

The background of the cover is a blurred medical scene with a green overlay. The overlay features various medical icons: a syringe, a pill, a stethoscope, a microscope, a group of people, and a large cross. A white diagonal line runs from the bottom left towards the top right, separating the green overlay from the dark grey text area.

OPTIMA HEALTH PLAN

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.....	10
■ Appendix D: Schedule of Adjustments and Comments.....	12



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 Optima Health Plan 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) and the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement), and audited financial statements for Optima Health Plan (OHP) for the year ended December 31, 2022.

OHP is operated under their parent holding company, Sentara Healthcare. Optima Health Plan also receives administrative services from Sentara Health Plans, Inc. (SHP), which is owned by Sentara Healthcare. OHP has administrative expense from one other related party, Optima Behavioral Health Services, Inc., which is owned by SHP. Optima Behavioral Health Services, Inc. provides administration of certain behavioral health benefits. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a trial balance for SHP and a statement of operations for Optima Behavioral Health Services, Inc.

OHP has delegated certain functions to vendors. OptumRx PBM of Illinois, Inc. (OptumRx) provides pharmacy benefit management (PBM) services. DSM USA Insurance Company, Inc. (DentaQuest) provides administration of the dental benefit. EyeMed Vision Care, LLC (EyeMed) provides administration of the vision benefit. Public Partnerships LLC (PPL) is the fiscal employer/agent for consumer directed services. Southeastrans, Inc. provides administration of the non-emergent transportation benefit. OptumHealth Care Solutions, Inc. provides administration of the organ and bone marrow transplant benefit. NationsBenefits, LLC provides meals to members. Carenet Healthcare Services provides nurse advice and behavioral health crisis intervention line. American Imaging Management, Inc. (AIM) manages utilization of specialty health services. ProgenyHealth, LLC (Progeny) manages utilization of NICU services.

Trial Balance Reconciliation

We obtained OHP's adjusted trial balance as of December 31, 2022 as well as a trial balance showing direct and allocated expenses for SHP, as all 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 OHP adjusted trial balance as of December 31, 2022 of \$357,778,865 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$366,946,273. The difference of \$9,167,408 is due to a reclassification of the administrative portion of Southeastrans, Inc. non-emergent transportation expenses from medical to administrative expenses. The administrative expenses including claims



adjustment expenses per the OHP adjusted trial balance as of December 31, 2022 of \$357,778,865 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$357,778,865.

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 \$30,137,554 and \$204,897,206 respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$30,137,554 and \$195,729,798, respectively. The \$9,167,408 difference in General Administrative expenses is due to a reclassification of the administrative portion of Southeastrans, Inc. non emergent transportation expenses from medical to administrative expenses.

We compared total OHP 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, excluding investment expenses, for 2021 were \$176,660,005 compared to 2022 expenses of \$235,034,761. The increase of \$58,374,756 is due to three factors, as identified by OHP. SHP provided a salary increase of 8%, there was a 5% increase in total full time equivalent employees, and there was an increase to the IT budget. These factors resulted in approximate increases of \$9,237,000, \$17,223,000, and \$8,105,000, respectively. OHP identified the 5% increase in employees was due to an increase in member months and changing staffing metrics required by Medicaid contracts.

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 \$1,142,934 in interest expense on late claims payments, \$686,844 in donation and contribution expenses, \$14,823 in bad debt expense, \$1,274,518 in marketing expense, and \$123,482 in lobbying expense should be excluded from the Underwriting Exhibit at Appendix C. Additionally, OHP identified \$1,575,487 in start-up costs related to the Medicaid Enterprise System (MES) conversion, \$78,317 in start-up costs related to Cardinal Care implementation, and \$1,139,969 in start-up costs related to Project Horizon, which is the integration of Virginia Premier Health Plan into OHP 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 OHP with administrative services. The Administrative Services and Marketing Agreement between OHP and SHP effective April 2005 allows for an allocation of actual costs. Optima Behavioral



Health Services, Inc. provides administration of certain behavioral health benefits. A schedule documenting payments made to SHP (\$225,867,352) and Optima Behavioral Health Services, Inc. (\$4,406,349) was provided to agree to amounts included with OHP administrative expenses.

A schedule documenting allocated costs from SHP was provided to agree to amounts included with OHP administrative expenses. Support for allocated costs was received on a sample basis and were found to include non-allowable interest expense on late claims payments, donation and contribution expense, bad debt expense, and marketing expense, included in the previously described adjustments. Although the contract between OHP and Optima Behavioral Health Services, Inc. provides for a separate administrative fee, the expenses were recorded to medical services expenditures in full. The general ledger was used to separate and reclassify the administrative fee of \$4,406,349.

Caret Healthcare Services and AIM are appropriately recorded to administrative accounts as they provide nurse advice and behavioral health crisis intervention line and manage utilization of specialty health services, respectively. NationsBenefits, LLC are recorded in full to medical accounts as they provide meals to members. OptumRx, PPL, and OptumHealth Care Solutions, Inc. provide PBM services, fiscal employer/agent for consumer directed services, and administration of the organ and bone marrow transplant benefit, respectively, and the related expenses are appropriately split between administrative and medical on the trial balance. DentaQuest provides administration of the dental benefit and the expenses are recorded to medical in full. The amount of \$2,979,120 was erroneously recorded to Medicaid lines of business on the quarterly filing, this amount relates to DSNP as dental services were carved out effective July 2021. Southeastrans, Inc. provides administration of the non-emergent transportation benefit and the expenses are recorded to a medical amount and the administrative component, totaling \$9,167,408 have been reclassified by the MCO to administrative for the purposes of the quarterly filing. Eyemed 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 Eyemed and additional reclassifications of \$1,976,030 and \$2,203,512, respectively, were necessary as a result. Progeny manages utilization of NICU services, and the expenses were incorrectly classified to medical in full. This resulted in a reclassification from medical to administrative expenses of \$1,970,950.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are calculated by OHP 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 \$63,234,544. This amount included \$56,054,073 related to care coordination.



Reinsurance

OHP pays reinsurance premiums to RGA Reinsurance Company on a PMPM basis. Reinsurance recoveries are based on expenses for inpatient hospital services subject to defined limitation; OHP reported that recoveries relating directly to the Medicaid product have occurred in the amount of \$783,529. Reinsurance premiums of \$4,814,235 and recoveries of \$1,493,917 agreed to the trial balance and Annual Statement.

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.



OPTIMA HEALTH PLAN
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	\$ 7,459,449	\$ 6,942,964	\$ 12,558,446	\$ 3,176,695	\$ 30,137,554
General Administrative Expenses	\$ 60,193,587	\$ 56,636,738	\$ 70,575,861	\$ 17,491,020	\$ 204,897,206
Total Administrative Expenses	\$ 67,653,036	\$ 63,579,702	\$ 83,134,307	\$ 20,667,715	\$ 235,034,760
Less: Self-Reported Excludable Expenses *	\$ (2,185,477)	\$ (2,034,157)	\$ (3,092,676)	\$ (782,301)	\$ (8,094,611)
Adjusted Administrative Expenses	\$ 65,467,559	\$ 61,545,545	\$ 80,041,631	\$ 19,885,414	\$ 226,940,149
Adjustment 1: Reclassify the estimated administrative portion of Southeastrans expenses from medical expense.	\$ 955,402	\$ 889,251	\$ 104,854	\$ 26,523	\$ 1,976,030
Adjustment 2: Reclassify the estimated administrative portion of EyeMed expenses from medical expense.	\$ 889,889	\$ 828,274	\$ 387,364	\$ 97,985	\$ 2,203,512
Adjustment 3: Reclassify the administrative portion of Progeny expenses from medical expense.	\$ 1,020,815	\$ 950,135	\$ -	\$ -	\$ 1,970,950
Adjustment 4: Remove interest expense on late claims payments.	\$ (261,923)	\$ (243,788)	\$ (508,577)	\$ (128,646)	\$ (1,142,934)
Adjustment 5: Remove donation and contribution expenses.	\$ (227,095)	\$ (211,371)	\$ (198,234)	\$ (50,144)	\$ (686,844)
Adjustment 6: Remove bad debt expense.	\$ (3,814)	\$ (3,550)	\$ (5,953)	\$ (1,506)	\$ (14,823)
Adjustment 7: Remove 2022 start-up costs.	\$ (1,243,635)	\$ (1,151,859)	\$ (318,316)	\$ (79,963)	\$ (2,793,773)
Adjustment 8: Include amortized start-up costs related to Medicaid Expansion and MES.	\$ 5,260	\$ 560,653	\$ 1,270	\$ 90,065	\$ 657,248
Adjustment 9: Remove marketing expense.	\$ (479,141)	\$ (445,966)	\$ (278,870)	\$ (70,541)	\$ (1,274,518)
Adjustment 10: Reclassify the administrative portion of Optima Behavioral Health Services, Inc. expenses from medical expense.	\$ 1,972,725	\$ 1,836,135	\$ 476,865	\$ 120,624	\$ 4,406,349
Adjustment 11: Remove lobbying fees.	\$ (35,348)	\$ (32,901)	\$ (44,082)	\$ (11,151)	\$ (123,482)
Total Adjusted Administrative Expenses	\$ 68,060,694	\$ 64,520,558	\$ 79,657,952	\$ 19,878,660	\$ 232,117,864



OPTIMA HEALTH PLAN
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	\$ 712,129,543	\$ 661,521,221	\$ 947,537,562	\$ 239,680,238	\$ 2,560,868,564
Adjustment 12: Remove unearned premium reserves not relating to the current period	\$ 10,017,477	\$ 11,676,727	\$ 4,477,081	\$ 12,716,219	\$ 38,887,504
Total Adjusted Revenues	\$ 722,147,020	\$ 673,197,948	\$ 952,014,643	\$ 252,396,457	\$ 2,599,756,068
Percentage of Adjusted Administration Expenses to Net Premium Income	9.42%	9.58%	8.37%	7.88%	8.93%
Separately Identified Expenses included in Adjusted Administrative Expenses					
Healthcare Quality Improvement Expenses (HCQI)	\$ 15,759,023	\$ 14,693,467	\$ 26,171,478	\$ 6,610,576	\$ 63,234,544
Fraud Reduction and Recovery Expenses	\$ 306,518	\$ 285,792	\$ 546,558	\$ 138,053	\$ 1,276,921
Start Up / Other Non Recurring Expenses	\$ 737,584	\$ 680,847	\$ 188,299	\$ 47,075	\$ 1,653,805
Care Coordination expenses as defined within the MCO contract	\$ 11,906,631	\$ 11,101,557	\$ 26,382,107	\$ 6,663,778	\$ 56,054,073
COVID 19 Related Expenses: Non Recurring	\$ 24,653	\$ 22,946	\$ 14,317	\$ 3,622	\$ 65,538
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 (\$8,094,611)



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 – Reclassify the estimated administrative portion of Southeastrans, Inc. expenses from medical expense.

OHP reclassified \$9,167,408 from medical to administrative related to Southeastrans, Inc. for the Medallion 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 \$1,976,030. (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
\$955,402	\$889,251	\$104,854	\$26,523	\$1,976,030

Adjustment #2 – Reclassify the estimated administrative portion of EyeMed expenses from medical expense.

OHP reported the full amount of capitated expense for EyeMed as medical expenses. OHP was unable to provide support to separate out the administrative component of these expenses. The reclassification amount of \$2,203,512 was calculated using the average verified administrative ratio for EyeMed from the state fiscal year 2021 and 2022 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
\$889,889	\$828,274	\$387,364	\$97,985	\$2,203,512



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #3 – Reclassify the administrative portion of Progeny expenses from medical expense.

OHP reported the full amount of expense for Progeny as medical expenses. Progeny provides utilization management services for NICU claims and the expense was determined to be fully administrative in nature. Progeny 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
\$1,020,815	\$950,135	\$0	\$0	\$1,970,950

Adjustment #4 – 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 23580001, 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
(\$261,923)	(\$243,788)	(\$508,577)	(\$128,646)	(\$1,142,934)

Adjustment #5 – Remove donation and contribution expenses.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 1182, Virginia Medicaid, Account 66748, Public Relations, Department 11820001 Medicaid Operations, Account 66500, Marketing, Department 2301, Health Plan Administration, Account 66748, Public Relations, Department 23010000, Health Plan Administration, Account 66500, Marketing, and Department 11860001, Community Outreach, Account 66500, Marketing, were found to contain non-allowable contributions and donations. An adjustment was made to remove this expense. (45 CFR § 75.434)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$227,095)	(\$211,371)	(\$198,234)	(\$50,144)	(\$686,844)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #6 – Remove bad debt expense.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2101, Finance Administration, Account 68610, Bad Debt Expense, and 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
(\$3,814)	(\$3,550)	(\$5,953)	(\$1,506)	(\$14,823)

Adjustment #7 – Remove 2022 start-up costs.

OHP identified start-up costs related to Medicaid Enterprise Systems (MES), Cardinal Care implementation, and Project Horizon, which is the integration of Virginia Premier Health Plan into OHP 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 #8 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)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$1,243,635)	(\$1,151,859)	(\$318,316)	(\$79,963)	(\$2,793,773)

Adjustment #8 – Include amortized start-up costs related to Medicaid Expansion and MES.

OHP has identified start-up costs related to various programs in the current year and in previous years. These expenses were removed each year to be amortized over a period of five years beginning with the start date of each program. Expenses included in this adjustment are \$3,227,500 related to Medicaid Expansion and \$78,317 related to MES. Expenses held for next year are \$1,575,487 and \$1,139,969 related to Cardinal Care and Project Horizon, respectively. (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
\$5,260	\$560,653	\$1,270	\$90,065	\$657,248



Adjustment #9 – Remove marketing/advertising expenses.

During the inspection of Departments 11700000 Sales Administration, 11710000 Small Group/Mid-Market Sales, 11710001 Small Group/Mid-Market Sales and Sales Effectiveness, 11720000 zDNU Large Group Sales/Community Relations, 11720001 Large Group Sales, 11730000 Individual Product Sales, 11750001 Sales Operations, 11830001 Medicare Sales, 23760000 Medicare Sales Operations, and 23760001 Medicare Sales Contact Center, amounts were found that included expenses coded to the marketing category. It was determined this cost was non-allowable and an adjustment was made to remove this expense. (45 CFR § 75.421)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$479,141)	(\$445,966)	(\$278,870)	(\$70,541)	(\$1,274,518)

Adjustment #10 – Reclassify the administrative portion of Optima Behavioral Health Services, Inc. expenses from medical expense.

OHP reported the full amount of capitated expense for Optima Behavioral Health Services, Inc. as medical expenses. The reclassification amount of \$4,406,349 was calculated using the general ledger provided by OHP. (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
\$1,972,725	\$1,836,135	\$476,865	\$120,624	\$4,406,349

Adjustment #11 – Remove lobbying fees.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2301, Health Plan Administration, Account 67614, Company Membership Dues, Department 23010000, Health Plan Administration, and Account 67250, Dues and Subscriptions, we found these accounts 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
(\$35,348)	(\$32,901)	(\$44,082)	(\$11,151)	(\$123,482)



Adjustment #12 – Remove unearned premium reserves not relating to the current period.

OHP 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 \$38,887,504 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
\$10,017,477	\$11,676,727	\$4,477,081	\$12,716,219	\$38,887,504