

The background features a blurred medical scene with a person lying down. A large green cross is centered over the person. Various medical icons are overlaid in a light green color, including a syringe, a pill, a virus, a stethoscope, and a group of people. A dark grey diagonal band runs from the top right to the bottom left, containing the text.

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, 2023



**MYERS AND  
STAUFFER**<sub>LC</sub>  
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 United Healthcare of the Mid-Atlantic, Inc. for the period of January 1, 2023 through December 31, 2023. 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 30, 2024



## 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, 2023 to the annual statement for the year ended December 31, 2023 and the quarterly filing required by the Department.
- 11) Obtain the adjusted trial balance as of December 31, 2023. 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, 2023.
- 12) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2023. 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. Allowable Member Incentives
- 15) Compare administrative and claims adjustment expenses per the quarterly filing for the year ended December 31, 2023 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.
  - c. HCQI Expenses
  - d. Fraud Reduction and Recovery Expenses
  - e. Care Coordination
  - f. 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), the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement), and audited financial statements for UnitedHealthcare of the Mid-Atlantic, Inc. (UHCMA) for the year ended December 31, 2023.

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. UHCMA has administrative expenses from six other related parties, OptumRx, Inc., March Vision Care Group, United Behavioral Health, OptumHealth Care Solutions, LLC, OptumInsight, Inc., and United HealthCare Insurance Company (UHIC). These related parties provide pharmacy benefit management services, administration of the vision benefit, administration of certain behavioral health benefits, administration of certain chiropractic, physical, occupational, and speech therapy services, claims overpayment audit and recovery services, and reinsurance, respectively. 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 each related party.

UHCMA has delegated certain functions to vendors. ModivCare Solutions, LLC (ModivCare) provides administration of the non-emergent transportation benefit. Public Partnerships LLC (PPL) is the fiscal employer/agent for consumer directed services. EviCore manages the provision of diagnostic imaging services through a network of health care providers.

### Trial Balance Reconciliation

We obtained UHCMA's adjusted trial balance as of December 31, 2023 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, 2023. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the UHCMA adjusted trial balance as of December 31, 2023 of \$188,702,386 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$188,707,730, within a variance of \$5,344. 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 District of Columbia and Maryland 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 \$70,946,433 and \$45,169,070 respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for the Medicaid line of business for Claims Adjustment and General Administrative expenses are \$77,525,329 and \$153,759,997 respectively. The majority of the variance of \$115,169,823 is related to the District of Columbia and Maryland Medicaid lines of business. A portion of the variance relates to differences between the quarterly filing and supporting documentation totaling to \$5,942 for Medicaid and \$438 for FAMIS. These variances have been corrected on the Underwriting Exhibit at Appendix C.

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 2022 were \$115,098,655 compared to 2023 expenses of \$116,115,503. The increase of \$1,016,848, or 0.88%, is within the specified threshold.

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 \$5,387 of marketing expense 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. OptumRx, Inc. provides pharmacy benefit management services for UHCMA. March Vision Care Group provides administration of the vision benefit. United Behavioral Health provides administration of certain behavioral health benefits. OptumHealth Care Solutions, LLC provides administration of certain chiropractic, physical, occupational, and speech therapy services. OptumInsight, Inc. provides claims overpayment audit and recovery services. UHIC provides reinsurance coverage. The service agreements for OptumRx, Inc., March Vision Care Group, and OptumHealth Care Solutions, LLC provide for separate administrative fees on a per claim or per member per month basis. The service agreements for United Behavioral Health and OptumInsight, Inc.





provide for a single per member per month fee. The reinsurance agreement for UHIC provides for a fee equal to a percentage of premiums. A schedule documenting administrative payments made to UHS (\$95,659,911), OptumRx, Inc. (\$7,359,740), March Vision Care Group (\$806,655), United Behavioral Health (\$177,526,965), OptumHealth Care Solutions, LLC (\$203,466), OptumInsight, Inc. \$2,757,909), and UHIC (\$1,739,181) 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 \$95,117,209. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were \$95,659,911. As the MCO self-excluded \$1,905,236 an additional positive adjustment of \$1,362,534 was necessary to record UHS expenses at cost. We judgmentally selected UHS expense accounts for further inspection. Based on this inspection, no expenses requiring exclusion were identified. Administrative expenses related to OptumRx, Inc., March Vision Care Group, and OptumHealth Care Solutions, LLC are calculated using a capitated rate that includes direct and overhead costs as well as margin, or profit. We obtained the rate build for each of these related parties. The MCO self-excluded \$1,203,015 related to OptumRx, Inc. and \$72,152 related to OptumHealth Care Solutions, LLC. Additional adjustments of \$314,124 for OptumRx, Inc. and \$2,957 for OptumHealth Care Solutions, LLC were necessary to remove the margin. The rate build for March Vision Care Group did not include margin, thus no adjustment was necessary. Administrative expenses related to OptumInsight, Inc. are also calculated using a capitated rate, however the rate build is outstanding as of the date of this report. The amount of margin is unknown. United Behavioral Health expenses of \$177,526,965 were recorded in full to medical expenses at a capitated rate. Lag tables for the year ended December 31, 2023 provided by United Behavioral Health supported incurred claims of \$157,092,762, the difference of \$20,434,203 relates to administrative expense. The MCO reclassified \$13,350,000 through a self-exclusion and the remaining \$7,084,203 was reclassified to administrative expense. We obtained a schedule showing United Behavioral Health administrative expenses allocated to the Virginia Medicaid line of business which totaled to \$15,273,445 after removing marketing and claims interest. An adjustment of \$5,160,759 was necessary to record United Behavioral Health expenses at cost.

PPL expenses are appropriately split between administrative and medical on the trial balance. This vendor provides fiscal employer/agent services for consumer directed services. EviCore expenses are recorded in full to administrative. This vendor provides prior authorization services. ModivCare expenses are recorded in full to medical. This vendor provides administration of the non-emergent transportation benefit. The percentages from the 2022 MLR examination were utilized to determine the administrative portion of \$7,071,066. The MCO reclassified \$7,907,292 through a self-exclusion and the remaining \$836,226 was reclassified from administrative expense.

#### **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 health



information technology expenses for health quality improvement. Total HCQI expense allocated to Medicaid in 2023 is \$33,564,987. This amount included \$9,224,531 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 \$4,151,127. Per the UHCMA trial balance \$1,739,181 of these premiums relate to the Virginia Medicaid line of business. Per the UHCMA Annual Statement, there were no reinsurance recoveries.

**Total Revenues**

Total revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves and aggregate write-ins were inspected to determine appropriateness for rate setting purposes. The change in unearned premium reserves included reserves related to prior and future periods which were removed for the purposes of this report. There were no aggregate write-ins noted on the quarterly filing.



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

Underwriting Exhibit for the Year Ending December 31, 2023						
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
<b>Administrative Expense</b>						
Claims Adjustment Expenses	\$ 22,942,711	\$ 16,915,742	\$ 27,298,263	\$ 3,789,717	\$ 70,946,433	\$ 2,009,116
General Administrative Expenses	\$ 14,606,808	\$ 10,769,651	\$ 17,379,833	\$ 2,412,778	\$ 45,169,070	\$ 1,279,133
<b>Total Administrative Expenses</b>	<b>\$ 37,549,519</b>	<b>\$ 27,685,393</b>	<b>\$ 44,678,096</b>	<b>\$ 6,202,495</b>	<b>\$ 116,115,503</b>	<b>\$ 3,288,249</b>
Less: Self-Reported Excludable Expenses *	\$ (12,216,591)	\$ 4,396,834	\$ (7,772,010)	\$ 3,409,849	\$ (12,181,918)	\$ (2,340,666)
Adjusted Administrative Expenses	<b>\$ 25,332,928</b>	<b>\$ 32,082,227</b>	<b>\$ 36,906,086</b>	<b>\$ 9,612,344</b>	<b>\$ 103,933,585</b>	<b>\$ 947,583</b>
Adjustment 1: Adjust to agree to supported amounts per the working trial balance.	\$ (51,775)	\$ (13,511)	\$ (66,838)	\$ 126,182	\$ (5,942)	\$ 438
Adjustment 2: Reverse the MCO's self-exclusion related to State and Federal income taxes as these expenses were not included in reported administrative expenses.	\$ 14,061,500	\$ 15,437,653	\$ 8,247,536	\$ (6,842,919)	\$ 30,903,770	\$ 1,365,827
Adjustment 3: Agree the MCO's self-exclusion related to fraud reduction expenses in excess of fraud recoveries to verified amounts.	\$ 38,609	\$ 9,749	\$ 173,773	\$ 3,866	\$ 225,997	\$ 7,856
Adjustment 4: Include amortization related to Medallion 4.0 and Medicaid expansion.	\$ 149,847	\$ 234,882	\$ -	\$ 11,796	\$ 396,525	\$ -
Adjustment 5: Agree the MCO's self-exclusion related to agreeing management fees to UHS allocated costs to verified amounts.	\$ 1,958,940	\$ 1,046,105	\$ 338,462	\$ (1,154,328)	\$ 2,189,179	\$ (826,645)
Adjustment 6: Agree the MCO's self-exclusion related to the administrative portion of United Behavioral Health expenses to verified amounts.	\$ 4,197,182	\$ (12,891,990)	\$ 9,238,616	\$ 5,108,308	\$ 5,652,116	\$ 1,432,087
Adjustment 7: Agree the MCO's self-exclusion related to the margin (profit) associated with the administrative portion of OptumRx, Inc. to verified amounts.	\$ (84,828)	\$ (156,280)	\$ (39,991)	\$ (24,924)	\$ (306,023)	\$ (8,101)
Adjustment 8: Agree the MCO's self-exclusion related to the margin (profit) associated with the administrative portion of OptumHealth Care Solutions, LLC to verified amounts.	\$ (2,191)	\$ -	\$ (766)	\$ -	\$ (2,957)	\$ -
Adjustment 9: Agree the MCO's self-exclusion related to the administrative portion of ModivCare expense to verified amounts.	\$ (551,895)	\$ 794,298	\$ (836,247)	\$ (188,365)	\$ (782,209)	\$ (54,017)



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

Underwriting Exhibit for the Year Ending December 31, 2023						
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
Adjustment 10: Remove marketing/advertising expense.	\$ -	\$ (5,387)	\$ -	\$ -	\$ (5,387)	\$ -
Adjustment 11: Adjust to remove margin (profit) associated with the administrative portion of United Behavioral Health.	\$ (1,321,709)	\$ (1,641,085)	\$ (1,496,938)	\$ (610,446)	\$ (5,070,178)	\$ (90,581)
<b>Total Adjusted Administrative Expenses</b>	<b>\$ 43,726,608</b>	<b>\$ 34,896,661</b>	<b>\$ 52,463,693</b>	<b>\$ 6,041,514</b>	<b>\$ 137,128,476</b>	<b>\$ 2,774,447</b>
Total Revenues	\$ 317,228,087	\$ 479,071,750	\$ 808,105,586	\$ 114,393,519	\$ 1,718,798,942	\$ 28,847,338
Adjustment 12: Remove unearned premium reserves not relating to the current period.	\$ (33,460,913)	\$ (6,036,863)	\$ (62,232,547)	\$ 45,346,421	\$ (56,383,902)	\$ -
<b>Total Adjusted Revenues</b>	<b>\$ 283,767,174</b>	<b>\$ 473,034,887</b>	<b>\$ 745,873,039</b>	<b>\$ 159,739,940</b>	<b>\$ 1,662,415,040</b>	<b>\$ 28,847,338</b>
Percentage of Adjusted Administration Expenses to Adjusted Revenues	15.41%	7.38%	7.03%	3.78%	8.25%	9.62%
<b>Separately Identified Expenses included in Adjusted Administrative Expenses</b>						
Healthcare Quality Improvement Expenses (HCQI)	\$ 7,368,051	\$ 9,674,910	\$ 14,474,135	\$ 2,047,891	\$ 33,564,987	\$ 655,739
Fraud Reduction and Recovery Expenses	\$ 63,417	\$ (768)	\$ 7,839	\$ (119)	\$ 70,369	\$ -
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Care Coordination expenses as defined within the MCO contract	\$ 543,943	\$ 732,997	\$ 7,697,019	\$ 250,572	\$ 9,224,531	\$ 47,659
Allowable Member Incentives	\$ 21,378	\$ -	\$ 3,581	\$ -	\$ 24,959	\$ -

\* Medicaid expenses excluded by the MCO include related party management fees in excess of cost (\$1,905,236), State and Federal income taxes (\$32,279,598), administrative fees for services provided by a related party in excess of cost (\$1,275,167), interest payments for late claims (\$27,426), fraud reduction expenses in excess of recoveries (\$292,449), and a reclassification (positive adjustment) of the administrative portions of clinical vendors ModivCare and United Behavioral Health (\$7,907,292 and \$13,350,000, respectively).



## 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 to agree to supported amounts per the working trial balance.

UHCMA working trial balance included administrative expenses totaling \$116,109,561 related to Medicaid and \$3,288,686 related to FAMIS. The submitted amount totaled \$116,115,503 for Medicaid and \$3,288,219 for FAMIS. An adjustment was made to agree to the working trial balance.

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$51,775)	(\$13,511)	(\$66,838)	\$126,182	(\$5,942)	\$438

### Adjustment #2 – Reverse the MCO's self-exclusion related to State and Federal income taxes as these expenses were not included in reported administrative expenses.

UHCMA recorded a self-exclusion to remove income taxes included in account 93000, Federal Income Taxes Expense. This account was excluded from administrative costs in the working trial balance and self-exclusion is not necessary. (45 CFR § 75.470)

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$14,061,500	\$15,437,653	\$8,247,536	(\$6,842,919)	\$30,903,770	\$1,365,827

### Adjustment #3 – Agree the MCO's self-exclusion related to fraud reduction expenses in excess of fraud recoveries to verified amounts.

UHCMA identified expenses related to fraud reduction and recovery totaling \$1,038,098. 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. Upon further review, many of these expenses were found to relate to waste and audit efforts rather than truly fraud reduction. The



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

expenses clearly related to fraud reduction efforts totaled \$70,370. UCHMA identified fraud recoveries totaling \$132,161. UHCMA self-excluded a portion of fraud reduction expenses in excess of recoveries in the amount of \$(292,449). As fraud reduction and recovery expenses are limited to the amount of claims payments recovered through the related efforts, the excess expenses for each line of business have been calculated and compared to UHCMA's self-exclusion and an adjustment has been applied for the difference. (45 CFR § 158.140(b)(2)(iv))

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$38,609	\$9,749	\$173,773	\$3,866	\$225,997	\$7,856

### **Adjustment #4 – Include amortization related to Medallion 4.0 and Medicaid expansion.**

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					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$149,847	\$234,882	\$0	\$11,796	\$396,525	\$0

### **Adjustment #5 – Agree the MCO's self-exclusion related to agreeing management fees to UHS allocated costs to verified amounts.**

The Management Services Agreement between UHCMA and UHC effective March 2017 provides 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 \$95,117,209. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were \$95,659,911. As the MCO self-excluded \$1,905,236 an additional positive adjustment of \$1,362,534 was necessary to record UHS expenses at cost. (CMS Pub. 15-1, Chapter 10)



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment					
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$1,958,940	\$1,046,105	\$338,462	(\$1,154,328)	\$2,189,179	(\$826,645)

**Adjustment #6 – Agree the MCO's self-exclusion related to the administrative portion of United Behavioral Health expenses to verified amounts.**

UHCMA booked the full amount of expense for United Behavioral Health to medical expenses. The reclassification amount of \$20,434,203 was calculated using lag tables provided by United Behavioral Health for calendar year 2023. This amount was reduced by UHCMA's reclassification of \$13,350,000 through a self-exclusion. (45 CFR § 158.140(b)(3))

Proposed Adjustment					
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$4,197,182	(\$12,891,990)	\$9,238,616	\$5,108,308	\$5,652,116	\$1,432,087

**Adjustment #7 – Agree the MCO's self-exclusion related to the margin (profit) associated with the administrative portion of OptumRx, Inc. to verified amounts.**

OptumRx, Inc. is a related party that provides administration of the pharmacy benefit. Administrative payments are calculated using a per prescription rate that includes direct and overhead costs as well as margin, or profit. The margin of 21% was applied to administrative payment amounts for an adjustment of \$1,517,138. This amount was reduced by UHCMA's self-exclusion of \$1,203,015. (CMS Pub. 15-1, Chapter 10)

Proposed Adjustment					
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$84,828)	(\$156,280)	(\$39,991)	(\$24,924)	(\$306,023)	(\$8,101)

**Adjustment #8 – Agree the MCO's self-exclusion related to the margin (profit) associated with the administrative portion of OptumHealth Care Solutions, LLC to verified amounts.**

OptumHealth Care Solutions, LLC is a related party that provides administration of certain chiropractic, physical, occupational, and speech therapy services. Administrative payments are calculated using a



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capitated rate that includes direct and overhead costs as well as margin, or profit. The margin of 36.92% was applied to administrative payment amounts for an adjustment of \$75,112. This amount was reduced by UHCMA's self-exclusion of \$72,153. (CMS Pub. 15-1, Chapter 10)

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$2,191)	\$0	(\$766)	\$0	(\$2,957)	\$0

### Adjustment #9 – Agree the MCO's self-exclusion related to the administrative portion of ModivCare expense to verified amounts.

UHCMA booked the full amount of expense for ModivCare to medical expenses. The percentages from the 2022 MLR examination were utilized to determine the administrative portion of \$7,071,066. This amount was reduced by UHCMA's reclassification of \$7,907,292 through a self-exclusion. (45 CFR § 158.140(b)(3))

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$551,895)	\$794,298	(\$836,247)	(\$188,365)	(\$782,209)	(\$54,017)

### Adjustment #10 – Remove marketing/advertising expense.

During inspection of the accounts included in UHCMA's trial balance, we identified expenses attributable to marketing and sponsorships included in account 71520, Community Relations. UHCMA indicated they intended to exclude this amount from administrative reporting, however it was inadvertently included on the trial balance. We determined this cost to be non-allowable and an adjustment was made to remove this expense. (45 CFR § 75.421)

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
\$0	(\$5,387)	\$0	\$0	(\$5,387)	\$0





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### **Adjustment #11 – Adjust to remove margin (profit) associated with the administrative portion of United Behavioral Health.**

The Behavioral Health Services Agreement between UHCMA and United Behavioral Health provides for a capitated rate inclusive of all clinical and administrative services provided. We obtained a schedule showing United Behavioral Health expenses directly attributed to the Virginia Medicaid line of business which totaled to \$15,273,445. Administrative expenses of \$20,434,203 were previously determined through Adjustment #6. An adjustment of \$5,160,759 was necessary to record United Behavioral Health expenses at cost. (CMS Pub. 15-1, Chapter 10)

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$1,321,709)	(\$1,641,085)	(\$1,496,938)	(\$610,446)	(\$5,070,178)	(\$90,581)

### **Adjustment #12 – Remove unearned premium reserves not relating to the current period.**

UHCMA included unearned premium reserves related to periods prior to January 1, 2023 and subsequent to December 31, 2023 based on their financial reporting procedures. An adjustment of \$56,383,902 was made to remove all unearned premium reserves not related to the period under review, for the purposes of administrative reporting.

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$33,460,913)	(\$6,036,863)	(\$62,232,547)	\$45,346,421	(\$56,383,902)	\$0