



**Aetna Better Health 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, 2019 through
June 30, 2020



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



Table of Contents

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



Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Aetna Better Health of Virginia (Aetna) related to the Medallion 4.0 Program for the period of July 1, 2019 through June 30, 2020. Aetna's management is responsible for presenting the Medical Loss Ratio and Underwriting Gain Rebate Calculations in accordance with the criteria set forth in the 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, 2019 through June 30, 2020. 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 Aetna and is not intended to be and should not be used by anyone other than these specified parties.

Myers and Stauffer LC
Glen Allen, Virginia
October 6, 2022



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

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$221,971,878	\$39,286,692	\$261,258,570
1.2	Improving health care quality expenses	\$2,389,765	(\$664,614)	\$1,725,151
1.3	Total Adjusted MLR Numerator	\$224,361,643	\$38,622,078	\$262,983,721
Medical Loss Ratio Denominator				
2.1	Revenue	\$284,839,972	\$39,662,910	\$324,502,882
2.2	Federal and State taxes and licensing or regulatory fees	\$13,122,434	\$1,016,404	\$14,138,838
2.3	Total Adjusted MLR Denominator	\$271,717,538	\$38,646,506	\$310,364,044
Credibility Adjustment				
3.1	Member Months to determine credibility	909,135	0	909,135
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	82.6%		84.7%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	82.6%		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	82.6%		84.7%
5.4	MLR denominator	\$271,717,538		\$310,364,044
5.5	Remittance amount due to State for Coverage Year	\$6,521,221		\$931,092



**AETNA BETTER HEALTH OF VIRGINIA
ADJUSTED MEDICAL LOSS RATIO**

Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	\$307,533,308	\$53,831,801	\$361,365,109
1.2	Improving health care quality expenses	\$1,783,117	\$0	\$1,783,117
1.3	Total Adjusted MLR Numerator	\$309,316,425	\$53,831,801	\$363,148,226
Medical Loss Ratio Denominator				
2.1	Revenue	\$386,462,920	\$14,211,193	\$400,674,113
2.2	Federal and State taxes and licensing or regulatory fees	\$18,504,374	(\$8,973,777)	\$9,530,597
2.3	Total Adjusted MLR Denominator	\$367,958,546	\$23,184,970	\$391,143,516
3.1	Member Months to determine credibility	678,349	0	678,349
3.2	Credibility adjustment	0.0%		0.0%
4.1	Unadjusted MLR	84.1%		92.8%
4.2	Credibility adjustment	0.0%		0.0%
4.3	Adjusted MLR	84.1%		92.8%
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	84.1%		92.8%
5.4	MLR denominator	\$367,958,546		\$391,143,516
5.5	Remittance amount due to State for Coverage Year	N/A		N/A



Adjusted Underwriting Gain for the Period Ending June 30, 2020

Non-Expansion

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$284,839,972	\$35,972,968	\$320,812,940
1.2	Federal and State taxes and licensing or regulatory fees	\$13,122,434	(\$1,802,343)	\$11,320,091
1.3	Total Adjusted Underwriting Gain Denominator	\$271,717,538	\$37,775,311	\$309,492,849
Medical Expenses				
2.1	Claims	\$221,971,878	\$39,286,692	\$261,258,570
2.2	Improving health care quality expenses	\$2,389,765	(\$664,614)	\$1,725,151
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$224,361,643	\$38,622,078	\$262,983,721
Non-Claims Costs				
3.1	Administrative Expenses	\$20,045,062	\$843,513	\$20,888,575
3.2	Less: Unallowable Expenses	(\$2,444,194)	\$919,707	(\$1,524,487)
3.3	Allowable Administrative Expenses	\$17,600,868	\$1,763,220	\$19,364,088
Underwriting Gain				
4.1	Underwriting Gain \$	\$29,755,027		\$27,145,040
4.1	Less: Remittance Amount Due to State for Coverage Year	(\$6,521,221)		(\$931,092)
4.2	Adjusted Underwriting Gain \$	\$23,233,806		\$26,213,948
4.3	Underwriting Gain %	8.6%		8.5%
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	2.8%		2.7%
5.4	Amount to Remit	\$7,541,140		\$8,464,581



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

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

Non-Expansion Adjustments #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, Rx reinsurance recoupments, and maternity kick 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	(\$296,994)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$296,994)

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

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the Managed Care contracts refer to 42 CFR § 438.6(c) in speaking to directed payments related to private acute care hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), 42 CFR § 438.8(f)(2), and 45 CFR § 158.130.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$39,959,904
2.1	Revenue	\$39,959,904

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$39,959,904
2.1	Claims	\$39,959,904

Non-Expansion Adjustment #3 – To adjust Health Insurer Fee (HIF) expense to agree with state revenue data.

The health plan reported HIF expense based on a percentage of HIF revenue. As Non-Expansion Adjustment #1 included an adjustment to HIF revenue a similar adjustment is needed for HIF expense. 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	(\$109,367)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	(\$109,367)

Non-Expansion Adjustment #4 – To adjust to remove HIF expense and revenue included in the Underwriting Gain calculation.

The health plan has included HIF expense in taxes and licensing or regulatory fees and HIF revenue was included in the Underwriting Gain calculation through Non-Expansion Adjustment #1. HIF revenue includes a gross up amount to reimburse the health plan for the tax impact of HIF. HIF expense and revenue have been removed from the Underwriting Gain per the Medallion 4.0 MCO Contract, Section 15.12.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	(\$3,689,942)
1.2	Federal and State taxes and licensing or regulatory fees	(\$2,818,747)

Non-Expansion Adjustment #5 – To adjust to agree the health plan’s self exclusion related to HIF expense to the filed administrative HIF expense.

The health plan self-excluded \$2,662,362 of HIF expense from administrative expense. However, only \$1,566,363 of HIF expense was included within administrative costs for Non-Expansion. The self-exclusion related to HIF expense was adjusted to agree to amount of HIF expense included in Non-Expansion administrative expenses. The administrative reporting requirements are addressed in the Medallion 4.0 MCO Contract and 45 CFR § 75.404.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	\$1,095,999

Non-Expansion Adjustment #6 – To adjust to reclassify non-allowable Healthcare Quality Improvement Expenses (HCQI) expenses.

The health plan reported HCQI expenses based on an analysis of cost centers determined to relate in whole or in part to HCQI. These costs centers were allocated to HCQI based on employee full time equivalent reports and job duties. The total cost allocated for HCQI included two types of costs, direct costs and intercompany costs. The intercompany expense support was not provided and could not be verified for the 2020 MLR examination. Additionally, several of the job titles and duties included in HCQI allocation of costs did not meet the definitions of HCQI for MLR reporting purposes. Amounts were found at the cost center level, account level, and within the salaries review of job descriptions. These expenses have been reclassified from HCQI to administrative expenses through this adjustment. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	(\$664,614)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	(\$664,614)
3.1	Administrative Expenses	\$664,614

Non-Expansion Adjustment #7 – To adjust administrative expense to apply adjustments identified during the 2019 and 2020 administrative cost procedures.

Procedures are applied to administrative costs through a separate engagement. The health plan included interest payments for late claims, contributions, and loss adjustments, which are not considered allowable administrative expenses. Administrative cost principles are addressed in 45 CFR § 75.420 through 75.477.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	(\$176,292)

Non-Expansion Adjustment #8 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of November, 2021.

The reported IBNR was adjusted to agree to the November, 2021 lag table. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$394,311)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$394,311)

Non-Expansion Adjustment #9 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2019 and 2020 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expenses and the effective tax rates for 2019 and 2020. The tax reporting



SCHEDULE OF ADJUSTMENTS AND COMMENTS

requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.162.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$1,125,771

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	\$1,125,771

Non-Expansion Adjustment #10 – To adjust to reclassify administrative services provided by EviCore to administrative expense.

The health plan reported expenses related to radiology administrative services provided by EviCore in claims expense. The health plan later identified that the expenses related to this vendor are administrative in nature within subsequent support submitted. This expense has been reclassified from claims to administrative expenses. The clinical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	(\$278,901)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	(\$278,901)
3.1	Administrative Expenses	\$278,901

Non-Expansion Adjustment #11 – To adjust to remove duplicated administrative expense.

The health plan duplicated state tax expense and selling expenses within reported administrative expenses. We have made an adjustment to remove the duplicated portion of this expense. The administrative reporting requirements are addressed in the Medallion 4.0 MCO Contract and 45 CFR § 75.404.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	(\$100,002)



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, Rx reinsurance recoupments, maternity kick payments, and risk corridor recoupments. 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	(\$38,217,508)

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

The MLR Report did not reflect directed payments in the numerator nor the denominator of the calculation. It was determined the Managed Care contracts refer to 42 CFR § 438.6(c) in speaking to directed payments related to private acute care hospitals, Chesapeake Regional Medical Center, and State University teaching hospital physicians; and therefore should be included in the MLR calculation. Premium revenue and incurred claims were adjusted to include the payments and associated expense per state data. The revenue and claims reporting requirements are addressed in the Medical Loss Ratio (MLR) Requirements, the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), 42 CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$52,428,701
2.1	Revenue	\$52,428,701

Expansion Adjustment #3 – To adjust to include claims expense related to DentaQuest, the dental vendor, as this expense was excluded from the reported MLR.

The health plan erroneously excluded claims expense for dental services arranged by DentaQuest from the reported MLR. Since these claims were incurred for members of the Virginia Medicaid program, an adjustment was made to include the actual claims cost utilizing supporting documentation.

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	\$1,403,100

Expansion Adjustment #4 – To adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2019 and 2020 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expenses and the effective tax rates for 2019 and 2020. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3) and 45 CFR § 158.162.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$(8,973,777)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



September 13, 2022

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

Dear Ms. Kambis:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Aetna Better Health of Virginia's Medallion 4.0 MLR and Underwriting Gain rebate calculations for the period of July 1, 2019 through June 30, 2020. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by September 15, 2022.

**Aetna Better Health of Virginia Medallion 4.0
July 1, 2019 through June 30, 2020
Non-Expansion**

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
2.	To adjust revenues and claims to include related directed payments.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
3.	To adjust Health Insurer Fee (HIF) expense to agree with state revenue data.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
4.	To remove HIF expense and revenue included in the Underwriting Gain calculation.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
5.	To adjust to agree the health plan's self exclusion related to HIF expense to the filed administrative HIF expense.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
6.	To adjust to reclassify non-allowable Healthcare Quality Improvement (HCQI) expenses.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>
7.	To adjust administrative expense to apply adjustments identified during the 2019 and 2020 administrative cost procedures.	Accept <input checked="" type="checkbox"/>	Disagree <input type="checkbox"/>

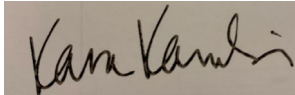


	Adjustment	MCO's Response	
8.	To adjust Incurred But Not Reported (IBNR) at the time of the MLR filing to IBNR estimated as of November, 2021.	Accept x _____	Disagree _____
9.	To adjust income tax expense to verified amounts.	Accept x _____	Disagree _____
10.	To adjust to reclassify administrative services provided by EviCore to administrative expense.	Accept x _____	Disagree _____
11.	To adjust to remove duplicated administrative expense.	Accept x _____	Disagree _____

**Aetna Better Health of Virginia Medallion 4.0
 July 1, 2019 through June 30, 2020
 Expansion**

	Adjustment	MCO's Response	
1.	To adjust revenues to agree with state data.	Accept x _____	Disagree _____
2.	To adjust revenues and claims to include related directed payments.	Accept x _____	Disagree _____
3.	To adjust to include claims expense related to DentaQuest, the dental vendor, as this expense was excluded from the reported MLR.	Accept x _____	Disagree _____
4.	To adjust income tax expense to verified amounts.	Accept x _____	Disagree _____

Acknowledged by:
 AETNA BETTER HEALTH OF VIRGINIA



 Officer or other Authorized Person



**MYERS AND
STAUFFER** LC
CERTIFIED PUBLIC ACCOUNTANTS

September 16, 2022
Date
