

The background features a blurred image of a person's face, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a virus, a stethoscope, and a group of people. A large green cross is centered over the person's face.

**Aetna Better Health of Virginia
Commonwealth Coordinated
Care Plus
Medicaid Managed Care Program**

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

With Independent Accountant's Report Thereon

For the period of January 1, 2020 through
June 30, 2020



**MYERS AND
STAUFFER**
CERTIFIED PUBLIC ACCOUNTANTS



Table of Contents

- Table of Contents 1
- Independent Accountant’s Report 2
- Adjusted Medical Loss Ratio for the Period Ending June 30, 2020 4
 - Non-Expansion 4
 - Expansion 5
- Adjusted Underwriting Gain for the Period Ending June 30, 2020..... 6
 - Non-Expansion 6
- Schedule of Adjustments and Comments for the Period Ending June 30, 2020 7

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, 2020 through June 30, 2020. Aetna'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.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements related to our engagement.

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, 2020 through June 30, 2020. Related to non-expansion, the Adjusted Medical Loss Ratio (MLR) Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Adjusted Underwriting Gain Percentage Achieved exceeds the maximum requirement of three percent (3%). In accordance with contractual obligations, an Underwriting Gain remittance amount is due to the Department of Medical Assistance Services. Related to expansion, the Adjusted MLR Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Underwriting Gain is not applicable per contractual requirements.



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, Virginia
October 6, 2022



Adjusted Medical Loss Ratio for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$287,217,986	\$15,303,796	\$302,521,782
1.2	Improving health care quality expenses	\$11,275,575	(\$1,821,616)	\$9,453,959
1.3	Total Adjusted MLR Numerator	\$298,493,561	\$13,482,180	\$311,975,741
Medical Loss Ratio Denominator				
2.1	Revenue	\$336,355,027	\$15,859,223	\$352,214,250
2.2	Federal and State taxes and licensing or regulatory fees	\$5,712,279	(\$608,434)	\$5,103,845
2.3	Total Adjusted MLR Denominator	\$330,642,748	\$16,467,657	\$347,110,405
Credibility Adjustment				
3.1	Member Months to determine credibility	392,698	0	392,698
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	90.3%		89.9%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	90.3%		89.9%
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	90.3%		89.9%
5.4	MLR denominator	\$330,642,748		\$347,110,405
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



AETNA BETTER HEALTH OF VIRGINIA ADJUSTED MEDICAL LOSS RATIO

Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$39,235,898	\$4,930,884	\$44,166,782
1.2	Improving health care quality expenses	\$1,621,830	(\$262,013)	\$1,359,817
1.3	Total Adjusted MLR Numerator	\$40,857,728	\$4,668,871	\$45,526,599
Medical Loss Ratio Denominator				
2.1	Revenue	\$54,039,844	(\$192,504)	\$53,847,340
2.2	Federal and State taxes and licensing or regulatory fees	\$124,765	\$1,099,235	\$1,224,000
2.3	Total Adjusted MLR Denominator	\$53,915,079	(\$1,291,739)	\$52,623,340
Credibility Adjustment				
3.1	Member Months to determine credibility	56,484	0	56,484
3.2	Credibility adjustment	2.7%		2.7%
MLR Calculation				
4.1	Unadjusted MLR	75.8%		86.5%
4.2	Credibility adjustment	2.7%		2.7%
4.3	Adjusted MLR	78.5%		89.2%
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	78.5%		89.2%
5.4	MLR denominator	\$53,915,079		\$52,623,340
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



Adjusted Underwriting Gain for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$336,355,027	\$15,706,916	\$352,061,943
1.2	Federal and State taxes and licensing or regulatory fees	\$5,712,279	(\$724,777)	\$4,987,502
1.3	Total Adjusted Underwriting Gain Denominator	\$330,642,748	\$16,431,693	\$347,074,441
Medical Expenses				
2.1	Claims	\$287,217,986	\$15,303,796	\$302,521,782
2.2	Improving health care quality expenses	\$11,275,575	(\$1,821,616)	\$9,453,959
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$298,493,561	\$13,482,180	\$311,975,741
Non-Claims Costs				
3.1	Administrative Expenses	\$18,845,644	\$3,160,838	\$22,006,482
3.2	Less: Unallowable Expenses	\$221,280	\$0	\$221,280
3.3	Allowable Administrative Expenses	\$19,066,924	\$3,160,838	\$22,227,762
Underwriting Gain				
4.1	Underwriting Gain \$	\$13,082,263		\$12,870,938
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$13,082,263		\$12,870,938
4.3	Underwriting Gain %	4.0%		3.7%
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	0.5%		0.4%
5.4	Amount to Remit	\$1,581,490		\$1,229,352



Schedule of Adjustments and Comments for the Period Ending June 30, 2020

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.

Non-Expansion Adjustment #1 – To adjust revenues to agree with state data.

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, Rx reinsurance recoupments, maternity kick payments, discrete incentive payments, and performance withhold 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 MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenue	(\$1,135,840)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$1,135,840)

Non-Expansion Adjustment #2 – To adjust revenues and claims to include related directed payments.

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 private acute care hospitals, nursing facilities owned by Type One hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$16,995,063
2.1	Revenue	\$16,995,063

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$16,995,063
2.1	Claims	\$16,995,063

Non-Expansion Adjustment #3 – To adjust medical expenses to agree to supporting documentation.

The health plan supported medical expenses using restated amounts as of March 2021. Reported amounts were from a previous claims table. The expenses were adjusted per the health plan support. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$890,306

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$890,306

Non-Expansion Adjustment #4 – To adjust to reclassify claims payments made to Modivcare, the transportation vendor, in excess of claims expense to administrative.

The health plan reported claims expense for transportation services arranged by Modivcare. During the examination, it was determined that the reported claims expense was more than the actual claims incurred and paid by Modivcare. 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 added to administrative costs and removed from claims 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”.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$1,339,222)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$1,339,222)
3.1	Administrative Expenses	\$1,339,222

Non-Expansion Adjustment #5 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2020 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expenses and the effective tax rates for 2020. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 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	(\$608,434)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	(\$608,434)

Non-Expansion Adjustment #6 – To adjust to reclassify non-allowable Healthcare Quality Improvement Expenses (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. The total cost allocated for HCQI included two types of costs, direct costs and intercompany costs. The intercompany expense support was not provided and could not be verified for the 2020 MLR examination. Additionally, 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



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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 through this adjustment. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	(\$1,821,616)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	(\$1,821,616)
3.1	Administrative Expenses	\$1,821,616

Non-Expansion Adjustment #7 – To adjust to remove Health Insurer Fee (HIF) expense and revenue included in the Underwriting Gain calculation.

The health plan has included HIF expense in taxes and licensing or regulatory fees and HIF revenue was included in the Underwriting Gain calculation through Non-Expansion Adjustment #1. HIF revenue includes a gross up amount to reimburse the health plan for the tax impact of HIF. HIF expense and revenue have been removed from the Underwriting Gain per the CCC Plus MCO Contract, Section 19.8.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$152,307)
1.2	Federal and State taxes and licensing or regulatory fees	(\$116,343)

Non-Expansion Adjustment #8 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of July, 2022.

The reported IBNR was adjusted to agree to the July, 2022 lag table. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$1,242,351)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$1,242,351)



Expansion Adjustment #1 – To adjust revenues to agree with state data.

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, Rx reinsurance recoupments, risk corridor recoupments, and performance withhold 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 MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenue	(\$5,894,806)

Expansion Adjustment # 2 – To adjust revenues and claims to include related directed payments.

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 private acute care hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; 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	\$5,702,302
2.1	Revenue	\$5,702,302

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

The health plan calculated the state and federal taxes utilizing effective tax rates for 2020 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expenses and the effective tax rates for 2020. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 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	\$1,099,235



Expansion Adjustment # 4 – To adjust to reclassify 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. The total cost allocated for HCQI included two types of costs, direct costs and intercompany costs. The intercompany expense support was not provided and could not be verified for the 2020 MLR examination. Additionally, 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 through this adjustment. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	(\$262,013)

Expansion Adjustment # 5 – To adjust IBNR at the time of the MLR filing to IBNR estimated as of July, 2022.

The reported IBNR was adjusted to agree to the July, 2022 lag table. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$771,418)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



September 9, 2022

Kara Kambis, CFO Virginia Medicaid
Aetna Better Health of Virginia
9881 Mayland Drive
Richmond, VA 23233

Dear Ms. Kambis:

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, 2020 through June 30, 2020. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 12, 2022.

**Aetna Better Health of Virginia CCC Plus
January 1, 2020 through June 30, 2020
Non-Expansion**

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
2.	To adjust revenues and claims to include related directed payments.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
3.	To adjust medical expenses to agree to supporting documentation.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
4.	To adjust to reclassify claims payments made to Modivcare, the transportation vendor, in excess of claims expense to administrative.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
5.	To adjust income tax expense to verified amounts.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
6.	To adjust to reclassify non-allowable Healthcare Quality Improvement (HCQI) expenses.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>

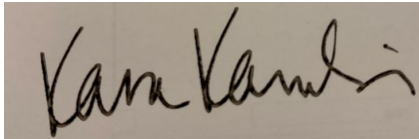


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|--|---|-------------------|
| 7. To adjust to remove Health Insurer Fee (HIF) expense and revenue included in the Underwriting Gain calculation. | Accept <input checked="" type="checkbox"/>
_____ | Disagree
_____ |
| 8. To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of July, 2022. | Accept <input checked="" type="checkbox"/>
_____ | Disagree
_____ |

**Aetna Better Health of Virginia CCC Plus
 January 1, 2020 through June 30, 2020
 Expansion**

	Adjustment	MCO's Response
1. To adjust revenues to agree with state data.	Accept <input checked="" type="checkbox"/> _____	Disagree _____
2. To adjust revenues and claims to include related directed payments.	Accept <input checked="" type="checkbox"/> _____	Disagree _____
3. To adjust income tax expense to verified amounts.	Accept <input checked="" type="checkbox"/> _____	Disagree _____
4. To adjust to reclassify non-allowable HCQI expenses.	Accept <input checked="" type="checkbox"/> _____	Disagree _____
5. To adjust IBNR at the time of the MLR filing to IBNR estimated as of July, 2022.	Accept <input checked="" type="checkbox"/> _____	Disagree _____

Acknowledged by:
 AETNA BETTER HEALTH OF VIRGINIA



 Kara Kambis, CFO Aetna Better Health of VA

 September 16, 2022
 Date