



**COLORADO DEPARTMENT
OF HEALTH CARE POLICY &
FINANCING**

**Colorado Access
Regional Accountable Entity Region 3
Annual Review**

For the 12-Month Period Ended June 30, 2023

June 28, 2024



June 28, 2024

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

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

Dear Ms. Cui:

We are pleased to provide the annual report for COA RAE Region 3 operating in Adams, Arapahoe, Douglas, and Elbert counties. Our review covers costs reported by COA RAE Region 3 on the Managed Care Reporting Template (MRT) for the period July 1, 2022 through June 30, 2023, which corresponds to state fiscal year (SFY) 2023.

This engagement was conducted pursuant to contract #20-140826 between the Colorado Department of Health Care Policy & Financing (Department) and Myers and Stauffer LC (Myers and Stauffer). This agreement calls for us to perform an annual review of costs reported and provide an assessment of whether the administrative and medical costs were correctly classified and allowable according to applicable federal and state regulations. The results of our assessment are provided in the attached 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 examination or review engagement, the objective of which would be to express an opinion or conclusion, respectively, on the 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 managed care entity. 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

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Annual Review

Colorado Access

Background

COA RAE Region 3 is contracted with the state of Colorado to manage and administer physical health care coordination and covered behavioral health services to Medicaid beneficiaries in Adams, Arapahoe, Douglas, and Elbert counties. COA is paid on a per member per month basis for services.

COA is a nonprofit corporation with three active subsidiaries (related-party entities):

- Access Management Services (AMS).
- AccessCare Services (ACS).
- Colorado Access Foundation (COA Foundation or the Foundation).

COA has an administrative services contract with their related-party, AMS, for administrative services including legal, human resources, accounting, and facilities. Under this agreement, payments are made monthly in an amount equal to the cost of providing such services plus a percentage mark-up.

COA has a contract with their related-party, ACS, for telehealth services. Under this agreement, payments are made at a predetermined contractual price.

COA founded a non-profit philanthropic organization, COA Foundation, during the prior reporting period. The Foundation is funded through net marginal revenue and incentive dollars earned through successful pay-for-performance achievements of COA. COA made contributions to the Foundation during the reporting period, but is not obligated to make contributions under a contractual agreement.

COA RAE Region 3 reported its Medicaid health program costs to the Department using the Department's MRT for SFY 2023.

Scope

This report provides our assessment of whether the amounts reported by COA on the SFY 2023 MRT for COA RAE Region 3 are correctly classified in medical and administrative cost categories and are allowable. Our work was performed in accordance with AICPA professional standards for consulting engagements. We were not engaged to and did not perform an examination or review engagement, the objective of which would be to express an opinion or conclusion, respectively, on the 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 allowability of administrative and medical costs included a high-level review of the documentation and information provided by the plan and a review of selected cost types and transactions. Our procedures included, but were not limited to, an assessment of supporting documentation provided by the plan and performance of the following procedures:

- Reconcile the administrative and medical costs reported on the MRT to the general ledger, claims data, and associated schedules as applicable.
- Inquire with the plan to identify allocated costs and allocation methodologies.
- Review allocated costs to confirm the amounts reported are consistent with the allocation methodology.
- Review the general ledger accounts and conduct a judgmental review of transaction details from select account types to assess transaction classification and allowability.
- Review the reported medical costs to assess service dates, run-out period, classification, and allowability.

Assessment Criteria

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

Table 1. Assessment Criteria

Citation	Brief Description	Key Requirements
Code of Federal Regulations (CFR) Title 45 Section 75	Subpart E identifies cost principles applicable to federal awards.	<p>Based on our professional experience, areas which are generally unallowable and are regularly included in administrative expenses include the following from CFR Title 45 Section 75.420-475 – General Provisions for selected areas of costs:</p> <ul style="list-style-type: none"> ■ 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.

Citation	Brief Description	Key Requirements
CFR Title 42 Section 413.9(a)	Cost related to patient care, principle.	<ul style="list-style-type: none"> All payments to providers of services must be based on the reasonable cost of services covered.
CFR Title 42 Section 413.13(a)	Definitions.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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. 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 non-profit 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.	<ul style="list-style-type: none"> Audits must be performed annually.
CFR Title 45 Section 75.508	Auditee responsibilities.	<ul style="list-style-type: none"> 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.	<ul style="list-style-type: none"> 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 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.

In addition to the criteria above, the Department has identified certain items of expense, if reported in the MRT, are subject to criteria set forth by the Centers for Medicare & Medicaid Services (CMS) final rule for the medical loss ratio (MLR).

Table 2. Criteria Applicable to Specific Report Lines

Citation	Brief Description	Key Requirements
Title 42, Chapter IV, Subchapter C, Part 438, Subpart A, Section 438.8	MLR standards.	<ul style="list-style-type: none"> ■ Fraud prevention activities. ■ Health care quality improvement (HCQI) – salaries. ■ HCQI – non-salaries. ■ Community benefit expenditures. ■ Qualified taxes.

Though the criteria in the CMS final rule are applicable to the expense categories above, Myers and Stauffer did not perform procedures related to the plan’s MLR report. MLR reports are provided to the Department separately from the MRT and are not addressed in this report.

Observations and Findings

The observations and findings that resulted from our procedures, given the assessment criteria previously outlined, are contained in this section.

Allocation Methodologies

Allocations used to report medical and administrative expenses on the MRT were evaluated as part of our procedures. The tables below summarize allocation methodology(ies) described by the plan and observed in the supporting documentation. Additionally, any exceptions identified related to cost allocations are included.

COA is made up of multiple lines of business, each of which requires common resources that would either have to be procured from outside vendors or provided within the organization. COA has an agreement with Access Management Services, LLC (AMS), a subsidiary, whereby COA pays for most of its administrative services. Costs are evaluated up front to determine if they can be attributed to a specific line of business. When possible, costs are directly recorded within general ledger accounts for a specific line of business. If a cost cannot be directly assigned to a specific line of business, it is coded as general administration expense and becomes part of the common costs that are allocated across all lines of

business. The allocation of common costs is processed each month. All common costs are split between member-related and employee-related costs for the purpose of allocation.

Table 3. Allocation Methodology – Administrative Expense

Type of Expense	Description of Allocation Methodology and Observations
Common Costs: Member-Related	<p>Description: Common costs identified as "member-related" are expenses related to member services. These costs are allocated across lines of business on the basis of member count for each line of business.</p> <p>Observations: Documentation was provided to support monthly allocations of member-related costs on the basis of member count. No exceptions were noted between the allocation methodology described by the plan and the supporting documentation provided.</p>
Common Costs: Salary-Related	<p>Description: Common costs identified as "employee-related" are expenses related to staffing. These costs are allocated across lines of business on the basis of full-time equivalent (FTE) count for each line of business.</p> <p>Observations: Documentation was provided to support monthly allocations of employee-related costs on the basis of FTE count. No exceptions were noted between the allocation methodology described by the plan and the supporting documentation provided.</p>

Table 4. Allocation Methodology – Medical Expense

Type of Expense	Description of Allocation Methodology and Observations
N/A	No allocated medical expenses were identified.

Reconciliation, Classification, and Allowability of Costs

Administrative Costs

We reviewed the general ledger transaction detail and other supporting documentation that reconciled to the SFY 2023 MRT to assess whether the administrative costs were appropriately classified and allowable. We also identified whether variances exist in certain types of administrative expenses between the MRT and MLR report filed with the Department.

Table 5. Administrative Expense Observations

Topic	Description of Observation
Reconciliation	We reconciled the administrative cost category amounts reported on the SFY 2023 MRT to the supporting data. No exceptions related to administrative cost reconciliation were identified.

Topic	Description of Observation
Classification and Allowability	We obtained and reviewed the MRT and associated general ledger transactions and supporting schedules. We judgmentally selected five general ledger transactions to establish if the transactions were accurately recorded, allowable according to the assessment criteria, and whether payment occurred as reported. No exceptions related to administrative cost classification and allowability were identified, except those listed in the findings below.
Consistency with MLR	<p>We compared the following types of administrative expenses on the MRT to the MLR report filed with the Department, to determine whether variances exist:</p> <ul style="list-style-type: none"> ■ Activities that improve health care quality. ■ Community benefit expenditures. ■ Fraud reduction activities. ■ Taxes, licensing, and regulatory fees. <p>No variances were noted between the MRT and MLR in the above expense categories.</p>

Table 6. Administrative Expense Findings

#	Brief Description	Amount	Description of Finding
1	Unallowable Prior Period Expense	\$4,125	COA reported a participation fee associated with a service date outside of the report period, which is unallowable in the current report. (45 CFR Section 75.403, MRT Instructions)
2	Unallowable Prior Period Expense	\$62,173	COA reported a claims processing fee associated which had a service date outside of the report period, which is unallowable in the current report. (45 CFR Section 75.403, MRT Instructions)
3	Unallowable Related Party Mark-up	\$272,233	The reimbursement criteria at 42 CFR Section 413.17 specifies related party markup is an unallowable expense. The 1% related party mark-up paid to AMS is unallowable.
4	Unallowable Alcohol	\$158	The reimbursement criteria at 45 CFR Section 75.423 specifies costs of alcoholic beverages is unallowable.

Medical Costs

We reviewed the claims data, summary level schedules, and general ledger transaction detail that reconciled to the SFY 2023 MRT to assess whether the medical costs were appropriately classified and allowable.

Table 7. Non-Subcapitated Observations

Topic	Description of Observation
Reconciliation, Classification, and Allowability	We reconciled the-Non Subcapitated cost category amount reported on the SFY 2023 MRT to supporting claims data. The claims data were analyzed to determine whether service dates and runout period were consistent with the MRT instructions. Claims reconciled to the MRT without variance. Based on this review, the Non-Subcapitated cost claims documentation is consistent with the amount reported in the MRT and adhered to applicable dates of service and runout period specified in the instructions. Additionally, the data were analyzed by service category to identify proper categorization of medical claims. No exceptions were noted in the categorization of medical costs.

Table 8. Other Medical Observations

Topic	Description of Observation
Reconciliation	We reconciled the other medical cost category amounts reported on the SFY 2023 MRT to the supporting data. No exceptions related to other medical cost reconciliation were noted.
Classification and Allowability	In the course of the reconciliation, we assessed whether the medical costs were appropriately classified and allowable. No exceptions related to other medical cost classification and allowability were noted, except those listed in the findings below.

Table 9. Other Medical Findings

#	Brief Description	Amount	Description of Finding
1	Unallowable Incentive & Provider Payments (Funded with Incentive Payments from the State)	\$214,673	COA reported unallowable contributions/donations made to the Colorado Access Foundation on Report 6A, Incentives and Provider Payments funded with incentives from the State. The MRT explains that 10% of COA's behavioral health incentive payments (BHIP) from the State were contributed to the Colorado Access Foundation. Per 45 CFR Section 75.434(a), costs of contributions and donations, including cash, property, and services, to other entities, are unallowable.
2	Unallowable Incentive & Provider Payments (Funded with Incentive Payments from the State)	\$2,000,000	The RAE reported American Rescue Plan Act (ARPA) incentive payments on the MRT, which are pass-through grant funds received for high intensity outpatient funding. The expense is not allowable on the MRT, due to being grant funding received outside of the RAE behavioral health line of business, and should not be considered in the establishment of behavioral health rates.