MYERS AND STAUFFER LC

UnitedHealthCare of the Mid-Atlantic, 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 UnitedHealthCare of the Mid-Atlantic, 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, 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 exceeds 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

UnitedHealthCare of the Mid-Atlantic, 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	$1,095,539,666	$6,980,752	$1,102,520,418
1.2	Activities that Improve Health Care Quality	$23,497,786	-$11,875,839	$11,621,947
1.3	MLR Numerator	$1,119,037,452	-$4,895,087	$1,114,142,365
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$1,271,053,338	$2,889,255	$1,273,942,593
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$12,954,514	$0	$12,954,514
2.3	MLR Denominator	$1,258,098,824	$2,889,255	$1,260,988,079
3	**MLR Calculation**	-	-	-
3.1	Member Months	1,658,955	0	1,658,955
3.2	Unadjusted MLR	88.9%	-0.5%	88.4%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	88.9%	-0.5%	88.4%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.6.1	Remittance Calculation	$0	$0	$0

UnitedHealthCare of the Mid-Atlantic, 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	$656,464,833	-$1,095,536	$655,369,297
1.2	Activities that Improve Health Care Quality	$10,027,036	-$5,067,689	$4,959,347
1.3	MLR Numerator	$666,491,868	-$6,163,225	$660,328,643
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$721,024,342	-$2,872,495	$718,151,847
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-$1,432,258	$0	-$1,432,258
2.3	MLR Denominator	$722,456,600	-$2,872,495	$719,584,105
3	**MLR Calculation**	-	-	-
3.1	Member Months	959,718	0	959,718
3.2	Unadjusted MLR	92.3%	-0.5%	91.8%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	92.3%	-0.5%	91.8%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.6.1	Remittance Calculation	$0	$0	$0

UnitedHealthCare of the Mid-Atlantic, 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	$1,271,053,338	$2,889,255	$1,273,942,593
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$12,954,514	$0	$12,954,514
1.3	Underwriting Gain Denominator	$1,258,098,824	$2,889,255	$1,260,988,079
2	**Medical Loss Ratio Numerator**	-	-	-
2.1	Incurred Claims	$1,095,539,666	$6,980,752	$1,102,520,418
2.2	Activities that Improve Health Care Quality	$23,497,786	-$11,875,839	$11,621,947
2.3	Total Adjusted Underwriting Gain Claims Expenses	$1,119,037,452	-$4,895,087	$1,114,142,365
3	**Non Claims Cost**	-	-	-
3.1	Administrative Expenses	$67,470,330	$7,372,758	$74,843,088
3.2	Less: Unallowable Expenses	$0	$0	$0
3.3	Allowable Administrative Expenses	$67,470,330	$7,372,758	$74,843,088
4	**Underwriting Gain**	-	-	-
4.1	Underwriting Gain $	$71,591,042	$411,585	$72,002,627
4.2	Less: Remittance Amount Due to State for Coverage Year	$0	$0	$0
4.3	Adjusted Underwriting Gain $	$71,591,042	$411,585	$72,002,627
4.4	Underwriting Gain %	5.7%	0.0%	5.7%
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	1.3%	0.0%	1.4%
5.4	Amount to Remit	$16,924,039	$162,453	$17,086,492

Schedule of Adjustments

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

Non-Expansion Adjustment #1 – To adjust state directed payments and the 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	$6,751,613
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$6,751,613
Adjusted Underwriting Gain	2.1	Incurred Claims	$6,751,613
Adjusted Underwriting Gain	1.1	Premium Revenue	$6,751,613

Non-Expansion Adjustment #2 – To reclassify shared risk payments made to ModivCare, the transportation vendor, that do not meet the definition of incurred claims.

The health plan reported shared risk payments made to ModivCare, the transporation vendor, in the amount of $2,161,962. It was determined, based on the provider contract arrangements, the payments were not based on clinical or quality metrics. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Table 2. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$2,161,962
Adjusted Underwriting Gain	2.1	Incurred Claims	-$2,161,962
Adjusted Underwriting Gain	3.1	Administrative Expenses	$2,161,962

Non-Expansion Adjustment #3 – To adjust to agree incurred claims expense related to ModivCare, 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 ModivCare 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 ModivCare. An adjustment was proposed to agree the reported transportation expense to incurred claims expense reported by ModivCare. 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	$1,557,106
Adjusted Underwriting Gain	2.1	Incurred Claims	$1,557,106
Adjusted Underwriting Gain	3.1	Administrative Expenses	-$1,557,106

Non-Expansion Adjustment #4 – To adjust to agree incurred claims expense related to Public Partnership LLC, the consumer directed vendor, to payroll related expenses.

The health plan 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 understated in comparison to 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 4. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$1,308,057
Adjusted Underwriting Gain	2.1	Incurred Claims	$1,308,057
Adjusted Underwriting Gain	3.1	Administrative Expenses	-$1,308,057

Non-Expansion Adjustment #5 – To adjust to agree incurred claims expense related to OptumRx, the Pharmacy Benefit Manager (PBM), to final net payments to pharmacies.

The health plan included pharmacy paid claims based on the amounts the health plan paid its PBM. During testing of the paid claims, it was determined the PBM was charging a transaction fee to the pharmacies for initial claim submissions that was not included as a reduction to the paid amount reported by the health plan. It was also determined effective rate reimbursement (ERR) guarantee calculations were calculated annually for participating pharmacies based on contracts with the PBM. The overall impact for the Medicaid line of business was a reduction in reimbursement to pharmacies. An adjustment was proposed to reduce incurred claims for the amount of transaction fees and ERR

guarantees per the PBM supporting documentation. 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	-$474,062
Adjusted Underwriting Gain	2.1	Incurred Claims	-$474,062

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

The health plan reported HCQI and HIT expenses comprised of direct salaries and vendor expenses. During the examination, it was noted that there was a difference between reported direct salaries and the support for these expenses. It was also noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. Finally, it was determined that direct cost support was not available to support vendor expenses. 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).

Table 6. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activities that Improve Health Care Quality	-$11,875,839
Adjusted Underwriting Gain	2.2	Activities that Improve Health Care Quality	-$11,875,839
Adjusted Underwriting Gain	3.1	Administrative Expenses	$11,875,839

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 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 7. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$3,862,358
Adjusted Underwriting Gain	1.1	Premium Revenue	-$3,862,358

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 related party expenses in excess of cost, marketing and advertising expenses, and interest claims expense in administrative expenses. 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 Expense	-$3,799,880

Expansion Adjustment #1 – To adjust state directed payments and the associated expense per state data.

The health plan properly included the revenue and expense associated with state directed payments in the Medical Loss Ratio. 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 9. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,095,536
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$1,095,536

Expansion Adjustment #2 – To adjust to remove non-allowable HCQI and HIT expenses.

The health plan reported HCQI and HIT expenses comprised of direct salaries and vendor expenses. During the examination, it was noted that there was a difference between reported direct salaries and the support for these expenses. It was also noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. Finally, it was determined that direct cost support was not available to support vendor expenses. 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).

Table 10. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Activities that Improve Health Care Quality	-$5,067,689

Expansion Adjustment #3 – 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 risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 11. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$1,776,958