

The background features a blurred medical scene with a patient lying down. A green semi-transparent overlay covers the left and top portions of the image. Overlaid on this are various medical icons: a syringe, a pill, a virus, a stethoscope, a clipboard, and a group of people. A large green cross is centered over the patient's chest. The right side of the image is a dark grey diagonal gradient.

VIRGINIA PREMIER HEALTH PLAN,
INC.

Commonwealth Coordinated
Care Plus

**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 Virginia Premier Health Plan, Inc. (Virginia Premier) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2019 through December 31, 2019. 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 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 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, 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	\$825,284,000	\$91,115,957	\$916,399,957
1.2	Improving health care quality expenses	\$17,015,000	\$6,697,262	\$23,712,262
1.3	Total Adjusted MLR Numerator	\$842,299,000	\$97,813,219	\$940,112,219
Medical Loss Ratio Denominator				
2.1	Revenue	\$882,269,000	\$87,431,487	\$969,700,487
2.2	Federal and State taxes and licensing or regulatory fees	\$0	\$0	\$0
2.3	Total Adjusted MLR Denominator	\$882,269,000	\$87,431,487	\$969,700,487
Credibility Adjustment				
3.1	Member Months to determine credibility	505,583		505,583
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	95.5%		96.9%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	95.5%		96.9%
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	95.5%		96.9%
5.4	MLR denominator	\$882,269,000		\$969,700,487
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	\$882,269,000	\$87,431,487	\$969,700,487
1.2	Federal and State taxes and licensing or regulatory fees	\$0	\$0	\$0
1.3	Total Adjusted Underwriting Gain Denominator	\$882,269,000	\$87,431,487	\$969,700,487
Medical Expenses				
2.1	Claims	\$825,284,000	\$91,115,957	\$916,399,957
2.2	Improving health care quality expenses	\$17,015,000	\$6,697,262	\$23,712,262
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$842,299,000	\$97,813,219	\$940,112,219
Non-Claims Costs				
3.1	Administrative Expenses	\$83,657,000	\$(2,113,233)	\$81,543,767
3.2	Less: Unallowable Expenses	\$(312,000)	\$0	\$(312,000)
3.3	Allowable Administrative Expenses	\$83,345,000	\$(2,113,233)	\$81,231,767
Underwriting Gain				
4.1	Underwriting Gain \$	\$(43,375,000)		\$(51,643,499)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$(43,375,000)		\$(51,643,499)
4.3	Underwriting Gain %	-4.9%		-5.3%
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 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 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.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$95,699,986
2.1	Revenue	\$95,699,986

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$95,699,986
2.1	Claims	\$95,699,986

Adjustment #2 – 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenue	\$(8,268,499)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$(8,268,499)

Adjustment #3 – To adjust to reclassify behavioral health contracted services provided by Beacon to administrative and Healthcare Quality Improvement (HCQI) expenses.

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 both administrative and HCQI related in nature and provided subsequent support. Based on the support provided, the expense was reclassified to administrative and HCQI reporting lines. The clinical expense and HCQI expense reporting requirements are addressed at 45 CFR § 158.140 and 45 CFR § 158.150, respectively.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(7,094,000)
1.2	Improving health care quality expenses	\$5,320,500

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(7,094,000)
2.2	Improving health care quality expenses	\$5,320,000
3.1	Administrative Expenses	\$1,773,500

Adjustment #4 –To adjust to 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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	\$(1,254,118)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(1,254,118)
3.1	Administrative Expenses	\$1,254,118

Adjustment #5 –To adjust to reclassify claims payments made by consumer directed service payroll vendors in excess of payments made to each vendor from administrative expense to claims expense.

The health plan reported claims expense for consumer directed services arranged by Public Partnerships, LLC and Consumer Direct Care Network. During the examination, it was determined that the reported claims expense was less than the actual claims incurred and paid by the consumer directed vendors. 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 added to claims expense and removed from administrative costs.

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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$5,403,043

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$5,403,043
3.1	Administrative Expenses	\$(5,403,043)

Adjustment #6 – To adjust to reclassify a portion of shared services allocations from claims expense to HCQI and administrative expenses.

The health plan reported expenses related to shared services allocations in claims expense. These expenses included a nurse triage line, care manager compensation, member education, and member outreach that were verified to be allowable as HCQI. These expenses also included administrative portions of care manager compensation and transportation compensation that were verified to be administrative in nature. Based on the support provided, these expenses will be reclassified to HCQI and administrative expense, as appropriate. The clinical expense reporting requirements are addressed at 45 CFR § 158.140. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and Medicaid Managed Care Final Rule 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claim	\$(1,638,954)
1.2	Improving health care quality expenses	\$1,376,762

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claim	\$(1,638,954)
2.2	Improving health care quality expenses	\$1,376,762
3.1	Administrative Expenses	\$262,192



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



MYERS STAUFFER

October 8, 2021

Tim Carpenter, CFO
Virginia Premier Health Plan
600 E Broad St.
Richmond, Virginia 23219

Dear Mr. Carpenter:

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, 2019 through December 31, 2019. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by October 11, 2021.

**Virginia Premier Health Plan Medallion 4.0
January 1, 2019 – December 31, 2019**

	Adjustment	MCO's Response	
1.	To adjust revenues and claims to include related directed payments.	Accept ✓	Disagree _____
2.	To adjust revenues to agree with state data.	Accept ✓	Disagree _____
3.	To adjust to reclassify behavioral health contracted services provided by Beacon to administrative and Healthcare Quality Improvement (HCQI) expenses.	Accept ✓	Disagree _____
4.	To adjust to reclassify capitated payments made to DentaQuest, the dental vendor, in excess of claims expense reported by DentaQuest from claims expense to administrative expense.	Accept ✓	Disagree _____
5.	To adjust to reclassify claims payments made by consumer directed service payroll vendors in excess of payments made to each vendor from administrative expense to claims expense.	Accept ✓	Disagree _____

6. To adjust to reclassify a portion of shared services allocations from claims expense to HCQI and administrative expenses.

Accept

Disagree

Acknowledged by:
Virginia Premier Health Plan

Timothy E Carpenter
Officer or other Authorized Person

10/11/21
Date