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DATE: November 9, 2004
TO: 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 of October 5, 2004.

I. Welcome and Introduction

- Cindy Ehnes, Director, welcomed the attendees and introduced the Board Members and Department staff.

FSSB members: 1) Cindy Ehnes, Director of Department of Managed Health Care; 2) Scott Syphax, President and CEO of Nehemiah Corporation of America; 3) Melinda McIntyre-Kolpin, President and CEO of Network Health Financial Services, Inc.; 4) Tom Davies, Chairman of Integrated Healthcare Association; 5) Edward Cymerys, Senior Vice President of PacifiCare; 6) Grant Cattaneo, CEO of Cattaneo & Stroud, Inc.; 7) Andrew Meyers, Principal, Triage Consulting Group; 8) Keith Wilson President and CEO of Talbert Medical Group; 9) Kevin Hamm (Alternate), IHI Insurance Services.

- Scott Syphax was requested to continue in the position of Board Chairperson.
- Department staff provided a summary of the key provisions of the Bagley-Keene Open Meeting Act and their application to the FSSB.

II. Revised Regulations Implementing SB 260 (Health care coverage: risk bearing organizations: financial solvency)

- Department staff provided a brief overview of the history of SB 260 and the revised regulatory text. Significant changes included the date to resume financial data collection, inclusion of a cash-to-claims ratio standard, standards for corrective action, and disclosure/confidentiality protocols.

- Following Board discussion of the proposed text public comment was taken:
 - Plans Prospective: (1) The new “cash-to-claim ratio” requirement should have a phase in period; (2) The revised confidentiality and disclosure language needs to be amended for clarity; (3) The Corrective Action Plan (CAP) language is too confusing; (4) The CAP timeline is too long; (5) The contract termination protections need to be aligned with the Block Transfer regulations; (6) Need more time to explore other issues relating to CAP requirements.
 - Medical Group Prospective (CAPG): (1) Additional time is needed to disseminate and gather information from members; (2) The medical groups will come back to the Board and work on specifics to get the Board’s concurrence as what would work; (3) Fee-for-service receivables should be allowed as part of the cash standard; (4) A new cash standard may cause groups to layoff doctors in order to build cash reserves; (5) Can a sponsoring organization guarantee the cash-to-claims standard; (6) Suggests the “gain or loss” regarding “risk sharing” be put back in the regulations; (7) Still have concerns regarding the confidentiality provisions that provide the Director with unlimited discretion; (8) Concerned about the timeline to develop a CAP and time limits for remedying financial deficiencies.
 - CMA Prospective: (1) Applauds “external party” and encourages Department to continue to moving in that direction; (2) Concerns regarding scope of information to be disclosed; (3) The “Statement of Organization” criteria needs closer review; (4) Supports designation of “met”/“not met” disclosure; (5) CAP process seems lengthy, tighten number of days; (6) If group is moving towards compliance, contracting health plans should not be able to move enrollment.
 - Consumer Prospective: (1) Clarify confidentiality for consumer access to financial data; (2) Supports the release of organizational information; (3) The cash ratio, which was introduced a couple of years ago is the best measure of solvency; (4) Recommends no phase in period for regulations.
 - Following public comment, the Board solicited written comments and suggestions regarding text changes to the revised regulations.

III. Unfair Billing Patterns

Representatives from the California Association of Health Plans and California Association of Physician Groups provided a presentation on the nature of unfair billing patterns that payers are currently experiencing. Major areas of concern are: price gauging, upcoding, unbundling, and balance billing enrollees.

The Board solicited more information and written documentation regarding the causes and effects of unfair billing patterns.

IV. Workers' Compensation

Department staff provided a presentation on the impact SB-899 may have on the Managed care industry.

The Board requested Plan's to consider whether their business model allowed them to participate in the delivery of health care services for work related injuries on a risk basis. To the extent participation is not presently feasible what innovation would be necessary to facilitate participation.

V. Next Steps/Closing Remarks

The next Solvency Board meeting will be held on Tuesday, November 9, 2004 at the Hilton Burbank Airport and Convention Center, Burbank, California. The meeting will commence at 10:00 a.m.

Following the closing remarks, the meeting was adjourned.