

Report in Brief

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U.S. DEPARTMENT OF HEALTH & HUMAN SERVICES
OFFICE OF INSPECTOR GENERAL



Why **OIG** Did This Review

Private health insurers, Medicare Advantage plans, and Medicare Part D sponsors are required to spend a fixed percentage of premium dollars to provide medical services and health quality improvement activities. This percentage is known as a medical loss ratio (MLR). This report is part of a series of **OIG** reviews conducted to determine whether the Medicaid program could achieve savings if States required Medicaid managed care organizations (MCOs) to meet a minimum MLR standard and pay remittances if the MLR standard was not met.

Our objective was to determine the potential Medicaid program savings if Wisconsin (1) required its Medicaid managed care plans to meet a minimum MLR standard similar to the Federal standards for certain private health insurers and Medicare Advantage plans and (2) required remittances if that MLR standard was not met.

How **OIG** Did This Review

We reviewed 2014 cost and premium revenue data for 11 Wisconsin Medicaid managed care plans. For each plan, we determined the MLR for the same period and the amount the MCOs would have had to return to Wisconsin if the plans were required to meet MLR standards similar to the Federal standards for certain private insurers and Medicare Advantage plans.

Review of Wisconsin Medicaid Managed Care Program Potential Savings With Minimum Medical Loss Ratio

What **OIG** Found

We determined that the Wisconsin Medicaid program could have saved \$16.2 million (approximately \$9.6 million Federal share) in 2014 if Wisconsin (1) required its Medicaid managed care plans to meet the minimum MLR standard similar to the Federal standards for certain private insurers and Medicare Advantage plans and (2) required remittances when Medicaid managed care plans did not meet the MLR standard. Specifically, of the 11 managed care plans that we reviewed, we calculated MLRs for 4 plans that were less than 85 percent (the minimum MLR standard for large private insurers) during calendar year 2014.

After our review but before the issuance of our report, the Centers for Medicare & Medicaid Services (CMS) published a final rule requiring Medicaid MCOs to achieve a minimum MLR for rate-setting purposes.

What **OIG** Recommends and Wisconsin Comments

We recommend that Wisconsin (1) incorporate into its contracts with Medicaid MCOs the MLR standards adopted in the CMS final rule and (2) consider implementing into its Medicaid MCO contracts a remittance requirement if appropriate.

Wisconsin agreed with our recommendations and described actions that it has already taken and plans to take to address our recommendations.