MYERS AND STAUFFER LC

Virginia Premier Health Plan, Inc.
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 Virginia Premier Health Plan, Inc. (health plan) 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, except for the effects of the items described in the Schedule of Data Caveats, 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 exeeds the state maximum 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

Myers and Stauffer LC
Glen Allen, Virginia
June 30, 2025

Virginia Premier Health Plan, Inc.
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	$1,922,471,251	$8,485,286	$1,930,956,537
1.2	Activities that Improve Health Care Quality	$53,272,310	-$2,554,938	$50,717,372
1.3	MLR Numerator	$1,975,743,561	$5,930,348	$1,981,673,909
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$2,137,105,862	$11,910,600	$2,149,016,462
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$294,887	$0	$294,887
2.3	MLR Denominator	$2,136,810,975	$11,910,600	$2,148,721,575
3	**MLR Calculation**	-	-	-
3.1	Member Months	3,014,450	0	3,014,450
3.2	Unadjusted MLR	92.5%	-0.3%	92.2%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	92.5%	-0.3%	92.2%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

Virginia Premier Health Plan, Inc.
Adjusted Medical Loss Ratio
Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	**Medical Loss Ratio Numerator**	-	-	-
1.1	Incurred Claims	$1,104,562,918	$553,327	$1,105,116,245
1.2	Activities that Improve Health Care Quality	$24,384,438	-$1,169,477	$23,214,961
1.3	MLR Numerator	$1,128,947,356	-$616,150	$1,128,331,206
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$1,260,005,104	-$58,742,811	$1,201,262,293
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$170,183	$0	$170,183
2.3	MLR Denominator	$1,259,834,921	-$58,742,811	$1,201,092,110
3	**MLR Calculation**	-	-	-
3.1	Member Months	1,421,665	0	1,421,665
3.2	Unadjusted MLR	89.6%	4.3%	93.9%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	89.6%	4.3%	93.9%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

Virginia Premier Health Plan, Inc.
Adjusted Underwriting Gain
Non-Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	**Medical Loss Ratio Denominator**	-	-	-
1.1	Premium Revenue	$2,137,105,862	$11,910,600	$2,149,016,462
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$294,887	$0	$294,887
1.3	Underwriting Gain Denominator	$2,136,810,975	$11,910,600	$2,148,721,575
2	**Medical Loss Ratio Numerator**	-	-	-
2.1	Incurred Claims	$1,922,471,251	$8,485,286	$1,930,956,537
2.2	Activities that Improve Health Care Quality	$53,272,310	-$2,554,938	$50,717,372
2.3	Total Adjusted Underwriting Gain Claims Expenses	$1,975,743,561	$5,930,348	$1,981,673,909
3	**Non Claims Cost**	-	-	-
3.1	Administrative Expenses	$97,170,115	$2,849,830	$100,019,945
3.2	Less: Unallowable Expenses	-$10,076,099	$0	-$10,076,099
3.3	Allowable Administrative Expenses	$87,094,016	$2,849,830	$89,943,846
4	**Underwriting Gain**	-	-	-
4.1	Underwriting Gain $	$73,973,398	$3,130,422	$77,103,820
4.2	Less: Remittance Amount Due to State for Coverage Year	$0	$0	$0
4.3	Adjusted Underwriting Gain $	$73,973,398	$3,130,422	$77,103,820
4.4	Underwriting Gain %	3.5%	0.1%	3.6%
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	0.2%	0.1%	0.3%
5.4	Amount to Remit	$4,934,534	$1,386,552	$6,321,086

Schedule of Data Caveats

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

Disclosure #1 – Pharmacy Expense

Pharmacy expenses reported in incurred claims by the health plan were arranged by Elixir Rx, the Pharmacy Benefit Manager (PBM), from July 1, 2022 through December 31, 2022. The majority share of Elixir Rx was acquired by MedImpact Healthcare Systems, Inc. February 1, 2024 and the remaining entity filed for bankruptcy. The contract between Elixir Rx and the health plan was part of the bankruptcy proceedings. Elixir Rx advised that any remaining requests for supporting documentation would need to go through bankruptcy proceedings. Elixir Rx did not provide adequate supporting documentation for the pharmacy exenses, net of rebates, reported in incurred claims for the period of July 1, 2022 through December 31, 2022. These expenses totaled to $143,930,738 for Non-Expansion and $107,815,550 for Expansion and are included in incurred claims in the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain.

Schedule of Adjustments

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

Non-Expansion Adjustment #1 – 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 1. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$5,951,958
Adjusted Underwriting Gain	2.1	Incurred Claims	$5,951,958

Non-Expansion Adjustment #2 – 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 2. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$3,859,647
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$3,859,647
Adjusted Underwriting Gain	2.1	Incurred Claims	$3,859,647
Adjusted Underwriting Gain	1.1	Premium Revenue	$3,859,647

Non-Expansion Adjustment #3 – To adjust to reclassify payments made to Kaiser in excess of medical and pharmaceutical claims expense reported by Kaiser from claims expense to administrative expense.

The health plan reported a percentage of PMPM capitation expense for medical and pharmaceutical services arranged by Kaiser for a portion of their membership. The health plan allocated the capitation expense at 96% to claims expense and at 4% to administrative expense. During the examination, Kaiser

provided support for allocated costs which were separated between claims and administrative expenses at 95.40% and 4.60%, respectively. An adjustment was proposed to agree the reported incurred claims expense to the allocated costs reported by Kaiser. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Table 3. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$525,611
Adjusted Underwriting Gain	2.1	Incurred Claims	-$525,611
Adjusted Underwriting Gain	3.1	Administrative Expenses	$525,611

Non-Expansion Adjustment #4 – To adjust to reclassify capitated payments made to VisionCare, the vision vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for vision services arranged by VisionCare. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by VisionCare. An adjustment was proposed to agree the reported vision expense to incurred claims expense reported by VisionCare. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Table 4. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$237,372
Adjusted Underwriting Gain	2.1	Incurred Claims	-$237,372
Adjusted Underwriting Gain	3.1	Administrative Expenses	$237,372

Non-Expansion Adjustment #5 – To adjust to reclassify capitated payments made to Verida, 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 Verida. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Verida. An adjustment was proposed to agree the reported vision expense to incurred claims expense reported by Verida. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center

for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Table 5. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$563,336
Adjusted Underwriting Gain	2.1	Incurred Claims	-$563,336
Adjusted Underwriting Gain	3.1	Administrative Expenses	$563,336

Non-Expansion Adjustment #6 – To adjust to reclassify non-allowable Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) expenses.

The health plan reported HCQI and HIT expenses based on departments they determined to be HCQI and/or HIT related. During the examination, it was noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. An adjustment was proposed to reclassify these non qualifying HCQI and HIT expenses from HCQI to administrative expenses. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Table 6. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activities that Improve Health Care Quality	-$2,554,938
Adjusted Underwriting Gain	2.2	Activities that Improve Health Care Quality	-$2,554,938
Adjusted Underwriting Gain	3.1	Administrative Expenses	$2,554,938

Non-Expansion Adjustment #7 – 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, maternity kick payments, pharmacy reinsurance payments, 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 7. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$8,050,953
Adjusted Underwriting Gain	1.1	Premium Revenue	$8,050,953

Non-Expansion Adjustment #8 – 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 included marketing/advertising, lobbying, and bad debt in administrative expenses. They also failed to remove start-up costs related to Medicaid programs and initiatives and include the related amortization. An adjustment was proposed to remove these unallowable expenses. Administrative cost principles are addressed in 45 CFR §§ 75.420 through 75.477 and CMS Publication 15-1, Chapters 10 and 21.

Table 8. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Underwriting Gain	3.1	Administrative Expenses	-$1,031,427

Expansion Adjustment #1 – 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 9. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$1,811,869

Expansion Adjustment #2 – 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 10. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$461,824
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$461,824

Expansion Adjustment #3 – To adjust to remove payments made to Kaiser in excess of medical and pharmaceutical claims expense reported by Kaiser.

The health plan reported a percentage of PMPM capitation expense for medical and pharmaceutical services arranged by Kaiser for a portion of their membership. The health plan allocated the capitation expense at 96% to claims expense and at 4% to administrative expense. During the examination, Kaiser provided support for allocated costs which were separated between claims and administrative expenses at 95.40% and 4.60%, respectively. An adjustment was proposed to agree the reported incurred claims expense to the allocated costs reported by Kaiser. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Table 11. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$796,718

Expansion Adjustment #4 – To adjust to remove non-allowable HCQI and HIT expenses.

The health plan reported HCQI and HIT expenses based on departments they determined to be HCQI and/or HIT related. During the examination, it was noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. An adjustment was proposed to reclassify these non qualifying HCQI and HIT expenses from HCQI to administrative expenses. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Table 12. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activities that Improve Health Care Quality	-$1,169,477

Expansion Adjustment #5 – 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, maternity kick payments, pharmacy reinsurance payments, performance withhold program payments, clinical efficacy 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 13. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$58,280,987