MAGELLAN COMPLETE CARE OF VIRGINIA, LLC

Medallion 4.0

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 August 1, 2018 through June 30, 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 Magellan Complete Care of Virginia, LLC (Magellan) related to the Medallion 4.0 Program for the period of August 1, 2018 through June 30, 2019. Magellan's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the Medallion 4.0 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 August 1, 2018 through June 30 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 exceeds the maximum requirement of three percent (3%). An Underwriting Gain remittance amount is not due as Magellan does not have 12 months of contract experience.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Magellan 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, Virginia
October 14, 2021

Adjusted Medical Loss Ratio for the Period Ending June 30, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$71,136,957	$9,103,401	$80,240,358
1.2	Improving health care quality expenses	$1,296,148	$(265,456)	$1,030,692
1.3	**Total Adjusted MLR Numerator**	$72,433,105	$8,837,945	$81,271,050
Medical Loss Ratio Denominator				
2.1	Revenue	$88,174,061	$9,999,291	$98,173,352
2.2	Federal and State taxes and licensing or regulatory fees	$1,724,317	$357,164	$2,081,481
2.3	**Total Adjusted MLR Denominator**	$86,449,744	$9,642,127	$96,091,871
Credibility Adjustment				
3.1	Member Months to determine credibility	311,319	0	311,319
3.2	Credibility adjustment	1.2%	0%	1.2%
MLR Calculation				
4.1	Unadjusted MLR	83.8%	0.7%	84.6%
4.2	Credibility adjustment	1.2%	0.0%	1.2%
4.3	**Adjusted MLR**	85.0%	0.7%	85.8%
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	85.0%		85.8%
5.4	MLR denominator	$86,449,744		$96,091,871
5.5	**Remittance amount due to State for Coverage Year**	$0		$0

Adjusted Underwriting Gain for the Period Ending June 30, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	$88,174,061	$9,999,291	$98,173,352
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	$1,724,317	$357,164	$2,081,481
1.4	**Total Adjusted Underwriting Gain Denominator**	$86,449,744	$9,642,127	$96,091,871
Medical Expenses				
2.1	Claims	$71,134,129	$9,103,401	$80,237,530
2.2	Improving health care quality expenses	$1,296,148	$(265,456)	$1,030,692
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	$72,430,277	$8,837,945	$81,268,222
Non-Claims Costs				
3.1	Administrative Expenses	$9,586,238	$265,456	$9,851,694
3.2	Less: Unallowable Expenses	$(395,851)	$0	$(395,851)
3.3	**Allowable Administrative Expenses**	$9,190,387	$265,456	$9,455,843
Underwriting Gain				
4.1	Underwriting Gain $	$4,829,081		$5,367,806
4.1	Less: Remittance Amount Due to State for Coverage Year	$0		$0
4.2	Adjusted Underwriting Gain $	$4,829,081		$5,367,806
4.3	**Underwriting Gain %**	5.6%		5.6%
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?	N		N
5.3	Percent to Remit	N/A		N/A
5.4	**Amount to Remit**	N/A		N/A

Schedule of Adjustments and Comments for the Period Ending June 30, 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 Incurred But Not Received (IBNR) at the time of the MLR filing to IBNR estimated as of 11/30/2020.

The reported IBNR of $1,804,393 was adjusted to agree the November 30, 2020 lag table. We have made an adjustment for the difference of $1,072,202 to Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($1,072,202)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($1,072,202)

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.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$10,175,603
2.1	Revenue	$10,161,481

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$10,161,481
2.1	Claims	$10,175,603

Adjustment #3 – To adjust to reclassify non-HCQI expenses related to appeals, management and oversight, marketing, and enrollment to administrative related costs.

The health plan reported a large number of salaried positions in HCQI. Based on the review of job descriptions and additional information provided by the health plan, it was determined that several positions performed activities that did not meet the definitions of HCQI. The HCQI expense reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8, and 45 CFR § 158.151

Proposed Adjustment		
Line #	**Line Description**	**Amount**
1.2	Improving health care quality expenses	($265,456)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Improving health care quality expenses	($265,456)
3.1	Administrative Expenses	$265,456

Adjustment #4 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2018 and 2019 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The tax reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 § 438.8(f)(3) and 45 § CFR 158.162.

Proposed Adjustment		
Line #	**Line Description**	**Amount**
2.2	Federal and State taxes and licensing or regulatory fees	$357,164

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.3	Federal and State taxes and licensing or regulatory fees	$357,164

Adjustment #5 – 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, and Rx reinsurance recoupments. 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 Adjustment		
Line #	**Line Description**	**Amount**
2.1	Revenue	($162,190)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	($162,190)

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

August 17, 2021

Michael Fotinos, Chief Financial Officer
Magellan Complete Care of Virginia
3829 Gaskins Road
Richmond, VA 23233

Dear Mr. Fotinos:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Magellan Complete Care of Virginia's Medallion 4.0 MLR and Underwriting Gain rebate calculations for the period of August 1, 2018 through June 30, 2019. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by August 18, 2021.

Magellan Complete Care of Virginia Medallion 4.0
August 1, 2018 through June 30, 2019

	Adjustment	MCO's Response	
1.	To adjust Incurred But Not Received (IBNR) at the time of the MLR filing to IBNR estimated as of 11/30/2020.	Accept X	Disagree
2.	To include directed payments in the MLR calculation.	Accept X	Disagree
3.	To adjust to reclassify non-HCQI expenses related to appeals, management and oversight, marketing, and enrollment to administrative costs.	Accept X	Disagree
4.	To adjust income tax expense to verified amounts.	Accept X	Disagree
5.	To adjust revenues to agree with state data.	Accept X	Disagree

Acknowledged by:
MAGELLAN COMPLETE CARE OF VIRGINIA

Michael Fotinos
Officer or other Authorized Person

August 17, 2021
Date