

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and hexagons. Various medical icons are scattered throughout, including a syringe, a pill, a virus, a stethoscope, a clipboard, and a group of people. A large green cross is centered over the person's face.

VIRGINIA PREMIER HEALTH
PLAN, INC.

Virginia Department of Medical
Assistance Services

**Managed Care Organization (MCO)
Administrative Expenses**

With Independent Accountant's Report Thereon

For the Calendar Year Ending December 31, 2022



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

■ Table of Contents.....	1
■ Independent Accountant’s Report.....	2
■ Appendix A: Agreed Upon Procedures.....	3
■ Appendix B: Results.....	6
■ Appendix C: Underwriting Exhibit.....	9
■ Appendix D: Schedule of Adjustments and Comments.....	11



Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, VA

We have performed the procedures enumerated in Appendix A on the administrative expenses for Virginia Premier Health Plan, Inc. for the period of January 1, 2022 through December 31, 2022. We applied these procedures to assist you with respect to analyzing administrative expenses for Medicaid rate development. The above referenced Managed Care Organization (MCO)'s management is responsible for the accuracy and completeness of the financial information.

The Virginia Department of Medical Assistance Services (Department) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of analyzing administrative expenses for Medicaid rate development. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures are contained within Appendix A and our findings are contained in Appendices B through D. As agreed, materiality limits were applied as specified within the Agreed-Upon Procedures Program.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion on the MCO's administrative expenses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the MCO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Department as the oversight agency for the Virginia Medicaid program and Mercer 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.

Myers and Stauffer LC
Glen Allen, VA
May 18, 2023



Appendix A: Agreed Upon Procedures

Preliminary Work

- 1) Conduct an entrance call with DMAS and Mercer, DMAS' actuary for MCO rate setting. Gain an understanding of information needed by Mercer for rate setting purposes. Determine if either DMAS or Mercer have initial concerns requiring special attention.
- 2) Send an initial request list to each MCO to include, but not limited to, a survey containing a questionnaire, Board of Directors minutes, organizational charts, working trial balance, adjusting journal entries, audited financial statements, reconciliation of the working trial balance and the quarterly reporting, support for the allocation of administrative expenses and net premium income to the Medicaid line of business and between each Medicaid product, cost allocation worksheet summarizing quarterly reporting information and MCO reported adjustments, schedule of related-party transactions, related-party agreements, narrative surrounding reinsurance reporting, etc.
- 3) Conduct an entrance call with appropriate MCO personnel to include (a) determination of MCO personnel who should be contacted during the course of our procedures for information, explanations, documents, etc., and (b) location and availability of the information requested.
- 4) Briefly document the entity's accounting procedures and internal control per MCO responses on the survey. Emphasis should be placed on the ability of the system(s) to generate reliable cost, revenue, and statistical information.
- 5) Read Board of Directors minutes from the beginning of the report period through the current date. Document matters impacting the scope of these procedures such as discussions related to administrative costs and non-allowable or non-recurring costs as described in Step 16. Obtain copies or excerpts of pertinent sections, and file in work papers. Cross-reference matters discussed in the minutes to the related work papers.
- 6) Obtain the audited financial statements including related footnotes. Document matters impacting the scope of these procedures such as the opinion, notes that may provide information regarding non-allowable or non-recurring costs as described in Step 16, and/or related parties.
- 7) Obtain the names of all related parties from the MCO. Inspect the organizational chart, the annual statement submitted to the Virginia Bureau of Insurance (annual statement), and audited financial statements for related parties not identified by the MCO.
- 8) Obtain the names of all delegated vendors from the MCO. Inspect the organizational chart, the annual statement, and audited financial statements for delegated vendors not identified by the MCO.
- 9) Consider whether any specific information has come to our attention concerning the existence of possible fraud or prohibited acts. Fraud risk factors for this procedure include: discrepancies in accounting records, conflicting or missing evidential matter, threatened financial stability or



profitability, and lack of an effective corporate compliance program. If fraud risk factors are identified, document those risk factors or conditions and our response to them.

Trial Balance Reconciliation

- 10) Reconcile total expenses and total administrative expenses per the adjusted trial balance as of December 31, 2022 to the annual statement for the year ended December 31, 2022 and the quarterly filing required by the Department.
- 11) Obtain the adjusted trial balance as of December 31, 2022. For a sample of 20 accounts, trace the account titles, account numbers, and ending balances for the administrative expenses per the adjusted trial balance to the general ledger for the year ended December 31, 2022.
- 12) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2022. Inspect the entries affecting administration expense accounts for propriety. Ensure postings of adjustments to the trial balance, if adjusting journal entries have not been posted to the general ledger at year end.

Administrative Expenses

- 13) Determine how the MCO allocated the administration expenses and net premium income among the various lines of business. Determine how the MCO allocated the administration expenses for the Medicaid line of business to Medallion 4.0, CCC Plus, and any other products included by the MCO in the Medicaid line of business. Determine if any trial balance accounts are allocated between administration and medical expenses.
 - a. Document this understanding through a narrative.
 - b. Document the MCO's support for these allocations.
 - c. Request supporting documentation for the elements of any allocation basis utilized by the MCO and ensure it agrees.
- 14) Document the cost allocation worksheet provided by the MCO in response to the request list. Trace the following elements to the support provided for allocations. Request additional support, as needed, if the self-reported amounts are not full account balances.
 - a. Self-Excluded Expenses
 - b. Healthcare Quality Improvement Expenses (HCQI)
 - c. Fraud Reduction and Recovery Expenses
 - d. Non-recurring expenses such as start-up costs
 - e. Care Coordination
 - f. COVID 19 Related Expenses
 - g. Allowable Member Incentives
- 15) Compare administrative and claims adjustment expenses per the quarterly filing for the year ended December 31, 2022 to the prior year and obtain explanations for any fluctuations greater than 10 percent and \$100,000. Determine and document whether the MCO's explanation is consistent with supporting documentation.



- 16) Scan administration expense accounts allocated to the Medicaid line of business for the below types of expenses. Select 15 to 20 accounts from this scan and from Step 14 and request the general ledger and a description of the account contents. If these documents are inconclusive as to the nature of the expense, request invoices for no more than five entries. Confer with the assigned senior manager/partner to select samples and document the reasoning.
- a. Non-allowable expenses as defined either by the MCO contract with DMAS, 45 CFR § 75.420 to 75.475, or by CMS Publication 15. Examples of non-allowable expenses include: lobbying, contributions/donations, income tax, management fees for non-Virginia operations, and management fees for the sole purpose of securing an exclusive arrangement.
 - b. Non-recurring expenses such as start-up costs and expenses reimbursed separately from the MCO rate such as the health insurer fee.
 - c. HCQI Expenses.
 - d. Fraud Reduction and Recovery Expenses.
 - e. Non-recurring expenses such as start-up costs.
 - f. Care Coordination.
 - g. COVID 19 Related Expenses.
 - h. Allowable Member Incentives.
- 17) Agree the summary work paper of related-party transactions from the MCO from Step 7 to the trial balance. Obtain agreements or other supporting documentation for payments to or costs allocated from affiliates or parent companies and determine if exclusivity payments or special contractual arrangements are included. Ensure the regulations within CMS Publication 15-1, Chapter 10 have been applied.
- 18) Agree the summary work paper of delegated vendor transactions from the MCO from Step 8 to the trial balance. For vendors with sub-capitated arrangements and the Pharmacy Benefit Manager (PBM), obtain agreements and ensure that medical and administrative expenses were appropriately separated on the quarterly filing. For the PBM, collect information regarding where all costs (claims payments, ingredient cost, dispensing fees, rebates, sales tax, spread pricing, administrative payment, and other) are included on the trial balance and collect information regarding spread pricing, if applicable.
- 19) Prepare a narrative that summarizes the MCOs' methodology for reporting reinsurance premiums and reinsurance recoveries. Include both reinsurance amounts per the annual statement, as well as the allocation methodology to the Medicaid line of business. Agree amounts to the trial balance or document the trial balance account these amounts are included in.



Appendix B: Results

Source of Information

Our procedures were performed to determine allowable administrative expenses for the purpose of Medicaid rate development. Our procedures were not performed to determine whether such administrative expenses were properly reported for purposes of the Bureau of Insurance of the Commonwealth of Virginia.

We used the quarterly filing required by the Department (quarterly filing), the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement), and audited financial statements for Virginia Premier Health Plan, Inc. (VPHP) for the year ended December 31, 2022.

VPHP was jointly owned by Virginia Commonwealth University Health System Authority (VCUHSA), which held 20% ownership, and Sentara Health Plans, Inc. (SHP), which held 80% ownership. On September 30, 2022, SHP purchased the 20% ownership share from VCUHSA to bring SHP's ownership to 100%. VPHP received administrative services from SHP throughout the year. In order to perform the agreed upon procedures outline in Appendix A, we obtained a trial balance for SHP.

VPHP has delegated certain functions to vendors. Elixir Rx Solutions, LLC provides pharmacy benefit management services. VSP Vision Care, Inc. (VSP) provides administration of the vision benefit. Consumer Direct Care Network Virginia, LLC (CDCN) is the fiscal employer/agent for consumer directed services. National Imaging Associates Inc. (NIA) provides utilization management for high end radiology services. Carenet Healthcare Services provides nurse triage services. ProgenyHealth, LLC provides care management services. Virginia Health Information, Inc. provides the system for case managers to view member info. Southeastrans, Inc. provides administration of the non-emergent transportation benefit. Kaiser Foundation Health Plan of The Mid-Atlantic States (Kaiser) provides comprehensive health services to certain Medallion 4.0 members.

Trial Balance Reconciliation

We obtained VPHP's adjusted trial balance as of December 31, 2022 as well as a trial balance showing direct and allocated expenses for SHP, as the majority of the administrative costs flow through SHP. We agreed the account descriptions, account numbers and ending balances for a sample of 20 accounts to the general ledger for the year ended December 31, 2022. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the VPHP adjusted trial balance as of December 31, 2022 of \$228,532,076 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$237,679,136. The difference of \$9,147,060 is due to a reclassification of the administrative portion of non-emergent transportation expenses. The administrative expenses including claims adjustment expenses per the VPHP trial balance as of December 31, 2022 of \$228,532,076 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$228,532,076.



Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the quarterly filing and Annual Statement consist of direct and indirect expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product. Indirect expenses are recorded at the SHP level, and allocated to the appropriate entities and products. OHP operated on the SmartStream accounting system for the first quarter and on the Workday accounting system beginning in quarter two. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$28,549,164 and \$190,752,732, respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$28,549,165 and \$181,620,642, respectively. The \$9,132,089 difference is due to a reclassification of the administrative portion of Southeastrans, Inc. non emergent transportation expenses from medical to administrative expenses.

We compared total VPHP administrative and claim adjustment expenses reported on the quarterly filing by line item for the current year and prior year and obtained explanations for any line item with a change greater than \$100,000 and 10%. Total general administrative expenses for 2021 of \$199,420,393 compared to 2022 expenses of \$219,301,896. The increase of \$19,881,503, or 9.97%, is within the specified threshold.

We inspected the accounts and expense categories included in SHP's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct and allocated expenses. Based on this inspection, we determined that \$14,106 in bad debt, \$892,246 in interest expense on late claims payments, \$738,183 in marketing expense, and \$72,080 in lobbying fees should be excluded from the Underwriting Exhibit at Appendix C. Additionally, OHP identified \$1,521,559 in start-up costs related to Cardinal Care implementation and \$1,163,613 in start-up costs related to Project Horizon, which is the integration of VPHP into Optima Health Plan operations. The start-up costs have been excluded from the Underwriting Exhibit at Appendix C and amortization for a portion of start-up costs identified in the current year and in previous years has been included through a separate adjustment. However, this expense will be excluded for rate setting.

SHP provides VPHP with administrative services. The Administrative Services Agreement (ASA) by and between VPHP and SHP effective April 30, 2020 allows for an allocation of actual costs. A schedule documenting payments made to SHP was provided to agree to amounts included with VPHP administrative expenses. Payments made to SHP were \$210,169,807.

A schedule documenting allocated costs from SHP was provided to agree to amounts included with VPHP administrative expenses. Support for allocated costs was received on a sample basis and were found to include non-allowable bad debt, interest expense on late claims payments, marketing expense, and lobbying fees, included in the previously described adjustments.

NIA, Carenet Healthcare Services, and ProgenyHealth, LLC expenses are appropriately recorded to administrative accounts as they provide utilization management for high end radiology services, nurse



triage services, and care management services. Elixir Rx Solutions, LLC, CDCN, and Kaiser provide pharmacy benefit management services, fiscal employer/agent for consumer directed member services, and comprehensive health services to certain Medallion 4.0 members, respectively, and the related expenses are appropriately split between administrative and medical on the trial balance.

Southeastrans, Inc. provides administration of the non-emergent transportation benefit and the expenses are recorded to a medical amount and the administrative component, totaling \$9,132,089 have been reclassified by the MCO to administrative for the purposes of the quarterly filing. VSP provides administration of the vision benefit and expenses are recorded to medical in full. The percentages from the 2020 and 2021 Medical Loss Ratio (MLR) examinations were utilized to determine the administrative portion of Southeastrans, Inc. and VSP and additional reclassifications of \$4,907,395 and \$1,130,627, respectively, were necessary as a result. Virginia Health Information, Inc. provides the system for case managers to view member info, and the expenses were incorrectly classified to medical in full. This resulted in a reclassification from medical to administrative expenses of \$4,042.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are calculated by VPHP through review and analysis of the departments containing HCQI expenses. Departments containing HCQI expense are analyzed to determine the amount of cost associated with HCQI and the percentage of that cost associated with each of the five categories (Improve Health Outcomes, Wellness and Health Promotion, Prevent Hospital Readmission and Improve Patient Safety/Reduce Medical Errors and Health Information Technology). This expense is allocated to Medicaid using the same allocation basis for each department utilized for total department costs. Total HCQI expense allocated to Medicaid in 2022 is \$68,516,994. This amount included \$48,427,386 related to care coordination.

Reinsurance

VPHP pays reinsurance premiums to RGA Reinsurance Company and Swiss Re Life on a PMPM basis. VPHP also pays premiums to Kaiser on a capitated arrangement. Reinsurance expense of \$192,149,202, which includes \$160,505,743 of premiums related to Kaiser, was agreed to the trial balance and annual statement. Reinsurance recoveries of \$3,740,109 were agreed to the trial balance and annual statement. Expenses have been included in Total Revenues on the quarterly filing while recoveries were netted against Medical Expenses.

Total Revenues

Total revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves and aggregate write-ins were inspected to determine appropriateness for rate setting purposes. The change in unearned premium reserves included reserves related to prior and future periods which were removed for the purposes of this report. There were no aggregate write-ins noted on the quarterly filing.



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2022					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Administrative Expense					
Claims Adjustment Expenses	\$ 6,786,796	\$ 5,444,059	\$ 13,353,932	\$ 2,964,377	\$ 28,549,164
General Administrative Expenses	\$ 57,746,668	\$ 46,658,166	\$ 68,107,358	\$ 18,240,540	\$ 190,752,732
Total Administrative Expenses	\$ 64,533,464	\$ 52,102,225	\$ 81,461,290	\$ 21,204,917	\$ 219,301,896
Less: Self-Reported Excludable Expenses *	\$ (2,174,949)	\$ (1,744,645)	\$ (3,585,825)	\$ (796,001)	\$ (8,301,420)
Adjusted Administrative Expenses	\$ 62,358,515	\$ 50,357,580	\$ 77,875,465	\$ 20,408,916	\$ 211,000,476
Adjustment 1: Remove bad debt expense.	\$ (3,754)	\$ (3,449)	\$ (5,766)	\$ (1,137)	\$ (14,106)
Adjustment 2: Remove interest expense on late claims payments.	\$ (302,650)	\$ (278,102)	\$ (260,198)	\$ (51,296)	\$ (892,246)
Adjustment 3: Remove marketing/advertising expense.	\$ (344,364)	\$ (316,433)	\$ (64,642)	\$ (12,744)	\$ (738,183)
Adjustment 4: Remove lobbying fees.	\$ (19,181)	\$ (17,625)	\$ (29,465)	\$ (5,809)	\$ (72,080)
Adjustment 5: Include expansion amortization.	\$ -	\$ 144,451	\$ -	\$ 48,449	\$ 192,900
Adjustment 6: Remove 2022 start-up costs.	\$ (1,184,203)	\$ (1,090,948)	\$ (343,608)	\$ (66,413)	\$ (2,685,172)
Adjustment 7: Reclassify expenses associated with Virginia Health Information to administrative expense.	\$ -	\$ -	\$ 3,376	\$ 666	\$ 4,042
Adjustment 8: Reclassify the administrative portion of Southeast Trans expenses from medical expense.	\$ 831,769	\$ 764,305	\$ 2,766,017	\$ 545,304	\$ 4,907,395
Adjustment 9: Reclassify the administrative portion of VSP Vision Care, Inc. expenses from medical expense.	\$ 534,022	\$ 490,708	\$ 88,458	\$ 17,439	\$ 1,130,627
Adjustment 10: Reclassify administrative expenses to supported allocation between non-expansion and expansion.	\$ (3,222,594)	\$ 3,222,594	\$ 4,307,408	\$ (4,307,408)	\$ -
Total Adjusted Administrative Expenses	\$ 58,647,560	\$ 53,273,081	\$ 84,337,045	\$ 16,575,967	\$ 212,833,653



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2022					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Total Revenues	\$ 630,100,974	\$ 578,993,693	\$ 1,065,709,623	\$ 210,098,265	\$ 2,484,902,555
Adjustment 11: Remove unearned premium reserves not relating to the current period.	\$ 5,135,428	\$ 15,046,024	\$ (25,842,352)	\$ (7,184,895)	\$ (12,845,795)
Total Adjusted Revenues	\$ 635,236,402	\$ 594,039,717	\$ 1,039,867,271	\$ 202,913,370	\$ 2,472,056,760
Percentage of Adjusted Administration Expenses to Total Adjusted Revenues	9.23%	8.97%	8.11%	8.17%	8.61%
Separately Identified Expenses included in Adjusted Administrative Expenses					
Healthcare Quality Improvement Expenses (HCQI)	\$ 15,981,509	\$ 13,018,326	\$ 31,857,429	\$ 7,659,730	\$ 68,516,994
Fraud Reduction and Recovery Expenses	\$ 236,374	\$ 192,547	\$ 331,395	\$ 79,680	\$ 839,996
Start Up / Other Non Recurring Expenses	\$ 667,961	\$ 616,579	\$ 199,096	\$ 37,923	\$ 1,521,559
Care Coordination expenses as defined within the MCO contract	\$ 9,315,535	\$ 7,588,312	\$ 25,413,236	\$ 6,110,303	\$ 48,427,386
COVID 19 Related Expenses: Non Recurring	\$ 25,685	\$ 20,922	\$ 24,590	\$ 5,912	\$ 77,109
COVID 19 Related Expenses: Long Term program changes as a result of the pandemic	\$ -	\$ -	\$ -	\$ -	\$ -
Allowable Member Incentives	\$ -	\$ -	\$ -	\$ -	\$ -

* Medicaid expenses excluded by the MCO include related party management fees in excess of cost (\$8,301,420)



Appendix D: Schedule of Adjustments and Comments

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

Adjustment #1 – Remove bad debt expense.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 21010000, Finance Administration, Account 68400, Bad Debt, were found to contain non-allowable bad debt expense. An adjustment was made to remove this expense. (45 CFR § 75.426)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$3,754)	(\$3,449)	(\$5,766)	(\$1,137)	(\$14,106)

Adjustment #2 – Remove interest expense on late claims payments.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2358, Claims Administration, Account 68540, Interest Expense, and Department 23580002, Claims Administration, Account 68300, Interest, were found to contain non-allowable interest expense related to late claims payments. An adjustment was made to remove this expense. (45 CFR § 75.441)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$302,650)	(\$278,102)	(\$260,198)	(\$51,296)	(\$892,246)

Adjustment #3 – Remove marketing/advertising expenses.

During the inspection of Departments 11700000 Sales Administration, 11720000 zDNU Large Group Sales/Community Relations, 11730000 Individual Product Sales, 11750002 Sales Operations, 11830002 Medicare Sales, 23760002 Medicare Sales Contact Center, 11800002 Program Administration, and Account 66500 Marketing, we found expenses coded to the marketing category. We determined this cost to be non-allowable and an adjustment was made to remove this expense. (45 CFR § 75.421)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$344,364)	(\$316,433)	(\$64,642)	(\$12,744)	(\$738,183)

Adjustment #4 – Remove lobbying fees.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 23010000, Health Plan Administration, Account 67250, Dues and Subscriptions we found this account contained non-allowable lobbying expenses. An adjustment was made to remove this expense. (45 CFR § 75.450)

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$19,181)	(\$17,625)	(\$29,465)	(\$5,809)	(\$72,080)

Adjustment #5 – Include Expansion Amortization.

VPHP had identified start-up costs of \$964,500 related to the Medicaid expansion program in the year ending December 31, 2018. These expenses were removed in the year identified to be amortized over a period of five years beginning January 1, 2019 which was the effective date for Medicaid expansion. (CMS Pub. 15-1: §2132 – Start-Up Costs)

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$0	\$144,451	\$0	\$48,449	\$192,900

Adjustment #6 – Remove 2022 start-up expenses.

VPHP identified start-up expenses related to Cardinal Care and Project Horizon, which is the integration of VPHP into Optima Health Plan operations. These expenses are being amortized over five years based on implementation date of the program. The 2022 expenses were removed in total. See Adjustment #5 for the related adjustment to add back the amortization costs for programs that have begun prior to the end of the period. (CMS Pub. 15-1: §2132 – Start-Up Costs)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$1,184,203)	(\$1,090,948)	(\$343,608)	(\$66,413)	(\$2,685,172)

Adjustment #7 – Reclassify expenses associated with Virginia Health Information, Inc. to administrative expense.

VPHP reported the full amount of expense for Virginia Health Information, Inc. as medical expense. Virginia Health Information, Inc. provides the system for case managers to view member info and the expense was determined to be fully administrative in nature. Virginia Health Information, Inc. expenses recorded to medical expense were reclassified to administrative expense. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$0	\$0	\$3,376	\$666	\$4,042

Adjustment #8 – Reclassify the administrative portion of Southeastrans, Inc. expenses from medical expense.

VPHP reclassified \$9,132,089 from medical to administrative related to Southeastrans, Inc. for the Medicaid line of business for the purposes of the quarterly filing. This was calculated using pricing assumptions used by Southeastrans, Inc. in pricing the capitated rate. This reclassification was understated in comparison to the average verified administrative ratio for Southeastrans, Inc. from the state fiscal year 2020 and 2021 Medical Loss Ratio (MLR) examinations. The additional reclassification amount identified was \$4,907,395. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$831,769	\$764,305	\$2,766,017	\$545,304	\$4,907,395



Adjustment #9 – Reclassify the administrative portion of VSP expenses from medical expense.

VPHP reported the full amount of expense for VSP as medical expenses. VPHP was unable to provide support to separate out the administrative component of these expenses. The reclassification amount of \$1,130,627 was calculated using the average verified administrative ratio for VSP from the 2020 and 2021 MLR examinations. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$534,022	\$490,708	\$88,458	\$17,439	\$1,130,627

Adjustment #10 – Reclassify administrative expenses to supported allocation between non-expansion and expansion.

VPHP stated non-expansion and expansion expenses were segregated based on a percentage of revenues for each quarter but did not provide support to document their calculation. The recalculated percentages for non-expansion and expansion based on revenues did not tie to the submission. An adjustment was necessary to reclassify administrative expenses between non-expansion and expansion and agree to the supported calculation.

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$3,222,594)	\$3,222,594	\$4,307,408	(\$4,307,408)	\$0

Adjustment #11 – Remove unearned premium reserves not relating to the current period.

VPHP included unearned premium reserves related to periods prior to January 1, 2022 and subsequent to December 31, 2022 based on their financial reporting procedures. An adjustment of \$12,845,795 was made to remove all unearned premium reserves not related to the period under review, for the purposes of administrative reporting.

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$5,135,428	\$15,046,024	(\$25,842,352)	(\$7,184,895)	(\$12,845,795)