



July 22, 2025

Administrative Letter 2025-02

TO: All Licensed Insurers writing Managed Care Health Insurance Plans ("MCHIPs") in Virginia.

RE: Clarifying what constitutes a Material Change and required Notifications for MCHIPs to comply with Chapter 5800 et. seq. of the Code of Virginia ("Code").

This letter provides guidance and procedures to health carriers to assist in determining what constitutes a material change requiring the Commission's prior approval pursuant to § 38.2-5208 of the Code.

This administrative letter withdraws Administrative Letter 1998-11.

BACKGROUND

MCHIPs are required to provide certain information to the Commission pursuant to § 38.2-5802 A of the Code with their initial licensing application and renewal of license. No MCHIP shall be operated in a manner that is materially at variance with the information submitted.

Subsection D of [§ 38.2-5802](#) of the Code requires the Commission's prior approval for any changes which would result in operational changes that are materially at variance with the information required by § 38.2-5802 A of the Code and filed with the Commission.

The statute provides that a material change in the MCHIP's health care delivery system shall be deemed to result in operational changes that are materially at variance with the information on file with the Commission. The statute also provides that the Commission may determine that other changes are material and may require disclosure to secure full and accurate knowledge of the affairs and condition of the carrier.

Changes in service area may constitute a material change if the financial operations of a MCHIP are affected as detailed in this letter. Other potential material changes include a change in the network or tiered networks impacting financial operations.

The following filing instructions and the material change checklist attached to this letter provide additional guidance for filings required under § 38.2-5802 of the Code.

FILING INSTRUCTIONS

These filing instructions are applicable for the notices of material changes required by § 38.2-5802 D of the Code. They are significant for any “operational change,” that is, any change in the manner in which a health carrier operates one or more MCHIPs.

1. As provided by statute, a health carrier shall file a request for approval prior to effecting a change which is materially at variance with information currently on file with the Commission. Health carriers must consider the significance of anticipated changes and seek prior approval of any change which can be reasonably identified as having a material impact at any time in the foreseeable future on an MCHIP’s health care delivery system. **The health carrier’s decision not to seek prior approval must be supported by reasonable and documented consideration of materiality. Failure to file notice of a material change shall be deemed a violation of § 38.2-5802 D of the Code subject to penalty pursuant to § 38.2-218 of the Code.**
2. As a general guideline, changes requiring prior approval pursuant to § 38.2-5802 D of the Code include any change that is likely to increase or decrease the health carrier’s revenues, expenses, or net worth (capital and surplus) in an amount that exceeds 5% of the health carrier’s current net worth.

Anticipated changes shall include the impact on the remaining current year total expense, revenues and net worth, and projected impact on the next two calendar years. If a change of 5% is noted in any of the three time periods, prior approval is required. For purposes of this calculation, “current net worth” means the health carrier’s net worth as detailed by the most recently filed annual or quarterly financial statement.

A “change” includes and may result from any single transaction and any series of transactions occurring within a 12-month period that could be reasonably construed as a single transaction or change.

3. The Commission may identify additional measures of materiality after considering the operating results and financial position of a health carrier.
4. As described in the appended “Material Change Checklist,” the health carrier shall disclose and explain the proposed change in a statement that describes the change and its projected impact on operations. The health carrier must disclose in detail the financial projections used to determine materiality.

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5. An initial filing shall be made with the Financial Regulation Division of the Bureau and a duplicate introductory cover letter shall be sent to the Office of Licensure and Certification of the Virginia Department of Health (VDH). The cover letter shall contain all the information described in Part A of the appended "Material Change Checklist." The health carrier shall give adequate written notice to the VDH of any supplemental filings and amendments filed with the Bureau. Notice will be adequate when the health carrier provides the VDH with a copy of a transmitting cover letter containing the information described in Part A of the appended "Material Change Checklist."
6. Material to be filed with the State Health Commissioner or the VDH may be directed to:

Office of Licensure and Certification
MCHIP Unit
Virginia Department of Health
9960 Mayland Drive, Suite 400
Henrico, Virginia 23233
(804) 367-2370
MCHIP@vdh.virginia.gov

Questions regarding the letter should be addressed in writing to:

Financial Regulation Division
Bureau of Insurance
P.O. Box 1157
Richmond, VA 23218
(804) 371-1502
BOIFINFILING@scc.virginia.gov

Cordially,

/s/ Scott A. White

Scott A. White
Commissioner of Insurance

MATERIAL CHANGE CHECKLIST

Initial notice of an anticipated change shall include the information described in this checklist. Parts A and B shall be filed with the Bureau of Insurance. A duplicate of the Part A cover letter should be provided to the Virginia Department of Health.

PART A: INTRODUCTORY COVER LETTER with general description of the proposed change. This cover letter should:

- Be addressed to the Bureau of Insurance and directed to the Financial Regulation Division; the Virginia Department of Health's Center for Office of Licensure and Certification should be designated as receiving a copy.
- Identify the controlling statute.
- State the purpose of the filing.
- Briefly describe the proposed change. Identify aspects of the delivery system which are subject to change, e.g., service area, provider contracts, numbers or types of providers, provider compensation structure, incentive arrangements. Comment on how the proposed change in the delivery system is projected to have a material impact on the financial condition of the health carrier.
- State the effective date of the proposed change.
- Provide the name and telephone number of a contact person.
- Be signed and dated by an officer or director of the health carrier.

PART B: STATEMENT OF PROJECTED IMPACT describing the proposed changes and fully disclosing their significance and materiality. At a minimum, the statement shall:

- Describe the reasons the change was determined to be material.
- Identify the elements of operations subject to change.
- Provide statutory basis financial projections for the current year and the next two successive years. Projections should include at a minimum the balance sheet, income statement and Risk Based Capital. Provide relevant assumptions such as changes in enrollment and premium rates.
- Describe provider arrangements and include a schedule of provider contracts and network access agreements to be used to effect the proposed change. Non-standardized contracts and representative copies of any new or revised forms of contracts and agreements not currently on file with the Bureau shall be highlighted and attached to the listing.
- State why the change should be approved as proposed.

The Bureau may determine that additional information is necessary to secure full and accurate knowledge of the affairs and condition of the health carrier.