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State of Minnesota  
HOUSE OF REPRESENTATIVES

EIGHTY-NINTH SESSION

H. F. No. 2038

03/19/2015 Authored by Dean, M.,  
The bill was read for the first time and referred to the Committee on Health and Human Services Reform

1.1 A bill for an act  
1.2 relating to human services; modifying the administrative cost limit for prepaid  
1.3 health plans and county-based purchasing plans; amending Minnesota Statutes  
1.4 2014, section 256B.69, subdivision 5i.

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

1.6 Section 1. Minnesota Statutes 2014, section 256B.69, subdivision 5i, is amended to 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 of that prepaid health  
1.10 plan's or county-based purchasing plan's actual ~~calculated administrative spending for the~~  
1.11 ~~previous calendar year as a percentage of total revenue~~ medical expenses. The penalty for  
1.12 exceeding this limit must be the amount of administrative spending in excess of ~~105 the ...~~  
1.13 ~~percent of the actual calculated amount~~ limit. The commissioner may waive this penalty  
1.14 if the excess administrative spending is the result of unexpected shifts in enrollment or  
1.15 member needs or new program requirements.

1.16 (b) The following expenses are not allowable administrative expenses for rate-setting  
1.17 purposes under this section:

1.18 (1) charitable contributions made by the managed care plan or the county-based  
1.19 purchasing plan;

1.20 (2) any portion of an individual's compensation in excess of \$200,000 paid by the  
1.21 managed care plan or county-based purchasing plan;

1.22 (3) any penalties or fines assessed against the managed care plan or county-based  
1.23 purchasing plan; and

2.1 (4) any indirect marketing or advertising expenses of the managed care plan or  
2.2 county-based purchasing plan.

2.3 For the purposes of this subdivision, compensation includes salaries, bonuses and  
2.4 incentives, other reportable compensation on an IRS 990 form, retirement and other  
2.5 deferred compensation, and nontaxable benefits.

2.6 **EFFECTIVE DATE.** This section is effective July 1, 2015.