

## 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 its financial insolvency insurance, reserves, or a combination of both, in an amount reasonably determined by EOHHS to be adequate to both:
  1. Provide to Enrollees for a period of 45 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 Enrollees confined in an acute hospital on the date of insolvency, until the date of the Enrollee's discharge.

#### 2. CAPITATION REVENUE/EXPENSE REPORTS FOR ALL COVERED SERVICES EXCEPT THOSE PROVIDED BY ESPs

**Monthly** report of expense data for all Covered Services except for Covered Services provided by ESPs, 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; and
  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.

- 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, for the first two quarters based on the Contractor's **quarterly** expenditure experience, and thereafter **monthly** expenditure experience, as well as fiscal **year-to-date** expenditure experience and risk-sharing arrangement.

### **3. ESP REVENUE/EXPENSE REPORT FOR ALL COVERED SERVICES PROVIDED BY ESPS**

**Monthly** report of expense data for all Covered Services provided by ESPs, 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;
- b. the actual and projected expenditures by RC, where applicable, and type of eligibility (Covered Individual, Uninsured DMH Client, MassHealth Member not eligible for Managed Care, or Other Uninsured Individual);
- c. IBNR claims adjustments to the service expenditure data, applying the most recent available IBNR adjustments. Expenses shall be reported with and without the application of IBNR adjustments; and
- d. detailed description of and possible explanations for large variations in IBNR adjustments between reporting months.

### **4. ESP BUDGET REPORT**

**Annual** report, due by May 31 of each Contract Year, detailing the total amount required for its contracts with ESP Providers in the next Contract Year, in accordance the Contract and the format specified by EOHHS.

### **5. 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.

## 6. 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; and
- c. Diversionary and all other services.

## 7. RECONCILIATION REPORT FOR RISK SHARING AND ESPS

- a. **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.
- b. **Annual** report, due within 210 calendar days after the end of each Contract Year, detailing actual expenditures for Covered Services provided by the ESPs for MassHealth Members, Uninsured DMH Clients, and Other Uninsured Individuals for the Contract Year, in accordance with the Contract and the format specified by EOHHS for the ESP Revenue/Expense 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:
  2. type of deposit; and
  3. type of payment.
  4. 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 10.11.A.**

#### **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 statements;
- b. and Provides an independent auditor's report on the system processing of the transactions using the American Institute of Certified Public Accountants (AICPA) Statement on Auditing Standards SAS 70 protocol and Chapter 647 of the Acts of 1989 (also known as the Internal Control Law)

#### **11. 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 **Appendix H-2, Exhibit 2A** and the format in **Exhibit 2B**. The report shall be generated from the Contractor's audited financial statements.