

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 person icon, and a group of people icon. A large green cross is centered over the person's face.

UNITEDHEALTHCARE OF THE MID-
ATLANTIC, 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** LLC
CERTIFIED PUBLIC ACCOUNTANTS



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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 UnitedHealthcare of the Mid-Atlantic, 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) for UnitedHealthcare of the Mid-Atlantic, Inc. (UHCMA) for the year ended December 31, 2020. UHCMA did not have audited financial statements as of the date of this report.

UHCMA is wholly owned by UnitedHealthcare, Inc. (UHC). UHC is wholly owned by United HealthCare Services, Inc. (UHS). UHS provides certain administrative services to UHCMA under a Management Agreement. UHSMA has administrative expenses from five other related parties, Optum Rx Inc., March Vision Care, Inc., Dental Benefit Providers, OptumHealth, and National MedTrans, LLC. In addition to UHC, UHS owns National MedTrans, LLC, Specialty Benefits, LLC and Optum, Inc. Optum Rx Inc. and OptumHealth are wholly owned by Optum, Inc. while March Vision Care, Inc. is wholly owned by Specialty Benefits, LLC. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a schedule of allocated expenses for UHS, as well as agreements with Optum Rx Inc., March Vision Care, Inc., Dental Benefit Providers, OptumHealth, and National MedTrans, LLC.

UHCMA has delegated certain functions to vendors. LogistiCare provides administration of the non emergent transportation benefit effective May 2020. Public Partnerships, LLC (PPL) is the fiscal employer/agent for consumer directed services.

Trial Balance Reconciliation

We obtained UHCMA's adjusted trial balance as of December 31, 2020 as well as a schedule of allocated expenses for UHS, as the majority of the administrative costs flow through UHS. We 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. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the UHCMA adjusted trial balance as of December 31, 2020 of \$139,256,721 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$139,256,721. The administrative expenses including claims adjustment expenses per the UHCMA Medicaid adjusted trial balance could not be reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement as the Annual Statement includes UHCMA's Maryland Medicaid line of business and District of Columbia Medicaid line of business.



Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the Annual Statement consist of two basic components, direct expense and management fee expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product.

Management fee expenses are recorded at the UHS level, and allocated to the appropriate entities and products. The total direct and indirect Medicaid expenses submitted on the quarterly filing for the Virginia Medicaid line of business for Claims Adjustment and General Administrative expenses are \$33,340,528 and \$67,053,127 respectively. A variance of \$3,393,286 was noted when comparing these amounts to reported amounts per the Underwriting Exhibit at Appendix C of \$33,340,528 and \$63,659,841, respectively. This variance is due to amortization of expenses coded to Medallion 3.0 of \$2,455,715 and expenses coded to the UnitedHealth Insurance Company (UHC) of \$937,578. An adjustment was needed to record the amortization of expenses coded to Medallion 3.0. The expenses coded to UHC primarily related to taxes and were properly excluded from reported amounts. The Medicaid line of business on the Annual Statement also includes Medallion 3.0, UHCMA's Maryland Medicaid line of business, and UHCMA's District of Columbia Medicaid line of business.

We compared total UHCMA 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 2020 were \$139,256,721 compared to 2019 expenses of \$117,155,047. The increase of \$22,101,674 is primarily due to the inclusion of \$17,979,796 in Health Insurance Fee expense in 2020, which was not applicable in 2019.

We inspected the accounts included in UHCMA's trial balance. We judgmentally selected accounts for further inspection from the direct expense. Based on this inspection, we determined that \$2,357 in interest on late claims payments and \$13,577,452 in Health Insurance Fees should be excluded from the Underwriting Exhibit at Appendix C. UHCMA provided a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business. In the year ending December 31, 2018, UHCMA identified \$3,398,789 in start-up costs related to Medallion 4.0 implementation and Medicaid expansion. UHCMA was unable to identify what portion related to Medallion 4.0 versus Medicaid expansion. These expenses were amortized over a five year period beginning August 2018 as this is the effective date for Medallion 4.0. Amortization expenses have been added to the Underwriting Exhibit at Appendix C. However, this expense will be excluded from rate setting.

UHS provides UHCMA with management and operational support. The Management Services Agreement by and between UHCMA and UHC effective March 2017 provides for a percent of premiums based on expected actual costs and premiums. Optum Rx Inc. provides prescription benefit management for UHCMA. March Vision Care, Inc. provides administration of the vision benefit. Dental Benefit Providers provides administration of the dental benefit. OptumHealth provides disease management, complex medical care, and physical health services. National MedTrans, LLC provides administration of the non emergent transportation benefit. The service agreements for Optum Rx Inc., March Vision Care, Inc., Dental Benefit Providers, OptumHealth, and National MedTrans, LLC each allow



for a per member per month fee. A schedule documenting administrative payments made to UHS (\$68,315,453), Optum Rx Inc. (\$4,485,065), March Vision Care, Inc. (\$615,356), Dental Benefit Providers (\$608,667), OptumHealth (\$768,331), and National MedTrans, LLC (\$905,731) was provided to agree to amounts included with UHCMA administrative expenses.

We obtained a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which totaled to \$74,492,388. Total management fees for the Virginia Medicaid line of business, which includes a portion of OptumHealth expenses, per the adjusted trial balance were \$68,927,588. An adjustment of \$5,564,800 was necessary to record UHS expenses at cost. Support for allocated costs was received on a sample basis and were found to be allowable. Optum Rx Inc., March Vision Care, Inc., Dental Benefit Providers, and National MedTrans, LLC met the related party exception provided for within CMS Publication 15-1: 1010, thus an adjustment is not needed. Support has not been provided for OptumHealth to document that the costs of the related party. An adjustment of (\$148,747) was necessary to remove the portion of OptumHealth that was not included with management fees.

PPL expenses are appropriately split between administrative and medical on the trial balance. This vendor provides fiscal employer/agent services for consumer directed services. LogistiCare expenses are recorded in full to medical on the trial balance. This vendor provides administration of the non emergent transportation benefit effective May 2020. UHCMA did not provide support to separate out the administrative component of these expenses. The reclassification amount of \$2,022,591 was calculated using an average of non emergent transportation administrative expense ratios from other Virginia MCOs.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are incurred at both the direct expense and management fee expense levels. A project code is assigned to general ledger entries to further differentiate certain costs. Project codes were assigned for each category of HCQI: health outcome improvement, hospital readmission prevention, patient safety improvement and medical error reduction, wellness and health promotion, and HIT expenses for health quality improvement. Total HCQI expense allocated to Medicaid in 2020 is \$30,214,761. This amount included \$28,426,797 related to care coordination.

Reinsurance

Reinsurance premiums are calculated on a percentage of member premium income and are netted against net premium income. Per the UHCMA Annual Statement, total reinsurance premiums are \$2,114,771. Per the UHCMA trial balance \$1,109,827 of these premiums relate to the Virginia Medicaid line of business. Per the UHCMA Annual Statement, total reinsurance recoveries are \$16, none of which relate to the Virginia Medicaid line of business.



UNITEDHEALTHCARE OF THE MID-ATLANTIC, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2020						
	FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Administrative Expense						
Claims Adjustment Expenses	\$ 623,721	\$ 7,567,816	\$ 7,807,560	\$ 15,088,726	\$ 2,252,706	\$ 33,340,529
General Administrative Expenses	\$ 1,190,922	\$ 14,449,859	\$ 14,907,623	\$ 28,810,158	\$ 4,301,278	\$ 63,659,840
Total Administrative Expenses	\$ 1,814,643	\$ 22,017,675	\$ 22,715,183	\$ 43,898,884	\$ 6,553,984	\$ 97,000,369
Less: Self-Reported Excludable Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reported Administrative Expenses	\$ 1,814,643	\$ 22,017,675	\$ 22,715,183	\$ 43,898,884	\$ 6,553,984	\$ 97,000,369
Adjustment 1: Adjust management service fees to UHS allocated costs	\$ 303,805	\$ 3,363,026	\$ 3,835,446	\$ (1,691,299)	\$ (246,178)	\$ 5,564,800
Adjustment 2: Remove interest payments for late claims	\$ (47)	\$ (317)	\$ (298)	\$ (1,458)	\$ (237)	\$ (2,357)
Adjustment 3: Remove Health Insurance Fee	\$ (342,656)	\$ (3,547,893)	\$ (3,383,814)	\$ (5,165,179)	\$ (1,137,910)	\$ (13,577,452)
Adjustment 4: Include Medallion 4.0 and Expansion amortization	\$ -	\$ 303,094	\$ 360,652	\$ -	\$ 16,012	\$ 679,758
Adjustment 5: Remove unsupported related party costs from OptumHealth Physical Health	\$ -	\$ (107,886)	\$ -	\$ (40,861)	\$ -	\$ (148,747)
Adjustment 6: Reclassify the administrative portion of LogistiCare expenses, included in medical expenses	\$ 20,339	\$ 171,341	\$ 363,855	\$ 1,284,899	\$ 182,157	\$ 2,022,591
Adjustment 7: Remove fraud reduction and recovery expenses in excess of fraud recoveries	\$ (3,126)	\$ (1,151,131)	\$ (39,354)	\$ (1,071,716)	\$ (73)	\$ (2,265,400)
Adjustment 8: Add amortization of expenses erroneously coded to Medallion 3.0	\$ 41,370	\$ 479,262	\$ 519,026	\$ 1,238,229	\$ 177,828	\$ 2,455,715
Total Adjusted Administrative Expenses	\$ 1,834,328	\$ 21,527,171	\$ 24,370,696	\$ 38,451,499	\$ 5,545,583	\$ 91,729,277
Net Premium Income	\$ 18,576,654	\$ 215,911,521	\$ 256,479,263	\$ 572,406,465	\$ 81,792,432	\$ 1,145,166,335
Adjustment 9: Include change in unearned premium reserves and reserve for rate credit	\$ -	\$ (140,699)	\$ (21,996,190)	\$ (9,625,747)	\$ (1,726,699)	\$ (33,489,335)
Adjusted Net Premium Income	\$ 18,576,654	\$ 215,770,822	\$ 234,483,073	\$ 562,780,718	\$ 80,065,733	\$ 1,111,677,000
Percentage of Adjusted Administration Expenses to Net Premium Income	9.87%	9.98%	10.39%	6.83%	6.93%	8.25%



**UNITEDHEALTHCARE OF THE MID-ATLANTIC, INC.
APPENDIX C: UNDERWRITING EXHIBIT**

Underwriting Exhibit for the Year Ending December 31, 2020							
	FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	
Separately Identified Expenses included in Adjusted Administrative Expenses							
Healthcare Quality Improvement Expenses (HCQI)	\$ 331,916	\$ 3,891,229	\$ 4,187,641	\$ 19,020,203	\$ 2,783,772	\$ 30,214,761	
Fraud Reduction and Recovery Expenses (See Adjustment 7)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Care Coordination expenses as defined within the MCO contract	\$ 291,190	\$ 3,200,661	\$ 3,649,119	\$ 18,581,222	\$ 2,704,605	\$ 28,426,797	
COVID 19 Related Expenses: Non Recurring	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
COVID 19 Related Expenses: Long Term program changes as a result of the pandemic	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Allowable Member Incentives	\$ -	\$ 20,385	\$ -	\$ 2,975	\$ -	\$ 23,360	



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 – Adjust management service fees to UHS allocated costs.

The Management Services Agreement by and between UHCMA and UHC effective March 2017 provides for a percent of premiums based on expected actual costs and premiums. We obtained a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which totaled to \$74,492,388. Total management fees for the Virginia Medicaid line of business, which includes a portion of OptumHealth expenses, per the adjusted trial balance were \$68,927,588. An adjustment of \$5,564,800 was necessary to record UHS expenses at cost. (42 CFR § 413.17)

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$303,805	\$3,363,026	\$3,835,446	(\$1,691,299)	(\$246,178)	\$5,564,800

Adjustment #2 – Remove interest payments for late claims.

During inspection of the general ledger detail for Account 91220, Interest Expense – Operational, 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					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$47)	(\$317)	(\$298)	(\$1,458)	(\$237)	(\$2,357)

Adjustment #3 – Remove Health Insurance Fee.

During inspection of the general ledger detail for Account 92021, Insurance Industry Fees, we found this account contained the Health Insurance Fee. This fee is reimbursed by the Department outside of the



SCHEDULE OF ADJUSTMENTS AND COMMENTS

rate setting process and thus an adjustment was made to remove the expense. UHCMA properly excluded the related revenues from Net Premium Income.

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$342,656)	(\$3,547,893)	(\$3,383,814)	(\$5,165,179)	(\$1,137,910)	(\$13,577,452)

Adjustment #4 – Include Medallion 4.0 and Expansion amortization.

UHCMA had identified start-up costs of \$3,398,789 related to the Medallion 4.0 and Medicaid expansion programs 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 with the start date of each program. UHCMA was unable to separate the costs between the Medallion 4.0 and Medicaid expansion programs and, as such, amortization of the full amount began August 1, 2018, which was the beginning of Medallion 4.0. (CMS Pub. 15-1: §2132 – Start-Up Costs)

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$-	\$303,094	\$350,652	\$-	\$16,012	\$679,758

Adjustment #5 – Remove unsupported related party costs from OptumHealth Physical Health.

An adjustment was needed to remove the expenses associated with the related party OptumHealth, as documentation was not provided to support the cost of the related party for the physical health component. (42 CFR § 413.17)

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$-	(\$107,886)	\$-	(\$40,861)	\$-	(\$148,747)



Adjustment #6 – Reclassify the administrative portion of LogistiCare expenses, included in medical expenses.

UHCMA booked the full amount of expense for LogistiCare to medical expenses. UHCMA did not provide support to separate out the administrative component of these expenses. The reclassification amount of \$2,022,591 was calculated using an average of non emergent transportation administrative expense ratios from other Virginia MCOs. (45 CFR § 158.140(b)(3))

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$20,339	\$171,341	\$363,855	\$1,284,899	\$182,157	\$2,022,591

Adjustment #7 – Remove fraud reduction and recovery expenses in excess of fraud recoveries.

UHCMA identified expenses related to fraud reduction and recovery. Identified expenses were incurred at the direct expense level and identified through a project code assigned to general ledger entries to further differentiate certain costs. UCHMA did not identify fraud recoveries. As fraud reduction and recovery expenses are limited to the amount of claims payments recovered through the related efforts, the expenses have been removed. (45 CFR § 158.140(b)(2)(iv))

Proposed Adjustment					
FAMIS	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$3,126)	(\$1,151,131)	(\$39,354)	(\$1,071,716)	(\$73)	(\$2,265,400)

Adjustment #8 – Add amortization of expenses erroneously coded to Medallion 3.0.

The general ledger identifies costs related to each Medicaid contract using location codes. Administrative expenses totaling \$2,455,715 were coded to the Medallion 3.0 location code in error, as this program has ended. UHCMA allocated these costs over the remaining Medicaid contracts using net premium income. These allocated expenses were properly included on the quarterly statement but were excluded from the reported administrative expenses in the Underwriting Exhibit at Appendix C in error.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment					
FAMIS	Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$41,370	\$479,262	\$519,026	\$1,238,229	\$177,828	\$2,455,715

Adjustment #9 – Include change in unearned premium reserves and reserve for rate credit.

UHCMA excluded the change in unearned premium reserves and reserve for rate credit from reported net premium income. Per review of the general ledger detail, these amounts include accruals for current year MLR and Underwriting Gain rebates and risk corridor amounts due to/from UHCMA. The amounts reported on the quarterly filing for the FAMIS and Medallion 3.0 change in unearned premium reserves and reserve for rate credit included true ups for previous years, and thus were not included in the adjustment amounts shown below. (45 CFR § 158.130(b))

Proposed Adjustment					
FAMIS	Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$-	(\$140,699)	(\$21,996,190)	(\$9,625,747)	(\$1,726,699)	(\$33,489,335)