$ 9,455,588 | \$ 9,589,636 | \$ 9,785,399 | \$ 9,832,168 | \$ 38,662,791 | \$ 0 | \$ 0 | \$ 38,662,791 | | | The portion of the sub-capitation/block payment that is explicitly attributable to the provision of administrative services, or delegated managed care activities, and associated reporting requirements by the provider unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees, and not through a contracted network of providers should be included in this line and excluded from line 25. |
| | | + | 56 | Interpretation/Translation Services | ALL | 82505-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | + | 57 | Other Administrative Expenses | ALL | 83005-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 42 CFR§ 438.8(e)(2)(v)(A)(4) | + | 58 | Fines and penalties assessed by regulatory authorities | ALL | Footnote 13 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Include AHCCCS sanctions |
| | | + | 59 | Loss Adjustment Expense | | | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Loss Adjustment Expense is considered a cost-containment expense and should be reported as a non-claims cost. It should not be included in the numerator (including Incurred Claims or Health Care Quality). |
| | | | 60 | Total Non-Claims Costs | | | \$ 41,399,424 | \$ 39,730,214 | \$ 39,811,353 | \$ 40,897,162 | \$ 161,838,153 | \$ 0 | \$ 0 | \$ 161,838,153 | | | |
| Expenditures for activities that improve health care quality | | | | | | | | | | | | | | | | | |
| | 42 CFR§438.8(e)(3) | | | Health Care Quality Improvement and Other Expenses | | | | | | | | | | | | | For ALTCS/EPD and DDD LOBs: Account # 50365-01 - ALTCS Case Management should be reported in lines 61-66 below, as appropriate. |
| | 45 CFR§158.150(b)(1) | + | 61 | Improvement of health outcomes | ALL | 81705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 45 CFR§158.150(b)(2) | + | 62 | Activities to prevent hospital readmission | ALL | 81705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 45 CFR§158.150(b)(2)(iii) | + | 63 | Improvement of patient safety and reduce medical errors | ALL | 81705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 45 CFR§158.150(b)(2)(iv)(4) | + | 64 | Wellness and health promotion activities | ALL | 81705-01 | \$ 27,033,426 | \$ 24,352,579 | \$ 24,803,354 | \$ 24,119,395 | \$ 100,308,754 | \$ 0 | \$ 0 | \$ 100,308,754 | | | |
| | 45 CFR§158.150(b)(2)(v) & 45 CFR§158.151 | + | 65 | Health information technology expenses related to improving health care quality | ALL | 81705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | 42 CFR§438.8(e)(3)(ii) & 42 CFR§438.358(b) and (c). | + | 66 | Activities related to external quality review | ALL | 81705-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | |
| | | | 67 | Total Health Care Quality Improvement and Other Expenses | | | \$ 27,033,426 | \$ 24,352,579 | \$ 24,803,354 | \$ 24,119,395 | \$ 100,308,754 | \$ 0 | \$ 0 | \$ 100,308,754 | | | |
| Expenditures related to activities compliant with 42 CFR § 438.608(a)(1) through (5), (7), (8) and (b). | | | | | | | | | | | | | | | | | |
| | 42 CFR§438.8(e)(4) & 45 CFR§158.150(c)(8) | + | 68 | Program Integrity: Fraud, Waste, and Abuse Prevention Expenses | ALL | 81810-01 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | Improvements to infrastructure that prevent fraud, waste and abuse on a going forward basis. |
| Credibility Adjustment | | | | | | | | | | | | | | | | | |
| | 42 CFR§438.8(h) | + | 69 | Credibility Adjustment (If applicable) | CHP and small non-LTSS ³ MCOs between 5,400 and 380,000 Annual Member Months | | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | If an MCO's annual member months are determined to be partially-credible, the credibility adjustment factor must be manually entered as calculated using the guidance in the Credibility Adjustment tab. |
| Calculations | | | | | | | | | | | | | | | | | |
| | | | | Numerator | | | | | | | | | | | | | |
| | | | 70 | Incurred Claims | | | \$721,687,161 | \$724,025,890 | \$750,077,108 | \$857,201,148 | \$3,052,991,307 | \$ 0 | \$132,394,683 | \$3,185,385,990 | | | |
| | | | 71 | Expenditures for activities that improve health care quality | | | \$ 27,033,426 | \$ 24,352,579 | \$ 24,803,354 | \$ 24,119,395 | \$ 100,308,754 | \$ 0 | \$ 0 | \$ 100,308,754 | | | |
| | | | 72 | Total | | | \$748,720,587 | \$748,378,469 | \$774,880,462 | \$881,320,543 | \$3,153,300,061 | \$ 0 | \$132,394,683 | \$3,285,694,744 | | | |
| | | | | Denominator | | | | | | | | | | | | | |
| | | | 73 | Premium Revenue | | | \$748,963,638 | \$868,393,701 | \$832,931,134 | \$840,813,490 | \$3,291,101,963 | \$ 0 | \$126,677,990 | \$3,417,779,953 | | | |

Department of Economic Security
Division of Developmental Disabilities ALTCS Contract
Medical Loss Ratio Report
September 30, 2024

| MLR Category | Citation | Format of Amount to be Entered | Line # | Detail | Specific Applicability to Line of Business | Financial Statement Account # (If applicable) | GAAP Basis | | | | | Incurred Basis | | NOTES: Do not duplicate any amounts in multiple lines. GAAP Basis should agree to the submitted financial statements. <i>USE FOR ANNUAL REPORT ONLY</i> ^{1,2} - Adjustment columns should report prior year adjustments and true up any estimates to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number. | | |
|--|--|--------------------------------|--------|--|--|---|---------------|---------------|---------------|---------------|--|----------------|---------------------------------|--|---------------------------------|-----------------|
| | | | | | | | Member Months | Dec-23 | Mar-24 | Jun-24 | Sep-24 | CYE 24 | Annual Adjustments ¹ | | Annual Adjustments ² | Restated CYE 24 |
| | | | | | | | | | | | | | | | | |
| | | | | | | | 124,909 | 126,525 | 129,468 | 131,837 | 512,739 | 0 | 0 | 512,739 | | |
| MLR | | | 74 | Taxes, licensing and regulatory fees | | | \$ 14,556,934 | \$ 15,939,713 | \$ 17,309,503 | \$ 17,384,732 | \$ 65,190,882 | \$ 0 | \$ 2,554,477 | \$ 67,745,359 | | |
| | | | 75 | Total | | | \$734,406,704 | \$852,453,988 | \$815,621,631 | \$823,428,758 | \$3,225,911,081 | \$ 0 | \$124,123,513 | \$3,350,034,594 | | |
| | | | 76 | Medical Loss Ratio | | | 101.9% | 87.8% | 95.0% | 107.0% | 97.7% | | | 98.1% | | |
| | | | 77 | Medical Loss Ratio with Credibility Adjustment | | | 101.9% | 87.8% | 95.0% | 107.0% | 97.7% | | | 98.1% | | |
| Methodology(ies) for allocation of expenditures. | 42 CFR§438.8(g) 42 CFR§438.8(k)(vii) | | 78 | Please describe methodology(ies) for allocation of expenditures: All Incurred Claims costs, Sub-capitated administrative and Premium Tax expenditures are directly allocated to the ALTCS Medicaid line of business. Cost allocation plan for DES describing the process to allocate costs amongst the various programs appropriately has been approved by US Department of Health. Within the approved plan, case management expenditures are allocated based a Random Moment Survey where the support coordinators indicate what type of eligibility member case they are working on at that moment. Administrative expenses are allocated based on a modified total direct cost methodology. | | | | | | | Each expense must be included under only one type of expense. If a portion of the expense fits under the definition of, or criteria for, one type of expense and the remainder fits into a different type of expense, the expense must be pro-rated between types of expenses. Expenses that benefit multiple contracts must be reported on a pro-rata basis. Allocation to each category must be based on a generally accepted accounting method that is expected to yield the most accurate results. Shared expenses, including expenses under the terms of a management contract, must be apportioned pro rata to the contract incurring the expense. Expenses that relate solely to the operation of a reporting entity, such as personnel costs associated with the adjusting and paying of claims, must be borne solely by the reporting entity and are not to be apportioned to the other entities. | | | | | |
| | | | 79 | | | | | | | | | | | | | |
| Explanations | | | 80 | | | | | | | | | | | | | |
| | | | 81 | | | | | | | | | | | | | |
| | | | 82 | | | | | | | | | | | | | |
| | | | 83 | | | | | | | | | | | | | |
| | | | 84 | | | | | | | | | | | | | |
| Aggregation Method | 42 CFR§438.8(h)(4)(i); 42 CFR§438.8(k)(xii) | | 86 | Please describe aggregation methodology: DDD has only one line of business and one Medicaid eligibility group so there isn't any additional aggregation. | | | | | | | AHCCCS requires that the MLR be calculated as one aggregate value representing all risk groups/populations and GSAs. AHCCCS reserves the right to modify this requirement and obtain MLR information on a risk group and/or GSA specific basis. | | | | | |

Updated January 13, 2024.

- [1] Annual Adjustments Column: *USE FOR ANNUAL REPORT ONLY* - Adjustment column should report prior year audit adjustments. Any adjustments to be deducted should be entered as a negative number. 42 CFR§438.8(k)(xi)
- [2] Annual Adjustments Column: *USE FOR ANNUAL REPORT ONLY* - Adjustment column should true up any estimates to present on an incurred date of service basis. Any adjustments to be deducted should be entered as a negative number.
- [3] LTSS: Long-Term Services and Supports.

