

The background features a blurred medical scene with a patient lying down. A large green cross is centered over the patient. 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 shape on the right side contains the text.

HEALTHKEEPERS, 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**_{LC}
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 HealthKeepers, 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 HealthKeepers, Inc. for the year ended December 31, 2023.

HealthKeepers, Inc. is owned 92.51% by Anthem Southeast, Inc. and 7.49% by UNICARE National Services, Inc. HealthKeepers, Inc. receives administrative services from Elevance Health, Inc., Elevance Health Companies, Inc., Anthem Insurance Companies, Inc., CarelonRx, Inc., and WellPoint Information Technology Services, Inc. (referred to collectively as Elevance Health). HealthKeepers, Inc. also has administrative expenses from Carelon Services, Inc., which is owned by Elevance Health, Inc. Carelon Services, Inc. provides utilization management and program integrity services. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a trial balance for HealthKeepers, Inc., as well as related party support.

HealthKeepers, Inc. has delegated certain functions to vendors. Access2Care, LLC provides non-emergency medical transport services. Public Partnerships LLC (PPL) is the fiscal employer/agent for consumer directed services. Laboratory Corporation of America (LabCorp) provides laboratory services.

Trial Balance Reconciliation

We obtained HealthKeepers, Inc.'s adjusted trial balance as of December 31, 2023, and 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 HealthKeepers, Inc.'s adjusted trial balance as of December 31, 2023 of \$893,280,835 was reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$893,280,835. The administrative expenses including claims adjustment expenses per the HealthKeepers, Inc. adjusted trial balance as of December 31, 2023 of \$893,280,835 was reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$893,280,833 with an immaterial \$2 variance.

Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the quarterly filing and Annual Statement consist of direct and indirect expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product. Indirect expenses are recorded at the Elevance Health level, and allocated to the appropriate entities and



products using a variable proxy such as membership or headcounts. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$122,098,976 and \$198,810,105 respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$118,992,388 and \$193,751,741 respectively. The \$8,164,952 difference in General Administrative expenses is due to a misclassification of FAMIS expenses for January 2023 through September 2023 in the quarterly filing. A reclassification has been applied to the Underwriting Exhibit at Appendix C to correct this error and agree the Medicaid line of business to the Annual Statement.

We compared total HealthKeepers, Inc. 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 Medicaid and FAMIS general administrative expenses, excluding investment expenses, for 2022 were \$268,633,514 compared to 2023 expenses of \$323,645,121. The increase of \$55,011,607, or 20.48%, is primarily due to increases in staffing through new positions and increases to the annual incentive package.

We inspected the accounts and expense categories included in HealthKeepers, Inc.'s trial balance. This included HealthKeepers, Inc. specific and Elevance Health and Carelon Services, Inc. allocated expenses. We judgmentally selected expense categories and accounts for further inspection from these allocated expenses. Based on this inspection, we determined that \$887,852 in marketing expense and \$637,365 in lobbying expense should be excluded from the Underwriting Exhibit at Appendix C. Additionally, HealthKeepers, Inc. identified \$1,860,799 in start-up costs related to Cardinal Care implementation. The start-up costs have been excluded from the Underwriting Exhibit at Appendix C and amortization for a portion of start-up costs identified in the current year and in previous years has been included through a separate adjustment. However, this expense will be excluded for rate setting.

The Master Administrative Services Agreement effective January 2014 incorporates Elevance Health and HealthKeepers, Inc. as companies providing and companies receiving services. The compensation terms provide for a pass through of costs. A separate agreement with Carelon Services, Inc. was not provided and instead a Memorandum of Understanding effective September 2016 with AIM Specialty Health was referenced. The related expenses are representative of allocated costs. The Pharmacy Benefit Management Services agreement by and between IngenioRx Inc. (now known as CarelonRx) and CaremarkPCS Health, L.L.C. effective October 2017 incorporates HealthKeepers, Inc. effective October 1, 2019 and allows for a per claim administrative fee. An addendum to this agreement also became effective June 1, 2020. A schedule documenting payments made to Elevance Health and Carelon Services, Inc. was provided to agree to amounts included with HealthKeepers Inc.'s administrative expenses. Payments made to Elevance Health and Carelon Services, Inc. were \$218,921,970 and \$41,486,747 respectively.

Schedules documenting allocated costs from Elevance Health and Carelon Services, Inc. were provided to agree to amounts included with HealthKeepers, Inc. administrative expenses. Support for allocated costs was received on a sample basis and were found to be transferred at cost after considering the plan's self-exclusion related to Carelon Services, Inc.



Access2Care, LLC, PPL, and LabCorp expenses are appropriately split between administrative and medical on the trial balance. These vendors provide non-emergency transportation services, fiscal employer/agent for consumer directed services, and laboratory services.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are accumulated with administrative expenses at the Elevance Health level, and allocated to HealthKeepers, Inc. using a variable proxy. HCQI expenses fall into the following five categories: improve health outcomes, activities to prevent hospital readmissions, improve patient safety and reduce medical errors, wellness and health promotion activities, and health information technology quality improvement. Total HCQI expense allocated to Medicaid in 2023 is \$86,150,816. This amount included \$59,399,046 related to care coordination.

Reinsurance

HealthKeepers, Inc. pays reinsurance premiums to Anthem Health Plans of Virginia, Inc. and EyeMed Insurance Company. Reinsurance recoveries are based on expenses for inpatient hospital services subject to defined limitations. Reinsurance premiums of \$18,306,297 were agreed to the trial balance and they have been included in Total Revenues on the quarterly filing. Reinsurance recoveries of \$11,883,350 were agreed to the trial balance and have been offset against Medical Service Expenditures on the quarterly filing. Both reinsurance premiums and recoveries agree to the Annual Statement.

Total Revenues

Total revenues were agreed to the trial balance. In doing so, it was determined FAMIS expenses for January 2023 through June 2023 were misclassified in Medallion 4.0 Non-Expansion in the quarterly filing and member incentives were improperly included in Net Premium Income. Adjustments have been applied to the Underwriting Exhibit at Appendix C to correct these errors. 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.



HEALTHKEEPERS, 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
Administrative Expense						
Claims Adjustment Expenses	\$ 46,354,349	\$ 25,121,526	\$ 38,408,786	\$ 12,214,315	\$ 122,098,976	\$ 1,033,010
General Administrative Expenses	\$ 75,477,395	\$ 40,904,630	\$ 62,539,876	\$ 19,888,203	\$ 198,810,104	\$ 1,703,030
Total Administrative Expenses	\$ 121,831,744	\$ 66,026,156	\$ 100,948,662	\$ 32,102,518	\$ 320,909,080	\$ 2,736,040
Less: Self-Reported Excludable Expenses *	\$ (9,921,834)	\$ (5,442,416)	\$ (6,613,535)	\$ (2,710,785)	\$ (24,688,570)	\$ (803,348)
Adjusted Administrative Expenses	\$ 111,909,910	\$ 60,583,740	\$ 94,335,127	\$ 29,391,733	\$ 296,220,510	\$ 1,932,692
Adjustment 1: Reclassify FAMIS expenses erroneously classified to Medallion 4.0 Non-Expansion from January 2023 to September 2023.	\$ (8,164,951)	\$ -	\$ -	\$ -	\$ (8,164,951)	\$ 8,164,951
Adjustment 2: Remove 2023 start-up costs.	\$ (664,612)	\$ (365,384)	\$ (586,979)	\$ (175,410)	\$ (1,792,385)	\$ (68,414)
Adjustment 3: Remove fraud reduction and recovery expenses in excess of fraud recoveries.	\$ (184,315)	\$ (93,505)	\$ (39,614)	\$ (12,345)	\$ (329,779)	\$ (19,555)
Adjustment 4: Include amortization related to Medallion 4.0, Medicaid Expansion, and Cardinal Care.	\$ 553,649	\$ 320,484	\$ 75,288	\$ 113,087	\$ 1,062,508	\$ -
Adjustment 5: Remove marketing/advertising expense.	\$ (428,483)	\$ (224,296)	\$ (144,264)	\$ (44,617)	\$ (841,660)	\$ (46,192)
Adjustment 6: Remove lobbying expense.	\$ (337,660)	\$ (169,426)	\$ (72,507)	\$ (22,081)	\$ (601,674)	\$ (35,691)
Total Adjusted Administrative Expenses	\$ 102,683,538	\$ 60,051,613	\$ 93,567,051	\$ 29,250,367	\$ 285,552,569	\$ 9,927,791
Net Premium Income	\$ 1,172,661,589	\$ 903,882,032	\$ 1,870,071,596	\$ 518,250,583	\$ 4,464,865,800	\$ 53,114,999
Adjustment 7: Reclassify FAMIS revenues erroneously classified to Medallion 4.0 Non-Expansion from January 2023 to June 2023.	\$ (46,736,271)	\$ -	\$ -	\$ -	\$ (46,736,271)	\$ 46,736,271
Adjustment 8: Remove unearned premium reserves not relating to the current period	\$ (63,711,944)	\$ (64,341,295)	\$ (99,805,233)	\$ 1,653,312	\$ (226,205,160)	\$ (4,843,008)
Adjustment 9: Remove member incentives from Net Premium Income.	\$ (621,810)	\$ -	\$ -	\$ -	\$ (621,810)	\$ -
Total Adjusted Revenues	\$ 1,061,591,564	\$ 839,540,737	\$ 1,770,266,363	\$ 519,903,895	\$ 4,191,302,559	\$ 95,008,262
Percentage of Adjusted Administration Expenses to Net Premium Income	9.67%	7.15%	5.29%	5.63%	6.81%	10.45%



HEALTHKEEPERS, 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
Separately Identified Expenses included in Adjusted Administrative Expenses						
Healthcare Quality Improvement Expenses (HCQI)	\$ 19,550,227	\$ 10,761,750	\$ 40,872,993	\$ 13,173,230	\$ 84,358,200	\$ 1,792,617
Fraud Reduction and Recovery Expenses	\$ 712,514	\$ 361,468	\$ 153,136	\$ 47,724	\$ 1,274,842	\$ 75,596
Start Up / Other Non Recurring Expenses	\$ 664,612	\$ 365,384	\$ 586,979	\$ 175,410	\$ 1,792,385	\$ 68,414
Care Coordination expenses as defined within the MCO contract	\$ 7,688,509	\$ 4,232,268	\$ 35,372,793	\$ 11,400,524	\$ 58,694,094	\$ 704,982
Allowable Member Incentives	\$ 621,810	\$ -	\$ -	\$ -	\$ 621,810	\$ -

* Medicaid expenses excluded by the MCO include related party management fees in excess of cost (\$5,758,217), lobbying expenses (\$1,203,014), contributions (\$17,102), State and Federal Income Taxes (\$12,576,185), advertising and marketing (\$3,500,060), and claims interest (\$2,437,340).



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 – Reclassify FAMIS expenses erroneously classified to Medallion 4.0 Non-Expansion from January 2023 to September 2023.

HealthKeepers, Inc. erroneously reported FAMIS expenses related to January 2023 through September 2023 in the Medallion 4.0 Non-Expansion line of business for the purposes of the quarterly filing. The support provided by HealthKeepers, Inc. clarified the expense related to FAMIS and Medallion 4.0 Non-Expansion for the year.

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$8,164,951)	\$0	\$0	\$0	(\$8,164,951)	\$8,164,951

Adjustment #2 – Remove 2023 start-up costs.

HealthKeepers, Inc. identified \$1,860,799 in start-up expenses related to Cardinal Care implementation. These expenses are being amortized over five years based on implementation date of the program. The 2023 expenses were removed in total. See Adjustment #4 for the related adjustment to add back the amortization costs. (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
(\$664,612)	(\$365,384)	(\$586,979)	(\$175,410)	(\$1,792,385)	(\$68,414)

Adjustment #3 – Remove fraud reduction and recovery expenses in excess of fraud recoveries.

HealthKeepers, Inc. identified expenses related to fraud reduction and recovery totaling \$1,350,438. HealthKeepers, Inc. identified fraud recoveries totaling \$1,001,103. As fraud reduction and recovery



SCHEDULE OF ADJUSTMENTS AND COMMENTS

expenses are limited to the amount of claims payments recovered through the related efforts, the excess expenses of \$349,335 have been removed. (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
(\$184,315)	(\$93,505)	(\$39,614)	(\$12,345)	(\$329,779)	(\$19,555)

Adjustment #4 – Include amortization related to Medallion 4.0, Medicaid Expansion, and Cardinal Care.

HealthKeepers, Inc. has identified start-up costs related to various programs in the current year and in previous years. These expenses were removed each year to be amortized over a period of five years beginning with the start date of each program. Expenses included in this adjustment are \$1,560,000 related to Medallion 4.0 implementation, \$1,175,000 related to Medicaid Expansion, and \$2,762,341 related to MES Implementation, and \$1,860,798 related to Cardinal Care Implementation. (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
\$553,649	\$320,484	\$75,288	\$113,087	\$1,062,508	\$0

Adjustment #5 – Remove marketing/advertising expense.

During inspection of cost centers 6037169900 Corporate Media and Public Relations and 6330923800 VA Medicaid Defend and Enable, we found expenses relating to marketing and advertising. We determined this cost to be non-allowable and an adjustment was made to remove this expense in excess of the expense self-excluded by HealthKeepers, Inc. related to cost center 6330923800 VA Medicaid Defend and Enable. (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
(\$428,483)	(\$224,296)	(\$144,264)	(\$44,617)	(\$841,660)	(\$46,192)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #6 – Remove lobbying expense.

During inspection of cost centers 6037167700 State Affairs we found expenses relating to lobbying. We determined this cost to be non-allowable and an adjustment was made to remove this expense in excess of the expense self-excluded by HealthKeepers, Inc. (45 CFR § 75.450)

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$337,660)	(\$169,426)	(\$72,507)	(\$22,081)	(\$601,674)	(\$35,691)

Adjustment #7 – Reclassify FAMIS revenues erroneously classified to Medallion 4.0 Non-Expansion from January 2023 to June 2023.

HealthKeepers, Inc. erroneously reported FAMIS revenues related to January 2023 through June 2023 in the Medallion 4.0 Non-Expansion line of business for the purposes of the quarterly filing. The support provided by HealthKeepers, Inc. clarified the revenue related to FAMIS and Medallion 4.0 Non-Expansion for the year.

Proposed Adjustment					
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$46,736,271)	\$0	\$0	\$0	(\$46,736,271)	\$46,736,271

Adjustment #8 – Remove unearned premium reserves not relating to the current period.

HealthKeepers, Inc. included unearned premium reserves related to periods prior to January 1, 2023 based on their financial reporting procedures. An adjustment of \$(231,048,168) 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
(\$63,711,944)	(\$64,341,295)	(\$99,805,233)	\$1,653,312	(\$226,205,160)	(\$4,843,008)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #9 – Remove member incentives from Net Premium Income.

HealthKeepers, Inc. identified \$621,810 in allowable member incentives. These incentives are located in account 403510, Other Premium Refunds, which was included with Net Premium Income on both the Annual Statement and quarterly filing. As the contents of the account include expenses related to member incentives for wellness checkups and gift cards this account has been removed from Total Adjusted Revenues. (45 CFR § 158.130)

Proposed Adjustment					
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid	FAMIS
(\$621,810)	\$0	\$0	\$0	(\$621,810)	\$0