

A bill for an act

relating to human services; establishing medical loss ratio requirement for prepaid medical assistance program; amending Minnesota Statutes 2010, section 256B.69, subdivision 5i.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2010, section 256B.69, subdivision 5i, is amended to read:

Subd. 5i. **Administrative expenses.** (a) Managed care plan and county-based purchasing plan administrative costs for a prepaid health plan provided under this section or section 256B.692 must not exceed by more than five percent that prepaid health plan's or county-based purchasing plan's actual calculated administrative spending for the previous calendar year as a percentage of total revenue. The penalty for exceeding this limit must be the amount of administrative spending in excess of 105 percent of the actual calculated amount. The commissioner may waive this penalty if the excess administrative spending is the result of unexpected shifts in enrollment or member needs or new program requirements.

(b) Expenses listed under section 62D.12, subdivision 9a, clause (4), are not allowable administrative expenses for rate-setting purposes under this section, unless approved by the commissioner.

(c) A prepaid health plan must meet a medical loss ratio of no less than 90 percent, calculated as specified in this paragraph. The medical loss ratio consists of a numerator consisting only of direct expenses of providing patient care to persons covered under the program, excluding administrative expenses. The denominator consists of the total amount paid by the commissioner to the prepaid health plan, after subtraction of taxes

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2.1 and other mandatory government assessments directly attributable to the prepaid health
2.2 plan's participation as a provider in the program being reported on. Payments by the
2.3 prepaid health plan to unaffiliated third parties or to providers or other entities that own,
2.4 are owned by, or are under common control with the prepaid health plan must be divided
2.5 into patient care expenses and administrative expenses and included in the appropriate
2.6 category for determination of the medical loss ratio.

2.7 (d) A bid submitted by a prepaid health plan may include a provision obligating the
2.8 bidder to provide extra services specified in the bid if necessary to meet the required
2.9 medical loss ratio, to the extent that the medical loss ratio would otherwise exceed 90
2.10 percent as the year progresses.