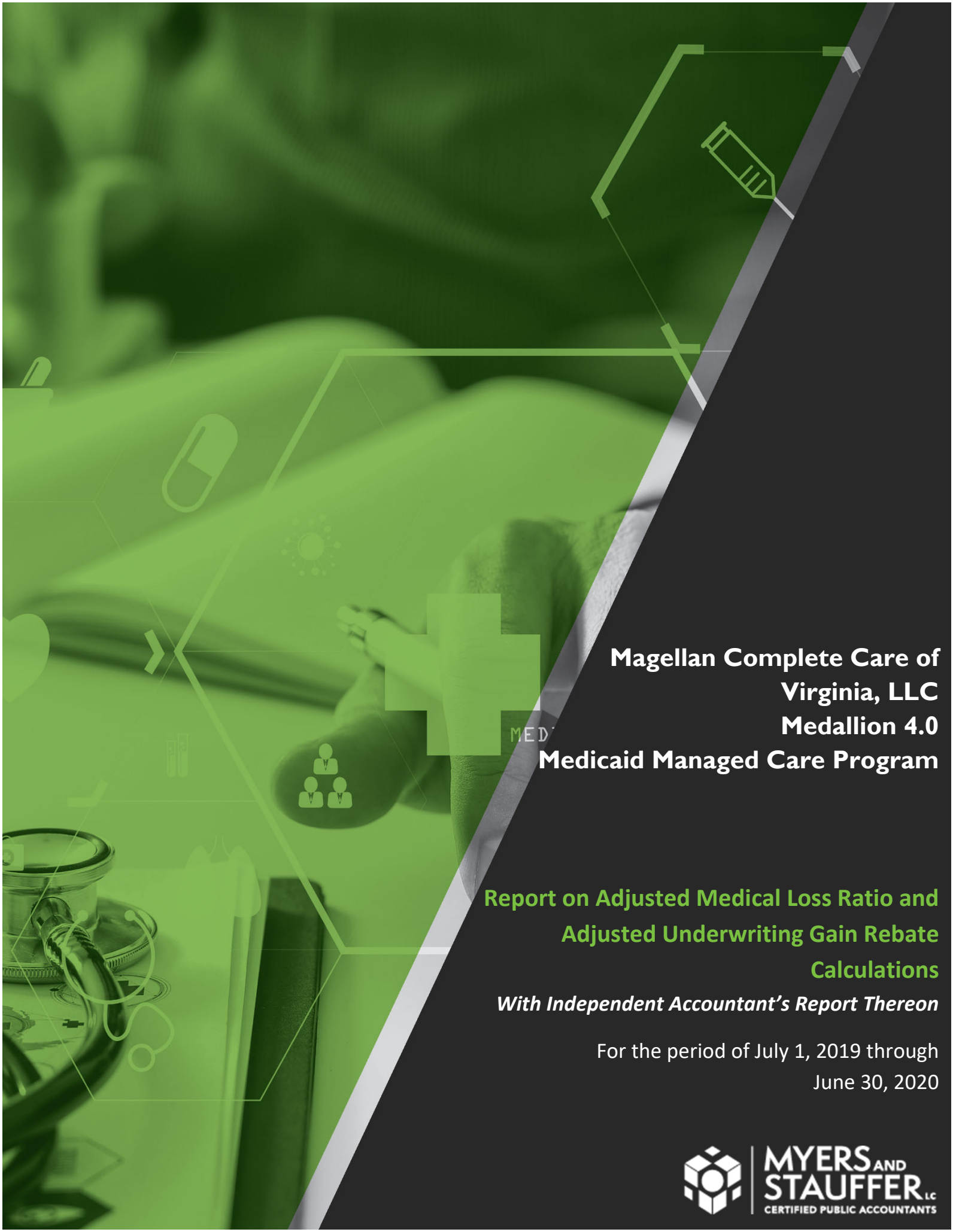

Magellan Complete Care of Virginia, LLC
Medallion 4.0
Medicaid Managed Care Program

Report on Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations

With Independent Accountant's Report Thereon

For the period of July 1, 2019 through June 30, 2020

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Magellan Complete Care of Virginia, LLC (Magellan) related to the Medallion 4.0 Program for the period of July 1, 2019 through June 30, 2020. Magellan's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the Medallion 4.0 contract and Centers for Medicare & Medicaid Services (CMS) federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations based on our examination.

Our examination 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 examination to obtain reasonable assurance about whether the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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

The accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations were prepared 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.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations are presented in accordance with the above referenced criteria, in all material respects, for the period of July 1, 2019 through June 30, 2020. Related to non-expansion, the Adjusted Medical Loss Ratio (MLR) Percentage Achieved does not exceed the minimum requirement of eighty-five percent (85%) and the Adjusted Underwriting Gain Percentage Achieved exceeds the maximum requirement of three percent (3%). In accordance with contractual obligations, a MLR remittance amount is due to the Department of Medical Assistance Services. An Underwriting Gain remittance amount is not due as Magellan did not have 12 months of contract experience as of the beginning of the period. Related to expansion, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Underwriting Gain is not applicable per contractual requirements.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Magellan and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC

Myers and Stauffer LC
Glen Allen, Virginia
August 15, 2022

Adjusted Medical Loss Ratio for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$121,149,330	($1,756,528)	$119,392,802
1.2	Improving health care quality expenses	$2,185,608	($549,849)	$1,635,759
1.3	**Total Adjusted MLR Numerator**	**$123,334,938**	**($2,306,377)**	**$121,028,561**
Medical Loss Ratio Denominator				
2.1	Revenue	$150,107,576	$2,736,004	$152,843,580
2.2	Federal and State taxes and licensing or regulatory fees	$4,184,393	$2,700,534	$6,884,927
2.3	**Total Adjusted MLR Denominator**	**$145,923,183**	**$35,470**	**$145,958,653**
Credibility Adjustment				
3.1	Member Months to determine credibility	418,871	0	418,871
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	84.5%		82.9%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	**84.5%**		**82.9%**
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	84.5%		82.9%
5.4	MLR denominator	$145,923,183		$145,958,653
5.5	**Remittance amount due to State for Coverage Year**	**$729,616**		**$3,065,132**

Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$195,412,741	($1,645,122)	$193,767,619
1.2	Improving health care quality expenses	$3,184,711	$0	$3,184,711
1.3	**Total Adjusted MLR Numerator**	**$198,597,452**	**($1,645,122)**	**$196,952,330**
2.1	Revenue	$218,613,721	($8,244,941)	$210,368,780
2.2	Federal and State taxes and licensing or regulatory fees	$1,158,827	($232,064)	$926,763
2.3	**Total Adjusted MLR Denominator**	**$217,454,894**	**($8,012,877)**	**$209,442,017**
3.1	Member Months to determine credibility	355,396	0	355,396
3.2	Credibility adjustment	1.1%		1.1%
4.1	Unadjusted MLR	91.3%		94.0%
4.2	Credibility adjustment	1.1%		1.1%
4.3	**Adjusted MLR**	**92.4%**		**95.1%**
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	92.4%		95.1%
5.4	MLR denominator	$217,454,894		$209,442,017
5.5	**Remittance amount due to State for Coverage Year**	**N/A**		**N/A**

Adjusted Underwriting Gain for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	$150,107,576	$986,397	$151,093,973
1.2	Federal and State taxes and licensing or regulatory fees	$4,184,393	$1,428,627	$5,613,020
1.3	**Total Adjusted Underwriting Gain Denominator**	**$145,923,183**	**($442,230)**	**$145,480,953**
Medical Expenses				
2.1	Claims	$121,149,330	($1,756,528)	$119,392,802
2.2	Improving health care quality expenses	$2,185,608	($549,849)	$1,635,759
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$123,334,938**	**($2,306,377)**	**$121,028,561**
Non-Claims Costs				
3.1	Administrative Expenses	$10,689,967	$549,849	$11,239,816
3.2	Less: Unallowable Expenses	($32,590)	$0	($32,590)
3.3	**Allowable Administrative Expenses**	**$10,657,377**	**$549,849**	**$11,207,226**
Underwriting Gain				
4.1	Underwriting Gain $	$11,930,868		$13,245,166
4.1	Less: Remittance Amount Due to State for Coverage Year	($729,616)		($3,065,132)
4.2	Adjusted Underwriting Gain $	$11,201,252		$10,180,034
4.3	**Underwriting Gain %**	**7.7%**		**7.0%**
Underwriting Gain Remittance Calculation				
5.1	Member Month Requirement Met?	Y		Y
5.2	At least 12 months contract experience at the beginning of the Contract Year?	N		N
5.3	Percent to Remit	N/A		N/A
5.4	**Amount to Remit**	**N/A**		**N/A**

Schedule of Adjustments and Comments for the Period Ending June 30, 2020

During our examination we noted certain matters involving costs, that in our determination did not meet the definitions of allowable medical expenses and other operational matters that are presented for your consideration.

Non-Expansion Adjustment #1 – To adjust revenues to agree with state data.

The health plan reported revenue amounts that did not reflect all payments received for its members applicable to the covered dates of service for the reporting period. Revenue was adjusted per the state's data to reflect all payments, including capitation payments, Health Insurer Fee (HIF) payments, Rx reinsurance recoupments, maternity kick payments, and directed payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Revenue	$2,736,004

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$2,736,004

Non-Expansion Adjustment #2 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of 6/30/2022

The reported IBNR of $1,630,684 was adjusted to agree the June 30, 2022 lag table. We have made an adjustment for the difference of $503,935 to Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($503,935)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($503,935)

Non-Expansion Adjustment #3 – To adjust to remove Health Insurer Fee (HIF) revenue included in the Underwriting Gain calculation.

HIF revenue was included in the Underwriting Gain calculation through Non-Expansion Adjustment #1. HIF revenue has been removed from the Underwriting Gain per the Medallion 4.0 MCO Contract, Section 15.12.

. Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	($1,749,607)

Non-Expansion Adjustment #4 – To adjust to include HIF expense in the MLR calculation.

The health plan excluded HIF expense from Federal and State taxes and licensing or regulatory fees. This expense was recorded in full for the calendar year to the trial balance. Taxes and licensing or regulatory fees were adjusted to include six months of HIF expense, to align with the reporting period. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	$1,271,907

Non-Expansion Adjustment #5 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2019 and 2020 and applying them to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The tax reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 § 438.8(f)(3) and 45 § CFR 158.162.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	$1,428,627

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.2	Federal and State taxes and licensing or regulatory fees	$1,428,627

Non-Expansion Adjustment #6 – To adjust to reclassify non Healthcare Quality Improvement (HCQI) expenses related to appeals, management and oversight, marketing, and enrollment to administrative related costs.

The health plan reported a large number of salaried positions in HCQI. Based on the review of job descriptions and additional information provided by the health plan, it was determined that several positions performed activities that did not meet the definitions of HCQI. The HCQI expense reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8, and 45 CFR § 158.151.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Improving health care quality expenses	($549,849)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Improving health care quality expenses	($549,849)
3.1	Administrative Expenses	$549,849

Non-Expansion Adjustment #7 – To adjust directed payments included in claims to agree with state data.

The health plan properly included directed payments in the numerator and the denominator of the MLR calculation. Revenues were previously adjusted to agree with state data through Expansion Adjustment #1. The associated expense included in incurred claims were adjusted to agree with state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($1,252,593)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($1,252,593)

Expansion Adjustment #1 – To adjust revenues to agree with state data.

The health plan reported revenue amounts that did not reflect all payments received for its members applicable to the covered dates of service for the reporting period. Revenue was adjusted per the state's data to reflect all payments, including capitation payments, Health Insurer Fee (HIF) payments, Rx reinsurance recoupments, maternity kick payments, directed payments, and risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Revenue	($8,244,941)

Expansion Adjustment #2 – To adjust to include HIF expense in the MLR calculation.

The health plan excluded HIF expense from Federal and State taxes and licensing or regulatory fees. This expense was recorded in full for the calendar year to the trial balance. Taxes and licensing or regulatory fees were adjusted to include six months of HIF expense, to align with the reporting period. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	$1,477,114

Expansion Adjustment #3 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2019 and 2020 and applying them to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The tax reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 § 438.8(f)(3) and 45 § CFR 158.162.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	($1,709,178)

Expansion Adjustment #4 – To adjust directed payments included in claims to agree with state data.

The health plan properly included directed payments in the numerator and the denominator of the MLR calculation. Revenues were previously adjusted to agree with state data through Expansion Adjustment #1. The associated expense included in incurred claims were adjusted to agree with state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$(1,645,122)

The Virginia Department of Medical Assistance Services had no comments on the draft report.

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

July 12, 2022

Michael Fotinos, Chief Financial Officer
Magellan Complete Care of Virginia
3829 Gaskins Road
Richmond, VA 23233

Dear Mr. Fotinos:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Magellan Complete Care of Virginia's Medallion 4.0 MLR and Underwriting Gain rebate calculations for the period of July 1, 2019 through June 30, 2020. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by July 15, 2022.

Magellan Complete Care of Virginia Medallion 4.0
July 1, 2019 through June 30, 2020
Non-Expansion

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept X	Disagree
2.	To adjust Incurred But Not Received (IBNR) at the time of the MLR filing to IBNR estimated as of 11/30/2021.	Accept X	Disagree
3.	To remove Health Insurer Fee (HIF) revenue included in the Underwriting Gain calculation.	Accept X	Disagree
4.	To adjust to include HIF expense in the MLR calculation.	Accept X	Disagree
5.	To adjust income tax expense to verified amounts.	Accept X	Disagree
6.	To adjust to reclassify non-HCQI expenses related to appeals, management and oversight, marketing, and enrollment to administrative related costs.	Accept X	Disagree

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7.	To adjust directed payments included in claims to agree with state data.	Accept X	Disagree

Magellan Complete Care of Virginia Medallion 4.0
July 1, 2019 through June 30, 2020
Expansion

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept X	Disagree
2.	To remove Health Insurer Fee (HIF) revenue included in the Underwriting Gain calculation.	Accept X	Disagree
3.	To adjust to include HIF expense in the MLR calculation.	Accept X	Disagree
4.	To adjust income tax expense to verified amounts.	Accept X	Disagree
5.	To adjust directed payments included in claims to agree with state data.	Accept X	Disagree

Acknowledged by:
MAGELLAN COMPLETE CARE OF VIRGINIA

Michael Fotinos
Officer or other Authorized Person

7/15/2022
Date

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