

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a virus. A large green cross is centered over the person's face. The text is positioned on the right side of the page, set against a dark grey diagonal background.

Molina Complete Care
of Virginia
Medallion 4.0
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 July 1, 2020 through June 30, 2021



**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 Molina Complete Care of Virginia (Molina) related to the Medallion 4.0 Program for the period of July 1, 2020 through June 30, 2021. Molina's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the Medallion 4.0 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 July 1, 2020 through June 30, 2021. Related to non-expansion, the Adjusted Medical Loss Ratio (MLR) Percentage Achieved does not exceed 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, MLR and Underwriting Gain remittance amounts are 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 Molina 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
June 14, 2023



Adjusted Medical Loss Ratio for the Period Ending June 30, 2021

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$145,315,058	(\$281,866)	\$145,033,192
1.2	Improving health care quality expenses	\$1,851,690	\$0	\$1,851,690
1.3	Total Adjusted MLR Numerator	\$147,166,748	(\$281,866)	\$146,884,882
Medical Loss Ratio Denominator				
2.1	Revenue	\$178,832,820	\$1,478,173	\$180,310,993
2.2	Federal and State taxes and licensing or regulatory fees	\$5,053,722	\$1,756,944	\$6,810,666
2.3	Total Adjusted MLR Denominator	\$173,779,098	(\$278,771)	\$173,500,327
Credibility Adjustment				
3.1	Member Months to determine credibility	513,315	0	513,315
3.2	Credibility adjustment	0%		0%
MLR Calculation				
4.1	Unadjusted MLR	84.7%		84.7%
4.2	Credibility adjustment	0%		0%
4.3	Adjusted MLR	84.7%		84.7%
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	84.7%		84.7%
5.4	MLR denominator	\$173,779,098		\$173,500,327
5.5	Remittance amount due to State for Coverage Year	\$521,337		\$520,501



Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$263,001,634	\$0	\$236,001,634
1.2	Improving health care quality expenses	\$2,901,121	\$0	\$2,901,121
1.3	Total Adjusted MLR Numerator	\$265,902,755	\$0	\$265,902,755
Medical Loss Ratio Denominator				
2.1	Revenue	\$289,050,447	\$2,245,821	\$291,296,268
2.2	Federal and State taxes and licensing or regulatory fees	1,088,212	\$2,071,346	\$3,159,558
2.3	Total Adjusted MLR Denominator	\$287,962,235	\$174,475	\$288,136,710
Credibility Adjustment				
3.1	Member Months to determine credibility	488,018	0	488,018
3.2	Credibility adjustment	0%		0%
MLR Calculation				
4.1	Unadjusted MLR	92.3%		92.3%
4.2	Credibility adjustment	0%		0%
4.3	Adjusted MLR	92.3%		92.3%
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	92.3%		92.3%
5.4	MLR denominator	\$287,962,235		\$288,136,710
5.5	Remittance amount due to State for Coverage Year	N/A		N/A



Adjusted Underwriting Gain for the Period Ending June 30, 2021

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$178,832,820	(\$271,434)	\$178,561,386
1.2	Federal and State taxes and licensing or regulatory fees	\$5,053,722	\$483,410	\$5,537,132
1.3	Total Adjusted Underwriting Gain Denominator	\$173,779,098	(\$754,844)	\$173,024,254
Medical Expenses				
2.1	Claims	\$145,315,058	(\$281,866)	\$145,033,192
2.2	Improving health care quality expenses	\$1,851,690	\$0	\$1,851,690
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$147,166,748	(\$281,866)	\$146,884,882
Non-Claims Costs				
3.1	Administrative Expenses	\$12,561,776	\$0	\$12,561,776
3.2	Less: Unallowable Expenses	(\$118,010)	\$0	(\$118,010)
3.3	Allowable Administrative Expenses	\$12,443,766	\$0	\$12,443,766
Underwriting Gain				
4.1	Underwriting Gain \$	\$14,168,584		\$13,695,606
4.2	Less: Remittance Amount Due to State for Coverage Year	(\$521,337)		(\$520,501)
4.3	Adjusted Underwriting Gain \$	\$13,647,247		\$13,175,105
4.4	Underwriting Gain %	7.9%		7.6%
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	2.4%		2.3%
5.4	Amount to Remit	\$4,216,937		\$3,992,189



Schedule of Adjustments and Comments for the Period Ending June 30, 2021

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, Health Insurer Fee (HIF) payments, maternity kick payments, clinical efficacy 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	\$1,478,173

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$1,478,173

Non-Expansion Adjustment #2 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2021 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	\$483,410



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	\$483,410

Non-Expansion Adjustment #3 - To adjust to remove Health Insurer Fee (HIF) revenue included in the Underwriting Gain calculation.

HIF revenue was included in the Underwriting Gain calculation through Non-Expansion Adjustment #1. HIF revenue has been removed from the Underwriting Gain per the Medallion 4.0 Managed Care Services Agreement, Section 15.11.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$1,749,607)

Non-Expansion Adjustment #4 – To adjust to include HIF expense in the MLR calculation.

The health plan excluded HIF expense from Federal and State taxes and licensing or regulatory fees. This expense was recorded in full for the calendar year to the trial balance. Taxes and licensing or regulatory fees were adjusted to include six months of HIF expense, to align with the reporting period. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$1,273,534

Non-Expansion Adjustment #5 – To adjust pharmacy expenses related to Magellan Rx to actual costs incurred.

The health plan reported claims expenses net of rebates for pharmacy services arranged by Magellan Rx. During the examination, it was determined that rebates were understated in comparison to the amount reported by Magellan Rx. Magellan Rx also reported offsetting revenue received from pharmacies related to pricing and discount guarantees. Expense was adjusted to agree to rebates and amounts received from pharmacies as reported by Magellan Rx.

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



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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 MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$64,976)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$64,976)

Non-Expansion Adjustment #6 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of March, 2023.

The reported IBNR of \$839,051 was adjusted to agree the March, 2023 lag table. We have made an adjustment for the difference of \$216,890 to Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1. 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	(\$216,890)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$216,890)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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, Health Insurer Fee (HIF) payments, maternity kick payments, clinical efficacy payments, 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	\$2,245,821

Expansion Adjustment #2 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2021 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	\$591,590

Expansion Adjustment #3 – To adjust to include HIF expense in the MLR calculation.

The health plan excluded HIF expense from Federal and State taxes and licensing or regulatory fees. This expense was recorded in full for the calendar year to the trial balance. Taxes and licensing or regulatory fees were adjusted to include six months of HIF expense, to align with the reporting period. The Federal and State licensing and regulatory fee reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.161.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$1,479,756