

**Virginia Premier Health Plan, Inc.
Report on Adjusted Medical Loss Ratio and Adjusted
Underwriting Gain Rebate Calculations for Commonwealth
Coordinated Care Plus
(With Independent Accountant's Report Thereon)**

**Virginia Department of Medical Assistance Services
Richmond, Virginia**

**For the period of January 1, 2018
through December 31, 2018**

Prepared by:





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Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Virginia Premier Health Plan, Inc. (Virginia Premier) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2018 through December 31, 2018. Virginia Premier's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in CCC Plus contract and Centers for Medicare & Medicaid Services (CMS) federal guidance 42 CFR 438.8. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations based on our examination.

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

The accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain were prepared for the purpose of complying with the criteria, and are not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the above referenced accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Virginia Premier are presented in accordance with the above referenced criteria, in all material respects, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%), and the Adjusted Underwriting Gain Percentage Achieved is less than the maximum requirement of three percent (3%) for the period of January 1, 2018 through December 31, 2018.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Virginia Premier 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
September 24, 2020



VIRGINIA PREMIER HEALTH PLAN, INC.
ADJUSTED MEDICAL LOSS RATIO

Adjusted Medical Loss Ratio for the Calendar Year Ending December 31, 2018

Adjusted Medical Loss Ratio for the Calendar Year Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$ 762,586,483	\$ (6,507,102)	\$ 756,079,381
1.2	Improving health care quality expenses	\$ -	\$ 7,418,861	\$ 7,418,861
1.3	Total Adjusted MLR Numerator	\$ 762,586,483	\$ 911,759	\$ 763,498,242
Medical Loss Ratio Denominator				
2.1	Revenue	\$ 796,313,373	\$ 15,276,423	\$ 811,589,796
2.2	Federal and State taxes and licensing or regulatory fees	\$ -	\$ -	\$ -
2.3	Total Adjusted MLR Denominator	\$ 796,313,373	\$ 15,276,423	\$ 811,589,796
Credibility Adjustment				
3.1	Member Months to determine credibility	495,970	-	495,970
3.2	Credibility adjustment	0.00%		0.00%
MLR Calculation				
4.1	Unadjusted MLR	95.8%	-1.7%	94.1%
4.2	Credibility adjustment	0.0%	0.0%	0.0%
4.3	Adjusted MLR	95.8%	-1.7%	94.1%
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR standard	85.0%		85.0%
5.3	Adjusted MLR	95.8%	-1.7%	94.1%
5.4	MLR denominator	\$ 796,313,373	\$ 15,276,423	\$ 811,589,796
5.5	Remittance amount due to State for Coverage Year	\$ -	\$ -	\$ -



VIRGINIA PREMIER HEALTH PLAN, INC.
ADJUSTED UNDERWRITING GAIN

Adjusted Underwriting Gain for the Calendar Year Ending December 31, 2018

Adjusted Underwriting Gain for the Calendar Year Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$ 796,313,373	\$ 15,276,423	\$ 811,589,796
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$ -	\$ -	\$ -
1.3	Federal and State taxes and licensing or regulatory fees	\$ -	\$ -	\$ -
1.4	Total Adjusted Underwriting Gain Denominator	\$ 796,313,373	\$ 15,276,423	\$ 811,589,796
Medical Expenses				
2.1	Claims	\$ 762,586,483	\$ (6,507,102)	\$ 756,079,381
2.2	Improving health care quality expenses	\$ -	\$ 7,418,861	\$ 7,418,861
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$ 762,586,483	\$ 911,759	\$ 763,498,242
Non-Claims Costs				
3.1	Administrative Expenses	\$ 88,577,323	\$ 6,067,568	\$ 94,644,891
3.2	Less: Unallowable Expenses	\$ -	\$ (467,428)	\$ (467,428)
3.3	Allowable Administrative Expenses	\$ 88,577,323	\$ 5,600,140	\$ 94,177,463
Underwriting Gain				
4.1	Underwriting Gain \$	\$ (54,850,433)	\$ 8,764,524	\$ (46,085,909)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$ -	\$ -	\$ -
4.2	Adjusted Underwriting Gain \$	\$ (54,850,433)	\$ 8,764,524	\$ (46,085,909)
4.3	Underwriting Gain %	-6.9%	1.2%	-5.7%
Underwriting Gain Remittance Calculation				
5.1	Member Month Requirement Met?	N		Y
5.2	At least 12 months contract experience at the beginning of the Contract Year?	N		Y
5.3	Percent to Remit	N/A	N/A	N/A
5.4	Amount to Remit	N/A	N/A	N/A



Schedule of Adjustments and Comments for the Calendar Year Ending December 31, 2018

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

Adjustment #1 – Adjust revenues to amounts confirmed by the Virginia Department of Medical Assistance Services.

The health plan reported revenue amounts that did not reflect all payments received for its members applicable to the covered dates of service for the reporting period. Revenue was adjusted per the state’s data to reflect all payments, including capitation payments, Nursing Facility and Elderly or Disabled with Consumer Direction mix adjustment, and the risk adjustment. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
2.1	Revenue	\$15,276,423

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
1.1	Revenue	\$15,276,423

Adjustment #2 – Adjust administrative expenses to remove unallowable expenses identified during the 2018 administrative cost procedures.

The health plan included unallowable expenses identified during the 2018 administrative cost procedures with administrative expenses in the underwriting gain. These unallowable expenses included contributions/donations, lobbying expenses, late fees and penalties, interest on paid claims, and start-up costs related to Medicaid expansion. The administrative reporting requirements are addressed at 45 CFR § 75.420 to 75.475.

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	(\$467,428)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #3 – Reclassify behavioral health administrative services provided by Beacon to administrative expense.

The health plan reported expenses related to behavioral health administrative services provided by Beacon in claims expense. The health plan later identified that expenses related to this vendor are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$11,735,868)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$11,735,868)
3.1	Administrative Expenses	\$11,735,868

Adjustment #4 – Reclassify capitated payments made to DentaQuest, the Dental vendor, in excess of claims expense reported by DentaQuest from claims expense to administrative expense

The health plan reported a per-member-per-month (PMPM) capitation expense for dental services arranged by DentaQuest. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by DentaQuest. Since these claims were incurred for members of the Virginia Medicaid program, the expense was adjusted to actual claims cost utilizing supporting documentation. The excess has been reclassified to administrative expense.

The third party requirements are addressed in CMS MLR Guidance issued 7/18/11 (Q and A #19), 5/13/11 (Q and A #12), and 2/10/12 (Q and A #20). CMS Guidance states that “an issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees”. Question #12 recognizes items for inclusion in the non-claims cost component. Additionally, the third party reporting requirements are also stated in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(3), 45 CFR 158.140(b)(3)(ii), and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$1,295,145)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$1,295,145)
3.1	Administrative Expenses	\$1,295,145

Adjustment #5 – Reclassify radiology administrative services provided by NIA, Inc. to administrative expense.

The health plan reported expenses related to radiology administrative services provided by NIA, Inc. in claims expense. The health plan later identified that expenses related to this vendor are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$228,081)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$228,081)
3.1	Administrative Expenses	\$228,081

Adjustment #6 – Reclassify member education and outreach to Healthcare Quality Improvement (HCQI) expense.

The health plan reported expenses related to member education and outreach in claims expense. These expenses were verified to be allowable as HCQI. This expense has been reclassified from claims to HCQI expenses. The clinical expense and HCQI expense reporting requirements are addressed at 45 CFR § 158.140 and 45 CFR § 158.150, respectively.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$227,335)
1.2	Improving health care quality expenses	\$227,335

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$227,335)
2.2	Improving health care quality expenses	\$227,335

Adjustment #7 – Reclassify Long Term Services and Supports (LTSS) Care Coordinator salaries to HCQI expense.

The health plan reported expenses related to LTSS care coordination in administrative expense. These expenses were verified to be allowable as HCQI. This expense has been reclassified from claims to HCQI expenses. The HCQI expense reporting requirements are addressed at 45 CFR § 158.150.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.2	Improving health care quality expenses	\$7,191,526

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.2	Improving health care quality expenses	\$7,191,526
3.1	Administrative Expenses	(\$7,191,526)

Adjustment #8 – Adjust claims expense to include nine months of run out per the lag table support used for medical testing.

The claims expense reported by the health plan did not include nine months of run out nor did they agree to the trial balance. The health plan provided a lag table to support claims expense with nine months of run out which was supported through sampling. Claims expenses have been adjusted to agree to the provided lag table. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	\$6,979,327

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	\$6,979,327



SCHEDULE OF ADJUSTMENTS AND COMMENTS

The Virginia Department of Medical Assistance Services had no comments.



MYERS AND STAUFFER

CPA FINANCIAL PLANNING AND CONSULTANTS

September 10, 2020

Linda Pair, Director of Financial Reporting
Virginia Premier Health Plan
600 E Broad St.
Richmond, Virginia 23219

Dear Ms. Pair:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Virginia Premier Health Plan's CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2018 through December 31, 2018. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 24, 2020.

Virginia Premier Health Plan CCC Plus January 1, 2018 – December 31, 2018

Adjustment	MCO's Response	
1. Adjust Revenue to amount confirmed by DMAS.	Accept <u>✓</u>	Disagree _____
2. Adjust administrative expenses for excluded expenses determined in the 2018 admin audit	Accept <u>✓</u>	Disagree _____
3. Reclassify behavioral health administrative services to administrative expense	Accept <u>✓</u>	Disagree _____
4. Reclassify capitated payments made to DentaQuest in excess of claims expense reported by DentaQuest, from claims expense to administrative expense	Accept <u>✓</u>	Disagree _____
5. Reclassify radiology administrative services to administrative expense	Accept <u>✓</u>	Disagree _____
6. Reclassify member education and outreach from medical expenses to HCQI expense	Accept <u>✓</u>	Disagree _____

- | | | |
|---|------------------------|-------------------|
| 7. Reclassify LTSS Care Coordinator position, confirmed to be HCQI expense related, from administrative expense to HCQI | <u>Accept</u>
_____ | Disagree
_____ |
| 8. Adjust claims expense to include 9 months of runout per the lag table support used for medical testing. | <u>Accept</u>
_____ | Disagree
_____ |

Acknowledged by:

Virginia Premier Health Plan

Timothy E Carpenter, CFO
Officer or other Authorized Person

9/17/20

Date