

The background features a blurred medical scene with a person lying down. A large green cross is centered over the person. Various medical icons are overlaid in a light green color, including a syringe, a pill, a virus, a stethoscope, and a group of people. A dark grey diagonal shape cuts across the right side of the page.

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, 2021



**MYERS AND  
STAUFFER** LLC  
CERTIFIED PUBLIC ACCOUNTANTS



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## 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 (Optima) for the period of January 1, 2021 through December 31, 2021. 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, and is not intended to be, and should not be, used by anyone other than this specified party.

Myers and Stauffer LC  
Glen Allen, VA  
May 18, 2022



## 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 17, 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 a summary work paper of related-party transactions from the MCO. Ensure it contains all related parties identified by the MCO and any additional related parties identified through Step 7. Cross-reference procedures performed with respect to items on the summary work paper to other applicable work papers or indicate the procedures performed on the summary work paper.



- 9) 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.
- 10) 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**

- 11) Reconcile total expenses and total administrative expenses per the adjusted trial balance as of December 31, 2021 to the annual statement for the year ended December 31, 2021 and the quarterly filing required by the Department.
- 12) Obtain the adjusted trial balance as of December 31, 2021. 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, 2021.
- 13) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2021. 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**

- 14) 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.
- 15) 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



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## 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) for Optima Health Plan (OHP) for the year ended December 31, 2021. OHP did not have audited financial statements as of the date of this report.

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. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a trial balance for Optima Health Plan, as well as a separate trial balance for Sentara Health Plans, Inc.

OHP has delegated certain functions to vendors. OptumRx PBM of Illinois, Inc. (OptumRx) provides pharmacy benefit management services. DSM USA Insurance Company, Inc. (DentaQuest) provides administration of the dental benefit. EyeMed Vision Care, LLC 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.

### Trial Balance Reconciliation

We obtained OHP's adjusted trial balance as of December 31, 2021, and 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, 2021. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the OHP adjusted trial balance as of December 31, 2021 of \$276,923,824 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$284,593,614. The difference of \$7,669,790 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, 2021 of \$276,923,824 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$276,923,823, within a \$1 variance.

### 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. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$28,650,000 and \$148,010,005 respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$28,650,000 and \$140,340,215 respectively. The \$7,669,790 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 2020 were \$164,814,031 compared to 2021 expenses of \$176,660,005. The increase of \$11,845,974 is primarily due to the increase in Medicaid member months in 2021. This is evidenced by an increase of 478,793 member months, from 3,405,520 in 2020 to 3,884,313 in 2021. A secondary reason for the increase in cost was the MCO's change in methodology related to the treatment of medical vendor administrative costs.

We inspected the accounts and expense categories included in OHP's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct expense. Based on this inspection, we determined that \$1,038,475 in interest expense on late claims payments, \$551,629 in donation and contribution expenses, \$62,270 in bad debt expense, \$7,289 in lobbying fees, and \$97,392 in late fees should be excluded from the Underwriting Exhibit at Appendix C. In the year ending December 31, 2018, OHP identified \$3,227,500 in start-up costs related to Medicaid expansion. These expenses have been amortized over a five year period beginning January 1, 2019, as this is the effective date for Medicaid expansion. Year three amortization expenses have been added to the Underwriting Exhibit at Appendix C. 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. A schedule documenting payments made to SHP was provided to agree to amounts included with SHP administrative expenses. Payments made to SHP were \$168,990,214.

A schedule documenting allocated costs from SHP was provided to agree to amounts included with OHP administrative expenses. SHP allocates 6.86% of non IT costs to OHP based upon FTEs and directly allocates \$13,615,765 of IT costs to OHP which represents 5.32% of SHP IT costs. We judgmentally selected corporate rollup cost categories for further inspection. Based on this inspection, we determined that \$11,320 in corporate donations and contributions should be excluded from the Underwriting Exhibit at Appendix C.

PPL provides fiscal employer/agent services for consumer directed services and expenses are appropriately split between administrative and medical on the trial balance. Optum Rx provides pharmacy benefit management services and the administrative fee and pharmacy per member per month fee are appropriately split between administrative and medical on the trial balance.





Southeastrans, Inc. and DentaQuest provide administration of the non emergent transportation benefit and dental benefit, respectively. The expenses are recorded to a medical account and the administrative component, totaling \$7,669,791 and \$972,429, respectively, have been reclassified by the MCO to administrative. The MCO's reclassification for Southeastrans, Inc. administrative expenses occurred for the purposes of the quarterly filing while their reclassification for DentaQuest administrative expenses occurred within the general ledger. The percentages from the 2019 and 2020 Medical Loss Ratio (MLR) examinations were utilized to determine the appropriateness of the MCOs reclassifications. While their reclassifications related to Southeastrans, Inc. for CCC Plus and DentaQuest for Medallion were determined to be appropriate, additional expenses related to Southeastrans, Inc. for Medallion and DentaQuest for CCC Plus were necessary resulting in additional reclassifications of \$2,847,180 and \$763,113, respectively. EyeMed Vision Care, LLC and OptumHealth Care Solutions, Inc. expenses are recorded to medical accounts. The contracts were inspected and provided a single per member per month fee with no separation for administrative fees. The portion of EyeMed Vision Care, LLC and OptumHealth Care Solutions expenses related to administration were calculated using percentages from the 2019 and 2020 Medical Loss Ratio (MLR) examination resulting in a reclassification from medical to administrative expenses of \$588,920 and \$7,071,042, respectively. In addition, expenses related to another vendor, Accordant, were identified within the account containing expenses related to OptumHealth Care Solutions, Inc. Accordant provides services related to nurse care management, which was determined to be HCQI in nature, resulting in a reclassification from medical to administrative expenses of \$2,176,848.

#### **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 2021 is \$49,172,445. This was increased to \$51,349,293 by the reclassification of Accordant expenses, previously identified. This amount included \$37,699,026 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 \$445,432. Reinsurance premiums of \$3,532,169 and recoveries of \$2,043,555 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. Amounts reported as change in unearned premium reserves were inspected to determine appropriateness for rate setting purposes. Vaccine administration revenues of \$2,592,503 were agreed to the general ledger and were offset against medical expenses on the quarterly filing.



**OPTIMA HEALTH PLAN  
APPENDIX C: UNDERWRITING EXHIBIT**

Underwriting Exhibit for the Year Ending December 31, 2021					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
<b>Administrative Expense</b>					
Claims Adjustment Expenses	\$ 8,035,322	\$ 6,313,467	\$ 11,870,004	\$ 2,431,206	\$ 28,649,999
General Administrative Expenses	\$ 42,074,854	\$ 33,513,566	\$ 60,610,964	\$ 11,810,622	\$ 148,010,006
<b>Total Administrative Expenses</b>	<b>\$ 50,110,176</b>	<b>\$ 39,827,033</b>	<b>\$ 72,480,968</b>	<b>\$ 14,241,828</b>	<b>\$ 176,660,005</b>
Less: Self-Reported Excludable Expenses *	\$ (1,410,156)	\$ (1,122,279)	\$ (3,230,715)	\$ (645,390)	\$ (6,408,540)
<b>Reported Administrative Expenses</b>	<b>\$ 48,700,020</b>	<b>\$ 38,704,754</b>	<b>\$ 69,250,253</b>	<b>\$ 13,596,438</b>	<b>\$ 170,251,465</b>
Adjustment 1: Reclassify the administrative portion of Southeastrans expenses from medical expense.	\$ 1,585,418	\$ 1,261,762			\$ 2,847,180
Adjustment 2: Reclassify the administrative portion of DentaQuest expenses from medical expense.			\$ 636,051	\$ 127,062	\$ 763,113
Adjustment 3: Reclassify the administrative portion of OptumHealth Care Solutions expenses from medical expense.	\$ 2,107,289	\$ 1,677,095	\$ 2,229,765	\$ 445,433	\$ 6,459,582
Adjustment 4: Reclassify the administrative portion of EyeMed expenses from medical expense.	\$ 59,568	\$ 47,407	\$ 401,699	\$ 80,246	\$ 588,920
Adjustment 5: Include Expansion Amortization.		\$ 588,857		\$ 56,643	\$ 645,500
Adjustment 6: Remove interest expense on late claims payments.	\$ (287,933)	\$ (229,153)	\$ (434,575)	\$ (86,814)	\$ (1,038,475)
Adjustment 7: Remove donation and contribution expenses.	\$ (247,348)	\$ (196,853)	\$ (89,541)	\$ (17,887)	\$ (551,629)
Adjustment 8: Remove bad debt expense.	\$ (28,892)	\$ (22,994)	\$ (8,655)	\$ (1,729)	\$ (62,270)
Adjustment 9: Remove lobbying fees.	\$ (3,446)	\$ (2,743)	\$ (917)	\$ (183)	\$ (7,289)
Adjustment 10: Remove late fees.	\$ (27,821)	\$ (22,141)	\$ (39,533)	\$ (7,897)	\$ (97,392)



**OPTIMA HEALTH PLAN  
APPENDIX C: UNDERWRITING EXHIBIT**

Underwriting Exhibit for the Year Ending December 31, 2021					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Adjustment 11: Remove corporate contribution and donation expenses.	\$ (5,448)	\$ (4,335)	\$ (1,281)	\$ (256)	\$ (11,320)
Adjustment 12: Reclassify nurse care management services provided by Accordant from medical to administrative. **	\$ 625,375	\$ 497,708	\$ 878,308	\$ 175,457	\$ 2,176,848
<b>Total Adjusted Administrative Expenses</b>	<b>\$ 52,476,782</b>	<b>\$ 42,299,364</b>	<b>\$ 72,821,574</b>	<b>\$ 14,366,513</b>	<b>\$ 181,964,233</b>
Total Revenues	\$ 668,831,358	\$ 532,292,264	\$ 903,222,906	\$ 180,434,120	\$ 2,284,780,648
Adjustment 13: Remove unearned premium reserves not relating to the current period	\$ 16,071,675	\$ 26,778,383	\$ 18,043,725	\$ 2,952,186	\$ 63,845,969
<b>Total Adjusted Revenues</b>	<b>\$ 684,903,033</b>	<b>\$ 559,070,647</b>	<b>\$ 921,266,631</b>	<b>\$ 183,386,306</b>	<b>\$ 2,348,626,617</b>
Percentage of Adjusted Administration Expenses to Total Adjusted Revenues	7.66%	7.57%	7.90%	7.83%	7.75%
Member Months	2,297,194	1,046,761	439,668	100,690	3,884,313
Per Member Per Month Adjusted Administration Expenses	\$ 22.84	\$ 40.41	\$ 165.63	\$ 142.68	\$ 46.85
<b>Separately Identified Expenses included in Adjusted Administrative Expenses</b>					
Healthcare Quality Improvement Expenses (HCQI) **	\$ 11,133,277	\$ 8,860,465	\$ 26,134,701	\$ 5,220,850	\$ 51,349,293
Fraud Reduction and Recovery Expenses	\$ 319,126	\$ 250,742	\$ 50,538	\$ 39,709	\$ 660,115
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Care Coordination expenses as defined within the MCO contract	\$ 4,029,655	\$ 3,166,157	\$ 25,317,668	\$ 5,185,546	\$ 37,699,026
COVID 19 Related Expenses: Non Recurring	\$ 22,956	\$ 18,036	\$ 4,965	\$ 1,017	\$ 46,974
COVID 19 Related Expenses: Long Term program changes as a result of the pandemic	\$ -	\$ -	\$ -	\$ -	\$ -



**OPTIMA HEALTH PLAN**  
**APPENDIX C: UNDERWRITING EXHIBIT**

<b>Underwriting Exhibit for the Year Ending December 31, 2021</b>					
	<b>Medallion 4.0 Non-Expansion</b>	<b>Medallion 4.0 Expansion</b>	<b>CCC Plus Non-Expansion</b>	<b>CCC Plus Expansion</b>	<b>Total Medicaid</b>
Allowable Member Incentives	\$ -	\$ -	\$ -	\$ -	\$ -

\* Medicaid expenses excluded by the MCO include related party management fees in excess of cost (\$6,408,540)



## 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 administrative portion of Southeastrans expenses from medical expense.**

OHP reclassified \$2,420,283 from medical to administrative related to Southeastrans for the Medallion line of business for the purposes of the quarterly filing. This was calculated using pricing assumptions used by Southeastrans in pricing the capitated rate. This reclassification was understated in comparison to percentages verified during the 2019 Medical Loss Ratio (MLR) examination. The additional reclassification amount identified was \$2,847,180. (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
\$1,585,418	\$1,261,762	\$0	\$0	\$2,847,180

### **Adjustment #2 – Reclassify the administrative portion of DentaQuest expenses from medical expense.**

OHP was unable to provide support for the CCC Plus portion of their reclassification, totaling \$281,685, for DentaQuest administrative expense from medical to administration. The reclassification amount of \$763,113 for CCC Plus was calculated using the average verified administrative ratio for DentaQuest from the 2019 and 2020 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
\$0	\$0	\$636,051	\$127,062	\$763,113



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### **Adjustment #3 – Reclassify the administrative portion of OptumHealth Care Solutions expenses from medical expense.**

OHP booked the full amount of expense for OptumHealth Care Solutions to medical expenses. OHP was unable to provide support to separate out the administrative component of these expenses. The reclassification amount of \$6,459,582 was calculated using the average verified administrative ratio for OptumHealth Care Solutions from the 2019 and 2020 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
\$2,107,289	\$1,677,095	\$2,229,765	\$445,433	\$6,459,582

### **Adjustment #4 – Reclassify the administrative portion of EyeMed expenses from medical expense.**

OHP booked the full amount of expense for EyeMed to medical expenses. OHP was unable to provide support to separate out the administrative component of these expenses. The reclassification amount of \$588,920 was calculated using the average verified administrative ratio for EyeMed from the 2019 and 2020 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
\$59,568	\$47,407	\$401,699	\$80,246	\$588,920

### **Adjustment #5 – Include Expansion Amortization.**

OHP had identified start-up costs of \$3,227,500 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	\$588,857	\$0	\$56,643	\$645,500



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### Adjustment #6 – 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, we found this account contained 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
(\$287,933)	(\$229,153)	(\$434,575)	(\$86,814)	(\$1,038,475)

### Adjustment #7 – 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, and Department 2301, Health Plan Administration, Account 66748, Public Relations, we found this account contained 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
(\$247,348)	(\$196,853)	(\$89,541)	(\$17,887)	(\$551,629)

### Adjustment #8 – 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, we found this account contained 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
(\$28,892)	(\$22,994)	(\$8,655)	(\$1,729)	(\$62,270)





## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### Adjustment #9 – 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, 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
(\$3,446)	(\$2,743)	(\$917)	(\$183)	(\$7,289)

### Adjustment #10 – Remove late fees.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2101, Finance Administration, Account 67411, Business License, we found this account contained non-allowable late fees and penalties. 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
(\$27,821)	(\$22,141)	(\$39,533)	(\$7,897)	(\$97,392)

### Adjustment #11 – Remove corporate contribution and donation expenses.

During inspection of the corporate general ledger detail for SHP, allocated expenses related to Department 439001001, Corporate Services - Administration, Account 67614 and 67680, we found this account contained 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
(\$5,448)	(\$4,335)	(\$1,281)	(\$256)	(\$11,320)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

### **Adjustment #12 – Reclassify nurse care management services provided by Accordant from medical to administrative.**

During inspection of the general ledger detail for OptumHealth Care Solutions expense, Account 63213, we found this account contained payments to Accordant. The vendor provides services related to nurse care management which have been determined to be Health Care Quality Improvement (HCQI) in nature. The reclassification amount of \$2,176,858 to administrative expense was made to classify costs. (45 CFR § 158.140)

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$625,375	\$497,708	\$878,308	\$175,457	\$2,176,848

### **Adjustment #13 – Remove unearned premium reserves not relating to the current period.**

OHP included unearned premium reserves related to periods prior to January 1, 2021 and subsequent to December 31, 2021 based on their financial reporting procedures. An adjustment of \$63,845,969 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
\$16,071,675	\$26,778,383	\$18,043,725	\$2,952,186	\$63,845,969