

	2010-2013 4 Year Average	
	FFS PMPM	MC PMPM
Medical Total	\$294.32	\$270.50
State Administration	\$12.37	\$3.87
Target MC Profit		\$5.62
		\$21.36
Total Admin/Profit	\$12.37	\$30.85
Grand Total	\$306.68	\$301.35
Total Savings		\$5.33

Administrative Costs

While the administrative costs for MCOs are included in the monthly capitation payments, the State incurs additional administrative costs for MC eligibles associated with contract management, pharmacy management, Medical Management Information Systems (MMIS), and other services. These State costs for MC eligibles are included in the cost avoidance model, just as they are for the FFS eligibles.

MC has higher administrative costs as compared to FFS, but achieves lower overall medical expenses due to enhanced care management activities. Administrative costs for the MC program are approximately 250% higher than the FFS administration costs during the period SFY 2010-SFY 2013. Administrative expenses experienced in the MHD MC program are consistent with other MC programs and are priced to result in medical loss ratios in excess of the 85% minimum implemented in other health care lines of business. Increased administrative expenses are the result of MCOs taking on much of the State's administrative burden, such as claims processing, adjudication and payment; provider network development; provider credentialing, and member services which cannot be as highly leveraged with smaller enrollment than experienced by the State in FFS. Additionally, the MCOs have added administrative expenses of the care management staff and systems which are typically not present or limited to FFS.