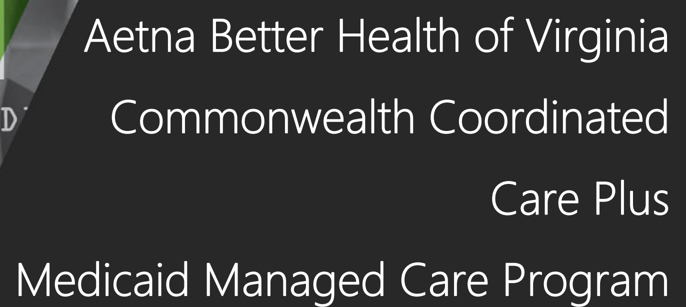

Aetna Better Health of Virginia
Commonwealth Coordinated Care Plus
Medicaid Managed Care Program

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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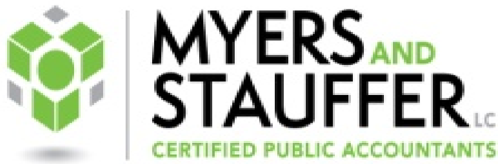

Virginia Department of Medical Assistance Services
Richmond, Virginia

Independent Accountant's Report

We have examined the accompanying Adjusted Medical Loss Ratio and Adjusted Underwriting Gain Rebate Calculations of Aetna Better Health of Virginia (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 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 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 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 Medical Loss Ratio 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

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	$ 756,556,803	$ (4,604,539)	$ 751,952,264
1.2	Activities that Improve Health Care Quality	$ 30,139,696	$ (6,054,628)	$ 24,085,068
1.3	MLR Numerator	$ 786,696,499	$ (10,659,167)	$ 776,037,332
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 896,012,555	$ 9,294,470	$ 905,307,025
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 19,993,635	$ 3,329,251	$ 23,322,886
2.3	MLR Denominator	$ 876,018,920	$ 5,965,219	$ 881,984,139
3.	**MLR Calculation**			
3.1	Member Months	445,151	0	445,151
3.2	Unadjusted MLR	89.8%		88.0%
3.3	Credibility Adjustment	0.0%		0.0%
3.4	Adjusted MLR	89.8%		88.0%
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	$ 187,909,901	$ 915,487	$ 188,825,388
1.2	Activities that Improve Health Care Quality	$ 299,651	$ -	$ 299,651
1.3	MLR Numerator	$ 188,209,552	$ 915,487	$ 189,125,039
2.	**Medical Loss Ratio Denominator**			
2.1	Premium Revenue	$ 233,374,477	$ (17,009,721)	$ 216,364,756
2.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 8,062,544	$ (4,572,319)	$ 3,490,225
2.3	MLR Denominator	$ 225,311,933	$ (12,437,402)	$ 212,874,531
3.	**MLR Calculation**			
3.1	Member Months	101,818	0	101,818
3.2	Unadjusted MLR	83.5%		88.8%
3.3	Credibility Adjustment	2.0%		2.0%
3.4	Adjusted MLR	85.5%		90.8%
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	$ 896,012,555	$ 9,294,470	$ 905,307,025
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$ 19,993,635	$ 3,329,251	$ 23,322,886
1.3	**Underwriting Gain Denominator**	$ 876,018,920	$ 5,965,219	$ 881,984,139
2.	**Medical Expenses**			
2.1	Incurred Claims	$ 756,556,803	$ (4,604,539)	$ 751,952,264
2.2	Improving health care quality expenses	$ 30,139,696	$ (6,054,628)	$ 24,085,068
2.3	**Total Adjusted Underwriting Gain Claims Expenses**	$ 786,696,499	$ (10,659,167)	$ 776,037,332
3.	**Non Claims Cost**			
3.1	Administrative Expenses	$ 33,301,684	$ 8,060,510	$ 41,362,194
3.2	Less: Unallowable Expenses	$ (160,720)	$ (304,578)	$ (465,298)
3.3	**Allowable Administrative Expenses**	$ 33,140,964	$ 7,755,932	$ 40,896,896
4.	**Underwriting Gain**			
4.1	Underwriting Gain $	$ 56,181,457		$ 65,049,911
4.1	Less: Remittance Amount Due to State for Coverage Year	$ -		$ -
4.2	Adjusted Underwriting Gain $	$ 56,181,457		$ 65,049,911
4.3	**Underwriting Gain %**	6.4%		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	1.7%		2.2%
5.4	**Amount to Remit**	$ 14,950,445		$ 19,295,193

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 reclassify claims payments made to Consumer Directed Care Network, the consumer directed services vendor, in excess of vendor payroll.

The health plan reported claims expense for Consumer Directed Care Network, the consumer directed services payroll vendor. During the examination, it was determined that the payroll expense was overstated in comparison to vendor payroll and tax expense. The expense was adjusted to actual claims cost utilizing supporting documentation. 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	($2,005,881)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($2,005,881)
3.1	Administrative Expenses	$2,005,881

Non-Expansion Adjustment #2 – To adjust to remove claims payments made to DentaQuest, the dental vendor, as dental services have been carved out of managed care beginning 7/1/21.

The health plan reported claims expense for DentaQuest, the dental vendor. Dental services have been carved out of Medicaid managed care effective July 1, 2021. 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	($38,230)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.1	Incurred Claims	($38,230)

Non-Expansion Adjustment #3 – To reclassify non-allowable Health Care Quality Improvement (HCQI) and Health Information Technology (HIT) expenses.

The health plan reported HCQI expenses based on an analysis of cost centers determined to relate in whole or in part to HCQI. These costs centers were allocated to HCQI based on employee full time equivalent reports and job duties. The total cost allocated for HCQI included two types of costs, direct costs and intercompany costs. Several of the job titles and duties included in HCQI allocation of costs did not meet the definitions of HCQI for MLR reporting purposes. Amounts were found at the cost center level, account level, and within the salaries review of job descriptions. These expenses have been reclassified from HCQI to administrative expenses through this adjustment. 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	($6,054,628)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
2.2	Activities that Improve Health Care Quality	($6,054,628)
3.1	Administrative Expenses	$6,054,628

Non-Expansion Adjustment #3 – To adjust state directed payments and associated expense per state data.

The health plan properly included directed payments in the numerator and the denominator of the MLR calculation. The associated revenues and expenses were adjusted to agree with state data. The state

directed payment and associated expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2) and 438.6(c).

Proposed MLR Adjustment		
Line #	**Line Description**	**Amount**
1.1	Incurred Claims	($2,560,427)
2.1	Premium Revenue	($2,560,427)

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Premium Revenue	($2,560,427)
2.1	Incurred Claims	($2,560,427)

Non-Expansion Adjustment #4 – 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	$11,854,897

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.1	Premium Revenue	$11,854,897

Non-Expansion Adjustment #5 – To adjust to remove marketing/advertising expenses identified during the 2022 administrative cost procedures.

Adjustments are applied to administrative costs through a separate engagement. Marketing and advertising costs were included in administrative expenses which were removed. Administrative cost principles are addressed in 45 CFR §§ 75.420 through 75.477.

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
3.2	Less: Unallowable Expenses	($304,578)

Non-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	$3,329,251

Proposed Underwriting Gain Adjustment		
Line #	**Line Description**	**Amount**
1.2	Federal, State, and Local Taxes and Licensing and Regulatory Fees	$3,329,251

Expansion Adjustment #1 – To adjust pharmacy expenses related to CVS to actual costs incurred.

The health plan reported claims expense net of rebates and pricing guarantees for pharmacy services arranged by CVS, a related party to the health plan. During the examination, it was determine that claims, rebates, and pricing guarantees were understated in comparison to the amount reported by CVS. CVS also reported offsetting revenue received from pharmacies related to transaction fees. Expense was adjusted to agree to amounts reported by CVS. The incurred claims reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR § 438.8(e)(2), additional pharmacy reporting requirements are addressed in the Center for Medicaid and CHIPA Services Informational Bulletin: MLR

Requirements Related to Third Party Vendors dated May 15, 2019, and related party reporting requirements are addressed in CMS Publication 15-1, Chapter 10.

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	($1,459,575)

Expansion Adjustment #3 – To adjust state directed payments and associated expense per state data.

The health plan properly included directed payments in the numerator and the denominator of the MLR calculation. The associated revenues and expenses were adjusted to agree with state data. The state directed payment and associated expense reporting requirements are addressed in the Medicaid Managed Care Final Rule 42 CFR §§ 438.8(e)(2) and 438.6(c).

Proposed MLR Adjustment		
Line #	Line Description	Amount
1.1	Incurred Claims	$2,375,062
2.1	Premium Revenue	$2,375,062

Expansion Adjustment #4 – 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	($19,384,783)

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	($4,572,319)