

1300.78 Administrative Costs

(a)

For the purposes of Section 1378 of the Act, "administrative costs" include only those costs which arise out of the operation of the plan as such, excluding direct and overhead costs incurred in the furnishing of health care services which would be ordinarily incurred in the provision of such services whether or not through a plan. Administrative costs include the following: (1) Salaries, bonuses and benefits paid or incurred with respect to the officers, directors, partners, trustees or other principal management of the Plan, less to the extent that such persons also are providers of health care services, the minimum reasonable cost of obtaining such services from others. (2) The cost of soliciting and enrolling subscribers and enrollees, including the solicitation of group contracts, and including any indirect costs of enrollment borne on behalf of the plan by the holder of a group contract. (3) The cost of receiving, processing and paying claims of providers of health care services and of claims for reimbursement by subscribers and enrollees, excluding the actual amount paid on such claims. (4) Legal and accounting fees and expenses. (5) The premium on the fidelity and surety bonds, and any insurance maintained pursuant to Section 1377, and any insurance or other expense incurred for the purposes of complying with Section 1375 of the Act. Malpractice insurance is not included within this subsection. (6) All costs associated with the establishment and maintenance of agreements with providers of health care

services, excluding the cost of reviewing quality and utilization of such services, and the cost of reviewing utilization of health care services on a referral basis. (7) The direct or pro rata portion of all expenses incurred in the operation of the plan which are not essential to the actual provision of health care services to subscribers and enrollees, including but not limited to office supplies and equipment, clerical services, interest expense, insurance, dues and subscriptions, licenses (other than licenses for medical facilities, equipment or personnel), utilities, telephone, travel, rent, repairs and maintenance, depreciation of facilities and equipment, and charitable or other contributions.

(1)

Salaries, bonuses and benefits paid or incurred with respect to the officers, directors, partners, trustees or other principal management of the Plan, less to the extent that such persons also are providers of health care services, the minimum reasonable cost of obtaining such services from others.

(2)

The cost of soliciting and enrolling subscribers and enrollees, including the solicitation of group contracts, and including any indirect costs of enrollment borne on behalf of the plan by the holder of a group contract.

(3)

The cost of receiving, processing and paying claims of providers of health care services and of claims for reimbursement by subscribers and enrollees, excluding the actual amount paid on such claims.

(4)

Legal and accounting fees and expenses.

(5)

The premium on the fidelity and surety bonds, and any insurance maintained pursuant

to Section 1377, and any insurance or other expense incurred for the purposes of complying with Section 1375 of the Act. Malpractice insurance is not included within this subsection.

(6)

All costs associated with the establishment and maintenance of agreements with providers of health care services, excluding the cost of reviewing quality and utilization of such services, and the cost of reviewing utilization of health care services on a referral basis.

(7)

The direct or pro rata portion of all expenses incurred in the operation of the plan which are not essential to the actual provision of health care services to subscribers and enrollees, including but not limited to office supplies and equipment, clerical services, interest expense, insurance, dues and subscriptions, licenses (other than licenses for medical facilities, equipment or personnel), utilities, telephone, travel, rent, repairs and maintenance, depreciation of facilities and equipment, and charitable or other contributions.

(b)

The administrative cost incurred by a plan, directly, as herein defined, shall be reasonable and necessary, taking into consideration such factors as the plan's stage of development and other considerations. If the administrative costs of an established plan exceed 15 percent, or if the administrative costs of a plan in the development phase exceed 25 percent, during any period of the revenue obtained by the plan from subscribers and enrollees, or paid to the plan on their behalf, the plan shall demonstrate to the Director, if called upon to do so, that its administrative costs are not excessive administrative costs within the meaning of Section 1378 and are justified under the circumstances and/or that it has

instituted procedures to reduce administrative costs which are proving effective.

An established plan is a plan which has been in operation for a period of five years or more. For the purposes of Section 1378 of the Act, money borrowed will be deemed to be money derived from revenue obtained from subscribers and enrollees to the extent that such revenue is exposed to liability for repayment of such borrowings or that repayment is anticipated from such revenues and "money not derived from" such revenues includes only net assets arising independently of the operation of the plan and not traceable on a historical basis to such revenues, whether as net profit or otherwise.