HealthKeepers, 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 July 1, 2021 through June 30, 2022

MYERS AND STAUFFER LC
CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

Virginia Department of Medical Assistance Services
Richmond, Virginia

Independent Accountant's Report

We have examined the Medical Loss Ratio Report and Adjusted Underwriting Gain Rebate Calculations of HealthKeepers, Inc. (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 (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 Medallion 4.0 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 30, 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	$ 1,080,699,139	$ (2,464,570)	$ 1,078,234,569
1.2	Activities that Improve Health Care Quality	$ 22,331,383	$ (4,120,128)	$ 18,211,255
1.3	MLR Numerator	$ 1,103,030,522	$ (6,584,698)	$ 1,096,445,824
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 1,318,813,999	$ 1,372,485	$ 1,320,186,484
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 36,994,623	$ 3,286,693	$ 40,281,316
2.3	MLR Denominator	$ 1,281,819,376	$ (1,914,208)	$ 1,279,905,168
3.	**MLR Calculation**			
3.1	Member Months	3,878,843	0	3,878,843
3.2	Unadjusted MLR	86.1%		85.7%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	86.1%		85.7%
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

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	$ 737,548,761	$ (4,245,422)	$ 733,303,339
1.2	Activities that Improve Health Care Quality	$ 9,163,662	$ (1,711,367)	$ 7,452,295
1.3	MLR Numerator	$ 746,712,423	$ (5,956,789)	$ 740,755,634
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 975,877,671	$ (140,194,971)	$ 835,682,700
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 50,032,933	$ (35,376,853)	$ 14,656,080
2.3	MLR Denominator	$ 925,844,738	$ (104,818,118)	$ 821,026,620
3.	**MLR Calculation**			
3.1	Member Months	1,567,586	0	1,567,586
3.2	Unadjusted MLR	80.7%		90.2%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	80.7%		90.2%
4.	**Remittance**			
4.2	State Minimum MLR Requirement	85.0%		85.0%
4.3	Remittance Calculation	$ 39,811,324		$ -

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	$ 1,318,813,999	$ 1,372,485	$ 1,320,186,484
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 36,994,623	$ 3,286,693	$ 40,281,316
1.3	**Underwriting Gain Denominator**	$ 1,281,819,376	$ (1,914,208)	$ 1,279,905,168
2.	**Medical Expenses**			
2.1	Incurred Claims	$ 1,080,699,139	$ (2,464,570)	$ 1,078,234,569
2.2	Improving health care quality expenses	$ 22,331,383	$ (4,120,128)	$ 18,211,255
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	$ 1,103,030,522	$ (6,584,698)	$ 1,096,445,824
3.	**Non Claims Cost**			
3.1	Administrative Expenses	$ 78,926,273	$ 6,380,493	$ 85,306,766
3.2	Less: Unallowable Expenses	$ (7,410,187)	$ -	$ (7,410,187)
3.3	**Allowable Administrative Expenses**	$ 71,516,086	$ 6,380,493	$ 77,896,579
4.	**Underwriting Gain**			
4.1	Underwriting Gain $	$ 107,272,768		$ 105,562,765
4.1	Less: Remittance Amount Due to State for Coverage Year	$ -		$ -
4.2	Adjusted Underwriting Gain $	$ 107,272,768		$ 105,562,765
4.3	**Underwriting Gain %**	8.4%		8.2%
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%		2.6%
5.4	**Amount to Remit**	$ 34,409,094		$ 33,582,805

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 claims expense to agree to supported and allowable amounts.

The reported incurred claims expense of $1,057,002,956 was adjusted to agree to the supported amount of $1,060,421,557. An adjustment has been proposed for the difference of $3,418,301. 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	$3,418,601

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	$3,418,601

Non-Expansion Adjustment #2 – To adjust to reclassify capitated payments made to EyeMed, the vision vendor, in excess of claims expense to administrative expense.

The health plan reported a per-member-per-month (PMPM) capitation expense for vision services arranged by EyeMed. During the examination, it was determined that this capitation expense was greater than the actual claims incurred and paid by EyeMed. An adjustment was proposed to agree the reported vision expense to incurred claims expense reported by EyeMed. 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	($1,889,713)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($1,889,713)
3.1	Administrative Expenses	$1,889,713

Non-Expansion Adjustment #3 – To adjust to reclassify payments made to Access2Care, the transportation vendor, from Expansion to Non-Expansion.

The health plan reported claims expense for transportation services arranged by Access2Care. During the examination, it was determined that the separation of these payments between Non-Expansion and Expansion was inaccurate. An adjustment was proposed to agree the reported transportation expense to incurred claims expense reported by Access2Care. 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	$694,079

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	$694,079

Non-Expansion Adjustment #4 – To adjust pharmacy expenses related to CarelonRx and CVS Caremark to actual costs incurred.

The health plan reported claims expense net of rebates and amounts received as a result of contractual terms for pharmacy services arranged by CarelonRx and CVS Caremark. During the examination, it was determined that rebates received from CVS Caremark and amounts received related to contractual terms from CarelonRx, were understated in comparison to the amount reported by CVS Caremark and CarelonRx. It was also determined that amounts received by CVS Caremark from pharmacies related to other payments, fees, and adjustments were not reported. Expense was adjusted to agree these rebates and other payments, fees, and adjustments to supporting documentation provided by CarelonRx and CVS Caremark. Differences related to CVS Caremark were reclassified to administrative expenses. The pharmacy rebate and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and in the Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($4,283,504)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($4,283,504)
3.1	Administrative Expenses	$370,652

Non-Expansion Adjustment #5 – To adjust provider incentive expense to agree to supported and allowable amounts.

The reported provider incentive expense of $7,149,681 was adjusted to agree to the supported amount of $6,745,648. An adjustment has been proposed for the difference of ($404,033). The provider incentive reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and 45 CFR § 158.140(b)(2)(iii).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($404,033)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($404,033)

Non-Expansion Adjustment #6 – To reclassify non-allowable Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) expenses.

The health plan reported HCQI and HIT expenses based on departments they determined to be HCQI and/or HIT related. During the examination, it was noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. An adjustment was proposed to reclassify these non-qualifying HCQI and HIT expenses from HCQI to administrative expenses. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.2	Activities that Improve Health Care Quality	($4,120,128)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Activities that Improve Health Care Quality	($4,120,128)
3.1	Administrative Expenses	$4,120,128

Non-Expansion Adjustment #7 – 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	$1,372,485

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Premium Revenue	$1,372,485

Non-Expansion Adjustment #8 – 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	$3,286,693

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$3,286,693

Expansion Adjustment #1 – To adjust incurred claims expense to agree to supported and allowable amounts.

The reported incurred claims expense of $738,865,270 was adjusted to agree to the supported amount of $739,972,709. An adjustment has been proposed for the difference of $1,107,440. 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	$1,107,440

Expansion Adjustment #2 – To adjust to reclassify payments made to Access2Care, the transportation vendor, from Expansion to Non-Expansion.

The health plan reported claims expense for transportation services arranged by Access2Care. During the examination, it was determined that the separation of these payments between Non-Expansion and Expansion was inaccurate. An adjustment was proposed to agree the reported transportation expense to incurred claims expense reported by Access2Care. 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	($697,746)

Expansion Adjustment #3 – To adjust pharmacy expenses related to CarelonRx and CVS Caremark to actual costs incurred.

The health plan reported claims expense net of rebates and amounts received as a result of contractual terms for pharmacy services arranged by CarelonRx and CVS Caremark. During the examination, it was determined that rebates received from CVS Caremark and amounts received related to contractual terms from CarelonRx, were understated in comparison to the amount reported by CVS Caremark and CarelonRx. It was also determined that amounts received by CVS Caremark from pharmacies related to other payments, fees, and adjustments were not reported. Expense was adjusted to agree these rebates

and other payments, fees, and adjustments to supporting documentation provided by CarelonRx and CVS Caremark. The pharmacy rebate and fees reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2) and in the Center for Medicaid & CHIP Services Informational Bulletin: MLR Requirements Related to Third Party Vendors dated May 15, 2019.

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($4,655,116)

Expansion Adjustment #4 – To remove non-allowable HCQI and HIT expenses.

The health plan reported HCQI and HIT expenses based on departments they determined to be HCQI and/or HIT related. During the examination, it was noted that several job descriptions had non qualifying characteristics that did not meet the definitions of HCQI or HIT. An adjustment was proposed to remove these non-qualifying HCQI and HIT expenses. The HCQI/HIT reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(3).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.2	Activities that Improve Health Care Quality	($1,711,367)

Expansion Adjustment #5 – 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 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	($140,194,971)

Expansion Adjustment #6 – 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	($35,376,853)