

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 particle. A large green cross is centered over the person's face.

Optima Health Plan
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 July 1, 2020 through
June 30, 2021



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

■ Table of Contents	1
■ Independent Accountant’s Report	2
■ Adjusted Medical Loss Ratio for the Period Ending June 30, 2021	4
• Non-Expansion	4
• Expansion	5
■ Adjusted Underwriting Gain for the Period Ending June 30, 2021	6
• Non-Expansion	6
■ Schedule of Adjustments and Comments for the Period Ending June 30, 2021	7

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 Optima Health Plan (Optima) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of July 1, 2020 through June 30, 2021. Optima'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 July 1, 2020 through June 30, 2021. Related to non-expansion, 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%). In accordance with contractual obligations, an Underwriting Gain remittance amount is due to the Department of Medical Assistance Services. Related to expansion, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Underwriting Gain is not applicable per contractual requirements.



This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Optima 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
June 14, 2023



Adjusted Medical Loss Ratio for the Period Ending June 30, 2021

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$849,977,385	(\$263,806)	\$849,713,579
1.2	Improving health care quality expenses	\$23,262,494	(\$3,659,322)	\$19,603,172
1.3	Total Adjusted MLR Numerator	\$873,239,879	(\$3,923,128)	\$869,316,751
Medical Loss Ratio Denominator				
2.1	Revenue	\$985,850,496	(\$8,461,096)	\$977,389,400
2.2	Federal and State taxes and licensing or regulatory fees	\$3,696,790	(\$1,123,742)	\$2,573,048
2.3	Total Adjusted MLR Denominator	\$982,153,706	(\$7,337,354)	\$974,816,352
Credibility Adjustment				
3.1	Member Months to determine credibility	438,290	0	438,290
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	88.9%		89.2%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	88.9%		89.2%
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	88.9%		89.2%
5.4	MLR denominator	\$982,153,706		\$974,816,352
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$165,989,565	\$120,341	\$166,109,906
1.2	Improving health care quality expenses	\$4,176,624	\$0	\$4,176,624
1.3	Total Adjusted MLR Numerator	\$170,166,189	\$120,341	\$170,286,530
Medical Loss Ratio Denominator				
2.1	Revenue	\$185,160,985	\$4,745,269	\$189,906,254
2.2	Federal and State taxes and licensing or regulatory fees	\$705,485	(\$373,810)	\$331,675
2.3	Total Adjusted MLR Denominator	\$184,455,500	\$5,119,079	\$189,574,579
Credibility Adjustment				
3.1	Member Months to determine credibility	83,642	0	83,642
3.2	Credibility adjustment	2.2%		2.2%
MLR Calculation				
4.1	Unadjusted MLR	92.3%		89.8%
4.2	Credibility adjustment	2.2%		2.2%
4.3	Adjusted MLR	94.5%		92.0%
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	94.5%		92.0%
5.4	MLR denominator	\$184,455,500		\$189,574,579
5.5	Remittance amount due to State for Coverage Year	N/A		N/A



Adjusted Underwriting Gain for the Period Ending June 30, 2021

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$985,850,496	(\$10,696,209)	\$975,154,287
1.2	Federal and State taxes and licensing or regulatory fees	\$3,696,790	(\$3,358,855)	\$337,935
1.3	Total Adjusted Underwriting Gain Denominator	\$982,153,706	(\$7,337,354)	\$974,816,352
Medical Expenses				
2.1	Claims	\$849,977,385	(\$263,806)	\$849,713,579
2.2	Improving health care quality expenses	\$23,262,494	(\$3,659,322)	\$19,603,172
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$873,239,879	(\$3,923,128)	\$869,316,751
Non-Claims Costs				
3.1	Administrative Expenses	\$43,018,864	\$3,302,863	\$46,321,727
3.2	Less: Unallowable Expenses	(\$2,944,497)	(\$503,355)	(\$3,447,852)
3.3	Allowable Administrative Expenses	\$40,074,367	\$2,799,508	\$42,873,875
Underwriting Gain				
4.1	Underwriting Gain \$	\$68,839,460		\$62,625,726
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$68,839,460		\$62,625,726
4.3	Underwriting Gain %	7.0%		6.4%
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	2.0%		1.7%
5.4	Amount to Remit	\$19,687,424		\$16,690,618



Schedule of Adjustments and Comments for the Period Ending June 30, 2021

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.

Non-Expansion 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, patient payments, Health Insurer Fee (HIF) payments, Rx reinsurance recoupments, maternity kick payments, clinical efficacy payments, discrete incentive payments, and performance withhold program 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	Revenue	(\$8,461,096)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$8,461,096)

Non-Expansion Adjustment #2 – To adjust Health Insurer Fee (HIF) expense to agree with state data.

The health plan reported HIF expense utilizing trial balance information. An adjustment was proposed to report the appropriate amount of the HIF related to the period utilizing the state revenue data, as the health plan is a tax exempt 501(c)(3) organization. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	(\$1,123,742)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	(\$1,123,742)

Non-Expansion Adjustment #3 – To adjust to remove HIF expense and revenue included in the Underwriting Gain calculation.

The health plan has included HIF expense in taxes and licensing or regulatory fees and HIF revenue in revenues. HIF expense and revenue has been removed from the Underwriting Gain Calculation per the CCC Plus MCO Contract, Section 19.8.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$2,235,113)
1.2	Federal and State taxes and licensing or regulatory fees	(\$2,235,113)

Non-Expansion Adjustment #4 – To adjust to reclassify non-allowable Healthcare Quality Improvement (HCQI) expenses.

The health plan reported HCQI expenses based on an analysis of cost centers determined to relate in whole or in part to HCQI. These costs centers were allocated to HCQI based on employee full time equivalent reports and job duties. The total cost allocated for HCQI included two types of costs, direct costs and indirect costs. Additionally, several of the job titles and duties included in HCQI allocation of costs did not meet the definitions of HCQI for MLR reporting purposes. These expenses have been reclassified from HCQI to administrative expenses through this adjustment. 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	(\$3,659,322)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	(\$3,659,322)
3.1	Administrative Expenses	\$3,659,322



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Non-Expansion Adjustment #5 – To adjust administrative expense to apply adjustments identified during the 2020 and 2021 administrative cost procedures.

Procedures are applied to administrative costs through a separate engagement. The health plan included contributions/donations, lobbying expenses, late fees and penalties, interest on paid claims, and bad debt, which are not considered allowable administrative expenses. Administrative cost principles are addressed in 45 CFR § 75.420 through 75.475.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	(\$503,355)

Non-Expansion Adjustment #6 – To adjust claims Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR as of March 2023.

The reported IBNR of \$2,562,615 was adjusted to agree to the March 2023 lag table. We have made an adjustment for the difference of \$438,483 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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$438,483)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$438,483)

Non-Expansion Adjustment #7 – To adjust to include fraud reduction expense, up to the amount of recoveries.

The health plan reported fraud recoveries on the as-filed template, however, did not report fraud reduction expense. Due to the fraud reduction expense not being reported, the fraud recoveries were not included in the as-filed numerator. An adjustment was proposed to include the amount of fraud reduction expenses, limited by their fraud recoveries amounts, in claims expense to offset the amounts previously reported in their claims totals in the MLR calculation. The fraud reduction expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(iii)(B).



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$174,677

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$174,677

Non-Expansion Adjustment #8 – To adjust to administrative expense to agree to supporting documentation.

The health plan reported administrative expenses at \$43,018,864. Based on supporting documentation received, administrative expenses were determined to be \$42,662,405. The expenses were adjusted to agree to the provided supporting documentation. Administrative cost principles are addressed in 45 CFR § 75.420 through 75.475.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	(\$356,459)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Expansion Adjustment #1 – To adjust directed payments included in claims to agree with state data.

The health plan properly included directed payments in the numerator and the denominator of the MLR calculation. The associated revenues and expenses were adjusted to agree with 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	\$1,457,597
2.1	Revenue	\$1,457,597

Expansion 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, patient payments, HIF payments, Rx reinsurance recoupments, maternity kick payments, clinical efficacy payments, risk corridor recoupments, and performance withhold program 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
1.1	Revenue	\$3,287,672

Expansion Adjustment #3 – To adjust HIF expense to agree with state data.

The health plan reported HIF expense utilizing trial balance information. An adjustment was proposed to report the appropriate amount of the HIF related to the period utilizing the state revenue data, as the health plan is a tax exempt 501(c)(3) organization. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	(\$373,810)



Expansion Adjustment #4 – To adjust to reclassify capitated payments made to Southeastrans, the transportation vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for transportation services arranged by Southeastrans. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Southeastrans. Since these claims were incurred for members of the Virginia Medicaid program, expense was adjusted to actual claims cost utilizing supporting documentation.

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	(\$1,337,256)