

The background features a blurred medical scene with a green overlay. A large white cross is centered. Various medical icons are scattered throughout, including a syringe, a pill, a virus, a stethoscope, and a group of people. A white diagonal line runs from the top right towards the bottom left, separating the background from the text area.

**UNITEDHEALTHCARE OF  
THE MID-ATLANTIC, INC.**

**Virginia Department of Medical  
Assistance Services**

**Adjusted Administrative Expenses  
With Independent Accountant's Report Thereon**

For the State Fiscal Year Ended June 30, 2024



**MYERS AND  
STAUFFER**  
L.C.  
CERTIFIED PUBLIC ACCOUNTANTS



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## Independent Accountant's Report

Virginia

Department of Medical Assistance Services

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, 2024. 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 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  
Glen Allen, Virginia  
February 6, 2025



## 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.



## ADJUSTED ADMINISTRATIVE EXPENSES

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- 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, 2024. 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, 2024.
- 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.
- Document this understanding through a narrative.
  - Document the MCO's support for these allocations.
  - 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.
- Self-Excluded Expenses
  - Healthcare Quality Improvement Expenses (HCQI)
  - Fraud Reduction and Recovery Expenses
  - Non-recurring expenses such as start-up costs
  - Care Coordination
  - Allowable Member Incentives
- 15) Compare administrative and claims adjustment expenses per the quarterly filing for the state fiscal year ended June 30, 2024 to 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.



## ADJUSTED ADMINISTRATIVE EXPENSES

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- 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, 2024 and the Annual Statement and audited financial statements are for the calendar year ended December 31, 2023.

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 (UHC). 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, 2024, 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, 2024. No exceptions were noted.

Total administrative expenses including claims adjustment expenses per the UHCMA adjusted trial balance as of June 30, 2024 of \$116,943,440 was reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$136,810,287. The difference of \$19,866,847 is due to reclassifications of the administrative portion of ModivCare non-emergent transportation and United Behavioral Health expenses in the amounts of \$6,451,889 and \$13,600,000, respectively. An adjustment was made for the remaining variance of \$185,042 on the Underwriting



## ADJUSTED ADMINISTRATIVE EXPENSES

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Exhibit at Appendix C and to reclassify expense of \$2,455,715 erroneously recorded to the Medallion 3.0 line of business.

### **Administrative Expenses**

Total claims adjustment expenses and administrative expenses included in the 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 \$82,090,140 and \$52,263,607 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 State Fiscal Year ended June 30, 2023 were \$125,717,438 compared to State Fiscal Year ended June 30, 2024 expenses of \$134,353,747. The increase of \$8,636,309, or 6.87%, is within the specified threshold.

We inspected the accounts 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 \$10,450 of marketing expense should be excluded from the Underwriting Exhibit at Appendix C. UHCMA provided a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business. Based on this inspection, we determined that \$28,356 of marketing expense should be excluded from the Underwriting Exhibit at Appendix C. In the prior year ending December 31, 2018, UHCMA identified \$3,398,789 in start-up costs related to Medallion 4.0 implementation and Medicaid expansion. UHCMA was unable to identify what portion related to Medallion 4.0 versus Medicaid expansion. These expenses were amortized over a five year period beginning August 2018 as this is the effective date for Medallion 4.0. Amortization expenses have been added to the Underwriting Exhibit at Appendix C. However, this expenses will be excluded from rate setting.

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



## ADJUSTED ADMINISTRATIVE EXPENSES

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(\$92,339,610), OptumRx, Inc. (\$7,618,881), March Vision Care Group (\$805,469), United Behavioral Health (\$13,600,000), OptumHealth Care Solutions, LLC (\$415,379), OptumInsight, Inc. (\$2,751,313), and UHC (\$1,488,093) 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 \$97,017,855. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were \$92,339,610. A positive adjustment of \$4,678,245 was necessary to record UHS expenses at cost. Administrative expenses related to OptumRx, Inc., March Vision Care Group, 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 \$1,966,469 for OptumRx, Inc., \$188,543 for OptumHealth Care Solutions, LLC, and \$1,891,386 for OptumInsight, Inc. were necessary to remove the margin. The rate build for March Vision Care Group did not include margin, thus no adjustment was necessary. United Behavioral Health expenses of \$197,329,873 were recorded in full to medical expenses at a capitated rate. Lag tables for the year ended June 30, 2024 provided by United Behavioral Health supported incurred claims of \$212,575,466. The health plan reclassified \$13,600,000 to administrative expense through an adjustment to the working trial balance and through a self-exclusion, double counting the expense. Both were reversed as the lag tables are higher than the recorded expense.

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 expenses are recorded in full to medical. This vendor provides administration of the non-emergent transportation benefit. The percentages from the 2023 MLR examination were utilized to determine the administrative portion of \$5,839,955. The health plan reclassified \$6,451,889 to administrative expense through an adjustment to the working trial balance and through a self-exclusion, double counting the expense. The difference of \$7,063,824 was reclassified from administrative expense.

### **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 2024 is \$33,479,797. 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 \$1,872,076 related to the Virginia Medicaid line of business. Per the trial balance and quarterly filing, there were no reinsurance recoveries.



## ADJUSTED ADMINISTRATIVE EXPENSES

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### **Total Revenues**

Total revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves and aggregate write-ins were inspected to determine appropriateness for rate setting purposes. The change in unearned premium reserves included reserves related to prior and future periods which were removed for the purposes of this report. The aggregate write-ins reported on the quarterly filing were immaterial in nature at \$20.



## Appendix C: Underwriting Exhibit

*Table 1. Adjusted Administrative Expenses for the State Fiscal Year Ended June 30, 2024: Administrative Expense*

Administrative Expense	Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
Claims Adjustment Expenses	\$ 2,407,793	\$ 23,705,317	\$ 18,202,767	\$ 30,718,075	\$ 7,056,027	\$ 82,089,979
General Administrative Expenses	\$ 1,532,956	\$ 15,092,332	\$ 11,589,054	\$ 19,557,106	\$ 4,492,322	\$ 52,263,770
Total Administrative Expenses	\$ 3,940,749	\$ 38,797,649	\$ 29,791,821	\$ 50,275,181	\$ 11,548,349	\$ 134,353,749
Less: Self-Reported Excludable Expenses *	\$ 1,925,267	\$ (3,197,383)	\$ 15,309,541	\$ 16,251,097	\$ 5,611,140	\$ 35,899,662
Adjusted Administrative Expenses	\$ 5,866,016	\$ 35,600,266	\$ 45,101,362	\$ 66,526,278	\$ 17,159,489	\$ 170,253,411
Adjustment 1: Agree to supported amounts per the working trial balance.	\$ 16,334	\$ 752,507	\$ 258,985	\$ 1,320,974	\$ 291,957	\$ 2,640,757
Adjustment 2: Include amortization related to Medallion 4.0 and Medicaid expansion.	\$ -	\$ 21,134	\$ 33,898	\$ -	\$ 1,613	\$ 56,645
Adjustment 3: Reverse the health plan's self-exclusion related to State and Federal income taxes as these expenses were not included in reported administrative expenses.	\$ (1,507,983)	\$ 7,236,862	\$ (9,632,648)	\$ (8,757,012)	\$ (3,450,614)	\$ (16,111,395)



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

Administrative Expense	Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
Adjustment 4: Remove marketing/advertising expense.	\$ (865)	\$ (8,529)	\$ (16,446)	\$ (10,631)	\$ (2,335)	\$ (38,806)
Adjustment 5: Agree UHS management fees to allocated costs.	\$ (589,494)	\$ 3,903,589	\$ (282,442)	\$ 2,190,574	\$ (543,982)	\$ 4,678,245
Adjustment 6: Reverse the health plan's self-exclusion to reclassify the administrative portion of United Behavioral Health expenses as the submitted expense is less than paid claims and IBNR and remove erroneous double filing.	\$ (559,723)	\$ (6,787,151)	\$ (9,091,257)	\$ (7,923,055)	\$ (2,838,814)	\$ (27,200,000)
Adjustment 7: Remove the margin (profit) associated with OptumHealth Care Solutions, LLC.	\$ (8,729)	\$ (67,090)	\$ (81,052)	\$ (24,096)	\$ (7,576)	\$ (188,543)
Adjustment 8: Remove the margin (profit) associated with the administrative portion of OptumRx, Inc.	\$ (43,033)	\$ (458,415)	\$ (867,811)	\$ (376,937)	\$ (220,273)	\$ (1,966,469)
Adjustment 9: Remove the margin (profit) associated with OptumInsight, Inc.	\$ (103,794)	\$ (797,021)	\$ (642,895)	\$ (286,313)	\$ (61,363)	\$ (1,891,386)



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

Administrative Expense	Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
Adjustment 10: Agree the health plan's self-exclusion related to the administrative portion of ModivCare expense to verified amounts and remove erroneous double filing.	\$ (158,231)	\$ (1,407,057)	\$ (1,113,295)	\$ (3,628,492)	\$ (756,749)	\$ (7,063,824)
Total Adjusted Administrative Expenses	\$ 2,910,498	\$ 37,989,095	\$ 23,666,399	\$ 49,031,290	\$ 9,571,353	\$ 123,168,635
Net Premium Income	\$ 33,272,217	\$ 327,998,458	\$ 474,615,369	\$ 845,872,401	\$ 190,665,243	\$ 1,872,423,688
Adjustment 11: Remove unearned premium reserves not relating to the current period.	\$ -	\$ (8,268,474)	\$ (67,881,470)	\$ (20,383,278)	\$ (8,610,316)	\$ (105,143,538)
Total Adjusted Premium Income	\$ 33,272,217	\$ 319,729,984	\$ 406,733,899	\$ 825,489,123	\$ 182,054,927	\$ 1,767,280,150
Percentage of Adjusted Administration Expenses to Net Premium Income	8.75%	11.88%	5.82%	5.94%	5.26%	6.97%

\* Medicaid expenses excluded by the MCO include a positive adjustment related to State and Federal income taxes (\$16,111,396), interest payments for late claims (\$78,188), fraud reduction expenses in excess of recoveries (\$185,436), and a reclassification (positive adjustment) of the administrative portions of clinical vendors ModivCare and United Behavioral Health (\$6,451,889 and \$13,600,000, respectively).



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

*Table 2. Adjusted Administrative Expenses for the State Fiscal Year Ended June 30, 2024: Separately Identified Expenses included in Adjusted Administrative Expenses*

Separately Identified Expenses	Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
Healthcare Quality Improvement Expenses (HCQI)	\$ 995,480	\$ 9,700,235	\$ 9,849,074	\$ 10,259,128	\$ 2,675,880	\$ 33,479,797
Fraud Reduction and Recovery Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Start Up / Other Non Recurring Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Care Coordination expenses as defined within the MCO contract	\$ 42,219	\$ 471,904	\$ 674,463	\$ 6,902,357	\$ 229,158	\$ 8,320,101
Allowable Member Incentives	\$ -	\$ 15,824	\$ -	\$ 2,420	\$ -	\$ 18,244



## 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 – Agree to supported amounts per the working trial balance.

UHCMA working trial balance included administrative expenses totaling \$116,943,440 related to Medicaid. The submitted amount, less self-exclusions related to reclassifications of the administrative portion of ModivCare non-emergent transportation and United Behavioral Health expenses totaled to \$116,758,398 for Medicaid. The plan also erroneously recorded \$2,455,715 of these amounts to the Medallion 3.0 line of business, this amount should have been reallocated over the active Medicaid categories. An adjustment was made to agree to the working trial balance.

Table 3. Proposed Adjustment

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
\$16,334	\$752,507	\$258,985	\$1,320,974	\$291,957	\$2,640,757

### Adjustment #2 – Include amortization related to Medallion 4.0 and Medicaid expansion.

UHCMA had identified start-up costs of \$3,398,789 related to the Medallion 4.0 and Medicaid expansion programs in the year ending December 31, 2018. These expenses were removed in the year identified to be amortized over a period of five years beginning with the start date of each program. UHCMA was unable to separate the costs between the Medallion 4.0 and Medicaid expansion programs and, as such, amortization of the full amount began August 1, 2018, which was the beginning of Medallion 4.0. (CMS Pub. 15-1: §2132 – Start-Up Costs)

Table 4. Proposed Adjustment

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
\$0	\$21,134	\$33,898	\$0	\$1,613	\$56,645



## SCHEDULE OF ADJUSTMENTS

**Adjustment #3 – Reverse the MCO's self-exclusion related to State and Federal income taxes as these expenses were not included in reported administrative expenses.**

UHCMA recorded a self-exclusion to remove income taxes included in account 93000, Federal Income Taxes Expense. This account was excluded from administrative costs in the working trial balance and self-exclusion is not necessary. (45 CFR § 75.470)

*Table 5. Proposed Adjustment*

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$1,507,983)	\$7,236,862	(\$9,632,648)	(\$8,757,012)	(\$3,450,614)	(\$16,111,395)

**Adjustment #4 – Remove marketing/advertising expense.**

During inspection of the accounts included in UHCMA's trial balance, we identified expenses attributable to marketing and sponsorships included in account 71520, Community Relations. During inspection of UHS expense accounts, we identified expenses attributable to marketing and advertising included in account 71235 Advertising Media and account 71810 Promotional Items. We determined these costs to be non-allowable and an adjustment was made to remove these expenses. (45 CFR § 75.421)

*Table 6. Proposed Adjustment*

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$865)	(\$8,529)	(\$16,446)	(\$10,631)	(\$2,335)	(\$38,806)

**Adjustment #5 – Agree UHS management fees to allocated costs.**

The Management Services Agreement between UHCMA and UHC effective March 2017 provides a percent of premiums based on expected actual costs and premiums. We obtained a schedule showing UHS expenses directly attributed to the Virginia Medicaid line of business which totaled to \$97,017,855. Total management fees for the Virginia Medicaid line of business per the adjusted trial balance were \$92,339,610. A positive adjustment of \$4,678,245 was necessary to record UHS expenses at cost. (CMS Pub. 15-1, Chapter 10)

*Table 7. Proposed Adjustment*

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$589,494)	\$3,903,589	(\$282,442)	\$2,190,574	(\$543,982)	\$4,678,245



## SCHEDULE OF ADJUSTMENTS

**Adjustment #6 – Reverse the health plan's self-exclusion to reclassify the administrative portion of United Behavioral Health expenses as the submitted expense is less than paid claims and IBNR and remove erroneous double filing.**

United Behavioral Health expenses of \$197,329,873 were recorded in full to medical expenses at a capitated rate. Lag tables including IBNR for the year ended June 30, 2024 provided by United Behavioral Health supported incurred claims of \$212,575,466. The health plan reclassified \$13,600,000 to administrative expense through an adjustment to the working trial balance and through a self-exclusion, double counting the expense. An adjustment was made to reverse both of the health plan's reclassifications as the lag tables exceed the recorded expense. (45 CFR § 158.140(b)(3))

*Table 8. Proposed Adjustment*

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$559,723)	(\$6,787,151)	(\$9,091,257)	(\$7,923,055)	(\$2,838,814)	(\$27,200,000)

**Adjustment #7 – Remove the margin (profit) associated with OptumHealth Care Solutions, LLC.**

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 capitated rate that includes direct and overhead costs as well as margin, or profit. The margin of 45.39% was applied to administrative payment amounts for an adjustment of \$188,543. (CMS Pub. 15-1, Chapter 10)

*Table 9. Proposed Adjustment*

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$8,729)	(\$67,090)	(\$81,052)	(\$24,096)	(\$7,576)	(\$188,543)

**Adjustment #8 – Remove the margin (profit) associated with the administrative portion of OptumRx, Inc.**

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 26% was applied to administrative payment amounts for an adjustment of \$1,966,469. (CMS Pub. 15-1, Chapter 10)



## SCHEDULE OF ADJUSTMENTS

Table 10. Proposed Adjustment

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$43,033)	(\$458,415)	(\$867,811)	(\$367,937)	(\$220,273)	(\$1,966,469)

### Adjustment #9 – Remove the margin (profit) associated with OptumInsight, Inc.

OptumInsight, Inc. is a related party that provides claims overpayment audit and recovery services. Administrative payments are calculated using a per prescription rate that includes direct and overhead costs as well as margin, or profit. The margin for premium audit services and waste and error (44%), subrogation (46%), and premium audit services (71%) was applied to the related administrative payment amounts for an adjustment of \$1,891,386. (CMS Pub. 15-1, Chapter 10)

Table 11. Proposed Adjustment

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$103,794)	(\$797,021)	(\$642,895)	(\$286,313)	(\$61,363)	(\$1,891,386)

### Adjustment #10 – Agree the health plan's self-exclusion related to the administrative portion of ModivCare expense to verified amounts.

UHCMA booked the full amount of expense for ModivCare to medical expenses. The percentages from the 2023 MLR examination were utilized to determine the administrative portion of \$5,839,955. The health plan reclassified \$6,451,889 to administrative expense through an adjustment to the working trial balance and through a self-exclusion, double counting the expense. The difference of \$7,063,824 was reclassified from administrative expense. (CMS Pub. 15-1, Chapter 10)

Table 12. Proposed Adjustment

Cardinal Care FAMIS	Cardinal Care Acute Non-Expansion	Cardinal Care Acute Expansion	Cardinal Care LTSS Non-Expansion	Cardinal Care LTSS Expansion	Total Medicaid
(\$158,231)	(\$1,407,057)	(\$1,113,295)	(\$3,628,492)	(\$756,749)	(\$7,063,824)

### Adjustment #11 – Remove unearned premium reserves not relating to the current period.

UHCMA's quarterly filing disclosed unearned premium reserves related to periods prior to January 1, 2024. An adjustment of \$105,143,538 was made to remove all unearned premium reserves not related to the period under review, for the purposes of administrative reporting.



## SCHEDULE OF ADJUSTMENTS

*Table 13. Proposed Adjustment*

<b>Cardinal Care FAMIS</b>	<b>Cardinal Care Acute Non-Expansion</b>	<b>Cardinal Care Acute Expansion</b>	<b>Cardinal Care LTSS Non-Expansion</b>	<b>Cardinal Care LTSS Expansion</b>	<b>Total Medicaid</b>
\$0	(\$8,268,474)	(\$67,881,470)	(\$20,383,278)	(\$8,610,316)	(\$105,143,538)