MYERS AND STAUFFER LC

HealthKeepers, 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 HealthKeepers, 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
July 16, 2025

HealthKeepers, 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	$3,156,177,139	$15,140,762	$3,171,317,901
1.2	Activities that Improve Health Care Quality	$67,070,290	-$7,005,810	$60,064,480
1.3	MLR Numerator	$3,223,247,429	$8,134,952	$3,231,382,381
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$3,535,287,826	$14,087,103	$3,549,374,929
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$55,010,276	-$19,520,047	$35,490,229
2.3	MLR Denominator	$3,480,277,549	$33,607,150	$3,513,884,699
3	**MLR Calculation**	-	-	-
3.1	Member Months	4,927,423	0	4,927,423
3.2	Unadjusted MLR	92.6%	-0.6%	92.0%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	92.6%	-0.6%	92.0%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

HealthKeepers, 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	$1,522,308,214	-$2,932,727	$1,519,375,487
1.2	Activities that Improve Health Care Quality	$17,518,550	$3,159,236	$20,677,786
1.3	MLR Numerator	$1,539,826,764	$226,509	$1,540,053,273
2	**Medical Loss Ratio Denominator**	-	-	-
2.1	Premium Revenue	$1,859,285,141	-$159,547,201	$1,699,737,940
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$83,554,858	-$49,275,246	$34,279,612
2.3	MLR Denominator	$1,775,730,283	-$110,271,955	$1,665,458,328
3	**MLR Calculation**	-	-	-
3.1	Member Months	2,062,336	0	2,062,336
3.2	Unadjusted MLR	86.7%	5.8%	92.5%
3.3	Credibility Adjustment	0.0%	0.0%	0.0%
3.4	Adjusted MLR	86.7%	5.8%	92.5%
4	**Remittance**	-	-	-
4.2	State Minimum MLR Requirement	85.0%	-	85.0%
4.6.1	Remittance Calculation	$0	$0	$0

HealthKeepers, 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	$3,535,287,826	$14,087,103	$3,549,374,929
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$55,010,276	-$19,520,047	$35,490,229
1.3	Underwriting Gain Denominator	$3,480,277,550	$33,607,150	$3,513,884,700
2	**Medical Loss Ratio Numerator**	-	-	-
2.1	Incurred Claims	$3,156,177,139	$15,140,762	$3,171,317,901
2.2	Activities that Improve Health Care Quality	$67,070,290	-$7,005,810	$60,064,480
2.3	Total Adjusted Underwriting Gain Claims Expenses	$3,223,247,429	$8,134,952	$3,231,382,381
3	**Non Claims Cost**	-	-	-
3.1	Administrative Expenses	$143,941,023	$8,849,268	$152,790,291
3.2	Less: Unallowable Expenses	-$13,910,809	$0	-$13,910,809
3.3	Allowable Administrative Expenses	$130,030,214	$8,849,268	$138,879,482
4	**Underwriting Gain**	-	-	-
4.1	Underwriting Gain $	$126,999,906	$16,622,931	$143,622,837
4.2	Less: Remittance Amount Due to State for Coverage Year	$0	$0	$0
4.3	Adjusted Underwriting Gain $	$126,999,906	$16,622,931	$143,622,837
4.4	Underwriting Gain %	3.6%	0.4%	4.1%
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	0.3%	0.2%	0.5%
5.4	Amount to Remit	$11,295,790	$7,807,358	$19,103,148

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	$15,107,259
Adjusted Medical Loss Ratio	2.1	Premium Revenue	$15,107,259
Adjusted Underwriting Gain	2.1	Incurred Claims	$15,107,259
Adjusted Underwriting Gain	1.1	Premium Revenue	$15,107,259

Non-Expansion Adjustment #2 – 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 per-member-per-month (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 2. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	-$1,843,458
Adjusted Medical Loss Ratio	2.1	Incurred Claims	-$1,843,458
Adjusted Underwriting Gain	3.1	Administrative Expenses	$1,843,458

Non-Expansion Adjustment #3 – To adjust to agree incurred claims expense related to CarelonRx and CVS Caremark, the Pharmacy Benefit Managers (PBM), to actual costs incurred.

The health plan reported claims expense net of rebates and amounts received as a result of contractual terms for pharmacy services arranged by CarelonRx and CVS Caremark. During the examination, it was determined that claims were misclassified between non-expansion and expansion resulting in a positive adjustment for non-expansion. It was also determined that rebates received from CVS Caremark and legal settlements and contract penalties received from CarelonRx, were overstated in comparison to the amounts reported by CVS Caremark and CarelonRx, resulting in a net positive adjustment for non-expansion. Finally, it was determined that amounts received by CVS Caremark from pharmacies related to rate guarantees and transmission fees, as an overall reduction to claims payments, were not reported. An adjustment was proposed to reduce incurred claims for the amount of rate guarantees and transmission fees per the PBM supporting documentation, this adjustment combined with the previously discussed differences resulted in an overall net positive adjustment for non-expansion. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and in the 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	$1,876,961
Adjusted Underwriting Gain	2.1	Incurred Claims	$1,876,961

Non-Expansion Adjustment #4– 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 there was a difference between reported HCQI and HIT expenses and the support for these expenses which resulted in a reclassification from non-expansion to expansion. It was also 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).

Table 4. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.2	Activites that Improve Health Care Quality	-$7,005,810
Adjusted Underwriting Gain	2.2	Activites that Improve Health Care Quality	-$7,005,810
Adjusted Underwriting Gain	3.1	Administrative Expenses	$7,005,810

Non-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 discrete incentive payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Table 5. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$1,020,156
Adjusted Underwriting Gain	1.1	Premium Revenue	-$1,020,156

Non-Expansion Adjustment #6 – To adjust income tax expense per recalculation to audited financial statements.

The plan support for federal and state income tax expenses did not agree to reported amounts for these expenses. Additionally, the support was calculated based on net income of the Virginia Medicaid population reflected on the MLR reporting statement rather than according to the audited financial statements. The calculation did not appear to appropriately reflect the tax allocation and actual tax expense for the reporting period. A recalculation was performed utilizing the audited financial statements and the NAIC annual statement to determine the amount of taxes applicable to the MLR reporting period and appropriate population allocation. The recalculation removed taxes for investment income and included the tax benefit related to estimated rebates. An adjustment was proposed to the recalculated tax amount. The qualifying taxes reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Centers for Medicare and Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Table 6. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-$19,520,047
Adjusted Underwriting Gain	1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-$19,520,047

Expansion Adjustment #1 – To adjust to agree incurred claims expense related to CarelonRx and CVS Caremark, the PBMs, to actual costs incurred.

The health plan reported claims expense net of rebates and amounts received as a result of contractual terms for pharmacy services arranged by CarelonRx and CVS Caremark. During the examination, it was determined that claims were misclassified between non-expansion and expansion resulting in a negative adjustment for expansion. It was also determined that rebates received from CVS Caremark and legal settlements and contract penalties received from CarelonRx, were overstated in comparison to the amounts reported by CVS Caremark and CarelonRx, resulting in a net positive admustment for expansion. Finally, it was determined that amounts received by CVS Caremark from pharmacies related to rate guarantees and transmission fees, as an overall reduction to claims payments, were not reported. An adjustment was proposed to reduce incurred claims for the amount of rate guarantees and transmission fees per the PBM supporting documentation, this adjustment combined with the previously discussed differences resulted in an overall net negative adjustment for expansion. The pharmacy rebate and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and in the 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	-$2,932,727

Expansion Adjustment #2 – To adjust to reclassify non-allowable Healthcare Quality Improvement (HCQI) 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 there was a difference between reported HCQI and HIT expenses and the support for these expenses which resulted in a reclassification from non-expansion to expansion. It was also 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).

Table 8. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	1.1	Incurred Claims	$3,159,236

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 payments, 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 9. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.1	Premium Revenue	-$159,547,201

Expansion Adjustment #4 – To adjust income tax to verified audited financial statement amounts.

The plan support for federal and state income tax expenses did not agree to reported amounts for these expenses. Additionally, the support was calculated based on net income of the Virginia Medicaid population reflected on the MLR reporting statement rather than according to the audited financial statements. The calculation did not appear to appropriately reflect the tax allocation and actual tax expense for the reporting period. A recalculation was performed utilizing the audited financial statements and the NAIC annual statement to determine the amount of taxes applicable to the MLR reporting period and appropriate population allocation. The recalculation removed taxes for investment income and included the tax benefit related to estimated rebates. An adjustment was proposed to the recalculated tax amount. The qualifying taxes reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and Centers for Medicare and Medicaid Services Medical Loss Ratio Annual Reporting Form Filing Instructions.

Table 10. Proposed Adjustment

Calculation	Line #	Line Description	Amount
Adjusted Medical Loss Ratio	2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	-$49,275,246