DEPARTMENT OF
Managed
Health Care

Agenda

California Department of Managed Health Care (DMHC)
Financial Solvency Standards Board (FSSB) Meeting
980 9th Street, 2nd Floor
Sacramento, CA 95814
November 3, 2010
10:00 a.m.

I. Welcome

At 10 am, Keith Wilson, FSSB Chairman, welcomed attendees and began the meeting. Cindy Ehnes, DMHC Director, introduced Deborah Kelch and welcomed her to the FSSB as an Alternate Member.

FSSB Board Members: Cindy Ehnes, Director, Department of Managed Health Care; Grant Cattaneo, CEO and Founder of Cattaneo & Stroud; Edward Cymerys, Senior Vice President and Chief Actuary, Blue Shield of California; Keith Wilson, President and CEO of Talbert Medical Group; Ann Pumpian, Senior Vice President and CFO, Sharp HealthCare; Dave Meadows, Vice President of California Health Programs, Health Net of California; Rick Shinto, President and CEO of Aveta, Inc.; Larry deGhetaldi, M.D., Palo Alto Medical Foundation. Alternates: Tom Williams, Executive Director of Integrated Healthcare Associates; Deborah Kelch, independent consultant..

All board members were present except, Rick Shinto.

II. Minutes from July 20 FSSB Meeting

The minutes from the July 20, 2010 board meeting were approved.

III. Accountable Care Organization (ACO) "Pilot" Presentations:

Plan Perspective: Ernie Schwefler, Anthem Blue Cross

The similarities between ACOs and HMOs make California fertile ground for development of ACOs. Mr. Schwefler described the 5 year pilots that Anthem is participating in with Monarch Health Plan and Health Care Partners. They are five year pilots in conjunction with the Dartmouth-Brookings Institute pilots. He highlighted the unsustainable growth of health care spending in the US which has grown from 13.6 to 17.1 percent of gross domestic product from FY2000 to FY2009. The initial pilot will

be a gain share model as the participants work to integrate and become familiar with their patient populations. Over time, the parties expect the scope of the arrangements to change and adapt as health reform evolves and they learn more. Significant efforts and meetings are taking place to define and identify the connections and integration points to manage, measure, and integrate care. The ACO was contrasted from an HMO as being more collaborative and integrated, with a team based approach to care management. The PPO population has very different attributes from the HMO population.

Plan Perspective: Jay Cohen, Monarch Health Plan

Mr. Cohen presented Monarch's efforts create an ACO for Anthem enrollees. He stressed the ACO's physician-led organizational focus on triple aim, improving: patient experience, care quality, and cost. He described ACO as being like PPOs in that they are an open network model and suggested using the "chassis of HMO" to deliver ACO benefits to PPO populations. Mr. Cohen supports the expansion of ACOs beyond the shared savings model to partial and global capitation opportunities, as allowed per current statutes. He predicts that regulations will be developed at the State, not Federal, level. He also cautioned the regulators to be concerned for about organizations forming ACOs for the wrong reasons, i.e., imposters, and suggested that financial solvency standards be set high enough to avoid organizations that merely want to gain market share rather than achieve cost savings. He believes the shared-savings model has already been outmoded in California due to passage of SB 260 and other innovations. He spoke of the improvements in information sharing and transparency among the participating partners as they work to break down existing barriers to effective care collaboration, including sharing quality and cost data. He believes that patients in an ACO must have access to the entire spectrum of care, starting with PCPs.

Hospital Perspective: Conway Collis, Daughters of Charity Health System

Mr. Conway stated that ACOs, as envisioned in the ACA, are a viable option in the range of alternatives for delivering health care. The promise of ACOs will only be achieved if hospitals and physicians work together in a collaborative, coordinated manner. He urged the DMHC not to impede innovation and instead review organizational structures as they develop and respond with regulatory protections to the extent that the regulatory structure is insufficient.

ACO" Pilot" Financial Oversight, DMHC

Dennis Balmer presented the DMHC framework for establishing an ACO "Pilot". The DMHC has two main goals: fostering innovation and experimentation, and insuring financial stability and patient protection. The DMHC's proposal would allow the formation of an ACO taking global risk to operate for up to two years while seeking a Knox-Keene license. The ACO would have to meet specific solvency, oversight, and reporting criteria similar to today's licensure requirements; those criteria are to be finalized over the next

couple months. He indicated that partial capitation arrangements would likely parallel today's requirements for risk bearing organizations (RBOs) unless they are preempted, and that shared savings arrangements would likely not trigger RBO requirements.

IV. SB260 Updates and Presentations

DMHC updates on provider solvency
DMHC progress update on SB260 enhancements

Dennis Balmer presented updates on provider solvency and information on potential enhancements to SB260. He shared the graphs on Corrective Action Plan (CAP) history and trends highlighting improvements in the number and duration of CAPs. He also presented a graph showing tangible net equity (TNE) and claims exposure. The potential claims exposure from the self-reported data showed only two RBOs with negative TNE and claims exposure over $1M. He spoke about work being done to clarify material events, oversight of capitated providers, and streamlining the CAP process. He also reviewed and sought opinions relating to issues of claims payment and reporting, and provider dispute resolution.

V. California Chapter of the American College of Emergency Physicians (CAL/ACEP) Presentation- Myles Riner, M.D.

Dr. Riner presented information to the FSSB regarding the impact to emergency providers in California due to, in his opinion, DMHC's inadequate enforcement of AB1455. He highlighted declining reimbursement rates as well as an increase in the number of disputed non-contracted claims . Dr. Riner gave specific examples of losses incurred from health plans and failing providers. He also offered proposed solutions for emergency care providers that included de-delegating emergency claims back to HMOs, establishing a "reasonable value" for non-contracted emergency claims, improving IDRP process, and enforcing AB1455 violations faster.

VI. Public Comment on Matters Not on the Agenda

None noted**.**

VII. Agenda Items for Future Meetings

The following suggestions were made: bring in a County organized Health Plan to present on current environment and issues; have presentation on rate increase management; have a presentation on Medi-Cal layering in two plan model (DHCS-LA Care-HealthNet, etc).

VIII. Closing Remarks/Next Steps

A motion was made and seconded to adjourn the meeting. The motion passed unanimously, and the meeting was adjourned at 3:30 p.m.

IX. *The meeting facility is accessible to people with mobility impairments. To make special arrangements for persons who need additional reasonable accommodations or who have specialized needs, contact Wilma Loeffler at least seven days in advance of the meeting at 916-322-1583 or wloeffler@dmhc.ca.gov. This agenda is available on the DMHC website at www.dmhc.ca.gov. All times indicated and the orders of business are approximate and subject to change. If you have questions regarding this meeting, please contact Dennis Balmer at dbalmer@dmhc.ca.gov or 916-445-4565.*