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**EXECUTIVE OFFICE OF HEALTH AND HUMAN SERVICES  
MEDICAID PROGRAM  
MANAGED CARE HEALTH PLAN FINANCIAL REPORTING PROGRAM**

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**I. OBJECTIVE:**

The objective of the Rhode Island Medicaid Managed Care Health Plan Financial Reporting Program (FRP) is to monitor the financial performance and solvency of the Managed Care Organizations (MCOs) servicing the State of Rhode Island's Medicaid Program.

**II. OVERVIEW OF THE FRP:**

The FRP is designed to be applied in conjunction with the rules, regulations, and requirements of the Rhode Island Department of Business Regulation (DBR), which is responsible for the licensing and oversight of the MCOs in the State. In addition, all Federal, and any other jurisdictional requirements that apply to the financial soundness, stability, and solvency of the contracted MCOs, are made part of this FRP by this reference.

The FRP is developed in cooperation with the MCOs in an effort to build on existing reporting requirements, abilities, and formats, so that duplication and excess labor and paperwork is kept to a minimum. The FRP is based on electronic and hard copy reporting to allow for an ease of analysis and comparison as well as certification of the data being reported.

The FRP is made-up of three main segments:

- Reporting
- Review and Analysis
- Audit

These three segments work together to provide a comprehensive reporting, review, and action program that meets the requirements of the Rhode Island's Medicaid Programs.

**III. REPORTING:**

The FRP is the reporting of financial data and other pertinent data that may have an impact on the financial position and stability of the MCOs .

The base financial reporting document is the quarterly and annual NAIC Financial Statements that are prepared and submitted to the Rhode Island DBR. These statements are required to be submitted to the Executive Office of Health and Human Services (EOHHS) at the same time that they are reported to the DBR. In addition, the MCOs' annual audited and monthly financial statements are also required reporting.

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Any request for variance from the reporting requirements contained in the FRP must be submitted in writing to the Administrator of the EOHHS prior to the due date of the specified report. If accepted, confirmation will be provided in writing from the Administrator of EOHHS to the MCO.

## **A. Annual Reports**

The requirements for submission of the annual NAIC Financial Statement, the MCO's Audited Financial Statements, and the MCO's Annual Report to EOHHS include:

1. The Annual NAIC Financial Statement as submitted to the DBR must be submitted to EOHHS. The Actuarial Certification, that is made part of the NAIC Financial Statement, as required by the DBR, must also be provided to EOHHS at the time it is reported to the DBR.
2. The MCO's audited and certified annual financial statements must be provided in full with audit opinions and notes. The statement must cover the entity that is contracting with the State of Rhode Island, or encompass that entity in the parent corporation's statement, which must then be submitted in full.
3. A full copy of any management letter from the independent public accounting firm prepared with respect to the audit performed must be provided. The management letter must cover the same entity that the certified financial statement submitted under item 2 above covers.
4. A copy of the MCO's Annual Report to owners, shareholders, members, cooperators, and others.
5. These financial reports must be submitted no later than the first day of March and cover the full preceding calendar year. If the audited financial statements are unavailable on March 1<sup>st</sup>, the required reports must still be submitted by March first based on preliminary internal financial statements. In all cases, the final reports based on the audited and certified financial statements must be submitted by the first day of May.
6. These reports must be provided in printed form and in an electronic format as prescribed and provided by EOHHS.

## **B. Quarterly Reports**

Quarterly submission of the NAIC Financial Statement to EOHHS is required. This submission requires that:

1. The three quarterly reports must be submitted to EOHHS within forty-five (45) days of the completion of the calendar quarter, i.e.: forty-five days after March 31<sup>st</sup>, June 30<sup>th</sup>, and September 30<sup>th</sup>.
2. The reports must be based on the MCO's internal financial statements for the applicable quarter with appropriate modifications to meet DBR requirements.

3. The quarterly reports must also include a full and detailed analysis of IBNR and RBUC reserves, and a claims lag report detailing by type of claim and the average time lags:
  - a. From date of service to date of claim receipt
  - b. From date of claim receipt to date of payment

### **C. Monthly Financial Statement Reports and Reviews**

EOHHS will conduct monthly reviews of the MCO's internal financial statements with the management and the financial staff of each MCO.

1. The MCO's monthly financial statements are required to be submitted, and these statements will include a profit and loss statement for each of the MCO's product lines of business.
2. The MCO's most recent Risk/Gain Share Statements, both from a cash incurred and an IBNR perspective, are also required.

With sufficient notice, EOHHS reserves the right to request any other additional financial information from the MCOs that EOHHS deems necessary to better understand the financial condition and stability of the MCO. .

### **D. Additional Reports**

Additional reports may also be required by EOHHS at any time as the result of:

1. Special circumstances or events
2. Special studies desired by EOHHS
3. Further review and analysis of reports submitted to EOHHS
4. Audits conducted by EOHHS or other regulatory agencies
5. Significant changes in the MCO's financial position or performance

## **IV. REVIEW AND ANALYSIS:**

The review and analysis of all reporting will be performed by EOHHS with additional information provided by the respective MCO as required. The review and analysis will include the use of:

### **A. NAIC Insurance Regulatory Information System (IRIS)**

1. Profitability
2. Liquidity
3. Capital Structure
4. Other Ratios

**B. The Regulations and Guidelines of the State of Rhode Island's Department of Business Regulations and Office of the Health Insurance Commissioner**

**C. The NAIC Accounting Practices and Procedures Manual**

**D. Industry Norms – Comparison to regional and national MCO data for comparable MCOs**

**V. AUDIT :**

**A. Audit :**

As specified in the Contract between EOHHS and the MCO, EOHHS retains the right to conduct, or cause to be conducted, specific audits. These audits may be conducted upon reasonable notification to the MCO, and the audits would focus on matters related to:

1. Invoicing by the MCO for provisions of services
2. Payments to the MCO by the EOHHS
3. Compliance with any of the terms and conditions of the Contract or the Contract Amendments.