

# Summary of Adjustments and Findings

## Background

This document presents an overview of adjustments reported during the performance of the Medical Loss Ratio (MLR) examination engagement for the calendar year ended December 31, 2019 related to the New Mexico Human Services Department (HSD) Centennial Care 2.0 managed care program. Myers and Stauffer LC is contracted by HSD to perform the engagement under #PSC 18-630-8000-0011.

## Report on Adjusted Medical Loss Ratio:

Centers for Medicare & Medicaid Services federal guidance are utilized for this MLR examination engagement. Guidance specific to the MLR, 42 Code of Federal Regulations § 438.8, is included below:

[https://www.ecfr.gov/cgi-bin/text-idx?SID=e45ec878432b9e3203ccbeab7b5084b5&mc=true&node=se42.4.438\\_18&rgn=div8](https://www.ecfr.gov/cgi-bin/text-idx?SID=e45ec878432b9e3203ccbeab7b5084b5&mc=true&node=se42.4.438_18&rgn=div8)

## Health Plans:

- *Blue Cross and Blue Shield of New Mexico*
- *Presbyterian Health Plan*
- *Western Sky Community Care*

## Report on Adjusted Medical Loss Ratio

### ■ *Revenue Component*

1. Adjust to include directed payments and associated expense.
2. Adjust to address risk sharing and reinsurance payments.
3. Adjust tax expense to reconcile to health plan supporting documentation.
4. Adjust tax expense to remove non-allowable items and reclassify to non-claims cost.

### ■ *Clinical Expense Component*

1. Adjust incurred but not reported (IBNR) to supporting documentation to remove duplicative IBNR.
2. Adjust to remove IBNR related to Indian Health Services.
3. Adjust to remove IBNR margin and reclassify to non-claims cost.
4. Adjust incurred claims related to recoveries.

5. Adjust to remove non-allowable medical expenses, such as credentialing, and reclassify to non-claims cost.
6. Adjust to remove unsupported medical expenses.
7. Adjust to include additional paid claims amounts related to the runout period for services based on third party vendor certification.
8. Adjust medical expenses to actual paid claims expense per third party vendor or third party provider certification.
9. Adjust medical expenses to remove administrative cost from third party vendor incurred claims and reclassify to non-claims cost.
10. Adjust medical expenses to actual related party cost to remove the profit component and unsupported expenses potentially qualifying as HCQI, and reclassify to non-claims cost.

■ ***Health Care Quality Improvement (HCQI) Expense Component***

1. Adjust to remove non-qualifying HCQI expenses, such as non-qualifying salaries and allocated benefits based on activities within the job descriptions and reclassify to non-claims cost.
2. Reclassify HCQI expenses from medical expense.
3. Adjust HCQI expenses to supporting documentation.

■ ***Information Only Component***

1. Reclassify non-allowable expenses to non-claims cost.