

**From:** DMHC Licensing eFiling

**Subject:** APL 21-024 – Risk-Bearing Arrangement Disclosures

**Date:** Wednesday, November 17, 2021, 9:28 AM

**Attachments:** APL 21-024 – Risk-Bearing Arrangement Disclosures (11.17.2021).pdf

Dear Health Plan Representative:

Please find attached All Plan Letter (APL) 21-024, reminding health care service plans to comply with contract and disclosure requirements applicable to risk-bearing arrangements.

Thank you.



Gavin Newsom, Governor  
State of California  
Health and Human Services Agency  
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## ALL PLAN LETTER

**DATE:** November 17, 2021

**TO:** All Health Care Service Plans

**FROM:** Pritika Dutt, Deputy Director  
Office of Financial Review

**SUBJECT:** APL 21-024 (OFR) – Risk-Bearing Arrangement Disclosures

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The Department of Managed Health Care (Department) issues this All Plan Letter (APL) to remind health care service plans to comply with contract and disclosure requirements applicable to risk-bearing arrangements.

California Health and Safety Code section 1375.4, subdivision (a) requires contracts between a health care service plan and a risk-bearing organization (RBO) to include provisions concerning the RBO's administrative and financial capacity, including a requirement for health plan disclosure to the RBO information that enables the RBO to be informed regarding the financial risk assumed under the contract.

California Code of Regulations, title 28, section 1300.75.4.1, subdivision (a)(4) further requires contracts between a health plan and an RBO (or between a sub-delegating organization and an RBO) to include provisions requiring the health plan to disclose on the contract anniversary date information regarding the financial risk being assumed for each and every type of risk arrangement under the contract, including the following:

- (A) a matrix of responsibility for medical expenses (physician, institutional, ancillary, and pharmacy) which will be allocated to the RBO, facility, health plan, or sub-delegating organization under the risk arrangement;
- (B) expected/projected utilization rates and unit costs for each major expense service group, the source of the data, and the actuarial methods employed in determining the utilization rates and unit costs by benefit plan type for the risk arrangement; and
- (C) all factors used to adjust payments or risk-sharing targets, including but not limited to the following: age, sex, localized geographic area, family size, experience rating, and benefit plan design including cost-sharing and deductible levels.

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Health plans are reminded to ensure complete risk arrangement disclosures are both required by contract and being provided in a manner which allows for RBOs and contracted organizations to be informed regarding its financial risk under the contract.

If you have any questions regarding this APL, please contact Pritika Dutt at (916) 324-8137 or [Pritika.Dutt@dmhc.ca.gov](mailto:Pritika.Dutt@dmhc.ca.gov).