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Press Release

Milliman releases analysis of Medicaid managed care administrative costs

Report focuses on true administrative costs without taxes and fees

Seattle – June 21, 2016 – Milliman, Inc., a premier global consulting and actuarial firm, today announced the second iteration of its research into the administrative expenses associated with Medicaid managed care plans. This research complements the analysis of Medicaid managed care financial results report that was released on June 6, 2016. The information has considerable value given the CMS Medicaid managed care rule (CMS-2390-F) published on April 25, 2016 and historical CMS Medicaid capitation rate-setting guidance. These regulations require greater documentation of administrative costs included in the capitation rates and this information can be useful in providing greater transparency of the rate-setting process.

“The additional analysis on administrative expenses is critical in helping understand the true expenses being incurred by the Medicaid managed care organizations,” said Chris Pettit, Milliman principal and consulting actuary. “The recent approval of the Medicaid managed care rule highlights the focus being placed on each component of the managed care capitation rates. We believe that this research can become as familiar in the industry as our financial analysis report to help establish benchmarks for use in rate-setting.”

Key findings from the analysis include:

- The average administrative loss ratio (ALR) for Medicaid focused plans is 8.8% after removing the impact of taxes and fees
- CY 2014 and 2015 ALR values, net of taxes and fees, are considerably lower than previous years
- The administrative per member per month (PMPM) value continues to climb as average premium levels increase

This is the second year the administrative expenses report has been produced, with expectation of providing future annual updates consistent with the Medicaid managed care organization financial results report.

To see the Medicaid administrative expenses report go to <http://us.milliman.com/insight/2016/Medicaid-risk-based-managed-care-Analysis-of-administrative-costs-for-2015/>.



About Milliman

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

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