



Molina Healthcare of Virginia, LLC
Virginia Medicaid
Managed Care Programs

Adjusted Medical Loss Ratio and Adjusted Underwriting Gain

With Independent Accountant's Report Theron

For the State Fiscal Year Ended June 30, 2023

Paid Through March 31, 2024

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Independent Accountant's Report

Commonwealth of Virginia
Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain of Molina Healthcare of Virginia, LLC (Molina) for the State Fiscal year ended June 30, 2023. The health plan's management is responsible for presenting the Medical Loss Ratio in accordance with the criteria set forth in 42 Code of Federal Regulations (CFR) § 438.8 and other applicable federal guidance (federal criteria). They are also responsible for presenting the Underwriting Gain in accordance with this federal criteria as well as the managed care contract (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain 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 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. 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, 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 were prepared from information contained in the Medical Loss Ratio and Underwriting Gain 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 Adjusted Medical Loss Ratio and Adjusted Underwriting Gain are presented in accordance with the criteria, in all material respects, for the State Fiscal year ended June 30, 2023. Related to non-expansion, the Adjusted Medical Loss Ratio exceeds the state requirement of [85] percent and the Adjusted Underwriting Gain exceeds the state maximum requirement of [3] percent. Related to expansion, the Adjusted Medical Loss Ratio exceeds the state requirement of [85] percent and the Underwriting Gain is not applicable.

This report is intended solely for the information and use of the Department of Medical Assistance Services and the health plan 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 30, 2025

Molina Healthcare of Virginia, LLC

Adjusted Medical Loss Ratio

Non-Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	Medical Loss Ratio Numerator	-	-	-
1.1	Incurred Claims	\$681,141,945	\$2,798,453	\$683,940,398
1.2	Activities that Improve Health Care Quality	\$17,556,551	\$0	\$17,556,551
1.3	MLR Numerator	\$698,698,496	\$2,798,453	\$701,496,949
2	Medical Loss Ratio Denominator	-	-	-
2.1	Premium Revenue	\$804,962,900	\$2,349,490	\$807,312,390
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$16,995,971	-\$3,816,923	\$13,179,048
2.3	MLR Denominator	\$787,966,929	\$6,166,413	\$794,133,342
3	MLR Calculation	-	-	-
3.1	Member Months	904,857	0	904,857
3.2	Unadjusted MLR	88.7%	-0.4%	88.3%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	88.7%	-0.4%	88.3%
4	Remittance	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	\$0	\$0	\$0

Molina Healthcare of Virginia, LLC

Adjusted Medical Loss Ratio

Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	Medical Loss Ratio Numerator	-	-	-
1.1	Incurred Claims	\$514,514,491	-\$870,590	\$513,643,901
1.2	Activities that Improve Health Care Quality	\$10,825,707	\$0	\$10,825,707
1.3	MLR Numerator	\$525,340,198	-\$870,590	\$524,469,608
2	Medical Loss Ratio Denominator	-	-	-
2.1	Premium Revenue	\$568,285,102	\$3,511,562	\$571,796,664
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$3,503,731	\$0	\$3,503,731
2.3	MLR Denominator	\$564,781,370	\$3,511,562	\$568,292,932
3	MLR Calculation	-	-	-
3.1	Member Months	728,932	0	728,932
3.2	Unadjusted MLR	93.0%	-0.7%	92.3%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	93.0%	-0.7%	92.3%
4	Remittance	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	\$0	\$0	\$0

Molina Healthcare of Virginia, LLC

Adjusted Underwriting Gain

Non-Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	Medical Loss Ratio Denominator	-	-	-
1.1	Premium Revenue	\$804,962,900	\$2,349,490	\$807,312,390
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$16,995,971	-\$3,816,923	\$13,179,048
1.3	Underwriting Gain Denominator	\$787,966,929	\$6,166,413	\$794,133,342
2	Medical Loss Ratio Numerator	-	-	-
2.1	Incurred Claims	\$681,141,945	\$2,798,453	\$683,940,398
2.2	Activities that Improve Health Care Quality	\$17,556,551	\$0	\$17,556,551
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$698,698,496	\$2,798,453	\$701,496,949
3	Non Claims Cost	-	-	-
3.1	Administrative Expenses	\$43,339,644	\$382,615	\$43,722,259
3.2	Less: Unallowable Expenses	-\$784,376	\$0	-\$784,376
3.3	Allowable Administrative Expenses	\$42,555,268	\$382,615	\$42,937,883
4	Underwriting Gain	-	-	-
4.1	Underwriting Gain \$	\$46,713,165	\$2,985,345	\$49,698,510
4.2	Less: Remittance Amount Due to State for Coverage Year	\$0	\$0	\$0
4.3	Adjusted Underwriting Gain \$	\$46,713,165	\$2,985,345	\$49,698,510
4.4	Underwriting Gain %	5.9%	0.4%	6.3%
5	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	1.5%	0.1%	1.6%
5.4	Amount to Remit	\$11,537,079	\$1,400,176	\$12,937,255

Schedule of Adjustments

During the course of the engagement, we identified the following adjustment(s).

Non-Expansion Adjustment #1 – To adjust state directed payment revenue and associated expense per state data.

The health plan properly included the revenue and expense associated with state directed payments in the Medical Loss Ratio and Underwriting Gain. The associated revenues and expenses were adjusted to agree with state data. The state directed payment and associated expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2), 438.8(f)(2), and 438.6(c).

Table 1. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	\$2,142,331
Adjusted Medical Loss Ratio	2.1	Premium Revenue	\$2,142,331
Adjusted Underwriting Gain	2.1	Incurred Claims	\$2,142,331
Adjusted Underwriting Gain	1.1	Premium Revenue	\$2,142,331

Non-Expansion Adjustment #2 – To adjust to remove reinsurance recoveries reported as a credit to incurred claims.

The health plan included reinsurance recoveries as a credit to incurred claims. Reinsurance is not mandated by the Virginia Medicaid managed care contract. An adjustment was proposed to remove reinsurance recoveries reported. The reinsurance reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(iv).

Table 2. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	\$656,122
Adjusted Underwriting gain	2.1	Incurred Claims	\$656,122

Non-Expansion Adjustment #3 – To adjust to 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, pharmacy reinsurance recoupments, performance withhold program payments, clinical efficacy payments, and

discrete incentive payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 3. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	\$207,159
Adjusted Underwriting gain	1.1	Incurred Claims	\$207,159

Non-Expansion Adjustment #4 – To adjust income tax expense per recalculation to audited financial statements.

The plan reported federal income taxes calculated based on net income of the Virginia Medicaid population reflected on the MLR reporting statement rather than according to the audited financial statements. The calculation did not appear to appropriately reflect the tax allocation and actual tax expense for the reporting period. A recalculation was performed utilizing the audited financial statements and the NAIC annual statement to determine the amount of taxes applicable to the MLR reporting period and appropriate population allocation. The recalculation removed taxes for investment income and factored in the change in deferred tax assets noted in the audited financial statements. An adjustment was proposed to the recalculated tax amount. The qualifying taxes reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Centers for Medicare and Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Table 4. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-\$5,180,561
Adjusted Underwriting gain	1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-\$5,180,561

Non-Expansion Adjustment #5 – To adjust administrative expense to apply adjustments identified during the 2022 and 2023 administrative cost procedures.

Adjustments are applied to administrative costs through a separate engagement. The health plan failed to remove start-up costs related to Medicaid programs and initiatives and include the related amortization. The split of administrative expenses between Non-Expansion and Expansion also appears to be inaccurate. An adjustment was proposed to apply these adjustments. Administrative cost principles are addressed in 45 CFR §§ 75.420 through 75.477 and CMS Publication 15-1, Chapters 10 and 21.

Table 5. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Underwriting gain	3.1	Administrative Expense	\$382,615

Expansion Adjustment #1 – To adjust state directed payments and the associated expense per state data.

The health plan properly included the revenue and expense associated with state directed payments in the Medical Loss Ratio and Underwriting Gain. The associated revenues and expenses were adjusted to agree with state data. The state directed payment and associated expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2), 438.8(f)(2), and 438.6(c).

Table 6. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-\$870,590
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-\$870,590

Expansion Adjustment #2 – To adjust to 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, pharmacy reinsurance recoupments, performance withhold program payments, clinical efficacy payments, discrete incentive payments, and risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 7. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	\$4,382,152