



FINANCIAL SOLVENCY STANDARDS BOARD MEETING

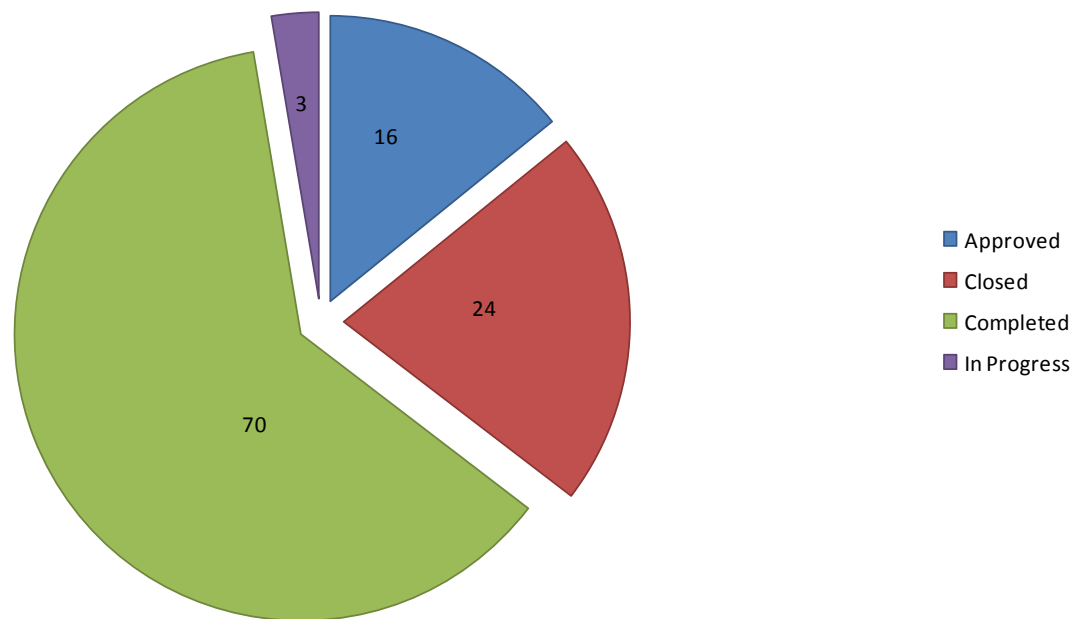
November 3, 2010

Department of Managed Health Care





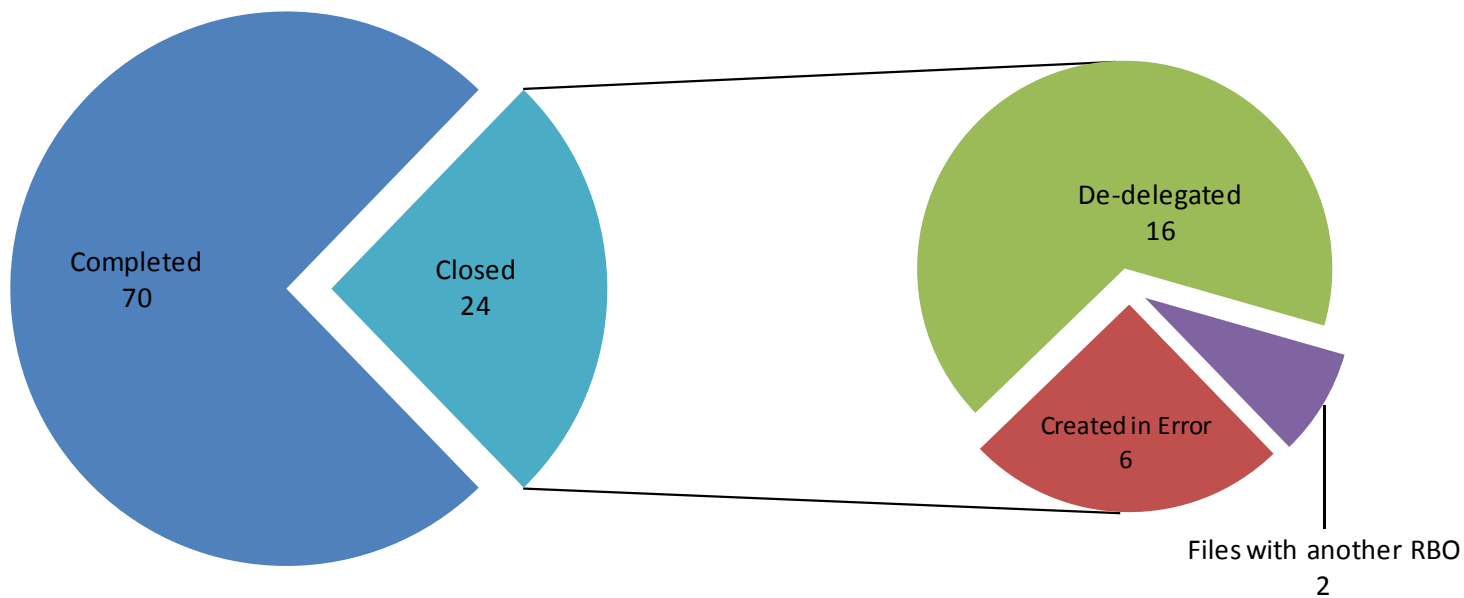
Total CAPs by Status 2005 -2010





Welcome to California

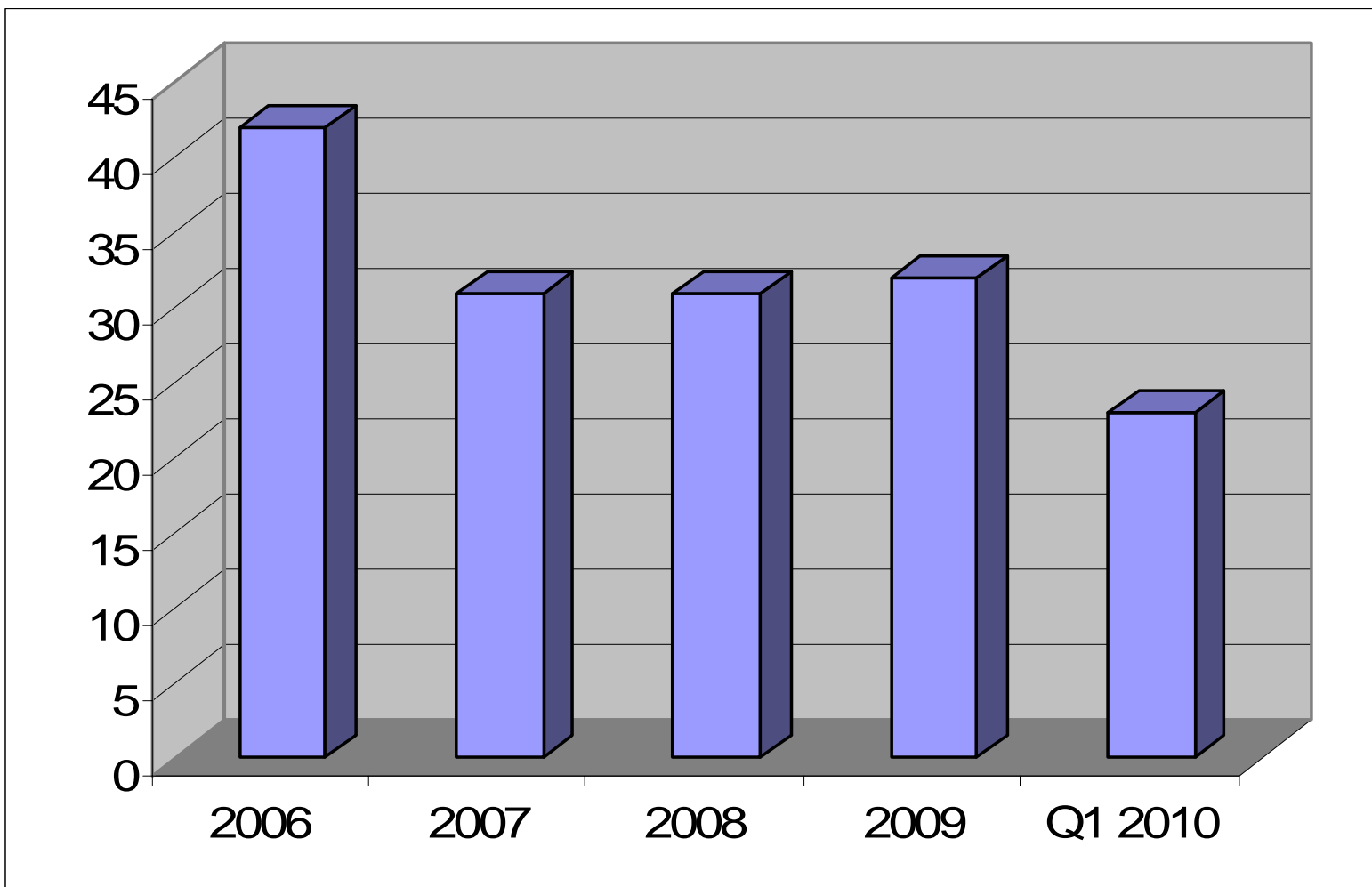
Complete Vs. Closed CAPs 2005 -2010





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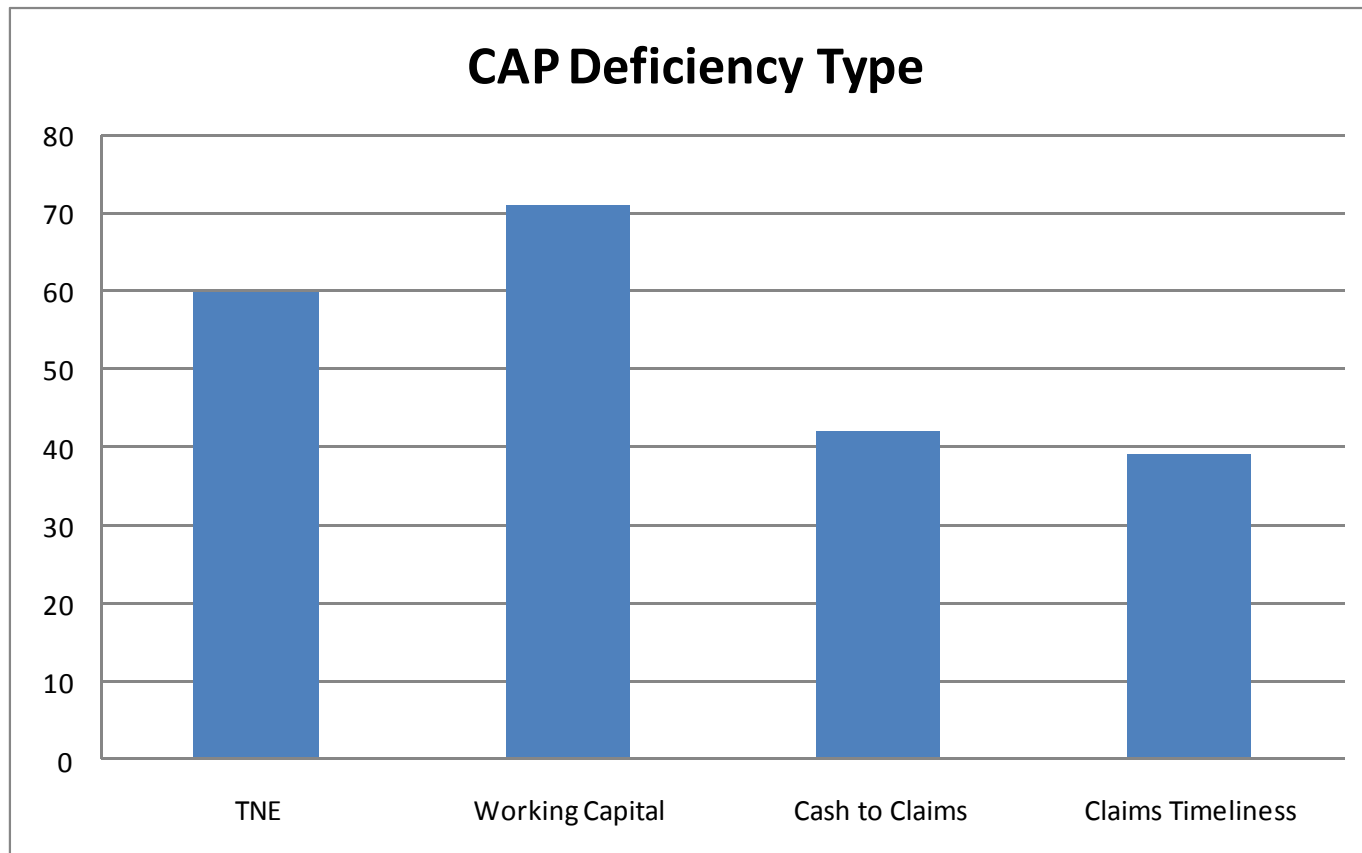
Total RBO Corrective Action Plans





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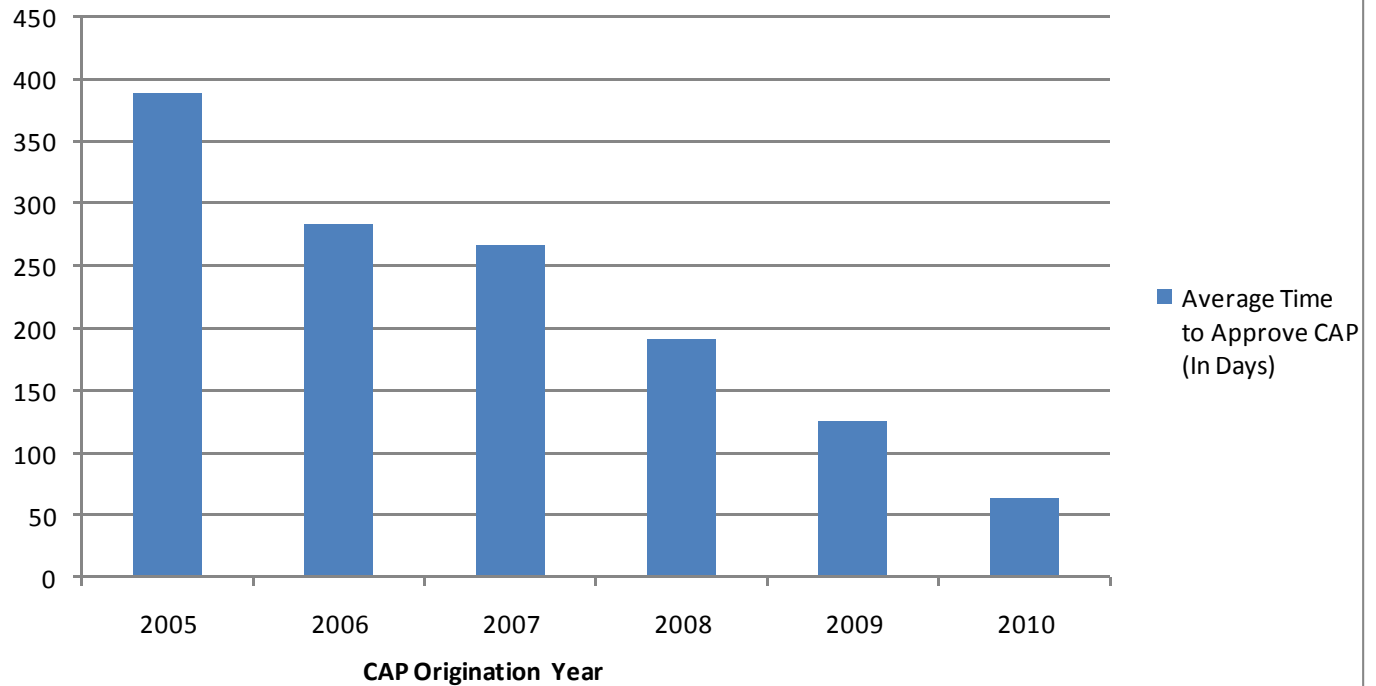
CAP Deficiency Type 2005 - 2010





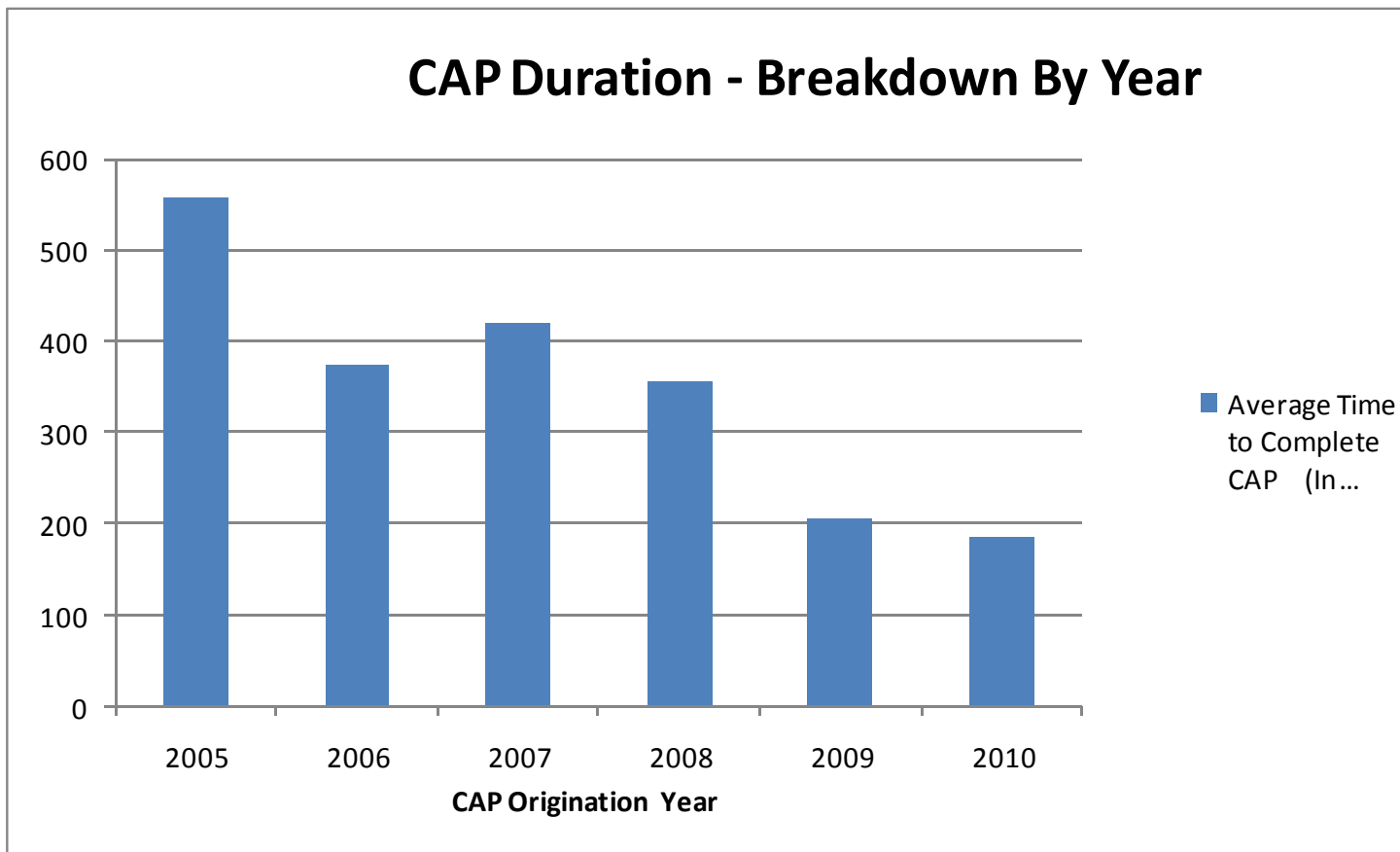
CAP Approval Time 2005 - 2010

CAP Approval - Breakdown By Year



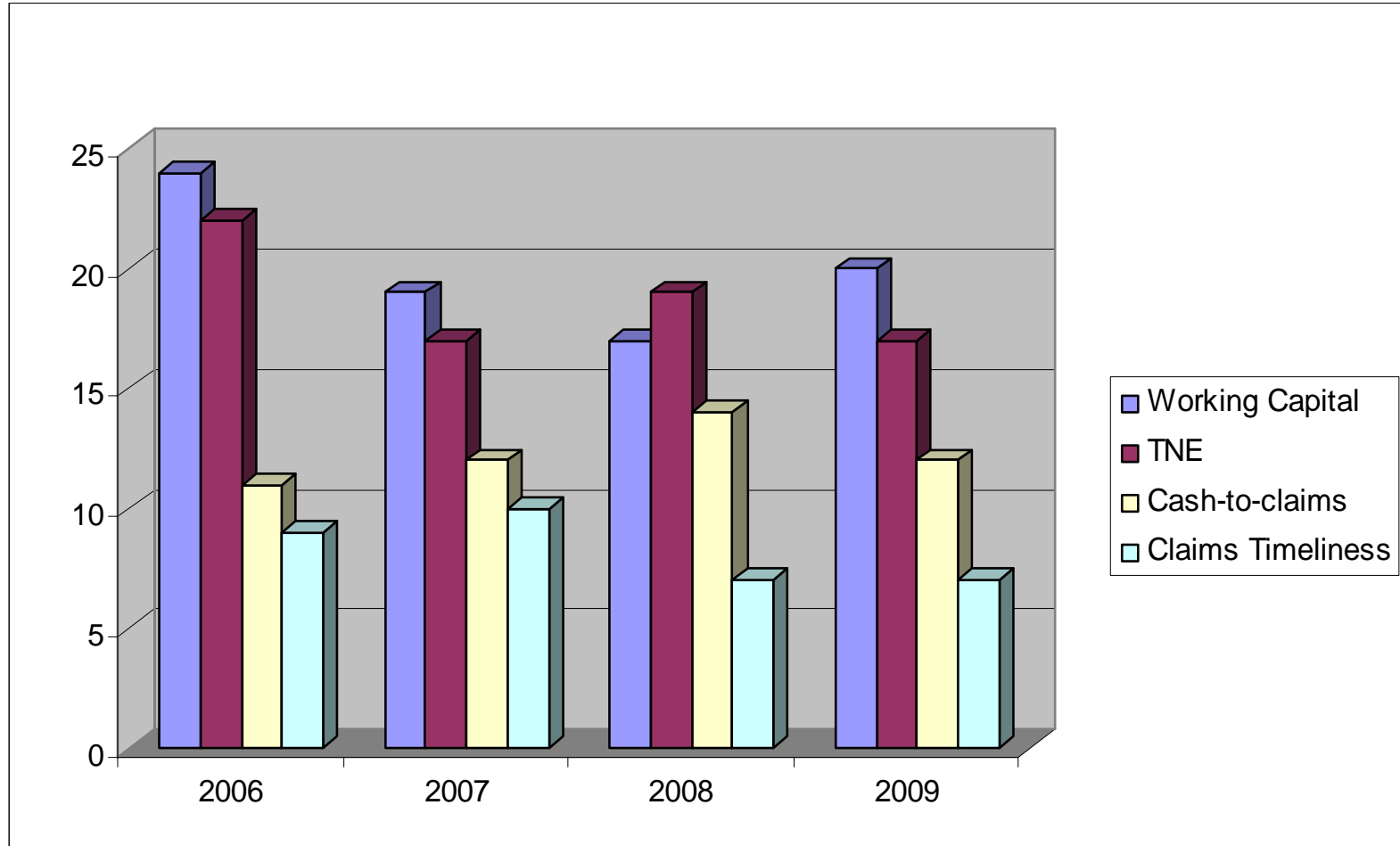


CAP Duration 2005 - 2010





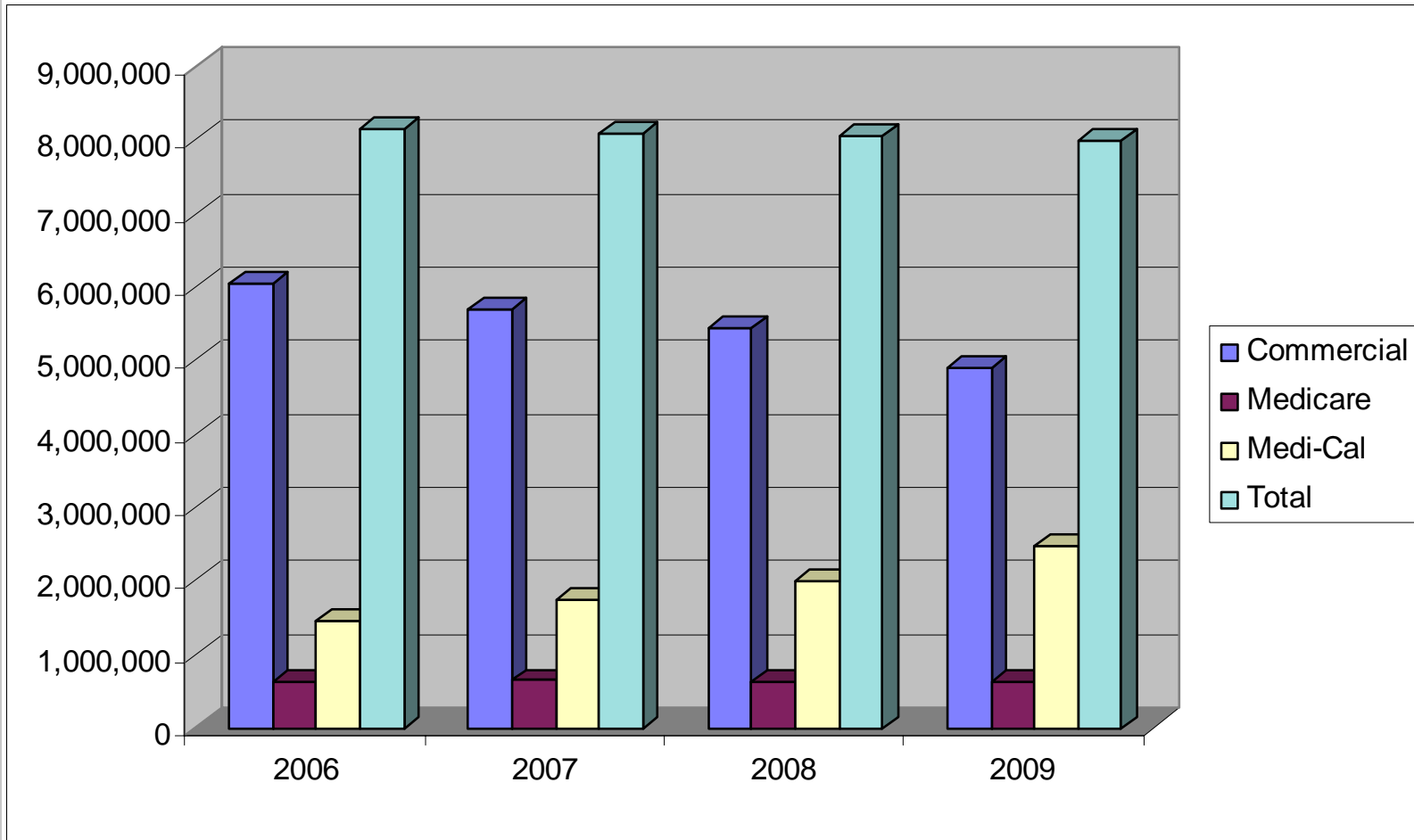
Criteria Deficiencies Monitored in the CAPs





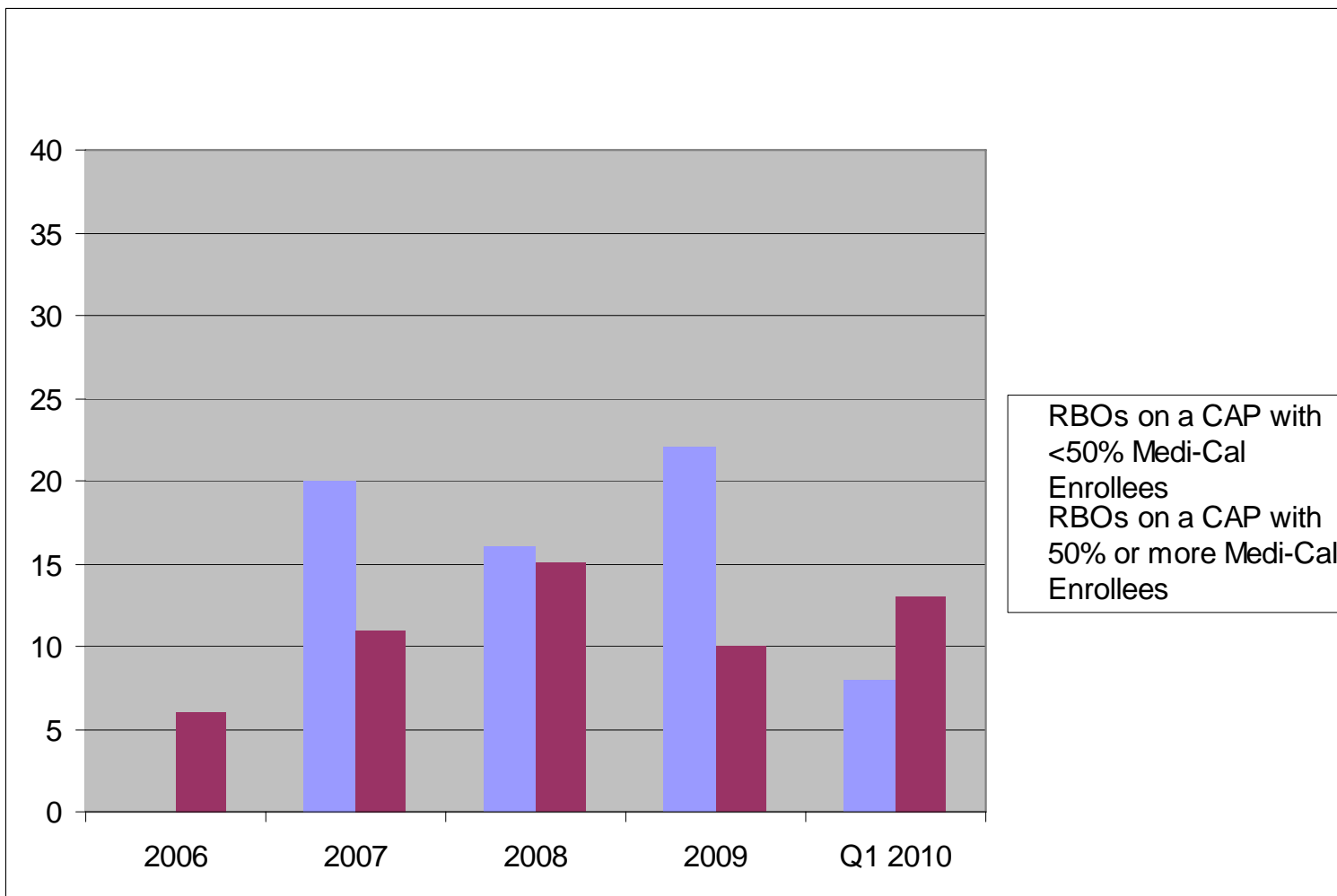
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Total Medical Group Enrollment by Business Type





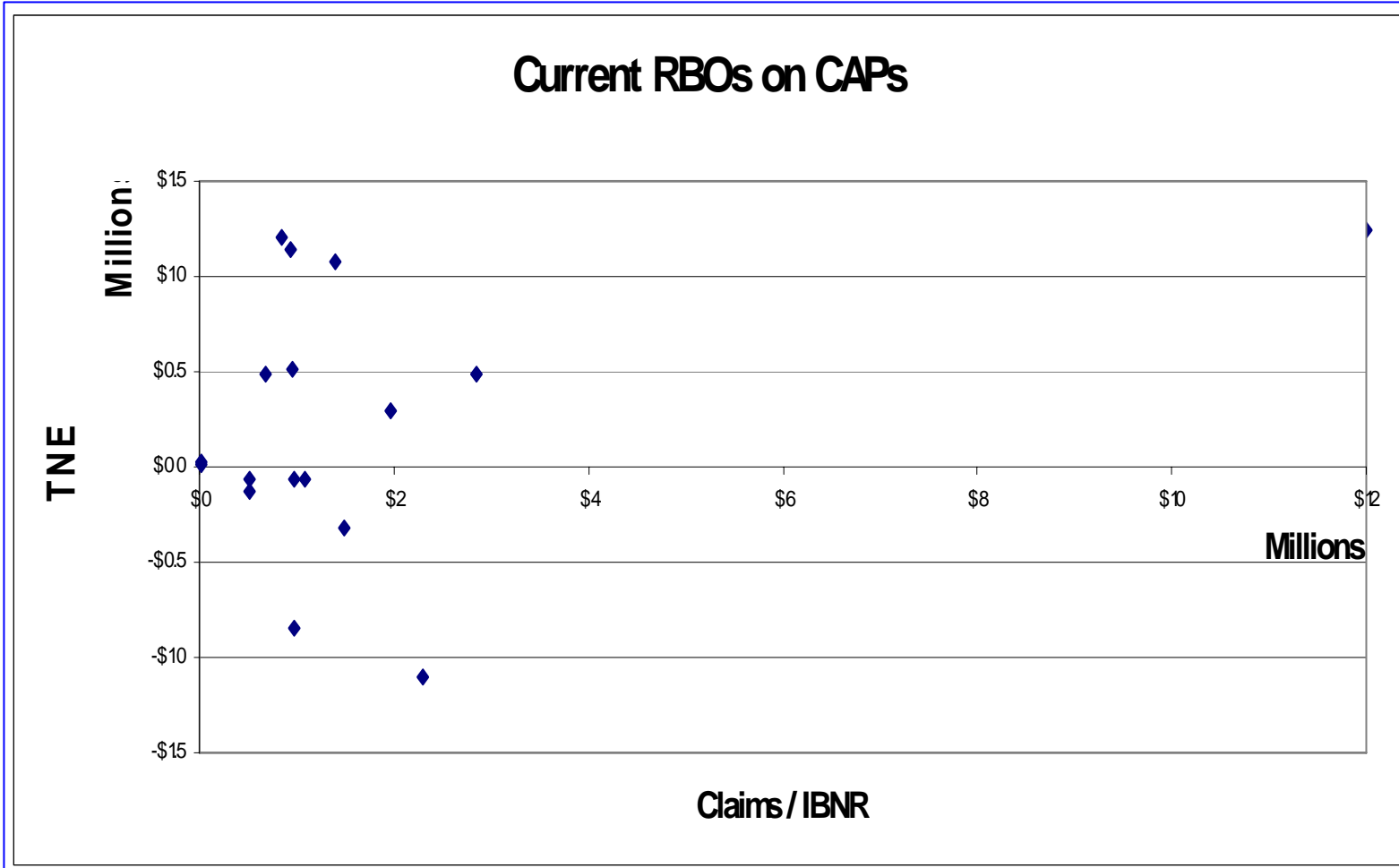
RBO CAPs: >50% Medi-Cal versus <50% Medi-Cal





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Current CAPS Graph





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Areas Identified for Improvement in Financial Oversight

- Not all capitated providers are RBOs & are thus not required to file Financials **
- Sub-delegated enrollment to unaccountable groups
- Compliance statement insufficient versus quarterly financials & audited statements (R)
- Reporting of Affiliates vital (consolidated reporting) (R)
- Better MSO oversight **
- Cash & cash equivalent reserves a priority (R)**
- Corrective action process clumsy **
- Insolvent RBOs take too long to resolve **



Financial Solvency Standards Board SB260 Update

- Areas to talk about
 - Improve Corrective Action Process (CAP)
 - Administrative Capacity
 - RBO reporting requirements
 - Claims issues
 - Provider Dispute Resolution

- Initial Focus: Speed of Resolution
 - Statute?
 - Regulation?
 - Administrative?



Financial Solvency Standards Board “Legal Reviews”

- Seeking opinion on “material events”
- Have had failures and CAPs resulting from
 - MSO changes
 - Claims processing system changes
- Seeking opinion on RBO vs Capitated Provider
 - Better understanding of exemptions
 - Some very large safety net “capitated providers”



Financial Solvency Standards Board CAP

- Initiated when RBO fails solvency or claims timeliness
- Statutes allow 6-12 months for correction
- Time starts from approved CAP or non-compliance?
 - CAP usually submitted on ICE document
 - Quarterly financial projections and tracking
 - Two quarters compliance for closure
- Different rules for repeat offenders?
- Different rules for safety net providers?



Financial Solvency Standards Board CAP Process

- Today takes up to 85 days
- Looking to accelerate w/out regulatory change
 - Streamline to 40-50 days
 - Use web portal to share CAP w/ all contracted plans
 - Copy DMHC on all individual CAPs to plans
 - Freeze enrollment if:
 - Failure to file CAP timely
 - Non-viable CAP
 - Final CAP accepted by plan(s)



Financial Solvency Standards Board

Claims Timeliness

- 1300.71(q)1 “Plan or plans capitated provider demonstrates an unjust payment practice...”
 - 1300.71(k) “failure to reimburse at least 95% of complete claims over any three month period”
 - 1300.71(l) “failure to contest or deny...”
- 1300.75.4.2(b)(1)B “percentage of completed claims the organization has timely reimbursed, contested, or denied during the quarter”
- Must include “claims over 45 days not reimbursed, contested, or denied”



Financial Solvency Standards Board Provider Dispute Resolution

- TODAY:
 - Provider not paid for billed service w/in 45 days
 - Files dispute with non paying capitated provider (45 biz days to respond)
 - Files dispute with Department

- Regulation assumes payment or denial
- Need something that expedites payment and engages parties faster



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Backup



SB260 Update

- Passed in 1999
- Regulations Promulgated in 2001
 - Court challenges
 - Utilized FSSB to address and revise
- Current regulations became effective in 2005
- Improving metrics
- Areas for improvement



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Required Solvency Criteria for Risk Bearing Organizations:

- Positive Tangible Net Equity
- Positive Working Capital
- Minimum Cash-to-Claims Ratio (minimum 0.75 requirement)
- 95% Claims Timeliness
- Positive response to whether the RBO estimates and documents their IBNR claims liability (on a monthly basis), and
- Positive response that the RBOs IBNR estimate is reflected as an accrual on the financial survey reports
- All RBOs required to submit annual audited financial statement



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We've Seen the "Dark Side"

- In 2000, providers lost claims payments & 770,000 HMO enrollees lost their physician groups due to financial failure
- Two large publicly-traded physician groups failed messily in 1998-1999
- Solvency criteria evaluated & corrective plans required by DMHC since 2005, Routine oversight all electronic
- When law passed to address Solvency requirements, in 2000, more than 50% failed most criteria
- In 2009, just 11% are in regulatory 'Red' Zone



CA RBO's are Routinely Graded for Solvency & Corrective Action

	2007	2008	2009
Green	14%	10%	18%
Yellow	72%	75%	71%
Orange	0%	0%	0%
Red	14%	15%	11%