

**Virginia Premier Health Plan, Inc.
Report on Adjusted Medical Loss Ratio and Adjusted
Underwriting Gain Rebate Calculations for Medallion 3.0
(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:





Table of Contents

■ Table of Contents	1
■ Independent Accountant's Report.....	2
■ Adjusted Medical Loss Ratio - Period Ending November 30, 2018	3
■ Adjusted Underwriting Gain - Period Ending November 30, 2018	4
■ Schedule of Adjustments and Comments.....	5

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 Medallion 3.0 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 Medallion 3.0 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 greater than the maximum requirement of three percent (3%) for the period of July 1, 2017 through November 30, 2018. In accordance with contractual obligations, an Underwriting Gain remittance amount is due to the Department of Medical Assistance Services.

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
Glen Allen, VA
September 24, 2020



VIRGINIA PREMIER HEALTH PLAN, INC.
ADJUSTED MEDICAL LOSS RATIO

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

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	\$ 716,883,687	\$ 32,903,080	\$ 749,786,767
1.2	Improving health care quality expenses	\$ -	\$ 3,492,480	\$ 3,492,480
1.3	Total Adjusted MLR Numerator	\$ 716,883,687	\$ 36,395,560	\$ 753,279,247
Medical Loss Ratio Denominator				
2.1	Revenue	\$ 841,571,942	\$ 41,435,794	\$ 883,007,736
2.2	Federal and State taxes and licensing or regulatory fees	\$ 456,579	\$ -	\$ 456,579
2.3	Total Adjusted MLR Denominator	\$ 841,115,363	\$ 41,435,794	\$ 882,551,157
Credibility Adjustment				
3.1	Member Months to determine credibility	-	1,818,762	1,818,762
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	85.2%	0.1%	85.4%
4.2	Credibility adjustment	0.0%	0.0%	0.0%
4.3	Adjusted MLR	85.2%	0.1%	85.4%
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	85.2%	0.1%	85.4%
5.4	MLR denominator	\$ 841,115,363	\$ 41,435,794	\$ 882,551,157
5.5	Remittance amount due to State for Coverage Year	\$ -	\$ -	\$ -



VIRGINIA PREMIER HEALTH PLAN, INC.
ADJUSTED UNDERWRITING GAIN

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	\$ 841,571,942	\$ 41,435,794	\$ 883,007,736
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$ -	\$ -	\$ -
1.3	Federal and State taxes and licensing or regulatory fees	\$ -	\$ 456,579	\$ 456,579
1.4	Total Adjusted Underwriting Gain Denominator	\$ 841,571,942	\$ 40,979,215	\$ 882,551,157
Medical Expenses				
2.1	Claims	\$ 716,883,687	\$ 32,903,080	\$ 749,786,767
2.2	Improving health care quality expenses	\$ -	\$ 3,492,480	\$ 3,492,480
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$ 716,883,687	\$ 36,395,560	\$ 753,279,247
Non-Claims Costs				
3.1	Administrative Expenses	\$ 101,685,120	\$ 1,868,802	\$ 103,553,922
3.2	Less: Unallowable Expenses	\$ -	\$ (1,300,068)	\$ (1,300,068)
3.3	Allowable Administrative Expenses	\$ 101,685,120	\$ 568,734	\$ 102,253,854
Underwriting Gain				
4.1	Underwriting Gain \$	\$ 23,003,135	\$ 4,014,921	\$ 27,018,056
4.1	Less: Remittance Amount Due to State for Coverage Year	\$ -	\$ -	\$ -
4.2	Adjusted Underwriting Gain \$	\$ 23,003,135	\$ 4,014,921	\$ 27,018,056
4.3	Underwriting Gain %	2.73%	0.33%	3.06%
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	0.03%
5.4	Amount to Remit	N/A	N/A	\$ 270,761



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 revenues to amounts confirmed by the Virginia Department of Medical Assistance Services.

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 and performance incentive award payments. 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 Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
2.1	Revenue	\$41,435,794

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
1.1	Revenue	\$41,435,794

Adjustment #2 – 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	1,818,762



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #3 – 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	(\$1,300,068)

Adjustment #4 – Adjust medical and pharmacy claims to the amounts supported by lag tables.

The health plan included claims expenses at a percentage of the net Medallion and FAMIS trial balance amounts utilizing revenues. A lag table was provided supporting actual medical and pharmacy claims for Medallion 3.0. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	(\$1,832,209)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$1,832,209)

Adjustment #5 – 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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	(\$840,642)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$840,642)
3.1	Administrative Expenses	\$840,642

Adjustment #6 – 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	(\$527,040)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$527,040)
3.1	Administrative Expenses	\$527,040



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #7 – 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	(\$501,120)

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$501,120)
3.1	Administrative Expenses	\$501,120

Adjustment #8 – Reclassify nurseline expenses to Healthcare Quality Improvement (HCQI) expense.

The health plan reported expenses related to nurseline services provided by McKesson 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	(\$229,440)
1.2	Improving health care quality expenses	\$229,440

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$229,440)
2.2	Improving health care quality expenses	\$229,440



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #9 – Reclassify care coordination expenses to HCQI expense.

The health plan reported expenses related to care coordination services provided by 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	(\$634,560)
1.2	Improving health care quality expenses	\$634,560

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$634,560)
2.2	Improving health care quality expenses	\$634,560

Adjustment #10 – 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	(\$2,628,480)
1.2	Improving health care quality expenses	\$2,628,480

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	(\$2,628,480)
2.2	Improving health care quality expenses	\$2,628,480



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Adjustment #11 – 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	\$456,579

Adjustment #12 – Adjust to include pass through payments to VCU and UVA hospitals that were included in capitation payments.

The health plan's capitation payments included a pass through payment intended for VCU and UVA hospitals. The health plan did not include this portion of the capitation payment in revenues (see Adjustment #1) nor did they include the payment made to these hospitals in claims expense. This adjustment is to include the pass through payments made to VCU and UVA hospitals in claims expense. The clinical expense reporting requirements are addressed at 45 CFR § 158.140.

Proposed Medical Loss Ratio Adjustment:

Line #	Line Description	Amount
1.1	Claims	\$40,096,571

Proposed Underwriting Gain Adjustment:

Line #	Line Description	Amount
2.1	Claims	\$40,096,571



SCHEDULE OF ADJUSTMENTS AND COMMENTS

The Virginia Department of Medical Assistance Services had no comments.



MYERS AND STAUFFER LLC
 HEALTH CARE QUALITY ASSURANCE

September 11, 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 Medallion 3.0 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 Medallion 3.0
 July 1, 2017 – November 30, 2018**

Adjustment	MCO's Response	
1. Adjust Revenue to amount confirmed by DMAS.	Accept <u> </u>	Disagree <u> </u>
2. Adjust to annualized member months confirmed by DMAS.	Accept <u> </u>	Disagree <u> </u>
3. Adjust administrative expenses for excluded expenses determined in the 2017 and 2018 administrative cost procedures.	Accept <u> </u>	Disagree <u> </u>
4. Adjust medical and pharmacy claims to amount verified on the lag table.	Accept <u> </u>	Disagree <u> </u>
5. Adjust vision claims to amount verified by VSP, amount will be reclassified to administrative expense.	Accept <u> </u>	Disagree <u> </u>
6. Reclassify behavioral health administrative services to administrative expense.	Accept <u> </u>	Disagree <u> </u>
7. Reclassify radiology administrative services to administrative expense.	Accept <u> </u>	Disagree <u> </u>

- | | | | |
|-----|---|-----------------------------|-------------------------------|
| 8. | Reclassify nurseline expenses included in medical cost. | Accept
<u> </u> | Disagree
<u> </u> |
| 9. | Reclassify care coordination expenses included in medical cost. | Accept
<u> </u> | Disagree
<u> </u> |
| 10. | Reclassify care managers, member education, and outreach from medical expenses to HCQI expense. | Accept
<u> </u> | Disagree
<u> </u> |
| 11. | Adjust to include regulatory licenses and fees within the underwriting gain calculation. | Accept
<u> </u> | Disagree
<u> </u> |
| 12. | Adjust to include pass through payments to VCU and UVA hospitals that were included in capitation payments. | Accept
<u> </u> | Disagree
<u> </u> |

Acknowledged by:
Virginia Premier Health Plan

Kimberly E Carpenter
Officer or other Authorized Person

9/21/20

Date