United Healthcare 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, 2019 through June 30, 2020

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Table of Contents

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of United Healthcare of the Mid-Atlantic, Inc. (United) related to the Medallion 4.0 Program for the period of July 1, 2019 through June 30, 2020. United's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the Medallion 4.0 contract and Centers for Medicare & Medicaid Services (CMS) federal guidance (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 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, 2019 through June 30, 2020. 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 does not exceed the maximum requirement of three percent (3%). In accordance with contractual obligations, a MLR remittance amount is 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 United 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
August 15, 2022

Adjusted Medical Loss Ratio for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$175,245,906	$10,699,338	$185,945,244
1.2	Improving health care quality expenses	$4,517,351	($834,760)	$3,682,591
1.3	**Total Adjusted MLR Numerator**	**$179,763,257**	**$9,864,578**	**$189,627,835**
Medical Loss Ratio Denominator				
2.1	Revenue	$222,841,733	$29,042,708	$251,884,441
2.2	Federal and State taxes and licensing or regulatory fees	$12,293,663	$0	$12,293,663
2.3	**Total Adjusted MLR Denominator**	**$210,548,070**	**$29,042,708**	**$239,590,778**
Credibility Adjustment				
3.1	Member Months to determine credibility	864,853		864,853
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	85.4%		79.1%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	**85.4%**		**79.1%**
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	85.4%		79.1%
5.4	MLR denominator	$210,548,070		$239,590,778
5.5	**Remittance amount due to State for Coverage Year**	**$0**		**$14,135,856**

Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$190,164,821	($2,752,701)	$187,412,120
1.2	Improving health care quality expenses	$2,518,546	$374,971	$2,893,517
1.3	**Total Adjusted MLR Numerator**	**$192,683,367**	**($2,377,730)**	**$190,305,637**
Medical Loss Ratio Denominator				
2.1	Revenue	$220,688,529	$4,597,610	$225,286,139
2.2	Federal and State taxes and licensing or regulatory fees	$4,014,461	$0	$4,014,461
2.3	**Total Adjusted MLR Denominator**	**$216,674,068**	**$4,597,610**	**$221,271,678**
Credibility Adjustment				
3.1	Member Months to determine credibility	402,476		402,476
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	88.9%		86.0%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	**88.9%**		**86.0%**
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	88.9%		86.0%
5.4	MLR denominator	$216,674,068		$221,271,678
5.5	**Remittance amount due to State for Coverage Year**	**N/A**		**N/A**

Adjusted Underwriting Gain for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	$222,841,733	$26,152,110	$248,993,843
1.2	Federal and State taxes and licensing or regulatory fees	$12,293,663	($2,890,598)	$9,403,065
1.3	**Total Adjusted Underwriting Gain Denominator**	**$210,548,070**	**$29,042,708**	**$239,590,778**
Medical Expenses				
2.1	Claims	$175,245,906	$10,699,338	$185,945,244
2.2	Improving health care quality expenses	$4,517,351	($834,760)	$3,682,591
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$179,763,257**	**$9,864,578**	**$189,627,835**
Non-Claims Costs				
3.1	Administrative Expenses	$22,735,977	$5,987,669	$28,723,646
3.2	Less: Unallowable Expenses	$0	$0	$0
3.3	**Allowable Administrative Expenses**	**$22,735,977**	**$5,987,669**	**$28,723,646**
Underwriting Gain				
4.1	Underwriting Gain $	$8,048,836		$21,239,297
4.1	Less: Remittance Amount Due to State for Coverage Year	$0		($14,135,856
4.2	Adjusted Underwriting Gain $	$8,048,836		$7,103,441
4.3	**Underwriting Gain %**	**3.8%**		**3.0%**
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	0.4%		0.0%
5.4	**Amount to Remit**	**$866,197**		**$0**

Schedule of Adjustments and Comments for the Period Ending June 30, 2020

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 revenues and claims to include related directed payments.

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the Managed Care contracts refer to 42 CFR § 438.6(c) in speaking to directed payments related to private acute care hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$28,478,257
2.1	Revenue	$28,478,257

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$28,478,257
2.1	Claims	$28,478,257

Non-Expansion Adjustment #2 – 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, Health Insurer Fee (HIF) payments, maternity kick payments, and Rx reinsurance recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Revenue	$564,451

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$564,451

Non-Expansion Adjustment #3 – To adjust to reclassify administrative and Healthcare Quality Improvement (HCQI) portions of actual costs incurred by United Behavioral Health (UBH).

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by United Behavioral Health (UBH). During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The administrative portion has been reclassified to administrative expense and the HCQI portion reclassified to HCQI expense. The profit component was removed through Non-Expansion Adjustment #8.

The third party requirements are addressed in CMS MLR Guidance issued 7/18/11 (Q and A #19), 5/13/11 (Q and A #12), and 2/10/12 (Q and A #20). CMS Guidance states that "an issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees". Question #12 recognizes items for inclusion in the non-claims cost component. Additionally, the third party reporting requirements are also stated in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(3), 45 CFR 158.140(b)(3)(ii), and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($1,637,661)
1.2	Improving health care quality expenses	$609,613

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($1,637,661)
2.2	Improving health care quality expenses	$609,613
3.1	Administrative Expenses	$1,028,048

Non-Expansion Adjustment #4 – To adjust to remove margin (profit) associated with certain HCQI expenses.

The health plan reported indirect HCQI based on an allocation of corporate expenses using a calculated percentage. During the examination, the health plan provided a rate build for HCQI Account 78402 showing profit margin included as a portion of the rate. As the services are provided internally or by a related party, profit margin is a non-allowable expense. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and the related party requirements are addressed in 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	($105,333)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	($105,333)

Non-Expansion Adjustment #5 – To adjust to reclassify non-allowable HCQI expenses.

The health plan reported HCQI based on an analysis of whole cost centers that they determined to be HCQI, the majority of which is driven by full time equivalents (FTEs). During the examination, several FTEs included in HCQI did not qualify as HCQI utilizing the job description. Additionally, the health plan provided a rate build for HCQI Account 78402 showing administrative expenses that are unallowable as HCQI. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	($1,339,041)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	($1,339,041)
3.1	Administrative expenses	$1,339,041

Non-Expansion Adjustment #6 – To adjust administrative expense to apply adjustments identified during the 2019 and 2020 administrative cost procedures.

Procedures are applied to administrative costs through a separate engagement. The health plan included interest payments for late claims, which is not considered an allowable administrative expense. There were also positive adjustments necessary to record management service fees at the cost of United Healthcare Services, Inc. (UHS) and to include amortization related to Medallion 4.0 and Medicaid expansion program implementation. Administrative cost principles are addressed in 45 CFR § 75.420 through 75.477 and 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
3.1	Administrative expenses	$3,620,580

Non-Expansion Adjustment #7 – To adjust to remove Health Insurer Fee (HIF) expense and revenue included in the Underwriting Gain calculation.

The health plan has included HIF expense in taxes and licensing or regulatory fees and HIF revenue was included in the Underwriting Gain calculation through Non-Expansion Adjustment #2. HIF revenue includes a gross up amount to reimburse the health plan for the tax impact of HIF. HIF expense and revenue have been removed from the Underwriting Gain per the Medallion 4.0 MCO Contract, Section 15.12.

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	($2,890,598)
1.2	Federal and State taxes and licensing or regulatory fees	($2,890,598)

Non-Expansion Adjustment #8 – To adjust to remove the profit margin associated with UBH.

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by UBH. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The profit margin has been removed from claims expense. Administrative and HCQI expenses were reclassified through Non-Expansion Adjustment #3.

The third party requirements are addressed in CMS MLR Guidance issued 7/18/11 (Q and A #19), 5/13/11 (Q and A #12), and 2/10/12 (Q and A #20). CMS Guidance states that "an issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees". Question #12 recognizes items for inclusion in the non-claims cost component. Additionally, the third party reporting requirements are also stated in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(3), 45 CFR 158.140(b)(3)(ii), and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020. The related party requirements are addressed in 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($16,141,258)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($16,141,258)

Expansion Adjustment #1 – To adjust revenues and claims to include related directed payments.

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the Managed Care contracts refer to 42 CFR § 438.6(c) in speaking to directed payments related to private acute care hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$32,736,454
2.1	Revenue	$32,736,454

Expansion Adjustment #2 – 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, HIF payments, maternity kick payments, Rx reinsurance recoupments, and risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
2.1	Revenue	($28,138,844)

Expansion Adjustment #3 – To adjust to reclassify administrative and HCQI portions of actual costs incurred by UBH.

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by United Behavioral Health (UBH). During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The administrative portion has been reclassified to administrative expense and the HCQI portion reclassified to HCQI expense. As the Underwriting Gain calculation is not applicable for expansion the administrative portion of the reclassification is not shown. The profit component was removed through Expansion Adjustment #4.

The third party requirements are addressed in CMS MLR Guidance issued 7/18/11 (Q and A #19), 5/13/11 (Q and A #12), and 2/10/12 (Q and A #20). CMS Guidance states that “an issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees”. Question #12 recognizes items for inclusion in the non-claims cost component. Additionally, the third party reporting requirements are also stated in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(3), 45 CFR 158.140(b)(3)(ii), and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($1,023,781)
1.2	Improving health care quality expenses	$374,971

Expansion Adjustment #4 – To adjust to remove the profit margin associated with UBH.

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by UBH. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The profit margin has been removed from claims expense. Administrative and HCQI expenses were reclassified through Expansion Adjustment #3.

The third party requirements are addressed in CMS MLR Guidance issued 7/18/11 (Q and A #19), 5/13/11 (Q and A #12), and 2/10/12 (Q and A #20). CMS Guidance states that “an issuer may only include as reimbursement for clinical services (incurred claims) the amount that the vendor actually pays the medical provider or supplier for providing covered clinical services or supplies to enrollees”. Question #12 recognizes items for inclusion in the non-claims cost component. Additionally, the third party reporting requirements are also stated in the Medicaid Managed Care Final Rule 42 CFR § 438.8(k)(3), 45 CFR 158.140(b)(3)(ii), and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020. The related party requirements are addressed in 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	($17,232,687)

The Virginia Department of Medical Assistance Services had no comments on the draft report.

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

July 22, 2022

Nicholas Maiers, Virginia CFO
United Healthcare of the Mid-Atlantic, Inc.
9020 Stony Point Parkway, Suite 300
Richmond, Virginia 23235

Dear Mr. Maiers:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of United Healthcare of the Mid-Atlantic, Inc.'s Medallion 4.0 MLR and Underwriting Gain rebate calculations for the period of July 1, 2019 through June 30, 2020. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by July 26, 2022.

United Healthcare of the Mid-Atlantic, Inc. Medallion 4.0
July 1, 2019 through June 30, 2020
Non-Expansion

	Adjustment	MCO's Response	
		Accept	Disagree
1.	To adjust revenues and claims to include related directed payments.	X	
2.	To adjust revenues to agree with state data.	X	
3.	To adjust to reclassify behavioral health cost to administrative and Healthcare Quality Improvement (HCQI) expenses.	X	
4.	To remove insufficiently supported indirect and the profit margin associated with the rate build for Healthcare Quality Improvement (HCQI) expenses.	X	
5.	To remove non-allowable HCQI expenses.		X
6.	To adjust related party management fees to cost and remove expenses determined to be non-allowable during the administrative cost procedures.	X	

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7.	To remove Health Insurer Fee (HIF) expense and revenue included in the Underwriting Gain calculation.	Accept ______X	Disagree ______
8.	To adjust to remove profit margin included in actual behavioral health cost.	Accept ______X	Disagree ______

United Healthcare of the Mid-Atlantic, Inc. Medallion 4.0
July 1, 2019 through June 30, 2020
Expansion

	Adjustment	MCO's Response	
1.	To adjust revenues and claims to include related directed payments.	Accept ______X	Disagree ______
2.	To adjust revenues to agree with state data.	Accept ______X	Disagree ______
3.	To adjust to reclassify behavioral health cost to administrative and Healthcare Quality Improvement (HCQI) expenses.	Accept ______X	Disagree ______
4.	To adjust related party management fees to cost and remove expenses determined to be non-allowable during the administrative cost procedures.	Accept ______X	Disagree ______

Acknowledged by:
UNITED HEALTHCARE OF THE MID-ATLANTIC, INC.

Nick Maiers
Officer or other Authorized Person

7/27/2022
Date

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