

HOUSE RESEARCH

Bill Summary

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Overview

This bill modifies financial reporting requirements for managed care and county-based purchasing plans. The bill defines terms, clarifies and adds additional not allowable administrative expenses, requires independent third-party and ad hoc financial audits, and makes other changes.

Section

- 1** **Managed care contracts.** Amends § 256B.69, subd. 5a. Requires managed care plans and county-based purchasing plans to maintain current and fully executed agreements for all subcontractors, including bargaining groups, for administrative services expensed to state public programs. Requires subcontractor agreements of over \$200,000 in annual payments to be in the form of a written instrument or electronic document and meet specified requirements. Allows the commissioner, upon request, to have access to all subcontractor documentation. Provides that the paragraph does not allow the release of nonpublic information.
- 2** **Administrative expenses.** Amends § 256B.69, subd. 5i. The amendment to paragraph (a) limits managed care and county-based purchasing plan administrative costs to 6.6 percent of total managed care payments in the aggregate for all state public programs, and specifies related criteria. The provision replaces a provision in current law that limits the growth in administrative costs to five percent (measured by the ratio of administrative spending to total revenue).

The amendment to paragraph (b) clarifies existing not allowable administrative expenses, and adds additional not allowable administrative expenses.

Section

A new paragraph (c) requires plans to report administrative expenses using the formats designated by the commissioner as part of the rate-setting process, and specifies categories and other requirements. Also requires plans to identify and record expense items for public program administrative expenses in a manner that allows independent verification of unallowable expenses for purposes of determining state public health care program payment rates.

A new paragraph (d) applies the administrative expenses requirements of the subdivision to demonstration providers under section 256B.0755.

- 3** **Managed care financial reporting.** Amends § 256B.69, subd. 9c. Requires managed care and county-based purchasing plans to certify to the commissioner, for purposes of state public health care program financial reporting, that costs reported for state public health care programs include only services covered under the state plan and waivers, and related allowable administrative expenses. Also requires plans to certify and report to the commissioner the dollar value of unallowable and nonstate plan services, including both medical and administrative expenditures, for purposes of managed care financial reporting. Applies the requirements of this subdivision to demonstration providers under section 256B.0755.

- 4** **Financial and quality assurance audits.** Amends § 256B.69, subd. 9d. A new paragraph (e) requires the commissioner to conduct ad hoc audits of managed care organization administrative and medical expenses. Specifies expense categories and audit procedures.

Amendments to various paragraphs strike the requirement in current law that the legislative auditor contract with an audit firm for biennial independent third-party financial audits and make related changes. Revised language related to audits by the legislative auditor is added in section 256B.69, subd. 9e.

A new paragraph (g) applies the audit requirements of this subdivision to demonstration providers under section 256B.0755.

Also makes technical and clarifying changes.

- 5** **Financial audits.** Amends § 256B.69, by adding subd. 9e. Requires the legislative auditor to contract with vendors to conduct independent third-party financial audits of DHS's use of the information provided by managed care and county-based purchasing plans. Provides that the audits shall be conducted as vendor resources permit and specifies other requirements. Requires the audits to include a determination of DHS's compliance with the federal Medicaid rate certification process. Provides a definition of "independent third party" (this definition does not include requirements related to licensure as an accounting firm, and not having provided services to a plan during the audit period, that are in the current law stricken in subdivision 9d).
- 6** **Basic health care grants.** Amends Laws 2008, ch. 363, art. 18, § 3, subd. 5. Strikes the administrative cost limit that is in an ongoing rider. (The stricken language is reinstated in modified form in § 256B.69, subd. 5i.)