

~~(2) IF A MANAGED CARE ORGANIZATION DOES NOT REPORT MEDICAL ADMINISTRATION EXPENSES ON A HEALTHCHOICE FINANCIAL MONITORING REPORT, THE MANAGED CARE ORGANIZATION SHALL REPORT ALL MEDICAL ADMINISTRATION EXPENSES TO THE SECRETARY ON THE FORM REQUIRED BY THE SECRETARY.~~

~~(C) PRIOR TO IMPOSING AN ADJUSTMENT TO THE CAPITATION PAYMENT TO A MANAGED CARE ORGANIZATION UNDER THIS SECTION, THE SECRETARY SHALL:~~

~~(1) CONSULT WITH THE COMMISSIONER;~~

~~(2) SUBMIT TO THE COMMISSIONER THE CALCULATION OF THE MEDICAL LOSS RATIO THAT IS THE BASIS FOR THE ADJUSTMENT IN ORDER FOR THE COMMISSIONER TO VERIFY THE CALCULATION; AND~~

~~(3) OBTAIN FROM THE COMMISSIONER A DETERMINATION THAT THE IMPOSITION OF AN ADJUSTMENT WOULD NOT IMPAIR THE FINANCIAL CONDITION OF THE MANAGED CARE ORGANIZATION.~~

~~(D) A CAPITATION ADJUSTMENT UNDER THIS SECTION MAY NOT EXCEED:~~

~~(1) IN THE FIRST YEAR IN WHICH AN ADJUSTMENT IS MADE, THE LESSER OF:~~

~~(I) 50% OF THE DIFFERENCE BETWEEN THE CAPITATION PAID TO THE MANAGED CARE ORGANIZATION AND THE CAPITATION THAT WOULD HAVE RESULTED IN AN 80% MEDICAL LOSS RATIO; OR~~

~~(II) 25% OF THE NET INCOME OF THE MANAGED CARE ORGANIZATION FOR THE YEAR FOR WHICH THE MEDICAL LOSS RATIO WAS CALCULATED;~~

~~(2) IN THE SECOND YEAR IN WHICH AN ADJUSTMENT IS MADE, THE LESSER OF:~~

~~(I) 75% OF THE DIFFERENCE BETWEEN THE CAPITATION PAID TO THE MANAGED CARE ORGANIZATION AND THE CAPITATION THAT WOULD HAVE RESULTED IN AN 80% MEDICAL LOSS RATIO; OR~~

~~(II) 35% OF THE NET INCOME OF THE MANAGED CARE ORGANIZATION FOR THE YEAR FOR WHICH THE MEDICAL LOSS RATIO WAS CALCULATED; AND~~

~~(3) IN ANY SUBSEQUENT YEAR IN WHICH AN ADJUSTMENT IS MADE, 50% OF THE AVERAGE NET INCOME OF THE MANAGED CARE ORGANIZATION FOR THE YEAR FOR WHICH THE MEDICAL LOSS RATIO WAS CALCULATED.~~

~~(E) IN EXERCISING DISCRETION TO MAKE A CAPITATION ADJUSTMENT UNDER THIS SECTION, THE SECRETARY MAY NOT MAKE AN ADJUSTMENT UNLESS THE SECRETARY DETERMINES THAT THE OBJECTIVES OF THE HEALTHCHOICE PROGRAM WOULD BE ADVANCED BY THE ADJUSTMENT.~~