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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-SIXTH  
SESSION

HOUSE FILE No. **3663**

March 15, 2010

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The bill was read for the first time and referred to the Committee on Health Care and Human Services Policy and Oversight

March 22, 2010

Committee Recommendation and Adoption of Report:

To Pass as Amended and re-referred to the Committee on Finance

1.1 A bill for an act  
1.2 relating to human services; requiring prepaid health plans to meet a certain loss  
1.3 ratio; amending Minnesota Statutes 2008, section 256B.69, subdivision 5i.

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

1.5 Section 1. Minnesota Statutes 2008, section 256B.69, subdivision 5i, is amended to  
1.6 read:

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

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

1.19 (c) A prepaid health plan must meet a loss ratio of not less than 91 percent,  
1.20 calculated as specified in this paragraph. The loss ratio consists of a numerator consisting  
1.21 only of direct expenses of providing patient care to persons covered under the program,  
1.22 excluding administrative expenses. The denominator consists of the total amount paid by  
1.23 the commissioner to the prepaid health plan.

2.1 (d) A bid submitted by a prepaid health plan may include a provision obligating the  
2.2 bidder to provide free services to uninsured, low-income persons as specified in the bid  
2.3 if necessary to meet the required loss ratio, to the extent that the loss ratio for that year  
2.4 would otherwise not reach 91 percent.

2.5 (e) Nothing in this subdivision requires the minimum loss ratio to be applied to any  
2.6 plan's business other than that business awarded by the commissioner, unless the plan fails  
2.7 to keep a separate and distinct accounting of funds received from the commissioner.

2.8 **EFFECTIVE DATE.** This section is effective January 1, 2011.