

MLR Rebate Formula Calculation
6/11/2010

State of ABC Company XYZ Small Pool Minimum MLR		2011	2012	2013	2014	2015	2016	2017
	80%							
Paid Clinical Services PCS		\$6,000,000	\$7,400,000	\$9,100,000	\$7,000,000	\$9,000,000	\$11,700,000	\$10,800,000
Change in Claim Reserves CCLR		\$200,000	\$300,000	\$400,000	\$400,000	\$450,000	\$600,000	\$500,000
Change in Contract Reserves CCNR		\$200,000	\$200,000	\$250,000	\$350,000	\$350,000	\$400,000	\$450,000
Change in Durational Reserves CDR		\$100,000	\$100,000	\$250,000	\$250,000	\$250,000	\$300,000	\$250,000
Clinical Services CS		\$ 6,500,000	\$ 8,000,000	\$ 10,000,000	\$ 8,000,000	\$ 10,000,000	\$ 13,000,000	\$ 12,000,000
Quality Improvement QI		\$ 200,000	\$ 250,000	\$ 300,000	\$ 300,000	\$ 350,000	\$ 400,000	\$ 400,000
Numerator Num		\$ 6,700,000	\$ 8,250,000	\$ 10,300,000	\$ 8,300,000	\$ 10,350,000	\$ 13,400,000	\$ 12,400,000
Earned Premium EP		\$ 10,000,000	\$ 11,000,000	\$ 12,100,000	\$ 13,310,000	\$ 14,641,000	\$ 16,105,100	\$ 17,715,610
Taxes T		\$ 400,000	\$ 440,000	\$ 484,000	\$ 532,400	\$ 585,640	\$ 644,204	\$ 708,624
Denominator Den		\$ 9,600,000	\$ 10,560,000	\$ 11,616,000	\$ 12,777,600	\$ 14,055,360	\$ 15,460,896	\$ 17,006,986
(CS + QI) / (EP - T) MLR		70.0%	78.0%	89.0%	65.0%	74.0%	87.0%	73.0%
Member Months								
Credibility Adjustment CA		6.0%	5.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Paid PCS		\$ 6,305,000	\$ 7,760,000	\$ 9,700,000	\$ 7,760,000	\$ 9,700,000	\$ 12,610,000	\$ 11,640,000
Runout Reserve CSR		\$ 195,000	\$ 240,000	\$ 300,000	\$ 240,000	\$ 300,000	\$ 390,000	\$ 360,000
Matured Reserve MCSR		\$ 175,500	\$ 216,000	\$ 270,000	\$ 216,000	\$ 270,000	\$ 351,000	\$ 324,000
Three-year Clinical Services CS		\$ 6,500,000	\$ 8,000,000	\$ 23,673,500	\$ 24,974,000	\$ 26,974,000	\$ 29,974,000	\$ 33,689,000
Three-year Quality Improvement QI		\$ 200,000	\$ 250,000	\$ 750,000	\$ 850,000	\$ 950,000	\$ 1,050,000	\$ 1,150,000
ANum		\$ 6,700,000	\$ 8,250,000	\$ 24,423,500	\$ 25,824,000	\$ 27,924,000	\$ 31,024,000	\$ 34,839,000
Three-year Earned Premium AEP		\$ 10,000,000	\$ 11,000,000	\$ 33,100,000	\$ 36,410,000	\$ 40,051,000	\$ 44,056,100	\$ 48,461,710
Three-year Taxes AT		\$ 400,000	\$ 440,000	\$ 1,324,000	\$ 1,456,400	\$ 1,602,040	\$ 1,762,244	\$ 1,938,468
ADen		\$ 9,600,000	\$ 10,560,000	\$ 31,776,000	\$ 34,953,600	\$ 38,448,960	\$ 42,293,856	\$ 46,523,242
Three-year MLR AMLR		70.0%	78.0%	77.0%	74.0%	73.0%	73.0%	75.0%
Preliminary Rebate PR		\$ 960,000	\$ 211,200	\$ 953,280	\$ 2,097,216	\$ 2,691,427	\$ 2,960,570	\$ 2,326,162
Credibility Adjustment to Rebate CAR		\$ 576,000	\$ 528,000	\$ 1,271,040	\$ 1,398,144	\$ 1,537,958	\$ 1,691,754	\$ 1,860,930
Pooling Adjustment to Rebate PAR		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Previous Paid Rebate PPR		\$ -	\$ 384,000	\$ 384,000	\$ -	\$ 617,266	\$ 1,153,469	\$ 324,018
Paid Rebate FR		\$ 384,000	\$ -	\$ -	\$ 699,072	\$ 536,203	\$ 115,347	\$ 141,214
Admin and Profit A&P		\$ 2,516,000	\$ 2,310,000	\$ 1,316,000	\$ 3,778,528	\$ 3,169,157	\$ 1,945,549	\$ 4,465,771
% of EP %		25.2%	21.0%	10.9%	28.4%	21.6%	12.1%	25.2%
Three-year Admin and Profit 3 A&P		\$ 2,516,000	\$ 4,826,000	\$ 6,142,000	\$ 7,404,528	\$ 8,263,685	\$ 8,893,234	\$ 9,580,477
3 A&P / AEP 3 %		25.2%	43.9%	18.6%	20.3%	20.6%	20.2%	19.8%
Rebate allocation:								
Paid in Y+1		\$ 384,000	\$ -	\$ -	\$ 617,266	\$ 266,656	\$ -	\$ 105,215

Paid in Y+2	\$	-	\$	-	\$	-	\$	269,547	\$	57,362	\$	-	\$	-
Paid in Y+3	\$	-	\$	81,806	\$	-	\$	57,984	\$	35,999	\$	-	\$	-
1-yr Rebate Calc Ignoring Credibility 1PR	\$	670,000	\$	165,000	\$	-	\$	1,245,000	\$	621,000	\$	-	\$	868,000
1PR - Amount Rebated in Y+1 1PR1	\$	286,000	\$	165,000	\$	-	\$	627,734	\$	354,344	\$	-	\$	762,785
1PR1 - Amount Rebated in Y+2 1PR2	\$	286,000	\$	165,000	\$	-	\$	358,187	\$	296,982	\$	-	\$	762,785
Cumulative MLR after Rebates		73.8%		76.1%		80.7%		77.7%		77.7%		79.7%		78.6%

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