

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a large cross. The text is positioned on the right side of the page, set against a dark grey diagonal background.

**OPTIMA HEALTH PLAN
Commonwealth Coordinated
Care Plus
Medicaid Managed Care Programs**

**Report on Adjusted Medical Loss Ratio and
Adjusted Underwriting Gain Rebate
Calculations**

With Independent Accountant's Report Thereon

For the period of January 1, 2019 through
December 31, 2019



**MYERS AND
STAUFFER**
L.C.
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 Optima Health Plan (Optima) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2019 through December 31, 2019. Optima's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the CCC Plus contract and Centers for Medicare & Medicaid Services (CMS) federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. 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 Rebate Calculations were prepared for the purpose of complying with the criteria, and is 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 are presented in accordance with the above referenced criteria, in all material respects, for the period of January 1, 2019 through December 31, 2019. The Adjusted Medical Loss Ratio (MLR) Percentage Achieved exceeds 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%).

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

Myers and Stauffer LC
Glen Allen, Virginia
October 15, 2021



Adjusted Medical Loss Ratio for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$763,096,706	\$74,414,856	\$837,511,562
1.2	Improving health care quality expenses	\$21,386,744	\$0	\$21,386,744
1.3	Total Adjusted MLR Numerator	\$784,483,450	\$74,414,856	\$858,898,306
Medical Loss Ratio Denominator				
2.1	Revenue	\$770,776,841	\$84,435,452	\$855,212,293
2.2	Federal and State taxes and licensing or regulatory fees	\$264,005	\$0	\$264,005
2.3	Total Adjusted MLR Denominator	\$770,512,836	\$84,435,452	\$854,948,288
Credibility Adjustment				
3.1	Member Months to determine credibility	416,889	0	416,889
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	101.8%		100.5%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	101.8%		100.5%
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	101.8%		100.5%
5.4	MLR denominator	\$770,512,836		\$854,948,288
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



Adjusted Underwriting Gain for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$770,776,841	\$84,435,452	\$855,212,293
1.2	Federal and State taxes and licensing or regulatory fees	\$264,005	\$0	\$264,005
1.3	Total Adjusted Underwriting Gain Denominator	\$770,512,836	\$84,435,452	\$854,948,288
Medical Expenses				
2.1	Claims	\$763,096,706	\$74,414,856	\$837,511,562
2.2	Improving health care quality expenses	\$21,386,744	\$0	\$21,386,744
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$784,483,450	\$74,414,856	\$858,898,306
Non-Claims Costs				
3.1	Administrative Expenses	\$43,035,091	\$9,012,588	\$52,047,679
3.2	Less: Unallowable Expenses	\$(2,869,189)	\$(1,239,047)	\$(4,108,236)
3.3	Allowable Administrative Expenses	\$40,165,902	\$7,773,541	\$47,939,443
Underwriting Gain				
4.1	Underwriting Gain \$	\$(54,136,518)		\$(51,889,461)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$(54,136,518)		\$(51,889,461)
4.3	Underwriting Gain %	-7.0%		-6.1%
Underwriting Gain Remittance Calculation				
5.1	Member Month Requirement Met?	Y		Y
5.2	At least 12 months contract experience at the beginning of the Contract Year?	Y		Y
5.3	Percent to Remit	0.0%		0.0%
5.4	Amount to Remit	\$0		\$0



Schedule of Adjustments and Comments for the Period Ending December 31, 2019

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 – To adjust revenues to agree with state data.

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, patient payments, maternity kick payments, Rx reinsurance payments, and performance withhold 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 MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenue	\$3,600,913

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$3,600,913

Adjustment #2 – To include directed payments in the MLR calculation.

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the Managed Care contracts refer to 42 CFR § 438.6(c) in speaking to directed payments related to eastern Virginia/Tidewater, State University teaching hospital physicians, and private acute care; and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), CFR § 438.8(f)(2), and 45 CFR § 158.130.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$80,834,539
2.1	Revenue	\$80,834,539

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$80,834,539
2.1	Claims	\$80,834,539

Adjustment #3 – To reclassify capitated payments made to DentaQuest, the dental vendor, in excess of 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 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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(1,094,304)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(1,094,304)
3.1	Administrative Expenses	\$1,094,304



Adjustment #4 – To reclassify the prescription drug spread pricing amount from claims expense to administrative expense.

The health plan reported claims expense related to their PBM, OptumRx, which is through a cost plus arrangement. OptumRx identified spread pricing on the vendor certification statement which was confirmed through a sample review of claims. Expenses related to spread pricing are reclassified from claims expense 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), CMCS Informational Bulletin: Medicaid Prescription Spread Pricing 05/15/2019, and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(4,259,131)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(4,259,131)
3.1	Administrative Expenses	\$4,259,131

Adjustment #5 – To reclassify capitated payments made to OptumHealth, the transplants vendor, in excess of claims expense to administrative expense.

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

The third party requirements have been previously referenced within the Adjustment #3 description.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(1,066,249)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(1,066,249)
3.1	Administrative Expenses	\$1,066,249

Adjustment #6 – To adjust administrative expense to supporting documentation.

The health plan did not provide support for the reported administrative expenses. Administrative expenses were determined using allocation support provided for the purposes of the administrative cost procedures. The non-expansion amount was calculated using a percentage of revenues provided by the health plan. Administrative cost principles are addressed in 45 CFR § 75.400 through 75.477.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	\$2,592,905

Adjustment #7 – To remove non-allowable interest expense on paid claims.

The health plan included interest on late claim payments as an administrative expense in the underwriting gain calculation. Interest on paid claims is not considered an allowable administrative expense. The proposed adjustment is to remove the expense from the underwriting gain. The administrative reporting requirements are addressed in the 45 CFR § 75.441.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	\$(1,239,047)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



October 13, 2021

Michael Truesdale, Director of Accounting
Optima Health Plan
4417 Corporation Lane
Virginia Beach, Virginia 23462

Dear Mr. Truesdale:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Optima Health Plan's CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2019 through December 31, 2019. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by October 13, 2021.

**Optima Health Plan CCC Plus
January 1, 2019 through December 31, 2019**

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept <u> x </u>	Disagree _____
2.	To include directed payments in the MLR calculation.	Accept <u> x </u>	Disagree _____
3.	To reclassify capitated payments made to DentaQuest, the dental vendor, in excess of claims expense to administrative expense.	Accept <u> x </u>	Disagree _____
4.	To reclassify the prescription drug spread pricing amount from claims expense to administrative expense.	Accept <u> x </u>	Disagree _____
5.	To reclassify capitated payments made to OptumHealth, the transplants vendor, in excess of claims expense to administrative expense.	Accept <u> x </u>	Disagree _____
6.	To adjust administrative expense to supporting documentation.	Accept <u> x </u>	Disagree _____
7.	To remove non-allowable interest expense on paid claims.	Accept <u> x </u>	Disagree _____

Acknowledged by:
OPTIMA HEALTH PLAN

A handwritten signature in black ink, appearing to read "J. H. Snyder". The signature is written in a cursive style with a large initial "J".

Officer or other Authorized Person

10/13/21

Date