

211 CMR: DIVISION OF INSURANCE

211 CMR 147.00: METHODOLOGY FOR CALCULATING AND REPORTING MEDICAL LOSS RATIOS (MLRS) OF HEALTH BENEFIT PLANS

Section

- 147.01: Purpose and Scope
- 147.02: Definitions
- 147.03: Methodology for Calculating and Reporting MLR
- 147.04: Administrative Cost Expenditure
- 147.05: Medical Claims Expenditure
- 147.06: Reporting MLR
- 147.07: Severability

147.01: Purpose and Scope

211 CMR 147.00 establishes a uniform methodology for calculating and reporting by Carriers for the Medical Loss Ratios (MLRs) of Health Benefit Plans under M.G.L. c. 176J, § 6 and M.G.L. c. 176O, § 21.

147.02: Definitions

For purposes of 211 CMR 147.00, the following words shall mean:

Carrier. An insurer licensed or otherwise authorized to transact accident or health insurance under M.G.L. c. 175; a nonprofit hospital service corporation organized under M.G.L. c. 176A; a nonprofit medical service corporation organized under M.G.L. c. 176B; a health maintenance organization organized under M.G.L. c. 176G; and an organization entering into a preferred provider arrangement under M.G.L. c. 176I, but not including an employer purchasing coverage or acting on behalf of its employees or the employees of one or more subsidiaries or affiliated corporations of the employer. Unless otherwise noted, Carrier shall not include any entity to the extent it offers a policy, certificate or contract that is not a health benefit plan, as defined in M.G.L. c. 176J, § 1.

Commissioner. The Commissioner of Insurance appointed pursuant to M.G.L. c. 26, § 6, or his or her designee.

Commonwealth. The Commonwealth of Massachusetts.

Health Benefit Plan. A policy, contract, certificate or agreement entered into, offered or issued by a Carrier to provide, deliver, arrange for, pay for, or reimburse any of the costs of health care services.

Health Care Services. Services for the diagnosis, prevention, treatment, care or relief of a health condition, illness, injury or disease.

MLR. Medical Loss Ratio, which is the ratio of the incurred loss (or incurred claims) plus the loss adjustment expense (or change in contract reserves) to earned premiums, according to current NAIC methodology and with reference to federal guidance, or as otherwise determined by the Commissioner.

NAIC. The National Association of Insurance Commissioners.

Third-party Administrator. A person who, on behalf of a health insurer or purchaser of health benefits, receives or collects charges, contributions or premiums for, or adjusts or settles claims on or for residents of the Commonwealth.

147.03: Methodology for Calculating and Reporting MLR

Unless otherwise determined by the Commissioner, for the purposes of M.G.L. c. 176J, § 6 and M.G.L. c. 176O, § 21, the MLR of a Health Benefit Plan shall be calculated and reported in accordance with the current NAIC methodology for calculating and reporting MLR and with reference to federal guidance. When calculating MLR, a Third-party Administrator, pharmacy benefit manager or other similar entity shall perform its calculations utilizing data from the Health Benefit Plans it administers in the Commonwealth, and, if applicable, aggregate such data.

147.04: Administrative Cost Expenditure

Unless otherwise determined by the Commissioner, the following items shall be deemed to be an Administrative Cost Expenditure for the purposes of calculating and reporting the MLR of Health Benefit Plans for M.G.L. c. 176J, § 6 and M.G.L. c. 176O, § 21:

- (a) Financial administration expenses;
- (b) Marketing and sales expenses;
- (c) Distribution expenses;
- (d) Claims operations expenses;
- (e) Medical administration expenses, such as disease management, care management, utilization review and medical management activities;
- (f) Network operations expenses;
- (g) Charitable expenses;
- (h) Board, bureau or association fees;
- (i) State and federal tax expenses, including assessments; and
- (j) Payroll expenses.

147.05: Medical Claims Expenditure

Unless otherwise determined by the Commissioner, only those items treated as a Medical Claims Expenditures by the current NAIC methodology or federal guidance for calculating and reporting MLR shall be deemed to be a Medical Claims Expenditure for the purposes of calculating and reporting the MLR of Health Benefit Plans for M.G.L. c. 176J, § 6 and M.G.L. c. 176O, § 21.

147.06: Reporting MLR

Carriers shall report MLRs of Health Benefit Plans to the Division in accordance with M.G.L. c. 176J, § 6 and M.G.L. c. 176O, § 21 and by any other method designated by the Commissioner.

147.07: Severability

If any section or portion of a section of 211 CMR 147.00, or the applicability thereof to any person or circumstance is held invalid by any court of competent jurisdiction, the remainder of 211 CMR 147.00, or the applicability thereof to other persons or circumstances, will not be affected thereby.

REGULATORY AUTHORITY

211 CMR 147.00: St. 2010, c. 288, § 50.