

**COLORADO DEPARTMENT OF HEALTH CARE POLICY & FINANCING**  
**Denver, Colorado**

Medicaid Regional Accountable Entity, Region 5 – 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 5 – Colorado Access

Dear Ms. Cui:

We are pleased to provide the annual review for the RAE operating in the City and County of Denver, collectively referred to as Region 5 (RAE 5) and operated by Colorado Access (COA). Our review covers costs reported by RAE 5, contracted with the Colorado Department of Health Care Policy & Financing (Department) and operating in Region 5 (RAE 5), on the managed care organization (MCO) reporting template (MRT) for the 12-month period of July 1, 2020, through June 30, 2021 (SFY 2021). This engagement was conducted pursuant to contracts #16-87969 and 20-140826 between the Department and Myers and Stauffer LC. This agreement calls for us to perform an annual review of costs reported by RAE 5 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 5 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

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## EXECUTIVE SUMMARY

RAE 5, operated by Colorado Access, provides physical health care coordination and behavioral health medical services in Region 5 (City and County of Denver). 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 5, and ACS provides telemediated behavioral health services to primary care medical providers (PCMPs) and RAE 5 contracted provider staff. RAE 5 and Region DH (defined below) reported their Medicaid managed care program costs to the Department on two separate Department managed care organization reporting templates (MRTs), including those related to these affiliated entities.

COA is part of a contractual agreement with the Department and Denver Health Medical Plan (DHMP), related to a portion of the Medicaid population in Region 5. Beginning January 2020, DHMP contracted with the Department to provide physical and behavioral health benefits to the members of its Medicaid Choice plan, which serves a portion of the Medicaid enrollees in Region 5. DHMP ceded the behavioral health risk for the Medicaid Choice member population to COA through a reinsurance agreement. The behavioral health risk assumed by COA for the Medicaid Choice plan population is hereon referred to as Region DH.

As a result, COA covers all behavioral health services for Medicaid enrollees on an at-risk basis for members of RAE 5 and Region DH, but only acts as an administrative services organization for members of RAE 5. For the purpose of this report, we have denoted the steps completed for the COA Region DH MRT, which reports the Medicaid Choice behavioral health services contract.

This report contains the results of our assessment of the administrative and medical costs reported by RAE 5 as well as Region DH on their respective MRTs 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 5 SFY 2021 MRT and Region DH SFY 2021 MRT to the supporting data and found the administrative expenses reconciled to the MRT with no variance.

We reconciled the RAE 5 as well as Region DH medical cost related to non-subcapitated expenditures reported on the SFY 2021 MRTs 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 5 MRT and Region DH SFY 2021 MRT to the supporting data with no variance.

We determined RAE 5 and Region DH did not allocate any of the medical costs reported on the SFY 2021 MRT. For administrative costs, RAE 5 and Region DH provided a methodology for the allocation that was consistent with the amounts reported on the SFY 2021 MRTs.

We reviewed the general ledger accounts and transaction detail that reconciled to the RAE 5 SFY 2021 MRT and Region DH SFY 2021 MRT. Administrative expenses reported on the RAE 5 and Region DH MRTs 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 expense transactions from the general ledger detail for RAE 5 and for Region DH. All six of the expense transactions selected for RAE 5 were accurately recorded, allowable, and payment occurred as reported. For Region DH, four of the of the five direct expense transactions selected were accurately recorded, allowable, and payment occurred as reported. However, one Region DH transaction for rent expense was only partially supported, resulting in an unsupported variance of \$458 from the transaction total of \$2,785. 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 \$84,498 for RAE 5 and \$62,233 for Region DH.

We reviewed the claims data, summary level schedule, and general ledger detail that reconciled to the RAE 5 and Region DH SFY 2021 MRTs and determined the medical cost reporting methodology is consistent with the amount reported in the SFY 2021 MRTs. We selected a random sample of 20 non-subcapitated claims from both the RAE 5 and Region DH claims data and verified that the provider was not listed on the Office of Inspector General's (OIG) excluded entity list. All 20 claims for RAE 5, and all 20 claims for Region DH were appropriately categorized by using the category of service hierarchy in the MRT.

## REGIONAL ACCOUNTABLE ENTITY, REGION 5 ANNUAL REVIEW

### BACKGROUND

RAE 5, operated by COA, provides physical health care coordination and behavioral health medical services in Region 5 (City and County of Denver) providing physical health care coordination and behavioral health medical services. Region DH is also operated by COA and provides services in Region 5 (City and County of Denver). COA's contract with DHMP for Region DH involves covering the behavioral health services for Medicaid members enrolled in the Denver Health Medicaid Choice plan.

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 5 and Region DH, and ACS provides telemediated behavioral health services to PCMPs and RAE 5/Region DH contracted provider staff. RAE 5 and Region DH each reported their 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 3, which will be reported separately.

RAE 5 and Region DH cover all behavioral health services for Medicaid enrollees on an at-risk basis and acts as administrative services organization for a portion of the region's Medicaid physical health membership.

Beginning January 1, 2020, the Denver Health membership in the RAE Region 5 contract was shifted from COA back to Denver Health Medicaid Choice (DHMC). This involved the contractual transfer of risk for DHMC members. As part of this shift, the reinsurance agreement between COA and DHMC was switched from COA contracting with HCPF and ceding the physical health risk to Denver Health, to Denver Health contracting with HCPF and ceding the behavioral health risk to COA.

Generally, payments are made to each community mental health center (CMHC) based on expected encounter value and later paid to or recouped from the CMHCs based on actual encounter value exceeding or falling short of the actual payments made to the CMHCs, unless otherwise indicated by the agreement. Additionally, COA has fee for service arrangements with independent behavioral health providers.

RAE 5 and Region DH have a risk share agreement Mental Health Center of Denver (MHCD). The RAE 5 and Region DH risk sharing agreement with MHCD requires MHCD share in net losses and gains based

on the proportion of services provided. Risk-share paybacks between the entities are deducted from or added to the MHCD non-encounterable service amounts due.

Additionally, RAE 5 and Region DH have a prospective payment corridor agreement with MHCD. The payment corridor range is a upper and lower limit of two percent of the monthly contractual rate, and if the priced encounters fall out of the range, a reconciliation is required. The difference between two percent of the expected monthly contractual rate and the actual monthly amount is what is reported in the incentive and provider payment section of the MRT.

## **SCOPE**

This report provides our assessment of whether the amounts reported by RAE 5 and Region DH 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 5 and Region DH and a review of selected cost types and transactions. Our assessment is based on supporting documentation provided by RAE 5 and Region DH 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 5/Region DH 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 expense 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 MRTs

We obtained the RAE 5 and Region DH SFY 2021 MRTs and associated general ledger transactions, supporting schedules, and claims data for SFY 2021. Through inquiry of RAE 5/Region DH, we obtained an understanding of the cost reporting methodology used for MRT reporting. We reconciled the administrative and medical cost category amounts reported on the RAE 5 and Region DH SFY 2021 MRTs to the supporting data with the following results:

- Non-subcapitated Medical Expenses:
  - Non-subcapitated provider claims are processed in RAE 5's/Region DH's claim system (QNXT) to determine the paid amount. In addition, the Region 5/Region DH CMHCs submit encounters for processing in the QNXT system, and the CMHC 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 5/Region DH. The priced encounters represent the actual amount of services provided to RAE 5/Region DH 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 MRTs.
  - RAE 5 and Region DH each provided non-subcapitated providers claim data and CMHC priced encounters that reconciled to the MRT cost category amounts reported for non-subcapitated medical expenses with no significant variance.
  - RAE 5 and Region DH each 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 5 and Region DH each provided claims data that supported the non-subcapitated medical claims paid date range was within the required run out time frame for SFY 2021 MRT reporting.
- Subcapitated Medical Expenses:

- No Subcapitated Medical Expenses were reported.
- Incentive and Provider Payments:
  - Provider payments included public policy adjustment, and provider settlements as well as various provider incentive payments, such as CMHC payment reconciliations, MCHD risk share payments, and Children’s Hospital settlement.
  - RAE 5 and Region DH provided Incentive and Provider Payment supporting schedules which agreed to the SFY 2021 MRTs.
- No third-party liabilities were reported on the SFY 2021 MRT.
- Administrative Expenses:
  - RAE 5 and Region DH 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 5 and Region DH.

### Allocation Methodologies

#### *Allocation Methodology for Administrative Expenses*

RAE 5 and Region DH are 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 re-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 5 and Region DH indicated that there is no allocation of medical expenses, and the RAE 5 and Region DH medical expense reporting methodology is consistent with the reported amount.

**Assessment:** For administrative costs, we reviewed the methodology for the allocation of RAE 5 and Region DH’s administrative expenses and found that the methodology was consistent with the amounts reported on the SFY 2021 MRTs. Administrative costs are allocated on the statistical bases of FTE and membership, which is consistent with FAR. RAE 5 and Region DH did not allocate any medical costs reported on the SFY 2021 MRT, and all costs were based on actual amounts incurred.

### Classification Administrative Costs

We reviewed the supporting general ledger accounts and transactions provided by RAE 5 and Region DH. The following allocated overhead accounts reported in the SFY 2021 MRT are unallowable.

**Accounts in Allocated Overhead**

Account	Description	RAE 5 Reported	Region DH Reported
62860	Finance Charges (Late Fees)	\$331	\$267
62315	Bad Debt Expense	\$42	\$33
62575	Management Fee Markup	\$84,124	\$61,933
	<b>Total</b>	<b>\$84,497</b>	<b>\$62,233</b>

We judgmentally selected six general ledger transactions for RAE 5, and five general ledger transactions for Region DH 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:

- For RAE 5, all six transactions, totaling \$167,229, were properly reported. The transactions reviewed were allowable according to FAR, accurately recorded, and payment occurred as reported.
- For Region DH, four of the five transactions, totaling \$69,486, were properly reported. The transactions reviewed were allowable according to FAR, accurately recorded, and payment occurred as reported.
- One Region DH transaction for rent expense was only partially supported, resulting in an unsupported variance of \$458 from the transaction total of \$2,785.

**Assessment:** Based on our review of the general ledger accounts and transactions, RAE 5 included \$84,497 of unallowable expense and Region DH included \$62,233 of unallowable expense related to late fees, bad debt, and related party management fee markup on the SFY 2021 MRTs. In addition, one of the five expenses reviewed for Region DH was only partially supported, resulting in an unsupported variance of \$458 from the transaction total of \$2,785. All other sampled transactions for RAE 5 and Region DH were allowable, accurately recorded, and payment occurred as reported. We recommend COA exclude unallowable expenses in future RAE 5 and Region DH MRT reporting. We also recommend Region DH to report only expenses that are fully supported by appropriate documentation.

Classification Medical Costs

We reviewed the claims data, summary level schedules, and general ledger transaction detail that reconciled to the RAE 5 and Region DH SFY 2021 MRTs 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 MRTs.

In addition, for non-subcapitated medical expenses we selected a random sample of 20 claims from the RAE 5 claims data, and 20 claims from the Region DH claims data and verified that the provider was not listed on the OIG’s excluded entity list. We also verified that the claims were appropriately categorized by using the category of service hierarchy in the MRT. For all sampled claims for RAE 5 and Region DH that were reviewed (40 claims in total), no exceptions were noted.

**Assessment:** We reviewed the claims data, summary level schedules, and general ledger transaction detail that reconciled to the SFY 2021 MRTs for RAE 5 and Region DH and determined the amount reported is consistent with RAE 5 and Region DH's medical cost reporting methodology.