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To: ALL INTERESTED PARTIES

From: Department of Managed Health Care

The following is a brief summary of the comments and events that occurred during the Financial Solvency Standards Board (FSSB) meeting on February 27, 2001.

The following FSSB members were present: Mr. Scott Syphax, Chair; Dr. Paul Torrens, M.D., Mr. Edward Cymeras; Mr. Paul Katz; Ms. Melinda McIntyre-Kolpin; Mr. Andrew Meyers, Deputy Director.

I. Opening Remarks: Mr. Scott Syphax, FSSB Chair, opened the meeting by welcoming all those in attendance. He then called for adoption of the February 23, 2001, summary of the FSSB meeting which occurred on November 28, 2000, in San Diego. The Board members voted unanimously to adopt the meeting summary without change.

II. Update on Status of SB 260 Emergency Regulations: Mr. Syphax asked Mr. Meyers to describe the current status of the SB 260 emergency regulations.

Mr. Meyers stated that the Department of Managed Health Care (DMHC) had produced a final version of these regulations dated January 25, 2001, and that copies were available at the meeting, and on the DMHC website. He explained that the regulations are currently awaiting control agency review and approval, and that after receiving appropriate approval, the DMHC will forward the regulations to the Office of Administrative Law (OAL). He further explained that the emergency regulations are valid for 120 days after receiving OAL approval, but that simultaneously with submission of the emergency regulations, DMHC will also submit the package of material necessary to make the regulations permanently effective. Mr. Meyers specifically mentioned that, in connection with making the regulations permanent, there will be a 45-day period for public comment, and a public hearing, which may occur at the May 22, 2001, meeting of the FSSB.

In addition to making progress on enactment of the regulations, Mr. Meyers said that the DMHC is currently engaged in the state contracting process to retain a consultant to develop data elements, formats, transmission methodology, etc., related to information requested by the emergency regulations. He hopes to present a report regarding the retained consultant at the March 20, 2001, meeting of the FSSB. The contract will require the consultant to visit various state locations to discuss the concerns of the local medical community and to explain the data requirements of the new regulations.

Mr. Syphax solicited questions from FSSB members. Ms. McIntyre-Kolpin asked about the timing for enactment of the regulations. Mr. Meyers responded that there is no statutory “timeframe” for control agency review, but that OAL is limited to ten (10) calendar days for their consideration. Mr. Syphax added that government does not always move quickly, and it may not be possible to predict the exact day when the regulations will become effective.

Ms. McIntyre-Kolpin asked who controls the progress of the regulations. Mr. Meyers responded that the Governor’s Office; the Business, Transportation and Housing Agency; the Department of Finance; and Trade and Commerce are among the entities with such control.

Mr. Katz raised several questions, including whether the timeframes stated in the regulations might need to be relaxed. Mr. Meyers responded that he is aware of this potential problem, but would prefer to wait until the March 20 meeting to have that discussion, if it is still necessary.

Mr. Syphax called for comments from those in attendance.

Ms. Aileen Wetzel, representing the California Medical Association (CMA), said she thinks the draft regulations should be disseminated throughout the medical community, so that the physician organizations can be aware of what will be required of them when the regulations do become approved by OAL. Mr. Meyers agreed with Ms. Wetzel, and added that the lack of a “universal database” for physician organizations has been a hindrance, but that the DMHC has started working with plans to distribute information. Additionally, the draft regulations are available on the DMHC website and copies are available at the FSSB meeting. Mr. Syphax and he both encouraged those present to assist in disseminating copies of the draft regulations, if they are in a position to do so.

Ms. Ann Warren, representing Community Health Group of San Diego (a HMO) said that her organization is sending the draft regulations to physician groups, but that she and her organization are concerned that compliance may not be consistent throughout the California medical communities. Mr. Syphax said he thinks this is a good point, and asked if we have a “back-end capture” method to know who complied. Mr. Meyers said that the health plans are required to report to the DMHC all risk-bearing physician organizations with which they contract, and that this listing should provide a way to verify compliance.

A representative of Greater Newport Physicians IPA stated that, for physician groups that do not currently have audited financial statements, audited financials will be difficult to achieve and expensive. He suggested that the FSSB modify the deadline for the audited financials, because compliance might be very low otherwise.

III. Discussion of Workplan for Financial Solvency Standards Board: Mr. Syphax stated that, at the March 20 meeting, the discussion will involve next steps regarding the review or grading of the risk-bearing physician organizations, and corrective action plans. He said that, at the April 24 meeting, the Board will revisit the confidentiality issue. Additionally, the board will hear from the consulting group CapMetrics regarding their study of the solvency of risk-bearing physician organizations which has been funded by the California HealthCare Foundation. Mr. Syphax continued by saying that the May 22 meeting is

expected to consist of the public hearing into the SB 260 regulations. Finally, at the June 19 meeting, the DMHC is expected to report on the results achieved to date for submission of documentation by risk-bearing physician organizations, and by health plans.

Mr. Syphax then called for public comment. A representative of the California Association of Physician Organizations (CAPO), Dr. Artie Southam, suggested that the discussion of confidentiality occur at the March meeting as well as at the April meeting, because the medical community wants to know what will be made public, and what will be protected. Mr. Meyers responded that the confidentiality issue is scheduled for the April meeting because the data elements to be developed by the consultant contracted by the DMHC will be further developed by then, providing a better basis for the confidentiality discussion.

IV. Closing Remarks/Next Steps: Mr. Syphax suggested a discussion with audience input regarding how to disseminate the draft emergency regulations. Ms. Aileen Wetzel, representing the California Medical Association, said the CMA would be happy to work with the Board and Mr. Meyers to help disseminate the draft regulations. Dr. Artie Southam representing CAPO suggested that meetings be held to communicate, educate, and disseminate information such as the draft regulations, and also to identify issues which will inevitably arise.

A representative of Community Health Group of San Diego (Ann Warren) stated that she will bring this topic up with other health plans, and ask them to provide the draft regulations to their contracted risk-bearing physician organizations also.

A representative from PacifiCare (Leanne Gassaway) stated that the health plans are concerned about where the physician organizations should go for clarification about the requirements of the new regulations. She said that the physician groups will naturally turn to the health plans for clarification, and the health plans may not know the answers either. Mr. Cymerys added that it might be useful to compile some "questions and answers" to be published so that everyone asking the same question will get the same answer to that question. Mr. Syphax and Mr. Meyers agreed that this would be a useful idea.

Finally, before closing, Mr. Syphax asked Chris Ohman, CEO of CapMetrics, to explain the study CapMetrics is conducting under the auspices of the California HealthCare Foundation. Mr. Ohman explained that CapMetrics is trying to develop a model for risk-bearing physician organizations in California, including who they are, what solvency level they have, etc. CapMetrics is also looking at risk-bearing physician organizations which have dissolved to see what their financial structure was prior to closure.

Mr. Syphax called for a motion to adjourn the meeting. The motion was made and seconded, and unanimously approved.