



STATE OF WASHINGTON  
**HEALTH CARE AUTHORITY**

626 8<sup>th</sup> Avenue, SE • P.O. Box 45504 • Olympia, Washington 98504-5503

May 21, 2024

*Via Electronic Transmission*

**Case ID Number: Case Number: OPI-MC-2022-00015-CCW\_IFC**

Elizabeth Johnson, President and Chief Executive Officer  
Coordinated Care of Washington, Inc.  
Tacoma Financial Center  
1145 Broadway, Suite 300  
Tacoma, WA 98402

**Notice of Final Audit Report and Recommendation**

Dear Ms. Johnson:

Please find the Final Audit Report for the Financial-MLR audit included with this Notice of Final Audit Report (Notice) for Coordinated Care of Washington, Inc. (CCW).

**Summary of Audit**

The Apple Health Integrated Foster Care Contract 1 (Contract), requires the MCOs to report a Medical Loss Ratio calculation to HCA annually. The Health Care Authority (HCA), Division of Audit, Integrity & Oversight (AIO) conducted a financial audit to validate the accuracy, truthfulness and completeness of incurred claims deductions reported to HCA by CCW on their 2021 Medical Loss Ratio Report (MLR).

HCA selected three (3) incurred claims deductions to examine: 1.9 claims that are recoverable for coordination of benefits; 1.10 recoveries received as part of subrogation; and 1.11 overpayment recoveries received from network providers.

HCA analyzed all documentation submitted by CCW in support of the 2021 MLR, in addition to information CCW provided in the following required deliverable submissions: The 2021 Quarterly Recovery and Cost Avoidance Reports, 2021 Monthly Program Integrity Reports and the 2021 Annual Program Integrity Report.

**Summary of Findings**

Discrepancies were identified in 3 of the 3 areas examined by HCA.

1. CCW reported zero (0) dollars on line 1.9 of the MLR Report for 'Claims That Are Recoverable for Anticipated Coordination of Benefits'. This amount does not reflect what was reported on the previously submitted data for Quarters 1, 2, 3, and 4 on the 2021 CCW Recovery and Cost Avoidance Reports for 'Total TPL Recovered Amount'. See Appendix A.

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<sup>1</sup> Section 5.4.1 of the Contract in effect January 1, 2021; Section 5.3.1 of the Contract in effect July 1, 2021.

Elizabeth Johnson, President and Chief Executive Officer

May 21, 2024

Page 2

2. CCW reported four hundred twenty-nine dollars (\$429) on line 1.10 of the MLR for 'Claims Payments Recoveries Received as a Result of Subrogation'. This amount does not reflect what was reported on the previously submitted data for Quarters 1, 2, 3 and 4 on the 2021 CCW Recovery and Cost Avoidance Reports for 'Total TPL Recovered Amount Casualty'. See Appendix A.
3. CCW reported twenty-one thousand, two hundred two dollars (\$21,202) on line 1.11 of the MLR for 'Overpayment Recoveries Received from Network Providers'. This amount does not reflect what was reported on the 2021 Annual Program Integrity Report for 'Total Amount Recovered from Improper Payments Identified' or what CCW reported on 2021 Monthly Program Integrity Reports for 'Recovered Overpayment Amounts Related to all WAH Services'. See Appendix A.

### **Reporting Requirements**

Effective January 1, 2023, Section 2.46.1 of the Contract requires that: "All reports, documents, data or other information that the Contractor must submit to HCA (or to a third party designated by HCA) under this Contract must be accurate, complete, truthful and timely." HCA will audit future MLR submissions to ensure compliance with Section 2.46.1.

### **Recommendation**

HCA recommends CCW evaluate and update their processes to ensure that accurate, complete, and consistent information is reported on future MLR submissions.

At the issuance of this final report, HCA considers this review complete. If you have questions related to the review, please contact the lead analyst at [Tara.Piper@hca.wa.gov](mailto:Tara.Piper@hca.wa.gov).

Sincerely,



Tara Piper  
Program Integrity Analyst  
Audit, Integrity & Oversight  
Health Care Authority

Enclosure

cc: Mike Brown, Assistant Director, HCA, AIO  
Jason McGill, Assistant Director, HCA, MPD  
Annette Schuffenhauer, Chief Legal Officer, HCA

**Final Audit Report**  
***Financial – MLR Audit***  
***Of***  
***Coordinated Care of***  
***Washington, IFC***

**Case Number: OPI-MC-2022-00015-CCW**

**May 21, 2024**

Program Integrity Administration  
Division of Audit, Integrity, and Oversight

## Authority

The Division of Audit, Integrity and Oversight (DAIO) within the Health Care Authority (Agency) administers ongoing program integrity activities, which includes audit/examination of financial data submitted by, or on behalf of, each Managed Care Organization (MCO).

The Agency conducts this program integrity oversight in accordance with 42 CFR § 438.602(e):

*Periodic audits. The State must periodically, but no less than once every 3 years, conduct, or contract for the conduct of, an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO, PIHP or PAHP.*

Per section 12.10.2 of the Apple Health – Integrated Managed Care contract (AHIMC), “The Contractor and its subcontractors shall forthwith produce all records, documents, or other data requested as part of such inspection, review, audit, investigation, monitoring, or evaluation.”

## Scope of the Financial - MLR Audit

The scope of this audit is to validate the accuracy, truthfulness and completeness of incurred claims deductions reported to HCA by Coordinated Care of Washington (CCW) on their 2021 Medical Loss Ratio Report (MLR).

HCA selected three (3) incurred claims deductions to examine: 1.9 claims that are recoverable for coordination of benefits; 1.10 recoveries received as part of subrogation; and 1.11 overpayment recoveries received from network providers.

## Audit Process

The HCA Program Integrity Managed Care Oversight Unit (PIMCO) initiated its first Financial-MLR audit with Coordinated Care of Washington (CCW) on July 14, 2022. HCA conducted the audit and reviewed the records in the following manner:

### Notice of Intent to Audit

On July 14, 2022, HCA sent a Notice of Intent to Audit (Notice) to CCW. CCW was directed to submit all supporting documentation to validate the financial information reported on their Annual 2021 MLR reporting form.

### Documentation Analysis

On August 15, 2022, HCA received the requested documentation from CCW. HCA analyzed all documentation submitted by CCW in support of the 2021 MLR, in addition to information CCW provided in the following required deliverable submissions: The 2021 Quarterly Recovery and Cost Avoidance Reports, 2021 Monthly Program Integrity Reports and the 2021 Annual Program Integrity Report.

Although the amounts reported on the MLR document are supported by the documentation submitted, amounts reported do not match the reports mentioned above that were previously submitted to HCA for the 2021 reporting period.

Findings from this review are outlined in the Findings section below and detailed in Appendix A. (attached)

## Findings

Discrepancies were identified in 3 out of the 3 areas examined by HCA.

1. CCW reported zero dollars (0) on line 1.9 of the MLR Report for 'Claims That Are Recoverable for Anticipated Coordination of Benefits'. This amount does not reflect what was reported on the previously submitted data for Quarters 1, 2, 3, and 4 on the 2021 CCW Recovery and Cost Avoidance Reports for 'Total TPL Recovered Amount'. See Appendix A.
2. CCW reported four hundred twenty-nine dollars (\$429) on line 1.10 of the MLR for 'Claims Payments Recoveries Received as a Result of Subrogation'. This amount does not reflect what was reported on the previously submitted data for Quarters 1, 2, 3 and 4 on the 2021 CCW Recovery and Cost Avoidance Reports for 'Total TPL Recovered Amount Casualty'. See Appendix A.
3. CCW reported twenty-one thousand, two hundred two dollars (\$21,202) on line 1.11 of the MLR for 'Overpayment Recoveries Received from Network Providers'. This amount does not reflect what was reported on the 2021 Annual Program Integrity Report for 'Total Amount Recovered from Improper Payments Identified' or what CCW reported on 2021 Monthly Program Integrity Reports for 'Recovered Overpayment Amounts Related to all WAH Services'. See Appendix A.

## Conclusion

HCA found 3 instances in which discrepancies were identified on the 2021 MLR Reporting Form.

CCW did not provide accurate information on lines 1.9, 1.10, and 1.11 of the 2021 MLR Reporting form. These findings were confirmed with deliverable reports submitted by CCW in which the same or similar information was reviewed.

Effective January 1, 2023, Section 2.46.1 of the Contract requires that: "All reports, documents, data or other information that the Contractor must submit to HCA (or to a third party designated by HCA) under this Contract must be accurate, complete, truthful and timely."

## References

### Code of Federal Regulations (CFR)

- 42 CFR §438.8 Medical loss ratio (MLR) standards.
  - ... (e) *Numerator*— (1) *Required elements*. The numerator of an MCO's, PIHP's, or PAHP's MLR for a MLR reporting year is the sum of the MCO's, PIHP's, or PAHP's incurred claims (as defined in (e)(2) of this section); the MCO's, PIHP's, or PAHP's expenditures for activities that improve health care quality (as defined in paragraph (e)(3) of this section); and fraud prevention activities (as defined in paragraph (e)(4) of this section).
  - (2) *Incurred claims*.
    - (i) Incurred claims must include the following:

(A) Direct claims that the MCO, PIHP, or PAHP paid to providers (including under capitated contracts with network providers) for services or supplies covered under the contract and services meeting the requirements of § 438.3(e) provided to enrollees.

(B) Unpaid claims liabilities for the MLR reporting year, including claims reported that are in the process of being adjusted or claims incurred but not reported.

(C) Withholds from payments made to network providers.

(D) Claims that are recoverable for anticipated coordination of benefits.

(E) Claims payments recoveries received as a result of subrogation.

(F) Incurred but not reported claims based on past experience, and modified to reflect current conditions, such as changes in exposure or claim frequency or severity.

(G) Changes in other claims-related reserves.

(H) Reserves for contingent benefits and the medical claim portion of lawsuits.

(ii) Amounts that must be deducted from incurred claims include the following:

(A) Overpayment recoveries received from network providers.

- 42 CFR §438.602 State responsibilities.

...(e) *Periodic Audits*. The State must periodically, but no less frequently than once every 3 years, conduct, or contract for the conduct of, an independent audit of the accuracy, truthfulness, and completeness of the encounter and financial data submitted by, or on behalf of, each MCO.

- 42 CFR §438.604 Data, information, and documentation that must be submitted.

(a) *Specified data, information, and documentation*. The State must require any MCO... to submit to the State the following data:

(1) Encounter data in the form and manner described in §438.818.

(2) Data on the basis of which the State certifies the actuarial soundness of capitation rates to an MCO... under §438.4, including base data described in §438.5(c) that is generated by the MCO...

(3) Data on the basis of which the State determines the compliance of the MCO... with the medical loss ratio requirement described in §438.8.

(4) Data on the basis of which the State determines that the MCO... has made adequate provision against the risk of insolvency as required under §438.116.

(5) Documentation described in §438.207(b) on which the State bases its certification that the MCO... has complied with the State's requirements for availability and accessibility of services, including the adequacy of the provider network, as set forth in §438.206.

(6) Information on ownership and control described in §455.104 of this chapter from MCOs... and subcontractors as governed by §438.230.

(7) The annual report of overpayment recoveries as required in §438.608(d)(3).

(b) *Additional data, documentation, or information*. In addition to the data, documentation, or information specified in paragraph (a) of this section, an MCO, PIHP, PAHP, PCCM or PCCM entity must submit any other

data, documentation, or information relating to the performance of the entity's obligations under this part required by the State or the Secretary.

- 42 CFR §438.606 Source, content and timing of certification

(a) *Source of certification.* For the data, documentation, or information specified in §438.604, the State must require that the data, documentation or information the MCO, PIHP, PAHP, PCCM or PCCM entity submits to the State be certified by either the MCO's, PIHP's, PAHP's, PCCM's, or PCCM entity's Chief Executive Officer; Chief Financial Officer; or an individual who reports directly to the Chief Executive Officer or Chief Financial Officer with delegated authority to sign for the Chief Executive Officer or Chief Financial Officer so that the Chief Executive Officer or Chief Financial Officer is ultimately responsible for the certification.

(b) *Content of certification.* The certification provided by the individual in paragraph (a) of this section must attest that, based on best information, knowledge, and belief, the data, documentation, and information specified in §438.604 is accurate, complete, and truthful.

(c) *Timing of certification.* The State must require the MCO, PIHP, PAHP, PCCM, or PCCM entity to submit the certification concurrently with the submission of the data, documentation, or information required in §438.604(a) and (b).

Washington Apple Health Integrated Managed Care Contract - 01/01/2021 – 06/30/2021

- Section 5.4.1 In accordance with 42 C.F.R. § 438.8, MCOs must report a Medical Loss Ratio (MLR) calculation to HCA on an annual basis.
- Section 12.10.2 The Contractor and its subcontractors shall forthwith produce all records, documents, or other data requested as part of such inspection, review, audit, investigation, monitoring, or evaluation identified in subsection 12.10.1.

Washington Apple Health Integrated Managed Care Contract - 07/01/2021 – 12/31/2021

- Section 5.3.1 In accordance with 42 C.F.R. § 438.8 and Exhibit F, Instructions for Medical Loss Ratio (MLR) Reporting of this Contract, MCOs must report a Medical Loss Ratio calculation to HCA annually on May 31. The MLR Reporting template and instructions are available via MC-Track.
- Section 12.11.2 The Contractor and its subcontractors shall forthwith produce all records, documents, or other data requested as part of such inspection, review, audit, investigation, monitoring, or evaluation identified in subsection 12.11.1.