AETNA BETTER HEALTH OF VIRGINIA

Commonwealth Coordinated Care Plus

Medicaid Managed Care Programs

Report on Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations

With Independent Accountant's Report Thereon

For the period of January 1, 2019 through December 31, 2019

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, Virginia

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Aetna Better Health of Virginia (Aetna) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) for the period of January 1, 2019 through December 31, 2019. 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 CCC Plus contract and Centers for Medicare & Medicaid Services (CMS) federal guidance (criteria). This criteria was used to prepare the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. Our responsibility is to express an opinion on the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations are in accordance with the criteria, in all material respects. An examination involves performing procedures to obtain evidence about the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risk of material misstatement of the Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

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 January 1, 2019 through December 31, 2019. The Adjusted Medical Loss Ratio (MLR) Percentage Achieved exceeds the minimum requirement of eighty-five percent (85%) and the Adjusted Underwriting Gain Percentage Achieved does not exceed the maximum requirement of three percent (3%).

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

Myers and Stauffer LC
Glen Allen, Virginia
October 15, 2021

Adjusted Medical Loss Ratio for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Numerator				
1.1	Claims	$582,039,812	$36,168,615	$618,208,427
1.2	Improving health care quality expenses	$23,333,235	$(2,689,836)	$20,643,399
1.3	**Total Adjusted MLR Numerator**	**$605,373,047**	**$33,478,779**	**$638,851,826**
Medical Loss Ratio Denominator				
2.1	Revenue	$632,123,708	$37,171,482	$669,295,190
2.2	Federal and State taxes and licensing or regulatory fees	$(700,893)	$(1,740,190)	$(2,441,083)
2.3	**Total Adjusted MLR Denominator**	**$632,824,601**	**$38,911,672**	**$671,736,273**
Credibility Adjustment				
3.1	Member Months to determine credibility	380,125	-	380,125
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	95.7%		95.1%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	95.7%		95.1%
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		Y
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	95.7%		95.1%
5.4	MLR denominator	$632,824,601		$671,736,273
5.5	**Remittance amount due to State for Coverage Year**	**$0**		**$0**

Adjusted Underwriting Gain for the Period Ending December 31, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	$632,123,708	$37,171,482	$669,295,190
1.2	Federal and State taxes and licensing or regulatory fees	$(700,893)	$(1,740,190)	$(2,441,083)
1.3	**Total Adjusted Underwriting Gain Denominator**	**$632,824,601**	**$38,911,672**	**$671,736,273**
Medical Expenses				
2.1	Claims	$582,039,812	$36,168,615	$618,208,427
2.2	Improving health care quality expenses	$23,333,235	$(2,689,836)	$20,643,399
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$605,373,047**	**$33,478,779**	**$638,851,826**
Non-Claims Costs				
3.1	Administrative Expenses	$35,126,506	$4,354,392	$39,480,898
3.2	Less: Unallowable Expenses	$(243,820)	$0	$(243,820)
3.3	**Allowable Administrative Expenses**	**$34,882,686**	**$4,354,392**	**$39,237,078**
Underwriting Gain				
4.1	Underwriting Gain $	($7,431,132)		$(6,352,631)
4.1	Less: Remittance Amount Due to State for Coverage Year	$0		$0
4.2	Adjusted Underwriting Gain $	($7,431,132)		$(6,352,631)
4.3	**Underwriting Gain %**	**-1.2%**		**-0.9%**
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	0.0%		0.0%
5.4	**Amount to Remit**	**$0**		**$0**

Schedule of Adjustments and Comments for the Period Ending December 31, 2019

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.

Adjustment #1 – Adjust medical expenses to supporting documentation.

The health plan reported medical expenses using restated amounts as of November 2020. However, during the examination, the health plan provided documentation to support restated amounts as of December 2020 that included material updates related to the pharmacy price guarantee settlement, among others. The expenses were adjusted per the health plan support. The medical expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$(979,724)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	$(979,724)

Adjustment #2 – 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. During the examination, it was noted that the methodology used for these costs were reallocated for the purposes of the MLR filing. The plan was unable to provide sufficient support for the reallocation and 2018 allocations were utilized for the full reporting period instead. During the 2018 MLR examination 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. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and Medicaid Managed Care Final Rule 45 CFR § 158.150.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.2	Improving health care quality expenses	$(2,689,836)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Improving health care quality expenses	$(2,689,836)
3.1	Administrative Expenses	$2,689,836

Adjustment #3 – Adjust transportation expenses to actual cost incurred.

The health plan reported a per-member-per-month (PMPM) capitation expense for transportation services arranged by Modvicare. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Modvicare. Since these claims were incurred for members of the Virginia Medicaid program, the expense was adjusted to 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 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	$(1,664,556)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	$(1,664,556)
3.1	Administrative Expenses	$1,664,556

Adjustment #4 – Adjust income tax expense to verified amounts.

The health plan calculated the state and federal taxes utilizing an effective tax rate for 2019 and applied it to the underwriting gain calculation. Additional adjustments were made via adjustment numbers one and five, herein. This results in a decrease in the taxes that should have been reported and, as taxes are negative, an increase to the MLR and underwriting gain denominator amounts. The proposed adjustment is to include the additional taxes related to the re-calculation based on the adjusted revenues and expenses. The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(3).

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	$(1,740,190)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal and State taxes and licensing or regulatory fees	$(1,740,190)

Adjustment #5 – 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, maternity kick payments, Rx reinsurance recoupments, risk adjustment payments, and performance withhold payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2) and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenues	$(1,641,413)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	$(1,641,413)

Adjustment #6 – Adjust to include directed payments in the MLR calculation.

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 eastern Virginia/Tidewater, State University teaching hospital physicians, and private acute care; 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), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$38,812,895
2.1	Revenue	$38,812,895

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$38,812,895
2.1	Claims	$38,812,895

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

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

October 5, 2021

Kiran Jiwani, Chief Financial Officer
Aetna Better Health of Virginia
9881 Mayland Drive
Richmond, VA 23233

Dear Ms. Jiwani:

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 CCC Plus MLR and Underwriting Gain rebate calculations for the period of January 1, 2019 through December 31, 2019. Also, please explain any disagreement you may have with the proposed issues.

Please provide your response by October 6, 2021.

Aetna Better Health of Virginia CCC Plus
January 1, 2019 through December 31, 2019

	Adjustment	MCO's Response	
1.	Adjust medical expenses to supporting documentation.	Accept x	Disagree
2.	Adjust to reclassify non-allowable Healthcare Quality Improvement Expenses (HCQI) expenses.	Accept x	Disagree
3.	Adjust transportation expenses to actual cost incurred.	Accept x	Disagree
4.	Adjust income tax expense to verified amounts.	Accept x	Disagree
5.	Adjust revenues to agree with state data.	Accept x	Disagree
6.	Adjust to include directed payments in the MLR calculation.	Accept x	Disagree

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Acknowledged by:
AETNA BETTER HEALTH OF VIRGINIA

Kiran Jiwani
Officer or other Authorized Person

10/06/2021
Date