VIRGINIA PREMIER HEALTH PLAN, INC.

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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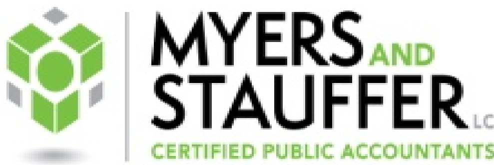

Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Virginia Premier Health Plan, Inc. (Virginia Premier) related to the Medallion 4.0 Program for the period of August 1, 2018 through June 30, 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 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 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 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	$394,732,000	$42,465,173	$437,197,173
1.2	Improving health care quality expenses	$6,812,000	$457,000	$7,269,000
1.3	**Total Adjusted MLR Numerator**	**$401,544,000**	**$42,922,173**	**$444,466,173**
Medical Loss Ratio Denominator				
2.1	Revenue	$433,115,000	$70,894,276	$504,009,276
2.2	Federal and State taxes and licensing or regulatory fees	$0	$0	$0
2.3	**Total Adjusted MLR Denominator**	**$433,115,000**	**$70,894,276**	**$504,009,276**
Credibility Adjustment				
3.1	Member Months to determine credibility	1,521,198	104,896	1,626,094
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	92.7%		88.2%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	**92.7%**		**88.2%**
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	92.7%		88.2%
5.4	MLR denominator	$433,115,000		$504,009,276
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	$433,115,000	$70,894,276	$504,009,276
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	$0	$0	$0
1.4	**Total Adjusted Underwriting Gain Denominator**	**$433,115,000**	**$80,894,276**	**$504,009,276**
Medical Expenses				
2.1	Claims	$394,732,000	$42,465,173	$437,197,173
2.2	Improving health care quality expenses	$6,812,000	$457,000	$7,269,000
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$401,544,000**	**$42,922,173**	**$444,466,173**
Non-Claims Costs				
3.1	Administrative Expenses	$49,548,000	$4,356,948	$53,904,948
3.2	Less: Unallowable Expenses	$(57,505)	$0	$(57,505)
3.3	**Allowable Administrative Expenses**	**$49,490,495**	**$4,356,948**	**$53,847,443**
Underwriting Gain				
4.1	Underwriting Gain $	$(17,919,495)		$5,695,660
4.1	Less: Remittance Amount Due to State for Coverage Year	$0		$0
4.2	Adjusted Underwriting Gain $	$(17,919,495)		$5,695,660
4.3	**Underwriting Gain %**	**-4.1%**		**1.1%**
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?	N		Y
5.3	Percent to Remit	N/A		0.0%
5.4	**Amount to Remit**	**N/A**		**$0**

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 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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	$48,319,161
2.1	Revenue	$48,319,161

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	$48,319,161
2.1	Claims	$48,319,161

Adjustment #2 – Agree annualized member months to State data.

The health plan reported member months that did not reflect accurate annualized member months for the reporting period. Member months were adjusted per the state's data, annualized to consider the number of months in the reporting period. Member months impact the credibility adjustment applied to the MLR. The general reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8.

Proposed MLR Adjustment		
Line #	Line Description	Amount
3.1	Member Months to determine credibility	104,896

Adjustment #3 – Reclassify behavioral health administrative services provided by Beacon to administrative expense.

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 administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	($426,000)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	($426,000)
3.1	Administrative Expenses	$426,000

Adjustment #4 – Reclassify radiology administrative services provided by NIA, Inc. to administrative expense.

The health plan reported expenses related to radiology administrative services provided by NIA, Inc. in claims expense. The health plan later identified that expenses related to this vendor are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	($184,000)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($184,000)
3.1	Administrative Expenses	$184,000

Adjustment #5 – Reclassify nurseline and member education and outreach to Healthcare Quality Improvement (HCQI) expense.

The health plan reported expenses related to nurseline and member education and outreach in claims expense. These expenses were verified to be allowable as HCQI. This expense has been reclassified from claims to HCQI expenses. 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	($457,000)
1.2	Improving health care quality expenses	$457,000

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($457,000)
2.2	Improving health care quality expenses	$457,000

Adjustment #6 – Reclassify payments made to Kaiser in excess of medical and pharmaceutical claims expense reported by Kaiser from claims expense to administrative expense.

The health plan reported Kaiser expenses at a percent of capitation payments for medical and pharmaceutical services arranged by Kaiser. During the examination, it was determined that this expense was greater than the actual claims incurred and paid by Kaiser. 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 Adjustment		
Line #	Line Description	Amount
1.1	Claims	($2,908,401)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	($2,908,401)
3.1	Administrative Expenses	$2,908,401

Adjustment #7 – 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.

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	($414,414)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($414,414)
3.1	Administrative Expenses	$414,414

Adjustment #8 – Reclassify bad debt and physician access payments to administrative expenses.

The health plan reported expenses related to a bad debt agreement with Carilion Health System and a physician access agreement with Eastern Virginia Medical School. The health plan identified that these expenses are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($620,000)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($620,000)
3.1	Administrative Expenses	$620,000

Adjustment #9 – Reclassify capitated payments made to VSP, the vision vendor, in excess of claims expense reported by VSP from claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for vision services arranged by VSP. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by VSP. 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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	$195,867

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	$195,867
3.1	Administrative Expenses	$(195,867)

Adjustment #10 – Adjust capitation expenses for primary care physicians to remove costs not associated with the Medallion 4.0 non-expansion program.

The health plan reported per-member-per-month (PMPM) capitation expenses for primary care physicians within medical claims cost. During the examination, it was determined that this capitation expense was over allocated to the Medallion 4.0 non-expansion line of business. The excess has been removed from claims expense. The clinical expense reporting requirements are addressed at 45 § CFR 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	($1,040,040)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	($1,040,040)

Adjustment #11 – 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, risk corridor 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 MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenues	$22,575,115

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	$22,575,115

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

MYERS STAUFFER

August 24, 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 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 25, 2021.

Virginia Premier Health Plan Medallion 4.0
August 1, 2018 – June 30, 2019

	Adjustment	MCO's Response	
1.	To include directed payments in the MLR calculation.	Accept ✓	Disagree ______
2.	Agree annualized member months to State data.	Accept ✓	Disagree ______
3.	Reclassify behavioral health administrative services provided by Beacon to administrative expense.	Accept ✓	Disagree ______
4.	Reclassify radiology administrative services provided by NIA, Inc. to administrative expense.	Accept ✓	Disagree ______
5.	Reclassify nurseline and member education and outreach to Healthcare Quality Improvement (HCQI) expense.	Accept ✓	Disagree ______
6.	Reclassify Kaiser medical and RX claims expenses to administrative based on vendor certification.	Accept ✓	Disagree ______

7.	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 ___
8.	Reclassify Other COS - Acct. # 636528 to administrative expenses as expense was not related to claims costs.	Accept ✓	Disagree ___
9.	Reclassify capitated payments made to VSP, the vision vendor, in excess of claims expense reported by VSP from claims expense to administrative expense.	Accept ✓	Disagree ___
10.	Adjust Capitation Primary expenses to agree to verified allocation of claims costs.	Accept ✓	Disagree ___
11.	Adjust revenues to amounts confirmed by the Virginia Department of Medical Assistance Services.	Accept ✓	Disagree ___

Acknowledged by:
Virginia Premier Health Plan

Timothy E. Carpenter

Officer or other Authorized Person

8/25/11

Date