

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 virus. A large green cross is centered over the person's face. The text is positioned on the right side of the page, set against a dark grey diagonal background.

VIRGINIA PREMIER HEALTH
PLAN, INC.

Virginia Department of Medical
Assistance Services

Managed Care Organization (MCO)
Administrative Expenses

With Independent Accountant's Report Thereon

For the Calendar Year Ending December 31, 2020



**MYERS AND
STAUFFER**_{LC}
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

■ Table of Contents.....	1
■ Independent Accountant’s Report.....	2
■ Appendix A: Agreed Upon Procedures.....	3
■ Appendix B: Results.....	6
■ Appendix C: Underwriting Exhibit.....	9
■ Appendix D: Schedule of Adjustments and Comments.....	11



Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, VA

We have performed the procedures enumerated in Appendix A on the administrative expenses for Virginia Premier Health Plan, Inc. for the period of January 1, 2020 through December 31, 2020. We applied these procedures to assist you with respect to analyzing administrative expenses for Medicaid rate development. The above referenced Managed Care Organization (MCO)'s management is responsible for the accuracy and completeness of the financial information.

The Virginia Department of Medical Assistance Services (Department) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of analyzing administrative expenses for Medicaid rate development. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures are contained within Appendix A and our findings are contained in Appendices B through D. As agreed, materiality limits were applied as specified within the Agreed-Upon Procedures Program.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion on the MCO's administrative expenses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the MCO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Department, and is not intended to be, and should not be, used by anyone other than this specified party.

Myers and Stauffer LC
Glen Allen, VA
May 18, 2021



Appendix A: Agreed Upon Procedures

Preliminary Work

- 1) Conduct an entrance call with DMAS and Mercer, DMAS' actuary for MCO rate setting. Gain an understanding of information needed by Mercer for rate setting purposes. Determine if either DMAS or Mercer have initial concerns requiring special attention.
- 2) Send an initial request list to each MCO to include, but not limited to, a survey containing a questionnaire, Board of Directors minutes, organizational charts, working trial balance, adjusting journal entries, audited financial statements, reconciliation of the working trial balance and the quarterly reporting, support for the allocation of administrative expenses and net premium income to the Medicaid line of business and between each Medicaid product, cost allocation worksheet summarizing quarterly reporting information and MCO reported adjustments, schedule of related-party transactions, related-party agreements, narrative surrounding reinsurance reporting, etc.
- 3) Conduct an entrance call with appropriate MCO personnel to include (a) determination of MCO personnel who should be contacted during the course of our procedures for information, explanations, documents, etc., and (b) location and availability of the information requested.
- 4) Briefly document the entity's accounting procedures and internal control per MCO responses on the survey. Emphasis should be placed on the ability of the system(s) to generate reliable cost, revenue, and statistical information.
- 5) Read Board of Directors minutes from the beginning of the report period through the current date. Document matters impacting the scope of these procedures such as discussions related to administrative costs and non-allowable or non-recurring costs as described in Step 16. Obtain copies or excerpts of pertinent sections, and file in work papers. Cross-reference matters discussed in the minutes to the related work papers.
- 6) Obtain the audited financial statements including related footnotes. Document matters impacting the scope of these procedures such as the opinion, notes that may provide information regarding non-allowable or non-recurring costs as described in Step 16, and/or related parties.
- 7) Obtain the names of all related parties from the MCO. Inspect the organizational chart, the annual statement submitted to the Virginia Bureau of Insurance (annual statement), and audited financial statements for related parties not identified by the MCO.
- 8) Obtain the names of all delegated vendors from the MCO. Inspect the organizational chart, the annual statement, and audited financial statements for delegated vendors not identified by the MCO.
- 9) Consider whether any specific information has come to our attention concerning the existence of possible fraud or prohibited acts. Fraud risk factors for this procedure include: discrepancies in accounting records, conflicting or missing evidential matter, threatened financial stability or



profitability, and lack of an effective corporate compliance program. If fraud risk factors are identified, document those risk factors or conditions and our response to them.

Trial Balance Reconciliation

- 10) Reconcile total expenses and total administrative expenses per the adjusted trial balance as of December 31, 2020 to the annual statement for the year ended December 31, 2020 and the quarterly filing required by the Department.
- 11) Obtain the adjusted trial balance as of December 31, 2020. For a sample of 20 accounts, trace the account titles, account numbers, and ending balances for the administrative expenses per the adjusted trial balance to the general ledger for the year ended December 31, 2020.
- 12) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2020. Inspect the entries affecting administration expense accounts for propriety. Ensure postings of adjustments to the trial balance, if adjusting journal entries have not been posted to the general ledger at year end.

Administrative Expenses

- 13) Determine how the MCO allocated the administration expenses and net premium income among the various lines of business. Determine how the MCO allocated the administration expenses for the Medicaid line of business to Medallion 4.0, CCC Plus, and any other products included by the MCO in the Medicaid line of business. Determine if any trial balance accounts are allocated between administration and medical expenses.
 - a. Document this understanding through a narrative.
 - b. Document the MCO's support for these allocations.
 - c. Request supporting documentation for the elements of any allocation basis utilized by the MCO and ensure it agrees.
- 14) Document the cost allocation worksheet provided by the MCO in response to the request list. Trace the following elements to the support provided for allocations. Request additional support, as needed, if the self-reported amounts are not full account balances.
 - a. Self-Excluded Expenses
 - b. Healthcare Quality Improvement Expenses (HCQI)
 - c. Fraud Reduction and Recovery Expenses
 - d. Non-recurring expenses such as start-up costs
 - e. Care Coordination
 - f. COVID 19 Related Expenses
 - g. Allowable Member Incentives
- 15) Compare administrative and claims adjustment expenses per the quarterly filing for the year ended December 31, 2020 to the prior year and obtain explanations for any fluctuations greater than 10 percent and \$100,000. Determine and document whether the MCO's explanation is consistent with supporting documentation.



- 16) Scan administration expense accounts allocated to the Medicaid line of business for the below types of expenses. Select 15 to 20 accounts from this scan and from Step 14 and request the general ledger and a description of the account contents. If these documents are inconclusive as to the nature of the expense, request invoices for no more than five entries. Confer with the assigned senior manager/partner to select samples and document the reasoning.
- a. Non-allowable expenses as defined either by the MCO contract with DMAS or by CMS Publication 15. Examples of non-allowable expenses include: lobbying, contributions/donations, income tax, management fees for non-Virginia operations, and management fees for the sole purpose of securing an exclusive arrangement.
 - b. Non-recurring expenses such as start-up costs and expenses reimbursed separately from the MCO rate such as the health insurer fee.
 - c. HCQI Expenses
 - d. Fraud Reduction and Recovery Expenses
 - e. Non-recurring expenses such as start-up costs
 - f. Care Coordination
 - g. COVID 19 Related Expenses
 - h. Allowable Member Incentives
- 17) Agree the summary work paper of related-party transactions from the MCO from Step 7 to the trial balance. Obtain agreements or other supporting documentation for payments to or costs allocated from affiliates or parent companies and determine if exclusivity payments or special contractual arrangements are included. Ensure the regulations within CMS Publication 15-1, Chapter 10 have been applied.
- 18) Agree the summary work paper of delegated vendor transactions from the MCO from Step 8 to the trial balance. For vendors with sub-capitated arrangements and the Pharmacy Benefit Manager (PBM), obtain agreements and ensure that medical and administrative expenses were appropriately separated on the quarterly filing. For the PBM, collect information regarding where all costs (claims payments, ingredient cost, dispensing fees, rebates, sales tax, spread pricing, administrative payment, and other) are included on the trial balance and collect information regarding spread pricing, if applicable.
- 19) Prepare a narrative that summarizes the MCOs' methodology for reporting reinsurance premiums and reinsurance recoveries. Include both reinsurance amounts per the annual statement, as well as the allocation methodology to the Medicaid line of business. Agree amounts to the trial balance or document the trial balance account these amounts are included in.



Appendix B: Results

Source of Information

Our procedures were performed to determine allowable administrative expenses for the purpose of Medicaid rate development. Our procedures were not performed to determine whether such administrative expenses were properly reported for purposes of the Bureau of Insurance of the Commonwealth of Virginia.

We used the quarterly filing required by the Department (quarterly filing) and the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement), and audited financial statements for Virginia Premier Health Plan, Inc. (VPH) for the year ended December 31, 2020.

Prior to April 7, 2020, VPH was operated under their parent holding company, Virginia Commonwealth University Health System Authority (VCUHA), which was the sole member of VPH. Sentara Health Plans, Inc. (SHP) acquired 80% ownership of VPH effective April 7, 2020. VCUHA retained 20% ownership of VPH. VPH received administrative services from VCUHA and SHP throughout the year. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a trial balance for VCUHA, as well as a separate trial balance for SHP.

VPH has delegated certain functions to vendors. Elixir Rx Solutions, LLC provides pharmacy benefit management services. DentaQuest provides administration of the dental benefit. VSP Vision Care, Inc. provides administration of the vision benefit. Consumer Direct Care Network (CDCN) is the fiscal employer/agent for consumer directed services. National Imaging Associates Inc. (NIA) provides utilization management for high end radiology services. Beacon Health Strategies LLC provides behavioral health utilization management and care coordination services. Carenet Healthcare Services provides nurse triage services. OptumHealth Care Solutions, LLC and ProgenyHealth, LLC provide care management services.

Trial Balance Reconciliation

We obtained VPH's adjusted trial balance as of December 31, 2020, and agreed the account descriptions, account numbers and ending balances for a sample of 20 accounts to the general ledger for the year ended December 31, 2020. VPH used two different accounting systems throughout the year. The legacy VPH system, Lawson, was used for the first six months of the year and the SHP system, SmartStream, was used for the latter six months. We obtained an allocation schedule that combined both accounting systems. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the VPH adjusted trial balance as of December 31, 2020 of \$210,924,955 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$210,924,955. The administrative expenses including claims adjustment expenses per the VPH trial balance as of December 31, 2020 of



\$210,924,955 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$210,924,955.

Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the quarterly filing and Annual Statement consist of direct and indirect expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product. Indirect expenses are recorded at the VCUHSA and SHP level, and allocated to the appropriate entities and products. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$29,593,646 and \$147,895,094, respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$29,593,646 and \$147,895,094, respectively.

We compared total VPHP administrative and claim adjustment expenses reported on the quarterly filing by line item for the current year and prior year and obtained explanations for any line item with a change greater than \$100,000 and 10%. Total general administrative expenses, excluding investment expenses, for 2019 were \$192,629,027 compared to 2020 expenses of \$210,924,955. The increase of \$18,295,928, or 9.50%, is within the specified threshold.

We inspected the accounts and expense categories included in VPHP's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct expense. Based on this inspection, we determined that \$109,690 in interest payments for late claims, \$58,684 in contribution expenses, \$75,675 in bad debt expenses, and \$20,542 in corporate employee events, meals and entertainment identified by VPHP as non-allowable should be excluded from the Underwriting Exhibit at Appendix C. In the year ending December 31, 2018, VPHP identified \$964,500 in start-up costs related to Medicaid expansion. These expenses have been amortized over a five year period beginning January 1, 2019, as this is the effective date for Medicaid expansion. Year two amortization expenses of \$192,900 have been added to the Underwriting Exhibit at Appendix C. However, this expense will be excluded for rate setting.

VCUHSA provided VPHP with administrative services during the beginning part of 2020 and throughout the transition of services to SHP. The Administrative Services Agreement (ASA) by and between VPHP and VCUHSA effective January 2002 allows for compensation based on annual expenses. The ASA agreement was amended on May 1, 2020 to establish the transfer service agreement with SHP. SHP provides VPHP with administrative services. The Administrative Services Agreement between VPHP and SHP effective April 30, 2020 allows for an allocation of actual costs. A schedule documenting payments made to VCUHSA and SHP was provided to agree to amounts included with VPHP administrative expenses. Payments made to VCUHSA and SHP were \$1,420,727 and \$129,525,881, respectively.

A schedule documenting allocated costs from VCUHSA was provided to agree to amounts included with VPHP administrative expenses. The incurred costs were found to be allowable and appropriately allocated. A schedule documenting the six months of allocated costs from SHP was provided to agree to amounts included with VPHP administrative expenses. SHP allocates 4.87% of non IT costs to VPHP



based upon FTEs and directly allocates \$527,000 of IT costs to VPHP which represents 0.2% of SHP IT costs. We judgmentally selected corporate rollup cost categories for further inspection. Based on this inspection, no expenses requiring exclusion were identified.

OptumHealth Care Solutions, LLC and ProgenyHealth, LLC expenses are appropriately recorded to an administrative account as these vendors provide care management services. Elixir Rx Solutions, LLC, DentaQuest and CDCN provide pharmacy benefit management services, administration of the dental benefit, and fiscal employer/agent services for consumer directed services, respectively. The related expenses for these vendors was recorded to medical on the trial balance for the first six months of the year and was appropriately split between administrative and medical on the trial balance for the final six months of the year. The administrative fee reclassifications of \$2,321,971, \$970,302, and \$2,677,540 for these vendors, respectively, were calculated by applying the administrative ratio of costs for each vendor for the final 6 months of the year to the total expenses for each vendor for the first 6 months. VSP Vision Care, Inc. provides administration of the vision benefit. The related expenses for this vendor was recorded to medical on the trial balance, in full. The administrative fee reclassification of \$719,406 for VSP Vision Care, Inc. was calculated using percentages from the 2018 Medical Loss Ratio (MLR) examination. NIA, Beacon Health Strategies LLC, and Carenet Healthcare Services provide utilization management for high end radiology services, behavioral health utilization management and care coordination services, and nurse triage services, respectively. The related expenses for these vendors for the first six months of the year was recorded to medical expenses, in full. As these vendors provide utilization management and Healthcare Quality Improvement services, the related expenses for the first six months of the year were reclassified to administrative expenses. The administrative expense reclassified for the above vendors was \$1,011,028.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are calculated by VPHP through review and analysis of the departments containing HCQI expenses. Departments containing HCQI expense are analyzed to determine the amount of cost associated with HCQI and the percentage of that cost associated with each of the five categories (Improve Health Outcomes, Wellness and Health Promotion, Prevent Hospital Readmission and Improve Patient Safety/Reduce Medical Errors and Health Information Technology). This expense is allocated to Medicaid using the same allocation basis for each department utilized for total department costs. Total HCQI expense allocated to Medicaid in 2020 is \$46,151,962. This amount included \$35,075,491 related to care coordination.

Reinsurance

Reinsurance expense of \$105,730,038 was agreed to the trial balance and annual statement. Reinsurance recoveries of \$7,607,712 was agreed to the trial balance and annual statement. Expenses have been included in Total Revenues on the quarterly filing while recoveries were netted against Medical Expenses.



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2020					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Administrative Expense					
Claims Adjustment Expenses	\$ 9,175,226	\$ 5,807,085	\$ 12,729,018	\$ 1,882,318	\$ 29,593,647
General Administrative Expenses	\$ 37,899,614	\$ 23,987,015	\$ 74,928,350	\$ 11,080,116	\$ 147,895,095
Total Administrative Expenses	\$ 47,074,840	\$ 29,794,100	\$ 87,657,368	\$ 12,962,434	\$ 177,488,742
Less: Self-Reported Excludable Expenses *	\$ (897,334)	\$ (567,931)	\$ (1,920,976)	\$ (284,066)	\$ (3,670,307)
Reported Administrative Expenses	\$ 46,177,506	\$ 29,226,169	\$ 85,736,392	\$ 12,678,368	\$ 173,818,435
Adjustment 1: Reclassify care coordination vendors, Beacon, Carenet, and NIA, included in medical expenses	\$ 484,428	\$ 306,599	\$ 191,659	\$ 28,342	\$ 1,011,028
Adjustment 2: Reclassify the administrative portion of CDCN expenses, included in medical expenses	\$ 7,203	\$ 4,559	\$ 2,322,357	\$ 343,421	\$ 2,677,540
Adjustment 3: Reclassify the administrative portion of DentaQuest expenses, included in medical expenses	\$ 192,711	\$ 121,968	\$ 571,162	\$ 84,461	\$ 970,302
Adjustment 4: Reclassify the administrative portion of Elixir Rx expenses, included in medical expenses	\$ 749,783	\$ 474,545	\$ 956,238	\$ 141,405	\$ 2,321,971
Adjustment 5: Reclassify the administrative portion of VSP Vision expenses, included in medical expenses	\$ 440,567	\$ 278,839	\$ -	\$ -	\$ 719,406
Adjustment 6: Remove interest payments for late claims	\$ (20,854)	\$ (13,199)	\$ (65,893)	\$ (9,744)	\$ (109,690)
Adjustment 7: Remove contributions	\$ (11,820)	\$ (7,481)	\$ (34,309)	\$ (5,074)	\$ (58,684)
Adjustment 8: Remove bad debt	\$ (21,276)	\$ (13,466)	\$ (35,660)	\$ (5,273)	\$ (75,675)
Adjustment 9: Remove corporate employee events, meals and entertainment identified as non-allowable	\$ (4,232)	\$ (2,678)	\$ (11,876)	\$ (1,756)	\$ (20,542)



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2020					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Adjustment 10: Include Expansion amortization	\$ -	\$ 139,726	\$ -	\$ 53,174	\$ 192,900
Total Adjusted Administrative Expenses	\$ 47,994,016	\$ 30,515,581	\$ 89,630,070	\$ 13,307,324	\$ 181,446,991
Net Premium Income	\$ 565,768,722	\$ 358,080,241	\$ 921,529,524	\$ 136,272,238	\$ 1,981,650,725
Percentage of Adjusted Administration Expenses to Net Premium Income	8.48%	8.52%	9.73%	9.77%	9.16%
Separately Identified Expenses included in Adjusted Administrative Expenses					
Healthcare Quality Improvement Expenses (HCQI)	\$ 13,111,511	\$ 8,282,579	\$ 21,852,199	\$ 2,905,673	\$ 46,151,962
Fraud Reduction and Recovery Expenses	\$ 652,496	\$ 417,169	\$ 1,026,540	\$ 153,391	\$ 2,249,596
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Care Coordination expenses as defined within the MCO contract	\$ 9,138,053	\$ 5,784,937	\$ 16,988,065	\$ 3,164,436	\$ 35,075,491
COVID 19 Related Expenses: Non Recurring	\$ 7,368	\$ 4,711	\$ 11,590	\$ 1,732	\$ 25,402
COVID 19 Related Expenses: Long Term program changes as a result of the pandemic	\$ -	\$ -	\$ -	\$ -	\$ -
Allowable Member Incentives	\$ -	\$ -	\$ -	\$ -	\$ -

* Medicaid expenses excluded by the MCO include related party transfer pricing to agree administrative expense to cost.



Appendix D: Schedule of Adjustments and Comments

During our procedures we noted certain matters involving costs, that in our determination did not meet the definitions of allowable administrative expenses and other operational matters that are presented for your consideration.

Adjustment #1 – Reclassify care coordination vendors, Beacon, Carenet, and NIA, included in medical expenses.

VPHP booked a portion of the expenses related to NIA, Beacon Health Strategies LLC, and Carenet Healthcare Services to medical expenses. As these vendors provide utilization management for high end radiology services, behavioral health utilization management and care coordination services, and nurse triage services, these vendors were determined to be fully administrative in nature. The portion of expenses related to these vendors that were booked to medical expenses was reclassified to administrative expenses. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$484,428	\$306,599	\$191,659	\$28,342	\$1,011,028

Adjustment #2 – Reclassify the administrative portion of CDCN expenses, included in medical expenses.

VPHP booked the first six months of expenses related to CDCN to medical expenses, in full. This vendor provides fiscal employer/agent services for consumer directed services. The reclassification of \$2,677,540 was calculated by applying the administrative ratio of costs for CDCN for the final 6 months of the year to the total expenses for CDCN for the first 6 months. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$7,203	\$4,559	\$2,322,357	\$343,421	\$2,677,540



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #3 – Reclassify the administrative portion of DentaQuest expenses, included in medical expenses.

VPHP booked the first six months of expenses related to DentaQuest to medical expenses, in full. This vendor provides administration of the vision benefit. The reclassification of \$970,302 was calculated by applying the administrative ratio of costs for DentaQuest for the final 6 months of the year to the total expenses for DentaQuest for the first 6 months. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$192,711	\$121,968	\$571,162	\$84,461	\$970,302

Adjustment #4 – Reclassify the administrative portion of Elixir Rx expenses, included in medical expenses.

VPHP booked the first six months of expenses related to Elixir Rx Solutions, LLC to medical expenses, in full. This vendor provides pharmacy benefit management services. The reclassification of \$2,321,971 was calculated by applying the administrative ratio of costs for Elixir Rx Solutions, LLC for the final 6 months of the year to the total expenses for Elixir Rx Solutions, LLC for the first 6 months. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$749,783	\$474,545	\$956,238	\$141,405	\$2,321,971

Adjustment #5 – Reclassify the administrative portion of VSP Vision expenses, included in medical expenses.

VPHP booked the expenses related to VSP Vision Care, Inc. to medical expenses, in full. VPHP did not provide support to separate out the administrative component of these expenses. The reclassification amount of \$719,406 was calculated using the verified administrative ratio for VSP Vision Care, Inc. from the 2018 MLR examination. (45 CFR § 158.140(b)(3))



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$440,567	\$278,839	\$-	\$-	\$719,406

Adjustment #6 – Remove interest payments for late claims.

During inspection of the general ledger detail for VPHP, allocated expenses related to Account 673120/68540, Interest Expense, we found this account contained non-allowable interest expense related to late claims payments. An adjustment was made to remove this expense. (45 CFR § 75.441)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$20,854)	(\$13,199)	(\$65,893)	(\$9,744)	(\$109,690)

Adjustment #7 – Remove contributions.

During inspection of the general ledger detail for VPHP, allocated expenses related to Account 801120/67860, Charitable Contributions Comm Serv, we found this account contained non-allowable contribution and donation expense. An adjustment was made to remove this expense. (45 CFR § 75.434)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$11,820)	(\$7,481)	(\$34,309)	(\$5,074)	(\$58,684)

Adjustment #8 – Remove bad debt.

During inspection of the general ledger detail for VPHP, allocated expenses related to Account 410100/68610, Bad Debt Expense, we found this account contained non-allowable bad debt expense. An adjustment was made to remove this expense. (45 CFR § 75.426)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$21,276)	(\$13,466)	(\$35,660)	(\$5,273)	(\$75,675)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #9 – Remove corporate employee events, meals and entertainment identified as non-allowable.

During inspection of the general ledger detail for VPHP, allocated expenses related to Account 67633, Employee Special Events and 67631, Meal and Entertainment, VPHP identified that this account contained non-allowable entertainment and meals expense. An adjustment was made to remove this expense. (45 CFR § 75.423 & 45 CFR § 75.438)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$4,232)	(\$2,678)	(\$11,876)	(\$1,756)	(\$20,542)

Adjustment #10 – Include Expansion amortization.

VPHP had identified start-up costs related to the Medicaid expansion program in the year ending December 31, 2018. These expenses were removed in the year identified to be amortized over a period of five years beginning January 1, 2019 which was the effective date for Medicaid expansion. (CMS Pub. 15-1: §2132 – Start-Up Costs)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$-	\$139,726	\$-	\$53,174	\$192,900