

Risk Bearing Organizations

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DEPARTMENT OF
**Managed
Health Care**



Overview

- What is a Risk Bearing Organization (RBO)
- Board Discussion
- Reporting Requirements of RBOs
- Affiliate Reporting

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What is a Risk Bearing Organization?

- Lawfully organized group of physicians that delivers, furnishes, or otherwise arranges for or provides health care services
- A professional medical corporation controlled by physicians and surgeons

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What is a Risk Bearing Organization?

- Contracts directly with a health care service plan for enrollee's health care services;
- Receives compensation on a capitated or fixed periodic payment basis;
- Is responsible for the processing and payment of claims.

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RBO Questionnaire

Is your organization claiming that it is exempt from the SB 260 reporting obligations?

If you are claiming exempt status, generally describe business model and ownership structure of the provider organization. State the basis upon which the provider organization has determined that it is not included in SB 260's definition of a risk-bearing organization.

Regardless of whether you are claiming an exempt status, please answer the following questions:

1. Is your organization a professional medical corporation?
2. Is your organization another form of corporation controlled by physicians and surgeons?
3. Is your organization a medical partnership?
4. Is your organization a medical foundation exempt from licensure pursuant to subdivision (l) of Section 1206?
5. Is your organization another lawfully organized group of physicians that deliver, furnish, or otherwise arrange for or provide health care services?
6. Is your organization an individual?
7. Is your organization a health care service plan?
8. Does your organization contract directly with a health care service plan?

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RBO Questionnaire

9. Does your organization arrange for health care services, for the health care service plan's enrollees, which are not delivered or furnished directly by the organization?
10. Does your organization receive compensation for those services on a capitated basis?
11. Does your organization receive compensation for those services on a fixed periodic payment basis?
12. Does your organization receive capitation or fixed periodic payments for medical services which are not directly delivered or furnished by the organization?
13. Is your organization responsible for the processing and payment of claims (either directly or under any contractual arrangement) made by providers for services rendered on behalf of a health care service plan that are covered under capitation or fixed periodic payments made by the plan to the provider organization?
14. Does your organization and the contracting health care service plan file consolidated financial statements with the Department?
15. Does your organization contract with only one health care service plan?
16. If you answered "Yes" to Question #15, are your organization's maximum potential expenses for providing or arranging for health care services limited to no more than 115 percent of the organization's potential revenue from providing or arranging for contracted services?

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Board Discussion

- Is the current definition of an RBO adequate for emerging care delivery structures?
- Should other types of providers be subject to RBO requirements?
- Do emerging models incent the “Triple Aim”?

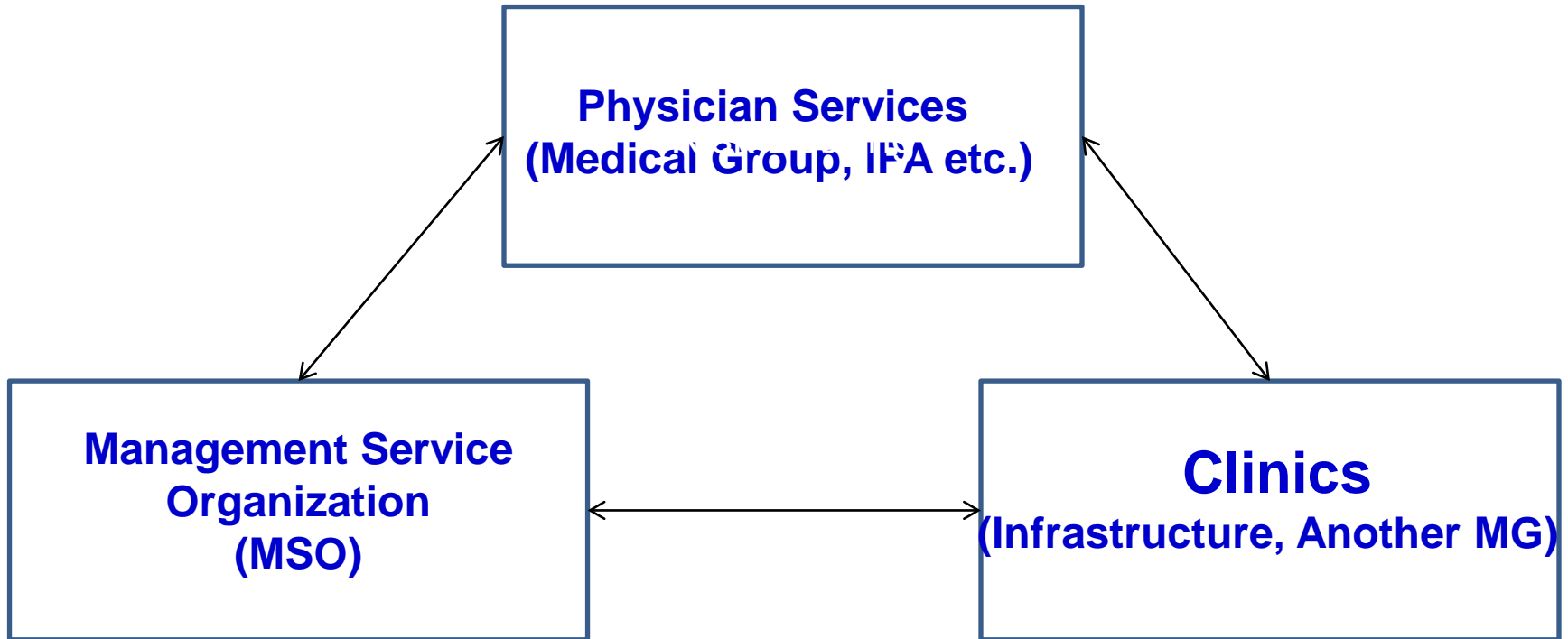
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RBO Reporting Regulation

RBO reporting requires combining financials if the RBO is **legally and financially** responsible for the payment of the organization's claims.

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RBO Components



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Definition of an Affiliate

An "affiliate" of a person is a person controlled by, under common control with, or controlling such person

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RBOs and Affiliates

- 181 RBOs
- 35 with loans to affiliates
- 52 with affiliated MSOs
- Unknown number of affiliated medical groups/clinics?

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Concerns

- Are costs accurately reflected?
- Are there numerous intercompany transactions?
- Are RBO receivables/payables verifiable and accurately reported?

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Historic Examples of RBO/Affiliate Relationships

- Admin services from affiliated MSO are provided to the RBO at zero cost. This minimizes the losses incurred at the RBO
- RBO loans money to affiliates with repayment terms over 15+ years
- RBO loans money to affiliate medical group which is owned by the RBO

Recommendation

If the RBO is substantially dependent on an affiliate for the provision of health care, management or other services, a combined schedule should be required.

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Questions

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