



March 16, 2011

The Honorable David Hann
75 Rev Dr Martin Luther King Jr Blvd.
Capitol Building, Room 328
St. Paul, MN 55155-1606

Dear Senator Hann:

As you know UCare has been a longtime partner with the state of Minnesota in delivering high-quality, cost-effective health care services to state public program individuals and families. In that spirit of partnership and consistent with our mission and values, UCare believes it is appropriate to make a one-time contribution of \$30 million to the state of Minnesota.

The \$30 million represents what we consider to be excess 2010 operating margin for state public programs. This margin was due to several factors:

- The sluggish economy and high unemployment significantly increased eligibility and enrollment. The utilization of health care services by new enrollees was significantly lower than anticipated.
- Historically DHS rates set for General Assistance Medical Care resulted in health plan losses which were offset by higher Medical Assistance payments. When GAMC moved out of managed care in mid-year 2010, Medical Assistance rates were not lowered to reflect this overpayment.
- UCare's initiatives to reduce medical costs and improve efficiencies in the program coupled with our historically low administrative costs also contributed to higher than expected earnings.

I have notified Commissioner Jesson that our \$30 million contribution will arrive shortly after July 1, 2011 to be applied toward reducing the state's 2012-13 budget deficit. Our contribution, although not required by state contract or law, reflects our commitment to our mission and to the delivery of quality health care to our low-income members. Our action is being taken regardless of any other legislation that may affect health plans participating in state public programs.

Looking ahead, we believe there is a better way to deal with unexpected factors in the state's rate setting process. We suggest the state consider establishing a risk corridor to minimize the volatility in health plan earnings in the future. Enclosed with this letter is a legislative proposal to place a cap on health plan margins, as well as mitigate losses. A risk corridor will reduce the high and low swings in health plan earnings over time. In years where the health plan's margin exceeds the cap, the state and providers will benefit financially from a distribution of the excess margin. The potential to share in the excess margin provides incentives for providers to collaborate with health plans to

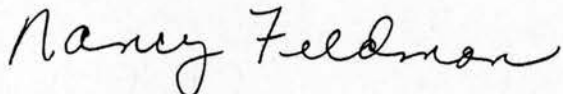
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manage care more cost-effectively. The health plan will still be responsible for losses up to a certain limit so as to not jeopardize its financial stability.

Throughout our 27 years of participation in state public programs, UCare has been entrusted to provide health care as efficiently as possible. We hope our actions today demonstrate your trust is well placed.

If you have any questions about our contribution or legislative proposal, please contact Ghita Worcester, Senior Vice President of Public Affairs & Marketing at [REDACTED] or email her at [REDACTED].

Sincerely



Nancy Feldman
President and CEO

cc: The Honorable Amy Koch, Majority Leader
The Honorable Thomas Bakk, Minority Leader
The Honorable Claire Robling, Finance Committee Chair
Members of the Senate Health and Human Services Committee