

Proposed SOP Reconciliation Formula

Legislation

Sec. A-11. 24-A MRSA §6913, sub-§3 (H), states: "Annual savings offset payments received must be reconciled by Dirigo Health. Any unused payments must reduce the next savings offset payment charged to health insurance carriers, 3rd-party administrators and employee benefit excess insurance carriers according to a formula developed by the board."

Assessment Context

The current SOP structure results in entities responsible for the SOP making payments for the annual assessment over the course of 24 months.

The assessment applies to claims paid in a (CY) quarter for members who have anniversary dates in the assessment year. The assessment applies to the entire plan year of eligible members.

Therefore, the last SOP payment for the first assessment (which was applied to CY 2006) will be March 1st, 2008. That payment will include the assessment on the claims of members in the last CY quarter of 2007 who had anniversary dates of October, November, and December of 2006.

Anniversary Date	Plan Year End	Assessment Payment Dates
Jan-06	Dec-06	June 2006, September 2006, December 2006, March 2007
Feb-06	Jan-07	June 2006, September 2006, December 2006, March 2007, June 2007
Mar-06	Feb-07	June 2006, September 2006, December 2006, March 2007, June 2007
Apr-06	Mar-07	September 2006, December 2006, March 2007, June 2007
May-06	Apr-07	September 2006, December 2006, March 2007, June 2007, September 2007
Jun-06	May-07	September 2006, December 2006, March 2007, June 2007, September 2007
Jul-06	Jun-07	December 2006, March 2007, June 2007, September 2007
Aug-06	Jul-07	December 2006, March 2007, June 2007, September 2007, December 2007
Sep-06	Aug-07	December 2006, March 2007, June 2007, September 2007, December 2007
Oct-06	Sep-07	March 2007, June 2007, September 2007, December 2007
Nov-06	Oct-07	March 2007, June 2007, September 2007, December 2007, March 2008
Dec-06	Nov-07	March 2007, June 2007, September 2007, December 2007, March 2008

The Agency has, to date, received \$27.5 million of the Board's \$43.7 million 2006 assessment.

The last SOP payment for the second assessment (which is being applied to State Fiscal Year 2008, i.e., July 2007 - June 2008) will be September, 2009. That payment will include the assessment on the claims of members in the last SFY quarter of 2009 who had anniversary dates of April, May, and June of 2008.

Formula

The Agency will reconcile with those entities responsible for paying the SOP at the end of the assessment period, i.e., for the 2006 SOP the reconciliation will be in March of 2008 and for the 2007 SOP the reconciliation will be in September of 2009.

For the 2006 SOP, the Agency will compare its total subsidy and MQF expenses from April 1, 2006 to the reconciliation date (March 1, 2008), to the amount of assessment eligible entities have paid for Year 1 and Year 2 SOPs. If the assessment received is greater than the subsidy and MQF expense during that period, the Agency will reduce their next subsequent assessment by the overage.

For the 2007 SOP, the Agency will compare its total subsidy and MQF expenses from the last reconciliation date (March 1, 2008) to the next reconciliation date (September 1, 2009), to the amount of assessment eligible entities have paid for the Year 2 SOP plus any future SOP assessment. If the assessment received is greater than the subsidy and MQF expense during that period, the Agency will reduce their next subsequent assessment by the overage.