DEPARTMENT OF
Managed
Health Care

Date: November 3, 2010
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 of July 20, 2010. Presentations are available on the DMHC website at www.dmhc.ca.gov on the FSSB page.

I. Welcome, Opening Remarks, Introduction of Board

At 10 am, Cindy Ehnes, DHMC Director, welcomed attendees and introduced the board members and DMHC staff.

FSSB Board Members: Cindy Ehnes, Director, Department of Managed Health Care; Grant Cattaneo, CEO and Founder of Cattaneo & Stroud; Edward Cymerys, Senior Vice President and Chief Actuary, Blue Shield of California; Keith Wilson, President and CEO of Talbert Medical Group; Ann Pumpian, Senior Vice President and CFO, Sharp HealthCare; Dave Meadows, Vice President of California Health Programs, Health Net of California; Rick Shinto, President and CEO of Aveta, Inc.; Larry deGhetaldi, M.D., Palo Alto Medical Foundation. Alternate: Tom Williams, Executive Director of Integrated Healthcare Associates.

All board members were present.

II. Board Business

Mark Sumner, DMHC Senior Counsel, reviewed key elements of the Bagley-Keane open meeting rules and their application to the FSSB.

A recommendation was made to select Dr. Keith Wilson as the board chairperson. The recommendation was accepted by the board.

Dennis Balmer, Deputy Director, Financial Solvency Standards Board (FSSB) reviewed the purpose of the FSSB and presented department updates on plan and provider solvency statistics, emerging trends, and issues. Overall trends show continuing improvement as a result of the SB 260 regulations enacted in late 2005, however, there is still work to be done. There is a disproportionate number of predominantly Medi-Cal providers requiring corrective action. This is significant, given the expected increases to Medi-Cal enrollment expected with health care reform. The DMHC identified the need to refine and improve the reporting and corrective action process, as well as addressing economic issues resulting from

insolvencies and claims payment practices. Additionally, the FSSB should look for improved reserves or remedies to limit the financial damage to the health delivery system when capitated providers fail.

III. Health Care Reform and California

Bill Barcellona, Vice President of Government Affairs of the California Association of Physician Groups, presented comments on likely ACO models emerging in California and his belief that only those organizations with existing health information technology infrastructure will be able to meet the qualification criteria for an accountable care organization (ACO). Due to the ambiguity and uncertainty about this issue, he encouraged the DMHC to: encourage the formation of ACOs; waive regulatory barriers; allow a two-year waiver of Knox-Keene licensure, ensure that all risk-bearing ACOs meet minimum solvency standards; and monitor progress and make regulatory recommendations as federal and state requirements become clearer.

Rick Shinto, FSSB member, presented a brief overview of ACOs including their objectives, requirements, and types of ACO models, and detailed the broad business case for adoption of ACOs (improved coordination of care, reduced costs, and better patient outcomes).

Tom Williams, FSSB member, made a brief presentation on Episode Bundled Payments, which are very likely to be adopted at the federal level. He highlighted how they will align incentives of physicians and hospitals, improve quality and efficiency, and produce shared savings to lower costs. Tom also indicated potential regulatory issues that need to be addressed.

Amy Krause, DMHC Assistant Chief Counsel, Division of Licensing, shared the issues facing the DMHC with respect to regulating ACOs and the broad tenets the DMHC would evaluate as it considers regulatory standards for ACOs, balancing public policy, business interests, and existing law. Issues remain in defining ACOs, and there is no standard or uniform definition for commercial ACOs. It is likely that rules will vary based on the form of the risk-sharing the arrangements.

Public Comments:

- Beth Cappel (Health Access) commented that California would have an influx of two million new Medi-Cal enrollees.
- Beth Abbott (Director of Administrative Advocacy) encouraged the FSSB to add a consumer advocate to the board.
- Myles Riner (CAL/ACEP) asked that the plans be held responsible for the non-payment of claims by their delegated providers, and asked for time on the next FSSB agenda to speak to the impact of non-, under-, and late payments by risk-bearing organizations.
- David van der Berk (CHA) commented on medical loss ratios and the health care exchange.

IV. Closing Remarks/Next Steps

Dr. Wilson asked the board for recommendations for next steps. Collectively, they suggested the following:

- Refresh SB 260 regulations to protect solvency
- Focus on regulations in preparation for the financial stress of significantly increase in Medi-Cal lives
- Work in parallel on health care reform and regulatory oversight
- Get ahead of federal regulations
- Provide guidelines on ACO pilots and waivers, and clarity on regulatory oversight
- Increase capitation modeling, and create more robust payment models, not just savings models
- Make SB 260 regulations relevant
- Take the California leadership model forward and get the DMHC's regulatory house in order
- Work closely with the Department of Insurance
- Address payment/EMTALA issues
- Document how the DMHC is doing against the regulations and the progress being made
- Decide how long is long enough for RBOs out of compliance
- Find a way toget them RBOs to health without crashing the model.

V. Adjournment

Dr. Wilson made a motion to adopt Robert's Rules of Order for the FSSB meetings. The motion was seconded and adopted unanimously. A motion was made and seconded to adjourn the meeting. The motion was adopted unanimously, and the meeting was adjourned at 2:35 pm.