

Attachment 26 - MLR and Risk Corridor Examples

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

MLR Example	
Earned Revenue (Total Capitation Payments less hold-back and HIT)	\$ 100,000
Claims Incurred	\$ 75,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 50
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 77,550
Net Qualified Medical Expenses divided by Earned Revenue	77.6%
Minimum MLR %	85.0%
Percentage below MLR	7.5%
MLR Reconciliation Payment	\$ (7,450)

Risk Corridor Example	
Earned Revenue (Total Capitation Payments less hold-back and HIT)	\$ 100,000
MLR Rebate	\$ (7,450)
Claims Incurred	\$ 75,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 50
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 77,550
Total Allowed Administration (Excluding HIT)	\$ 8,000
Profit/(Loss)	\$ 7,000
Risk Corridor Profit/(Loss) Share	\$ (4,000)

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

MLR Example	
Earned Revenue (Total Capitation Payments less hold-back and HIT)	\$ 100,000
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 50
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 107,550
Net Qualified Medical Expenses divided by Earned Revenue	107.6%
Minimum MLR %	85.0%
Percentage below MLR	0.0%
MLR Reconciliation Payment	\$ -

Risk Corridor Example	
Earned Revenue (Total Capitation Payments less hold-back and HIT)	\$ 100,000
MLR Rebate	\$ -
Claims Incurred	\$ 105,000
Estimated IBNR	\$ 2,000
Medical Incentive Bonus	\$ 1,000
Reinsurance Premiums Less Recoveries	\$ -
Activities that Improve Health Care Quality	\$ 50
Less Related-Party Medical Margin	\$ (500)
Total Medical Expenses (Net Qualified Medical Expenses)	\$ 107,550
Total Allowed Administration (Excluding HIT)	\$ 8,000
Profit/(Loss)	\$ (15,550)
Risk Corridor Profit/(Loss) Share	\$ 12,550