

APPENDIX E-4

FINANCIAL REPORTS

1. FINANCIAL STABILITY AND INSOLVENCY PROTECTION REPORT

- a. **Annual** report, due 60 calendar days after the start of each Contract Year. The report includes:
 1. Documentation of the Contractor's current liability protection policies, including professional liability, worker's compensation, comprehensive liability and property damage; and
 2. Documentation from the Contractor on how it intends to meet the financial stability requirements as described in Contract.
- b. **Annual** Insolvency Reserve report, due within one month after the start of each Contract Year. The report includes documentation of the Contractor's financial insolvency insurance, reserves, or a combination of both, in an amount reasonably determined by EOHHS to be adequate to both:
 1. Provide to Covered Individuals for a period of 60 days following the date of insolvency all Covered Services and all other services required under this Contract; and
 2. Continue to provide all such services to Covered Individuals confined in an acute hospital on the date of insolvency, until the date of the Covered Individual's discharge.

2. CAPITATION REVENUE/EXPENSE REPORTS FOR ALL COVERED SERVICES

Monthly report of expense data for all Covered Services, submitted in accordance with the format specified by EOHHS. The report shall include but not be limited to:

- a. a summary of the Contractor's monthly and fiscal year-to-date service expenditures for each Rating Category (RC) as well as for the Contractor's total membership;
- b. the per-Covered Individual per-month (PMPM) cost, as determined by EOHHS, and total dollars spent for every classification of service, in accordance with the format specified by EOHHS;
- c. an indication whether expenses apply to capitated or FFS arrangements with Network Providers, if applicable;
- d. incurred but not reported (IBNR) claims adjustments to the service expenditure data, applying the most recent available IBNR adjustments to the following categories:
 1. Inpatient;
 2. Outpatient, including Outpatient day;

3. Diversionary, including 24-hour Diversionary, and all other services. Expenses for these categories shall be reported with and without the application of IBNR adjustments;
 4. Substance Use Disorder (SUD) services; and
 5. Applied Behavior Analysis (ABA) services
- e. detailed description of and possible explanations for large variations in IBNR adjustments between reporting months;
 - f. a statement of the gains or losses that the Contractor expects the Contractor and EOHHS to experience for the fiscal year, based on the Contractor's monthly expenditure experience, and IBNR estimates and risk-sharing arrangements.

3. QUARTERLY FINANCIAL REPORT IN A FORMAT SPECIFIED BY EOHHS

4. ADMINISTRATIVE REPORT

Annual report of the administrative expenses, by line item, incurred by the Contractor for the Contract Year, including but not limited to:

- a. detailed information, by line item, on the Contractor's administrative Direct Costs, Indirect Costs, and Earnings;
- b. supporting documents to justify the Contractor's calculations; and
- c. a detailed cost summary for components of the Administrative Budget including Care Management.
- d. Monthly administrative costs report as specified by EOHHS.

5. IBNR METHODOLOGY REPORT

Annual report, due within 60 calendar days after the start of each Contract Year, providing a detailed description of the Contractor's IBNR methodology for each RC, if available, or if not available, for all Rating Categories for Covered Individuals in the aggregate and for each of the following categories:

- a. Inpatient Services;
- b. Outpatient Services, including Outpatient Day;
- c. Diversionary and all other services;
- d. Substance use Disorder Services; and
- e. Applied Behavior Analysis services

6. RECONCILIATION REPORT FOR RISK SHARING

Annual report, due within 210 calendar days after the end of each Contract Year, detailing actual expenditures for each applicable RC for the Contract Year, in accordance with the Contract and the format specified by EOHHS for the Capitation Revenue/Expense Report.

7. RECONCILIATION PROCESS FOR AMCI/YMCI SERVICES PROVIDED TO UNINSURED INDIVIDUALS AND PERSONS WITH MEDICARE ONLY

Annual report, due within 210 calendar days after the end of the Contract Year, the Contractor shall provide EOHHS with a report of the Contractor's actual expenditures for AMCI/YMCI services provided to Uninsured Individuals and persons with Medicare only. Any ESP and MCI services covered prior to the transition to AMCI/YMCI, shall be included in the report.

8. CONTINUING SERVICES DURING APPEAL RECONCILIATION REPORT

Annual report, due within 210 days after the end of each Contract Year, detailing actual expenditures for each applicable RC for the Contract Year in accordance with the Contract and in the format specified by EOHHS.

9. DSRA/CASH MANAGEMENT REPORTS

- a. **Quarterly** Cash Management Report that includes but is not limited to:
 1. statement of deposits from EOHHS and payments by the Contractor, by month, for the quarter reported, stratified by:
 - a. type of deposit; and
 - b. type of payment.
 2. cash requirements for Covered Services paid from the DSRA that display estimated payroll totals against projected cash balances.
- b. **Semiannual** submission of copies of reconciled monthly bank statements that show interest credited to the DSRA for the period reported.
- c. **Annual** Cash Reconciliation Report, due within 60 calendar days after the end of each state fiscal year, that indicates the total deposits into and total payments and transfers from the DSRA. The report and format shall be based on the methodology for separately tracking the various types of deposits into the DSRA from EOHHS, as described in **Section 2.18.B**.

10. INDEPENDENT AUDIT REPORT

Copy of the **Annual** report for the Contractor and its parent corporation, if applicable, due within 30 calendar days after its publication.

- a. Provides EOHHS with the Contractor's most recent audited financial statement in accordance with Generally Accepted Accounting Principles (GAAP)

11. ATTESTATION REPORT

The Contractor shall provide to EOHHS an attestation report from its independent auditor on the effectiveness of the internal controls over operations of the Contractor related to this Contract in accordance with statements and standards for attestation engagements as

promulgated by the American Institute of Certified Public Accountants. The Contractor shall provide such report annually and within 30 days of when the independent auditor issues such report; provided, however, if the Contractor is Service Organization Control (SOC) compliant, the Contractor shall annually submit a copy of the SOC report in lieu of the attestation report described above within 30 days of the Contractor's independent auditors issuing its SOC report.

12. MEDICAL LOSS RATIO REPORT (MLR)

Provide **annually** the Medical Loss Ratio report as specified in Section 2.15.C of the Contract.

13. RATIO ANALYSIS REPORT

The Contractor shall submit **annually** by June 30th, a Financial Ratio Analysis, that describes the Contractor's performance for financial ratios required by EOHHS in accordance with the definitions in **Exhibit 1** and the format in **Exhibit 2** below. The report shall be generated from the Contractor's audited financial statements.

14. ENCOUNTER VALIDATION REPORT

Provide **quarterly** financial encounter Validation Report as specified in Section 5.3.L and in a format specified by EOHHS.

EXHIBIT 1: FINANCIAL RATIO DEFINITIONS

FINANCIAL INDICATOR	FORMULA
RATE OF RETURN	
ASSETS	Net Income/Total Assets (%)
REVENUES	Net Income/Total Revenue (%)
EQUITY	Net Income/Equity (%)
LIQUIDITY	
CURRENT RATIO	Current Assets / Current Liabilities
ACID TEST	(Current Assets - Accounts Receivable) / Current Liabilities
WORKING CAPITAL	Current Assets - Current Liabilities (\$)
CASH TO CLAIMS AND PAYABLES	(Cash and Cash Equivalents) / Claims and Payables
DAYS OF TOTAL IBNR	Total IBNR Claims (Estimated) / (Total Medical Claims / 365) (# Days)
CLAIMS AS A % OF REVENUE	Claims Payable / Total Revenue (%)

FINANCIAL INDICATOR	FORMULA
CAPITAL STRUCTURE	
DEBT RATIO	Total Debt / Total Assets (%)
DEBT SERVICE COVERAGE	(Net Income + Depreciation + Interest) / (Interest Expense + Current Loans + Notes Payable)
RECEIVABLES TO CURRENT ASSETS	Premium Receivables / Current Assets (%)
CASH TO CURRENT ASSETS	Cash / Current Assets (%)
EQUITY PER ENROLLEE	Total Equity / Total Enrollees (\$)
PROFITABILITY	
OPERATING MARGIN	Operating income/Premium revenue (exclude investment income and non-Healthcare related revenue)
NET PROFIT MARGIN	Net Income / Total Revenue (include income from all sources including investments)
GROSS PROFIT MARGIN	(Premiums Revenue - Total Medical Costs) / Premiums Revenue (%)
NET WORTH	Total Assets - Total Liabilities (\$)
BEHAVIORAL HEALTH EXPENSE RATIO / BEHAVIORAL HEALTH LOSS RATIO	Total Behavioral Health Costs / Total Revenue (%)
BEHAVIORAL HEALTH EXPENSE PMPM	Total Behavioral Health Costs / Member Months (\$)
BEHAVIORAL HEALTH EXPENSE PMPD	Total Behavioral Health Costs / Member Days (\$)
ADMINISTRATIVE EXPENSE RATIO	Total Administrative Costs / Total Revenue (%)

EXHIBIT 2

FINANCIAL RATIO ANALYSIS

Plan:

Fiscal Year

Contract Year Ending December 31, 2023

Financial Indicator	<u>Fiscal Year Ending</u>		
	<u>20XX</u>	<u>20XX</u>	<u>20XX</u>
1 RATE OF RETURN			
ASSETS			
REVENUE			
EQUITY			
2 EQUITY			
CURRENT RATIO			
ACID TEST			
CASH TO CLAIMS AND OTHER PAYABLES			
DAYS OF TOTAL IBNR			
CLAIMS PAYABLE AS A % OF REVENUE			
3 CAPITAL STRUCTURE			
DEBT RATIO			
DEBT SERVICE COVERAGE			
RECEIVABLES TO CURRENT ASSETS			
CASH TO CURRENT ASSETS			
EQUITY PER ENROLLEE			
4 PROFITABILITY			
NET PROFIT MARGIN			
GROSS PROFIT MARGIN			
NET WORTH (\$000)			
BEHAVIORAL HEALTH EXPENSE RATIO			
BEHAVIORAL EXPENSE PMPM			
ADMINISTRATIVE EXPENSE RATIO (1)			