

Attachment 40 - Updated MLR and Risk Corridor Examples

Example 1. MCO pays money back to State under MLR and risk corridor

Earned Revenue for MLR/Risk Corridor	
Gross Capitation Payment	\$ 105.54
HIT	\$ 3.69
Hold-Back	\$ 1.53
Performance Penalty	\$ 0.25
Net Capitation Payment for MLR/Risk Corridor	\$ 100.06
MMs	1,000
Earned Revenue for MLR/Risk Corridor	\$ 100,065

MLR Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
Claims Incurred	\$ 75,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 3,000
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 80,500
Net Qualified Medical Expenses divided by Earned Revenue	80.4%
Minimum MLR %	85.0%
Percentage below MLR	4.6%
MLR Reconciliation Payment	\$ (4,555)

Risk Corridor Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
MLR Rebate	\$ (4,555)
Claims Incurred	\$ 75,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 77,500
Total Activities that Improve Health Care Quality	\$ 3,000
Allowed Activities that Improve Health Care Quality	\$ 3,000
Total Incurred Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 7,000
Total Allowed Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 7,000
Total Administration (QI and non-QI)	\$ 10,000
Profit/(Loss)	\$ 8,010
Risk Corridor Profit/(Loss) Share	\$ (5,008)

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Example 2. State pays money back to MCO under risk corridor

Earned Revenue for MLR/Risk Corridor	
Gross Capitation Payment	\$ 105.54
HIT	\$ 3.69
Hold-Back	\$ 1.53
Performance Penalty	\$ 0.25
Net Capitation Payment for MLR/Risk Corridor	\$ 100.06
MMs	1,000
Earned Revenue for MLR/Risk Corridor	\$ 100,065

MLR Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 3,000
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 110,500
Net Qualified Medical Expenses divided by Earned Revenue	110.4%
Minimum MLR %	85.0%
Percentage below MLR	0.0%
MLR Reconciliation Payment	\$ -

Risk Corridor Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
MLR Rebate	\$ -
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 107,500
Total Activities that Improve Health Care Quality	\$ 3,000
Allowed Activities that Improve Health Care Quality	\$ 3,000
Total Incurred Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 7,000
Total Allowed Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 7,000
Total Administration (QI and non-QI)	\$ 10,000
Profit/(Loss)	\$ (17,435)
Risk Corridor Profit/(Loss) Share	\$ 14,433

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Example 3. Administrative expenses exceed admin cap

Earned Revenue for MLR/Risk Corridor	
Gross Capitation Payment	\$ 105.54
HIT	\$ 3.69
Hold-Back	\$ 1.53
Performance Penalty	\$ 0.25
Net Capitation Payment for MLR/Risk Corridor	\$ 100.06
MMs	1,000
Earned Revenue for MLR/Risk Corridor	\$ 100,065

MLR Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 4,000
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 111,500
Net Qualified Medical Expenses divided by Earned Revenue	111.4%
Minimum MLR %	85.0%
Percentage below MLR	0.0%
MLR Reconciliation Payment	\$ -

Risk Corridor Example	
Earned Revenue (Total Capitation Payments less hold-back, performance penalty, and HIT)	\$ 100,065
MLR Rebate	\$ -
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 107,500
Total Activities that Improve Health Care Quality	\$ 4,000
Allowed Activities that Improve Health Care Quality	\$ 3,002
Total Incurred Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 12,000
Total Allowed Administration (Excluding HIT, hold-back, performance penalty, and QI)	\$ 7,005
Total Administration (QI and non-QI)	\$ 10,006
Profit/(Loss)	\$ (17,442)
Risk Corridor Profit/(Loss) Share	\$ 14,440