

MHS HEALTH WISCONSIN
BadgerCare Plus (BCP)/
Supplemental Security Income
(SSI)
Wisconsin Medicaid
Managed Care Programs

Report on Adjusted Administrative Expenses
With Independent Accountant's Report Thereon

For the Calendar Year Ended December 31, 2023



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State of Wisconsin
Department of Health Services
Madison, Wisconsin

Independent Accountant's Report

We have reviewed the accompanying Adjusted Administrative Expenses of Managed Health Services Insurance Corporation, dba MHS Health Wisconsin (health plan) for the calendar year ended December 31, 2023. The health plan's management is responsible for presenting the Administrative Expenses in accordance with the criteria set forth in Wisconsin Financial Reporting Instructions and Centers for Medicare & Medicaid Services (CMS) federal guidance (criteria). This criteria was used to prepare the Adjusted Administrative Expenses. Our responsibility is to express a conclusion on the Adjusted Administrative Expenses based on our review.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the review to obtain limited assurance about whether any material modifications should be made to the Adjusted Administrative Expenses in order for it to be in accordance with the criteria. The procedures performed in a review vary in nature and timing from, and are substantially less in extent than, an examination, the objective of which is to obtain reasonable assurance about whether the Adjusted Administrative Expenses are in accordance with the criteria, in all material respects, in order to express an opinion. Accordingly, we do not express such an opinion. Because of the limited nature of the engagement, the level of assurance obtained in a review is substantially lower than the assurance that would have been obtained had an examination been performed. We believe that the review evidence obtained is sufficient and appropriate to provide a reasonable basis for our conclusion.

We are required to be independent and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our engagement.

The procedures we performed were based on our professional judgment and consisted primarily of analytical procedures and inquiries.

The accompanying Adjusted Administrative Expenses was prepared from the Administrative Expenses information for the purpose of complying with the criteria, and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

Based on our review, we are not aware of any material modifications that should be made to the Adjusted Administrative Expenses in order for them to be in accordance with the criteria, once the items addressed in the Schedule of Reporting Caveats are considered.



This report is intended solely for the information and use of the Department of Health Services, Milliman, and the health plan and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
Kansas City, Missouri
January 28, 2026



MHS HEALTH WISCONSIN
ADJUSTED ADMINISTRATIVE EXPENSES

Adjusted Administrative Expenses for the Calendar Year Ended December 31, 2023

Adjusted Administrative Expenses for the Calendar Year Ended December 31, 2023				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Administrative Expense - Excluding Medical Loss Ratio Qualified Expenses				
1	Fraud Prevention Activities	\$ -	\$ -	\$ -
2	Sales and Marketing	\$ -	\$ -	\$ -
Direct Expense				
3	Care Management	\$ 8,024,010	\$ (65,832)	\$ 7,958,178
4	Claims Administration	\$ 2,100,892	\$ -	\$ 2,100,892
5	Customer Service	\$ 809,642	\$ -	\$ 809,642
6	Enrollment	\$ 321,808	\$ -	\$ 321,808
7	Risk Score Coding Improvement	\$ 436,914	\$ -	\$ 436,914
8	Interpreter Services During Provider Services	\$ 95,743	\$ -	\$ 95,743
9	Other	\$ -	\$ -	\$ -
Indirect Expense				
10	Accounting and Finance	\$ 1,030,656	\$ -	\$ 1,030,656
11	Actuarial and Analytics	\$ 50,185	\$ -	\$ 50,185
12	Executive	\$ 687,878	\$ -	\$ 687,878
13	Compliance and Legal	\$ 248,987	\$ -	\$ 248,987
14	Facility Related Costs	\$ 305,334	\$ -	\$ 305,334
15	Human Resources	\$ 234,613	\$ -	\$ 234,613
16	Information Technology	\$ 3,655,615	\$ -	\$ 3,655,615
17	Provider Network Management	\$ 947,473	\$ -	\$ 947,473
18	Other	\$ 3,037,767	\$ -	\$ 3,037,767
19	Unallowable Administrative Expenses	\$ 231,353	\$ (231,353)	\$ (0)
20	Other (please explain)	\$ -	\$ 1,053,428	\$ 1,053,428
21	Total Administrative Expense	\$ 22,218,869	\$ 756,243	\$ 22,975,112

**MLR Qualified Expenses, lines 56-61 reported on the Financial Reporting Template - Exhibit 7, have been subjected to the procedures applied in the MLR examination, and accordingly excluded from this report.*

Note: The amounts reflected within line 21 contain a variance due to rounding.



Schedule of Reporting Caveats

During the course of the engagement, we identified the following reporting caveats.

Caveat #1 – Non-allowable administrative expenses

The Wisconsin Financial Reporting Instructions related to administrative expenses on the Financial Reporting Template – Exhibit 7 define certain non-allowable expenses. Federal guidance provided in 45 Code of Federal Regulations (CFR) § 75.420-475 was utilized to determine allowability of administrative expenses for this engagement. The contract between the Department of Health Services and the health plan requires the health plan to submit the Financial Reporting Template based on the Wisconsin Financial Reporting Instructions. The table below outlines an adjustment where the Wisconsin Financial Reporting Instructions did not identify an expense as non-allowable, but was deemed non-allowable per 45 CFR § 75.420-475.

Impacted Adjustment	
Adjustment Number	Schedule of Adjustments and Comments for Calendar Year Ending
4	December 31, 2023

Caveat #2 – Classification of administrative expenses

Administrative expenses reported vary by health plan and may be allocated to Lines 1 through 20 on the Adjusted Administrative Expenses, rather than being directly assigned to specific lines based on function of the individual account, department, or cost center. This allocation methodology may result in the distribution of expenses between Lines 1 through 20 based on the health plan's estimated percentages. Therefore, adjustments related to allocated expenses may be reflected on Line 20 "Other" rather than allocating the adjustments between the administrative expense lines. The treatment may result in a negative total adjusted amount on Line 20, however, the impact remains as a reduction in total administrative expenses reflected on Line 21. Additionally, non-qualifying medical loss ratio expense reclassifications are reflected on Line 20, rather than allocating between the administrative expense lines. For purposes of this review, testing was performed to determine allowability of administrative expenses, not appropriate classification reflected on Lines 1-20. The table below outlines the adjustments impacted by the caveat.

Impacted Adjustments	
Adjustment Number	Schedule of Adjustments and Comments for Calendar Year Ending
3-6	December 31, 2023



Schedule of Adjustments

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

Adjustment #1 – To remove non-allowable expenses for related party dental and vision vendors per health plan supporting documentation

The health plan reported non-allowable expenses for related party vendors, Envolve Dental, Inc. and Envolve Vision, Inc. An adjustment was proposed to remove the non-allowable amounts based on actual cost, as related party expenses should be reported at the cost of the related party entity performing the service. Additionally, based on the arrangements with the dental and vision vendors, administrative expenses and profit comprise 8.1% and 18.7% respectively to the total expense. The administrative reporting requirements are addressed in the Wisconsin Financial Reporting Instructions and CMS Publication 15-1, Chapter 10.

Proposed Adjustment		
Line #	Line Description	Amount
3	Care Management	(\$65,832)

Adjustment #2 – To remove health plan self-reported unallowable expenses from adjusted amount

The health plan appropriately identified and self-reported unallowable administrative expenses, per the contract and instructions. However, for purposes of this review, an adjustment was proposed to remove the unallowable expenses to reflect only allowable expense in the adjusted amount of the report. The administrative reporting requirements are addressed in the Wisconsin Financial Reporting Instructions and 45 CFR § 75.420-475.

Proposed Adjustment		
Line #	Line Description	Amount
19	Unallowable Administrative Expenses	(\$231,353)

Adjustment #3 – To remove various non-allowable administrative expenses per health plan supporting documentation

The health plan reported non-allowable advertising, alcoholic beverages, contributions and donations, settlement, and lobbying expenses. An adjustment was proposed to remove the non-allowable advertising, alcoholic beverages, contributions and donations, settlement, and lobbying expenses per



SCHEDULE OF ADJUSTMENTS

health plan supporting documentation. The administrative reporting requirements are addressed in Wisconsin Financial Reporting Instructions and 45 CFR §§ 75.421, 75.423, 75.434, 75.441, and 75.450.

Proposed Adjustment		
Line #	Line Description	Amount
20	Other (please explain)	(\$303,153)

Adjustment #4 – To remove non-allowable bank fee administrative expenses per health plan supporting documentation

The health plan reported non-allowable bank fee expenses. An adjustment was proposed to remove the non-allowable bank fee expenses per health plan supporting documentation. The administrative reporting requirements are addressed in 45 CFR § 75.442.

Proposed Adjustment		
Line #	Line Description	Amount
20	Other (please explain)	(\$6,833)

Adjustment #5 – To reclassify non-qualifying care coordination expenses to administrative expenses per health plan supporting documentation

The health plan reported care coordination expense as provider incentive payments for the reporting period. An adjustment was proposed to reclassify non-qualifying care coordination expense to administrative expenses per health plan supporting documentation. The provider incentive payments reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Adjustment		
Line #	Line Description	Amount
20	Other (please explain)	\$89,643

Adjustment #6 – To reclassify non-qualifying HCQI/HIT expenses per health plan supporting documentation

The health plan reported health care quality improvement (HCQI) and health information technology (HIT) expenses based on salaries and benefits, vendor, and overhead costs. It was determined the health plan included non-qualifying expenses based on federal guidance. An adjustment was proposed to reclassify the non-qualifying HCQI/HIT to administrative expenses per health plan supporting documentation. Non-allowable administrative expenses, included in this reclassification, were removed



SCHEDULE OF ADJUSTMENTS

within Adjustment #3. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Adjustment		
Line #	Line Description	Amount
20	Other (please explain)	\$1,273,771