

MILLIMAN RESEARCH REPORT

Medicaid risk-based managed care: Analysis of administrative costs for 2016

June 2017

Jeremy D. Palmer, FSA, MAAA
Christopher T. Pettit, FSA, MAAA
Ian M. McCulla, FSA, MAAA

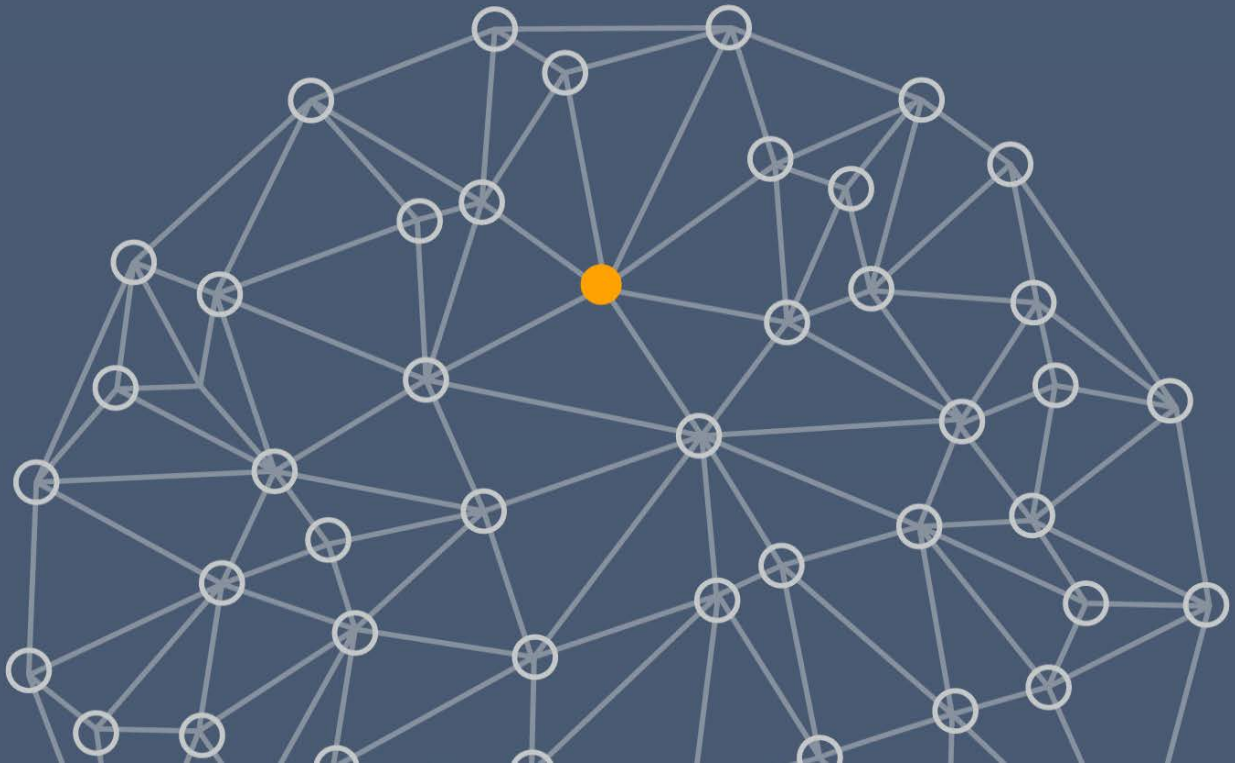




Table of Contents

INTRODUCTION	1
MEDICAID FOCUSED AND MEDICAID OTHER MCOS	2
SUMMARY OF RESULTS	3
METHODOLOGY	6
ADMINISTRATIVE EXPENSE CATEGORIES	7
MCO GROUPING	8
CMS REGION	8
ANNUAL MEDICAID REVENUE	8
MEDICAID REVENUE PMPM.....	9
AFFILIATION TYPE OF MCO (INDEPENDENT OR AFFILIATED)	9
MCO FINANCIAL STRUCTURE (FOR-PROFIT OR NONPROFIT).....	10
PHARMACY INDICATOR	10
MEDICAID EXPANSION STATES	11
REPORTED GAIN OR LOSS.....	11
CONCLUSION	12
LIMITATIONS AND DATA RELIANCE	12
QUALIFICATIONS	12
APPENDIX 1	13
APPENDIX 2	14
APPENDIX 3	18
APPENDIX 4	25
ABOUT THE AUTHORS	26
ACKNOWLEDGEMENTS	26

Introduction

Risk-based managed care is the platform from which Medicaid recipients receive healthcare benefits, at least in part, in 38 or more states in the United States and the District of Columbia. Managed care organizations (MCOs) of all varieties contract with state Medicaid agencies to deliver and manage the healthcare benefits under the Medicaid program in exchange for predetermined capitation revenue. Since the inception of the Patient Protection and Affordable Care Act (ACA) in 2010, and subsequent Medicaid expansion efforts in several states, the number of Medicaid beneficiaries as well as the number of MCOs operating in the Medicaid line of business have increased substantially. Additionally, current healthcare reform proposals, such as block grants, may increase the reliance states put on managed care programs in stabilizing state budgets.

Most states require that a contracted MCO also be a licensed health maintenance organization (HMO), which includes the requirement to file a statutory annual statement with the state insurance regulator. The statutory HMO annual statement is a standard reporting structure developed and maintained by the National Association of Insurance Commissioners (NAIC), with prescribed definitions allowing comparisons among various reporting entities.

This report summarizes the calendar year (CY) 2016 experience for selected administrative metrics of organizations reporting Medicaid experience under the Title XIX Medicaid line of business on the NAIC annual statement. The information was compiled from the reported annual statements.¹ Companies may be excluded from this report for the following reasons:

- Did not submit an annual statement
- Reported less than \$10 million in annual Medicaid (Title XIX) revenue
- Specialized behavioral health plan or long-term services and supports plan
- Premium revenues indicate a limited set of covered services
- Reported values appear to be influenced by unusual circumstances
- Omitted from the NAIC database of annual statements utilized for this report

Plans operating in the state of California are not included in this report, which is due to the lack of consistency in reporting and separate identifications of Medicaid experience on the financial statement page.

The primary purpose of this report is to provide reference and benchmarking information for certain key administrative expense categories used in the day-to-day analysis of Medicaid MCO financial performance. Additionally, this report explores the differences among various types of MCOs using available segmentation attributes defined from the reported financial statements. Because the detailed expense information reported in the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* is combined across all lines of business, we have restricted our analysis to MCOs categorized as “Medicaid focused” to analyze the expense breakdown associated with true Medicaid experience.

This report is correlated with the financial analysis report “Medicaid risk-based managed care: Analysis of financial results for 2016,” which has been produced based on CY 2016 financial statement information. A copy of this report can be obtained from the Milliman website (milliman.com/medicaid-financial-analysis-2016). This is the third issuance of this analysis of administrative costs report, and we anticipate that it will be routinely updated on an annual basis. The previous version of the administrative analysis report can also be obtained from the Milliman website (milliman.com/insight/2016/Medicaid-risk-based-managed-care-Analysis-of-administrative-costs-for-2015). The methodology used to generate this report is substantially consistent with the previous year’s report.

¹ National Association of Insurance Commissioners. Annual Statement Database, as delivered by SNL Financial, LC, all rights reserved.

Medicaid focused and Medicaid other MCOs

The related financial analysis report, “Medicaid risk-based managed care: Analysis of financial results for 2016,” contains analysis of key financial metrics for 189 MCOs that operate in the Medicaid line of business. Because of the detailed nature of this report and the aggregated level on which administrative costs are reported in financial statements, the results presented for the administrative analysis report are limited to 87 MCOs that were defined as “Medicaid focused” in the financial analysis report.

Please note that the revenue amounts not listed under the Title XIX Medicaid line of business are considered non-Medicaid for purposes of this report. To the extent that Children’s Health Insurance Program (CHIP) costs are reported in a line of business other than Medicaid, a plan may be categorized as “Medicaid other.” “Medicaid focused” refers to any MCO reporting \$10 million or more of Medicaid revenue and reporting 90% or more of its total revenue under the Title XIX Medicaid line of business.

Figure 1 compares the market share and administrative loss ratio (ALR) for “Medicaid focused” and “Medicaid other” MCOs.

FIGURE 1: MEDICAID FOCUSED VERSUS MEDICAID OTHER

CHARACTERISTICS	MEDICAID FOCUSED	MEDICAID OTHER	COMPOSITE
NUMBER OF MCOS	87	102	189
MEDICAID REVENUE (IN \$ BILLIONS)	\$78.8	\$84.9	\$163.7
MEDICAID ADMINISTRATIVE LOSS RATIO	11.7%	12.6%	12.2%

Note: Administrative loss ratio includes taxes and fees.

Figure 1 illustrates that the Medicaid focused MCOs experienced a slightly lower ALR than the “Medicaid other” MCOs in CY 2016. This varies from the CY 2015 financial results, which indicated nearly identical ALRs between the two MCO types. The remainder of this report summarizes the reported administrative costs for only the “Medicaid focused” MCOs. This limitation allows for a better understanding of the different non-benefit expense metrics by using true Medicaid experience.

We received information for 10 Medicaid focused MCOs operating in the State of Arizona Medicaid program that were outside of the NAIC annual statement information collected. The information obtained for these MCOs did not contain the level of administrative cost detail necessary to develop the metrics illustrated in this report. The Arizona MCOs are therefore excluded in the remaining figures in this report, resulting in a sample size of 77 MCOs.

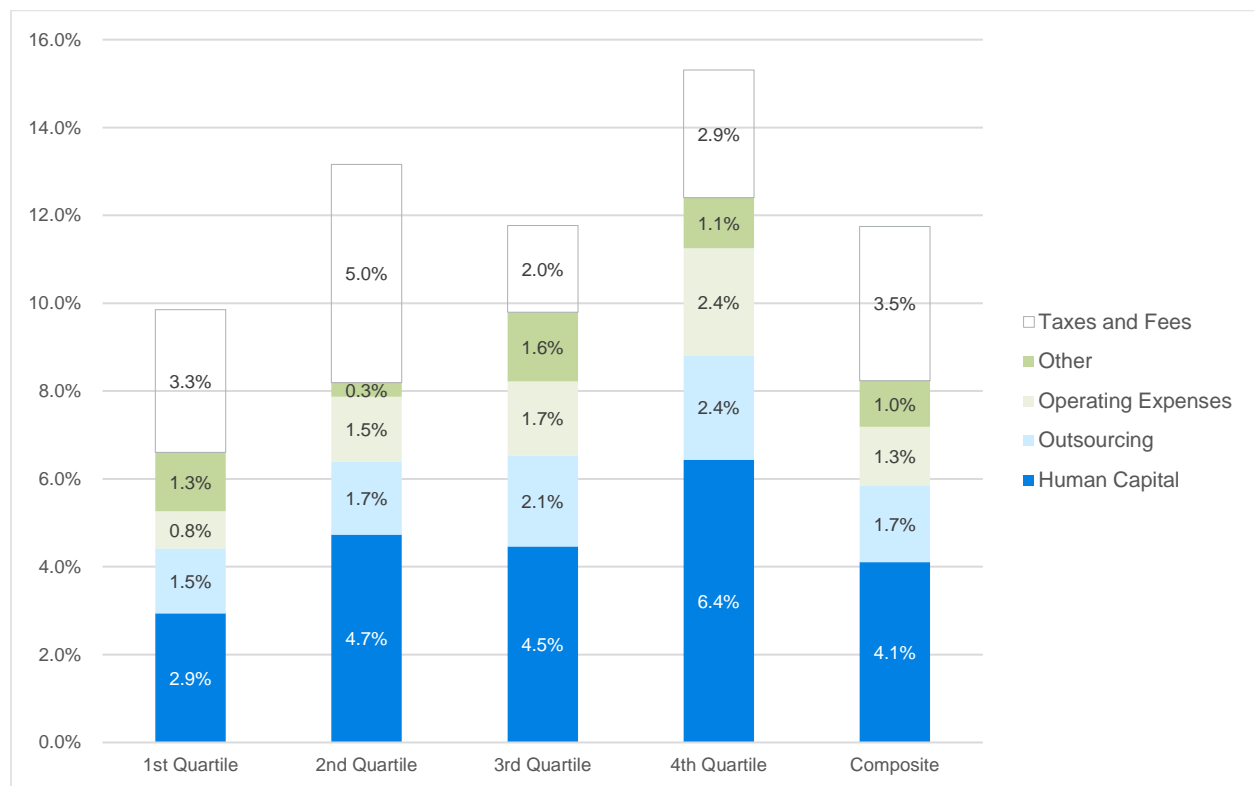
Summary of results

The CY 2016 annual statements for 32 states and the District of Columbia comprising 77 MCOs were compiled to produce outcomes of key administrative expense categories for various company groupings. The distribution of results is summarized in this report for reference and benchmarking purposes.

The primary expense categories that are used in the *Analysis of Operations by Line of Business* page include the claim adjustment expenses (CAE) and general administrative expenses (GAE). The CAE and GAE categories are further stratified by additional subcategories of expenses in the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page, which is the basis of the administrative expense categories illustrated in this report. The primary metrics for each administrative category are the ALR and the per member per month (PMPM) administrative costs.

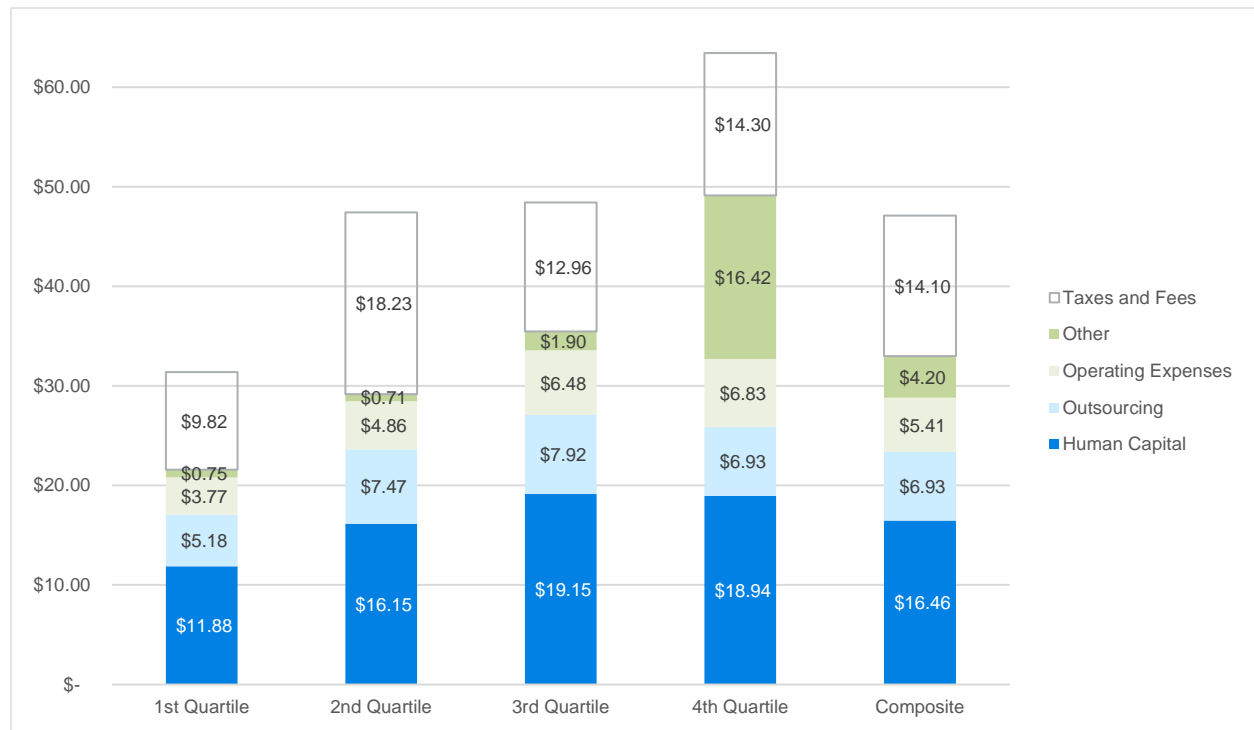
Figures 2 and 3 summarize the CY 2016 administrative expenses for the 77 companies meeting the criteria selected for this study. The administrative expenses are stratified by administrative cost categories summarized from the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page. Figure 2 illustrates the administrative costs on an ALR basis, while Figure 3 illustrates the administrative PMPM costs.

FIGURE 2: COMPOSITE ADMINISTRATIVE LOSS RATIO



Note: Companies were ranked and grouped by the ALR net of taxes and fees.

FIGURE 3: COMPOSITE ADMINISTRATIVE COSTS PMPM



Note: Companies were ranked and grouped by the administrative costs PMPM net of taxes and fees. The quartile grouping in Figure 3 is not necessarily the same as the grouping in Figure 2 above.

The results in Figures 2 and 3 illustrate the importance of analyzing the administrative costs net of taxes and fees, as the taxes and fees represent a significant but generally uncontrollable portion of the administrative costs incurred by an MCO. In composite, MCOs grouped in the fourth quartile of Figures 2 and 3 have higher administrative costs across all expense types than MCOs grouped in the first quartile. Human capital is a significant component of the administrative cost across all quartiles and includes costs related to salaries, wages, and other items specific to in-house staffing resources. Over 70% of the “Other” administrative expense type is attributable to four MCOs with large aggregate write-ins being reported for CY 2016. These write-ins are generally related to certain fees, such as premium fees, third-party administrator fees, and royalty fees.

Figures 4 and 5 summarize the composite revenue and administrative expenses for the most recent five-year period for all companies matching the inclusion criteria indicated in this report. The companies in each year are not the same; however, the criteria used to select the companies are consistent from year to year. The revenue and expense categories have been limited to the Medicaid line of business and are based upon the information reported in the *Analysis of Operations by Line of Business* and the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* pages.

FIGURE 4: COMPOSITE FINANCIAL RESULTS

CHARACTERISTICS	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
NUMBER OF COMPANIES	68	66	80	81	77
MEDICAID REVENUE (IN \$ BILLIONS)	\$34.8	\$33.1	\$55.8	\$63.5	\$73.5
MEMBER MONTHS (IN MILLIONS)	117	103	153	167	183
ALR NET OF TAXES AND FEES*	9.5%	9.3%	8.7%	8.8%	8.5%
ADMIN PMPM NET OF TAXES AND FEES	\$27.08	\$28.89	\$30.35	\$32.10	\$33.00

FIGURE 5: ADMINISTRATIVE EXPENSES BY YEAR

EXPENSE TYPE	CY 2012	CY 2013	CY 2014	CY 2015	CY 2016
HUMAN CAPITAL	4.6%	4.7%	4.3%	4.2%	4.1%
OUTSOURCING	1.7%	1.8%	1.6%	1.9%	1.7%
OPERATING EXPENSES	2.0%	1.7%	1.7%	1.5%	1.3%
OTHER	0.8%	0.8%	0.7%	0.9%	1.0%
TAXES AND FEES	3.5%	3.4%	4.0%	3.7%	3.5%
TOTAL	12.6%	12.4%	12.3%	12.1%	11.8%
TOTAL, NET OF TAXES AND FEES*	9.5%	9.3%	8.7%	8.8%	8.5%

* The ALR net of taxes and fees excludes taxes and fees from the numerator and denominator of the ALR calculation, and therefore is not equivalent to the sum of the component parts.

Based upon Figure 4, the administrative loss ratio net of taxes and fees incurred by the “Medicaid focused” MCOs declined by 0.6% from CY 2013 to CY 2014, with nominal changes thereafter. The decline in the ALR net of taxes and fees beginning in CY 2014 could be associated with the initial coverage of Medicaid expansion, disabled, and long-term care populations along with administrative efficiencies from including additional individuals in managed care. However, the administrative cost PMPM has increased steadily from CY 2012 to CY 2016 at a rate between 5% and 7%, with only a 3% increase in CY 2016.

Reporting of funds received and funds used to pay the ACA-required health insurer assessment fee impacted CY 2014 through CY 2016 experience, and may continue to affect future years. The amount and timing of the revenue and expenses related to the health insurer assessment fee, and potential corporate income tax gross-ups, vary across states and reporting entities. It is possible that this or other ACA provisions have caused a material change in the reported revenues and the administrative expenses in CY 2014 through CY 2016.

The ALR values net of taxes and fees illustrated in Figures 4 and 5, and the remaining figures in this report, were calculated by excluding taxes and fees from both the numerator and denominator of the ALR formula. Therefore, the ALR net of taxes and fees will generally not equal the total ALR minus the taxes and fees component. Additionally, please note that values have been rounded throughout this report, and the sum of each component expense type may not add up to the illustrated total.

Appendix 1 illustrates the mapping of Centers for Medicare and Medicaid Services (CMS) regions used in various groupings throughout this report.

Appendix 2 provides additional detail on the ALR and administrative cost PMPM with respect to the “MCO grouping” section of this report.

Appendix 3 provides the listing of each MCO as well as the company attributes assumed for purposes of the MCO groupings included in this report.

Appendix 4 provides the expense category assumptions included in this report.

Methodology

The expense categories used for purposes of this report included the claim adjustment expenses (CAE) and the general administrative expenses (GAE). Any administrative expenses reported in the Investment Expenses section of the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page are not included in this report. Further splits of the CAE and GAE based on information reported in the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page have been illustrated in the tables throughout this report, and these categories are described in the following section of this report.

The selected metric for analyzing the administrative expenses is the percentage of revenue or ALR. ALR is a common financial metric used to report and benchmark the financial performance of an MCO. The ALR represents the proportion of revenue that was used by the MCO to fund administrative expenses. The ALR is stated as a percentage with administrative expense in the numerator and revenue in the denominator.

In terms of the statutory annual statement, the ALR was defined as follows:

ALR =	$\frac{\text{CLAIM ADJUSTMENT EXPENSES} + \text{GENERAL ADMINISTRATIVE EXPENSES}}{\text{TOTAL REVENUE}}$
WHERE:	CLAIM ADJUSTMENT EXPENSES: TITLE XIX-MEDICAID (P.7, L.19, C.8) GENERAL ADMINISTRATIVE EXPENSES: TITLE XIX-MEDICAID (P.7, L.20, C.8) TOTAL REVENUE: TITLE XIX-MEDICAID (P.7, L.7, C.8)

The ALR requires interpretation and considerations, most notably the state and federal taxes levied on MCOs across the different states. The ALR values net of taxes and fees illustrated in this report were calculated by excluding taxes and fees from both the numerator and denominator of the ALR formula.

The administrative cost PMPM is the second metric for analyzing administrative expenses because of the fixed cost nature of certain components of the administrative expense. The administrative cost PMPM was defined as follows:

ADMIN PMPM =	$\frac{\text{CLAIM ADJUSTMENT EXPENSES} + \text{GENERAL ADMINISTRATIVE EXPENSES}}{\text{CURRENT YEAR MEMBER MONTHS}}$
WHERE:	CLAIM ADJUSTMENT EXPENSES: TITLE XIX-MEDICAID (P.7, L.19, C.8) GENERAL ADMINISTRATIVE EXPENSES: TITLE XIX-MEDICAID (P.7, L.20, C.8) CURRENT YEAR MEMBER MONTHS: TITLE XIX-MEDICAID (P.30 GT, L.6, C.9)

The administrative cost PMPM illustrated throughout the report is the administrative cost PMPM net of taxes and fees. Therefore, the administrative cost PMPM was calculated using the CAE and GAE net of taxes and fees.

Administrative expense categories

The administrative expenses reported on the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page are broken out into 25 specific line items. These line items were grouped into five administrative expense categories to better illustrate the components of administrative cost incurred by the MCOs. The subcategories were selected to be intuitive groupings as well as meaningful with respect to their relative magnitudes. The following descriptions outline each administrative expense category:

- Human capital: Administrative costs associated with the employment of MCO staff.
- Outsourcing: Administrative costs associated with functions outsourced to a third party.
- Operating expenses: Administrative costs associated with the day-to-day costs of running the MCO.
- Taxes and fees: Administrative costs associated with taxes and fees incurred by the MCO. Payroll taxes were assigned to the human capital category. Real estate taxes were assigned to the operating expenses category. Federal and state income taxes are not included in the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page, and are not included in this administrative expense category.
- Other expenses: Administrative costs for aggregate write-ins and reimbursements by uninsured plans and fiscal intermediaries.

The *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page illustrates administrative expenses across all lines of business. Throughout the figures illustrated in this report, the administrative costs in each administrative expense category were proportionally adjusted so the total Medicaid administrative expenses would match the amounts reported in the *Analysis of Operations by Line of Business* page.

Additionally, Line 19 and Line 20 of the *Underwriting and Investment Exhibit Part 3 – Analysis of Expenses* page, “Reimbursements by uninsured plans” and “Reimbursements from fiscal intermediaries,” were excluded from the administrative cost grouping, because these lines would likely be attributable to non-Medicaid business.

MCO grouping

MCOs meeting the criteria specified at the beginning of this report were retained and categorized using certain key attributes. The attributes included the CMS region, annual Medicaid revenue, Medicaid revenue PMPM, affiliation type of MCO (independent or affiliated), MCO financial structure, pharmacy indicator, whether operating in a Medicaid expansion state, and underwriting (UW) gain or loss.

The selected MCO groupings encompass plan characteristics that were available on the reported financial statements and may be expected to exhibit differing results for the selected administrative expense groupings. The groupings are defined in greater detail below. Certain groupings result in small sample sizes for MCOs of certain characteristics, which may cause volatility and uncertainty in the illustrated results.

CMS REGION

Administrative functions and premium revenue are believed to vary by geographic location. As such, it may be inferred that at least some portion of the administrative expense results for an MCO are correlated to the geographic area in which the MCO is participating.

Figure 6 illustrates the geographic segmentation of MCOs. The region was defined using the CMS regional definitions illustrated in Appendix 1 of this report. These definitions were taken from the CMS website ([cms.hhs.gov](https://www.cms.hhs.gov)). The region grouping is not the specific level at which premiums or capitations are established, however, and this could diminish the value of correlation among financial results at this grouping level.

FIGURE 6: CMS REGION

CMS REGION	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
REGION 1	4	4.5%	1.7%	1.6%	1.5%	0.1%	9.4%	8.0%	\$36.84
REGION 2	4	3.4%	2.3%	1.0%	3.7%	0.4%	10.9%	7.4%	\$32.72
REGION 3	10	2.7%	0.8%	0.7%	2.7%	3.8%	10.7%	8.2%	\$35.12
REGION 4	16	4.8%	1.7%	1.6%	2.9%	1.4%	12.4%	9.7%	\$33.81
REGION 5	18	3.8%	1.8%	1.4%	4.4%	0.3%	11.8%	7.7%	\$30.14
REGION 6	10	5.0%	1.8%	1.8%	5.8%	0.4%	14.8%	9.6%	\$35.64
REGION 7	8	4.6%	1.7%	1.2%	2.1%	0.7%	10.3%	8.4%	\$37.37
REGION 8	1	6.1%	0.9%	0.9%	-0.1%	0.2%	8.1%	8.2%	\$21.53
REGION 9	2	5.0%	1.0%	1.1%	3.3%	0.8%	11.3%	8.2%	\$24.61
REGION 10	4	4.1%	3.0%	1.4%	2.8%	0.0%	11.3%	8.8%	\$26.33

The ALR net of taxes and fees varies significantly across CMS regions, indicating there may be substantive differences in administrative costs by region. This observation may be attributed to the varying levels of administrative functions that are required across different Medicaid programs. This result is consistent with prior iterations of this report, but it's important to note that many regions include a small sample size that may affect the credibility of the results.

ANNUAL MEDICAID REVENUE

The annual revenue under which the MCO operates may be a contributing factor to the resulting administrative expenses summarized in this report. Administrative expense percentages are believed to vary based on MCO size because of fixed and variable expense structures.

The drawback of developing conclusions based on annual Medicaid revenue is that often MCOs, at the organization or parent company level, are larger than the Medicaid revenue they report in a given state program. The business in other programs such as Medicare and commercial or Medicaid business in other states may provide the economies of scale to spread costs and create efficiencies.

FIGURE 7: ANNUAL MEDICAID REVENUE

ANNUAL MEDICAID	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
\$10 TO \$250 MILLION	11	5.5%	2.8%	1.8%	1.7%	0.4%	12.2%	10.7%	\$28.20
\$250 TO \$600 MILLION	22	4.8%	2.0%	1.7%	2.4%	0.6%	11.4%	9.3%	\$31.17
\$600 MILLION TO \$1.2 BILLION	24	4.7%	1.7%	1.3%	3.8%	0.6%	12.1%	8.7%	\$31.61
MORE THAN \$1.2 BILLION	20	3.6%	1.6%	1.2%	3.7%	1.4%	11.6%	8.2%	\$34.71

The results shown in Figure 7 indicate that administrative costs net of taxes and fees generally decline as a percentage of revenue for most administrative cost categories as the MCO revenue increases. However, the administrative cost PMPM increases as the MCO revenue increases. This result is attributable to MCOs with more total revenue also serving populations with higher premiums on a PMPM basis.

MEDICAID REVENUE PMPM

Within Medicaid, there are various population types with significantly different cost profiles. For example, the average claim PMPM for a typical Temporary Assistance for Needy Families (TANF) population is expected to be significantly less than for a disabled population. The segmentation of population was not available in the data used in this report. As such, the revenue PMPM was used as a proxy to indicate different population morbidities. The specific categories were based upon similar splits utilized in the corresponding financial performance report, "Medicaid risk-based managed care: Analysis of financial results for 2016." The trend in states transitioning certain long-term care services into managed care and higher-cost populations may have applied upward pressure on the revenue PMPMs observed across the plans included in this report.

FIGURE 8: MEDICAID REVENUE PMPM

MEDICAID REVENUE PMPM	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
LESS THAN \$290	18	4.9%	2.6%	1.6%	2.6%	0.7%	12.4%	10.1%	\$24.83
\$290 TO \$425	35	4.8%	1.7%	1.5%	5.0%	0.2%	13.2%	8.7%	\$29.49
MORE THAN \$425	24	3.4%	1.5%	1.2%	2.6%	1.8%	10.5%	8.1%	\$40.75

The results in Figure 8 indicate that the ALR net of taxes and fees is higher for MCOs with smaller revenue PMPMs. This result is consistent with the concept that the administrative costs incurred by an MCO include a level of both fixed and variable costs, resulting in a higher ALR for lower-cost populations.

AFFILIATION TYPE OF MCO (INDEPENDENT OR AFFILIATED)

The annual statements of MCOs are reported at the legal entity level. Many MCOs create separate legal entities for the Medicaid line of business. This practice complicates a comparison of MCOs by total revenue or organizational size. These complications can be mitigated somewhat by using parent company information for the MCO legal entity, located on the jurat page of the annual statement.

Researchers and analysts believe that an MCO that is affiliated with a larger organization will benefit from administrative efficiencies and other economies of scale because of its resource-sharing and overhead allocation capabilities. The economies of scale could also extend to claim items such as national prescription benefit management contracts or stop-loss reinsurance contracts.

FIGURE 9: MCO AFFILIATION TYPE

MCO AFFILIATION TYPE	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
INDEPENDENT	14	3.9%	1.9%	1.3%	0.8%	1.7%	9.7%	8.9%	\$33.77
AFFILIATED	63	4.1%	1.7%	1.4%	3.8%	1.0%	12.0%	8.5%	\$32.90

Figure 9 indicates that MCOs affiliated with larger organizations experience ALR values net of taxes and fees that are, on average, comparable with independent MCOs, but overall slightly lower. It is important to note that the small sample size of independent MCOs may affect this result.

MCO FINANCIAL STRUCTURE (FOR-PROFIT OR NONPROFIT)

The MCO financial structure was defined using the company type found on the jurat page of the annual statement. The segmentation of the financial structure includes for-profit and nonprofit MCOs.

The financial structure of an MCO is thought by some to be correlated to its resulting financial performance. For example, for-profit companies could be assumed to require lower ALRs to provide a greater return on investment for shareholders, while nonprofit companies may be generally focused on a sufficient contribution to surplus to allow for ongoing research and development as well as other capital initiatives.

FIGURE 10: MCO FINANCIAL STRUCTURE

FINANCIAL	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
FOR-PROFIT	59	4.5%	1.6%	1.5%	3.9%	1.1%	12.5%	9.0%	\$34.39
NONPROFIT	18	3.1%	2.1%	1.1%	2.5%	0.8%	9.6%	7.3%	\$29.06

The for-profit MCOs summarized in our analysis exhibit a higher ALR compared with nonprofit MCOs, driven largely by payment for human capital and operating expenses. Although the low sample size for nonprofit MCOs may affect this result, it is similar to prior year's reports.

PHARMACY INDICATOR

Pharmacy benefits typically make up 20% to 25% of the total claim cost for Medicaid beneficiaries enrolled in managed care. Certain states include pharmacy within the capitation rate while others carve this and potentially other services out of the capitation agreement and make separate arrangements for their payment.

The purpose of reporting the administrative expense results for programs with or without pharmacy benefits in the capitation rates is to explore the potential impact of the unique administrative structure of the pharmacy benefits.

FIGURE 11: PHARMACY INDICATOR

PHARMACY INDICATOR	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
PHARMACY INCLUDED	69	4.0%	1.8%	1.3%	3.4%	1.1%	11.5%	8.4%	\$33.74
PHARMACY EXCLUDED	8	5.8%	1.3%	1.6%	5.2%	0.2%	14.1%	9.5%	\$26.84

The ALR net of taxes and fees varies in Figure 11 for MCOs that include pharmacy as compared with MCOs that carve out pharmacy. This result is intuitive, as it is generally thought that pharmacy benefits require less claim administration cost (as a percentage of revenue) to operate through the use of a pharmacy benefit manager.

While it may not be a directly causal relationship, the additional expenses that are due to pharmacy appear to dampen the portion of total expenses that administrative expenses constitute.

MEDICAID EXPANSION STATES

The ACA provided states with the ability to expand coverage under Medicaid beginning in 2014. During CY 2016 we identified 31 states plus the District of Columbia that provided coverage to beneficiaries through Medicaid expansion. These states began coverage prior to July 1, 2016, to identify as a Medicaid expansion state for this analysis. We have summarized the financial metrics for MCOs operating in states that expanded Medicaid coverage versus those that did not.

Also of note is that, despite the expansion of Medicaid coverage, the enrollment of beneficiaries into managed care may not be fully reflected in the reported experience, depending upon timelines and enrollment processes established by the different states.

FIGURE 12: STATE MEDICAID EXPANSION

STATE EXPANSION/NO EXPANSION	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
EXPANSION STATE	50	3.7%	1.7%	1.3%	3.6%	1.2%	11.4%	8.2%	\$34.01
NON-EXPANSION STATE	27	5.2%	1.8%	1.6%	3.4%	0.7%	12.7%	9.6%	\$30.74

Although this may not be a causal relationship, Figure 12 illustrates the difference in administrative expenses in managed care where states have opted to expand the Medicaid program under the ACA. While the ALR net of taxes and fees is lower in expansion states, the administrative cost net of taxes and fees PMPM is higher. This may be a reflection of the types of populations covered in expansion and non-expansion states.

REPORTED GAIN OR LOSS

The MCO gain/(loss) is defined using the underwriting gain line item in the annual statement. MCOs reporting a positive value are included in the "Gain" grouping while MCOs reporting a negative value are included in the "Loss" grouping. This segmentation is intended to review the resulting administrative expense ratio values and determine whether the administrative expense appeared to be an indication of an MCO report of a gain or loss.

It is intuitive that MCOs reporting an underwriting gain would have lower ALRs than those reporting an underwriting loss. This segmentation is intended to review the average values, and to observe the relative contributions of each component to the gain or loss position.

FIGURE 13: MCO GAIN/LOSS

MCO GAIN/(LOSS)	N	HUMAN CAPITAL	OUT-SOURCING	OPERATING EXPENSES	TAXES AND FEES	OTHER	TOTAL	TOTAL NET OF TAXES AND FEES	ADMIN PMPM NET OF TAXES AND FEES
REPORTED A GAIN	54	4.0%	1.6%	1.3%	3.7%	1.2%	11.9%	8.4%	\$31.84
REPORTED A LOSS	23	4.3%	2.0%	1.5%	3.0%	0.7%	11.5%	8.7%	\$35.85

As observed in Figure 13, the ALR net of the taxes and fees is only slightly lower for MCOs that reported a gain. Prior iterations of this report illustrated a more substantive difference between MCOs reporting a gain and loss. In 2015, differences in administrative expense types were observed for all expense categories, especially outsourcing (which was 1.3%). In 2016, the difference in outsourcing is materially less.

Conclusion

Risk-based managed care represents a large portion of total Medicaid expenditures for CY 2016 and the amount of expenditures will continue to grow if Medicaid expansion programs increase enrollment and states continue to transition members out of fee-for-service environments. MCOs are an integral part of this delivery system and their financial results will help us understand the continued sustainability of risk-based managed care.

Reviewing the administrative expense structure for various companies will help us understand the efficiency and sustainability of risk-based managed care. The results provide reference and benchmarking information for administrative expense categories used in the day-to-day analysis of Medicaid MCO financial and administrative performance. The results observed for the MCOs were volatile in nature but did suggest certain correlations among the various MCO characteristics selected for this study.

It will be important to continue monitoring the results over time as the world of healthcare finance continues to evolve and pose new challenges.

Limitations and data reliance

The results contained in this report were compiled using data and information obtained from the statutory annual statements for Medicaid MCOs filed with the respective state insurance regulators. The annual statements were retrieved as of June 7, 2017, from an online database. In addition to the limiting criteria used to select companies in this report, certain MCOs may be omitted from this report because of the timing of annual statement submissions or their exclusions from the online database. For example, California is known to operate a managed care program, but it is not included in this report because there were no annual statements found in the online database.

The information was relied upon as reported and without audit. We performed a limited review of the data for reasonableness and consistency. To the extent that the data reported contained material errors or omissions, the values contained within this report would likewise contain similar reporting errors.

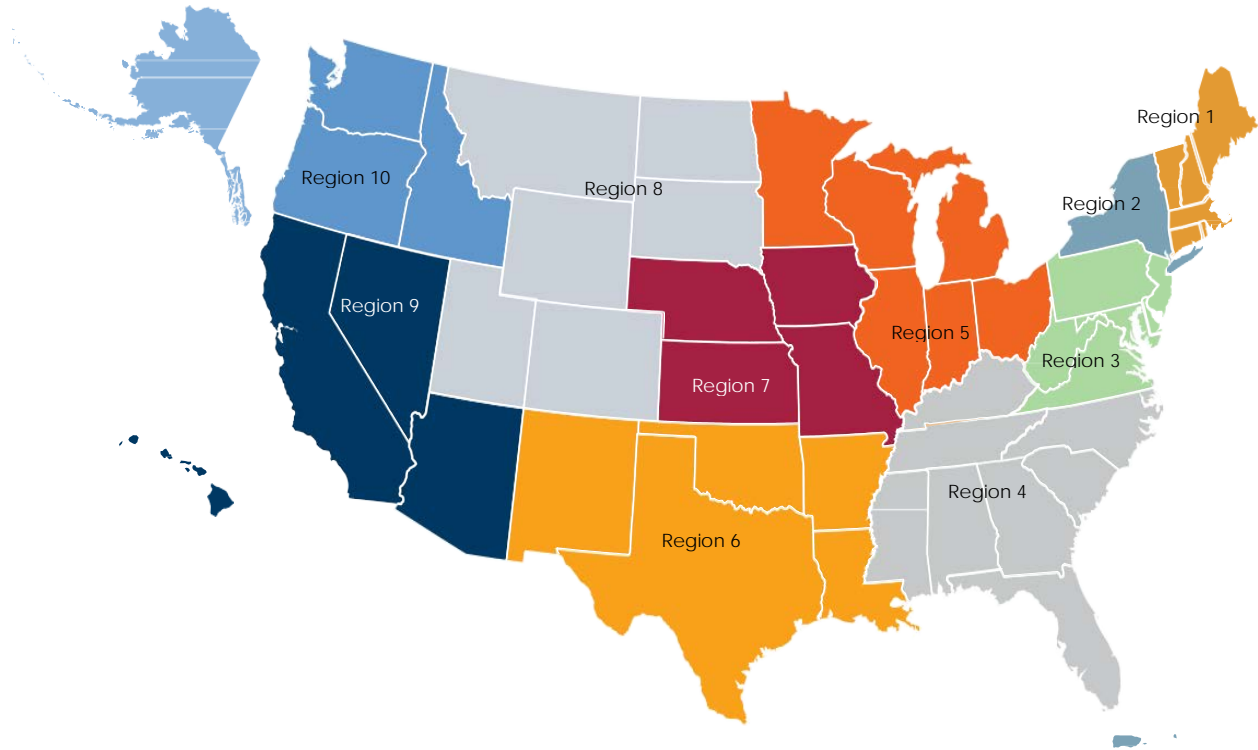
This report is intended for informational purposes only. Milliman makes no representations or warranties regarding the contents of this report to third parties. Likewise, third parties are instructed that they are to place no reliance upon this report that would result in the creation of any duty or liability under any theory of law by Milliman or its employees to third parties.

The views expressed in this research paper are made by the authors and do not represent the opinions of Milliman, Inc. Other Milliman consultants may hold alternative views and reach different conclusions from those shown.

Qualifications

Guidelines issued by the American Academy of Actuaries require actuaries to include their professional qualifications in all actuarial communications. The authors are members of the American Academy of Actuaries, and meet the qualification standards for performing the analyses in this report.

Appendix 1



Appendix 2

ADMINISTRATIVE LOSS RATIO: CY 2016 RESULTS

MCO GROUPING	CATEGORY	N	REVENUE		PERCENTILE				
			(IN \$ BILLIONS)	MEAN	10TH	25TH	50TH	75TH	90TH
COMPOSITE	COMPOSITE	77	73.5	11.8%	7.7%	9.6%	11.7%	14.3%	15.8%
CMS REGION	REGION 1	4	3.0	9.4%	7.7%	8.9%	11.5%	13.2%	13.6%
	REGION 2	4	7.9	10.9%	9.7%	10.9%	12.8%	14.6%	15.8%
	REGION 3	10	9.5	10.7%	7.3%	9.1%	9.9%	14.6%	18.5%
	REGION 4	16	18.1	12.4%	9.0%	10.2%	12.1%	14.5%	15.7%
	REGION 5	18	18.1	11.8%	7.3%	9.5%	12.3%	15.4%	16.1%
	REGION 6	10	7.5	14.8%	10.2%	11.2%	13.9%	15.2%	17.5%
	REGION 7	8	5.7	10.3%	6.8%	10.6%	11.6%	12.6%	14.2%
	REGION 8	1	0.1	8.1%	8.1%	8.1%	8.1%	8.1%	8.1%
	REGION 9	2	0.9	11.3%	7.7%	7.7%	10.4%	13.0%	13.0%
	REGION 10	4	2.7	11.3%	8.6%	9.4%	10.9%	13.2%	14.6%
ANNUAL REVENUE	\$10 TO \$250 MILLION	11	1.6	12.2%	9.3%	9.5%	12.8%	14.2%	16.4%
	\$250 TO \$600 MILLION	22	9.3	11.4%	7.5%	9.3%	11.8%	13.7%	14.6%
	\$600 MILLION TO \$1.2 BILLION	24	21.8	12.1%	9.1%	10.1%	11.6%	14.4%	15.8%
	MORE THAN \$1.2 BILLION	20	40.8	11.6%	7.2%	9.1%	11.2%	15.3%	16.1%
REVENUE PMPM	LESS THAN \$290	18	8.4	12.4%	8.1%	10.1%	12.2%	13.9%	14.6%
	\$290 TO \$425	35	28.3	13.2%	8.6%	10.3%	13.4%	14.9%	15.8%
	MORE THAN \$425	24	36.8	10.5%	7.5%	9.2%	10.2%	13.1%	16.1%
MCO AFFILIATION TYPE	INDEPENDENT	14	8.1	9.7%	7.7%	9.1%	9.8%	12.6%	16.4%
	AFFILIATED	63	65.4	12.0%	8.1%	10.1%	12.5%	14.6%	15.8%
MCO FINANCIAL STRUCTURE	FOR-PROFIT	59	53.9	12.5%	8.1%	10.3%	12.8%	14.6%	16.0%
	NONPROFIT	18	19.6	9.6%	7.3%	9.1%	9.7%	11.7%	15.8%
PHARMACY INDICATOR	INCLUDED	69	67.6	11.5%	7.7%	9.6%	11.6%	14.3%	16.0%
	EXCLUDED	8	5.9	14.1%	9.5%	11.3%	13.4%	14.7%	15.7%
EXPANSION STATUS	EXPANSION STATE	50	54.7	11.4%	7.5%	9.3%	11.7%	14.7%	16.1%
	NON-EXPANSION STATE	27	18.8	12.7%	9.1%	10.3%	11.9%	14.1%	15.1%
GAIN/(LOSS) POSITION	REPORTED A GAIN	54	51.0	11.9%	8.9%	9.7%	11.6%	14.2%	16.0%
	REPORTED A LOSS	23	22.5	11.5%	7.5%	8.1%	12.8%	14.8%	15.7%

ADMINISTRATIVE LOSS RATIO NET OF TAXES: CY 2016 RESULTS

MCO GROUPING	CATEGORY	REVENUE		PERCENTILE					
		N	(IN \$ BILLIONS)	MEAN	10TH	25TH	50TH	75TH	90TH
COMPOSITE	COMPOSITE	77	73.5	8.5%	7.0%	7.7%	8.7%	10.3%	12.9%
CMS REGION	REGION 1	4	3.0	8.0%	7.0%	7.7%	9.4%	10.4%	10.5%
	REGION 2	4	7.9	7.4%	6.2%	7.2%	8.8%	12.3%	15.1%
	REGION 3	10	9.5	8.2%	6.5%	7.5%	8.4%	10.4%	13.5%
	REGION 4	16	18.1	9.7%	7.2%	9.0%	9.7%	10.8%	13.2%
	REGION 5	18	18.1	7.7%	5.0%	7.1%	8.4%	10.0%	14.2%
	REGION 6	10	7.5	9.6%	7.7%	8.1%	8.7%	10.0%	11.9%
	REGION 7	8	5.7	8.4%	6.8%	7.3%	9.4%	11.8%	12.8%
	REGION 8	1	0.1	8.2%	8.2%	8.2%	8.2%	8.2%	8.2%
	REGION 9	2	0.9	8.2%	7.7%	7.7%	8.1%	8.4%	8.4%
	REGION 10	4	2.7	8.8%	7.0%	7.6%	8.3%	9.8%	11.2%
ANNUAL REVENUE	\$10 TO \$250 MILLION	11	1.6	10.7%	8.2%	9.0%	10.5%	14.2%	14.3%
	\$250 TO \$600 MILLION	22	9.3	9.3%	7.0%	7.5%	9.3%	11.2%	12.9%
	\$600 MILLION TO \$1.2 BILLION	24	21.8	8.7%	7.1%	7.7%	8.4%	10.0%	11.2%
	MORE THAN \$1.2 BILLION	20	40.8	8.2%	6.2%	7.1%	8.5%	9.5%	10.3%
REVENUE PMPM	LESS THAN \$290	18	8.4	10.1%	7.7%	8.4%	9.9%	12.1%	13.2%
	\$290 TO \$425	35	28.3	8.7%	7.0%	7.7%	8.6%	10.3%	11.8%
	MORE THAN \$425	24	36.8	8.1%	6.3%	7.1%	8.3%	9.8%	13.4%
MCO AFFILIATION TYPE	INDEPENDENT	14	8.1	8.9%	7.7%	8.2%	9.1%	12.6%	14.3%
	AFFILIATED	63	65.4	8.5%	6.8%	7.5%	8.6%	10.3%	12.1%
MCO FINANCIAL STRUCTURE	FOR-PROFIT	59	53.9	9.0%	7.1%	7.8%	9.0%	10.5%	13.2%
	NONPROFIT	18	19.6	7.3%	5.0%	7.0%	8.1%	9.1%	10.4%
PHARMACY INDICATOR	INCLUDED	69	67.6	8.5%	6.8%	7.6%	8.4%	10.2%	12.9%
	EXCLUDED	8	5.9	9.4%	8.2%	9.0%	10.5%	12.5%	14.2%
EXPANSION STATUS	EXPANSION STATE	50	54.7	8.2%	6.2%	7.3%	8.3%	10.0%	11.5%
	NON-EXPANSION STATE	27	18.8	9.6%	7.7%	8.4%	9.6%	12.1%	13.2%
GAIN/(LOSS) POSITION	REPORTED A GAIN	54	51.0	8.4%	7.0%	7.7%	8.4%	10.0%	13.2%
	REPORTED A LOSS	23	22.5	8.7%	6.8%	7.4%	9.5%	11.2%	12.6%

ADMINISTRATIVE COSTS PMPM: CY 2016 RESULTS

MCO GROUPING	CATEGORY	REVENUE			PERCENTILE				
		N	(IN \$ BILLIONS)	MEAN	10TH	25TH	50TH	75TH	90TH
COMPOSITE	COMPOSITE	77	73.5	\$ 47.10	\$ 27.97	\$ 34.49	\$ 44.37	\$ 54.18	\$ 76.56
CMS REGION	REGION 1	4	3.0	\$ 43.71	\$ 35.22	\$ 40.86	\$ 49.47	\$ 52.72	\$ 53.01
	REGION 2	4	7.9	\$ 49.88	\$ 44.58	\$ 48.29	\$ 52.79	\$ 75.45	\$ 97.34
	REGION 3	10	9.5	\$ 47.15	\$ 26.24	\$ 31.50	\$ 40.18	\$ 58.61	\$ 68.46
	REGION 4	16	18.1	\$ 44.27	\$ 29.98	\$ 34.25	\$ 44.82	\$ 51.28	\$ 57.50
	REGION 5	18	18.1	\$ 48.31	\$ 14.17	\$ 36.05	\$ 43.82	\$ 61.41	\$ 93.40
	REGION 6	10	7.5	\$ 58.28	\$ 25.44	\$ 34.13	\$ 53.71	\$ 60.95	\$ 109.23
	REGION 7	8	5.7	\$ 46.88	\$ 24.43	\$ 33.63	\$ 44.01	\$ 65.37	\$ 79.13
	REGION 8	1	0.1	\$ 21.29	\$ 21.29	\$ 21.29	\$ 21.29	\$ 21.29	\$ 21.29
	REGION 9	2	0.9	\$ 34.99	\$ 28.59	\$ 28.59	\$ 33.02	\$ 37.44	\$ 37.44
	REGION 10	4	2.7	\$ 34.79	\$ 27.97	\$ 32.00	\$ 37.17	\$ 40.12	\$ 41.93
ANNUAL REVENUE	\$10 TO \$250 MILLION	11	1.6	\$ 32.75	\$ 21.29	\$ 21.74	\$ 34.77	\$ 52.01	\$ 63.31
	\$250 TO \$600 MILLION	22	9.3	\$ 39.34	\$ 28.59	\$ 31.50	\$ 40.07	\$ 52.44	\$ 67.04
	\$600 MILLION TO \$1.2 BILLION	24	21.8	\$ 45.82	\$ 29.98	\$ 37.11	\$ 43.15	\$ 55.94	\$ 76.56
	MORE THAN \$1.2 BILLION	20	40.8	\$ 51.07	\$ 34.07	\$ 45.19	\$ 50.97	\$ 55.57	\$ 76.29
REVENUE PMPM	LESS THAN \$290	18	8.4	\$ 31.37	\$ 14.17	\$ 24.43	\$ 30.89	\$ 35.67	\$ 41.93
	\$290 TO \$425	35	28.3	\$ 47.34	\$ 28.81	\$ 36.05	\$ 44.37	\$ 56.32	\$ 63.31
	MORE THAN \$425	24	36.8	\$ 54.23	\$ 36.78	\$ 46.26	\$ 52.32	\$ 81.09	\$ 97.34
MCO AFFILIATION TYPE	INDEPENDENT	14	8.1	\$ 36.99	\$ 21.29	\$ 27.97	\$ 34.45	\$ 46.70	\$ 63.31
	AFFILIATED	63	65.4	\$ 48.42	\$ 29.98	\$ 36.05	\$ 45.81	\$ 56.32	\$ 76.56
MCO FINANCIAL STRUCTURE	FOR-PROFIT	59	53.9	\$ 49.88	\$ 29.14	\$ 35.67	\$ 45.81	\$ 57.07	\$ 79.13
	NONPROFIT	18	19.6	\$ 39.27	\$ 14.17	\$ 28.59	\$ 39.77	\$ 47.49	\$ 67.04
PHARMACY INDICATOR	INCLUDED	69	67.6	\$ 47.67	\$ 28.59	\$ 35.22	\$ 45.77	\$ 56.32	\$ 79.13
	EXCLUDED	8	5.9	\$ 42.36	\$ 14.17	\$ 27.31	\$ 33.63	\$ 45.78	\$ 53.64
EXPANSION STATUS	EXPANSION STATE	50	54.7	\$ 49.35	\$ 30.16	\$ 37.44	\$ 48.10	\$ 57.07	\$ 81.18
	NON-EXPANSION STATE	27	18.8	\$ 42.06	\$ 21.74	\$ 29.98	\$ 35.67	\$ 45.77	\$ 76.56
GAIN/(LOSS) POSITION	REPORTED A GAIN	54	51.0	\$ 46.45	\$ 27.50	\$ 31.50	\$ 42.60	\$ 56.32	\$ 79.13
	REPORTED A LOSS	23	22.5	\$ 48.71	\$ 34.77	\$ 36.78	\$ 46.70	\$ 53.29	\$ 60.95

ADMINISTRATIVE COSTS PMPM NET OF TAXES: CY 2016 RESULTS

MCO GROUPING	CATEGORY	REVENUE			PERCENTILE				
		N	(IN \$ BILLIONS)	MEAN	10TH	25TH	50TH	75TH	90TH
COMPOSITE	COMPOSITE	77	73.5	\$ 33.00	\$ 21.53	\$ 27.33	\$ 31.78	\$ 39.75	\$ 50.10
CMS REGION	REGION 1	4	3.0	\$ 36.84	\$ 32.16	\$ 34.58	\$ 37.64	\$ 40.89	\$ 43.50
	REGION 2	4	7.9	\$ 32.72	\$ 27.33	\$ 31.07	\$ 34.91	\$ 63.78	\$ 92.55
	REGION 3	10	9.5	\$ 35.12	\$ 21.42	\$ 25.54	\$ 33.06	\$ 41.66	\$ 47.88
	REGION 4	16	18.1	\$ 33.81	\$ 24.04	\$ 29.02	\$ 33.72	\$ 40.57	\$ 50.10
	REGION 5	18	18.1	\$ 30.14	\$ 13.29	\$ 24.49	\$ 30.62	\$ 37.78	\$ 44.25
	REGION 6	10	7.5	\$ 35.64	\$ 20.47	\$ 28.83	\$ 29.44	\$ 33.25	\$ 67.61
	REGION 7	8	5.7	\$ 37.37	\$ 19.33	\$ 31.25	\$ 40.54	\$ 48.82	\$ 50.38
	REGION 8	1	0.1	\$ 21.53	\$ 21.53	\$ 21.53	\$ 21.53	\$ 21.53	\$ 21.53
	REGION 9	2	0.9	\$ 24.61	\$ 23.08	\$ 23.08	\$ 25.84	\$ 28.59	\$ 28.59
	REGION 10	4	2.7	\$ 26.33	\$ 22.79	\$ 24.23	\$ 27.13	\$ 29.82	\$ 31.07
ANNUAL REVENUE	\$10 TO \$250 MILLION	11	1.6	\$ 28.20	\$ 17.71	\$ 21.53	\$ 34.77	\$ 36.99	\$ 54.01
	\$250 TO \$600 MILLION	22	9.3	\$ 31.17	\$ 19.27	\$ 25.68	\$ 31.70	\$ 39.54	\$ 40.80
	\$600 MILLION TO \$1.2 BILLION	24	21.8	\$ 31.61	\$ 22.79	\$ 27.24	\$ 30.80	\$ 39.64	\$ 48.92
	MORE THAN \$1.2 BILLION	20	40.8	\$ 34.71	\$ 25.23	\$ 29.01	\$ 33.59	\$ 43.00	\$ 49.41
REVENUE PMPM	LESS THAN \$290	18	8.4	\$ 24.83	\$ 13.44	\$ 21.53	\$ 24.24	\$ 31.07	\$ 34.86
	\$290 TO \$425	35	28.3	\$ 29.49	\$ 21.80	\$ 28.57	\$ 29.73	\$ 37.63	\$ 39.75
	MORE THAN \$425	24	36.8	\$ 40.75	\$ 31.97	\$ 34.13	\$ 43.87	\$ 50.24	\$ 77.27
MCO AFFILIATION TYPE	INDEPENDENT	14	8.1	\$ 33.77	\$ 17.71	\$ 22.79	\$ 31.17	\$ 43.50	\$ 54.01
	AFFILIATED	63	65.4	\$ 32.90	\$ 23.08	\$ 27.33	\$ 31.78	\$ 39.54	\$ 48.92
MCO FINANCIAL STRUCTURE	FOR-PROFIT	59	53.9	\$ 34.64	\$ 23.24	\$ 28.95	\$ 32.05	\$ 39.75	\$ 50.38
	NONPROFIT	18	19.6	\$ 29.06	\$ 13.29	\$ 17.71	\$ 27.96	\$ 40.87	\$ 46.14
PHARMACY INDICATOR	INCLUDED	69	67.6	\$ 33.74	\$ 21.80	\$ 27.33	\$ 32.16	\$ 40.80	\$ 50.38
	EXCLUDED	8	5.9	\$ 26.84	\$ 13.44	\$ 24.26	\$ 29.92	\$ 31.25	\$ 34.86
EXPANSION STATUS	EXPANSION STATE	50	54.7	\$ 34.01	\$ 22.93	\$ 28.57	\$ 31.87	\$ 40.87	\$ 52.05
	NON-EXPANSION STATE	27	18.8	\$ 30.74	\$ 19.33	\$ 24.04	\$ 30.46	\$ 37.97	\$ 46.22
GAIN/(LOSS) POSITION	REPORTED A GAIN	54	51.0	\$ 31.84	\$ 19.27	\$ 24.45	\$ 30.32	\$ 40.33	\$ 50.38
	REPORTED A LOSS	23	22.5	\$ 35.85	\$ 26.42	\$ 31.07	\$ 34.86	\$ 39.54	\$ 48.72

Appendix 3

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
ARIZONA	CARE 1ST	REGION 9	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	HEALTH CHOICE	REGION 9	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	HEALTH NET ACCESS	REGION 9	\$10M TO \$250M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	MARICOPA HEALTH PLAN	REGION 9	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
ARIZONA	MERCY CARE PLAN	REGION 9	\$1.2 B+	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	PHOENIX HEALTH PLAN	REGION 9	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	UNITED HEALTH CARE COMMUNITY	REGION 9	\$1.2 B+	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ARIZONA	UNIVERSITY FAMILY CARE	REGION 9	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
ARIZONA	UNITED - CRS	REGION 9	\$250M TO \$600M	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
ARIZONA	CMDP	REGION 9	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
COLORADO	ROCKY MTN HLTH MAINTENANCE ORG	REGION 8	\$10M TO \$250M	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
DISTRICT OF COLUMBIA	AMERIHEALTH CARITAS DISTRICT	REGION 3	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
DISTRICT OF COLUMBIA	TRUSTED HEALTH PLAN	REGION 3	\$10M TO \$250M	\$290 TO \$425	MEDICAID FOCUSED	INDEPENDENT	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
FLORIDA	AMERIGROUP FLORIDA INC.	REGION 4	\$1.2 B+	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	BETTER HEALTH INC.	REGION 4	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	COVENTRY HEALTH CARE OF FL INC	REGION 4	\$250M TO \$600M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	FLORIDA MHS INC.	REGION 4	\$250M TO \$600M	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	FLORIDA TRUE HEALTH INC.	REGION 4	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	HUMANA MEDICAL PLAN INC.	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	MOLINA HEALTHCARE OF FL INC.	REGION 4	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	SIMPLY HEALTHCARE PLANS INC.	REGION 4	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	SUNSHINE STATE HEALTH PLAN INC	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	UNITEDHEALTHCARE OF FL INC.	REGION 4	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
FLORIDA	WELLCARE OF FLORIDA INC.	REGION 4	\$1.2 B+	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
GEORGIA	AMGP GEORGIA MANAGED CARE CO.	REGION 4	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
GEORGIA	PEACH STATE HEALTH PLAN INC.	REGION 4	\$1.2 B+	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
GEORGIA	WELLCARE OF GEORGIA INC.	REGION 4	\$1.2 B+	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
HAWAII	ALOHCARE	REGION 9	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
HAWAII	HAWAII MEDICAL SERVICE ASSN.	REGION 9	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
HAWAII	KAISER FNDTN HLTH PLAN INC. HI	REGION 9	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
HAWAII	WELLCARE HEALTH INS OF AZ INC.	REGION 9	\$250M TO \$600M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ILLINOIS	AETNA BETTER HEALTH INC. (IL)	REGION 5	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
ILLINOIS	FAMILY HEALTH NETWORK INC.	REGION 5	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
ILLINOIS	HARMONY HEALTH PLAN INC.	REGION 5	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
ILLINOIS	HEALTH ALLIANCE CONNECT INC.	REGION 5	\$250M TO \$600M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
ILLINOIS	HEALTHSPRING OF TENNESSEE INC.	REGION 5	\$10M TO \$250M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
ILLINOIS	ILLINICARE HEALTH PLAN INC.	REGION 5	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
ILLINOIS	MERIDIAN HEALTH PLAN OF IL INC	REGION 5	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
ILLINOIS	MOLINA HEALTHCARE OF IL INC	REGION 5	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
INDIANA	ANTHEM INSURANCE COMPANIES INC	REGION 5	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
INDIANA	COORDINATED CARE CORP.	REGION 5	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
IOWA	AMERIGROUP IOWA INC.	REGION 7	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
IOWA	AMERIHEALTH CARITAS IOWA INC.	REGION 7	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
KANSAS	AMERIGROUP KANSAS INC.	REGION 7	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
KANSAS	SUNFLOWER STATE HLTH PLAN INC.	REGION 7	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
KANSAS	UNITEDHEALTHCARE OF THE MW INC	REGION 7	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
KENTUCKY	AETNA BETTER HLTH OF KY INS CO	REGION 4	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
KENTUCKY	ANTHEM KY MNGD CARE PLAN INC.	REGION 4	\$250M TO \$600M	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
KENTUCKY	COVENTRY HEALTH & LIFE INS CO.	REGION 4	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
KENTUCKY	HUMANA HEALTH PLAN INC.	REGION 4	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
KENTUCKY	UNIVERSITY HEALTH CARE INC.	REGION 4	\$1.2 B+	\$425+	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
KENTUCKY	WELLCARE HLTH INS CO. OF KY	REGION 4	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
LOUISIANA	AETNA BETTER HEALTH INC. (LA)	REGION 6	\$250M TO \$600M	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
LOUISIANA	AMERIHEALTH CARITAS LA INC.	REGION 6	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
LOUISIANA	CMNTY CARE HLTH PLAN OF LA INC	REGION 6	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
LOUISIANA	LA HEALTHCARE CONNECTIONS INC.	REGION 6	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
LOUISIANA	UNITEDHEALTHCARE OF LA INC.	REGION 6	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MARYLAND	AMERIGROUP MARYLAND INC.	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MARYLAND	KAISER FOUNDATION HEALTH PLAN	REGION 3	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MARYLAND	MEDSTAR FAMILY CHOICE INC.	REGION 3	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
MARYLAND	UNITEDHEALTHCARE	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MASSACHUSETTS	BOSTON MED CENTER HEALTH PLAN	REGION 1	\$1.2 B+	\$425+	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MASSACHUSETTS	CELTICARE HLTH PLAN OF MA INC.	REGION 1	\$10M TO \$250M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MASSACHUSETTS	FALLON COMMUNITY HLTH PLAN INC	REGION 1	\$10M TO \$250M	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MASSACHUSETTS	HEALTH NEW ENGLAND INC.	REGION 1	\$250M TO \$600M	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MASSACHUSETTS	NEIGHBORHOOD HEALTH PLAN INC.	REGION 1	\$1.2 B+	\$425+	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MASSACHUSETTS	TUFTS HEALTH PUBLIC PLANS INC.	REGION 1	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
MICHIGAN	AETNA BETTER HEALTH OF MI INC.	REGION 5	\$250M TO \$600M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
MICHIGAN	BLUE CROSS COMPLETE OF MI LLC	REGION 5	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	HARBOR HEALTH PLAN INC.	REGION 5	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	MCLAREN HEALTH PLAN INC.	REGION 5	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	MERIDIAN HLTH PLAN OF MI INC.	REGION 5	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	MICHIGAN COMPLETE HEALTH INC.	REGION 5	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
MICHIGAN	MOLINA HEALTHCARE OF MI INC.	REGION 5	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	PRIORITY HEALTH CHOICE INC.	REGION 5	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	TOTAL HEALTH CARE INC.	REGION 5	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MICHIGAN	UNITEDHEALTHCARE CMNTY (MI)	REGION 5	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MICHIGAN	UPPER PENINSULA HLTH PLAN LLC	REGION 5	\$10M TO \$250M	\$425+	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
MINNESOTA	HEALTHPARTNERS INC.	REGION 5	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MINNESOTA	HENNEPIN HEALTH	REGION 5	\$10M TO \$250M	\$425+	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
MINNESOTA	HMO MINNESOTA	REGION 5	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MINNESOTA	MEDICA HEALTH PLANS	REGION 5	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MINNESOTA	UCARE MINNESOTA	REGION 5	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
MISSISSIPPI	MAGNOLIA HEALTH PLAN INC.	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
MISSISSIPPI	UNITEDHEALTHCARE OF MS INC.	REGION 4	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
MISSOURI	AETNA BETTER HEALTH OF MO LLC	REGION 7	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
MISSOURI	HOME STATE HEALTH PLAN INC.	REGION 7	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
MISSOURI	MISSOURI CARE INC.	REGION 7	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
NEBRASKA	AMERIHEALTH NEBRASKA INC.	REGION 7	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
NEBRASKA	COVENTRY HEALTH CARE OF NE INC	REGION 7	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
NEBRASKA	UNITEDHEALTHCARE (MIDLANDS)	REGION 7	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
NEVADA	AMERIGROUP NEVADA INC.	REGION 9	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEVADA	HEALTH PLAN OF NEVADA INC.	REGION 9	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW HAMPSHIRE	GRANITE STATE HEALTH PLAN INC.	REGION 1	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
NEW JERSEY	AETNA BETTER HEALTH INC. (NJ)	REGION 2	\$10M TO \$250M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW JERSEY	AMERICHoice OF NEW JERSEY INC.	REGION 2	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW JERSEY	AMERIGROUP NEW JERSEY INC.	REGION 2	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW JERSEY	HORIZON HEALTHCARE OF NJ INC.	REGION 2	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
NEW JERSEY	WELL CARE HLTH PLANS OF NJ INC.	REGION 2	\$250M TO \$600M	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW MEXICO	HCSC INSURANCE SERVICES CO.	REGION 6	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
NEW MEXICO	MOLINA HEALTHCARE OF NM INC.	REGION 6	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
NEW MEXICO	PRESBYTERIAN HEALTH PLAN INC.	REGION 6	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW MEXICO	UNITEDHEALTHCARE OF NEW MEXICO	REGION 6	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
NEW YORK	CAP DISTRICT PHYSICIANS' HLTH	REGION 2	\$250M TO \$600M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	EXCELLUS HEALTH PLAN INC.	REGION 2	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	HEALTH INS PLAN OF GREATER NY	REGION 2	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	HEALTHNOW NEW YORK INC.	REGION 2	\$10M TO \$250M	\$425+	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	INDEPENDENT HEALTH ASSN.	REGION 2	\$250M TO \$600M	\$425+	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	MVP HEALTH PLAN INC.	REGION 2	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
NEW YORK	UNITEDHEALTHCARE OF NY INC.	REGION 2	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
OHIO	BUCKEYE CMNTY HEALTH PLAN INC.	REGION 5	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
OHIO	CARESOURCE	REGION 5	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
OHIO	MOLINA HEALTHCARE OF OHIO INC.	REGION 5	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
OHIO	PARAMOUNT ADVANTAGE	REGION 5	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
OHIO	UNITEDHEALTHCARE CMNTY (OH)	REGION 5	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
OREGON	PROVIDENCE HEALTH ASSURANCE	REGION 10	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
OREGON	TRILLIUM CMNTY HEALTH PLAN INC	REGION 10	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	AETNA BETTER HEALTH INC. (PA)	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	GATEWAY HEALTH PLAN INC.	REGION 3	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	GEISINGER HEALTH PLAN	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
PENNSYLVANIA	HEALTH PARTNERS PLANS INC.	REGION 3	\$1.2 B+	\$425+	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	UNITEDHEALTHCARE OF PA INC.	REGION 3	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	UPMC FOR YOU INC.	REGION 3	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
PENNSYLVANIA	VISTA HEALTH PLAN (PA)	REGION 3	\$1.2 B+	\$425+	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
RHODE ISLAND	NEIGHBORHOOD HEALTH PLAN OF RI	REGION 1	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
RHODE ISLAND	UNITEDHEALTHCARE (NEW ENGLAND)	REGION 1	\$250M TO \$600M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
SOUTH CAROLINA	ABSOLUTE TOTAL CARE INC.	REGION 4	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
SOUTH CAROLINA	ADVICARE CORP.	REGION 4	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
SOUTH CAROLINA	BLUECHOICE HEALTHPLAN OF SC	REGION 4	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
SOUTH CAROLINA	MOLINA HEALTHCARE OF SC LLC	REGION 4	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
SOUTH CAROLINA	SELECT HEALTH OF SC INC.	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
SOUTH CAROLINA	WELLCARE OF SOUTH CAROLINA INC	REGION 4	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TENNESSEE	AMERIGROUP TENNESSEE INC.	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
TENNESSEE	UNITEDHEALTHCARE PLAN	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
TENNESSEE	VOLUNTEER STATE HLTH PLAN INC.	REGION 4	\$1.2 B+	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
TEXAS	AETNA BETTER HEALTH OF TX INC.	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	AMERIGROUP INSURANCE CO.	REGION 6	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	AMERIGROUP TEXAS INC.	REGION 6	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	BANKERS RESERVE LIFE INS CO.	REGION 6	\$1.2 B+	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
TEXAS	CHRISTUS HEALTH PLAN	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
TEXAS	COMMUNITY FIRST HLTH PLANS INC	REGION 6	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	COMMUNITY HEALTH CHOICE INC.	REGION 6	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	LOSS	NON-EXPANSION STATE
TEXAS	COOK CHILDREN'S HEALTH PLAN	REGION 6	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	DRISCOLL CHILDREN'S HLTH PLAN	REGION 6	\$250M TO \$600M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	EL PASO FIRST HEALTH PLANS INC	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	HEALTHSPRING L&H INSURANCE CO.	REGION 6	\$600M TO \$1.2 B	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
TEXAS	MOLINA HLTHCR OF TEXAS INC.	REGION 6	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	PARKLAND CMNTY HEALTH PLAN INC	REGION 6	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	SCOTT & WHITE HEALTH PLAN	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	SENDERO HEALTH PLANS INC.	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
TEXAS	SETON HEALTH PLAN INC.	REGION 6	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	SHA L.L.C.	REGION 6	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	SUPERIOR HEALTHPLAN INC.	REGION 6	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
TEXAS	TEXAS CHILDREN'S HLTH PLAN INC	REGION 6	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - YES	LOSS	NON-EXPANSION STATE
TEXAS	UNITEDHEALTHCARE CMNTY (TX)	REGION 6	\$1.2 B+	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
UTAH	HEALTH CHOICE UTAH INC.	REGION 8	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
UTAH	MOLINA HEALTHCARE OF UTAH INC.	REGION 8	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
UTAH	SELECTHEALTH INC.	REGION 8	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
VIRGINIA	COVENTRY HLTHCARE OF VA INC.	REGION 3	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
VIRGINIA	HEALTHKEEPERS INC.	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	NON-EXPANSION STATE
VIRGINIA	INTOTAL HEALTH LLC	REGION 3	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	FOR-PROFIT	RX - YES	LOSS	NON-EXPANSION STATE
VIRGINIA	OPTIMA HEALTH PLAN	REGION 3	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
VIRGINIA	VIRGINIA PREMIER HLTH PLAN INC	REGION 3	\$600M TO \$1.2 B	\$425+	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	NON-EXPANSION STATE
WASHINGTON	AMERIGROUP WASHINGTON INC.	REGION 10	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WASHINGTON	COMMUNITY HEALTH PLAN OF WA	REGION 10	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - YES	GAIN	EXPANSION STATE
WASHINGTON	COORDINATED CARE OF WA INC.	REGION 10	\$600M TO \$1.2 B	\$0 TO \$290	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	LOSS	EXPANSION STATE
WASHINGTON	MOLINA HEALTHCARE OF WA INC.	REGION 10	\$1.2 B+	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WASHINGTON	UNITEDHEALTHCARE OF WA INC.	REGION 10	\$600M TO \$1.2 B	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WEST VIRGINIA	COVENTRY HEALTH CARE OF WV INC	REGION 3	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WEST VIRGINIA	HEALTH PLAN OF THE UPPER OH	REGION 3	\$250M TO \$600M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - YES	LOSS	EXPANSION STATE
WEST VIRGINIA	UNICARE HEALTH PLAN OF WV INC.	REGION 3	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WEST VIRGINIA	WV FAMILY HEALTH PLAN INC.	REGION 3	\$250M TO \$600M	\$290 TO \$425	MEDICAID FOCUSED	AFFILIATED	FOR-PROFIT	RX - YES	GAIN	EXPANSION STATE
WISCONSIN	CHILDREN'S CMNTY HLTH PLAN INC	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	NONPROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	COMPCARE HEALTH SVCS INS CORP.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	DEAN HEALTH PLAN INC.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	GROUP HLTH COOP OF EAU CLAIRE	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - NO	LOSS	NON-EXPANSION STATE
WISCONSIN	GRP HLTH COOP OF SOUTH CENTRAL	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - NO	LOSS	NON-EXPANSION STATE

MCO GROUPING ASSUMPTIONS, 2016

STATE	MCO	CMS REGION	ANNUAL REVENUE	REVENUE PMPM	MCO TYPE	MCO AFFILIATION TYPE	FINANCIAL STRUCTURE	PHARMACY INDICATOR	GAIN OR LOSS	EXPANSION STATUS
WISCONSIN	GUNDERSEN HEALTH PLAN INC.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	NONPROFIT	RX - NO	LOSS	NON-EXPANSION STATE
WISCONSIN	HEALTH TRADITION HEALTH PLAN	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	INDEPENDENT CARE HEALTH PLAN	REGION 5	\$10M TO \$250M	\$425+	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
WISCONSIN	MANAGED HEALTH SVCS INS CORP.	REGION 5	\$10M TO \$250M	\$290 TO \$425	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	MERCYCARE HMO INC.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
WISCONSIN	MOLINA HEALTHCARE OF WI INC.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	NETWORK HEALTH PLAN	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE
WISCONSIN	PHYSICIANS PLUS INSURANCE CORP	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	SECURITY HEALTH PLAN OF WI INC	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	INDEPENDENT	NONPROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	TRILOGY HEALTH INSURANCE INC.	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID FOCUSED	INDEPENDENT	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	UNITEDHEALTHCARE OF WI INC.	REGION 5	\$250M TO \$600M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	GAIN	NON-EXPANSION STATE
WISCONSIN	UNITY HEALTH PLANS INS CORP	REGION 5	\$10M TO \$250M	\$0 TO \$290	MEDICAID OTHER	AFFILIATED	FOR-PROFIT	RX - NO	LOSS	NON-EXPANSION STATE

Appendix 4

ADMINISTRATIVE CATEGORY DEFINITIONS

ADMINISTRATIVE EXPENSE BREAKDOWN		U&I EXHIBIT PART 3 EXPENSES (COLUMNS 3-4)
HUMAN CAPITAL	SALARIES, WAGES, AND OTHER BENEFITS	LINE 2
	BOARDS, BUREAUS, AND ASSOCIATION FEES	LINE 15
	INSURANCE, EXCEPT ON REAL ESTATE	LINE 16
	PAYROLL TAXES	LINE 23.4
OUTSOURCING	AUDITING, ACTUARIAL, AND OTHER CONSULTING SERVICES	LINE 6
	OUTSOURCED SERVICES INCLUDING EDP, CLAIMS, AND OTHER SERVICES	LINE 14
OPERATING EXPENSES	RENT	LINE 1
	COMMISSIONS	LINE 3
	LEGAL FEES AND EXPENSES	LINE 4
	CERTIFICATIONS AND ACCREDITATION FEES	LINE 5
	TRAVELING EXPENSES	LINE 7
	MARKETING AND ADVERTISING	LINE 8
	POSTAGE, EXPRESS, AND TELEPHONE	LINE 9
	PRINTING AND OFFICE SUPPLIES	LINE 10
	OCCUPANCY, DEPRECIATION, AND AMORTIZATION	LINE 11
	EQUIPMENT	LINE 12
	COST OR DEPRECIATION OF EDP EQUIPMENT AND SOFTWARE	LINE 13
	COLLECTION AND BANK SERVICE CHARGES	LINE 17
	GROUP SERVICE AND ADMINISTRATION FEES	LINE 18
	REAL ESTATE EXPENSES	LINE 21
REAL ESTATE TAXES	LINE 22	
INVESTMENT EXPENSES NOT INCLUDED ELSEWHERE	LINE 24	
TAXES AND FEES	STATE AND LOCAL INSURANCE TAXES	LINE 23.1
	STATE PREMIUM TAXES	LINE 23.2
	REGULATORY AUTHORITY LICENSES AND FEES	LINE 23.3
	OTHER (EXCLUDING FEDERAL INCOME AND REAL ESTATE TAXES)	LINE 23.5
OTHER	AGGREGATE WRITE-INS FOR EXPENSES	LINE 25
	REIMBURSEMENTS BY UNINSURED PLANS ²	LINE 19
	REIMBURSEMENTS FROM FISCAL INTERMEDIARIES ²	LINE 20

² Excluded except for in Figure 1.

About the authors

Jeremy Palmer is a principal and consulting actuary with the Indianapolis office of Milliman and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. Mr. Palmer joined Milliman in 2004 and currently has over 21 years of healthcare-related actuarial experience.

Christopher Pettit is a principal and consulting actuary with the Indianapolis office of Milliman and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. Mr. Pettit joined Milliman in 2004 and currently has over 13 years of healthcare-related actuarial experience.

Ian McCulla is a consulting actuary with the Indianapolis office of Milliman and is a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. Mr. McCulla joined Milliman in 2009 and currently has over eight years of healthcare-related actuarial experience.

All authors have developed an expertise in the financial forecasting, pricing, reporting, and reserving of all types of health insurance, including for Medicaid and commercial populations.

Much of Mr. Palmer's, Mr. Pettit's, and Mr. McCulla's experience is focused on Medicaid managed care consulting for both state Medicaid programs and Medicaid managed care plans in more than 15 states and territories.

Acknowledgments

The authors gratefully acknowledge Mr. Jason Nowakowski, FSA, MAAA, principal and consulting actuary in the Seattle office of Milliman, for his peer review and comments during the writing of this report.

Additionally, the authors express gratitude to the health actuarial staff in the Indianapolis office of Milliman for their data mining and analytical support during the writing of this report.



Milliman is among the world's largest providers of actuarial and related products and services. The firm has consulting practices in life insurance and financial services, property & casualty insurance, healthcare, and employee benefits. Founded in 1947, Milliman is an independent firm with offices in major cities around the globe.

milliman.com

CONTACT

Jeremy Palmer
jeremy.palmer@milliman.com

Christopher Pettit
christopher.pettit@milliman.com

Ian McCulla
ian.mcculla@milliman.com