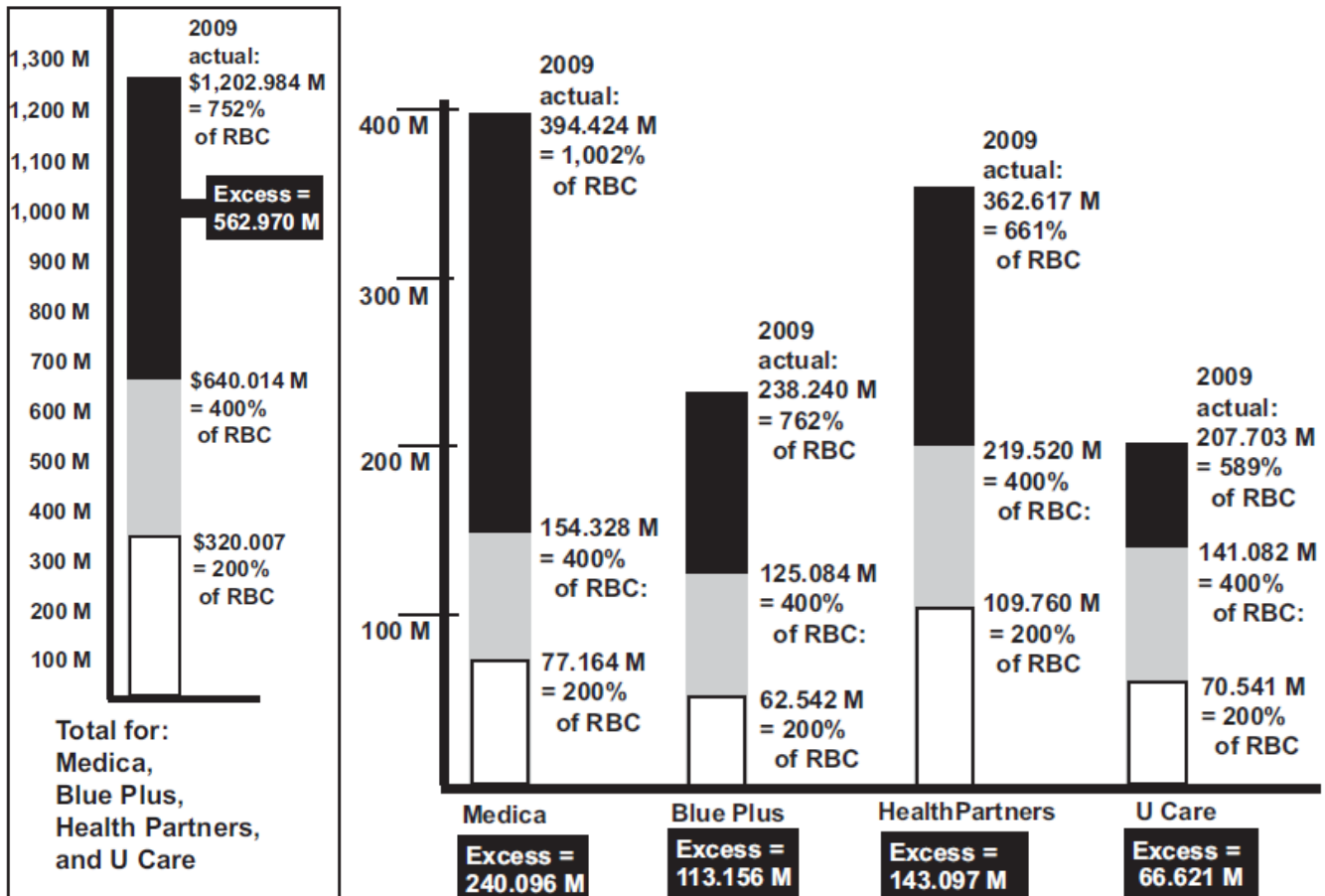


# Excess Financial Reserves of HMOs Contracted by Minnesota Health Care Programs (MHCP)



- 200% of Risk Based Capital (RBC), the NAIC minimum standard for solvency<sup>1</sup>
- 400% of Risk Based Capital (RBC), a reasonable upper limit.<sup>2</sup>
- Actual 2009 Reserves in Excess of 400% RBC

All figures, in millions of dollars, are calculated from a 2008 MN Dept. of Commerce chart of Health Plan Surplus reserves for 2007, with the addition of accumulated profits from MHCP for 2008-09.

Medica, Blue Plus, Health Partners and U Care are four key private Health Management Organizations (HMOs) that the state of Minnesota contracts with to operate Minnesota’s health care programs for the low income.<sup>3</sup> These four plans have financial reserves far in excess of what is needed for insurance solvency – over \$600 million in excess.

<sup>1</sup> A July 2010 Consumers Union report calls this RBC formula flawed, and higher than necessary for solvency  
<sup>2</sup> This is twice the NAIC limit for solvency. A 2008 report by the BCBS Association states that reserves above 375% of RBC are an adequate level to avoid triggering “early warning monitoring.”  
<sup>3</sup> A fifth private HMO, First Solutions, is not included for lack of access to Dept. of Commerce figures on their reserves or RBC. First solution’s finances are a small fraction of the four programs listed.