MYERS AND STAUFFER LC

UnitedHealthcare of the
Mid-Atlantic, Inc.

CardinalCare
Virginia Medicaid
Managed Care Programs

Adjusted Administrative Expenses

(With Independent Accountant's Report Thereon)

For the State Fiscal Year Ended June 30, 2025

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Independent Accountant's Report

Commonwealth of Virginia
Department of Medical Assistance Services
Richmond, Virginia

We have performed the procedures enumerated in Administrative Expenses Agreed-Upon Procedures on the Adjusted Administrative Expenses of UnitedHealthcare of the Mid-Atlantic, Inc. (health plan) for the State Fiscal Year ended June 30, 2025. We applied these procedures to assist you in inspecting administrative expenses for Medicaid rate development. The health plan's management is responsible for presenting the Adjusted Administrative Expenses used by the Virginia Department of Medical Assistance Services (Department) for the purposes of Medicaid rate development.

The Department has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of inspecting administrative expenses for Medicaid rate development. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures are contained within the Administrative Expenses Agreed-Upon Procedures and our findings are contained in the Adjusted Administrative Expenses and the Schedule of Adjustments. As agreed, materiality limits were applied as specified within the Administrative Expenses Agreed-Upon Procedures.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion respectively, on the health plan's administrative expenses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the health plan and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report and the accompanying Appendix A: Administrative Expense Agreed-Upon Procedures, Appendix B: Adjusted Administrative Expenses, Appendix C: Underwriting Exhibit, and Appendix D: Schedule of Adjustments replaces a previously issued report. This report has been restated to correct errors in Appendix B: Adjusted Administrative Expenses and Appendix D: Schedule of Adjustments. This report supersedes all other previous reports.

This report is intended solely for the information and use of the Department, Mercer, and the health plan 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
January 5, 2026

Appendix A: Administrative Expense Agreed-Upon Procedures

Preliminary Work

1) Conduct an entrance call with DMAS and Mercer, DMAS' actuary for MCO rate setting. Gain an understanding of information needed by Mercer for rate setting purposes. Determine if either DMAS or Mercer have initial concerns requiring special attention.

2) Send an initial request list to each MCO to include, but not limited to, a survey containing a questionnaire, Board of Directors minutes, organizational charts, working trial balance, adjusting journal entries, audited financial statements, reconciliation of the working trial balance and the quarterly reporting, support for the allocation of administrative expenses and net premium income to the Medicaid line of business and between each Medicaid product, cost allocation worksheet summarizing quarterly reporting information and MCO reported adjustments, schedule of related-party transactions, related-party agreements, narrative surrounding reinsurance reporting, etc.

3) Conduct an entrance call with appropriate MCO personnel to include (a) determination of MCO personnel who should be contacted during the course of our procedures for information, explanations, documents, etc., and (b) location and availability of the information requested.

4) Briefly document the entity's accounting procedures and internal control per MCO responses on the survey. Emphasis should be placed on the ability of the system(s) to generate reliable cost, revenue, and statistical information.

5) Read Board of Directors minutes from the beginning of the report period through the current date. Document matters impacting the scope of these procedures such as discussions related to administrative costs and non-allowable or non-recurring costs as described in Step 16. Obtain copies or excerpts of pertinent sections, and file in work papers. Cross-reference matters discussed in the minutes to the related work papers.

6) Obtain the audited financial statements including related footnotes. Document matters impacting the scope of these procedures such as the opinion, notes that may provide information regarding non-allowable or non-recurring costs as described in Step 16, and/or related parties.

7) Obtain the names of all related parties from the MCO. Inspect the organizational chart, the annual statement submitted to the Virginia Bureau of Insurance (annual statement), and audited financial statements for related parties not identified by the MCO.

8) Obtain the names of all delegated vendors from the MCO. Inspect the organizational chart, the annual statement, and audited financial statements for delegated vendors not identified by the MCO.

9) Consider whether any specific information has come to our attention concerning the existence of possible fraud or prohibited acts. Fraud risk factors for this procedure include: discrepancies in accounting records, conflicting or missing evidential matter, threatened financial stability or profitability, and lack of an effective corporate compliance program. If fraud risk factors are identified, document those risk factors or conditions and our response to them.

Trial Balance Reconciliation

10) Reconcile total expenses and total administrative expenses per the adjusted trial balance to the annual statement and the quarterly filing.

11) Obtain the adjusted trial balance as of June 30, 2025. For a sample of 20 accounts, trace the account titles, account numbers, and ending balances for the administrative expenses per the adjusted trial balance to the general ledger for the period ended June 30, 2025.

12) Obtain the year-end adjusting journal entries recommended by the independent accountant. Inspect the entries affecting administration expense accounts for propriety. Ensure postings of adjustments to the trial balance, if adjusting journal entries have not been posted to the general ledger at year end.

Administrative Expenses

13) Determine how the MCO allocated the administration expenses and net premium income among the various lines of business. Determine how the MCO allocated the administration expenses for the Medicaid line of business to Cardinal Care Acute, Cardinal Care LTSS, and any other products included by the MCO in the Medicaid line of business. Determine if any trial balance accounts are allocated between administration and medical expenses.
    a. Document this understanding through a narrative.
    b. Document the MCO's support for these allocations.
    c. Request supporting documentation for the elements of any allocation basis utilized by the MCO and ensure it agrees.

14) Document the cost allocation worksheet provided by the MCO in response to the request list. Trace the following elements to the support provided for allocations. Request additional support, as needed, if the self-reported amounts are not full account balances.
    a. Self-Excluded Expenses
    b. Healthcare Quality Improvement Expenses (HCQI)
    c. Fraud Reduction and Recovery Expenses
    d. Non-recurring expenses such as start-up costs
    e. Care Coordination
    f. Allowable Member Incentives

15) Compare administrative and claims adjustment expenses per the quarterly filing for the state fiscal year ended June 30, 2025to the prior year and obtain explanations for any fluctuations greater than 10 percent and $100,000. Determine and document whether the MCO's explanation is consistent with supporting documentation.

16) Scan administration expense accounts allocated to the Medicaid line of business for the below types of expenses. Select 15 to 20 accounts from this scan and from Step 14 and request the general ledger and a description of the account contents. If these documents are inconclusive as to the nature of the expense, request invoices for no more than five entries. Confer with the assigned senior manager/partner to select samples and document the reasoning.
    a. Non-allowable expenses as defined either by the MCO contract with DMAS or by CMS Publication 15. Examples of non-allowable expenses include: lobbying, contributions/donations, income tax, management fees for non-Virginia operations, and management fees for the sole purpose of securing an exclusive arrangement.
    b. Non-recurring expenses such as start-up costs and expenses reimbursed separately from the MCO rate.
    c. HCQI Expenses
    d. Fraud Reduction and Recovery Expenses
    e. Non-recurring expenses such as start-up costs
    f. Care Coordination
    g. Allowable Member Incentives

17) Agree the summary work paper of related-party transactions from the MCO from Step 7 to the trial balance. Obtain agreements or other supporting documentation for payments to or costs allocated from affiliates or parent companies and determine if exclusivity payments or special contractual arrangements are included. Ensure the regulations within CMS Publication 15-1, Chapter 10 have been applied.

18) Agree the summary work paper of delegated vendor transactions from the MCO from Step 8 to the trial balance. For vendors with sub-capitated arrangements and the Pharmacy Benefit Manager (PBM), obtain agreements and ensure that medical and administrative expenses were appropriately separated on the quarterly filing. For the PBM, collect information regarding where all costs (claims payments, ingredient cost, dispensing fees, rebates, sales tax, spread pricing, administrative payment, and other) are included on the trial balance and collect information regarding spread pricing, if applicable.

19) Prepare a narrative that summarizes the MCOs' methodology for reporting reinsurance premiums and reinsurance recoveries. Include both reinsurance amounts per the annual statement, as well as the allocation methodology to the Medicaid line of business. Agree amounts to the trial balance or document the trial balance account these amounts are included in.

Appendix B: Adjusted Administrative Expenses

Source of Information

Our procedures were performed to determine allowable administrative expenses for the purpose of Medicaid rate development. Our procedures were not performed to determine whether such administrative expenses were properly reported for purposes of the Bureau of Insurance of the Commonwealth of Virginia.

We used the quarterly filing required by the Department (quarterly filing), the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement), and audited financial statements for UnitedHealthcare of the Mid-Atlantic, Inc. (UHCMA). The quarterly filing is for the State Fiscal Year ended June 30, 2025 and the Annual Statement and audited financial statements are for the calendar year ended December 31, 2024.

UHCMA is wholly owned by UnitedHealthcare, Inc. (UHC). UHC is wholly owned by United HealthCare Services, Inc. (UHS). UHS provides certain administrative services to UHCMA under a Management Agreement. UHCMA has administrative expenses from six other related parties, OptumRx, Inc., March Vision Care Group, United Behavioral Health, OptumHealth Care Solutions, LLC, OptumInsight, Inc., and United HealthCare Insurance Company (UHIC). These related parties provide pharmacy benefit management services, administration of the vision benefit, administration of certain behavioral health benefits, administration of certain chiropractic, physical, occupational, and speech therapy services, claims overpayment audit and recovery services, and reinsurance, respectively. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a schedule of allocated expenses for UHS, as well as agreements with each related party.

UHCMA has delegated certain functions to vendors. ModivCare Solutions, LLC (ModivCare) provides administration of the non-emergent transportation benefit. Public Partnerships LLC (PPL) is the fiscal employer/agent for consumer directed services. EviCore manages the provision of diagnostic imaging services through a network of health care providers.

Trial Balance Reconciliation

We obtained UHCMA's adjusted trial balance as of June 30, 2025, and agreed the account descriptions, account numbers and ending balances for a sample of 20 accounts to the general ledger for the year ended June 30, 2025. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the UHCMA's adjusted trial balance as of June 30, 2025 of $229,271,209 was reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of $236,626,228. The difference of $7,355,019 is due to a reclassification of the administrative portion of ModivCare non-emergent transportation.

Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the quarterly filing and Annual Statement consist of two basic components, direct expense and management fee expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product. Management fee expenses are recorded at the UHS level, and allocated to the appropriate entities and products. The total direct and indirect Medicaid expenses submitted on the quarterly filing for the Virginia Medicaid line of business for Claims Adjustment and General Administrative expenses are $40,843,020 and $79,510,928 respectively.

We compared total UHCMA administrative and claim adjustment expenses reported on the quarterly filing by line item for the current year and prior year and obtained explanations for any line item with a change greater than $100,000 and 10%. Total general administrative expenses, excluding investment expenses, for 2024 were $134,353,747 compared to 2025 expenses of $120,353,947. The decrease of $13,999,800, or 10.42%, is primarily due to the decrease in administrative expense for United Behavioral Health. All line item fluctuations within the criteria were supported by explanations from United Healthcare of the Mid-Atlantic, Inc.

We inspected the accounts and expense categories included in UHCMA's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct expense. Based on this inspection, we determined that $1,849 in marketing expense should be excluded from the Underwriting Exhibit at Appendix C.

UHS provides UHCMA with management and operational support. The Management Services Agreement by and between UHCMA and UHC effective March 2017 provides for a percent of premiums based on expected actual costs and premiums. OptumRx, Inc. provides pharmacy benefit management services for UHCMA. March Vision Care Group provides administration of the vision benefit. United Behavioral Health provides administration of certain behavioral health benefits. OptumHealth Care Solutions, LLC provides administration of certain chiropractic, physical, occupational, and speech therapy services. OptumInsight, Inc. provides claims overpayment audit and recovery services. UHIC provides reinsurance coverage. The service agreements for OptumRx, Inc., March Vision Care Group, and OptumHealth Care Solutions, LLC provide for separate administrative fees on a per claim or per member per month basis. The service agreements for United Behavioral Health and OptumInsight, Inc. provide for a single per member per month fee. The reinsurance agreement for UHIC provides for a fee equal to a percentage of premiums. A schedule documenting administrative payments made to UHS ($107,746,420), OptumRx, Inc. ($8,704,026), March Vision Care Group ($896,682), OptumHealth Care Solutions, LLC ($1,758,072), OptumInsight, Inc. ($3,526,981), and UHIC ($3,462,105) was provided to agree to amounts included with UHCMA administrative expenses.

We obtained a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which totaled to $102,949,053. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were $106,275,572. An adjustment of $3,326,519 was necessary to record UHS management expenses at cost, which was reduced by the health plan's self-exclusion of $7,407,820. Administrative expenses related to UHS complex medical and Nurseline, OptumRx, Inc.,

OptumHealth Care Solutions, LLC, and OptumInsight, Inc. are calculated using a capitated rate that includes direct and overhead costs as well as margin, or profit. We obtained the rate build for each of these related parties. Adjustments of $519,589 for UHS complex medical and Nurseline, $1,045,834 for OptumRx, Inc., $694,084 for OptumHealth Care Solutions, LLC, and $2,195,885 for OptumInsight, Inc were necessary to remove the margin. The adjustments related to OptumRx, Inc. and OptumHealth Care Solutions, LLC were reduced by self-exclusions filed by the health plan. The rate build for March Vision Care Group did not include margin, thus no adjustment was necessary. United Behavioral Health expenses of $191,992,915 were recorded in full to medical expenses at a capitated rate. Lag tables for the year ended June 30, 2025 provided by United Behavioral Health supported incurred claims of $298,437,176.

PPL expenses are appropriately split between administrative and medical on the trial balance. This vendor provides fiscal employer/agent services for consumer directed services. EviCore expenses are recorded in full to administrative. This vendor provides prior authorization services. ModivCare provides administration of the non-emergent transportation benefit and the capitated expenses are recorded in full to medical. The health plan recorded an off trial balance adjustment of $7,355,019 to reclassify the administrative portion of this expense and also filed a self-exclusion of the same amount. An adjustment was made to correct the erroneous double filing. The vendor certification was utilized to verify the health plans reported amount and a reclassification from medical to administrative of $6,396,025 was necessary as a result, which was reduced by the health plan's off trial balance adjustment amount.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are incurred at both the direct expense and management fee expense levels. A project code is assigned to general ledger entries to further differentiate certain costs. Project codes were assigned for each category of HCQI: health outcome improvement, hospital readmission prevention, patient safety improvement and medical error reduction, wellness and health promotion, and health information technology expenses for health quality improvement. Total HCQI expense allocated to Medicaid in 2025 is $29,971,999. This amount included $8,320,101 related to care coordination.

Reinsurance

Reinsurance premiums are calculated on a percentage of member premium income and are netted against net premium income. Per the trial balance, total reinsurance premiums are $3,462,105 related to the Virginia Medicaid line of business. Per the trial balance and quarterly filing, there were no reinsurance recoveries.

Total Revenues

Total revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves were inspected to determine appropriateness for rate setting purposes. The health plan appropriately reported the change in unearned premium reserves as relating to prior and future periods, and as such, they have been excluded for the purposes of this report. There were no aggregate write-ins noted on the quarterly filing.

UNITEDHEALTHCARE OF THE MID-ATLANTIC, INC.
APPENDIX C: ADJUSTED ADMINISTRATIVE EXPENSES

Line #	Line Description	Cardinal Care Acute FAMIS & FAMIS MOMS	Cardinal Care Acute Non Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non Expansion	Cardinal Care LTSS Expansion	Total Medicaid
1	**Administrative Expense**	-	-	-	-	-	-
1.1	Claims Adjustment Expenses	$ 1,841,533	$ 9,848,708	$ 12,367,771	$ 14,578,055	$ 2,206,953	$ 40,843,020
1.2	General Administrative Expenses	$ 3,584,994	$ 19,172,919	$ 24,076,891	$ 28,379,749	$ 4,296,374	$ 79,510,928
1.3	**Total Administrative Expenses**	**$ 5,426,527**	**$ 29,021,627**	**$ 36,444,662**	**$ 42,957,804**	**$ 6,503,327**	**$ 120,353,947**
1.4	Less: Self-Reported Excludable Expenses *	$ (1,696,061)	$ 20,767,655	$ (2,414,434)	$ 7,052,184	$ (984,670)	$ 22,724,674
1.5	**Adjusted Administrative Expenses**	**$ 3,730,466**	**$ 49,789,282**	**$ 34,030,229**	**$ 50,009,988**	**$ 5,518,657**	**$ 143,078,621**
1.6	Adjustments to Administrative Expenses	$ (325,712)	$ (5,589,993)	$ (10,060,231)	$ (741,644)	$ 4,675,558	$ (12,042,022)
1.7	**Total Adjusted Administrative Expenses**	**$ 3,404,754**	**$ 44,199,289**	**$ 23,969,997**	**$ 49,268,344**	**$ 10,194,215**	**$ 131,036,600**
2	**Net Premium Income**	-	-	-	-	-	-
2.1	Net Premium Income	$ 37,877,279	$ 369,955,882	$ 472,115,396	$ 1,088,684,513	$ 214,722,093	$ 2,183,355,163
2.2	Adjustments to Net Premium Income	$ -	$ -	$ -	$ -	$ -	$ -
2.3	**Total Adjusted Revenues**	**$ 37,877,279**	**$ 369,955,882**	**$ 472,115,396**	**$ 1,088,684,513**	**$ 214,722,093**	**$ 2,183,355,163**
2.4	Percentage of Adjusted Administration Expenses to Net Premium Income	8.99%	11.95%	5.08%	4.53%	4.75%	6.00%
3	**Separately Identified Expenses included in Adjusted Administrative Expenses**	-	-	-	-	-	-
3.1	Healthcare Quality Improvement Expenses (HCQI)	$ 231,538	$ 2,384,070	$ 6,123,915	$ 19,285,696	$ 1,946,780	$ 29,971,999
3.2	Fraud Reduction and Recovery Expenses	$ -	$ -	$ -	$ -	$ -	$ -
3.3	Start Up / Other Non Recurring Expenses	$ -	$ -	$ -	$ -	$ -	$ -
3.4	Care Coordination expenses as defined within the MCO contract	$ 45,799	$ 470,942	$ 671,844	$ 6,858,700	$ 272,815	$ 8,320,101
3.5	Allowable Member Incentives	$ 23	$ 10,426	$ 9,512	$ 248,779	$ -	$ 268,739

* Medicaid expenses excluded by the MCO include a positive adjustment related to State and Federal income taxes ($24,784,213), related party management fees in excess of actual cost (7,407,820), administrative fees for services provided by a parent organization which did not represent a pass through of actual costs ($1,797,369), fines and penalties ($169,653), removal of fraud reduction and recovery expenses in excess of of recoveries ($39,717), and a reclassification (positive adjustment) of the administrative portion of clinical vendor ModivCare ($7,355,019).

Appendix D: Schedule of Adjustments

During our procedures we noted certain matters involving costs, that in our determination did not meet the definitions of allowable administrative expenses and other operational matters that are presented for your consideration.

Adjustment #1 – To adjust to remove fraud prevention expenses.

UHCMA reported expenses of $124,237 having to do with fraud prevention as opposed to expenses related to fraud reduction. This amount will be removed from Separately Identified Expenses included in Adjusted Administrative Expenses. (42 CFR § 438.8(e)(2))

Table 1. Proposed Adjustment #1 to Line 3.2 – Fraud Reduction and Recovery Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
$0	($2,606)	$0	($121,632)	$0	($124,237)

Adjustment #2 – To adjust to agree the health plan's self-exclusion related to tax expense to supported amounts.

UHCMA self-excluded tax expense through a positive adjustment of $24,784,213. Per review of the working trial balance, income taxes included in account 93000, Federal Income Tax Expense totaled to $19,634,775. An adjustment will be made to correct the self-excluded amount to the amount supported in the working trial balance. (Managed Care Contract; 45 CFR § 75.470)

Table 2. Proposed Adjustment #2 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
$11,306	($6,233,078)	($570,776)	$1,624,631	$18,479	($5,149,438)

Adjustment #3 – To reverse the health plan's self-exclusion to add the administrative portion of ModivCare expense to correct the erroneous double filing.

UHCMA double counted the administrative portion of ModivCare expense by applying an adjustment to the working trial balance of $7,355,019 and by filing a positive self-exclusion of $7,355,019. An adjustment was made the reverse the health plan’s self-exclusion and correct the erroneous double filing. (Virginia Department of Medical Assistance Services Reporting Instructions; 45 CFR § 75.404)

Table 3. Proposed Adjustment #3 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($115,346)	($1,035,316)	($736,163)	($4,614,553)	($853,642)	($7,355,020)

Adjustment #4 – To adjust to agree the health plan's self-exclusion related to UHS management fees to supported UHS costs allocated to the Medicaid lines of business.

The Management Services Agreement between UHCMA and UHC effective March 2017 provides a percent of premiums based on expected actual costs and premiums. UHCMA provided a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which totaled to $102,949,053. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were $106,275,572. An adjustment of $3,326,519 was necessary to record UHS expenses at cost, which was reduced by the health plan's self-exclusion of $7,407,820. (CMS Pub. 15-1, Chapter 10)

Table 4. Proposed Adjustment #4 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($50,623)	$3,008,650	($7,759,000)	$3,257,112	$5,625,163	$4,081,302

Adjustment #5 – To adjust to agree the health plan's off trial balance adjustment related to the administrative portion of ModivCare expense to the certification statement received from the vendor.

UHCMA reported the capitated expense related to ModivCare separated between medical and administrative through an off trial balance adjustment. The vendor certification provided by the vendor was utilized to verify the medical and administrative split and determine that a reclassification of $958,994 was necessary. (42 CFR § 438.8(e)(2))

Table 5. Proposed Adjustment #5 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($9,821)	($141,473)	($62,681)	($660,857)	($84,162)	($958,994)

Adjustment #6 – To adjust to agree the health plan's self-exclusion related to OptumRx, Inc. profit margin to the profit margin supported by the OptumRx, Inc. rate build.

OptumRx, Inc. is a related party that provides administration of the pharmacy benefit. Administrative payments are calculated using a per prescription rate that includes direct and overhead costs as well as margin, or profit. The margin of 12% was applied to administrative payment amounts for an adjustment of $1,045,833. As UHCMA self-excluded $1,789,871, an additional adjustment of $744,038 will be made. (CMS Pub. 15-1, Chapter 10)

Table 6. Proposed Adjustment #6 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
$25,401	$193,064	$216,664	$230,009	$78,900	$744,038

Adjustment #7 – To adjust to remove the profit margin related to UHS complex medical and Nurseline.

In addition to management fees, UHS also provides UHCMA with complex medical and Nurseline services. Administrative payments are calculated using per member per month amount that includes direct and overhead costs as well as margin, or profit. The margin for complex medical (39%) and Nurseline (24%) was applied to the administrative payment amounts resulting in an adjustment of $519,589. (CMS Pub. 15-1, Chapter 10)

Table 7. Proposed Adjustment #7 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($28,794)	($218,344)	($170,426)	($93,734)	($8,291)	($519,589)

Adjustment #8 – To adjust to agree the health plan's self-exclusion related to OptumHealth Care Solutions, LLC profit margin to the profit margin supported by the OptumHealth Care Solutions, LLC physical health rate build.

OptumHealth Care Solutions, LLC is a related party that provides administration of certain chiropractic, physical, occupational, and speech therapy services. Administrative payments are calculated using a per member per month rate that includes direct and overhead costs as well as margin, or profit. The margin of 51% was applied to administrative payment amounts for an adjustment of $91,076. As UHCMA self-excluded $7,498, an additional adjustment of $83,577 will be made. (CMS Pub. 15-1, Chapter 10)

Table 8. Proposed Adjustment #8 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($9,161)	($68,076)	$28,847	($30,373)	($4,813)	($83,576)

Adjustment #9 – To adjust to remove profit margin related to OptumInsight, Inc.

OptumInsight, Inc. is a related party that provides claims overpayment audit and recovery services. Administrative payments are calculated using a per member per month rate that includes direct and overhead costs as well as margin, or profit. The margin of 62% was applied to the related administrative payment amounts resulting in an adjustment of $2,195,884. (CMS Pub. 15-1, Chapter 10)

Table 9. Proposed Adjustment #9 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($123,178)	($889,301)	($693,788)	($415,145)	($74,472)	($2,195,884)

Adjustment #10 – To adjust to remove profit margin associated with OptumHealth Care Solutions, LLC complex medical and member wellness.

In addition to administration of certain chiropractic, physical, occupational, and speech therapy services, OptumHealth Care Solutions, LLC provides UHCMA with complex medical and member wellness services. Administrative payments are calculated using a per member per month rate that includes direct and overhead costs as well as margin, or profit. The margin of 38% was applied to administrative payment amounts for an adjustment of $603,010. (CMS Pub. 15-1, Chapter 10)

Table 10. Proposed Adjustment #10 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
($25,495)	($205,191)	($312,909)	($37,812)	($21,603)	($603,010)

Adjustment #11 – To adjust to remove marketing/advertising expense.

During inspection of UHS expense accounts, expenses were identified related to marketing and advertising included in account 71235 Advertising Media. An adjustment was made to remove these expenses. (45 CFR § 75.421)

Table 11. Proposed Adjustment #11 to Line 1.3 – Total Administrative Expenses

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
$0	($928)	$0	($921)	$0	($1,849)