MYERS AND STAUFFER LC

Optima Health Plan
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 Optima Health Plan (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 examination to obtain reasonable assurance about whether the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

The accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain were prepared from information contained in the Medical Loss Ratio and Underwriting Gain for the purpose of complying with the criteria, and is not intended to be a complete presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain are presented in accordance with the criteria, in all material respects, for the State Fiscal year ended June 30, 2023. Related to non-expansion, the Adjusted Medical Loss Ratio exceeds the state requirement of [85] percent and the Adjusted Underwriting Gain does not exceed the state maximum requirement of [3] percent. Related to expansion, the Adjusted Medical Loss Ratio exceeds the state requirement of [85] percent and the Underwriting Gain is not applicable.

This report is intended solely for the information and use of the Department of Medical Assistance Services and the health plan and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC

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

Optima Health Plan
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	$1,856,067,475	$40,326,266	$1,896,393,741
1.2	Activities that Improve Health Care Quality	$47,501,773	-$5,012,786	$42,488,987
1.3	MLR Numerator	$1,903,569,248	$35,313,480	$1,938,882,728
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$2,055,903,143	$43,806,531	$2,099,709,674
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$738,634	$0	$738,634
2.3	MLR Denominator	$2,055,164,509	$43,806,531	$2,098,971,040
3	**MLR Calculation**	-	-	-
3.1	Member Months	2,930,865	0	2,930,865
3.2	Unadjusted MLR	92.6%	-0.2%	92.4%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	92.6%	-0.2%	92.4%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

Optima Health Plan
Adjusted Medical Loss Ratio
Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	**Medical Loss Ratio Numerator**	-	-	-
1.1	Incurred Claims	$1,088,904,558	$34,354,082	$1,123,258,640
1.2	Activities that Improve Health Care Quality	$26,959,814	-$2,845,026	$24,114,788
1.3	MLR Numerator	$1,115,864,372	$31,509,056	$1,147,373,428
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$1,302,504,332	-$56,567,758	$1,245,936,574
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$441,886	$0	$441,886
2.3	MLR Denominator	$1,302,062,446	-$56,567,758	$1,245,494,688
3	**MLR Calculation**	-	-	-
3.1	Member Months	1,432,152	0	1,432,152
3.2	Unadjusted MLR	85.7%	6.4%	92.1%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	85.7%	6.4%	92.1%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

Optima Health Plan
Adjusted Underwriting Gain
Non-Expansion Population

Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1	**Medical Loss Ratio Denominator**	-	-	-
1.1	Premium Revenue	$2,055,903,143	$43,806,531	$2,099,709,674
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$738,634	$0	$738,634
1.3	Underwriting Gain Denominator	$2,055,164,509	$43,806,531	$2,098,971,040
2	**Medical Loss Ratio Numerator**	-	-	-
2.1	Incurred Claims	$1,856,067,475	$40,326,266	$1,896,393,741
2.2	Activities that Improve Health Care Quality	$47,501,773	-$5,012,786	$42,488,987
2.3	Total Adjusted Underwriting Gain Claims Expenses	$1,903,569,248	$35,313,480	$1,938,882,728
3	**Non Claims Cost**	-	-	-
3.1	Administrative Expenses	$110,449,662	-$560,465	$109,889,197
3.2	Less: Unallowable Expenses	-$6,540,923	$0	-$6,540,923
3.3	Allowable Administrative Expenses	$103,908,739	-$560,465	$103,348,274
4	**Underwriting Gain**	-	-	-
4.1	Underwriting Gain $	$47,686,522	$9,053,516	$56,740,038
4.2	Less: Remittance Amount Due to State for Coverage Year	$0	$0	$0
4.3	Adjusted Underwriting Gain $	$47,686,522	$9,053,516	$56,740,038
4.4	Underwriting Gain %	2.3%	0.4%	2.7%
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	0.0%	0.0%	0.0%
0	Amount to Remit	$0	$0	$0

Schedule of Adjustments

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

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

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

Table 1. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$45,483,939
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$45,483,939
Adjusted Underwriting Gain	2.1	Incurred Claims	$45,483,939
Adjusted Underwriting Gain	1.1	Premium Revenue	$45,483,939

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

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

Table 2. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,144,344
Adjusted Underwriting Gain	2.1	Incurred Claims	-$1,144,344

Non-Expansion Adjustment #3 – To adjust to remove duplicated and unsupported expenses related to behavioral health, dental, and vision capitation expense.

The health plan reported behavioral health, dental, and vision capitation in addition to amounts reported through lag tables and off lag support, duplicating portions of these expenses, as well as other unsupported expenses. An adjustment is proposed to remove $4,825,957 from the incurred claims

expense. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 3. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$4,825,957
Adjusted Underwriting Gain	2.1	Incurred Claims	-$4,825,957

Non-Expansion Adjustment #4 – To adjust to remove claim payments made to DentaQuest, the dental vendor, as dental services have been carved out of managed care beginning 7/1/2021.

The health plan reported claims expense for DentaQuest, the dental vendor. Dental services have been carved out of Medicaid managed care effective July 1, 2021. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 4. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,117,219
Adjusted Underwriting Gain	2.1	Incurred Claims	-$1,117,219

Non-Expansion Adjustment #5 – To adjust to agree incurred claims related to Verida, the transportation vendor, to claims expense incurred by the vendor.

The health plan reported a per-member-per-month (PMPM) capitation expense for transportation services arranged by Verida and reclassified a portion to administrative expense. During the examination, it was determined that this capitation expense less the health plan's reclassification was less than the actual claims incurred and paid by Verida. An adjustment was proposed to agree the reported transportation 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	$8,483,084
Adjusted Underwriting Gain	2.1	Incurred Claims	$8,483,084
Adjusted Underwriting Gain	3.1	Administrative Expenses	-$8,483,084

Non-Expansion Adjustment #6 – To adjust to agree incurred claims expense related to Public Partnership LLC, the consumer directed payroll vendor, to payroll related expenses.

The health plan had reported claims expense for consumer directed services arranged by Public Partnership LLC via payroll. During the examination, it was determined that the reported expense was greater than the actual payroll and employer tax expense incurred and paid by Public Partnership LLC. An adjustment was proposed to agree the reported expense to payroll and employer tax expense reported by Public Partnership LLC. 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 6. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,596,655
Adjusted Underwriting Gain	2.1	Incurred Claims	-$1,596,655

Non-Expansion Adjustment #7 – To adjust to reclassify capitated payments made to Eyemed, the vision vendor, in excess of claims expense to administrative expense.

The health plan reported a PMPM capitation expense for vision services arranged by Eyemed. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Eyemed. An adjustment was proposed to agree the reported vision expense to incurred claims expense reported by Eyemed. 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 7. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,550,485
Adjusted Underwriting Gain	2.1	Incurred Claims	-$1,550,485
Adjusted Underwriting Gain	3.1	Administrative Expenses	$1,550,485

Non-Expansion Adjustment #8 – To adjust to reclassify Performance Management Bonus (PMB) payments that do not meet the definition of incurred claims.

The health plan reported PMB payments in the amount of $3,406,097 and identified these payments were provider incentive payments for keeping an open panel for Medicaid members. It was determined, based on the provider contract arrangements, the payments were not based on clinical or quality metrics. An adjustment was proposed to remove the non-qualifying provider incentive payments per

health plan supporting documentation. The provider incentive reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 8. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$3,406,097
Adjusted Underwriting Gain	2.1	Incurred Claims	-$3,406,097
Adjusted Underwriting Gain	3.1	Administrative Expenses	$3,406,097

Non-Expansion Adjustment #9 – 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 9. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activities that improve Health Care Quality	-$5,012,786
Adjusted Underwriting Gain	2.2	Activities that improve Health Care Quality	-$5,012,786
Adjusted Underwriting Gain	3.1	Administrative Expenses	$5,012,786

Non-Expansion Adjustment #10 – 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 recoupments, performance withhold program payments, clinical efficacy payments, and discrete incentive payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 10. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$1,677,408
Adjusted Underwriting Gain	1.1	Premium Revenue	-$1,677,408

Non-Expansion Adjustment #11 – 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 contributions and donations costs, marketing and advertising costs, and lobbying expenses 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 11. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Underwriting Gain	3.1	Administrative Expenses	-$2,046,749

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

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

Table 12. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$27,880,620
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$27,880,620

Expansion Adjustment #2 – To adjust to agree incurred claims expense related to OptumHealth Care Solutions, Inc., the transplant vendor, to claims incurred and paid by the vendor.

The health plan reported a PMPM capitation expense for transplant services arranged by OptumHealth Care Solutions, Inc. and applied an adjustment to reverse the incurred claims amount per the lag table, leaving only the difference between PMPM capitation and actual claims incurred and paid by OptumHealth Care Solutions, Inc. reported in incurred claims expense. An adjustment was proposed to agree the reported transplant expense to incurred claims expense reported by OptumHealth Care Solutions, Inc. 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 13. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$6,078,078

Expansion Adjustment #3 – To adjust to remove duplicated and unsupported expenses related to behavioral health, dental, and vision capitation expense.

The health plan reported behavioral health, dental, and vision capitation in addition to amounts reported through lag tables and off lag support, duplicating portions of these expenses, as well as other unsupported expenses. An adjustment is proposed to remove $2,385,983 from the incurred claims expense. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 14. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$2,385,983

Expansion Adjustment #4 – To adjust to agree incurred claims expense related to Verida, the transportation vendor, to claims expense incurred by the vendor.

The health plan reported a PMPM capitation expense for transportation services arranged by Verida and reclassified a portion to administrative expense. During the examination, it was determined that this capitation expense less the health plan's reclassification was less than the actual claims incurred and paid by Verida. An adjustment was proposed to agree the reported transportation 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 15. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$5,796,066

Expansion Adjustment #5 – To adjust to reclassify Performance Management Bonus (PMB) payments that do not meet the definition of incurred claims.

The health plan reported PMB payments in the amount of $3,014,699 and identified these payments were provider incentive payments for keeping an open panel for Medicaid members. It was determined, based on the provider contract arrangements, the payments were not based on clinical or quality metrics. An adjustment was proposed to remove the non-qualifying provider incentive payments per health plan supporting documentation. The provider incentive reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 16. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$3,014,699

Expansion Adjustment #6 – To adjust to reclassify 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 17. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activities that improve Health Care Quality	-$2,845,026

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 recoupments, performance withhold program payments, clinical efficacy payments, discrete incentive payments, and risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 18. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$84,448,378