

Financial Reporting Guide Agreed Upon Procedures (AUPs) CY 2024 Submission Periods

Louisiana Department of Health

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Table of Contents

BACKGROUND	1
GENERAL INSTRUCTIONS	1
AUP REQUIREMENTS	2
BALANCE SHEET	2
EXPOSURES	2
BENEFIT EXPENSE	3
NONENCOUNTERABLE	3
DIRECTED AND FMP PAYMENTS	4
RESERVES	4
NSPS	5
RECOVERIES	5
REVENUE	6
SUBCON SUMMARY & SUBCON DATA	7
NON-BENEFIT EXPENSE	8
ANNUAL INCOME STATEMENT RECONCILIATION	9
LIMITATIONS AND QUALIFICATIONS	10

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 Physical Health (PH) and Specialized Behavioral Health (SBH) programs within the Healthy Louisiana managed care program. To perform these services, managed care organizations (MCOs) will complete the *Financial Reporting Guide Template (FRG Template)* with financial and encounter data. MCOs are required to submit the completed *FRG 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 MCO, and should represent a current, complete, and accurate disclosure of information.

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

General Instructions

The *FRG Template AUPs* between the MCOs 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, 2024 (*Review Date*) valued as of December 31, 2024, (*Valuation Date*) for the CY 2024 AUP report. The agreed upon procedures should be completed based on the information reported in the *Draft CY 2024 Reporting Period 4 FRG Template* due February 28, 2025.

Prior to the completion of the *CY 2024 AUP Report*, MCOs must also complete *CY 2024 FRG AUP Supplemental Request* (Supplemental Request) provided with this document. The MCO must make and document all adjusting entries to the income statement resulting from their CY 2024 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 Supplemental Request.

To facilitate this requirement, the independent accountants must complete procedures 1 through 11 of this document and identify any differences or exceptions. The MCO must then adjust their annual *FRG Template* for the identified differences or exceptions and complete the Supplemental Request. The instructions to complete the Supplemental Request are included on the [ReadMe] tab. After MCO completion, the independent account must complete procedure 12 from the Income Statement Reconciliation section and Exhibit 12 of this report.

The resulting independent accountant's report, supporting documents, and the completed Supplemental Request shall be submitted to LDH and Milliman by the MCO as embedded files in the [Annual Required Documents] tab of the annual *FRG Template* submission due June 30, 2025. 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 MCO's financial statements
- Report on internal controls – if available through an independent audit (not related to these *AUPs*) of the MCO'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 *FRG Template* sections. Additional procedures may be added and performed as agreed upon by the MCO and the independent accountant without LDH approval. However, any modifications to or removal of any procedures outlined in this document requires prior approval from LDH.

AUP Requirements

BALANCE SHEET

Exhibit 1 describes the *AUP* requirements for the [Balance Sheet] 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: BALANCE SHEET AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
1.1	Trace and agree upon the amount reported as Cash Balances.	Obtain a copy of the monthly bank statements and bank reconciliations as of the <i>Review Date</i> and for one other quarter end month reported on the <i>FRG Template</i> . Trace and agree the amount of "Cash and Cash Equivalents" reported on the [Balance Sheet] tab as available for use in the <i>Reporting Year</i> to the two bank reconciliations obtained. Provide the MCO's explanation for any discrepancies.
1.2	Trace and agree upon the amount reported as Cash Balances.	Trace and agree the balance per bank from the reconciliation to the corresponding ending balance of the bank statement. Trace and agree the balance per books from the reconciliation to the corresponding amount in the MCO's trial balance. Provide the MCO's explanation for any discrepancies.
1.3	Trace and agree upon the amount recorded as the Medicaid Capitation Receivable, capitation payments earned, but not yet received from LDH for the Medicaid line of business.	In conjunction with Reference No. 2.1 below, identify capitation revenue not paid as of the <i>Review Date</i> and reconcile to source documents if discrepancies larger than \$100,000 are identified. Confirm receivables have been paid as of the date of the independent accountant's report. Provide the MCO's explanation for any discrepancies or unpaid balances greater than \$100,000.
1.4	Trace and agree upon the amount recorded as Claims Payable for the Medicaid line of business.	Obtain claims payable aging as of <i>Review Date</i> . Agree the claims payable aging report ties to the general ledger. Provide the MCO's explanations for payables that are \$100,000 or greater. Provide the MCO's explanation for any discrepancies.

EXPOSURES

Exhibit 2 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 2: EXPOSURES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
2.1	Trace and agree upon the accrued member months reported in the "Paid" and "Accrued" column of the [Exposures] tab.	In conjunction with Reference No. 1.3 above, identify the members included in the "Accrued" column of the [Exposures] tab and reconcile to MCO enrollment sources. Amounts reported in the Maternity Kick Payment rate cells are not considered member months and should not be included in discrepancy reporting. Select two months with the largest number of accrued member months. If the MCO 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 MCOs 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 (if available) and accrued member months reconcile to the 834 files for the 12-month period preceding the <i>Review Date</i> . Provide the MCO's explanation for any discrepancies.
2.2	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 of monthly capitation (maternity kick payments are not considered monthly capitation) summarized by incurred month to the count of accrued member months (maternity kick payments are not considered 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 MCO's explanation for any discrepancies. If the 820 payment files have not been received as of the AUP report date, this step is not applicable.
2.3	Trace and agree upon reported Member Months.	Trace and agree the member totals of the two months selected in Reference No. 2.1 to the MCO's 834 files, 820 files, or other sources as necessary to member month totals for each rate cell, region, and incurred month reported on the [Exposures] tab for the selected months. Maternity kick payments are not considered member months. Provide the MCO's explanation for any discrepancies.

BENEFIT EXPENSE

Exhibit 3 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 3: BENEFIT EXPENSE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
3.1	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. 2.1 above which includes both direct and subcapitated paid claims. 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 the greatest dollar amount) service categories (i.e., Inpatient Hospital, Outpatient Hospital, Professional, Retail Pharmacy, SBH, Ancillary, and LTSS) 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>FRG 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>FRG Methodology</i> document and confirm that the MCO reported the claim amount in the appropriate column on the [Benefit Expense] tab (i.e., Direct, Subcapitated, Ineligible). Provide the MCO's explanation for any discrepancies.
3.2	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. 3.1 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 MCO's explanation for any discrepancies or reconciliation.

NONENCOUNTERABLE

Exhibit 4 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 4: NONENCOUNTERABLE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
4.1	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. 2.1 using the supporting document the MCO used to complete the [NonEncounterable] tab. 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 the greatest dollar amount) service categories (i.e., Inpatient Hospital, Outpatient Hospital, Professional, Retail Pharmacy, SBH, Ancillary, and LTSS) from each month. For each payment selected, confirm the MCO 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 MCO reported Population, Rate Cell, Region, Incurred Month, or Service Category agreed above, use the MCO's allocation method to recalculate the amounts reported. Compare the results to the amounts reported by the MCO. Additionally, agree the classification of the MCO reported payments from the supporting documentation to the column the MCO reported the expenditure in the <i>FRG Template</i> . Definitions of non-encounterable claims can be found in the <i>FRG Methodology</i> document. Provide the MCO's explanation for any discrepancies.
4.2	Trace and agree upon the amounts reported in the "Member Value-Added Services" column on the [NonEncounterable] tab.	In conjunction with Reference No. 4.1, 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" reported and confirm the services or expenditures are not reported in the obtained listing. The <i>FRG Methodology</i> document discusses non-state plan services on page 11 and 13. Provide the MCO's explanation for any discrepancies.
4.3	Review MCO allocation methodology	Obtain a description of the MCO'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 MCO's allocation methodology. Provide the MCO's explanation for any discrepancies.

DIRECTED AND FMP PAYMENTS

Exhibit 5 describes the requirements for the [Directed and FMP Pmts] 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: DIRECTED AND FMP PAYMENTS AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
5.1	Trace and agree upon the amounts reported on the [Directed and FMP Pmts] tab for Revenue.	Obtain a detailed receipt report for the months selected in Reference No. 2.1 above. From the report obtained, select ten (10) receipts for each month and agree the Incurred Month and Service Category from the supporting details report to the incurred month and service category on the [Directed and FMP Pmts] tab. Additionally, confirm the MCO reported the amount in the appropriate column based on the MCO's supporting documentation. Provide the MCO's explanation for any discrepancies.
5.2	Trace and agree upon the amounts reported on the [Directed and FMP Pmts] tab for Expense.	Obtain a detailed provider payment report for the months selected in Reference No. 2.1 above. From the report obtained, select ten (10) payments for each month and agree the Incurred Month and Service Category from the supporting details report to the Incurred Month and Service Category on the [Directed and FMP Pmts] tab to the supporting detail. Additionally, confirm the MCO reported the amount in the appropriate column based on the MCO's supporting documentation. Provide the MCO's explanation for any discrepancies.

RESERVES

Exhibit 6 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 6: RESERVES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
6.1	Obtain documentation related to the MCO's calculation of Incurred but not Reported (IBNR) amounts on the [Reserves] tab.	Obtain the MCO's calculation of IBNR for the <i>Review Date</i> . Also, obtain the MCO'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 MCO's summary of the IBNR calculation methodology.
6.2	Agree IBNR methodologies are applied consistently on the [Reserves] tab.	Obtain the MCO'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 MCO applied the allocation consistent with the documentation obtained in Reference No. 6.1. Provide the MCO's explanation for any discrepancies.
6.3	Obtain subsequent claim payment reports.	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. 2.1, 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 MCO's explanation of the variance.
6.4	Trace and agree non-claim reserves reported on the [Reserves] tab.	Obtain a summary of non-claim reserves 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 Provider Cost Settlements," "Pending Value Based Payments," and "Other Pending Lump Sum Settlements" columns of the [Reserves] tab to the general ledger. Select the two largest settlements or payments and confirm that the amounts reported are non-encounterable. Provide the MCO's explanation for any discrepancies.
6.5	Obtain subsequent payments of non-claim reserves reported on the [Reserves] tab.	Obtain subsequent receipts or payments related to "Pending Provider Cost Settlements," "Pending Value Based Payments," and "Other Pending Lump Sum Settlements" columns through the AUP report date. Summarize subsequent payments by incurred month. For the two months selected in Reference No. 2.1, compare the reported reserves from the two selected months to the summarized subsequent payments. Calculate and report the difference between the reported non-claims reserves and the subsequent receipts or payments. Provide the MCO's explanation for any discrepancies.

NSPS

Exhibit 7 describes the requirements for the [NSPS] 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: NON-STATE PLAN SERVICES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
7.1	Obtain and describe NSPS services reported on the [NSPS] tab.	Obtain a summary report of non-state plan services (NSPS) payments incurred by members for the 12-month period preceding the <i>Review Date</i> . Provide the MCO's description of the services provided.
7.2	Trace and agree upon amounts reported on the [NSPS] tab.	From the summary report obtained in Reference No. 7.1, agree the amounts to the expenditures reported on the [NSPS] tab by Population, Rate Cell, Region, Incurred Month, and NSPS Service Category. Additionally, confirm the total expenditures reported on the [NSPS] tab in each column agree to the summary reports obtained. Provide MCO's explanation for any discrepancies.
7.3	Confirm amounts reported on the [NSPS] tab agree to the amounts on the [Benefit Expense], [NonEncounterable], and [Non Benefit Expense] tabs.	Trace the amounts reported on the summary report obtained in Reference No. 7.1 to the [Benefit Expense] tab (in the Encounterable Value Added Services Service Category Detail lines), [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 MCO's explanation for any discrepancies.
7.4	Recalculate allocation amounts reported on the [NSPS] tab based on MCO's methodology.	Obtain a description of the MCO's methodology for allocating NSPS to the Population, Rate Cell, Region, Incurred Month, and Service Category, if applicable. For the month with the largest expenditures in the Reporting Year, recalculate the expenditure allocation and compare the results to the MCO's reported amounts. Confirm the MCO's allocation methodology is consistent with the methodology provided to recalculate the expenditure. Provide the MCO's explanation for any discrepancies.

RECOVERIES

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

EXHIBIT 8: RECOVERIES AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
8.1	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. 2.1. Inquire if the recoveries reported are gross of the MCO encounter submissions as described in the <i>FRG Methodology</i> document. Provide the MCO's explanation for any discrepancies.
8.2	Trace and agree upon amounts reported on the [Recoveries] tab to supporting documentation.	From the summary report obtained in Reference No. 8.1, 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 amounts reported in each column on the [Recoveries] tab agree to the amounts in the summary report for each column. Additionally, select 10 recoveries from each month and confirm that the MCO reported the recoveries net of any administrative fees required to collect the recovery. Provide MCO's explanation for any discrepancies.
8.3	Recalculate allocation amounts reported on the [Recoveries] tab.	Obtain a description of the MCO's methodology for allocating recoveries to Population, Rate Cell, Region, Incurred Month, and Service Category, if applicable. Recalculate the recovery allocation and confirm MCO applied the allocation methodology consistently with the methodology provided. Provide the MCO's explanation for any discrepancies.
8.4	Obtain reinsurance agreements.	Obtain a copy of the MCO'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 MCO's explanation for any discrepancies.
8.5	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> .

REFERENCE NO.	DESCRIPTION	STEP
8.6	Trace and agree upon reinsurance recoveries reported on the [Recoveries] tab.	For the sample selected in Reference No. 8.5, review the individual member's claim payment history, recalculate, and agree the amount reported as reinsurance recovery is consistent with the terms of the MCO's reinsurance agreement and the individual member's paid claims. Provide the MCO's explanation for any discrepancies.

REVENUE

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

EXHIBIT 9: REVENUE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
9.1	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. 2.1 above. Select a random sample of fifteen (15) members from each month. 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>FRG Methodology</i> document. Obtain management representation that the revenue reported does not include state directed payments, FMP revenue, or MCIP revenue. Provide the MCO's explanation for any discrepancies.
9.2	Obtain supporting documentation for withhold amounts reported on the [Revenue] tab.	Obtain a summary report of earned withhold revenue for the reporting period. Confirm the MCO reported the earned withhold in the incurred year the withhold was taken, rather than in the year the withhold was returned. Provide the MCO's explanation for any discrepancies.
9.3	Obtain supporting documentation for withhold amounts reported on the [Revenue] tab.	Obtain a description of the MCOs methodology for accruing earned withhold amounts before the actual earned amount is known. Recalculate expected withheld earned using the MCOs methodology and confirm the total accrual is calculated consistently with the methodology. Provide the MCO's explanation for any discrepancies.
9.4	Recalculate withhold amounts reported on the [Revenue] tab.	Obtain a description of the MCOs allocation methodology for the earned withhold payments and accruals. For the two months selected in Reference 2.1 above, recalculate the allocation of the earned withhold receipts and accruals and confirm the amounts reported are consistent with the allocation methodology provided. Provide the MCO's explanation for any discrepancies.
9.5	Recalculate High-Cost Drug Risk Pool and Hep-C Risk Corridor amounts reported on the [Revenue] tab.	Obtain documentation and descriptions of the MCOs reported High-Cost Drug Risk Pool and Hep-C Risk Corridor receivables or receipts. Confirm the MCO reported amounts for these risk mitigation transfers in the Population, Rate Cell, Region, and Incurred Month agree to the supporting documentation provided. For the two months selected in Reference 2.1 above, recalculate the transfers related to these mechanisms and confirm if it is consistent with the MCO's methodology provided. Also, recalculate the MCOs allocations for the same two months and confirm the allocations are consistent with the MCO's methodology provided. Provide the MCO's explanation for any discrepancies.
9.6	Trace and agree upon Premium Tax 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 MCO's explanation for any discrepancies.
9.7	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" columns and confirm supporting documentation agrees to the amounts reported. Provide the MCOs documentation regarding the reason the revenue is reported in these columns. Provide the MCO's explanation for any discrepancies.

SUBCON SUMMARY & SUBCON DATA

Exhibit 10 describes the requirements for the [Subcon Summary] and [Subcon Data] tabs. Unless directed otherwise, all AUPs for this section are to be performed on data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 10: SUBCON SUMMARY & SUBCON DATA AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
10.1	Obtain a listing of the MCO's delegated services subcontracted vendors, including subcapitated subcontractors.	Review the listing of MCO's delegated services subcontractors and confirm they are all reported on the [Subcon Summary] tab. Provide the MCO's explanation for any discrepancies.
10.2	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 MCO's explanation for any discrepancies.
10.3	Trace to supporting documentation and agree the vendor type.	Using the contracts obtained in Reference No. 10.2, confirm the description reported in the "Provider/Benefit Manager/Other" column on the [Subcon Summary] tab agrees to the supporting documentation. Provide the MCO's explanation for any discrepancies.
10.4	Trace to supporting documentation and agree the related party status.	Using the contracts obtained in Reference No. 10.2, confirm the flag reported for the "Related Party ¹ (Y/N)" column in the [Subcon Summary] tab agrees to the supporting documentation. Obtain and provide a list of transactions between the MCO, 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 MCO, 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 MCO's explanation for any discrepancies.
10.5	Trace supporting documentation and agree on categorization of administrative and healthcare quality improvement expenses.	For the two months selected in Reference 2.1, 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 MCO's explanation for any discrepancies.
10.6	Trace supporting documentation and agree on categorization of administrative and healthcare quality improvement expenses.	Obtain and review the allocation methodology used by the MCO to allocate these expenses to Population, Rate Cell, Region, and Incurred Month. For the two months selected in Reference 2.1, confirm the amounts allocated are consistent with the methodology provided. Provide the MCO's explanation for any discrepancies.
10.7	Trace supporting documentation and agree on categorization of subcapitated benefit expense.	For the two months selected in Reference 2.1, obtain the invoices or other payment files for each subcapitated vendor. Trace and agree the 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 MCO's explanation for any discrepancies.
10.8	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. 10.4, select the related party vendor with the largest 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 MCO and related party and confirm the expenditures reported on the [Subcon Summary] tab are consistently reported. Provide the MCO's explanation for any discrepancies.

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

NON-BENEFIT EXPENSE

Exhibit 11 describes the requirements for the [Non Benefit Expense] tab. Unless directed otherwise, all AUPs for this section are to be performed on data reported for the *Review Date* as of the *Valuation Date*.

EXHIBIT 11: NON-BENEFIT EXPENSE AUP REQUIREMENTS

REFERENCE NO.	DESCRIPTION	STEP
11.1	Obtain supporting documentation for the amounts reported as Non-Benefit Expense.	Read the <i>FRG Methodology</i> for guidance on non-benefit expense by administrative category and source. Provide the MCO's documentation related to classifying expenses by Administrative Category.
11.2	Obtain HCQI supporting documentation.	Read the definition for HCQI in the <i>FRG Methodology</i> document. Obtain a listing of all HCQI transactions for the two months selected in Reference 2.1. Select five (5) HCQI transactions for each month and provide the MCO's documentation determining that the transaction meets the definition for HCQI expenditures.
11.3	Trace and agree upon the amounts reported as Non-Benefit Expense.	Obtain and inspect the MCO'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 MCO's explanation for any discrepancies.
11.4	Trace and agree upon the amounts reported as Non-Benefit Expense.	Obtain the MCO's non-benefit expense allocation methodologies. Using the information obtained in Reference No. 11.3, recalculate the MCO's allocation and compare the results to the amounts reported on the [Non Benefit Expense] tab. Provide the MCO's explanation for any discrepancies.
11.5	Trace and agree upon the amounts reported as Non-Benefit Expense.	Using the documentation provided in 11.3, 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 MCO's explanation for any discrepancies.
11.6	Trace and agree upon the amounts reported as Non-Benefit Expense.	<p>Obtain representation from the MCO's management for the following items:</p> <ul style="list-style-type: none"> • "Other Taxes, Fees, and Assessments" category on the [Non Benefit Expense] tab includes all State, Federal and Local Income Taxes. • No taxes are not reported as "Administrative Costs" on the [Non Benefit Expense] tab. • The income taxes associated with investment income and expenses are not reported in the "Other Taxes, Fees, and Assessments" category on the [Non Benefit Expense] tab. • No penalties associated with contractual non-compliance are reported on the [Non Benefit Expense] tab. as "Other Taxes, Fees, and Assessments." <p>Confirm managements 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 list of penalty transactions associated with contractual or regulatory non-compliance and confirm the largest transaction is not included on the [Non Benefit Expense] tab. <p>Provide the MCO's explanation for any discrepancies.</p>
11.7	Trace and agree upon the amounts reported as Non-Benefit Expense.	Obtain the premium tax rate and representation from the MCO's management that "Premium Tax – Limited Rate 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 MCO's reported amounts. Provide the MCO's explanation for any discrepancies.

ANNUAL INCOME STATEMENT RECONCILIATION

Exhibit 12 describes the requirements to be performed on the [Annual Income Stmt Recon] and [Income Statement Adjustments] tabs in the Supplemental Request workbook. As indicated in the General Instruction section above, the MCO must complete the Supplemental Request by documenting all adjusting entries related to the income statement between the draft and final *CY 2024 Reporting Period 4 FRG Template* on the [Annual Income Stmt Recon] tab with an explanation provided on the [Income Statement Adjustments] tab of the *CY 2024 FRG AUP Supplemental Request*. Procedures for the MCOs to complete the Supplemental Request are located on the [ReadMe] tab. The AUPs for this section are to be performed on the adjustments captured in the Supplemental Request. If there were no adjustments from the MCOs audited financial statements, step 12.2 will not be applicable. If there are no AUP findings that require adjustments, step 12.3 will not be applicable.

EXHIBIT 12: ANNUAL INCOME STATEMENT RECONCILIATION

REFERENCE NO.	DESCRIPTION	STEP
12.1	Trace and agree upon the amounts reported on the [Annual Income Stmt Recon] tab.	Compare and confirm the amounts reported for each row in the "CY 2024 Q4 185 Income Statement (Draft Annual)" column on the [Annual Income Stmt Recon] tab matches the amounts reported for each row in the "CY 2024 YTD" column on the [Income Statement Quarterly] tab of the <i>Draft CY 2024 Reporting Period 4 FRG Template</i> submitted to LDH on February 28, 2025. Provide the MCO's explanation for any discrepancies.
12.2	Trace and agree upon the amounts reported on the [Annual Income Stmt Recon] and [Income Statement Adjustments] tabs.	Obtain supporting documentation for the total adjustments reported in the "MCO 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 "MCO 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 MCO's explanation for any discrepancies.
12.3	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 2024 Independent AUP Income Statement Adjustments" column on the [Annual Income Stmt Recon] tab matches the amounts reported in the CY 2024 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 MCO's explanation for any discrepancies.

Limitations and Qualifications

The Financial Reporting Guide (FRG) AUP methodology is intended to be used by LDH and the participating MCOs and their independent accountants to perform procedures to validate the information collected within the *FRG Template* on an annual basis. This information may not be appropriate for other purposes. We designed the FRG AUP methodology to outline the minimum procedures required by the MCO's independent accountant. The MCOs are accountable for reporting their financial results in compliance with the *FRG 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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