UnitedHealthcare of the Mid-Atlantic, Inc.

Medallion 4.0

Medicaid Managed Care Program

Report on Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations

With Independent Accountant's Report Thereon

For the period of July 1, 2021 through June 30, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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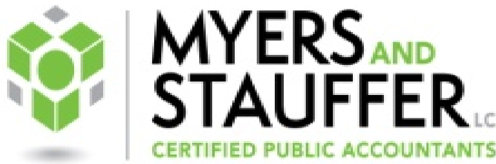

Virginia Department of Medical Assistance Services
Richmond, Virginia

Independent Accountant's Report

We have examined the accompanying Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of UnitedHealthcare of the Mid-Atlantic, Inc. (health plan) related to the Medallion 4.0 program for the period of July 1, 2021 through June 30, 2022. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio in accordance with the criteria set forth in the Code of Federal Regulations (CFR) 42 § 438.8 and other applicable federal guidance (federal criteria). They are also responsible for presenting information contained in the Underwriting Gain Rebate Calculation in accordance with this federal criteria as well as the Medallion 4.0 contract (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations 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 Rebate Calculations 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 Rebate Calculations. 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 Rebate Calculations, 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 Rebate Calculations were prepared from information contained in the Medical Loss Ratio Report 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 above referenced accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations are presented in accordance with the above referenced criteria, in all material respects, for the period of July 1, 2021 through June 30, 2022. Related to non-expansion, the Adjusted Medical Loss Ratio (MLR) Percentage Achieved does not exceed the minimum requirement of eighty-five percent (85%) and the Adjusted Underwriting Gain Percentage Achieved exceeds the maximum requirement of three percent (3%). In accordance with contractual obligations, MLR and Underwriting Gain remittance

amounts are due to the Department of Medical Assistance Services. Related to expansion, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Underwriting Gain is not applicable per contractual requirements.

This report is intended solely for the information and use of the Virginia 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
Glen Allen, Virginia
October 3, 2024

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1.	**Medical Loss Ratio Numerator**			
1.1	Incurred Claims	$ 284,661,865	$ (675,763)	$ 283,986,102
1.2	Activities that Improve Health Care Quality	$ 7,087,294	$ (5,558,437)	$ 1,528,857
1.3	MLR Numerator	$ 291,749,159	$ (6,234,200)	$ 285,514,959
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 342,055,982	$ 4,456,711	$ 346,512,693
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 4,404,131	$ -	$ 4,404,131
2.3	MLR Denominator	$ 337,651,851	$ 4,456,711	$ 342,108,562
3.	**MLR Calculation**			
3.1	Member Months	1,123,569	0	1,123,569
3.2	Unadjusted MLR	86.4%		83.5%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	86.4%		83.5%
4.	**Remittance**			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	$ -		$ 5,131,628

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1.	**Medical Loss Ratio Numerator**			
1.1	Incurred Claims	$ 373,610,095	$ -	$ 373,610,095
1.2	Activities that Improve Health Care Quality	$ 8,905,436	$ (7,062,451)	$ 1,842,985
1.3	MLR Numerator	$ 382,515,531	$ (7,062,451)	$ 375,453,080
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 429,723,941	$ (15,092,465)	$ 414,631,476
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 2,324,533	$ -	$ 2,324,533
2.3	MLR Denominator	$ 427,399,408	$ (15,092,465)	$ 412,306,943
3.	**MLR Calculation**			
3.1	Member Months	732,295	0	732,295
3.2	Unadjusted MLR	89.5%		91.1%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	89.5%		91.1%
4.	**Remittance**			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	$ -		$ -

Adjusted Underwriting Gain for the State Fiscal Year Ended June 30, 2022

Adjusted Underwriting Gain for the State Fiscal Year Ended June 30, 2022				
Line #	**Line Description**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
1.	**Medical Loss Ratio Denominator**			
1.1	Premium Revenue	$ 342,055,982	$ 4,456,711	$ 346,512,693
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 4,404,131	$ -	$ 4,404,131
1.3	**Underwriting Gain Denominator**	$ 337,651,851	$ 4,456,711	$ 342,108,562
2.	**Medical Expenses**			
2.1	Incurred Claims	$ 284,661,865	$ (675,763)	$ 283,986,102
2.2	Improving health care quality expenses	$ 7,087,294	$ (5,558,437)	$ 1,528,857
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	$ 291,749,159	$ (6,234,200)	$ 285,514,959
3.	**Non Claims Cost**			
3.1	Administrative Expenses	$ 18,455,916	$ 6,005,077	$ 24,460,993
3.2	Less: Unallowable Expenses	$ -	$ (1,060,024)	$ (1,060,024)
3.3	**Allowable Administrative Expenses**	$ 18,455,916	$ 4,945,053	$ 23,400,969
4.	**Underwriting Gain**			
4.1	Underwriting Gain $	$ 27,446,776		$ 33,192,634
4.1	Less: Remittance Amount Due to State for Coverage Year	$ -		$ (5,131,628)
4.2	Adjusted Underwriting Gain $	$ 27,446,776		$ 28,061,006
4.3	**Underwriting Gain %**	8.1%		8.2%
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	2.6%		2.6%
5.4	**Amount to Remit**	$ 8,658,610		$ 8,898,874

Schedule of Adjustments and Comments for the Period Ending June 30, 2022

During our examination we noted certain matters involving costs, that in our determination did not meet the definitions of allowable medical expenses and other operational matters that are presented for your consideration.

Non-Expansion Adjustment #1 – To adjust to reclassify capitated payments made to ModivCare, the transportation vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for transportation services arranged by ModivCare. During the examination, it was determined that this capitation expense was greater 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).

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	($446,640)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Incurred Claims	($446,640)
3.1	Administrative Expenses	$446,640

Non-Expansion Adjustment #2 – To adjust provider incentive expense to agree to supported and allowable amounts.

The reported provider incentive expense of $1,365,683 was adjusted to agree to the supported amount of $1,136,560. An adjustment has been proposed for the difference of ($229,123). The provider incentive reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140(b)(2)(iii).

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	($229,123)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($229,123)

Non-Expansion Adjustment #3 – 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).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.2	Activities that Improve Health Care Quality	($5,558,437)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Activities that Improve Health Care Quality	($5,558,437)
3.1	Administrative Expenses	$5,558,437

Non-Expansion Adjustment #4 – To adjust premium revenue to state data amounts.

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, and clinical efficacy payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Premium Revenue	$4,456,711

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Premium Revenue	$4,456,711

Non-Expansion Adjustment #5 – To adjust administrative expense to apply adjustments identified during the 2021 and 2022 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. 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.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	($1,060,024)

Expansion Adjustment #1 – 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).

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Activities that Improve Health Care Quality	($7,062,451)

Expansion Adjustment #2 – To adjust premium revenue to state data amounts.

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).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Premium Revenue	($15,092,465)