

**MAGELLAN COMPLETE CARE OF VIRGINIA**  
**Report on Adjusted Medical Loss Ratio and Adjusted**  
**Underwriting Gain Rebate Calculations for Commonwealth**  
**Coordinated Care Plus**  
**(With Independent Accountant's Report Thereon)**

**Virginia Department of Medical Assistance Services**  
**Richmond, Virginia**

**For the period of January 1, 2018**  
**through December 31, 2018**

**Prepared by:**





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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 (Magellan) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2018 through December 31, 2018. Magellan's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in CCC Plus contract and Centers for Medicare & Medicaid Services (CMS) federal guidance 42 CFR 438.8. 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 were prepared for the purpose of complying with the criteria, and are 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 of Magellan are presented in accordance with the above referenced criteria, in all material respects, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%), and the Adjusted Underwriting Gain Percentage Achieved is less than the maximum requirement of three percent (3%) for the period of January 1, 2018 through December 31, 2018.

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  
Glen Allen, VA  
August 17, 2020



**MAGELLAN COMPLETE CARE OF VIRGINIA**  
**ADJUSTED MEDICAL LOSS RATIO**

*Adjusted Medical Loss Ratio for the Calendar Year Ending December 31, 2018*

<b>Adjusted Medical Loss Ratio for the Calendar Year Ending December 31, 2018</b>				
<b>Line #</b>	<b>Revenue or Expense</b>	<b>Reported Amounts</b>	<b>Adjustment Amounts</b>	<b>Adjusted Amounts</b>
<b>Medical Loss Ratio Numerator</b>				
1.1	Claims	\$ 443,906,806	\$ (7,563,800)	\$ 436,343,006
1.2	Improving health care quality expenses	\$ 14,947,192	\$ -	\$ 14,947,192
1.3	<b>Total Adjusted MLR Numerator</b>	<b>\$ 458,853,998</b>	<b>\$ (7,563,800)</b>	<b>\$ 451,290,198</b>
<b>Medical Loss Ratio Denominator</b>				
2.1	Revenue	\$ 447,783,266	\$ -	\$ 447,783,266
2.2	Federal and State taxes and licensing or regulatory fees	\$ 335,460	\$ -	\$ 335,460
2.3	<b>Total Adjusted MLR Denominator</b>	<b>\$ 447,447,806</b>	<b>\$ -</b>	<b>\$ 447,447,806</b>
<b>Credibility Adjustment</b>				
3.1	Member Months to determine credibility	268,384	-	268,384
3.2	Credibility adjustment	1.3%	0.0%	1.3%
<b>MLR Calculation</b>				
4.1	Unadjusted MLR	102.5%	-1.7%	100.9%
4.2	Credibility adjustment	1.3%	0.0%	1.3%
4.3	<b>Adjusted MLR</b>	<b>103.8%</b>	<b>-1.7%</b>	<b>102.2%</b>
<b>Remittance Calculation</b>				
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	103.8%	-1.7%	102.2%
5.4	MLR denominator	\$ 447,447,806	\$ -	\$ 447,447,806
5.5	<b>Remittance amount due to State for Coverage Year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>



**MAGELLAN COMPLETE CARE OF VIRGINIA  
ADJUSTED UNDERWRITING GAIN**

*Adjusted Underwriting Gain for the Calendar Year Ending December 31, 2018*

<b>Adjusted Underwriting Gain for the Calendar Year Ending December 31, 2018</b>				
<b>Line #</b>	<b>Revenue or Expense</b>	<b>Reported Amounts</b>	<b>Adjustment Amounts</b>	<b>Adjusted Amounts</b>
<b>Medical Loss Ratio Denominator</b>				
1.1	Revenue	\$ 447,783,266	\$ -	\$ 447,783,266
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$ -	\$ -	\$ -
1.3	Federal and State taxes and licensing or regulatory fees	\$ 335,460	\$ -	\$ 335,460
1.4	<b>Total Adjusted Underwriting Gain Denominator</b>	<b>\$ 447,447,806</b>	<b>\$ -</b>	<b>\$ 447,447,806</b>
<b>Medical Expenses</b>				
2.1	Claims	\$ 443,861,292	\$ (7,563,800)	\$ 436,297,492
2.2	Improving health care quality expenses	\$ 14,947,192	\$ -	\$ 14,947,192
2.3	<b>Total Adjusted Underwriting Gain Claims Expenses</b>	<b>\$ 458,808,484</b>	<b>\$ (7,563,800)</b>	<b>\$ 451,244,684</b>
<b>Non-Claims Costs</b>				
3.1	Administrative Expenses	\$ 29,907,549	\$ 1,896,252	\$ 31,803,801
3.2	Less: Unallowable Expenses	\$ 2,153,456	\$ -	\$ 2,153,456
3.3	<b>Allowable Administrative Expenses</b>	<b>\$ 32,061,005</b>	<b>\$ 1,896,252</b>	<b>\$ 33,957,257</b>
<b>Underwriting Gain</b>				
4.1	Underwriting Gain \$	\$ (43,421,683)	\$ 5,667,548	\$ (37,754,135)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$ -	\$ -	\$ -
4.2	Adjusted Underwriting Gain \$	\$ (43,421,683)	\$ 5,667,548	\$ (37,754,135)
4.3	<b>Underwriting Gain %</b>	<b>-9.7%</b>	<b>1.3%</b>	<b>-8.4%</b>
<b>Underwriting Gain Remittance Calculation</b>				
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	N/A
5.4	<b>Amount to Remit</b>	<b>N/A</b>	<b>N/A</b>	<b>N/A</b>



## *Schedule of Adjustments and Comments for the Calendar Year Ending December 31, 2018*

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 reclassify capitated payments made to Veyo, the non-emergent transportation vendor, in excess of claims expense reported by Veyo from claims expense to administrative expense.**

The claims expense reported related to Magellan’s non-emergent transportation vendor, Veyo, was included at the capitated rate. Per information received from Veyo, incurred claims were \$1,896,252 less than capitation payments received from Magellan. We have made an adjustment to reclassify this amount from Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1 to Underwriting Gain line 3.1.

#### **Proposed Medical Loss Ratio Adjustment:**

<b>Line #</b>	<b>Line Description</b>	<b>Amount</b>
1.1	Claims	(\$1,896,252)

#### **Proposed Underwriting Gain Adjustment:**

<b>Line #</b>	<b>Line Description</b>	<b>Amount</b>
2.1	Claims	(\$1,896,252)
3.1	Administrative Expenses	\$1,896,252

### **Adjustment #2 – To adjust Incurred But Not Received (IBNR) at the time of the MLR filing to IBNR estimated as of June 30, 2020.**

The reported IBNR of \$6,562,372 was estimated at the time of the MLR filing. This estimate was updated to IBNR of \$894,824 as certain provider settlements were not necessary and claims recoveries were larger than expected. We have made an adjustment for the difference of \$5,667,548 to Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1.

#### **Proposed Adjustment:**

<b>Line #</b>	<b>Line Description</b>	<b>Amount</b>
1.1	Claims	(\$5,667,548)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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### Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$5,667,548)



## **SCHEDULE OF ADJUSTMENTS AND COMMENTS**

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The Virginia Department of Medical Assistance Services had no comments.





**MYERS AND STAUFFER** LC  
 CERTIFIED PUBLIC ACCOUNTANTS

August 28, 2020

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 CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2018 through December 31, 2018. Also, please explain any disagreement you may have with the proposed issues.

**Please provide your response by September 1, 2020.**

**Magellan Complete Care of Virginia CCC Plus  
 January 1, 2018 through December 31, 2018**

Adjustment	MCO's Response	
1. Reclassify capitated payments made to Veyo, the non emergent transportation vendor, in excess of claims expense reported by Veyo from claims expense to administrative expense.	Accept <u>✓</u>	Disagree _____
2. Adjust IBNR estimated at the time of the MLR filing to IBNR estimated as of 6/30/2020.	Accept <u>✓</u>	Disagree _____

Acknowledged by:  
 MAGELLAN COMPLETE CARE OF VIRGINIA

*Michael Fotinos, VP/CFO*  
 Officer or other Authorized Person

8/31/2020  
 Date