

HOUSE RESEARCH

Bill Summary

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Overview

This bill requires HMOs to allocate administrative expenses and investment income by business line or product. The bill also establishes an advisory group on administrative expenses of HMOs and county-based purchasers participating in public programs, assigns duties, and requires a report.

Section

- 1** **Consistent administrative expenses and investment income reporting.** Amends § 62D.08, by adding subd. 7. (a) Requires HMOs to directly allocate administrative expenses to specific lines of business or products when this information is available. Expenses that cannot be directly allocated must be allocated based on methods recommended by the Advisory Group on Administrative expenses. Requires HMOs to submit this information, including administrative expenses for dental services, using the reporting template provided by the commissioner of health.

(b) Requires HMOs to allocate investment income based on cumulative net income over time by business line or product, and submit this information, including investment income for dental services, using the reporting template provided by the commissioner of health.

Provides a January 1, 2012 effective date.
- 2** **Advisory group on administrative expenses.** Adds § 62D.31.
 - Subd. 1. Establishment.** Establishes the Advisory Group on Administrative Expenses to develop detailed standards and procedures for examining the reasonableness of administrative expenses by individual publicly funded programs.
 - Subd. 2. Duties.** Requires the advisory group, in order to implement recommendations of the commissioner of health's 2009 report on administrative expenses and investment income, to make recommendations on:

- (1) consistent guidelines and reporting requirements, and a reporting template, for HMOs and county-based purchasers that participate in publicly funded programs; and
- (2) standards and procedures for examining the reasonableness of expenses reported under clause (1).

Subd. 3. Membership. States that membership of the group is to be comprised of: the commissioners of health, human services and commerce, or their designees; and representatives of HMOs and county-based purchasers appointed by the commissioner of health.

Subd. 4. Administration. Requires the commissioner of health to convene the first meeting of the advisory group and provide administrative support and staff. Allows the commissioner to contract with a consultant.

Subd. 5. Recommendations. Requires the advisory group to report recommendations to the commissioner of health and the legislature by July 1, 2011.

Subd. 6. Expiration. States that this section expires June 30, 2012.

- 3 Appropriation.** Appropriates \$100,000 from the general fund to the commissioner of health for fiscal year 2011 for the advisory group.