

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

Molina Healthcare of
Virginia, LLC
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, 2021 through June 30, 2022



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS



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Virginia Department of Medical Assistance Services
Richmond, Virginia

Independent Accountant's Report

We have examined the accompanying Medical Loss Ratio Report and Adjusted Underwriting Gain Rebate Calculations of Molina Complete Care of Virginia, LLC (health plan) related to the Medallion 4.0 program for the period of July 1, 2021 through June 30, 2022. The health plan's management is responsible for presenting information contained in the Medical Loss Ratio Report in accordance with the criteria set forth in the Code of Federal Regulations (CFR) 42 § 438.8 and other applicable 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 from information contained in the Medical Loss Ratio Report 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, 2021 through June 30, 2022. 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 the health plan 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
September 9, 2024



MOLINA HEALTHCARE OF VIRGINIA, LLC
ADJUSTED MEDICAL LOSS RATIO
NON-EXPANSION POPULATION

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1. Medical Loss Ratio Numerator				
1.1	Incurred Claims	\$ 167,864,412	\$ 1,260,098	\$ 169,124,510
1.2	Activities that Improve Health Care Quality	\$ 2,259,582	\$ -	\$ 2,259,582
1.3	MLR Numerator	\$ 170,123,994	\$ 1,260,098	\$ 171,384,092
2. Medical Loss Ratio Denominator				
2.1	Premium Revenue	\$ 210,365,451	\$ 945,554	\$ 211,311,005
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 7,180,471	\$ (23,390)	\$ 7,157,081
2.3	MLR Denominator	\$ 203,184,980	\$ 968,944	\$ 204,153,924
3. MLR Calculation				
3.1	Member Months	591,681	0	591,681
3.2	Unadjusted MLR	83.7%		83.9%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	83.7%		83.9%
4. Remittance				
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	\$ 2,641,405		\$ 2,245,693



MOLINA HEALTHCARE OF VIRGINIA, LLC
ADJUSTED MEDICAL LOSS RATIO
EXPANSION POPULATION

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022

Adjusted Medical Loss Ratio for the State Fiscal Year Ended June 30, 2022				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1. Medical Loss Ratio Numerator				
1.1	Incurred Claims	\$ 279,095,513	\$ 1,074,418	\$ 280,169,931
1.2	Activities that Improve Health Care Quality	\$ 3,735,687	\$ -	\$ 3,735,687
1.3	MLR Numerator	\$ 282,831,200	\$ 1,074,418	\$ 283,905,618
2. Medical Loss Ratio Denominator				
2.1	Premium Revenue	\$ 308,021,328	\$ 2,353,571	\$ 310,374,899
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 1,058,901	\$ 148,893	\$ 1,207,794
2.3	MLR Denominator	\$ 306,962,427	\$ 2,204,678	\$ 309,167,105
3. MLR Calculation				
3.1	Member Months	571,285	0	571,285
3.2	Unadjusted MLR	92.1%		91.8%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	92.1%		91.8%
4. Remittance				
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	\$ -		\$ -



MOLINA HEALTHCARE OF VIRGINIA, LLC
ADJUSTED UNDERWRITING GAIN
NON-EXPANSION POPULATION

Adjusted Underwriting Gain for the State Fiscal Year Ended June 30, 2022

Adjusted Underwriting Gain for the State Fiscal Year Ended June 30, 2022				
Line #	Line Description	Reported Amounts	Adjustment Amounts	Adjusted Amounts
1. Medical Loss Ratio Denominator				
1.1	Premium Revenue	\$ 210,365,451	\$ 945,554	\$ 211,311,005
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	\$ 7,180,471	\$ (23,390)	\$ 7,157,081
1.3	Underwriting Gain Denominator	\$ 203,184,980	\$ 968,944	\$ 204,153,924
2. Medical Expenses				
2.1	Incurred Claims	\$ 167,864,412	\$ 1,260,098	\$ 169,124,510
2.2	Improving health care quality expenses	\$ 2,259,582	\$ -	\$ 2,259,582
2.3	Total Adjusted Underwriting Gain Claims Expenses	\$ 170,123,994	\$ 1,260,098	\$ 171,384,092
3. Non Claims Cost				
3.1	Administrative Expenses	\$ 14,376,283	\$ -	\$ 14,376,283
3.2	Less: Unallowable Expenses	\$ (850,158)	\$ (113,596)	\$ (963,754)
3.3	Allowable Administrative Expenses	\$ 13,526,125	\$ (113,596)	\$ 13,412,529
4. Underwriting Gain				
4.1	Underwriting Gain \$	\$ 19,534,859		\$ 19,357,303
4.1	Less: Remittance Amount Due to State for Coverage Year	\$ (2,641,405)		\$ (2,245,693)
4.2	Adjusted Underwriting Gain \$	\$ 16,893,454		\$ 17,111,610
4.3	Underwriting Gain %	8.3%		8.4%
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	2.7%		2.7%
5.4	Amount to Remit	\$ 5,398,953		\$ 5,493,496



Schedule of Adjustments and Comments for the Period Ending June 30, 2022

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 Adjustment #1 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR reported as of January 2024.

The reported IBNR of \$884,834 was adjusted to agree to the January 2024 lag table. We have made an adjustment for the difference of \$1,260,098 to Medical Loss Ratio line 1.1. The incurred claims 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	Incurred Claims	\$1,260,098

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Incurred Claims	\$1,260,098

Non-Expansion Adjustment #2 – 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, pharmacy reinsurance recoupments, performance withhold program payments, and clinical efficacy payments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Premium Revenue	\$945,554



Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Premium Revenue	\$945,554

Non-Expansion Adjustment #3 – To adjust administrative expense to apply adjustments identified during the 2021 and 2022 administrative cost procedures.

Adjustments are applied to administrative costs through a separate engagement. The health plan included marketing and advertising costs in administrative expenses. They also failed to remove start-up costs related to Medicaid programs and initiatives and include the related amortization. An adjustment was proposed to remove these unallowable expenses. Administrative cost principles are addressed in 45 CFR §§ 75.420 through 75.477 and CMS Publication 15-1, Chapters 10 and 21.

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
3.2	Less: Unallowable Expenses	(\$113,596)

Non-Expansion Adjustment #4 – To adjust income tax expense to apply the impact of adjustments.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2022 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The qualifying taxes 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, State, and Local Taxes and Licensing and Regulatory Fees	(\$23,390)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	(\$23,390)



Expansion Adjustment #1 – To adjust Incurred but Not Reported (IBNR) at the time of the MLR filing to IBNR reported as of January 2024.

The reported IBNR of \$173,726 was adjusted to agree to the January 2024 lag table. We have made an adjustment for the difference of \$2,408,782 to Medical Loss Ratio line 1.1. The incurred claims 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	Incurred Claims	\$2,408,782

Expansion Adjustment #2 – To adjust incurred claims to agree to supported amounts.

The reported incurred claims expense of \$278,121,788 was adjusted to agree to the health plan’s supported amount of \$276,787,424. An adjustment has been proposed for the difference of (\$1,334,364). The incurred claims 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	Incurred Claims	(\$1,334,364)

Expansion Adjustment #3 – 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, pharmacy reinsurance recoupments, performance withhold program payments, clinical efficacy payments, and risk corridor recoupments. The revenue reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(f)(2).

Proposed MLR Adjustment		
Line #	Line Description	Amount
2.1	Premium Revenue	\$2,353,571



Expansion Adjustment #4 – To adjust income tax expense to apply the impact of adjustments.

The health plan calculated the state and federal taxes utilizing effective tax rates for 2022 and applying it to an underwriting gain calculation. The adjusted tax expense was calculated using the adjusted revenues and expense and using a combined tax rate applicable to the period. The qualifying taxes 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, State, and Local Taxes and Licensing and Regulatory Fees	\$148,893