



**OPTIMA HEALTH PLAN
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



Table of Contents

■ Table of Contents.....	1
■ Independent Accountant’s Report	2
■ Adjusted Medical Loss Ratio for the Period Ending June 30, 2019	3
■ Adjusted Underwriting Gain for the Period Ending June 30, 2019.....	4
■ Schedule of Adjustments and Comments for the Period Ending June 30, 2019	5



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 Optima Health Plan (Optima) related to the Medallion 4.0 Program for the period of August 1, 2018 through June 30, 2019. Optima'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 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 Optima 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
Medical Loss Ratio Numerator				
1.1	Claims	\$452,972,901	\$36,416,291	\$489,389,192
1.2	Improving health care quality expenses	\$7,422,592	\$0	\$7,422,592
1.3	Total Adjusted MLR Numerator	\$460,395,493	\$36,416,291	\$496,811,784
Medical Loss Ratio Denominator				
2.1	Revenue	\$488,379,367	\$48,007,945	\$536,387,312
2.2	Federal and State taxes and licensing or regulatory fees	\$1,420,860	\$1,245,431	\$2,666,291
2.3	Total Adjusted MLR Denominator	\$486,958,507	\$46,762,514	\$533,721,021
Credibility Adjustment				
3.1	Member Months to determine credibility	1,740,351	0	1,740,351
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	94.5%		93.1%
4.2	Credibility adjustment	0.0%		0.00%
4.3	Adjusted MLR	94.5%		93.1%
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	94.5%		93.1%
5.4	MLR denominator	\$486,958,508		\$533,721,021
5.5	Remittance amount due to State for Coverage Year	\$0		\$0



Adjusted Underwriting Gain for the Period Ending June 30, 2019

Line #	Revenue or Expense	Reported Amounts	Adjustment Amounts	Adjusted Amounts
Medical Loss Ratio Denominator				
1.1	Revenue	\$488,379,367	\$48,007,945	\$536,387,312
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	\$0	\$0	\$0
1.3	Federal and State taxes and licensing or regulatory fees	\$1,420,860	\$(1,251,808)	\$169,052
1.4	Total Adjusted Underwriting Gain Denominator	\$486,958,507	\$49,259,753	\$536,218,260
Medical Expenses				
2.1	Claims	\$451,224,149	\$38,165,043	\$489,389,192
2.2	Improving health care quality expenses	\$7,422,592	\$0	\$7,422,592
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$458,646,741	\$38,165,043	\$496,811,784
Non-Claims Costs				
3.1	Administrative Expenses	\$33,704,161	\$11,007,488	\$44,711,649
3.2	Less: Unallowable Expenses	\$(3,919,368)	\$0	\$(3,919,368)
3.3	Allowable Administrative Expenses	\$29,784,793	\$11,007,488	\$40,792,281
Underwriting Gain				
4.1	Underwriting Gain \$	\$(1,473,026)		\$(1,385,805)
4.1	Less: Remittance Amount Due to State for Coverage Year	\$0		\$0
4.2	Adjusted Underwriting Gain \$	\$(1,473,026)		\$(1,385,805)
4.3	Underwriting Gain %	-0.3%		-0.3%
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 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 – To adjust to agree Health Insurance Fee (HIF) expense submitted within the MLR calculations to amounts confirmed per state data to remove HIF expense from the Underwriting Gain calculation.

Based on previous MLR examination reports there was HIF 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. We found that HIF revenues were recorded in full within the previously issued examination reports. The proposed adjustment is to agree the submitted HIF expense of \$1,251,808 to the confirmed amount of \$2,497,239 for the purposes of the MLR calculation and to remove HIF expense from the Underwriting Gain calculation as there is not associated revenue to offset the expense. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.89(f)(2). Per section 15.12 of the Medallion 4.0 contract HIF shall be excluded from the Underwriting Gain calculation.

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.2	Federal and State taxes and licensing or regulatory fees	\$1,245,431

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.3	Federal and State taxes and licensing or regulatory fees	\$(1,251,808)

Adjustment #2 – To reclassify the prescription drug spread pricing amount from claims expense to administrative expense.

The health plan reported claims expense related to their PBM, OptumRx, which is through a cost plus arrangement. OptumRx identified spread pricing on the vendor certification statement which was



confirmed through a sample review of claims. Expenses related to spread pricing are reclassified from claims expense to administrative expense.

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), CMCS Informational Bulletin: Medicaid Prescription Spread Pricing 05/15/2019, and CMCS Informational Bulletin: Medicaid Managed Care FAQ – Medical Loss Ratio 06/05/2020.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(6,116,998)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(6,116,998)
3.1	Administrative Expenses	\$6,116,998

Adjustment #3 – To reclassify capitated payments made to Southeastrans, the transportation vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for transportation services arranged by Southeastrans. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by Southeastrans. 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(4,991,853)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(4,991,853)
3.1	Administrative Expenses	\$4,991,853

Adjustment #4 – To reclassify capitated payments made to OptumHealth, the transplants vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for transplant services arranged by OptumHealth. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by OptumHealth. 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 have been previously referenced within the Adjustment #3 description.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(2,457,537)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$(2,457,537)
3.1	Administrative Expenses	\$2,457,537

Adjustment #5 – To adjust administrative expense to supporting documentation.

The health plan did not provide support for the reported administrative expenses. Administrative expenses were determined using amounts per the quarterly filings multiplied by a membership percentage provided by the health plan for the purposes of deriving the amounts reported for HCQI. Administrative cost principles are addressed in 45 CFR § 75.400 through 75.477.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.1	Administrative Expenses	\$(2,558,900)

Adjustment #6 – To include net reinsurance recoveries in claims expense within the MLR calculation.

The health plan included net reinsurance recoveries in claims expense for the purposes of the Underwriting Gain calculation but excluded this amount from the claims expense for the purposes of the MLR calculation. To maintain consistency between the two calculations and per 42 CFR § 438.8(e)(2)(iv) net reinsurance recoveries will be included within claims expense for the purposes of the MLR calculation.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Claims	\$(1,582,354)

Adjustment #7 – To include fraud reduction expense, up to the amount of recoveries, within the Underwriting Gain calculation.

The health plan included fraud reduction expense, up to the amount of recoveries, in claims expense for the purposes of the MLR calculation but excluded this amount from the claims expense for the purposes of the Underwriting Gain calculation. To maintain consistency between the two calculations, fraud reduction expense, up to the amount of recoveries, will be included within claims expense for the purposes of the Underwriting Gain calculation. The fraud reduction reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2)(iii)(B).

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	\$166,397

Adjustment #8 – 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, maternity kick payments, Rx reinsurance payments, 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.



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Revenues	\$(3,557,089)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	\$(3,557,089)

Adjustment #9 – 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	\$51,565,034
2.1	Revenues	\$51,565,034

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Revenues	\$51,565,034
2.1	Claims	\$51,565,034



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



MYERS AND STAUFFER LC
 CERTIFIED PUBLIC ACCOUNTANTS

August 27, 2021

Michael Truesdale, Director of Accounting
 Optima Health Plan
 4417 Corporation Lane
 Virginia Beach, Virginia 23462

Dear Mr. Truesdale:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of Optima Health Plan'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 August 28, 2021.

**Optima Health Plan Medallion 4.0
 August 1, 2018 – June 30, 2019**

Adjustment	Plan's Response
1. Adjust to include Medallion 4.0 HIF expense in the MLR calculation and remove HIF expense from the Underwriting Gain calculation.	Accept _____ Disagree _____
2. Reclassify the prescription drug spread pricing amount from claims expense to administrative expense.	Accept _____ Disagree _____
3. Reclassify capitated payments made to Southeastrans, the transportation vendor, in excess of claims expense to administrative expense.	Accept _____ Disagree _____
4. Reclassify capitated payments made to OptumHealth, the transplants vendor, in excess of claims expense to administrative expense.	Accept _____ Disagree _____
5. Adjust administrative expense to amount verified in plan's support.	Accept _____ Disagree _____
6. To include net reinsurance recoveries in claims expense within the MLR calculation.	Accept _____ Disagree _____
7. To include fraud reduction expense, up to the amount of recoveries, within the Underwriting Gain calculation.	Accept _____ Disagree _____

8. To adjust revenues to agree with state data.

Accept

Disagree

9. To include directed payments in the MLR calculation.

Accept

Disagree

Acknowledged by:
Optima Health Plan

[Signature]
Officer or other Authorized Person

8/30/21
Date