

1.1 A bill for an act

1.2 relating to health; requiring reporting of certain administrative expense data;
1.3 establishing the Advisory Group on Administrative Expenses; appropriating
1.4 money; amending Minnesota Statutes 2008, section 62D.08, by adding a
1.5 subdivision; proposing coding for new law in Minnesota Statutes, chapter 62D.

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

1.7 Section 1. Minnesota Statutes 2008, section 62D.08, is amended by adding a
1.8 subdivision to read:

1.9 **Subd. 7. Consistent administrative expenses and investment income reporting.**

1.10 (a) Every health maintenance organization must directly allocate administrative expenses
1.11 to specific lines of business or products when such information is available. Remaining
1.12 expenses that cannot be directly allocated must be allocated based on other methods, as
1.13 recommended by the Advisory Group on Administrative Expenses. Health maintenance
1.14 organizations must submit this information using the reporting template provided by the
1.15 commissioner of health.

1.16 (b) Every health maintenance organization must allocate investment income based
1.17 on cumulative net income over time by business line or product and must submit this
1.18 information using the reporting template provided by the commissioner of health.

1.19 **EFFECTIVE DATE.** This section is effective January 1, 2012.

1.20 Sec. 2. **[62D.31] ADVISORY GROUP ON ADMINISTRATIVE EXPENSES.**

1.21 Subdivision 1. Establishment. The Advisory Group on Administrative Expenses is
1.22 established to develop detailed standards and procedures for examining the reasonableness
1.23 of administrative expenses by individual publicly funded programs.

2.1 Subd. 2. **Duties.** In order to implement the recommendations of the commissioner
2.2 of health provided in the March 2009 report on administrative expenses and investment
2.3 income for health plans and county-based purchasers, the advisory group must make
2.4 recommendations on the following:

2.5 (1) consistent guidelines and reporting requirements, including development of a
2.6 reporting template, for health maintenance organizations and county-based purchasers that
2.7 participate in publicly funded programs; and

2.8 (2) standards and procedures for examining the reasonableness of expenses reported
2.9 to the commissioner of health under clause (1).

2.10 Subd. 3. **Membership.** The membership of the advisory group shall be comprised
2.11 of the following:

2.12 (1) the commissioner of health or the commissioner's designee;

2.13 (2) the commissioner of human services or the commissioner's designee;

2.14 (3) the commissioner of commerce or the commissioner's designee; and

2.15 (4) representatives of health maintenance organizations and county-based purchasers
2.16 appointed by the commissioner of health.

2.17 Subd. 4. **Administration.** The commissioner of health shall convene the first
2.18 meeting of the advisory group and shall provide administrative support and staff. The
2.19 commissioner of health may contract with a consultant to provide professional assistance
2.20 and expertise to the advisory group.

2.21 Subd. 5. **Recommendations.** The Advisory Group on Administrative Expenses
2.22 must report its recommendations to the commissioner of health and to the legislature by
2.23 July 1, 2011.

2.24 Subd. 6. **Expiration.** This section expires June 30, 2012.

2.25 Sec. 3. **APPROPRIATION.**

2.26 \$100,000 is appropriated from the general fund to the commissioner of health in
2.27 fiscal year 2011 for the advisory group established under Minnesota Statutes, section
2.28 62D.31.