

The background of the cover is a blurred medical scene with a green overlay. The overlay features various medical icons: a syringe, a pill, a stethoscope, a microscope, a group of people, and a large cross. A white diagonal line runs from the bottom left towards the top right, separating the green overlay from the dark grey text area.

SENTARA HEALTH PLANS

Virginia Department of Medical
Assistance Services

Managed Care Organization (MCO)
Administrative Expenses

With Independent Accountant's Report Thereon

For the Calendar Year Ending December 31, 2023



**MYERS AND
STAUFFER** LLC
CERTIFIED PUBLIC ACCOUNTANTS



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Independent Accountant's Report

Virginia Department of Medical Assistance Services
Richmond, VA

We have performed the procedures enumerated in Appendix A on the administrative expenses for Sentara Health Plans for the period of January 1, 2023 through December 31, 2023. We applied these procedures to assist you with respect to analyzing administrative expenses for Medicaid rate development. The above referenced Managed Care Organization (MCO)'s management is responsible for the accuracy and completeness of the financial information.

The Virginia Department of Medical Assistance Services (Department) has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of analyzing administrative expenses for Medicaid rate development. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

Our procedures are contained within Appendix A and our findings are contained in Appendices B through D. As agreed, materiality limits were applied as specified within the Agreed-Upon Procedures Program.

We were engaged by the Department to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion on the MCO's administrative expenses. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the MCO and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the Department as the oversight agency for the Virginia Medicaid program and Mercer as the State's actuary for managed care rate setting, and is not intended to be, and should not be, used by anyone other than these specified parties.

Myers and Stauffer LC
Glen Allen, VA
May 30, 2024



Appendix A: Agreed Upon Procedures

Preliminary Work

- 1) Conduct an entrance call with DMAS and Mercer, DMAS' actuary for MCO rate setting. Gain an understanding of information needed by Mercer for rate setting purposes. Determine if either DMAS or Mercer have initial concerns requiring special attention.
- 2) Send an initial request list to each MCO to include, but not limited to, a survey containing a questionnaire, Board of Directors minutes, organizational charts, working trial balance, adjusting journal entries, audited financial statements, reconciliation of the working trial balance and the quarterly reporting, support for the allocation of administrative expenses and net premium income to the Medicaid line of business and between each Medicaid product, cost allocation worksheet summarizing quarterly reporting information and MCO reported adjustments, schedule of related-party transactions, related-party agreements, narrative surrounding reinsurance reporting, etc.
- 3) Conduct an entrance call with appropriate MCO personnel to include (a) determination of MCO personnel who should be contacted during the course of our procedures for information, explanations, documents, etc., and (b) location and availability of the information requested.
- 4) Briefly document the entity's accounting procedures and internal control per MCO responses on the survey. Emphasis should be placed on the ability of the system(s) to generate reliable cost, revenue, and statistical information.
- 5) Read Board of Directors minutes from the beginning of the report period through the current date. Document matters impacting the scope of these procedures such as discussions related to administrative costs and non-allowable or non-recurring costs as described in Step 16. Obtain copies or excerpts of pertinent sections, and file in work papers. Cross-reference matters discussed in the minutes to the related work papers.
- 6) Obtain the audited financial statements including related footnotes. Document matters impacting the scope of these procedures such as the opinion, notes that may provide information regarding non-allowable or non-recurring costs as described in Step 16, and/or related parties.
- 7) Obtain the names of all related parties from the MCO. Inspect the organizational chart, the annual statement submitted to the Virginia Bureau of Insurance (annual statement), and audited financial statements for related parties not identified by the MCO.
- 8) Obtain the names of all delegated vendors from the MCO. Inspect the organizational chart, the annual statement, and audited financial statements for delegated vendors not identified by the MCO.
- 9) Consider whether any specific information has come to our attention concerning the existence of possible fraud or prohibited acts. Fraud risk factors for this procedure include: discrepancies in accounting records, conflicting or missing evidential matter, threatened financial stability or



profitability, and lack of an effective corporate compliance program. If fraud risk factors are identified, document those risk factors or conditions and our response to them.

Trial Balance Reconciliation

- 10) Reconcile total expenses and total administrative expenses per the adjusted trial balance as of December 31, 2023 to the annual statement for the year ended December 31, 2023 and the quarterly filing required by the Department.
- 11) Obtain the adjusted trial balance as of December 31, 2023. For a sample of 20 accounts, trace the account titles, account numbers, and ending balances for the administrative expenses per the adjusted trial balance to the general ledger for the year ended December 31, 2023.
- 12) Obtain the year-end adjusting journal entries recommended by the independent accountant for the year ended December 31, 2023. Inspect the entries affecting administration expense accounts for propriety. Ensure postings of adjustments to the trial balance, if adjusting journal entries have not been posted to the general ledger at year end.

Administrative Expenses

- 13) Determine how the MCO allocated the administration expenses and net premium income among the various lines of business. Determine how the MCO allocated the administration expenses for the Medicaid line of business to Medallion 4.0, CCC Plus, and any other products included by the MCO in the Medicaid line of business. Determine if any trial balance accounts are allocated between administration and medical expenses.
 - a. Document this understanding through a narrative.
 - b. Document the MCO's support for these allocations.
 - c. Request supporting documentation for the elements of any allocation basis utilized by the MCO and ensure it agrees.
- 14) Document the cost allocation worksheet provided by the MCO in response to the request list. Trace the following elements to the support provided for allocations. Request additional support, as needed, if the self-reported amounts are not full account balances.
 - a. Self-Excluded Expenses
 - b. Healthcare Quality Improvement Expenses (HCQI)
 - c. Fraud Reduction and Recovery Expenses
 - d. Non-recurring expenses such as start-up costs
 - e. Care Coordination
 - f. Allowable Member Incentives
- 15) Compare administrative and claims adjustment expenses per the quarterly filing for the year ended December 31, 2023 to the prior year and obtain explanations for any fluctuations greater than 10 percent and \$100,000. Determine and document whether the MCO's explanation is consistent with supporting documentation.



- 16) Scan administration expense accounts allocated to the Medicaid line of business for the below types of expenses. Select 15 to 20 accounts from this scan and from Step 14 and request the general ledger and a description of the account contents. If these documents are inconclusive as to the nature of the expense, request invoices for no more than five entries. Confer with the assigned senior manager/partner to select samples and document the reasoning.
 - a. Non-allowable expenses as defined either by the MCO contract with DMAS, 45 CFR § 75.420 to 75.475 or by CMS Publication 15. Examples of non-allowable expenses include: lobbying, contributions/donations, income tax, management fees for non-Virginia operations, and management fees for the sole purpose of securing an exclusive arrangement.
 - b. Non-recurring expenses such as start-up costs and expenses reimbursed separately from the MCO rate.
 - c. HCQI Expenses.
 - d. Fraud Reduction and Recovery Expenses.
 - e. Care Coordination.
 - f. Allowable Member Incentives.
- 17) Agree the summary work paper of related-party transactions from the MCO from Step 7 to the trial balance. Obtain agreements or other supporting documentation for payments to or costs allocated from affiliates or parent companies and determine if exclusivity payments or special contractual arrangements are included. Ensure the regulations within CMS Publication 15-1, Chapter 10 have been applied.
- 18) Agree the summary work paper of delegated vendor transactions from the MCO from Step 8 to the trial balance. For vendors with sub-capitated arrangements and the Pharmacy Benefit Manager (PBM), obtain agreements and ensure that medical and administrative expenses were appropriately separated on the quarterly filing. For the PBM, collect information regarding where all costs (claims payments, ingredient cost, dispensing fees, rebates, sales tax, spread pricing, administrative payment, and other) are included on the trial balance and collect information regarding spread pricing, if applicable.
- 19) Prepare a narrative that summarizes the MCOs' methodology for reporting reinsurance premiums and reinsurance recoveries. Include both reinsurance amounts per the annual statement, as well as the allocation methodology to the Medicaid line of business. Agree amounts to the trial balance or document the trial balance account these amounts are included in.



Appendix B: Results

Source of Information

Our procedures were performed to determine allowable administrative expenses for the purpose of Medicaid rate development. Our procedures were not performed to determine whether such administrative expenses were properly reported for purposes of the Bureau of Insurance of the Commonwealth of Virginia.

We used the quarterly filing required by the Department (quarterly filing) and the Annual Statement submitted to the Insurance Department of the Commonwealth of Virginia (Annual Statement) for Sentara Health Plans (SHP) for the year ended December 31, 2023. SHP did not have audited financial statements as of the date of this report.

Virginia Premier Health Plan (VPHP) merged with SHP on July 1, 2023, with the surviving entity being SHP. This report reflects the combined operations of VPHP and SHP for the period of January 1, 2023 through June 30, 2023 and the operations of SHP for the period of July 1, 2023 through December 31, 2023. SHP receives administrative services from Sentara Health Administration, Inc. which is owned by Sentara Holdings, Inc., a sister company to SHP. SHP has administrative expense from one other related party, Sentara Behavioral Health Services, Inc., which is owned by Sentara Health Administration, Inc. Sentara Behavioral Health Services, Inc. provides administration of certain behavioral health benefits. In order to perform the agreed upon procedures outlined in Appendix A, we obtained a trial balance for Sentara Health Administration, Inc.

SHP has delegated certain functions to vendors. Express Scripts, Inc. provides pharmacy benefit management (PBM) services. Kaiser Foundation Health Plan of The Mid-Atlantic States (Kaiser) provides comprehensive health services to certain Medallion 4.0 members. VSP Vision Care, Inc. (VSP) provides administration of the vision benefit. Public Partnerships LLC (PPL) and Consumer Direct Care Network Virginia, LLC (CDCN) are the fiscal employers/agents for consumer directed services. Southeastrans, Inc. provides administration of the non-emergent transportation benefit. OptumHealth Care Solutions, Inc. provides administration of the organ and bone marrow transplant benefit. CareCentrix, Inc. provides administration of the palliative program and home infusion therapy services. NationsBenefits, LLC provides meals to members. Carenet Healthcare Services provides nurse advice and behavioral health crisis intervention line. ProgenyHealth, LLC (Progeny) manages utilization of Neonatal Intensive Care Unit (NICU) services. National Imaging Associates Inc. (NIA) provides utilization management for high end radiology services. Virginia Health Information, Inc. provides the system for case managers to view member info. AIM Specialty Health (AIM) manages utilization of specialty health services.

Trial Balance Reconciliation

We obtained SHP's adjusted trial balance as of December 31, 2023, and agreed the account descriptions, account numbers and ending balances for a sample of 20 accounts to the general ledger for the year ended December 31, 2023. No exceptions were noted.



Total administrative expenses including claims adjustment expenses per the SHP adjusted trial balance as of December 31, 2023 of \$716,894,125 were reconciled to the total administrative expenses including claims adjustment expenses on the quarterly filing of \$728,757,422. The difference of \$11,863,297 is due to a reclassification in the amount of \$11,863,303 of the administrative portion of Southeastrans, Inc. non-emergent transportation expenses from medical to administrative expenses and an immaterial \$6 variance. The administrative expenses including claims adjustment expenses per the SHP adjusted trial balance as of December 31, 2023 of \$716,894,125 were reconciled to the total administrative expenses including claims adjustment expense on the Annual Statement of \$716,894,125.

Administrative Expenses

Total claims adjustment expenses and administrative expenses included in the quarterly filing and Annual Statement consist of direct and indirect expense. Direct expenses are those that are unequivocally related to a product, and therefore, are charged directly to that product. Indirect expenses are recorded at the SHP level, and allocated to the appropriate entities and products. The total direct and indirect Medicaid expenses submitted on the quarterly filing for Claims Adjustment and General Administrative expenses are \$67,877,000 and \$457,336,514 respectively. The total direct and indirect Medicaid expenses submitted on the Annual Statement for Claims Adjustment and General Administrative expenses are \$67,877,000 and \$445,496,851, respectively. The \$11,839,663 difference in General Administrative expenses is due to a reclassification of the administrative portion of Southeastrans, Inc. non emergent transportation expenses from medical to administrative expenses.

We compared total SHP administrative and claim adjustment expenses reported on the quarterly filing by line item for the current year and prior year and obtained explanations for any line item with a change greater than \$100,000 and 10%. Total general administrative expenses, excluding investment expenses, for 2022 were \$235,034,761 for SHP and \$219,301,896 for VPHP compared to 2023 expenses of \$525,213,514. The increase of \$70,876,857, or 15.60%, is driven by an increase in salaries and benefits and an increase in depreciation of approximately \$7,000,000. The increases in salaries and benefits are due to 5% merit increases as well as market adjustment increases and an increase in filled positions. The increase in depreciation is due to several large capitalized projects relating to information technology and system enhancements.

We inspected the accounts and expense categories included in SHP's trial balance. We judgmentally selected expense categories and accounts for further inspection from the direct and allocated expenses. Based on this inspection, we determined that \$1,639,780 in marketing expense should be excluded from the Underwriting Exhibit at Appendix C. Additionally, SHP identified \$2,832,128 in start-up costs related to Cardinal Care implementation, and \$15,230 related to Provider Services Solution (PRSS). The start-up costs have been excluded from the Underwriting Exhibit at Appendix C and amortization for a portion of start-up costs identified in the current year and in previous years has been included through a separate adjustment. However, this expense will be excluded for rate setting.

Sentara Health Administration, Inc. provides SHP with administrative services. The Administrative Services and Marketing Agreement between Optima Health Plan (currently known as SHP) and Sentara Health Plans, Inc. effective April 2005 is the applicable agreement for these arrangements and allows for



an allocation of actual costs. Sentara Behavioral Health Services, Inc. provides administration of certain behavioral health benefits. A schedule documenting payments made to Sentara Health Administration, Inc. (\$339,416,565) and Sentara Behavioral Health Services, Inc. (\$4,541,668) was provided to agree to amounts included with SHP expenses.

A schedule documenting allocated costs from Sentara Health Administration, Inc. was provided to agree to amounts included with SHP administrative expenses. Support for allocated costs was received on a sample basis and were found to include non-allowable marketing expense included in the previously described adjustments. Although the contract between SHP and Sentara Behavioral Health Services, Inc. Provides for a separate administrative fee, the expenses were recorded to medical services expenditures in full. The general ledger was used to separate and reclassify the administrative fee of \$4,541,668. An adjustment of \$465,638 was necessary to record Sentara Behavioral Health Services, Inc. expenses at cost.

Carenet Healthcare Services, Progeny, NIA, Virginia Health Information, Inc., and AIM related expenses are appropriately recorded to administrative accounts as they provide nurse advice and behavioral health crisis intervention line, manage utilization of NICU services, utilization management for high end radiology services, case management system, and manage utilization of specialty health services, respectively. NationsBenefits, LLC related expenses are recorded in full to medical accounts as they provide meals to members. Express Scripts, Inc., Kaiser, PPL/CDCN, and OptumHealth Care Solutions, Inc provide PBM services, comprehensive health services to certain Medallion 4.0 members, fiscal employer/agent for consumer directed services, and administration of the organ and bone marrow transplant benefit, respectively, and the related expenses are appropriately split between administrative and medical on the trial balance. Southeastrans, Inc. provides administration of the non-emergent transportation benefit and the expenses are recorded to a medical amount and the administrative component, totaling \$11,863,303 have been reclassified by the MCO to administrative for the purposes of the quarterly filing. Care Centrix, Inc. is providing administration of the palliative program and home infusion therapy services and related expenses are recorded in full to medical accounts. As this is a new vendor, sufficient information is not available from the Medical Loss Ratio (MLR) examination to determine if this classification is appropriate. VSP provides administration of the vision benefit and expenses are recorded to medical in full. The percentages from the 2021 and 2022 MLR examinations were utilized to determine the administrative portion of and a reclassification of \$1,243,089 was necessary as a result.

Healthcare Quality Improvement Expenses (HCQI)

HCQI expenses are calculated by SHP through review and analysis of the departments containing HCQI expenses. Departments containing HCQI expense are analyzed to determine the amount of cost associated with HCQI and the percentage of that cost associated with each of the five categories (Improve Health Outcomes, Wellness and Health Promotion, Prevent Hospital Readmission and Improve Patient Safety/Reduce Medical Errors and Health Information Technology). This expense is allocated to Medicaid using the same allocation basis for each department utilized for total department costs. Total



HCQI expense allocated to Medicaid in 2023 is \$161,712,910. This amount included \$135,782,567 related to care coordination.

Reinsurance

Reinsurance premiums totaling \$211,504,311 paid to Kaiser Foundation (\$200,233,516), Swiss RE Life (\$2,876,696), and RGA Reins Co (\$8,394,099) agreed to the trial balance and Annual Statement and were included in Net Premium Income on the quarterly filing. Reinsurance recoveries of \$57,727,740 agreed to the trial balance and Annual Statement and were offset against Medical Services Expenditures on the quarterly filing. OHP reported that recoveries relating directly to the Medicaid product have occurred in the amount of \$1,302,623.

Total Revenues

Total revenues were agreed to the trial balance. Amounts reported as change in unearned premium reserves and aggregate write-ins were inspected to determine appropriateness for rate setting purposes. The change in unearned premium reserves included reserves related to prior and future periods which were removed for the purposes of this report. There were no aggregate write-ins noted on the quarterly filing.



SENTARA HEALTH PLANS
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2023					
	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Administrative Expense					
Claims Adjustment Expenses	\$ 17,344,392	\$ 16,989,512	\$ 26,258,300	\$ 7,284,796	\$ 67,877,000
General Administrative Expenses	\$ 141,429,131	\$ 138,037,358	\$ 139,294,969	\$ 38,575,057	\$ 457,336,514
Total Administrative Expenses	\$ 158,773,523	\$ 155,026,870	\$ 165,553,269	\$ 45,859,853	\$ 525,213,514
Less: Self-Reported Excludable Expenses *	\$ (6,289,913)	\$ (6,161,216)	\$ (8,307,678)	\$ (2,304,785)	\$ (23,063,592)
Adjusted Administrative Expenses	\$ 152,483,610	\$ 148,865,654	\$ 157,245,591	\$ 43,555,068	\$ 502,149,923
Adjustment 1: Include amortized start-up costs related to Medicaid Expansion, MES, PRSS, Cardinal Care, and Project Horizon.	\$ 118,847	\$ 703,973	\$ 30,120	\$ 66,873	\$ 919,813
Adjustment 2: Remove marketing expense.	\$ (664,400)	\$ (654,440)	\$ (251,733)	\$ (69,207)	\$ (1,639,780)
Adjustment 3: Reclassify the administrative portion of VSP expenses from medical expense.	\$ 596,159	\$ 587,221	\$ 46,833	\$ 12,876	\$ 1,243,089
Adjustment 4: Reclassify the administrative portion of Sentara Behavioral Health Services, Inc. expenses from medical expense.	\$ 1,985,465	\$ 1,955,701	\$ 482,255	\$ 132,583	\$ 4,556,004
Adjustment 5: Remove the profit component of administrative services provided by Sentara Behavioral Health Services, Inc.	\$ (202,921)	\$ (199,879)	\$ (49,288)	\$ (13,550)	\$ (465,638)
Adjustment 6: Remove 2023 start-up costs.	\$ (1,239,647)	\$ (1,214,283)	\$ (307,984)	\$ (85,444)	\$ (2,847,358)
Total Adjusted Administrative Expenses	\$ 153,077,113	\$ 150,043,947	\$ 157,195,794	\$ 43,599,199	\$ 503,916,053
Total Revenues	\$ 1,513,736,990	\$ 1,493,840,030	\$ 2,125,556,238	\$ 607,480,086	\$ 5,740,613,344
Adjustment 7: Remove unearned premium reserves not relating to the current period	\$ (3,442,524)	\$ 24,885,281	\$ (8,387,689)	\$ 7,434,286	\$ 20,489,354
Total Adjusted Revenues	\$ 1,510,294,466	\$ 1,518,725,311	\$ 2,117,168,549	\$ 614,914,372	\$ 5,761,102,698
Percentage of Adjusted Administration Expenses to Net Premium Income	10.14%	9.88%	7.42%	7.09%	8.75%



SENTARA HEALTH PLANS
APPENDIX C: UNDERWRITING EXHIBIT

Underwriting Exhibit for the Year Ending December 31, 2023

	Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
Separately Identified Expenses included in Adjusted Administrative Expenses					
Healthcare Quality Improvement Expenses (HCQI)	\$ 39,193,169	\$ 38,392,861	\$ 65,951,644	\$ 18,175,236	\$ 161,712,910
Fraud Reduction and Recovery Expenses	\$ 691,853	\$ 677,697	\$ 1,139,939	\$ 316,251	\$ 2,825,740
Start Up / Other Non Recurring Expense	\$ 1,239,647	\$ 1,214,283	\$ 307,984	\$ 85,444	\$ 2,847,358
Care Coordination expenses as defined within the MCO contract	\$ 29,581,705	\$ 28,976,441	\$ 60,453,036	\$ 16,771,385	\$ 135,782,567
Allowable Member Incentives	\$ 175,770	\$ 172,174	\$ 42,586	\$ 11,815	\$ 402,345

* The plan self-excluded related party management fees in excess of cost (\$19,765,481), lobbying expenses (\$178,599), and unsupported medical expenses (\$3,119,513). Per review of support, unsupported medical expenses were comprised of bad debt expense, interest on late claims expense, and marketing expense.



Appendix D: Schedule of Adjustments and Comments

During our procedures we noted certain matters involving costs, that in our determination did not meet the definitions of allowable administrative expenses and other operational matters that are presented for your consideration.

Adjustment #1 – Include amortized start-up costs related to Medicaid Expansion, MES, PRSS, Cardinal Care, and Project Horizon.

SHP has identified start-up costs related to various programs in the current year and in previous years. These expenses were removed each year to be amortized over a period of five years beginning with the start date of each program. Expenses included in this adjustment are \$3,227,500 related to Medicaid Expansion, \$78,317 related to MES, \$2,832,128 related to Cardinal Care, \$15,230 related to PRSS, and \$1,139,969 related to Project Horizon, respectively. (CMS Pub. 15-1: §2132 – Start-Up Costs

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$118,847	\$703,973	\$30,120	\$66,873	\$919,813

Adjustment #2 – Remove marketing expense.

During the inspection of departments 11860001 Outreach, Community, SDOH - Optima Health- Health Plan 11860002 and Outreach, Community, SDOH - Premier- Health Plan amounts were found that included expenses coded to the marketing category. It was determined this cost was non-allowable and an adjustment was made to remove this expense. (45 CFR § 75.421)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$664,400)	(\$654,440)	(\$251,733)	(\$69,207)	(\$1,639,780)

Adjustment #3 – Reclassify the administrative portion of VSP expenses from medical expense.

SHP reported the full amount of capitated expense for VSP as medical expenses. SHP was unable to provide support to separate out the administrative component of these expenses. The reclassification



SCHEDULE OF ADJUSTMENTS AND COMMENTS

amount of \$1,243,089 was calculated using the average verified administrative ratio for VSP from the state fiscal year 2022 and 2023 MLR examinations. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$596,159	\$587,221	\$46,833	\$12,876	\$1,243,089

Adjustment #4 – Reclassify the administrative portion of Sentara Behavioral Health Services, Inc. expenses from medical expense.

SHP reported the full amount of capitated expense for Sentara Behavioral Health Services, Inc. as medical expenses. The reclassification amount of \$4,556,004 was calculated using the general ledger provided by SHP. (45 CFR § 158.140(b)(3))

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
\$1,985,465	\$1,955,701	\$482,255	\$132,583	\$4,556,004

Adjustment #5 – Removing the profit component of administrative services provided by Sentara Behavioral Health Services, Inc.

Sentara Behavioral Health, Inc. is a related party that provides administration of certain behavioral health benefits. Administrative payments are calculated using a capitated rate rather than passed through at cost. Based on an income statement for Sentara Behavioral Health Services, Inc., the profit component is 10.22%. (CMS Pub. 15-1, Chapter 10)

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non-Expansion	CCC Plus Expansion	Total Medicaid
(\$202,921)	(\$199,879)	(\$49,288)	(\$13,550)	(\$465,638)

Adjustment #6 – Remove 2023 start-up costs.

SHP identified \$2,832,128 in start-up expenses related to Cardinal Care implementation and \$15,230 in start-up expenses related to PRSS. These expenses are being amortized over five years based on implementation date of each program. The 2023 expenses were removed in total. See Adjustment #1 for the related adjustment to add back the amortization costs. (CMS Pub. 15-1: §2132 – Start-Up Costs)



SCHEDULE OF ADJUSTMENTS AND COMMENTS

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$1,258,712)	(\$1,232,958)	(\$312,447)	(\$86,682)	(\$2,890,799)

Adjustment #7 – Remove unearned premium reserves not relating to the current period.

SHP included unearned premium reserves related to periods prior to January 1, 2023 and subsequent to December 31, 2023 based on their financial reporting procedures. An adjustment of \$20,489,354 was made to remove all unearned premium reserves not related to the period under review, for the purposes of administrative reporting.

Proposed Adjustment				
Medallion 4.0 Non-Expansion	Medallion 4.0 Expansion	CCC Plus Non- Expansion	CCC Plus Expansion	Total Medicaid
(\$3,442,524)	\$24,885,281	(\$8,387,689)	\$7,434,286	\$20,489,354