Molina Healthcare of Virginia, LLC

Commonwealth Coordinated Care Plus

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 LC
Certified Public Accountants

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Virginia Department of Medical Assistance Services
Richmond, Virginia

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Molina Healthcare of Virginia, LLC (health plan) related to the Commonwealth Coordinated Care Plus Program (CCC Plus) 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 in accordance with the criteria set forth in the Code of Federal Regulations (CFR) 42 § 438.8 and other applicable federal guidance (federal criteria). They are also responsible for presenting information contained in the Underwriting Gain Rebate Calculation in accordance with this federal criteria as well as the CCC Plus contract (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 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. 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

Myers and Stauffer LC
Glen Allen, Virginia
September 9, 2024

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	$ 433,939,203	$ 2,822,188	$ 436,761,391
1.2	Activities that Improve Health Care Quality	$ 14,367,692	$ -	$ 14,367,692
1.3	MLR Numerator	$ 448,306,895	$ 2,822,188	$ 451,129,083
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 544,263,129	$ 164,152	$ 544,427,281
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 15,350,936	$ (628,706)	$ 14,722,230
2.3	MLR Denominator	$ 528,912,193	$ 792,858	$ 529,705,051
3.	**MLR Calculation**			
3.1	Member Months	247,848	0	247,848
3.2	Unadjusted MLR	84.8%		85.2%
3.3	Credibility Adjustment	1.4%		1.4%
3.4	Adjusted MLR	86.2%		86.6%
4.	**Remittance**			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	$ -		$ -

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	$ 168,005,606	$ 1,999,545	$ 170,005,151
1.2	Activities that Improve Health Care Quality	$ 4,534,559	$ -	$ 4,534,559
1.3	MLR Numerator	$ 172,540,165	$ 1,999,545	$ 174,539,710
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 184,807,252	$ 1,669,329	$ 186,476,581
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 265,205	$ -	$ 265,205
2.3	MLR Denominator	$ 184,542,047	$ 1,669,329	$ 186,211,376
3.	**MLR Calculation**			
3.1	Member Months	80,411	0	80,411
3.2	Unadjusted MLR	93.5%		93.7%
3.3	Credibility Adjustment	2.3%		2.3%
3.4	Adjusted MLR	95.8%		96.0%
4.	**Remittance**			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	$ -		$ -

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	$ 544,263,129	$ 164,152	$ 544,427,281
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 15,350,936	$ (628,706)	$ 14,722,230
1.3	**Underwriting Gain Denominator**	$ 528,912,193	$ 792,858	$ 529,705,051
2.	**Medical Expenses**			
2.1	Incurred Claims	$ 433,939,203	$ 2,822,188	$ 436,761,391
2.2	Improving health care quality expenses	$ 14,367,692	$ -	$ 14,367,692
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	$ 448,306,895	$ 2,822,188	$ 451,129,083
3.	**Non Claims Cost**			
3.1	Administrative Expenses	$ 42,084,213	$ -	$ 42,084,213
3.2	Less: Unallowable Expenses	$ (2,389,938)	$ (329,497)	$ (2,719,435)
3.3	**Allowable Administrative Expenses**	$ 39,694,275	$ (329,497)	$ 39,364,778
4.	**Underwriting Gain**			
4.1	Underwriting Gain $	$ 40,911,022		$ 39,211,190
4.1	Less: Remittance Amount Due to State for Coverage Year	$ -		$ -
4.2	Adjusted Underwriting Gain $	$ 40,911,022		$ 39,211,190
4.3	**Underwriting Gain %**	7.7%		7.4%
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	2.4%		2.2%
5.4	**Amount to Remit**	$ 12,521,828		$ 11,660,019

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 $446,439 was adjusted to agree to the January 2024 lag table. We have made an adjustment for the difference of $2,473,684 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	$2,473,684

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	$2,473,684

Non-Expansion Adjustment #2 – To adjust to remove reinsurance recoveries.

The health plan reported reinsurance recoveries in incurred claims expense and reinsurance premiums in premium revenue. Reinsurance should not be included in the Medical Loss Ratio calculation as reinsurance is not required in the managed care contract. Premiums have been removed through Non-Expansion Adjustment #3. An adjustment is proposed to remove reinsurance recoveries, which were an offset to incurred claims expense. 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	$348,504

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
2.1	Incurred Claims	$348,504

Non-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, 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	$164,152

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.1	Premium Revenue	$164,152

Non-Expansion Adjustment #4 – 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 and contributions and donations 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	($329,497)

Non-Expansion Adjustment #5 – 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	($628,706)

Proposed Underwriting Gain Adjustment		
Line #	Line Description	Amount
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	($628,706)

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 $2,553,595 was adjusted to agree to the January 2024 lag table. We have made an adjustment for the difference of $1,999,545 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
2.1	Incurred Claims	$1,999,545

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, 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	$1,669,329