

Dental Financial Reporting Guide Agreed Upon Procedures (AUPs) CY 2025 Submission Periods

Louisiana Department of Health

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Background

Milliman, Inc. (Milliman) has been contracted by the Louisiana Department of Health (LDH) to provide actuarial and consulting services related to the development of capitation rates for the Medicaid dental managed care program. To perform these services, dental managed care organizations (DCOs) will complete the *Dental Financial Reporting Guide Template (DFRG Template)* with financial and encounter data. DCOs are required to submit the completed *DFRG Template* to Milliman on a quarterly basis for review along with a signed attestation. The information reported through this process is expected to be consistent with other financial reporting from the DCO, and should represent a current, complete, and accurate disclosure of information.

Additionally, LDH requested Milliman to outline the agreed upon procedures (AUPs) for the *DFRG Template*. This report provides the minimum procedures an independent accountant should perform to review the information reported by the DCOs on an annual basis unless directed by LDH.

General Instructions

The *DFRG Template AUPs* between the DCOs and their independent accountant are required to be performed in accordance with attestation standards established by the American Institute of Certified Public Accountants (AICPA). The *AUPs* described in this report are for the calendar year (or, if required, a period less than 12 months) ending December 31, 2025 (*Review Date*) valued as of March 31, 2026 (*Valuation Date*) for the CY 2025 AUP report. The agreed upon procedures should be completed based on the information reported in the *Draft CY 2025 Reporting Period 4 DFRG Template* due March 2, 2026. The *Annual CY 2025 Reporting Period 4 DFRG Template submission is due September 30, 2026*.

Prior to the completion of the *CY 2025 AUP Report*, the DCO must make and document all adjusting entries to the income statement resulting from their CY 2025 audited financial statements and from the results of this AUP report on the [Annual Income Stmt Recon] tab along with an explanation on the [Income Statement Adjustments] tab of the *Annual CY 2025 Reporting Period 4 DFRG Template*.

To facilitate this requirement, the independent accountant must complete procedures 1 through 9 of this document and identify any differences or exceptions. The DCO must then adjust their *Annual CY 2025 Reporting Period 4 DFRG Template* for the identified differences or exceptions. After DCO completion, the independent accountant must complete procedure 10 from the Income Statement Reconciliation section and Exhibit 10 of this report.

The resulting independent accountant's report and supporting documents shall be submitted to LDH and Milliman by the DCO as embedded files in the [Annual Required Documents] tab of the *Annual CY 2025 Reporting Period 4 DFRG Template*. The following documents should be included in the report provided by the independent accountant:

- AUP report
- Financial management letter – if available through an independent audit (not related to these *AUPs*) of the DCO's financial statements
- Report on internal controls – if available through an independent audit (not related to these *AUPs*) of the DCO's financial statements

The *AUP* work papers should be made available to LDH upon request. Within each section below, minimum procedures have been established for the specific *DFRG Template* sections. Additional procedures may be added and performed as agreed upon by the DCO and the independent accountant without LDH approval. However, any modifications to or the removal of procedures outlined in this document require prior approval from LDH.

AUP Requirements

EXPOSURES

Exhibit 1 describes the requirements for the [Exposures] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 1: EXPOSURES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
1.1	Trace and agree upon the accrued member months reported in the "Paid" and "Accrued" columns of the [Exposures] tab.	Identify the members included in the "Paid" and "Accrued" columns of the [Exposures] tab and reconcile to DCO enrollment sources. Select two months with the largest number of accrued member months. If the DCO did not report any accrued members, select the month between January and June with the largest total membership and the month between July to December with the largest total membership. Then select a sample of ten (10) different members out of each selected month. Confirm each member's eligibility per the DCO's 834 enrollment files (834 files) and 820 payment files (820 files) as of the date of the AUP report date. If the 820 payment files have not been received as of this date, only confirm the member months to the 834 files. Confirm the paid member months reconcile to the 820 files and accrued member months reconcile to the 834 files for the 12-month period preceding the <i>Review Date</i> . Evaluate all subsequent 820 files (if available) summarized by incurred month. Compare the number of subsequent payments to the number of accrued member months as of the <i>Review Date</i> . Provide the DCO's explanation for any discrepancies.
1.2	Trace subsequent payments to "Accrued" column of the [Exposures] tab.	Obtain all subsequent 820 files available through the AUP report date and summarize by incurred month. Compare the count of subsequent payments summarized by incurred month to the count of accrued member months reported on the [Exposures] tab by incurred month as of the <i>Review Date</i> . If no member months are reported as accrued during the <i>Reporting Year</i> , inspect all subsequent summarized 820 files for any payments made for members in the 12-months preceding the <i>Review Date</i> of the applicable <i>Reporting Year</i> . Provide the DCO's explanation for any discrepancies.
1.3	Trace and agree upon reported Member Months.	Trace and agree the member totals in the DCO 834 files, 820 files, or other sources as necessary to member month totals for each rate cell as reported in the [Exposures] tab for the 12-month period preceding the <i>Review Date</i> . Provide the DCO's explanation for any discrepancies.

BENEFIT EXPENSE

Exhibit 2 describes the requirements for the [Benefit Expense] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 2: BENEFIT EXPENSE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
2.1	Trace and agree upon the amounts reported on the [Benefit Expense] tab.	Obtain a detailed encounterable claim report for the two months selected in Reference No. 1.1 above. Select five (5) claims with the largest dollar amount paid from each month and randomly select ten (10) additional claims not already selected from each of the two largest (based on greatest dollar amount) service categories (i.e., Class I, Class II, Class III, or Miscellaneous Services) from each month. For each claim selected, agree the Population, Rate Cell, Region, Incurred Month, Service Category, and Service Category Detail on the claim matches to the [Benefit Expense] tab supporting detail. Reference the <i>DFRG Methodology</i> , and <i>Service Category Classification Manual</i> which describe how a claim should be categorized. Additionally, read the "Benefit Expense" section of the <i>DFRG Methodology</i> document and confirm that the DCO reported the claim amount in the appropriate column of the [Benefit Expense] tab (i.e., Direct, Subcapitated, Ineligible). Provide the DCO's explanation for any discrepancies.
2.2	Trace and agree upon the amounts reported on the [Benefit Expense] tab.	Compare and confirm the total of the encounterable detailed claim reports obtained in Reference No. 2.1 matches the total encounterable benefit expenses reported on the [Benefit Expense] tab for the Incurred Month, Service Category, and Service Category Detail selected above. Provide the DCO's explanation for any discrepancies or reconciliation.

NONENCOUNTERABLE

Exhibit 3 describes the requirements for the [NonEncounterable] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 3: NONENCOUNTERABLE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
3.1	Trace and agree upon the amounts reported on the [NonEncounterable] tab.	Obtain a detailed listing of non-encounterable claim payments for the months selected in Reference No. 1.1. Ensure the DCO provides supporting documentation that provides breakout of non-encounterable claim payments into FQHC RHC Payments, Lump Sum Settlements, Member Value-Added Services, and Other Non-Encounterable. For the months reviewed, select the five (5) payments with the largest dollar amount paid from each month and randomly select ten (10) additional payments not already selected from each of the two largest (based on greatest dollar amount) service categories (i.e., Class I, Class II, Class III, or Miscellaneous Services) from each month. For each payment selected, confirm the DCO reported Population, Rate Cell, Region, Incurred Month, and Service Category on the [NonEncounterable] tab to the detailed supporting documentation. If the payment selected was allocated to the DCO reported Population, Rate Cell, Region, Incurred Month, or Service Category agreed above, use the DCO's allocation method to recalculate the amounts reported. Compare the results to the amounts reported by the DCO. Additionally, agree the classification of the DCO reported payments from the supporting documentation to the column the DCO reported the expenditures in the <i>DFRG Template</i> . Definitions of non-encounterable claims can be found in the <i>DFRG Methodology</i> document. Provide the DCO's explanation for any discrepancies.
3.2	Trace and agree upon the amounts reported in the "Member Value-Added Services" column on the [NonEncounterable] tab.	In conjunction with Reference No. 3.1, obtain a list of services covered under the state plan and confirm the amounts reported in the "Member Value-Added Services" column are services or expenditures not included in the obtained listing of state plan covered services. If there are no "Member Value-Added Services" reported in the sample months previously selected, select a month with the largest amount of "Member Value-Added Services" and confirm the services or expenses are not reported in the obtained listing. The <i>DFRG Methodology</i> document discusses value added services on page 5-7. Provide the DCO's explanation for any discrepancies.
3.3	Review DCO allocation methodology	Obtain a description of the DCO's allocation methodology for each type of services or expenditures reported on the [NonEncounterable] tab. Identify the largest allocated expenditure and recalculate the allocation based on the DCO's allocation methodology. Provide the DCO's explanation for any discrepancies.

RESERVES

Exhibit 4 describes the requirements for the [Reserves] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 4: RESERVES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
4.1	Obtain documentation related to the DCO's calculation of Incurred but not Reported (IBNR) amounts on the [Reserves] tab.	Obtain the DCO's calculation of IBNR for the <i>Review Date</i> . Also, obtain the DCO's policy, procedures, and methodologies for estimating IBNR, including the Actuarial Memorandum and/or Statement of Actuarial Opinion as of the <i>Review Date</i> . Provide the DCO's summary of the IBNR calculation methodology.
4.2	Agree DCO's IBNR methodologies are applied consistently on the [Reserves] tab.	Obtain the DCO's allocation methodology for IBNR. Recalculate the allocation of IBNR to each Population, Region, Incurred Month, and Service Category for the month with the largest reported reserves amount as of the <i>Review Date</i> . Confirm the DCO's applied the allocation consistent with the documentation obtained in Reference No 4.1 above. Provide the DCO's explanation for any discrepancies.
4.3	Obtain subsequent claim payment reports and compare to reported IBNR.	Obtain subsequent claims payment reports for all months following the <i>Review Date</i> through the AUP report date. Summarize subsequent claim payments by incurred month. For the two months selected in Reference No. 1.1 compare the reported IBNR from these two months to the summarized subsequent claims payments. Calculate and report the difference between the reported IBNR and the summarized subsequent payments. If the variance between the reported IBNR and the subsequent claims paid is greater than 25% of the reported amount, provide the DCO's explanation of the variance.

REFERENCE NO.	DESCRIPTION	STEP
4.4	Trace and agree the DCO's reported Pending Lump Sum Settlements reported on the [Reserves] tab to supporting documentation.	Obtain a summary of Pending Lump Sum Settlements reported on the [Reserves] tab for the 12-month period preceding the <i>Review Date</i> . Trace and agree the total amounts reported in the "Pending Lump Sum Settlements" column of the [Reserves] tab to the general ledger. Select the two largest settlement payments and confirm the amounts reported are non-encounterable and not related to cost report settlements as described in the <i>DFRG Methodology</i> document. Provide the DCO's explanation for any discrepancies.
4.5	Trace subsequent payments of non-claim reserves reported on the [Reserves] tab.	Obtain subsequent receipts or payments related to the "Pending Lump Sum Settlements" reported on the [Reserves] tab through the AUP report date. Summarize the subsequent payments by incurred month. For the two months selected in Reference No. 1.1, compare the reported reserves from the two months selected to the summarized subsequent receipts or payments. Calculate and report the difference between the reported amounts and the subsequent receipts or payments. Provide the DCO's explanation for any discrepancies.

VALUE ADDED SERVICES

Exhibit 5 describes the requirements for the [VAS] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 5: VALUE ADDED SERVICES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
5.1	Obtain and describe Value Added Services reported on the [VAS] tab.	Obtain a summary report of value added services (VAS) payments incurred by members for the 12-month period preceding the <i>Review Date</i> . Provide the DCO's describe of the services provided.
5.2	Trace and agree amounts reported on the [VAS] tab to supporting documentation.	From the summary report obtained in Reference No. 5.1, agree the amounts to the expenditures reported on the [VAS] tab by Population, Rate Cell, Region, Incurred Month, and NSPS Service Category. Additionally, confirm the total expenditures reported in each column on the [VAS] tab agree to the amounts in the summary reports obtained. Provide DCO's explanation for any discrepancies.
5.3	Confirm amounts reported on the [VAS] tab agree to amounts on [Benefit Expense], [NonEncounterable], and [Non Benefit Expense] tabs.	Trace the amounts reported on the summary report obtained in Reference No. 5.1 to the [Benefit Expense] tab, [NonEncounterable] tab (in the "Member Value-Added Services" column), or on the [Non Benefit Expense] tab in the "Administrative Costs" or "Healthcare Quality Improvement" categories. Provide the DCO's explanation for any discrepancies.
5.4	Recalculate allocation amounts reported on the [VAS] tab based on DCO's methodology.	Obtain a description of the DCO's methodology for allocating value added services to the Population, Rate Cell, Region, Incurred Month, and Service Category, if applicable. For the month with the largest expenditures in the <i>Reporting Year</i> , recalculate the expenditure allocation and compare the calculation to the DCO's reported amounts. Confirm the DCO's allocation methodology is consistent with the methodology provided to recalculate the expenditure. Provide the DCO's explanation for any discrepancies.

RECOVERIES

Exhibit 6 describes the requirements for the [Recoveries] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 6: RECOVERIES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
6.1	Obtain supporting documentation for amounts reported on the [Recoveries] tab.	Obtain a summary of the recoveries reported on the [Recoveries] tab for the same two months selected in Reference No. 1.1. Inquire if the recoveries reported are gross of the DCO encounter submissions as described in the <i>DFRG Methodology</i> document. Provide the DCO's explanation for any discrepancies.
6.2	Trace and agree upon amounts reported on the [Recoveries] tab to supporting documentation.	From the summary report obtained in Reference No. 6.1, agree the total amounts to the recoveries reported on the [Recoveries] tab by Population, Rate Cell, Region, Incurred Month, and Service Category. Confirm the total expenditures reported in each column on the [Recoveries] tab agree to the summary report for each column. Additionally, select ten (10) recoveries from each month and confirm that the DCO reported the recoveries net of any administrative fees required to collect the recovery. Provide DCO's explanation for any discrepancies.

REFERENCE NO.	DESCRIPTION	STEP
6.3	Recalculate allocation amounts reported on the [Recoveries] tab.	Obtain a description of the DCO's methodology for allocating recoveries to Population, Rate Cell, Region, Incurred Month, and Service Category, if applicable. Recalculate the recovery allocation and confirm if the DCO applied the allocation methodology consistently with the methodology provided. Provide the DCO's explanation for any discrepancies.
6.4	Obtain reinsurance agreements.	Obtain a copy of the DCO's third-party reinsurance agreement. Calculate the expected amount of reinsurance premiums to be paid for the 12-month period preceding the <i>Review Date</i> . Compare calculation to the amount reported on the [Recoveries] tab. Provide the DCO's explanation for any discrepancies.
6.5	Trace and agree upon reinsurance recoveries reported on the [Recoveries] tab.	For Reinsurance Recoveries, select the two largest individual cases (an individual case is defined as a member that met the threshold of the reinsurance agreement) resulting in a reinsurance recovery in the incurred period of the 12-months preceding the <i>Review Date</i> .
6.6	Trace and agree upon reinsurance recoveries reported on the [Recoveries] tab.	For the sample selected in Reference No. 6.5, review the individual member's claim payment history, recalculate, and agree the amount reported as reinsurance recovery is consistent with the terms of the DCO's reinsurance agreement and the individual member's paid claims. Provide the DCO's explanation for any discrepancies.

REVENUE

Exhibit 7 describes the requirements for the [Revenue] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 7: REVENUE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
7.1	Obtain supporting documentation for amounts reported on the [Revenue] tab.	Obtain a summary of the revenue reported on the [Revenue] tab for the two months selected in Reference No. 1.1 above. Randomly select fifteen (15) members from each of the two months. Confirm the revenue for each member is reported in the appropriate Population, Rate Cell, Region, Incurred Month, and Received or Accrued columns as described in the <i>DFRG Methodology</i> document. Obtain management representation that the revenue reported does not include FMP revenue. Provide the DCO's explanation for any discrepancies.
7.2	Trace and agree upon amounts reported on the [Revenue] tab.	Obtain documentation related to the Premium Tax reported on the [Revenue] tab. Confirm the premium tax is only reported in the "Premium Tax" columns. Recalculate expected premium tax receipts and receivables and agree to the amounts reported in the accrued and receivable "Premium Tax" columns. Provide the DCO's explanation for any discrepancies.
7.3	Obtain supporting documentation for amounts reported on the [Revenue] tab.	Obtain a description and supporting documentation for any revenue reported in the received and accrued "Other Income" columns and confirm supporting documentation agrees to the amounts reported. Provide the DCO's documentation regarding reason the revenue is reported in these columns. Provide the DCO's explanation for any discrepancies.

SUBCON SUMMARY & SUBCON DATA

Exhibit 8 describes the requirements for the [Subcon Summary] and [Subcon Data] tabs. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 8: SUBCON SUMMARY & SUBCON DATA AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
8.1	Obtain a listing of the DCO's delegated services subcontracted vendors, including subcapitated subcontractors.	Review the listing of DCO's delegated services subcontractors and confirm they are all reported on the [Subcon Summary] tab. Provide the DCO's explanation for any discrepancies.
8.2	Trace to supporting documentation and agree if the vendor is subcapitated.	Obtain and read the contracts for each delegated vendor. For each vendor reported on the [Subcon Summary] tab, verify the subcontractor's contractual relationship reported in the "Subcapitated Contractor (Y/N)" column is reported as "Y" if the vendor has a full risk subcapitated arrangement and "N" if not. Provide the DCO's explanation for any discrepancies.
8.3	Trace to supporting documentation and agree the vendor type.	Using the contracts obtained in Reference No. 8.2, confirm the description reported in the "Provider/Benefit Manager/Other" column on the [Subcon Summary] tab agrees to the supporting documentation. Provide the DCO's explanation for any discrepancies.

REFERENCE NO.	DESCRIPTION	STEP
8.4	Trace to supporting documentation and agree the related party status.	Using the contracts obtained in Reference No. 8.2, confirm the flag reported for the "Related Party "(Y/N)" column in the [Subcon Summary] tab agrees to the supporting documentation. Obtain and provide a list of transactions between the DCO, and any related party reported within the [Subcon Summary] tab. The list of transactions must include the name of the related party, relationship to the DCO, description of the transaction (a series of transactions for the same purpose can be listed as one transaction), total dollar amount reported within the [Subcon Summary] tab and payment/contract terms. Provide the DCO's explanation for any discrepancies.
8.5	Trace supporting documentation and agree on categorization of administrative and healthcare quality improvement expenses.	For the two months selected in Reference 1.1, obtain and review the invoices or other payment files for each vendor. If any administrative expenses or healthcare quality improvement expenses are identified, confirm the data reported in the "Administrative Costs" and "Healthcare Quality Improvement" columns agree with the payments made and are reported in the incurred period (not the paid period). Provide the DCO's explanation for any discrepancies.
8.6	Trace supporting documentation and agree on categorization of administrative and healthcare quality improvement expenses.	Obtain and review the allocation methodology used by the DCO to allocate these expenses to Population, Rate Cell, Region, and Incurred Month. For the two months selected in Reference 1.1, confirm the amounts allocated follow the methodology provided. Provide the DCO's explanation for any discrepancies.
8.7	Trace supporting documentation and agree on categorization of subcapitated benefit expense.	For the two months selected in Reference 1.1, obtain the invoices or other payment files for each subcapitated vendor. Trace and agree expenses in the supporting documentation to the category and incurred period (not the paid period) for the "Total Subcapitated Proxy Paid," "Subcon Lump Sum Provider Settlements," and "Proxy Paid Reserves" columns on the [Subcon Data] tab. Provide the DCO's explanation for any discrepancies.
8.8	Identify, trace, and agree the amount and payment methodology for Related Party Transactions reported within the [Subcon Summary] tab.	From the list of transactions in Reference No. 8.4, select the related party vendor with the highest dollar amount reported. Confirm the total dollar amount of transactions with the selected vendor agrees with the payment/contract terms of the agreement between the DCO and related party and confirm the expenditures reported. Provide the DCO's explanation for any discrepancies.

NON-BENEFIT EXPENSE

Exhibit 9 describes the requirements for the [Non Benefit Expense] tab. Unless directed otherwise, all AUPs for this section are to be performed on the data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 9: NON-BENEFIT EXPENSE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
9.1	Obtain supporting documentation for the amounts reported as Non-Benefit Expense.	Read the <i>DFRG Methodology</i> for guidance on non-benefit expense by administrative category and source. Provide the DCO's documentation related to classifying expenses by Administrative Category.
9.2	Obtain HCQI supporting documentation.	Read the definition for HCQI in the <i>DFRG Methodology</i> document. Obtain a listing of all HCQI transactions for the two months selected in Reference 1.1. Select five (5) HCQI transactions for each month and provide the DCO's documentation determining the transaction meets the definition for HCQI expenditures.
9.3	Trace and agree upon the amounts reported as Non-Benefit Expense.	Obtain and inspect the DCO's summarized general ledger and agree to the total for each non-benefit expense categories ("Administrative Costs" and "Healthcare Quality Improvement," etc.). Provide reconciliation for any differences and the DCO's explanation for any discrepancies.
9.4	Trace and agree upon the amounts reported as Non-Benefit Expense.	Obtain the DCO's non-benefit expense allocation methodologies. Using the information obtained in Reference No. 9.3, recalculate the DCO's allocation and compare the results to the amounts reported on the [Non Benefit Expense] tab. Provide the DCO's explanation for any discrepancies.
9.5	Trace and agree upon the amounts reported as Non-Benefit Expense.	Using the documentation provided in 9.3, trace and agree the total "Fraud Recovery Activities," "Premium Tax," and "Other Taxes, Fees, and Assessments" for the 12-month period preceding the <i>Review Date</i> . Provide the DCO's explanation for any discrepancies.

¹ The term Related Party refers to any entity(ies) that is(are) associated with the DCO by any form of common, privately held ownership, control, or investment.

REFERENCE NO.	DESCRIPTION	STEP
9.6	Trace and agree upon the amounts reported as Non-Benefit Expense.	<p>Obtain representation from the DCO's management for the following items:</p> <ul style="list-style-type: none"> • "Other Taxes, Fees, and Assessments" on the [Non Benefit Expense] tab includes all State, Federal and Local Income Taxes. • No taxes are reported as "Administrative Costs." • The income taxes associated with investment income and expenses are not reported in the "Other Taxes, Fees, and Assessments" category. • No penalties associated with contractual non-compliance are reported as "Other Taxes, Fees, and Assessments." <p>Confirm management's representation with the following procedures:</p> <ul style="list-style-type: none"> • Select from the general ledger, the largest tax transaction for each State, Federal, and Local income tax and trace the amount to the "Other Taxes, Fees, and Assessment" on the [Non-Benefit Expense] tab. • Select from the general ledger, the largest investment income transaction and the largest investment expense transaction and confirm the amounts are not reported on the [Non Benefit Expense] tab. • Obtain a listing of penalty transactions associated with contractual or regulatory non-compliance and confirm the largest transaction is not listed on the [Non Benefit Expense] tab. <p>Provide the DCO's explanation for any discrepancies.</p>
9.7	Trace and agree upon the amounts reported as Non-Benefit Expense.	<p>Obtain the premium tax rate and representation from the DCO's management that "Premium Tax – Capitation" includes all premium tax paid and accrued for related to capitation payments reported on the [Revenue] tab and these taxes are not reported as "Administrative Costs." Recalculate expected premium tax and compare to the DCO's reported amounts. Provide the DCO's explanation for any discrepancies.</p>

ANNUAL INCOME STATEMENT RECONCILIATION

Exhibit 10 describes the requirements to be performed on the [Annual Income Stmt Recon] and [Income Statement Adjustments] tabs in the *Annual CY 2025 Reporting Period 4 DFRG Template*. As indicated in the General Instruction section above, the DCO must complete these tabs by documenting all adjusting entries related to the income statement between the *Draft CY 2025 Reporting Period 4 DFRG Template* submission and *Annual CY 2025 Reporting Period 4 DFRG Template* submission on the [Annual Income Stmt Recon] tab with an explanation provided on the [Income Statement Adjustments] tab. Procedures for the DCOs to complete the [Annual Income Stmt Recon] tab and the [Income Statement Adjustments] tab are located in the *CY 2025 Dental FRG Methodology* document. The AUPs for this section are to be performed on the adjustments captured on the [Income Statement Adjustments] tab. If there were no adjustments from the DCO's audited financial statements, step 10.2 will not be applicable. If there are no AUP findings that require adjustments, step 10.3 will not be applicable.

EXHIBIT 10: ANNUAL INCOME STATEMENT RECONCILIATION

REFERENCE NO.	DESCRIPTION	STEP
10.1	Trace and agree upon the amounts reported on the [Annual Income Stmt Recon] tab.	<p>Compare and confirm the amounts reported for each row in the "CY 2025 Q4 185 Income Statement (Draft Annual)" column on the [Annual Income Stmt Recon] tab matches the amounts reported for each row in the "CY 2025 YTD" column on the [Income Statement Quarterly] tab of the <i>Draft CY 2025 Reporting Period 4 DFRG Template</i> submitted to LDH on March 2, 2026. Provide the DCO's explanation for any discrepancies.</p>
10.2	Trace and agree upon the amounts reported on the [Annual Income Stmt Recon] and [Income Statement Adjustments] tabs.	<p>Obtain supporting documentation for the total adjustments reported in the "DCO Adjustments to Draft Annual Income Statement" column on the [Annual Income Stmt Recon] tab. Confirm that each adjustment reported in this column is identified as an "DCO Adjustment" in the "Adjustment Type" column on the [Income Statement Adjustments] tab. Also confirm that each adjustment listed has a corresponding explanation reported in the "Explanation" column. Additionally, confirm that the reported description in the "Income Statement Line Description," "Amount," and "Explanation" columns are populated for each adjustment reported. Provide the DCO's explanation for any discrepancies.</p>

REFERENCE NO.	DESCRIPTION	STEP
10.3	Trace and agree the amounts reported on the [Annual Income Stmt Recon] and [Income Statement Adjustments] tabs.	Compare and confirm the amounts reported in each row of the "CY 2025 Independent AUP Income Statement Adjustments" column on the [Annual Income Stmt Recon] tab matches the amounts reported in the CY 2025 AUP findings. Confirm that each adjustment reported in this column is identified as an "AUP Adjustment" in the "Adjustment Type" column and that a corresponding explanation is provided in the "Explanation" column on the [Income Statement Adjustments] tab. Additionally, confirm that the "Income Statement Line Description," "Amount," and "Explanation" columns are populated for each adjustment reported. Provide the DCO's explanation for any discrepancies.

Limitations and Qualifications

The *Dental Financial Reporting Guide (DFRG)* AUP methodology is intended to be used by LDH and the participating DCOs and their independent accountants to perform procedures to validate the information collected within the *DFRG Template* on an annual basis. This information may not be appropriate for other purposes. We designed the *DFRG* AUP methodology to outline the minimum procedures required by the DCO's independent accountant. The DCOs are accountable for reporting their financial results in compliance with the *DFRG Template methodology*, maintaining appropriate documentation supporting their financial data submission, and submitting the AUP report, financial management letter, and report on internal controls to LDH, if applicable.

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