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Date: August 17, 2001  
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 July 24, 2001.

**I. Opening Remarks and Adoption of Meeting Minutes by Scott Syphax, Chair**

1. Prior meeting minutes for May 22, 2001 and June 19, 2001 were approved and adopted by the Board members.

**II. Continued Discussion Regarding: Corrective Action Plans and Review/Grading Process**

1. After the draft language proposals were introduced, health plan and provider organization representatives overviewed the details of the “CAHP/CAPO/CMA/NIPAC/AMGA Proposed Draft Regulations” and “The ‘Simple Cap’ Proposal.” Consensus on the triggering event(s) for corrective action plans (CAP) was not achieved. Health plans maintained that any violation of the minimum statutory criteria should result in a CAP. Providers maintained that immaterial deficiencies should not require a formal CAP.

The “Simple CAP” proposal was designed to facilitate a streamlined CAP process for less severe deficiencies in tangible net equity and working capital. Health plans maintain that the Simple Cap process should only be available during an initial 18-month phase-in period and should include fixed timeframes for correcting the deficiencies. After a limited phase-in period, all deficiencies should be addressed through the formal CAP process. Provider organizations appeared to favor a permanent streamlined approach to corrective action involving less severe deficiencies in which timelines for corrective action would be specific to the particular organization.

**Public Comment:**

Provider Focus: (1) Expressed concern over the Department’s proposal that health plans be restricted from assigning additional covered lives to organizations that fail to substantially comply with the reporting obligations under SB 260. The provider organization representatives requested the opportunity to offer alternative enforcement language at the August FSSB meeting; (2) a concern was raised that the draft CAP language did not address plan compliance with SB 260 disclosure requirements.

Following a lengthy discussion, the Board determined that plan compliance should be scheduled as a specific agenda item for the August 21, 2001 FSSB meeting.

Consumer Focus: (1) The FSSB hearings were the only forum in which consumer groups could voice concerns about provider groups. Accordingly, FSSB agenda schedules should not be crowded by provider organization complaints; (2) while the consumer groups were not comfortable with the current CAP proposals, including a permanent multi-level CAP process, they expressed general agreement with the Department's Framework to Facilitate Discussion.

### **III. Closing Remarks/Next Steps**

1. DMHC staff was requested to compile a single working document incorporating the various approaches to implementing a review/grading and corrective action process so that the Board could begin addressing the various concepts. Staff was also requested to determine the Department's current disclosure policy relating to health plans that are subject to a corrective action plan. Finally, the Board suggested that consideration be given to developing specific penalties to address provider concerns that health plans are failing to comply, in good faith, with their reporting obligations under SB 260.
2. The August 21, 2001 FSSB meeting was rescheduled for Sacramento to accommodate stakeholder obligations.
3. Scott Syphax, Chair made closing remarks and the meeting was adjourned.