

Aetna Better Health of Virginia
Report on Adjusted Medical Loss Ratio and Adjusted
Underwriting Gain Rebate Calculations for Commonwealth
Coordinated Care Plus
(With Independent Accountant's Report Thereon)

Virginia Department of Medical Assistance Services
Richmond, Virginia

For the period of January 1, 2018
through December 31, 2018

Prepared by:





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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 Aetna Better Health of Virginia (Aetna) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2018 through December 31, 2018. Aetna's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in CCC Plus contract and Centers for Medicare & Medicaid Services (CMS) federal guidance 42 CFR 438.8. 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.

The accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain were prepared for the purpose of complying with the criteria, and are 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 of Aetna are presented in accordance with the above referenced criteria, in all material respects, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%), and the Adjusted Underwriting Gain Percentage Achieved is less than the maximum requirement of three percent (3%) for the period of January 1, 2018 through December 31, 2018.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Aetna and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
Glen Allen, VA
February 2, 2021



**AETNA BETTER HEALTH OF VIRGINIA
ADJUSTED MEDICAL LOSS RATIO**

Adjusted Medical Loss Ratio for the Period Ending December 31, 2018

Adjusted Medical Loss Ratio for the Period Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$ 556,277,945	\$ (10,199,280)	\$ 546,078,665
1.2	Improving health care quality expenses	\$ 19,557,788	\$ (3,074,196)	\$ 16,483,592
1.3	Total Adjusted MLR Numerator	\$ 575,835,733	\$ (13,273,476)	\$ 562,562,257
Medical Loss Ratio Denominator				
2.1	Revenue	\$ 578,052,404	\$ -	\$ 578,052,404
2.2	Federal and State taxes and licensing or regulatory fees	\$ 121,391,005	\$ (121,391,005)	\$ -
2.3	Total Adjusted MLR Denominator	\$ 456,661,399	\$ 121,391,005	\$ 578,052,404
Credibility Adjustment				
3.1	Member Months to determine credibility	368,344	-	368,344
3.2	Credibility adjustment	1.0%	0.0%	1.0%
MLR Calculation				
4.1	Unadjusted MLR	126.1%	-28.8%	97.3%
4.2	Credibility adjustment	1.0%	0.0%	1.0%
4.3	Adjusted MLR	127.1%	-28.8%	98.3%
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR standard	85.0%	0.0%	85.0%
5.3	Adjusted MLR	127.1%	-28.8%	98.3%
5.4	MLR denominator	\$ 456,661,399	\$ 121,391,005	\$ 578,052,404
5.5	Remittance amount due to State for Coverage Year	\$ -	\$ -	\$ -



**AETNA BETTER HEALTH OF VIRGINIA
ADJUSTED UNDERWRITING GAIN**

Adjusted Underwriting Gain for the Period Ending December 31, 2018

Adjusted Underwriting Gain for the Period Ending December 31, 2018				
Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$ 578,052,404	\$ -	\$ 578,052,404
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$ -	\$ -	\$ -
1.3	Federal and State taxes and licensing or regulatory fees	\$ 121,391,005	\$ (121,391,005)	\$ -
1.4	Total Adjusted Underwriting Gain Denominator	\$ 456,661,399	\$ 121,391,005	\$ 578,052,404
Medical Expenses				
2.1	Claims	\$ 546,078,665	\$ -	\$ 546,078,665
2.2	Improving health care quality expenses	\$ -	\$ 16,483,592	\$ 16,483,592
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$ 546,078,665	\$ 16,483,592	\$ 562,562,257
Non-Claims Costs				
3.1	Administrative Expenses	\$ 45,752,985	\$ 3,074,196	\$ 48,827,181
3.2	Less: Unallowable Expenses	\$ (11,989,888)	\$ 2,252,744	\$ (9,737,144)
3.3	Allowable Administrative Expenses	\$ 33,763,097	\$ 5,326,940	\$ 39,090,037
Underwriting Gain				
4.1	Underwriting Gain \$	\$ (123,180,363)	\$ 99,580,473	\$ (23,599,890)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$ -	\$ -	\$ -
4.2	Adjusted Underwriting Gain \$	\$ (123,180,363)	\$ 99,580,473	\$ (23,599,890)
4.3	Underwriting Gain %	-27.0%	22.9%	-4.1%
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?	N		Y
5.3	Percent to Remit	N/A	N/A	N/A
5.4	Amount to Remit	N/A	N/A	N/A



Schedule of Adjustments and Comments for the Calendar Year Ending December 31, 2018

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.

Adjustment #1 – To remove duplicated claims costs included within the MLR Calculation.

In review of the claims costs supporting documentation from the health plan, it was noted that the expenses reported on the Data Tab, Line 2.3b (Accrued Medical Incentive Pools and Bonus MLR Reporting Year) was duplicated within the expenses reported on the Data Tab, Line 2.1 (Claims incurred only during the Coverage Period, and paid through 09/30/2019). The reporting requirements are addressed in Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$10,199,280)

Adjustment #2 – To include Healthcare Quality Improvement Expenses (HCQI) costs within the Underwriting Gain Limit Calculation, as these costs were not filed.

The health plan filed HCQI expenses within the MLR Calculation however failed to include these expenses within the Underwriting Gain Limit Calculation. Costs related to improving health care quality expense was added per the health plan's data to reflect filed cost within the MLR Calculation. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.2	Improving Health care quality expenses	\$19,557,788



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #3 – To correct the removal of unallowable expenses. The health plan self-excluded expenses that were not included within the submitted administrative costs.

The health plan self-excluded tax expenses from administrative expenses. These tax expenses were not included in submitted administrative expenses. The administrative reporting requirements are addressed in the 45 CFR § 75.441.

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	\$2,252,744

Adjustment #4 – To remove filed income tax expense as there was no underwriting gain during the MLR period.

The health plan calculated the state and federal taxes utilizing an effective tax rate and applying it to premium revenues. However, income for CCC Plus was negative as evidenced by the Underwriting Gain percentage. Additionally, the pro forma tax statements for Coventry Health Care of Virginia indicated a company loss. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	(\$121,391,005)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
1.3	Federal and State taxes and licensing or regulatory fees	(\$121,391,005)

Adjustment # 5 – To remove non-allowable HCQI expenses.

The health plan reported HCQI expenses based on an analysis of cost centers determined to relate in whole or in part to HCQI. These costs centers were allocated to HCQI based on employee full time equivalent reports and job duties. During the examination, it was noted several of the job titles and duties included in HCQI allocation of costs did not meet the definitions of HCQI for MLR reporting purposes. Amounts were found at the cost center level, account level, and within the salaries review of job descriptions. These expenses have been reclassified from HCQI to administrative expenses. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and Medicaid Managed Care Final Rule 45 CFR § 158.150.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.2	Improving health care quality expenses	(\$3,074,196)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.2	Improving health care quality expenses	(\$3,074,196)
3.1	Administrative Expenses	\$3,074,196



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

September 8, 2020

Karl Loewe, CFO
Aetna Better Health of Virginia
9881 Mayland Drive
Richmond, VA 23233

Dear Mr. Loewe:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Aetna Better Health of Virginia's CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2018 through December 31, 2018. Also, please explain any disagreement you may have with the proposed issues.

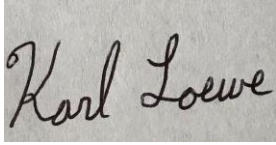
Please provide your response by September 22, 2020.

**Aetna Better Health of Virginia CCC Plus
January 1, 2018 through December 31, 2020**

Adjustment	MCO's Response	
1. To remove Duplicated Claims Costs included within the MLR Calculation.	Accept <u> X</u>	Disagree <u> </u>
2. To include HCQI costs to the UG Limit Calculation, as these costs were not filed.	Accept <u> X</u>	Disagree <u> </u>
3. To add back income tax expense self excluded from the UG calculation as these costs were not included within the filed administrative costs.	Accept <u> X</u>	Disagree <u> </u>
4. To remove filed income tax expense as there was no underwriting gain during the MLR period.	Accept <u> X</u>	Disagree <u> </u>
5. To remove non-allowable cost centers, accounts, and job descriptions found during testing.	Accept <u> X</u>	Disagree <u> </u>

Acknowledged by:

Aetna Better Health of Virginia

A rectangular box containing a handwritten signature in black ink on a light gray background. The signature reads "Karl Lowe" in a cursive script.

Officer or other Authorized Person

11-16-2020

Date