DEPARTMENT OF
Managed
Health Care

Arnold Schwarzenegger, Governor
State of California
Business, Transportation and Housing Agency

Department of Managed Health Care
980 9th Street, Suite 500
Sacramento, CA 95814
(916) 255-2426 voice
(916) 255-2280 fax
swei@dmhc.ca.gov e-mail

December 29, 2009

via electronic mail & UPS

RECEIVED
DEC 30 2009
MRMIB BUS-SERV

Ms. Janette Lopez
Chief Deputy Director
California Managed Risk Medical Insurance Board
1000 G Street, Suite 450
Sacramento, CA 95814

RE: EVALUATION OF CONTRA COSTA HEALTH PLAN MEDICAL LOSS RATIO SUBMISSION

Dear Ms. Lopez:

The Department of Managed Health Care ("DMHC") is pleased to provide the Managed Risk Medical Insurance Board ("MRMIB"), Healthy Families Program ("HFP") with the following report regarding the evaluation of Contra Costa Health Plan ("CCHP") HFP loss ratio submission for the period July 1, 2007 through June 30, 2008. This report outlines the project objectives, methodology and results.

I Objectives: The purpose of the loss ratio evaluation is to evaluate the underlying payments supporting the amount reported as benefits provided to HFP subscribers reported by CCHP.

As part of this evaluation, DMHC will perform the following:

A Determine whether 100% of the children who received services paid by CCHP were enrolled in the HFP at the time the services or capitated coverage were provided;

B Summarize the total claims payments within the detailed data provided by CCHP and compare the total payments to the amount reported on Schedule 6 submitted by CCHP;

C Identify and document additional reimbursement made, other than payments to providers for services, by CCHP, and evaluate the appropriateness of those payments to inclusion in the medical expenses reported on Schedule 6; and

D Summarize the total payments made by CCHP for the HFP subscribers, and based on the steps above, recalculate the loss ratio and compare it to the loss ratio submitted by CCHP on Schedule 6.

To achieve the objectives outlined above, DMHC performed data analysis on information provided by MRMIB and CCHP and corresponded with management personnel at CCHP. Primary contacts at CCHP were Chris Giles, Health Services Accountant and Mariano Mendoza, Accountant.

The methodology and results for each of the objectives are described below.

II Methodology

A Determined whether 100% of the children who received services paid by CCHP were enrolled in the HFP at the time the services were provided.

(a) The Department obtained electronic files containing detailed claims payments made for HFP subscribers. Additionally, the Department obtained electronic files from MRMIB of all children eligible for which payments were made for benefits as a CCHP subscriber during the period of July 1, 2007 through June 30, 2008.

(b) Using the two files, the Department compared the Client Index Number ("CIN") and Date of Service on CCHP's claims files to determine if there were any payments made by CCHP for subscribers that were not eligible for benefits according to the eligibility file received from MRMIB.

Table 1 –Fee for Service and Pharmacy for individuals that were not listed as eligible members per the data files provided by Maximus for the service periods under examination.

Table 1 (Ineligible Expenditures)

Claims Payments Category	Data Base Total		Ineligible Data		
	Number of claims/services	Amount	Number of claims/services	Amount *(footnote 1)*	Percent Error on Amounts
Fee-for-Service Payments	14,229	$3,489,006	67	$8,501	0.24%
Pharmacy payments	7,258	$217,533	107	$5,319	2.45%

Notes for Table 1: FFS and Pharmacy mismatches identified during the examination were identified to the Plan during the course of the examination. The discrepancies noted in the areas of FFS and Pharmacy were considered to be *de minimus*, and although identified in Table 1 above, were not recommended as audit adjustments.

B Summarized the total claims payments within the detailed data provided by CCHP and compared the total payments to the amount reported on Schedule 6 submitted by CCHP.

Using the electronic file received from CCHP in Section II (A) (a) above, and CCHP's Schedule 6 loss ratio submission provided by MRMIB, DMHC compared the total of the payments on the electronic files to the data on Schedule 6.

Table 2 (difference between Sch 6 reported and database detail)

Description	Sch 6	Plan Data	Difference	Percent Difference
Fee-for-Service Payments	$3,466,579	$3,489,006	$22,427	0.65%
Pharmacy	$220,538	$217,533	($3,005)	(1.36%)

Note 1: The data base provided by CCHP was analyzed based on the period of service and has been determined to be the most accurate measure of medical expense for the period of the examination. The data base included a review of costs identified through August 2009 after the exam period. Expenses reported on Sch 6 were based on the cash payments made plus IBNR estimates during the 12 months audited period.

Note 2: The difference for FFS payments noted between the Sch 6 and the Plan's detailed database were considered to be material and were recommended as adjustments. The difference for Pharmacy payments noted between the Sch 6 and the Plan's detailed database were considered to be *de minimus*, and although identified in Table 2 above, were not recommended as audit adjustments.

C Summarized the total payments made by CCHP for the HFP subscribers, recalculated the loss ratio, and compared it to the loss ratio submitted by CCHP on Schedule 6

Table3 – Detailed reconciliation of detailed data files to Schedule 6

Table 3

	CATEGORY	REPORTED ON SCHEDULE 6	BALANCE PER DMHC REVIEW	VARIANCE OVER/ (UNDER)
	Subscriber Months	42,848	42,001	(847)
1	Premium Payments from State	$3,637,605	$3,916,046	$278,441
	Affiliated Entities and Nonaffiliated Entities			
2	Incentive Payments to Affiliated Parties	$0	$0	$0
3	Incentive Payments to Nonaffiliated Parties	$0	$0	$0
4	Total Incentive Payments	$0	$0	$0
	Expenses			
	Medical and Hospital			
5	Inpatient Services - Capitated	$0	$0	$0
6	Inpatient Services - Per Diem	$442,573	$453,163	$10,590
7	Inpatient Services - Fee for Service/Case Rate	$0	$0	$0
8	Primary Professional Services - Capitated	$0	$0	$0
9	Primary Professional Services - Noncapitated	$3,024,006	$3,035,843	$11,837
10	Other Medical Professional Services - Capitated	$0	$0	$0
11	Other Medical Professional Services - Noncapitated	$261,184	$291,172	$29,988
12	Noncontracted Emerg Room and Out-of-Area Exp, not incl POS	$0	$0	$0
13	POS Out-of-Network Expense	$0	$0	$0
14	Pharmacy Expense	$220,538	$220,538	$0
15	Other Medical Expense	$0	$0	$0
16	Aggregate Write-ins for Other Medical and Hospital Expense	$0	$0	$0
17	Total Medical and Hospital (lines 5 to line 16)	$3,948,301	$4,000,716	$52,415
A	**Gross Profit**	**($310,696)**	**($84,670)**	
B	**MEDICAL LOSS RATIO**	**108.54%**	**102.16%**	

III Summary of Findings/Issues

A. The Plan erroneously reported Premium payments from MRMIB. $278,441 has been added to the Premium payments on Sch 6 to reflect the actual Premium from MRMIB.

B. FFS payments identified in the claims database were $22,427 higher than the Plan reported on the Sch 6. A positive adjustment of $22,427 has been made to Sch 6 (line 6 and line 9) to reflect the actual FFS payments.

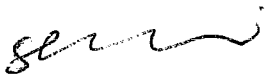
C. Line 11 (Other Medical Professional Services) of Schedule 6 represents the Advice Nurse Salary and Compensation allocation. The Advice Nurse costs identified during the examination were $29,988 higher than the Plan reported on Schedule 6. Therefore, a positive adjustment of $29,988 has been made to Sch 6.

III Limitations

This analysis and report were prepared solely for the purpose of assisting MRMIB in the determination of the accuracy of payments made by CCHP on their Schedule 6 Medical Loss Ratio Report. We have not performed an evaluation of the Company's internal controls within the guidelines set forth by the AICPA but have reported to you based upon the procedures performed. Our analysis has not been a detailed examination of all transactions, and cannot be relied upon to disclose errors, irregularities, or illegal acts, including fraud or defalcations that may exist.

Please feel free to call us if you have any questions pertaining to this report.

Sincerely,



Shuzhi Wei, Examiner
Division of Financial Oversight

Stephen Babich, Supervising Examiner
Division of Financial Oversight

cc: Lan Yan, Federal Compliance Auditor, MRMIB
Tony Lee, Chief Fiscal Services, MRMIB