

HOUSE RESEARCH

Bill Summary

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Authors: Dean

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Analyst: Randall Chun

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Overview

This amendment 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** **Consistent administrative expenses and investment income reporting.** Amends § 62D.08, subd. 7. Requires each HMO to submit financial information using the reporting template Minnesota Supplement Report #1A provided by the commissioner of health. Requires administrative expenses to be allocated by individual state public program, as well as by business or product. Sets other related reporting requirements. Further defines the expense categories for report #1A. Provides a definition of “directly allocate.” Defines “individual state public program” as each MA program, including PMAP, Minnesota Senior Health Options, Minnesota Senior Care Plus, and MinnesotaCare.
- 2** **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. Specifies requirements for subcontractor agreements. Allows the commissioner, upon request, to have access to all subcontractor documentation. Provides that the paragraph does not allow the release of nonpublic information.
- 3** **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

Section

related criteria. This language is currently in a rider that is ongoing. 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.

A new paragraph (c) requires plans to clearly identify and separately record not allowable administrative expenses, in a manner that allows independent verification of these expenses for purposes of determining state public health care program payment rates.

- 4 **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 DHS and MDH financial reporting, that costs reported for state public health care programs include: (1) only services covered under the state plan and waivers, and related allowable administrative expenses; and (2) the dollar value of unallowable and non-state plan services, including both medical and administrative expenditures, that have been excluded.

- 5 **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 § 256B.69, subd. 9e.

Also makes technical and clarifying changes.

- 6 **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 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. 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).

- 7 **Basic health care grants.** Amends Laws 2008, chapter 363, article 18, section 3, subdivision 5. Strikes the administrative cost limit that is in an ongoing rider. (The stricken language is reinstated in § 256B.69, subd. 5i.)