United Healthcare of the Mid-Atlantic, Inc.

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 August 1, 2018 through June 30, 2019

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

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 United Healthcare of the Mid-Atlantic, Inc. (United) related to the Medallion 4.0 Program for the period of August 1, 2018 through June 30, 2019. United'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 August 1, 2018 through June 30 2019. 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.

This report is intended solely for the information and use of the Virginia Department of Medical Assistance Services and United 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 6, 2022

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	$132,719,189	$9,995,766	$142,714,955
1.2	Improving health care quality expenses	$3,966,364	$(433,544)	$3,532,820
1.3	**Total Adjusted MLR Numerator**	**$136,685,553**	**$9,562,222**	**$146,247,775**
Medical Loss Ratio Denominator				
2.1	Revenue	$156,306,492	$18,570,534	$174,877,026
2.2	Federal and State taxes and licensing or regulatory fees	$755,606	$0	$755,606
2.3	**Total Adjusted MLR Denominator**	**$155,550,886**	**$18,570,534**	**$174,121,420**
Credibility Adjustment				
3.1	Member Months to determine credibility	689,083	0	689,083
3.2	Credibility adjustment	0.0%		0.0%
MLR Calculation				
4.1	Unadjusted MLR	87.9%		84.0%
4.2	Credibility adjustment	0.0%		0.0%
4.3	**Adjusted MLR**	**87.9%**		**84.0%**
Remittance Calculation				
5.1	Is plan membership above the minimum credibility value? (Y/N)	Y		N
5.2	MLR Standard	85.0%		85.0%
5.3	Adjusted MLR	87.9%		84.0%
5.4	MLR denominator	$155,550,886		$174,121,420
5.5	**Remittance amount due to State for Coverage Year**	**$0**		**$1,741,214**

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	$156,306,492	$18,570,534	$174,877,026
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	$80,828	$(80,828)	$0
1.3	Federal and State taxes and licensing or regulatory fees	$755,606	$0	$755,606
1.4	**Total Adjusted Underwriting Gain Denominator**	**$155,470,058**	**$18,651,362**	**$174,121,420**
Medical Expenses				
2.1	Claims	$132,719,111	$9,995,766	$142,714,877
2.2	Improving health care quality expenses	$3,966,364	$(433,544)	$3,532,820
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	**$136,685,475**	**$9,562,222**	**$146,247,697**
Non-Claims Costs				
3.1	Administrative Expenses	$13,457,069	$1,305,333	$14,762,402
3.2	Less: Unallowable Expenses	$0	$0	$0
3.3	**Allowable Administrative Expenses**	**$13,457,069**	**$1,305,333**	**$14,762,402**
Underwriting Gain				
4.1	Underwriting Gain $	$5,327,514		$13,111,321
4.1	Less: Remittance Amount Due to State for Coverage Year	$0		($1,741,214)
4.2	Adjusted Underwriting Gain $	$5,327,514		$11,370,107
4.3	**Underwriting Gain %**	**3.4%**		**6.5%**
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	0.21%		1.8%
5.4	**Amount to Remit**	**$331,706**		**$3,073,232**

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 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 eastern Virginia/Tidewater, 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), CFR § 438.8(f)(2), and 45 CFR § 158.130.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Claims	$19,489,980
2.1	Revenue	$19,489,980

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenue	$19,489,980
2.1	Claims	$19,489,980

Adjustment #2 – To remove Health Insurance Fee (HIF) revenue from the Underwriting Gain Calculation.

HIF revenue for the 2018 portion of the period under review was included in previous MLR examination reports in full. The proposed adjustment is to remove the HIF revenue offset from the Underwriting Gain calculation as there is not associated revenue to offset. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.89(f)(2). HIF revenue has been removed from the Underwriting Gain per the Medallion 4.0 MCO Contract, Section 15.12.

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.2	ACA Health Insurer Fee Tax Gross-up included in 1.1	($80,828)

Adjustment #3 – To adjust to reclassify administrative and Healthcare Quality Improvement (HCQI) portions of actual costs incurred by United Behavioral Health (UBH).

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by United Behavioral Health (UBH). During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The administrative portion has been reclassified to administrative expense and the HCQI portion reclassified to HCQI expense. The profit component was removed through Adjustment #6.

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	($1,098,925)
1.2	Improving health care quality expenses	$446,924

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Claims	($1,098,925)
2.2	Improving health care quality expenses	$446,924
3.1	Administrative Expenses	$652,001

Adjustment #4 – To adjust revenues to agree with state data.

The health plan reported revenue amounts that inflated 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 retractions. 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	($919,446)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Revenues	($919,446)

Adjustment #5 – To adjust to reclassify non-allowable HCQI expenses.

The health plan reported HCQI based on an analysis of cost centers that they determined to be HCQI, the majority of which is driven by full time equivalents (FTEs). During the examination, several FTEs included in HCQI did not qualify as HCQI utilizing the job description. Additionally, the health plan provided a rate build for HCQI Account 78402 showing administrative expenses that are unallowable as HCQI. 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	($653,332)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Improving health care quality expenses	($653,332)
3.1	Administrative Expenses	$653,332

Adjustment #6 – To adjust to remove margin (profit) associated with certain HCQI expenses.

The health plan reported indirect HCQI based on an allocation of corporate expenses using a calculated percentage. During the examination, the health plan provided a rate build for HCQI Account 78402 showing profit margin included as a portion of the rate. As the services are provided internally or by a related party, profit margin is a non-allowable expense. The HCQI reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3) and the related party requirements are addressed in 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Improving health care quality expenses	($227,135)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.2	Improving health care quality expenses	($227,135)

Adjustment #7 – To adjust to remove the profit margin associated with UBH.

The health plan reported a per-member-per-month (PMPM) capitation expense for behavioral health services arranged by UBH. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by UBH. Furthermore, the excess was determined to relate to administrative and HCQI expenses incurred by UBH as well as non-allowable related party profit. The profit margin has been removed from claims expense. Administrative and HCQI expenses were reclassified through Adjustment #3.

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. The related party requirements are addressed in 42 CFR § 413.17.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.2	Claims	($8,395,289)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Claims	($8,395,289)

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

August 5, 2022

Nicholas Maiers, Virginia CFO
United Healthcare of the Mid-Atlantic, Inc.
9020 Stony Point Parkway, Suite 300
Richmond, Virginia 23235

Dear Mr. Maiers:

Please acknowledge whether you accept or disagree with our proposed adjustments summarized below and applicable to our examination of United Healthcare of the Mid-Atlantic, Inc.'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 12, 2022.

United Healthcare of the Mid-Atlantic, Inc. Medallion 4.0
August 1, 2018 – June 30, 2019

	Adjustment	MCO's Response	
		Accept	Disagree
1.	To adjust revenues and claims to include related directed payments.	X	
2.	To remove Health Insurance Fee (HIF) revenue from the Underwriting Gain Calculation.	X	
3.	To adjust to reclassify administrative and Healthcare Quality Improvement (HCQI) portions of actual costs incurred by United Behavioral Health (UBH).	X	
4.	To adjust revenues to agree with state data.	X	
5.	To adjust to reclassify non-allowable HCQI expenses.		X
6.	To adjust to remove margin (profit) associated with certain HCQI expenses.	X	

7.	To adjust to remove the profit margin associated with UBH.	Accept X	Disagree _______

Acknowledged by:
United Healthcare of the Mid-Atlantic, Inc.

Nick Maiers
Officer or other Authorized Person

8/17/2022
Date