



United Healthcare of the  
Mid-Atlantic, Inc.  
Commonwealth Coordinated  
Care Plus  
Medicaid Managed Care Program

**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** 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 United Healthcare of the Mid-Atlantic, Inc. (United) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2019 through December 31, 2019. United'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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

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 United 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 6, 2022



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

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Medical Loss Ratio Numerator</b>				
1.1	Claims	\$449,679,012	\$27,316,663	\$476,995,675
1.2	Improving health care quality expenses	\$19,147,149	(\$414,058)	\$18,733,091
1.3	<b>Total Adjusted MLR Numerator</b>	<b>\$468,826,161</b>	<b>\$26,902,605</b>	<b>\$495,728,766</b>
<b>Medical Loss Ratio Denominator</b>				
2.1	Revenue	\$496,180,298	\$25,710,805	\$521,891,103
2.2	Federal and State taxes and licensing or regulatory fees	(\$1,336,705)	\$0	(\$1,336,705)
2.3	<b>Total Adjusted MLR Denominator</b>	<b>\$497,517,003</b>	<b>\$25,710,805</b>	<b>\$523,227,808</b>
<b>Credibility Adjustment</b>				
3.1	Member Months to determine credibility	294,101	0	294,101
3.2	Credibility adjustment	1.2%		1.2%
<b>MLR Calculation</b>				
4.1	Unadjusted MLR	94.2%		94.7%
4.2	Credibility adjustment	1.2%		1.2%
4.3	<b>Adjusted MLR</b>	<b>95.4%</b>		<b>95.9%</b>
<b>Remittance Calculation</b>				
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	95.4%		95.9%
5.4	MLR denominator	\$497,517,003		\$523,227,808
5.5	<b>Remittance amount due to State for Coverage Year</b>	<b>\$0</b>		<b>\$0</b>



## Adjusted Underwriting Gain for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Medical Loss Ratio Denominator</b>				
1.1	Revenue	\$496,180,298	\$25,710,805	\$521,891,103
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$0	\$0	\$0
1.3	Federal and State taxes and licensing or regulatory fees	(\$1,336,705)	\$0	(\$1,336,705)
1.4	<b>Total Adjusted Underwriting Gain Denominator</b>	<b>\$497,517,003</b>	<b>\$25,710,805</b>	<b>\$523,227,808</b>
<b>Medical Expenses</b>				
2.1	Claims	\$449,679,012	\$27,316,663	\$476,995,675
2.2	Improving health care quality expenses	\$19,147,149	(\$414,058)	\$18,733,091
2.3	<b>Total Adjusted Underwriting Gain Claims Expenses</b>	<b>\$468,826,161</b>	<b>\$26,902,605</b>	<b>\$495,728,766</b>
<b>Non-Claims Costs</b>				
3.1	Administrative Expenses	\$20,211,765	\$353,504	\$20,565,269
3.2	Less: Unallowable Expenses	\$0	\$0	\$0
3.3	<b>Allowable Administrative Expenses</b>	<b>\$20,211,765</b>	<b>\$353,504</b>	<b>\$20,565,269</b>
<b>Underwriting Gain</b>				
4.1	Underwriting Gain \$	\$8,479,077		\$6,933,773
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$8,479,077		\$6,933,773
4.3	<b>Underwriting Gain %</b>	<b>1.7%</b>		<b>1.3%</b>
<b>Underwriting Gain Remittance Calculation</b>				
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%
5.4	<b>Amount to Remit</b>	<b>\$0</b>		<b>\$0</b>



## 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, maternity kick payments, Rx reinsurance recoupments, 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	Revenues	(\$3,699,616)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	(\$3,699,616)

### **Adjustment #2 – To adjust revenues and claims to include related directed payments.**

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 private acute care hospitals, nursing facilities owned by Type One hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; 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	\$29,410,421
2.1	Revenue	\$29,410,421

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$29,410,421
2.1	Claims	\$29,410,421

**Adjustment #3 – To adjust management service fees to United Healthcare Services, Inc. (UHS) allocated costs identified during 2019 administrative expense procedures.**

The Management Services Agreement between United and UHS effective March 2017 provides for a percent of premiums based on expected actual costs and premiums. During the 2019 administrative expense procedures we obtained a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which were less than management fees recorded on United's trial balance for the Virginia Medicaid line of business. The administrative reporting requirements with respect to related parties are addressed in CMS Publication 15-1, Chapter 10.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	(\$2,499,229)

**Adjustment #4 –To adjust capitated payments made to United Behavioral Health (UBH), the related party behavioral health vendor, in excess of claims expense and to include the administrative and Healthcare Quality Improvement (HCQI) cost incurred by UBH.**

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by United Behavioral Health (UBH). During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, UBH supplied a profit and loss statement showing the administrative and HCQI expenses incurred by UBH which have been added to administrative expense and HCQI expense, respectively.

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".



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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	(\$2,093,758)
1.2	Improving health care quality expenses	\$951,476

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$2,093,758)
2.2	Improving health care quality expenses	\$951,476
3.1	Administrative Expenses	\$1,487,199

### Adjustment #5 – To adjust to reclassify non-allowable HCQI expenses.

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. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	(\$1,365,535)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	(\$1,365,535)
3.1	Administrative Expenses	\$1,365,535





## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

August 5, 2022

Nicholas Maiers, Virginia CFO  
United Healthcare of the Mid-Atlantic, Inc.  
9020 Stony Point Parkway, Suite 300  
Richmond, Virginia 23235

Dear Mr. Maiers:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of United Healthcare of the Mid-Atlantic, Inc.'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 August 12, 2022.**

**United Healthcare of the Mid-Atlantic, Inc. CCC Plus  
January 1, 2019 – December 31, 2019**

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept <u>          X</u>	Disagree <u>          </u>
2.	To adjust revenues and claims to include related directed payments.	Accept <u>          X</u>	Disagree <u>          </u>
3.	To adjust management service fees to United Healthcare Services, Inc. (UHS) allocated costs identified during 2019 administrative expense procedures..	Accept <u>          X</u>	Disagree <u>          </u>
4.	To adjust capitated payments made to United Behavioral Health (UBH), the related party behavioral health vendor, in excess of claims expense and to include the administrative and Healthcare Quality Improvement (HCQI) cost incurred by UBH.	Accept <u>          X</u>	Disagree <u>          </u>
5.	To adjust to reclassify non-allowable HCQI expenses.	Accept <u>          </u>	Disagree <u>          X</u>

Acknowledged by:  
United Healthcare of the Mid-Atlantic, Inc.

          *Nick Maiers*            
Officer or other Authorized Person

          8/17/2022            
Date