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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 April 24, 2001.

I. Introduction: Opening remarks by Scott Syphax, Chair

Prior meeting minutes were approved and adopted by the Board members.

II. Revised Language for Review/Grading Criteria and Corrective Action Plans

1. The Department's draft text of proposed changes to the solvency regulations related to Evaluation and Corrective Action for Risk-Bearing Organizations and the collaborative efforts of CAHP, CAPO, AMGA and NIPAC's draft proposed regulations for the corrective action plan process were presented.

Public Comment:
Consumer focus: (1) the "safe harbor" provision in CAHP/CAPO/AMGA/NIPAC's proposed regulations, (section (e)) raises concerns.
Health plan focus: (1) proposed regulations provide a good starting point, but still have questions on what triggers corrective action plan. Issue is that corrective action plan can only be triggered upon written notice by the Department; however, it should not be limited to the Department, especially since the plans are the ones who are responsible; (2) should not go through a long drawn out process based on specific financials; what is a reasonable approach; how can we identify numbers that are truly showing a problem instead of numbers that represent incomplete data.

2. The California Medical Association (CMA) provided a handout, "CMA Principles for Corrective Action Plans (CAP)". Dr. Ron Bangasser, Beaver Medical Group briefly discussed the document for the board and public.

III. Present Data Elements for Provider and Plan Reporting

1. Presentation by Dan Vincent, consultant, KPMG – KPMG is the contractor retained by the Department to develop data elements to be incorporated into the standard reporting formats for both plans and providers.

a. Risk-Bearing Organization (RBO) Reporting:
- Statement of Organization - Provides background information on the RBO.
- Quarterly Financial Survey.
- Annual Financial Survey and Financial Footnote Disclosures.
- Attachment A – Reports on medical groups which are affiliated with a foundation RBO.
- Attachment B – Reports on long-term debt of the RBO.
- Attachment C – Reports on another organization that guarantees the liabilities of the RBO.

b. Health Plan Reporting
- Quarterly Plan Reporting Survey – Lists all plan's contracted RBOs.
- Annual Plan Reporting Survey – Details regarding each RBO accepting capitation.

Public Comment:
Healthcare consultant focus: (1) whether provider is audited or not, financial statements are not going to prevent insolvency of some of these medical groups; not sure it's going to solve insolvency problem; (2) more valuable to have very specific guidelines instead of financial statements; (3) questions regarding how the Department plans to analyze and process the data; what is going to be available to plans and providers; how will the Department make the data available; what is the budget and timeframes for these events.

Provider focus: (1) providers may lack infrastructure to report correctly their true financial situation; need outside evaluator.

2. Public comment was heard concerning the new reporting requirements imposed on plans to provide information to their contracted RBOs.

Public Comment:
Provider focus: (1) will the Department provide standard formats for plans to provide information specified in the regulations to their RBOs; (2) in regards to certain information plans are to disclose to RBOs as part of the contract, the regulations do not indicate when RBOs would get that information; there are no set timeframes in the regulations.

IV. Confidentiality Overview: Public Records Act Standards/SB 260 Requirements

Presentation by Curtis Leavitt, counsel with Department of Managed Health Care – Focus on the legal issues surrounding which information collected pursuant to the SB 260 process should be confidential.

Public Comment:
Provider focus: (1) without the ability to put some of these numbers into context regarding what might be deemed to be good or bad, disclosure is likely to be a disservice; information needs to be explained; (2) will not be helpful to a patient deciding to use or not use services of a medical group; (3) the ability for the public to digest information in a helpful manner needs to be considered; (4) total revenue, assets, expenses and liabilities could lead the public to concern that was not appropriate; (5) certain financial information should remain confidential to ensure a level playing field as groups go into contract negotiations; creates unfair advantage in their negotiations with health plans.

V. Stakeholder/Board Discussion Regarding Confidentiality

An open discussion developed regarding confidentiality of data submissions made pursuant to SB 260 reporting requirements. A draft of one potential approach of what information would be considered a public document was presented to facilitate a specific discussion on the appropriate level of public disclosure of SB 260 data submitted for 2001 financial activity.

Issues raised during this discussion include:

a. Will the information disclosed show that the majority of providers are doing poorly so that plans are not going to want to contract with them at all, or are providers going to leave the state or go fee-for-service?
b. What data elements are important and why?
c. Is there any disclosure that would not be helpful? Any information that would be distracting?
d. Is there a process within the consumer organizations for disseminating "helpful" information?
e. What information would be disseminated? How would the public be trained on what the information means?

Provider comments: (1) the public would be harmed if they are given information they cannot interpret and try to make decisions based on that information; (2) one quarter reporting information may not be representative of actual situation; (3) a public citizen should rely on the Department to monitor these solvency issues and know which groups are doing well and those which are not; (4) public should have information in terms of whether or not they met the four standards, but question as to whether or not they need financial information; they rely on the Department to be stronger enforcers.

Consumer comments: (1) the importance of public access; when you have access to information, that creates accountability; (2) general reaction when a medical group goes under is shock as to how this could happen, who let this happen; the consumer has no idea of what's going on in the healthcare market – strong reason why this information needs to be available; (3) users of this information include consumers, purchasers, media, academic researchers.

At conclusion of the discussion, consumer groups and medical groups were asked to work together to produce a single product that would address what information would be harmful, what should not be disclosed and the reasons why. Plans were invited to be involved as well.

VI. Closing Remarks/Next Steps

Next meeting of the Financial Solvency Standards Board is scheduled for Tuesday, May 22 in Sacramento. In addition, there will be a public hearing on the SB 260 permanent regulations on May 22. As a technical matter, the Board cannot hold the public hearing; the Department has to hold that hearing. Scott Syphax, Chair made closing remarks and the meeting was adjourned.