

The background features a blurred image of a person lying in a hospital bed, overlaid with a green semi-transparent layer. Various medical icons are scattered across the page, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a virus. A large white cross is centered over the person's chest. The right side of the page is a dark grey diagonal gradient.

MAGELLAN COMPLETE CARE OF
VIRGINIA, LLC
Commonwealth Coordinated
Care Plus

**Report on Adjusted Medical Loss Ratio and
Adjusted Underwriting Gain Rebate
Calculations**

With Independent Accountant's Report Thereon

For the period of January 1, 2019 through
December 31, 2019



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS



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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 Magellan Complete Care of Virginia, LLC (Magellan) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2019 through December 31, 2019. Magellan's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the CCC Plus 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.

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 January 1, 2019 through December 31, 2019. The Adjusted Medical Loss Ratio (MLR) Percentage Achieved exceeds 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%).

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

Myers and Stauffer LC
Glen Allen, Virginia
October 15, 2021



Adjusted Medical Loss Ratio for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$432,382,835	\$30,784,396	\$463,167,231
1.2	Improving health care quality expenses	\$14,516,164	\$(2,198,951)	\$12,317,213
1.3	Total Adjusted MLR Numerator	\$446,898,999	\$28,585,445	\$475,484,444
Medical Loss Ratio Denominator				
2.1	Revenue	\$456,650,608	\$30,784,396	\$487,435,004
2.2	Federal and State taxes and licensing or regulatory fees	\$175,577	\$(6,154,455)	\$(5,978,878)
2.3	Total Adjusted MLR Denominator	\$456,475,031	\$36,938,851	\$493,413,882
Credibility Adjustment				
3.1	Member Months to determine credibility	256,816	0	256,813
3.2	Credibility adjustment	1.3%		1.3%
MLR Calculation				
4.1	Unadjusted MLR	97.9%		96.4%
4.2	Credibility adjustment	1.3%		1.3%
4.3	Adjusted MLR	99.2%		97.7%
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	99.2%		97.7%
5.4	MLR denominator	\$456,475,031		\$493,413,882
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



Adjusted Underwriting Gain for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$456,650,608	\$30,784,396	\$487,435,004
1.2	Federal and State taxes and licensing or regulatory fees	\$175,577	\$(6,154,455)	\$(5,978,878)
1.3	Total Adjusted Underwriting Gain Denominator	\$456,475,031	\$36,938,851	\$493,413,882
Medical Expenses				
2.1	Claims	\$432,382,835	\$30,784,396	\$463,167,231
2.2	Improving health care quality expenses	\$14,516,164	\$(2,198,951)	\$12,317,213
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$446,898,999	\$28,585,445	\$475,484,444
Non-Claims Costs				
3.1	Administrative Expenses	\$32,591,221	\$2,198,951	\$34,790,172
3.2	Less: Unallowable Expenses	\$(45,333)	\$0	\$(45,333)
3.3	Allowable Administrative Expenses	\$32,545,888	\$2,198,951	\$34,744,839
Underwriting Gain				
4.1	Underwriting Gain \$	\$(22,969,856)		\$(16,815,401)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$(22,969,856)		\$(16,815,401)
4.3	Underwriting Gain %	-5.0%		-3.4%
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	0.0%		0.0%
5.4	Amount to Remit	\$0		\$0



Schedule of Adjustments and Comments for the Period Ending December 31, 2019

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 include directed payments in the MLR calculation.

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 eastern Virginia/Tidewater, State University teaching hospital physicians, and private acute care; 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	\$30,784,396
2.1	Revenue	\$30,784,396

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$30,784,396
2.1	Claims	\$30,784,396

Adjustment #2 – To adjust to reclassify non-HCQI expenses related to appeals, management and oversight, marketing, and enrollment to administrative related costs.

The health plan reported a large number of salaried positions in HCQI. Based on the review of job descriptions and additional information provided by the health plan, it was determined that several positions performed activities that did not meet the definitions of HCQI. The HCQI expense reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8, and 45 CFR § 158.151.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	\$(2,198,951)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	\$(2,198,951)
3.1	Administrative Expenses	\$2,198,951

Adjustment #3 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2019 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The tax reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 § 438.8(f)(3) and 45 § CFR 158.162.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$(6,154,455)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	\$(6,154,455)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



September 14, 2021

Michael Fotinos, Chief Financial Officer
 Magellan Complete Care of Virginia
 3829 Gaskins Road
 Richmond, VA 23233

Dear Mr. Fotinos:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Magellan Complete Care of Virginia's CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2019 through December 31, 2019. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 20, 2021.

**Magellan Complete Care of Virginia CCC Plus
 January 1, 2019 through December 31, 2019**

Adjustment	MCO's Response	
1. To include directed payments in the MLR calculation.	Accept <u>✓</u>	Disagree _____
2. To adjust to reclassify non-HCQI expenses related to appeals, management and oversight, marketing, and enrollment to administrative costs.	Accept <u>✓</u>	Disagree _____
3. To adjust income tax expense to verified amounts.	Accept <u>✓</u>	Disagree _____

Acknowledged by:
 MAGELLAN COMPLETE CARE OF VIRGINIA

Michael Fotinos
 Officer or other Authorized Person

9/30/2021
 Date