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

MYERS AND STAUFFER LC
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 Commonwealth Coordinated Care Plus Program (CCC Plus) 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 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 July 1, 2020 through June 30, 2021. 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 Molina 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, 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	$426,050,673	$0	$426,050,673
1.2	Improving health care quality expenses	$13,592,962	$0	$13,592,962
1.3	**Total Adjusted MLR Numerator**	**$439,643,635**	**$0**	**$439,643,635**
Medical Loss Ratio Denominator				
2.1	Revenue	$525,456,796	$2,124,759	$527,581,555
2.2	Federal and State taxes and licensing or regulatory fees	$12,674,634	$2,872,159	$15,546,793
2.3	**Total Adjusted MLR Denominator**	**$512,782,162**	**($747,400)**	**$512,034,762**
Credibility Adjustment				
3.1	Member Months to determine credibility	250,767	0	250,767
3.2	Credibility adjustment	1.3%		1.3%
MLR Calculation				
4.1	Unadjusted MLR	85.7%		85.9%
4.2	Credibility adjustment	1.3%		1.3%
4.3	**Adjusted MLR**	**87.0%**		**87.2%**
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	87.0%		87.2%
5.4	MLR denominator	$512,782,162		$512,034,762
5.5	**Remittance amount due to State for Coverage Year**	**$0**		**$0**

Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$112,150,570	$0	$112,150,570
1.2	Improving health care quality expenses	$2,838,953	$0	$2,838,953
1.3	**Total Adjusted MLR Numerator**	**$114,989,523**	**$0**	**$114,989,523**
Medical Loss Ratio Denominator				
2.1	Revenue	$124,081,108	$851,170	$124,932,278
2.2	Federal and State taxes and licensing or regulatory fees	$409,643	$0	$409,643
2.3	**Total Adjusted MLR Denominator**	**$123,671,465**	**$851,170**	**$124,522,635**
Credibility Adjustment				
3.1	Member Months to determine credibility	53,251	0	53,251
3.2	Credibility adjustment	2.8%		2.8%
MLR Calculation				
4.1	Unadjusted MLR	93.0%		92.3%
4.2	Credibility adjustment	2.8%		2.8%
4.3	**Adjusted MLR**	**95.8%**		**95.1%**
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	95.8%		95.1%
5.4	MLR denominator	$123,671,465		$124,522,635
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	$525,456,796	($1,207,438)	$524,249,358
1.2	Federal and State taxes and licensing or regulatory fees	$12,674,634	$588,053	$13,262,687
1.3	**Total Adjusted Underwriting Gain Denominator**	**$512,782,162**	**($1,795,491)**	**$510,986,671**
Medical Expenses				
2.1	Claims	$426,050,673	$0	$426,050,673
2.2	Improving health care quality expenses	$13,592,962	$0	$13,592,962
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$439,643,635**	**$0**	**$439,643,635**
Non-Claims Costs				
3.1	Administrative Expenses	$38,556,726	$0	$38,556,726
3.2	Less: Unallowable Expenses	($203,499)	($159,829)	($363,328)
3.3	**Allowable Administrative Expenses**	**$38,353,227**	**($159,829)**	**$38,193,398**
Underwriting Gain				
4.1	Underwriting Gain $	$34,785,300		$33,149,638
4.2	Less: Remittance Amount Due to State for Coverage Year	$0		$0
4.3	Adjusted Underwriting Gain $	$34,785,300		$33,149,638
4.4	**Underwriting Gain %**	**6.8%**		**6.5%**
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	1.9%		1.7%
5.4	**Amount to Remit**	**$9,700,918**		**$8,910,019**

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, patient payments, Health Insurer Fee (HIF) payments, maternity kick payments, clinical efficacy 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	$2,124,759

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	$2,124,759

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	$588,053

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	$588,053

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 CCC Plus MCO Contract, Section 19.8.

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	($3,332,197)

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	$2,284,106

Non-Expansion Adjustment #5 – To adjust administrative expense to apply adjustment identified during the 2020 and 2021 administrative cost procedures.

Procedures are applied to administrative costs through a separate engagement. The health plan included contributions/donations which are not considered allowable administrative expenses. Start-up costs related to Medicaid Expansion, Medicaid Enterprise Systems, Electronic Visit Verification, Provider Services Solution, and a behavioral health redesign were also included which were removed and the related amortization expense was added. Administrative cost principles are addressed in 45 CFR § 75.420 through 75.475 and CMS Pub. 15-1: §2132 – Start-Up Costs.

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
3.2	Less: Unallowable Expenses	($159,829)

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, patient 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	$851,170