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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 on September 26, 2000.

I. Introduction – Senator Jackie Speier made a brief presentation.

Chairman Syphax introductory comments outlined the meeting agenda which consisted of three separate panel discussions representing (1) the health plan perspective; (2) the provider perspective; and (3) the consumer perspective.

II. First Session: Health Plan Perspective

Seth Jacobs, General Counsel for Blue Shield of California; John Volkober, Vice President and Chief Financial Officer for the Health Services Division of Wellpoint; Mary Anderson, West Region Counsel, Aetna U.S. Healthcare; and Cathy Batteer, Vice President of Provider Delivery Systems, PacifiCare of California represented the health plans' perspective.

Mr. Jacobs spoke of the goals of the prior task force on provider solvency formed under the direction of the Department's predecessor, Health Plan Division of Department of Corporations (DOC). The primary purpose of that task force was to assist the DOC in evaluating short and long-term options for monitoring the financial solvency of capitated provider organizations. The task force established a three-part framework to accomplish its goals: (1) define financial solvency in the context of risk-bearing organizations; (2) determine the appropriate entity to evaluate risk-bearing organizations under the solvency definition; and (3) recommend an action plan for risk-bearing organizations that were determined to be insolvent under the task force's definition. Mr. Jacobs noted that Senate Bill 260 incorporated this framework.

John Volkober described the type of information and data that the evaluator would need to determine and monitor the financial solvency of risk-bearing organizations in terms of both the current and proposed regulations.

Mary Anderson commented various definitions in the proposed financial solvency regulations needed clarification. Ms. Anderson described Aetna U.S. Healthcare's national approach to monitoring provider solvency consisting of three components: (1) audits; (2) financial security; and (3) the use of an underlying individual physician contracts.

After Mr. Jacobs commented on the role, if any, of external parties in the financial solvency process, Senator Speier detailed her view regarding the role of external parties - to evaluate proprietary information to determine whether a risk-bearing organization met the financial solvency criteria. The third party evaluator would then report the results of its evaluation to the plans. The legislation intended to create a "firewall" to maintain the confidentiality of the risk-bearing organizations' proprietary financial information.

Cathy Batteer described the type and format of data that risk-bearing organizations need from health plans in order to evaluate the financial risk being assumed under provider contracts. The proposed regulations outlining corrective action plans and the repercussions of not complying with a corrective action plan needs further clarification.

III. Public Comment Session

After the Plan Panel responded to questions posed by the FSSB members, public comments were solicited. Dr. Brian Roach, President and CEO of the Mills-Peninsula Medical Group of San Mateo; Mr. Harvey Frey, Public Administration and Responsibilities Project; and Randy Mathews, Cigna Healthcare offered comments:

Note: Following the receipt of public comment, Chairman Syphax requested that the health plan panel prepare a financial standards package including draft language on proprietary information.

IV. Second Session: Provider/Medical Group Perspective

Dr. John Jenrette, Sharp Medical Group; Matthew Mazdyasni, Healthcare Partners Medical Group; Jennifer Jackson, Bright Medical Associates; and Dr. Ron Bangasser, Beaver Medical Group presented the provider group perspective.

Dr. Jenrette commented on the benefits of the delegated model for the delivery of health care.

Mr. Mazdyasni commented the proposed definitions for risk-bearing organizations, corrective action plan, and the indicators that would outline the operational and financial health of the providers suggesting that the timeline for payment and

reporting to the provider groups be 120 days following the close of the contract year. This timetable would allow providers adequate time to prepare and deliver their financial information to the external party within 180 days.

Jennifer Jackman, commenting on the risk-sharing disclosure and the organizational evaluation sections of the proposed regulations, suggested that additional plan disclosures were necessary including monthly reporting of the status of members. She also suggested that a system such as CALINX be created to facilitate the transmission of necessary data between the parties in the same format.

Dr. Ron Bangasser recommended that the corrective action plans require quarterly reporting and that a corrective action plan only be mandated after a provider group was determined to be out of compliance for three-quarters. Dr. Bangasser cautioned that there should only be one corrective action plan, which should include a process for review. Each corrective action plan should allow for amendments or adjustments based upon provider compliance. Dr. Bangasser recommended a timeline for implementation of the various aspects of the proposed regulations.

At this point in the discussion, the Provider Panel took questions from the FSSB members.

V. Public Comment Session

The following persons offered comments: Jose Gonzalez, Latino Healthcare; Dr. Brian Roach, Mills-Peninsula Medical Group; Dr. Marvin Canter, CEO Progressive Healthcare Systems; Sam Romeo, University Affiliates, CEO; Mark Moser, CEO for Torrance Hospital IPA; Maureen O'Haren, California Association of Health Plans and Business Owners; and Seth Jacobs, Blue Shield.

Note: Following the receipt of public comment, Chairman Syphax requested that the provider groups submit a recommended timeline for implementing the proposed regulations and reporting requirements.

VI. Third Session: Consumer Perspective

Beth Capell, Health Access, Viola Gonzalez, Executive Director of the Latino Issues Forum, and Earl Lui from Consumers Union represented the consumer perspective.

Beth Capell, reported on the results of the Chicano Issues Forum and the general findings of the Consumers Union. Ms. Capell outlined the goals of the consumer panel with respect to the financial solvency regulation and health care.

Viola Gonzalez, Executive Director of the Latino Issues Forum, discussed various aspects of the health care system including risk indicators and defining the market of medical providers. Ms. Gonzalez encouraged the Department to assume the role of the external party.

Mr. Lui cautioned the FSSB to look beyond the marketplace to evaluate California's entire health care system. He also recommended that the Department be the external party.

At this point in the discussion, the Consumer panel responded to questions from the FSSB members. Topics included: (1) the similarities between the financial risk assumed by insurance companies and the financial risks assumed by medical providers; (2) the benefits of the delegated delivery model when compared to the staff delivery model; (3) the use of non-fiscal criteria as indicators of provider group financial solvency: and (4) how enhanced patient responsibility might impact provider group fiscal solvency while promoting healthier Californians.

VII. Public Comment Session

The following persons submitted public comments: John Jenrette, Sharp Community Medical Group; Dr. Patel; Walter Zelman, President of California Association of Health Plans; Dr. Marvin Canter, Union Medical Group; Julie De Angelo, Administrative Director for the Center for Public Interest Law; Matthew Mazdyasni, Healthcare Partners Medical Group.

VIII. Conclusion

Closing comments by the FSSB.

Chairman Syphax adjourned the meeting.