

The background features a blurred image of a person's face and hands, overlaid with a green geometric pattern of lines and shapes. Various medical icons are scattered throughout, including a syringe, a pill, a stethoscope, a microscope, a group of people, and a cross. The text is positioned on the right side of the page, set against a dark grey diagonal background.

**AETNA BETTER HEALTH OF  
VIRGINIA  
Medallion 4.0  
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 August 1, 2018 through June 30, 2019



**MYERS AND  
STAUFFER**  
L.C.  
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 Medallion 4.0 Program for the period of August 1, 2018 through June 30, 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 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.

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 August 1, 2018 through June 30 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 exceeds the maximum requirement of three percent (3%). In accordance with contractual obligations, an Underwriting Gain remittance amount is due to the Department of Medical Assistance Services.

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 14, 2021



## Adjusted Medical Loss Ratio for the Period Ending June 30, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Medical Loss Ratio Numerator</b>				
1.1	Claims	\$147,997,245	\$17,223,607	\$165,220,852
1.2	Improving health care quality expenses	\$3,037,132	\$(1,569,561)	\$1,467,571
1.3	<b>Total Adjusted MLR Numerator</b>	<b>\$151,034,377</b>	<b>\$15,654,046</b>	<b>\$166,688,423</b>
<b>Medical Loss Ratio Denominator</b>				
2.1	Revenue	\$178,500,707	\$16,482,161	\$194,982,868
2.2	Federal and State taxes and licensing or regulatory fees	\$3,845,562	\$650,809	\$4,496,371
2.3	<b>Total Adjusted MLR Denominator</b>	<b>\$174,655,145</b>	<b>\$15,831,352</b>	<b>\$190,486,497</b>
<b>Credibility Adjustment</b>				
3.1	Member Months to determine credibility	640,344	0	640,344
3.2	Credibility adjustment	0.0%		0.0%
<b>MLR Calculation</b>				
4.1	Unadjusted MLR	86.5%		87.5%
4.2	Credibility adjustment	0.0%		0.0%
4.3	<b>Adjusted MLR</b>	<b>86.5%</b>		<b>87.5%</b>
<b>Remittance Calculation</b>				
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	86.5%		87.5%
5.4	MLR denominator	\$174,655,145		\$190,486,497
5.5	<b>Remittance amount due to State for Coverage Year</b>	<b>\$0</b>		<b>\$0</b>



## Adjusted Underwriting Gain for the Period Ending June 30, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
<b>Medical Loss Ratio Denominator</b>				
1.1	Revenue	\$178,500,707	\$16,482,161	\$194,982,868
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$227,150	\$(31,744)	\$195,406
1.3	Federal and State taxes and licensing or regulatory fees	\$3,845,562	\$650,809	\$4,496,371
1.4	<b>Total Adjusted Underwriting Gain Denominator</b>	<b>\$174,427,995</b>	<b>\$15,863,096</b>	<b>\$190,291,091</b>
<b>Medical Expenses</b>				
2.1	Claims	\$147,997,245	\$17,223,607	\$165,220,852
2.2	Improving health care quality expenses	\$3,037,132	\$(1,569,561)	\$1,467,571
2.3	<b>Total Adjusted Underwriting Gain Claims Expenses</b>	<b>\$151,034,377</b>	<b>\$15,654,046</b>	<b>\$166,688,423</b>
<b>Non-Claims Costs</b>				
3.1	Administrative Expenses	\$13,285,436	\$(1,299,611)	\$11,985,825
3.2	Less: Unallowable Expenses	\$(5,184,663)	\$3,845,562	\$(1,339,101)
3.3	<b>Allowable Administrative Expenses</b>	<b>\$8,100,773</b>	<b>\$2,545,951</b>	<b>\$10,646,724</b>
<b>Underwriting Gain</b>				
4.1	Underwriting Gain \$	\$15,292,845		\$12,955,944
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$15,292,845		\$12,955,944
4.3	<b>Underwriting Gain %</b>	<b>8.8%</b>		<b>6.8%</b>
<b>Underwriting Gain Remittance Calculation</b>				
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	2.9%		1.9%
5.4	<b>Amount to Remit</b>	<b>\$5,030,003</b>		<b>\$3,623,606</b>



## Schedule of Adjustments and Comments for the Period Ending June 30, 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 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, and risk adjustment 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	\$(768,692)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	\$(768,692)

### **Adjustment #2 – Adjust to include Health Insurance Fee (HIF) revenue and expense to supporting documentation.**

Based on previous MLR examination reports there was HIF revenue and expense associated with Medallion 4.0 for the 2018 portion of the period under review. An adjustment was proposed to report the appropriate portion of the HIF related to the period utilizing the state data and amounts previously included in the Medallion 3.0, FAMIS, and CCC Plus MLR examination reports for reporting periods ending in 2018. The proposed adjustment is to agree the submitted HIF revenue of \$304,825 to the confirmed amount of \$846,215, to record HIF expense in the amount of \$650,809, and to agree the submitted HIF tax gross-up of \$227,150 to the confirmed amount of \$195,406. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.89(f)(2). The tax reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.89(f)(3). Per section 15.12 of the Medallion 4.0 contract HIF shall be excluded from the Underwriting Gain calculation.



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenue	\$541,390
2.2	Federal and State taxes and licensing or regulatory fees	\$650,809

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$541,390
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$(31,744)
1.3	Federal and State taxes and licensing or regulatory fees	\$650,809

### Adjustment #3 – Adjust administrative expense to supporting documentation.

The health plan prepared separate allocations for health care quality improvement expense (HCQI) and administrative expenses. The administrative expense allocation of cost double-counted applicable HCQI expense and omitted Aetna Parent costs for 2018. An adjustment was proposed to agree administrative expenses to verified amounts, including the impact of the correct amount of HCQI per adjustment #4. The administrative cost principles are addressed in 45 CFR § 75.400 through 75.477.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	\$(1,299,611)

### Adjustment #4 – To remove 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 the 2018 and 2019 costs were reallocated for the purposes of the 2019 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. These expenses have been reclassified from HCQI to administrative expenses through this adjustment and adjustment #3. 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.



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	\$(1,569,561)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	\$(1,569,561)

### Adjustment #5 – 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	\$16,709,463
2.1	Revenue	\$16,709,463

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenue	\$16,709,463
2.1	Claims	\$16,709,463

### Adjustment #6 – To adjust Incurred But Not Received (IBNR) at the time of the MLR filing to IBNR estimated as of June 2021.

The reported IBNR of \$625,002 was adjusted to agree to the June 2021 lag table. We have made an adjustment for the difference of \$514,144 to Medical Loss Ratio line 1.1 and Underwriting Gain line 2.1. The IBNR reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140.





## SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$514,144

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$514,144

**Adjustment #7 – To correct the removal of unallowable tax expenses. The plan self-excluded tax expenses that were not included within the filed administrative costs.**

The health plan self-excluded income tax expense from administrative expenses. The filed administrative expense did not include state or federal income tax expenses. We have made an adjustment to add back the income tax portion of the self-exclusion. The administrative cost principles are addressed in 45 CFR § 75.400 through 75.477.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	\$3,845,562



## SCHEDULE OF ADJUSTMENTS AND COMMENTS

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



August 30, 2021

Kiran Jiwani, CFO  
 Aetna Better Health of Virginia  
 9881 Mayland Drive  
 Richmond, Virginia 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 Medallion 4.0 MLR and Underwriting Gain rebate calculations for the period of August 1, 2018 through June 30, 2019. Also, please explain any disagreement you may have with the proposed issues.

**Please provide your response by September 3, 2021.**

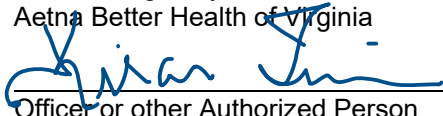
**Aetna Better Health of Virginia Medallion 4.0  
 August 1, 2018 – June 30, 2019**

Adjustment	MCO's Response	
1. To adjust Revenues to agree with state data.	Accept <input checked="" type="checkbox"/>	Disagree _____
2. To adjust HIF expense as the costs were not included within the filed tax expenses. To agree filed HIF gross up to the verified amount as total revenues were filed.	Accept <input checked="" type="checkbox"/>	Disagree _____
3. To adjust Administrative cost to include administrative costs to verified amount related to allocation variances and include reclassification of non-allowable HCQI related costs.	Accept <input checked="" type="checkbox"/>	Disagree _____
4. To adjusted costs based on the Medallion 4 Non-Expansion allocations and remove non-allowable cost centers, accounts, and job descriptions found during testing and agree filed HCQI to Medallion 4 Non-Expansion	Accept <input checked="" type="checkbox"/>	Disagree _____

- |    |   |  |                   |
|----|---|--|-------------------|
| 5. | To include directed payments in the MLR calculation.  | Accept <input checked="" type="checkbox"/> | Disagree<br>_____ |
| 6. | To adjust IBNR at the time of the MLR filing to IBNR report as of 11/30/2020.   | Accept <input checked="" type="checkbox"/> | Disagree<br>_____ |
| 7. | To correct the removal of unallowable tax expenses. The plan self-excluded tax expenses from the UG calculation that were not included within the filed administrative costs. | Accept <input checked="" type="checkbox"/> | Disagree<br>_____ |

Acknowledged by:

Aetna Better Health of Virginia



Kiran Jiwani

Officer or other Authorized Person

9/3/2021 .

\_\_\_\_\_  
Date