Virginia Premier Health Plan, Inc.
Report on Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations for Family Access to Medical Insurance Security Plan
(With Independent Accountant's Report Thereon)

Virginia Department of Medical Assistance Services
Richmond, Virginia

For the period of July 1, 2017 through November 30, 2018

Prepared by:

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 Virginia Premier Health Plan, Inc. (Virginia Premier) related to the Family Access to Medical Insurance Security Plan (FAMIS) Program for the period of July 1, 2017 through November 30, 2018. Virginia Premier's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in FAMIS 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 Virginia Premier 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 July 1, 2017 through November 30, 2018.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and Virginia Premier 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, VA
September 24, 2020

Adjusted Medical Loss Ratio for the Period Ending November 30, 2018

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$ 30,193,436	$ 225,679	$ 30,419,115
1.2	Improving health care quality expenses	$ -	$ 141,520	$ 141,520
1.3	**Total Adjusted MLR Numerator**	**$ 30,193,436**	**$ 367,199**	**$ 30,560,635**
Medical Loss Ratio Denominator				
2.1	Revenue	$ 35,717,997	$ -	$ 35,717,997
2.2	Federal and State taxes and licensing or regulatory fees	$ 20,526	$ -	$ 20,526
2.3	**Total Adjusted MLR Denominator**	**$ 35,697,471**	**$ -**	**$ 35,697,471**
Credibility Adjustment				
3.1	Member Months to determine credibility	12,442	137,055	149,497
3.2	Credibility adjustment	5.6%		1.7%
MLR Calculation				
4.1	Unadjusted MLR	84.6%	1.0%	85.6%
4.2	Credibility adjustment	5.6%	-3.9%	1.7%
4.3	**Adjusted MLR**	**90.2%**	**-2.9%**	**87.3%**
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	90.2%	-2.9%	87.3%
5.4	MLR denominator	$ 35,697,471	$ -	$ 35,697,471
5.5	**Remittance amount due to State for Coverage Year**	**$ -**	**$ -**	**$ -**

Adjusted Underwriting Gain for the Period Ending November 30, 2018

Adjusted Underwriting Gain for the Period Ending November 30, 2018				
Line #	**Revenue or Expense**	**Reported Amounts**	**Adjustment Amounts**	**Adjusted Amounts**
Medical Loss Ratio Denominator				
1.1	Revenue	$ 35,717,997	$ -	$ 35,717,997
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	$ -	$ -	$ -
1.3	Federal and State taxes and licensing or regulatory fees	$ -	$ 20,526	$ 20,526
1.4	**Total Adjusted Underwriting Gain Denominator**	**$ 35,717,997**	**$ (20,526)**	**$ 35,697,471**
Medical Expenses				
2.1	Claims	$ 30,193,436	$ 225,679	$ 30,419,115
2.2	Improving health care quality expenses	$ -	$ 141,520	$ 141,520
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$ 30,193,436**	**$ 367,199**	**$ 30,560,635**
Non-Claims Costs				
3.1	Administrative Expenses	$ 4,236,880	$ 77,867	$ 4,314,747
3.2	Less: Unallowable Expenses	$ -	$ (78,301)	$ (78,301)
3.3	**Allowable Administrative Expenses**	**$ 4,236,880**	**$ (434)**	**$ 4,236,446**
Underwriting Gain				
4.1	Underwriting Gain $	$ 1,287,681	$ (387,291)	$ 900,390
4.1	Less: Remittance Amount Due to State for Coverage Year	$ -	$ -	$ -
4.2	Adjusted Underwriting Gain $	$ 1,287,681	$ (387,291)	$ 900,390
4.3	**Underwriting Gain %**	**3.6%**	**-1.1%**	**2.5%**
Underwriting Gain Remittance Calculation				
5.1	Member Month Requirement Met?	N		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 Period Ending November 30, 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 – Adjust administrative expenses to remove unallowable expenses identified during the 2017 and 2018 administrative cost procedures.

The health plan included unallowable expenses identified during the 2017 and 2018 administrative cost procedures with administrative expenses in the underwriting gain. These unallowable expenses included lobbying expenses, late fees and penalties, interest on paid claims, and expenses related to other lines of business. The administrative reporting requirements are addressed at 45 CFR § 75.420 to 75.475.

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
3.2	Less: Unallowable Expenses	($78,301)

Adjustment #2 – Adjust pharmacy claims to the amount supported by lag tables.

The health plan included pharmacy claims expenses at a percentage of the net Medallion and FAMIS trial balance amounts utilizing revenues. A lag table was provided supporting actual pharmacy claims for FAMIS. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	$445,066

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	$445,066

Adjustment #3 – Reclassify capitated payments made to VSP, the vision vendor, in excess of claims expense reported by VSP from claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for vision services arranged by VSP. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by VSP. Since these claims were incurred for members of the Virginia Medicaid program, the expense was adjusted to actual claims cost utilizing supporting documentation. The excess has been reclassified to administrative expense.

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 Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	($35,027)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	($35,027)
3.1	Administrative Expenses	$35,027

Adjustment #4 – Reclassify behavioral health administrative services provided by Beacon to administrative expense.

The health plan reported expenses related to behavioral health administrative services provided by Beacon in claims expense. The health plan later identified that expenses related to this vendor are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($21,960)

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($21,960)
3.1	Administrative Expenses	$21,960

Adjustment #5 – Reclassify radiology administrative services provided by NIA, Inc. to administrative expense.

The health plan reported expenses related to radiology administrative services provided by NIA, Inc. in claims expense. The health plan later identified that expenses related to this vendor are administrative in nature within subsequent support provided. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($20,880)

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($20,880)
3.1	Administrative Expenses	$20,880

Adjustment #6 – Reclassify member education and outreach to Healthcare Quality Improvement (HCQI) expense.

The health plan reported expenses related to member education and outreach in claims expense. These expenses were verified to be allowable as HCQI. This expense has been reclassified from claims to HCQI expenses. The clinical expense and HCQI expense reporting requirements are addressed at 45 CFR § 158.140 and 45 CFR § 158.150, respectively.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($105,520)
1.2	Improving health care quality expenses	$105,520

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($105,520)
2.2	Improving health care quality expenses	$105,520

Adjustment #7 – Reclassify nurseline expenses to Healthcare Quality Improvement (HCQI) expense.

The health plan reported expenses related to nurseline services provided by McKesson and Optum Health in claims expense. These expenses were verified to be allowable as HCQI. This expense has been reclassified from claims to HCQI expenses. The clinical expense and HCQI expense reporting requirements are addressed at 45 CFR § 158.140 and 45 CFR § 158.150, respectively.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
1.1	Claims	($36,000)
1.2	Improving health care quality expenses	$36,000

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
2.1	Claims	($36,000)
2.2	Improving health care quality expenses	$36,000

Adjustment #8 – Agree annualized member months to State data.

The health plan reported member months that did not reflect accurate annualized member months for the reporting period. Member months were adjusted per the state's data, annualized to consider the number of months in the reporting period. Member months impact the credibility adjustment applied to the MLR. The general reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8.

Proposed Medical Loss Ratio Adjustment:		
Line #	**Line Description**	**Amount**
3.1	Member Months to determine credibility	137,055

Adjustment #9 – To include regulatory licenses and fees within the Underwriting Gain Limit Calculation, as these costs were not filed.

The health plan filed expenses related to regulatory licenses and fees within the MLR Calculation however failed to include these expenses within the Underwriting Gain Limit Calculation. Costs related to regulatory licenses and fees was added per the health plan's data to reflect filed cost within the MLR Calculation. The regulatory licenses and fees reporting requirements are addressed in 45 CFR § 158.161.

Proposed Underwriting Gain Adjustment:		
Line #	**Line Description**	**Amount**
1.3	Federal and State taxes and licensing or regulatory fees	$20,526

The Virginia Department of Medical Assistance Services had no comments.

F

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

September 10, 2020

Linda Pair, Director of Financial Reporting
Virginia Premier Health Plan
600 E Broad St.
Richmond, Virginia 23219

Dear Ms. Pair:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Virginia Premier Health Plan's FAMIS MLR and Underwriting Gain rebate calculations for the period of July 1, 2017 through November 30, 2018. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 24, 2020.

Virginia Premier Health Plan FAMIS
July 1, 2017 – November 30, 2018

	Adjustment	MCO's Response	
1.	Adjust administrative expenses for excluded expenses determined in the 2017 and 2018 administrative expense procedures.	Accept ✓	Disagree
2.	Adjust pharmacy claims to amount verified on the lag table.	Accept ✓	Disagree
3.	Adjust vision claims to amount verified by VSP.	Accept ✓	Disagree
4.	Reclassify behavioral health administrative services to administrative expense.	Accept ✓	Disagree
	Reclassify radiology administrative services to administrative expense.	Accept ✓	Disagree
6.	Reclassify care managers, member education, and outreach from medical expenses to HCQI expense.	Accept ✓	Disagree

7.	To reclassify nurseline expenses and care coordination expenses included in medical cost.	Accept ✓	Disagree ____
8.	To agree annualized member months to State data.	Accept ✓	Disagree ____
9.	Adjust to include regulatory licenses and fees within the underwriting gain calculation.	Accept ✓	Disagree ____

Acknowledged by:
Virginia Premier Health Plan

Timothy E Carpenter
Officer or other Authorized Person

9/21/20
Date