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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 held on April 12, 2005.

I. Opening Remarks and Adoption of Meeting Minutes

The meeting minutes summary from the February 8, 2005 Board meeting was unanimously approved by the Board members.

II. Presentation on Charged Data Resources

Presentations were made by Ingenix and Concentra.

A. Ingenix

Ingenix is owned by UnitedHealth Group and incorporates several benchmarking databases, which include the Prevailing Healthcare Charges System (PHCS) and Medical Data Research (MDR) databases. These databases have a large repository of commercial data and contain over \$55 billion of billed charge data nationally, including \$3 billion for California alone. In California there are 180 contributors of billed data charge. This information is broken down into "geozips" based on the first 3 digits of the applicable zip codes. There are 403 geozips nationally and 28 in California. Data is accumulated on a relative value scale that is not specific to a geographic area. A conversion factor specific to each geozip is used to convert the relative value to a dollar amount. Data in the PHCS and MDR is segregated into percentiles. For example, the 80th percentile means that 80 percent of all billed charges are equal to or lower than the given amount.

A copy of this PowerPoint presentation is available on the Department's website.

B. Concentra

Concentra presented a PowerPoint regarding reasonable and customary payment methodology for non-contracted institutional providers (hospitals). The methodology focuses on the cost of

the service related to patient claim, specific data. The methodology allows for a “reasonable margin” or profit that is proportional within each geography. Concentra uses a re-pricing process it refers to as Cost-to-Charge (C2C) Methodology. This Methodology does account for the severity of a patient’s illness. If the case is more severe, then the payment will be higher. There are 146 defined “geozip” areas in the country, twelve (12) in California. Each geozip area has a mark-up that is specific to that geozip. The database is updated regularly and is composed of a statistically large sample.

Concerns were expressed regarding the use of Concentra. EMTALA requires that emergency rooms treat all patients, even those without insurance and unable to pay for the services. This tends to increase the hospital’s cost, forcing the hospital to spread the cost of those services among patients that are paying. Concentra does not account for the hospital’s increased cost because of the uninsured. Due to these concerns, the propriety of using Concentra or other cost data sources (OSHPED) to determine the reasonable and customary role of non-contracted hospital services is being considered by the Reasonable and Customary work group.

A copy of Concentra’s PowerPoint presentation is available on the Department’s website.

III. Closing Remarks/Next Steps

After the next FSSB meeting was confirmed for August 9, 2005 (later rescheduled for August 23, 2005) at the Sheraton Grand in Sacramento, the meeting was adjourned