

The background features a blurred medical scene with a green overlay. A large white cross is centered. Various medical icons are scattered throughout, including a syringe, a pill, a virus, a stethoscope, and a group of people. A white diagonal line runs from the bottom left towards the top right, separating the background from the text area.

VIRGINIA PREMIER HEALTH PLAN,
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, 2021



**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 Virginia Premier Health Plan, Inc. (Virginia Premier) for the period of January 1, 2021 through December 31, 2021. 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 18, 2022



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 17, 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 a summary work paper of related-party transactions from the MCO. Ensure it contains all related parties identified by the MCO and any additional related parties identified through Step 7. Cross-reference procedures performed with respect to items on the summary work paper to other applicable work papers or indicate the procedures performed on the summary work paper.



- 9) 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.
- 10) 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

- 11) Reconcile total expenses and total administrative expenses per the adjusted trial balance as of December 31, 2021 to the annual statement for the year ended December 31, 2021 and the quarterly filing required by the Department.
- 12) Obtain the adjusted trial balance as of December 31, 2021. 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, 2021.
- 13) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2021. 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

- 14) 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.
- 15) 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. COVID 19 Related Expenses



- g. Allowable Member Incentives
- 16) Compare administrative and claims adjustment expenses per the quarterly filing for the year ended December 31, 2021 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.
- 17) 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 15 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 such as the health insurer fee.
 - c. HCQI Expenses
 - d. Fraud Reduction and Recovery Expenses
 - e. Non-recurring expenses such as start-up costs
 - f. Care Coordination
 - g. COVID 19 Related Expenses
 - h. Allowable Member Incentives
- 18) Agree the summary work paper of related-party transactions from the MCO from Step 8 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.
- 19) Agree the summary work paper of delegated vendor transactions from the MCO from Step 9 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.
- 20) 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 Virginia Premier Health Plan, Inc. (VPHP) for the year ended December 31, 2021.

VPHP is jointly owned by Virginia Commonwealth University Health System Authority (VCUHSA), which holds 20% ownership, and Sentara Health Plans, Inc. (SHP), which holds 80% ownership. VPHP received administrative services from VCUHSA and SHP throughout the year. In order to perform the agreed upon procedures outlined in Appendix A, we obtained separate trial balances for VCUHSA and SHP.

VPHP has delegated certain functions to vendors. Elixir Rx Solutions, LLC provides pharmacy benefit management services. DentaQuest, LLC (DentaQuest) provides administration of the dental benefit. VSP Vision Care, Inc. (VSP) provides administration of the vision benefit. Consumer Direct Care Network Virginia, LLC (CDCN) is the fiscal employer/agent for consumer directed services. National Imaging Associates Inc. (NIA) provides utilization management for high end radiology services. Carenet Healthcare Services provides nurse triage services. OptumHealth Care Solutions, LLC and ProgenyHealth, LLC provide care management services. Virginia Health Information, Inc. (Collective Medical) provides the system for case managers to view member info. Southeastrans, Inc. provides administration of the non-emergent transportation benefit. Kaiser Foundation Health Plan of The Mid-Atlantic States (Kaiser) provides comprehensive health services to certain Medallion 4.0 members.

Trial Balance Reconciliation

We obtained VPHP's adjusted trial balance as of December 31, 2021, 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, 2021. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the VPHP adjusted trial balance as of December 31, 2021 of \$209,804,070 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$219,324,031. The difference of \$9,519,961 is due to a reclassification of the administrative portion of Southeastrans, Inc. non-emergent transportation expenses from medical to administrative expenses. The administrative expenses including claims adjustment expenses per the VPHP trial balance as of December 31, 2021 of \$209,804,070 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$209,804,070.



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 VCUHSA and SHP level, and allocated to the appropriate entities and products. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$31,113,130 and \$168,307,263, respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$31,113,130 and \$158,862,356, respectively. The \$9,444,907 difference in General Administrative expenses is due to a reclassification of the administrative portion of Southeastrans, Inc. non-emergent transportation expenses from medical to administrative expenses.

We compared total VPHP 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 general administrative expenses, excluding investment expenses, for 2020 were \$210,924,955 compared to 2021 expenses of \$219,324,031. The increase of \$8,399,076 is primarily due to the increase in Medicaid member months in 2021. This is evidenced by an increase of 394,069 member months, from 3,670,928 in 2020 to 4,064,997 in 2021. A secondary reason for the increase in cost was VPHP fully transitioning to SHP's accounting methodologies and procedures.

We inspected the accounts and expense categories included in VPHP's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct expense. Based on this inspection, we determined that \$328,395 in interest expense on late claims payments, \$87,493 in donation and contribution expenses, \$9,954 in bad debt expenses, and \$5,306 in lobbying fees should be excluded from the Underwriting Exhibit at Appendix C. In the year ending December 31, 2018, VPHP identified \$964,500 in start-up costs related to Medicaid expansion. These expenses have been amortized over a five year period beginning January 1, 2019, as this is the effective date for Medicaid expansion. Year three amortization expenses of \$192,900 have been added to the Underwriting Exhibit at Appendix C. However, this expense will be excluded for rate setting.

Both VCUHSA and SHP provide VPHP with administrative services. The Administrative Services Agreement (ASA) by and between VPHP and VCUHSA effective January 1, 2002 allows for compensation based on annual expenses. The ASA agreement was amended on May 1, 2020 to establish the transfer service agreement with SHP. The ASA between VPHP and SHP effective April 30, 2020 allows for an allocation of actual costs. A schedule documenting payments made to VCUHSA and SHP was provided to agree to amounts included with VPHP administrative expenses. Payments made to VCUHSA and SHP were \$132,057 and \$189,975,487, respectively.

A schedule documenting allocated costs from VCUHSA was provided to agree to amounts included with VPHP administrative expenses. The incurred costs were found to include \$9,807 in corporate employee events, meals and entertainment identified by VPHP as non-allowable and should be excluded from the Underwriting Exhibit at Appendix C. A schedule documenting allocated costs from SHP was provided to agree to amounts included with VPHP administrative expenses. SHP allocates 4.54% of non IT costs to



VPHP based upon FTEs and directly allocates \$10,384,235 of IT costs to VPHP which represents 4.05% of SHP IT costs. We judgmentally selected corporate rollup cost categories for further inspection. Based on this inspection, we determined that \$12,931 in corporate donations and contributions should be excluded from the Underwriting Exhibit at Appendix C.

Carenet Healthcare Services, OptumHealth Care Solutions, LLC, ProgenyHealth, LLC, and Collective Medical expenses are appropriately recorded to administrative accounts as they provide nurse triage services, care management services, and a case management system. Elixir Rx Solutions, LLC, DentaQuest, and CDCN provide pharmacy benefit management services, administration of the dental benefit, and fiscal employer/agent services, respectively, and the related expenses are appropriately split between administrative and medical on the trial balance. Southeastrans, Inc. provides administration of the non-emergent transportation benefit and the expenses are recorded to a medical amount and the administrative component, totaling \$9,444,907 have been reclassified by the MCO to administrative for the purposes of the quarterly filing. As Southeastrans, Inc. is a new vendor effective January 1, 2021 there is not yet MLR information to support the reasonableness of VPHP's reclassification. NIA Radiology provides utilization management for high end radiology services and expenses are recorded to medical in full. The expense of \$798,910 was reclassified from medical to administrative. VSP provides administration of the vision benefit and expenses are recorded to medical in full. The portion of VSP expenses related to administration were calculated using percentages from the 2019 and 2020 Medical Loss Ratio (MLR) examination resulting in a reclassification from medical to administrative expenses of \$271,392.

Kaiser provides comprehensive health services to certain Medallion 4.0 members and the expenses are split between administrative and medical on the trial balance based on the contractual arrangement, which was not based on paid claims but instead was a percentage of capitation fees. The portion of Kaiser expenses related to administration were calculated using the percentage from the 2019 MLR examination resulting in a reclassification from medical to administrative expenses of \$16,905,519. VPHP has identified that Kaiser is using the fee schedule for the District of Columbia, which is lower than the Virginia fee schedule, and as such, claims expenses may be understated using this methodology. Kaiser will begin applying the Virginia fee schedule as of July 1, 2022 and will not re-price claims prior to that date. The information from the 2019 MLR examination is the best available information as of the date of this report.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are calculated by VPHP through review and analysis of the departments containing HCQI expenses. Departments containing HCQI expense are analyzed to determine the amount of cost associated with HCQI and the percentage of that cost associated with each of the five categories (Improve Health Outcomes, Wellness and Health Promotion, Prevent Hospital Readmission and Improve Patient Safety/Reduce Medical Errors and Health Information Technology). This expense is allocated to Medicaid using the same allocation basis for each department utilized for total department costs. Total HCQI expense allocated to Medicaid in 2021 is \$50,170,762. This amount included \$40,770,911 related to care coordination.



Reinsurance

VPHP pays reinsurance premiums to Swiss Re Life & Health America Inc., on a PMPM basis. VPHP also pays premiums to Kaiser on a capitated arrangement. Reinsurance expense of \$159,031,431 was agreed to the trial balance and annual statement. Reinsurance recoveries of \$1,359,790 were agreed to the trial balance and annual statement. Expenses have been included in Total Revenues on the quarterly filing while recoveries were netted against Medical Expenses.

Total Revenues

Total Revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves and aggregate write-ins were inspected to determine appropriateness for rate setting purposes. 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. Amounts reported as change in unearned premium reserves were inspected to determine appropriateness for rate setting purposes. Vaccine administration revenues of \$2,045,661 were agreed to the general ledger and were offset against medical expenses on the quarterly filing.



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2021					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Administrative Expense					
Claims Adjustment Expenses	\$ 9,334,310	\$ 7,591,931	\$ 12,114,793	\$ 2,072,096	\$ 31,113,130
General Administrative Expenses	\$ 44,248,386	\$ 35,027,114	\$ 76,029,026	\$ 13,002,737	\$ 168,307,263
Total Administrative Expenses	\$ 53,582,696	\$ 42,619,045	\$ 88,143,819	\$ 15,074,833	\$ 199,420,393
Less: Self-Reported Excludable Expenses *	\$ (1,494,527)	\$ (1,215,552)	\$ (2,701,722)	\$ (462,099)	\$ (5,873,900)
Adjusted Administrative Expenses	\$ 52,088,169	\$ 41,403,493	\$ 85,442,097	\$ 14,612,734	\$ 193,546,493
Adjustment 1: Include Expansion amortization.	\$ -	\$ 140,990	\$ -	\$ 51,910	\$ 192,900
Adjustment 2: Remove bad debt expense.	\$ -	\$ -	\$ (8,500)	\$ (1,454)	\$ (9,954)
Adjustment 3: Remove interest expense on late claims payments.	\$ (90,965)	\$ (73,976)	\$ (139,573)	\$ (23,881)	\$ (328,395)
Adjustment 4: Remove corporate contribution and donation expenses.	\$ (3,391)	\$ (2,758)	\$ (5,791)	\$ (991)	\$ (12,931)
Adjustment 5: Remove SHP allocated contributions.	\$ (21,748)	\$ (17,689)	\$ (41,037)	\$ (7,019)	\$ (87,493)
Adjustment 6: Remove corporate employee events, meals, and entertainment identified as non-allowable.	\$ (2,441)	\$ (1,985)	\$ (4,595)	\$ (786)	\$ (9,807)
Adjustment 7: Remove lobbying fees.	\$ (1,318)	\$ (1,072)	\$ (2,490)	\$ (426)	\$ (5,306)
Adjustment 8: Reclassify National Imaging Associates Inc. expense to administrative expense.	\$ 285,176	\$ 231,915	\$ 240,645	\$ 41,174	\$ 798,910
Adjustment 9: Reclassify the administrative portion of Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. expenses from medical expense.	\$ 9,323,394	\$ 7,582,125	\$ -	\$ -	\$ 16,905,519
Adjustment 10: Reclassify the administrative portion of VSP Vision Care, Inc. expenses from medical expense.	\$ 132,057	\$ 107,394	\$ 27,274	\$ 4,667	\$ 271,392
Total Adjusted Administrative Expenses	\$ 61,708,933	\$ 49,368,437	\$ 85,508,030	\$ 14,675,928	\$ 211,261,328
Total Revenues	\$ 572,023,403	\$ 465,247,265	\$ 931,661,532	\$ 159,349,983	\$ 2,128,282,183
Adjustment 11: Remove unearned premium reserves not relating to the current period.	\$ 43,274,339	\$ 21,379,027	\$ 38,576,680	\$ 13,876,284	\$ 117,106,330
Total Adjusted Revenues	\$ 615,297,742	\$ 486,626,292	\$ 970,238,212	\$ 173,226,267	\$ 2,245,388,513



VIRGINIA PREMIER HEALTH PLAN, INC.
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2021					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Percentage of Adjusted Administration Expenses to Total Adjusted Revenues	10.03%	10.15%	8.81%	8.47%	9.41%
Member Months	2,334,577	1,057,513	500,590	86,632	3,979,312
Per Member Per Month Adjusted Administration Expenses	\$ 26.43	\$ 46.68	\$ 170.81	\$ 169.41	\$ 53.09
Separately Identified Expenses included in Adjusted Administrative Expenses					
Healthcare Quality Improvement Expenses (HCQI)	\$ 14,332,311	\$ 11,656,986	\$ 20,649,590	\$ 3,531,875	\$ 50,170,762
Fraud Reduction and Recovery Expenses	\$ 135,343	\$ 110,080	\$ 255,123	\$ 43,636	\$ 544,182
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Care Coordination expenses as defined within the MCO contract	\$ 11,471,950	\$ 9,386,141	\$ 16,925,897	\$ 2,986,923	\$ 40,770,911
COVID 19 Related Expenses: Non Recurring	\$ 8,110	\$ 6,596	\$ 18,412	\$ 3,149	\$ 36,267
COVID 19 Related Expenses: Long Term program changes as a result of the pandemic	\$ -	\$ -	\$ -	\$ -	\$ -
Allowable Member Incentives	\$ -	\$ -	\$ -	\$ -	\$ -

* Medicaid expenses excluded by the MCO include related party management fees in excess of cost (\$5,873,900)



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 – Include Expansion Amortization.

VPHP had identified start-up costs of \$964,500 related to the Medicaid expansion program in the year ending December 31, 2018. These expenses were removed in the year identified to be amortized over a period of five years beginning January 1, 2019 which was the effective date for Medicaid expansion. (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
\$0	\$140,990	\$0	\$51,910	\$192,900

Adjustment #2 – Remove bad debt expense.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2101, Finance Administration, Account 68610, Bad Debt Expense, we found this account contained non-allowable bad debt expense. An adjustment was made to remove this expense. (45 CFR § 75.426)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$0	\$0	(\$8,500)	(\$1,454)	(\$9,954)

Adjustment #3 – Remove interest expense on late claims payments.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2358, Claims Administration, Account 68540, Interest Expense, we found this account contained non-allowable interest expense related to late claims payments. An adjustment was made to remove this expense. (45 CFR § 75.441)



SCHEDULE OF ADJUSTMENTS
AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$90,965)	(\$73,976)	(\$139,573)	(\$23,881)	(\$328,395)

Adjustment #4 – Remove corporate contribution and donation expenses.

During inspection of the corporate general ledger detail for SHP, allocated expenses related to Department 439001001, Corporate Services - Administration, Account 67614 and 67680, we found this account contained non-allowable contributions and donations. An adjustment was made to remove this expense. (45 CFR § 75.434)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$3,391)	(\$2,758)	(\$5,791)	(\$991)	(\$12,931)

Adjustment #5 – Remove SHP allocated contributions.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2301, Health Plan Administration, Account 66748, Public Relations, we found this account contained non-allowable contributions and donations. Within the VP Allocation model (STAT Report), we found that the plan identified another portion of expense that contained non-allowable contributions. An adjustment was made to remove these expenses. (45 CFR § 75.434)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$21,748)	(\$17,689)	(\$41,037)	(\$7,019)	(\$87,493)

Adjustment #6 – Remove corporate employee events, meals and entertainment identified as non-allowable.

During inspection of the Virginia Premier allocation model (STAT Report), we found the total administrative allocation contained non-allowable employee entertainment and meals expense. An adjustment was made to remove this expense. (45 CFR § 75.423 & 45 CFR § 75.438)



SCHEDULE OF ADJUSTMENTS
AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$2,441)	(\$1,985)	(\$4,595)	(\$786)	(\$9,807)

Adjustment #7 – Remove lobbying fees.

During inspection of the general ledger detail for SHP, allocated expenses related to Department 2301, Health Plan Administration, Account 67614, Company Membership Dues, we found this account contained non-allowable lobbying expenses. An adjustment was made to remove this expense. (45 CFR § 75.450)

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$1,318)	(\$1,072)	(\$2,490)	(\$426)	(\$5,306)

Adjustment #8 – Reclassify the medical expense for National Imaging Associates Inc. expense to administrative expense.

VPHP booked the full amount of expense for National Imaging Associates Inc. (NIA) to medical expenses. NIA provides utilization management for high end radiology services and the expense was determined to be fully administrative in nature. NIA expenses booked to medical expense was reclassified to administrative expense. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non- Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
\$285,176	\$231,915	\$240,645	\$41,174	\$798,910

Adjustment #9 – Reclassify the administrative portion of Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. expenses from medical expense.

VPHP booked medical and administrative expenses related to their contract with Kaiser Foundation Health Plan of the Mid-Atlantic States, Inc. (Kaiser) based on their contractual arrangement, which was not based on paid claims but instead was a percent of capitation fees. VPHP designated 4% as administrative and 96% as medical related to the fees paid to Kaiser. The reclassification amount of



SCHEDULE OF ADJUSTMENTS AND COMMENTS

\$16,905,519 was calculated using the verified administrative ratio of 11.32% for Kaiser from the 2019 MLR examination. VPHP has identified that Kaiser is using the fee schedules for the District of Columbia (DC) instead of the Virginia fee schedules to price claims. They have indicated the DC fee schedules are lower than Virginia's and thus claims expenses are understated. Kaiser will begin applying the Virginia fee schedule as of July 1, 2022. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$9,323,394	\$7,582,125	\$0	\$0	\$16,905,519

Adjustment #10 – Reclassify the administrative portion of VSP Vision Care, Inc. expenses from medical expense.

VPHP booked the full amount of expense for VSP Vision Care, Inc. (VSP) to medical expenses. VPHP was unable to provide support to separate out the administrative component of these expenses. The reclassification amount of \$271,392 was calculated using the average verified administrative ratio for VSP from the 2019 and 2020 MLR examinations. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$132,057	\$107,394	\$27,274	\$4,667	\$271,392

Adjustment #11 – Remove unearned premium reserves not relating to the current period.

VPHP included unearned premium reserves related to periods prior to January 1, 2021 and subsequent to December 31, 2021 based on their financial reporting procedures. An adjustment of \$117,106,330 was made to remove all unearned premium reserves not related to the period under review, for the purpose of administrative reporting.

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$43,274,339	\$21,379,027	\$38,576,680	\$13,876,284	\$117,106,330