



Molina Healthcare of  
Nebraska Inc

Nebraska Division of  
Medicaid and Long-Term  
Care (MLTC)

Nebraska Heritage Health  
Medicaid Managed Care  
Program

## **Adjusted Administrative Expenses**

*(With Independent Accountant's Report Thereon)*

For the Calendar Year Ended December 31, 2024

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**CONSULTING REPORT**

May 15, 2026

Mr. Jeremy Brunssen  
Deputy Director – Finance and Program Integrity  
Nebraska Division of Medicaid and Long-Term Care  
301 Centennial Mall South  
Lincoln, Nebraska 68509

RE: Report on Managed Care Entity Administrative Expenses

Dear Mr. Brunssen:

We were engaged to perform consulting services on the administrative, subcapitated, and pharmacy expenses reported on the State of Nebraska’s Heritage Health MCE Financial Reporting Template (MRT) submitted by Molina Healthcare of Nebraska Inc (health plan), for the calendar year ended December 31, 2024 based on applicable federal and state guidance. The health plan’s management is responsible for the information contained in the MRT, which was reported to the Nebraska Division of Medicaid and Long-Term Care (Department).

Our consulting engagement was conducted in accordance with consulting standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the health plan’s MRT. Accordingly, we do not express such an opinion or conclusion.

The accompanying adjustments, comments, and caveats were prepared from the information contained in the MRT and related supporting documentation submitted by the health plan for the purpose of complying with the Department’s requirements related to financial reporting and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

This report is intended solely for the information and use of the Department as the oversight agency for the Nebraska Medicaid program and Optumas as the State’s actuary for managed care rate setting and is not intended to be and should not be used by anyone other than these specified parties. As a courtesy to the Nebraska Department of Health and Human Services and other readers, the health plan’s management response letter is included, in addition to our report, as part of this transmittal packet.

Myers and Stauffer LC

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# Scope of Work

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The Department engaged Myers and Stauffer to provide consulting services relating to the health plan's MRT report for the calendar year ended December 31, 2024. Specifically, the scope includes assessment of risks and test work related to direct and indirect administrative costs reported on MRT report 7 *Admin and QI Expenses*, subcapitated and pharmacy costs reported on MRT report 2A *Costs*, subcapitated UNMC supplemental payments on report 2B *UNMC Medical*, and report 9B *Paid Overview*. The purpose of this activity is to ensure transparency and accountability in the health plan's administrative expense allocation from its corporate entity and to evaluate the allowability, methodology, and any related party costs of the reported administrative expenses. In addition, the purpose is to confirm that the health plan is in compliance with the prohibition against pharmacy spread-pricing practices and that rebates are appropriately reported.

Myers and Stauffer and the Department worked together to identify federal regulations and guidance that could be used to analyze costs for the purposes of this engagement. Select regulations and guidance applied were not specifically included in the contract language for the contract year subject to this engagement, but were applied in order to provide the Department with a basis for future regulatory and contractual changes as well as to adjust the base data for future rate setting. Adjustments based on regulations or guidance not included in the contract language for the contract year subject to this engagement include a reference to Reporting Caveat #1 in the Schedule of Adjustments and Comments.

The following procedures were designed to accomplish the objective of our engagement:

- *Request and obtain data and documentation from the health plan.*
- *Request and obtain data and documentation from the Department.*
- *Reconcile total administrative expenses reported on the MRT to supporting documentation, including the Working Trial Balance (WTB).*
- *Reconcile total pharmacy expenses reported on the MRT to supporting documentation, including the WTB.*
- *Use CMS Publication 15-1, Chapter 10, for determination of related party distinction.*
- *Determine if pharmacy cost is related party or third party expense based on health plan reporting on summary listing request item.*
- *For other third party vendors, reconcile the summary listing from the health plan to the WTB. Review the contract compared to the summary listing, for testing of the administrative component of the reimbursement.*
- *Review and determine where related party administrative costs are reported on the MRT and ensure amounts reported reflect actual cost of the related party based on agreements or other supporting documentation from affiliates or parent companies. Identify related party vendors*

*that are paid under subcapitation arrangements and determine the methodologies used for calculating those capitated payments.*

- *Review administrative expense allocation methodologies for reasonableness, reconcile to supporting documentation, scan detailed documentation for non-allowable expenses, and ensure any related party profit component is excluded from administrative cost.*
- *Determine if the allocation of administrative expense to the Heritage Health program was proper if the health plan is participating in multiple markets.*
- *Determine if the health plan reported administrative expenses using Generally Accepted Accounting Principles (GAAP) or Statutory Accounting (STAT) methodology. Reconcile administrative expenses to the audited financial statement data or to NAIC reporting, as appropriate. Review the health plan's GAAP to STAT reconciliation and summarize differences for reporting to the Department.*
- *We will use 2 Code of Federal Regulations (CFR) 200 Subpart E in determining the allowability of administrative expenses in addition to other state rules, regulations, contract provisions and guidance provided by the Department.*
- *Follow-up with the health plan, as necessary, to complete analysis.*
- *Prepare a draft report of the findings and recommendations and submit to the Department for review.*
- *If deemed appropriate by the Department, we recommend the report be issued to the health plan and an exit conference be scheduled to discuss the findings and recommendations. If applicable, the health plan may submit formal responses in writing.*
- *Review and incorporate appropriate comments, questions, or other information received by the Department and/or the health plan to finalize the report.*

# Reporting Caveat

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## **Reporting Caveat #1 – Regulations and Guidance Utilized for Testing**

The indicated adjustments are based on federal regulations in place as of the date of this report published by the Centers for Medicare and Medicaid Services (CMS) for Medicaid Managed Care Medical Loss Ratio (MLR), federal Uniform Administrative Cost Requirement Principles, and CMS related party provider cost reporting regulations. The service contract for calendar year 2024 did not include direct references to these specific federal regulations. The indicated adjustments provide a representation of the impact to the MLR that these regulations would have had if applied to calendar year 2024.

# Adjusted Administrative Expenses for the Calendar Year Ended December 31, 2024

<b>Schedule of Adjustments and Comments</b>			
<b>Administrative Expenses</b>			
<b>Description</b>	<b>As-Filed</b>	<b>Adjustment</b>	<b>As-Adjusted</b>
Total Administrative Expenses	\$80,839,986	\$(1,375,739)	\$79,464,247
Total Revenue	\$809,461,576	\$0	\$809,461,576
Percentage of Total Expenses to Total Revenues	10.0%		9.8%
Member Months	1,405,117	0	1,405,117
Per Member Per Month Expenses	\$57.53		\$56.55
<b>Clinical Expenditures</b>			
<b>Non Supcapitated Service</b>	<b>As-Filed</b>	<b>Adjustment</b>	<b>As-Adjusted</b>
Non Subcapitated Rx	\$144,922,881	\$0	\$144,922,881
Pharmacy Rebates	\$0	\$0	\$0
Total Rx Expenditures	\$144,922,881	\$0	\$144,922,881
<b>Supcapitated Service</b>	<b>As-Filed</b>	<b>Adjustment</b>	<b>As-Adjusted</b>
Subcapitated Vision	\$4,114,659	\$0	\$4,114,659
Non Subcapitated Non-Emergency Transportation	\$3,987,611	\$302,736	\$4,290,347
Non Subcapitated Vision	\$246,198	\$0	\$246,198
Non Subcapitated Dental – FQHC	\$3,118,513	\$0	\$3,118,513
Non Subcapitated Dental - IHS	\$1,029,371	\$0	\$1,029,371
Non Subcapitated Dental – All Other	\$14,493,826	\$0	\$14,493,826

# Schedule of Adjustments

During the course of the engagement, we identified the following adjustments.

## Adjustment #1 – To remove non-allowable health plan claims interest expense

The health plan reported non-allowable interest expense on claims included within the direct health plan administrative expense accounts. An adjustment was proposed to remove the interest expense reported. (2 CFR § 200.404)

Line #	Line Description	Amount
7	Total Administrative Expenses	(\$221,266)

## Adjustment #2 – To remove non-allowable corporate senior notes interest expense

The health plan reported non-allowable interest expense on senior notes included within the corporate administrative expense accounts. An adjustment was proposed to remove the reported interest expense allocated to Nebraska Medicaid. (2 CFR § 200.449)

Line #	Line Description	Amount
7	Total Administrative Expenses	(\$1,154,472)

## Adjustment #3 – To adjust non subcapitated expenses paid to Medical Transport Management (MTM) to the paid claims support

The health plan reported the subcapitated vendor expense for MTM within medical expenses. The medical expense reported in the MRT did not agree to claims expense support received from the vendor. An adjustment was proposed to increase reported medical expenses to the amount of payments actually paid to providers for medical services based on the paid claims support provided by MTM for calendar year 2024. 42 CFR § 438.8(e)(2)(i)(A)

Line #	Line Description	Amount
2a	Non Subcapitated Non-Emergency Transportation	\$302,736