United Healthcare of the Mid-Atlantic, Inc.
Report on Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations for Family Access to Medical Insurance Security Plan
(With Independent Accountant's Report Thereon)

Virginia Department of Medical Assistance Services
Richmond, Virginia

For the period of July 1, 2017 through November 30, 2018

Prepared by:

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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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 UnitedHealthcare of the Mid-Atlantic, Inc. (UHCMA) related to the Family Access to Medical Insurance Security Plan (FAMIS) Program for the period of July 1, 2017 through November 30, 2018. UHCMA's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in FAMIS 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 modified 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, except for the effect of the items addressed in the Schedule of Reporting Caveats, the above referenced accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of UHCMA are presented in accordance with the above referenced criteria, in all material respects, the Adjusted MLR Percentage Achieved does not exceed the minimum requirement of eighty-five percent (85%), and the Adjusted Underwriting Gain Percentage Achieved does not exceed the maximum requirement of three percent (3%) for the period of July 1, 2017 through November 30, 2018. In accordance with contractual obligations, a MLR remittance amount is due to the Department of Medical Assistance Services.

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

Myers and Stauffer LC

Myers and Stauffer LC
Glen Allen, VA
January 21, 2021

Adjusted Medical Loss Ratio for the Period Ending November 30, 2018

Adjusted Medical Loss Ratio for the Period Ending November 30, 2018				
Line #	**Revenue or Expense**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
Medical Loss Ratio Numerator				
1.1	Claims	$ 9,258,881	$ (637,921)	$ 8,620,960
1.2	Improving health care quality expenses	$ 226,887	$ 63,031	$ 289,918
1.3	**Total Adjusted MLR Numerator**	**$ 9,485,768**	**$ (574,890)**	**$ 8,910,878**
Medical Loss Ratio Denominator				
2.1	Revenue	$ 12,161,878	$ 1,522,408	$ 13,684,286
2.2	Federal and State taxes and licensing or regulatory fees	$ 201,252	$ 581,909	$ 783,161
2.3	**Total Adjusted MLR Denominator**	**$ 11,960,626**	**$ 940,499**	**$ 12,901,125**
Credibility Adjustment				
3.1	Member Months to determine credibility	71,265		71,265
3.2	Credibility adjustment	2.5%		2.5%
MLR Calculation				
4.1	Unadjusted MLR	79.3%	-10.2%	69.1%
4.2	Credibility adjustment	2.5%	0.0%	2.5%
4.3	**Adjusted MLR**	**81.8%**	**-10.2%**	**71.6%**
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	81.8%	-10.2%	71.6%
5.4	MLR denominator	$ 11,960,626	$ 940,499	$ 12,901,125
5.5	**Remittance amount due to State for Coverage Year**	**$ 381,748**	**$ 1,347,002**	**$ 1,728,751**

Adjusted Underwriting Gain for the Period Ending November 30, 2018

Adjusted Underwriting Gain for the Period Ending November 30, 2018				
Line #	**Revenue or Expense**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
Medical Loss Ratio Denominator				
1.1	Revenue	$ 12,161,878	$ 1,522,408	$ 13,684,286
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	$ 72,009	$ -	$ 72,009
1.3	Federal and State taxes and licensing or regulatory fees	$ 201,252	$ 523,573	$ 724,825
1.4	**Total Adjusted Underwriting Gain Denominator**	**$ 11,888,617**	**$ 998,835**	**$ 12,887,452**
Medical Expenses				
2.1	Claims*	$ 9,361,179	$ (740,219)	$ 8,620,960
2.2	Improving health care quality expenses	$ 226,887	$ 63,031	$ 289,918
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$ 9,588,066**	**$ (677,188)**	**$ 8,910,878**
Non-Claims Costs				
3.1	Administrative Expenses	$ 1,370,328	$ 574,890	$ 1,945,218
3.2	Less: Unallowable Expenses	$ -	$ -	$ -
3.3	**Allowable Administrative Expenses**	**$ 1,370,328**	**$ 574,890**	**$ 1,945,218**
Underwriting Gain				
4.1	Underwriting Gain $	$ 930,223	$ 1,101,133	$ 2,031,356
4.1	Less: Remittance Amount Due to State for Coverage Year	$ (381,748)	$ (1,347,002)	$ (1,728,751)
4.2	Adjusted Underwriting Gain $	$ 548,475	$ (245,869)	$ 302,605
4.3	**Underwriting Gain %**	**4.6%**	**-2.3%**	**2.3%**
Underwriting Gain Remittance Calculation				
5.1	Member Month Requirement Met?	N		N
5.2	At least 12 months contract experience at the beginning of the Contract Year?	N		N
5.3	Percent to Remit	N/A	N/A	N/A
5.4	**Amount to Remit**	**N/A**	**N/A**	**N/A**

Schedule of Reporting Caveats

During our examination, the following reporting issues were identified.

Caveat #1 – Claims expense

UHCMA was unable to provide support for 15 out of 100 medical expenses sampled. They stated that for these claims there was an invalid check number. UHCMA purchased Inova Health Plan, LLC (InTotal)'s Medicaid business from Inova Health System Foundation effective October 31, 2017. Claims under the Medallion 3.0 contract were paid through InTotal's legacy system for the period under review, including the run-out period. These claims were transferred to UHCMA's claims system and the legacy system was terminated. Later, it was discovered that there were some issues with the transfer of these claims, one of which is the missing check numbers. Without this field UHCMA is unable to pull the supporting documentation necessary.

Schedule of Adjustments and Comments for the Period Ending November 30, 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 claims expense to the amount supported by the trial balance.

In review of the claims costs reported within the MLR Calculation and the Underwriting Gain Limit Calculation it was noted that the expense did not agree between the two calculations. The claims expense reported within the MLR Calculation agreed to the trial balance. The claims expenses within the Underwriting Gain Limit Calculation have been adjusted to agree to the trial balance. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($102,298)

Adjustment #2 – 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, health insurer fee, prescription drug reinsurance, and performance incentive award payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Revenue	$1,522,408

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Revenues	$1,522,408

Adjustment #3 – Reclassify capitated payments made to Logisticare, the non-emergent transportation vendor, in excess of claims expense reported by Logisticare from claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for non-emergent transportation services arranged by Logisticare. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Logisticare. 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.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($118,262)

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($118,262)
3.1	Administrative Expenses	$118,262

Adjustment #4 – Reclassify capitated payments made to Superior Vision, the vision vendor, in excess of claims expense reported by Superior Vision from claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for vision services arranged by Superior Vision. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Superior Vision. 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 have been previously referenced within the Adjustment #3 description.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($24,925)

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($24,925)
3.1	Administrative Expenses	$24,925

Adjustment #5 – Reclassify payments made to CVS, the pharmacy vendor, in excess of claims expense reported by CVS from claims expense to administrative expense.

The health plan included pharmacy expenses at a percentage of the net Medallion 3.0 and FAMIS trial balance amounts utilizing lag table totals. During the examination, it was determined that this percentage of trial balance expense was greater than the actual claims incurred and paid by CVS. A portion of the variance appears to relate to a difference between the percentage of trial balance amounts as compared to claims paid for FAMIS and another portion of the variance relates to rebates that were not passed through to the health plan. 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 have been previously referenced within the Adjustment #3 description. Additionally, CMCS Information Bulletin: Medical Loss Ratio (MLR) Requirements Related to Third-Party Vendors 05/15/2019 speaks specifically to PBMs.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($494,734)

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($494,734)
3.1	Administrative Expenses	$494,734

Adjustment #6 – To agree Healthcare Quality Improvement Expenses (HCQI) expenses to verified and allowable amounts.

The health plan reported HCQI based on an analysis of whole cost centers that they determined to be HCQI, the majority of which is driven by full time equivalents (FTEs). During the examination, several FTEs included in HCQI did not qualify as HCQI utilizing the job description. Additionally, the health plan identified several groups of expenses that were included in administrative expenses but that should have been included in HCQI. A portion of these expenses has been confirmed to be HCQI. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.2	Improving health care quality expenses	$63,061

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.2	Improving health care quality expenses	$63,061
3.1	Administrative Expenses	($63,061)

Adjustment #7 – Adjust to remove duplicated Health Insurance Fee (HIF) within the Underwriting Gain Limit Calculation.

The health plan correctly excluded HIF revenues from the Underwriting Gain Denominator through Line 1.2 (ACA Health Insurer Fee Tax Gross-up included in 1.1). However they also excluded HIF expenses from the Underwriting Gain Denominator through Line 1.3 (Federal and State taxes and licensing or regulatory fees). HIF was removed from Line 1.3 to eliminate the duplication. The general reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8.

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
1.3	Federal and State taxes and licensing or regulatory fees	($58,336)

Adjustment #8 – To include additional taxes related to the adjustments made for revenues and expenses.

The health plan calculated federal taxes utilizing an effective tax rate and estimated profits related to Virginia Medicaid and allocated those taxes between Medallion 3.0 and FAMIS using

revenue percentages. Additional adjustments have been made to revenues and expenses via adjustments one through three, above. This results in an increase in the taxes that should have been reported and therefore an additional reduction to the MLR and Underwriting Gain denominator amounts. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	$581,909

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
1.3	Federal and State taxes and licensing or regulatory fees	$581,909

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

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 4, 2020

Glenn Lohrmann, CFO
UnitedHealthcare of the Mid Atlantic
12018 Sunrise Valley Dr #100
Reston, VA 20191

Dear Mr. Lohrmann:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of UnitedHealthcare of the Mid Atlantic's FAMIS MLR and Underwriting Gain rebate calculations for the period of July 1, 2017 through November 30, 2018. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 18, 2020.

UnitedHealthcare of the Mid Atlantic FAMIS
July 1, 2017 through November 30, 2018

	Adjustment	MCO's Response	
1.	Agree claims per the UG Limit calculation to claims per the MLR calculation, which agree to the trial balance.	Accept ✓	Disagree
2.	Adjust Revenue to amount confirmed by DMAS.	Accept ✓	Disagree
3.	Reclassify capitated payments made to Logisticare, the non-emergent transportation vendor, in excess of claims expense reported by Logisticare from claims expense to administrative expense.	Accept ✓	Disagree
4.	Reclassify capitated payments made to Superior Vision in excess of claims expense reported by Superior Vision from claims expense to administrative expense.	Accept ✓	Disagree
5.	Reclassify payments made to CVS in excess of claims expense reported by CVS from claims expense to administrative expense.	Accept ✓	Disagree

6.	To agree Healthcare Quality Improvement Expenses (HCQI) expenses to verified and allowable amounts.	Accept ✓	Disagree _____
7.	Remove HIF expense from the tax amount as HIF revenues are excluded via Line 1.2.	Accept ✓	Disagree _____
8.	To include additional taxes related to the adjustments made for revenues and expenses.	Accept ✓	Disagree _____

Acknowledged by:
UnitedHealthcare of the Mid Atlantic

Glen Schuler
_____
Officer or other Authorized Person

9/24/20
_____
Date