

COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING
Denver, Colorado

Medicaid Regional Accountable Entity, Region 3 – Colorado Access Annual Review

For the 12-month Period Ended June 30, 2021





**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2022

Ms. Ling Cui
Colorado Department of Health Care Policy & Financing
1570 Grant Street
Denver, Colorado 80203

SUBJECT: Medicaid Regional Accountable Entity (RAE), Region 3 – Colorado Access

Dear Ms. Cui:

We are pleased to provide the annual review for the RAE operating in Adams, Arapahoe, Denver, Douglas, and Elbert counties collectively referred to as Region 3 (RAE 3) and operated by Colorado Access (COA). Our review covers costs reported by RAE 3 on the managed care organization (MCO) reporting template (MRT) for the 12-month period July 1, 2020, through June 30, 2021 (SFY 2021). This engagement was conducted pursuant to contracts #16-87969 and #20-140826 between the Colorado Department of Health Care Policy & Financing (Department) and Myers and Stauffer LC. This agreement calls for us to perform an annual review of costs reported by RAE 3 and provide an assessment of whether the administrative and medical costs were correctly classified and allowable according to the applicable federal and state regulations. The results of our assessment are provided in the attached RAE 3 annual review report.

Our work was performed in accordance with American Institute of Certified Public Accountants' (AICPA) professional standards for consulting engagements. We were not engaged to, and did not perform, an attestation engagement, the objective of which would be to express an opinion on the reviewed cost report.

We appreciate the opportunity to be of service to you and assist you with the important task of monitoring the financial costs reported by the RAEs. Should you have any questions or wish to discuss this report in detail, please feel free to contact us.

Sincerely,

Myers and Stauffer LC

Myers and Stauffer LC

DEDICATED TO GOVERNMENT HEALTH PROGRAMS

11044 Research Blvd, Ste C-500 | Austin, TX 78759
PH 512.342.0800 | PH 855.252.3177 | FX 512.342.0820
www.myersandstauffer.com

TABLE OF CONTENTS

- Executive Summary 1
- Regional Accountable Entity, Region 3 – Annual Review 3
 - Background 3
 - Scope..... 3
 - Methodology..... 3
 - Assessment Criteria 4
 - Observations and Findings..... 5
 - Reconciliation of MRT 5
 - Allocation Methodologies 6
 - Classification of Administrative Costs 7
 - Classification of Medical Costs 7

EXECUTIVE SUMMARY

RAE 3, operated by Colorado Access, provides care coordination, and administers the Medicaid capitated behavioral health benefit in Region 3 (Adams, Arapahoe, Denver, Douglas, and Elbert counties). Colorado Access a nonprofit corporation with two active affiliates, Access Management Services (AMS) and AccessCare Services (ACS).

AMS provides all of the administrative services for RAE 3, and ACS provides telemediated behavioral health services to primary care medical providers (PCMPs) and RAE 3 contracted provider staff. RAE 3 reported its Medicaid managed care program costs to the Department using the Department's MRT, including those related to these affiliated entities.

This report contains the results of our assessment of the administrative and medical costs reported by RAE 3 on the MRT for SFY 2021, specifically focused on whether those items were allowable and correctly classified as administrative or medical costs pursuant to federal and state regulations.

We reconciled the administrative cost category amounts reported on the RAE 3 SFY 2021 MRT to the supporting data and found the administrative expenses reconciled to the MRT with no variance.

We reconciled the medical cost related to non-subcapitated expenditures reported on the SFY 2021 MRT to supporting data and summary schedules with no significant variance. Additionally, all dates of service occurred during SFY 2021, and the paid date range was consistent with the MRT run out period.

We reconciled the medical expenses related to incentive and provider payments reported on the RAE 3 SFY 2021 MRT to the supporting data with no variance.

We determined RAE 3 does not allocate any of the medical costs reported on the SFY 2021 MRT. For administrative costs, RAE 3 provided a methodology for the allocation that was consistent with the amounts reported on the SYF 2021 MRT.

We reviewed the general ledger accounts and transaction detail that reconciled to the RAE 3 SFY 2021 MRT. Administrative expenses reported on the RAE 3 MRT are comprised of direct expense accounts, as well as an allocation of administrative costs incurred at the entity level. We judgmentally selected a sample of seven direct expense transactions from the general ledger detail for RAE 3. All seven of the direct expense transactions were accurately recorded, allowable, and payment occurred as reported. We also reviewed the general ledger accounts for expenses incurred at the entity level and allocated across lines of business, including RAE 3. We judgmentally selected a sample of three transactions from the allocated general ledger accounts, and all three of the allocated expense transactions were accurately recorded, allowable, and payment occurred as reported. During our review of the allocated general ledger accounts, we identified unallowable expense accounts for late fees, bad debt, and management fee markup in the amount of \$191,376.

We reviewed the claims data, summary level schedule, and general ledger detail that reconciled to the SFY 2021 MRT and determined the medical cost reporting methodology is consistent with the amount reported in the MRT. We selected a random sample of 20 non-subcapitated claims from the claims data

and verified that the provider was not listed on the Office of Inspector General's (OIG) excluded entity list. All 20 of the sampled claims were appropriately categorized by the using the category of service hierarchy in the SFY 2021 MRT.

REGIONAL ACCOUNTBLE ENTITY, REGION 3 ANNUAL REVIEW

BACKGROUND

RAE 3, operated by COA, provides physical health care coordination and behavioral health medical services in Region 3 (Adams, Arapahoe, Denver, Douglas and Elbert counties). Prior to beginning operations as a RAE on July 1, 2018, RAE 3 operated as a Regional Care Collaborative Organization (RCCO) for three of the state's seven regions, and served as the behavioral health organization (BHO) for Denver and the northeast corner of the state.

Prior to beginning operations on July 1, 2018, COA operated as the Medicaid regional care collaborative organization (RCCO) for three of the state's seven regions, and served as the behavioral health organization (BHO) for Denver and the northeast corner of the state.

COA is a nonprofit corporation with two active affiliates: AMS and ACS. AMS provides all of the administrative services for RAE 3, and ACS provides telemediated behavioral health services to PCMPs and RAE 3 contracted provider staff. RAE 3 reported its Medicaid managed care program costs, including those related to these affiliated entities, to the Department using the Department's MRT.

COA also operates the RAE for Region 5, which will be reported separately.

SCOPE

This report provides our assessment of whether the amounts reported by RAE 3 on the SFY 2021 MRT are correctly classified between administrative and medical cost. Our work was performed in accordance with AICPA professional standards for consulting engagements. We were not engaged to and did not perform an attestation engagement, the objective of which would be to express an opinion on the reviewed cost report. As such, we express no opinion on the reviewed cost report. We specifically reviewed the administrative costs to confirm those costs were correctly classified according to applicable federal and state regulations.

METHODOLOGY

Our assessment of the classification and reporting of administrative and medical costs included a high-level review of the documentation and information provided by RAE 3 and a review of selected cost types and transactions. Our assessment was based on supporting documentation provided by RAE 3 and the performance of the following procedures:

- Reconciliation of the administrative and medical costs reported on the MRT to the general ledger and associated schedules.
- Inquire of RAE 3 to identify allocated costs and allocation methodologies.
- Review of allocated costs to confirm the amounts reported are consistent with the allocation methodology.

- Review of the general ledger accounts and a judgmental review of transaction details from select account types to assess transaction classification and appropriateness.
- Review of the reported medical costs data and a judgmental review of select claims and providers to assess transaction classification and appropriateness.

ASSESSMENT CRITERIA

During our assessment of the MRT transactions, we used the criteria below to identify potentially unallowable expenses. While this is not a comprehensive list of all regulatory guidance, this list does provide requirements that form a general framework for reporting compliance.

- CFR Title 45 Section 75 – Subpart E identifies cost principles applicable to federal awards. Based on our professional experience, areas which are generally unallowable and are regularly included in administrative expenses include the following:
 - CFR Title 45 Section 75.420-475 – General Provisions for selected areas of costs:
 - 75.421 – Advertising and public relations
 - 75.423 – Alcoholic beverages
 - 75.432 – Conferences
 - 75.434 – Contributions and donations
 - 75.435 – Defense and prosecution of criminal and civil proceedings, claims, appeals and patent infringements
 - 75.438 – Entertainment Costs
 - 75.441 – Fines, penalties, damages, and other settlements
 - 75.450 – Lobbying
 - 75.467 – Selling and marketing costs
- CFR Title 42 Section 413.9(a) – Cost related to patient care, Principle:
 - All payments to providers of services must be based on the reasonable cost of services covered.
- CFR Title 42 Section 413.13(a) – Definitions:
 - Reasonable cost means cost actually incurred, to the extent that cost is necessary for the efficient delivery of the service.
- CFR Title 42 Section 413.17 – Cost to related organizations:
 - Costs to related organizations must be reported at cost or fair market value.
 - Provides guidance for demonstrating convincing evidence for fair market value.
- CFR Title 42 Section 413.24 – Adequate cost data and cost finding:
 - (a) *Principle*. Providers receiving payment on the basis of reimbursable cost must provide adequate cost data. This must be based on their financial and statistical records, which must be capable of verification, by qualified auditors.
 - (c) *Adequacy of cost information*. Adequate cost information must be obtained from the provider's records to support payments made for services furnished to beneficiaries. The requirement of adequacy of data implies that the data be accurate and in sufficient detail to accomplish the purposes for which it is intended. Adequate data capable of being audited is consistent with good business concepts and effective and efficient

management of any organization, whether it is operated for profit or on a nonprofit basis. It is a reasonable expectation on the part of any agency paying for services on a cost-reimbursement basis. In order to provide the required cost data and not impair comparability, financial and statistical records should be maintained in a manner consistent from one period to another. However, a proper regard for consistency need not preclude a desirable change in accounting procedures if there is reason to effect such change.

- CFR Title 45 Section 75.504 – Frequency of Audits:
 - Audits must be performed annually.
- CFR Title 45 Section 75.508 – Auditee Responsibilities:
 - The auditee must prepare appropriate financial statements, including a schedule of expenditures of Federal awards in accordance with Section 75.510 Financial Statements.
- CFR Title 45 Section 75.512(b)(1) – Data Collection:

A senior level representative of the auditee (e.g., state controller, director of finance, chief executive officer, or chief financial officer) must sign a statement to be included as part of the data collection that says that the auditee complied with the requirements of this part, the data were prepared in accordance with this part (and the instructions accompanying the form), the reporting package does not include protected personally identifiable information, the information included in its entirety is accurate and complete, and that the Federal Audit Clearinghouse is authorized to make the reporting package and the form publicly available on a website.

OBSERVATIONS AND FINDINGS

Reconciliation of MRT

We obtained the RAE 3 MRT and associated general ledger transactions, supporting schedules, and claims data for SFY 2021. Through inquiry of RAE 3, we obtained an understanding of the cost reporting methodology used for the MRT reporting. We reconciled the administrative and medical cost category amounts reported on the RAE 3 SFY 2021 MRT to the supporting data with the following results:

- Non-subcapitated Medical Expenses:
 - Non-subcapitated provider claims are processed in RAE 3's claim system (QNXT) to determine the paid amount. In addition, the Region 3 CMHCs submit encounters for processing in the QNXT system, and the CMHCs encounters are priced using the base unit cost report. The base unit cost report is an audited cost report each CMHC is required to submit each year, and a reconciliation is performed between the CMHCs and RAE 3. The priced encounters represent the actual amount of services provided to RAE 3 for the SFY 2021 period. The paid amount from the non-subcapitated providers and the priced encounters from the CMHCs are combined and reported as non-subcapitated medical expenses in the SFY 2021 MRT.

- RAE 3 provided combined non-subcapitated providers claims data and CMHC priced encounters that reconciled to the SFY 2021 MRT cost category amounts reported for non-subcapitated medical expenses with no significant variance.
- RAE 3 provided claims data that reconciled and supported the non-subcapitated medical claims reported on the MRT were incurred within the SFY 2021 reporting period.
- RAE 3 provided claims data that supported the non-subcapitated medical claims paid date range was within the required run out time frame for the SFY 2021 MRT.
- Subcapitated Medical Expenses:
 - No subcapitated expenditures were reported on the SFY 2021 MRT.
- Incentive and Provider Payments:
 - Provider payments included a public policy adjustment and provider settlements as well as various provider incentive payments such as CMHC payment reconciliations and Children’s hospital settlement.
 - RAE 3 provided Incentive and Provider Payment supporting schedules, which agreed to the MRT.
 - No third-party liabilities were reported on the SFY 2021 MRT.
- Administrative Expenses:
 - RAE 3 provided general ledger detail that reconciled to the amount reported for administrative expenses with no variance.

Assessment: We identified that the medical and administrative expenses reported on the SFY 2021 MRTs agreed to the amounts supported by the schedules provided by RAE 3.

Allocation Methodologies

Allocation Methodology for Administrative Expenses

RAE 3 is one of many lines of business (LOB) for COA. COA directly pays for certain administrative services (e.g. legal, human resources, consulting, information technology, accounting, facilities, travel and entertainment, utilities, etc.) and assigns the administrative cost either directly to the specific LOB or allocates the costs across multiple LOBs. The allocated costs are identified by account and split between member-related costs and employee-related costs. The allocation of member-related costs to the different LOBs is calculated using the member count for the month and the expenses related to member services. The allocation of employee-related costs to the different LOBs is calculated using the full time equivalent count and the related expenses for employee costs.

Allocation Methodology for Medical Expenses

RAE 3 indicated that there is no allocation of medical expenses, and the RAE 3 medical expense reporting methodology is consistent with the reported amount.

Assessment: For administrative costs, RAE 3 provided a methodology for the allocation of administrative expenses that was consistent with the amounts reported on the SFY 2021 MRT. Administrative costs are allocated on the statistical bases of FTE and membership, which is consistent with FAR. RAE 3 did not

allocate any medical costs reported on the SFY 2021 MRT, and all costs were based on actual amounts incurred.

Classification of Administrative Costs

We reviewed the supporting general ledger accounts and transactions provided by RAE 3. The following allocated overhead accounts reported in the SFY 2021 MRT are unallowable.

Accounts in Allocated Overhead		
Account	Description	RAE 3 Reported
62860	Finance Charges (Late Fees)	\$837
62315	Bad Debt Expense	\$104
62575	Management Fee Markup	\$190,435
	Total	\$191,377

We judgmentally selected seven direct general ledger transactions, and three allocated general ledger transactions to establish if the transactions were accurately recorded, allowable according to the FAR cost principles, and whether payment occurred as reported. We observed the following:

- The seven direct general ledger transactions, totaling \$259,371, were properly reported. All seven transactions reviewed were allowable according to FAR, accurately recorded, and payment occurred as reported.
- The three allocated general ledger transactions, totaling \$24,202, were properly reported. All three transactions were allowable according to FAR, accurately recorded, and payment occurred as reported.

Assessment: Based on our review of the general ledger accounts and transactions, RAE 3 included \$191,377 of unallowable expenses related to late fees, bad debt, and related party management fee markup on the SFY 2021 MRT. All sampled transactions were allowable, accurately recorded, and payment occurred as reported. We recommend RAE 3 exclude unallowable expenses in future MRT reporting.

Classification of Medical Costs

We reviewed the claims data, summary level schedules, and general ledger transaction detail that reconciled to the SFY 2021 MRT to assess whether the medical costs were appropriately classified. Based on this review, we determined that the medical cost reporting methodology is consistent with the amount reported in the SFY 2021 MRT.

In addition, for non-subcapitated medical expenses we selected a random sample of 20 claims from the claims data and verified that the provider was not listed on the OIG's excluded entity list and the claims were appropriately categorized by using the category of service hierarchy in the MRT. For all 20 sampled claims reviewed, no exceptions were noted.

Assessment: We reviewed the claims data, summary level schedules, and general ledger transaction detail that reconciled to the SFY 2021 MRT and determined the amount reported is consistent with RAE 3's medical cost reporting methodology.