



Gray Davis, Governor  
State of California  
Business, Transportation and Housing Agency

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980 Ninth Street  
Suite 1800  
Sacramento, CA 95814  
916-322-2078 voice  
916-322-2579 fax

DATE: November 30, 2000

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 August 21, 2000.

**I. Introduction** – Daniel Zingale made a brief introduction. His discussion consisted of a synopsis of the goals of the FSSB and the intent and purpose behind the creation of the Department of Managed Health Care (Department) and the FSSB.

Introduction of FSSB members: 1) Ed Cymerys, Vice-President of Pacificare, 2) Tom Davies, Manager of Healthcare, Verizon (formerly GTE), 3) Melinda McIntyre-Kolpin, Founder, Director and CEO of Network Health Financial Services, 4) Dr. Mario Molina, Molina Medical Centers, 5) Scott Syphax, Manager of Public Affairs at Eli Lilly, 6) Dr. Paul Torrens, Professor in the School of Public Health, UCLA, 7) Ernie Wallerstein, Vice-President of Managed Care and Chief Information Officer for San Jose Good Samaritan Medical Group, and 8) Paul Katz, Consultant, alternate Board member.

Introduction of key Department staff: 1) Jim Tucker, Chief Deputy Director, 2) Herb Schultz, Deputy Director for External Affairs, 3) Joy Higa, Assistant Director for Plan and Provider Relations, 4) Steven Fisher, Deputy Director for Communications and Planning, 5) Barbara Yonemura, Acting Legal Advisor, 6) G. Lewis Chartrand, Jr., Chief of Legal Services, 7) Mark Wright, Chief Examiner, and 8) Donna Campbell, Senior Policy Advisor, Business, Transportation and Housing Agency.

## **II. Election of the Chair and Adoption of Rules and Procedures**

Nomination and approval of Chair of FSSB: Scott Syphax.

Adoption of "Robert's Rules of Order" to govern FSSB meetings.

### **III. Explanation of Bagley-Keene Open Meeting Act**

Chief of Legal Services, G. Lewis Chartrand, Jr., gave a summary of the key provisions of the Bagley-Keene Open Meeting Act and their application to the FSSB.

Chairman Syphax requested that Mr. Chartrand research the ability of the FSSB to maintain the confidentiality of proprietary information.

### **IV. Development of Workplan**

Introduction of proposed meeting schedule for 2000.

Discussion of deliverables for FSSB: 1) Development and recommendation to the Department financial solvency standards and requirements, 2) Periodic monitoring and reporting on the implementation and results of financial solvency requirements and standards, 3) Adoption and notice of standards recommended by the FSSB under the Administrative Procedures Act, 4) 45-day Director's review and comment period, and 5) Within 5 days of recommendation from the Board, transmitting a copy of the proposed regulations to the Advisory Committee on Managed Health Care.

Question from Ms. McIntyre-Kolpin regarding whether the FSSB will adopt the proposed financial solvency regulations promulgated by the Department of Corporations (DOC).

### **V. First Public Comment Period**

The public was invited to offer initial comments on the DOC's proposed financial solvency regulations implementing Senate Bill (SB) 260.

The following persons commented: 1) Beth Capell, Health Access, 2) John Jenrette, Chief Medical Officer of Sharpe Community Medical Group, San Diego, 3) Joe Partansky (spoke about the Brown and Bagley-Keene Acts), 4) Dr. Brian Roach, President and CEO of Mills Peninsula Medical Group, 5) Elizabeth McNeil, Vice-President, California Medical Association, and 6) Maureen O'Haren, California Association of Health Plans.

### **VI. Discussion of Workplan**

Chairman Syphax re-introduced the question of whether the FSSB was going to use the draft SB 260 regulations as a starting point for the financial solvency regulations.

The following agenda was set: 1) a discussion of universal standards to reconcile agreements between plans and providers, 2) a discussion of how new services and requirements should be handled contractually by groups and plans, and 3) a discussion of the level and size of the physician organization to be affected by the regulations.

The members additionally decided that adequate information needed to be obtained to assist the Department in its efforts to formally adopt regulations.

The FSSB agreed that the following topics needed to be addressed during discussions of the proposed regulations: 1) Information regarding uniformity of data requirements and/or standard operating procedures, 2) Potential models for evaluating future liabilities and revenue streams, 3) An evaluation of true solvency versus long-term viability, and 4) An evaluation of existing data versus new data.

## **VII. Second Public Comment Period**

Chairman Syphax opened the floor to public comments on the proposed agenda and discussion points.

The following persons commented: 1) Julio Mateo, Health Policy Consultant for Health Access, and 2) Steven Bennett, Consultant for the Department of Managed Health Care.

## **VIII. Draft SB 260 Regulations**

Chairman Syphax listed the planned agenda for the afternoon session: 1) Introduction and discussion of draft SB 260 regulations, 2) Public comment, and 3) Steps towards proceeding forward.

Chairman Syphax discussed the expectation level for the FSSB. First, the role of the FSSB is as an advisory board for the Department, and the Chairman pointed out that the Department would hold the final decision on implementing financial solvency regulations. Secondly, the need not only for change, but also for quick changes to the system, which would call for aggressive timelines and workplans by the FSSB.

Chairman Syphax turned the meeting over to Herb Schultz. Mr. Schultz' discussion consisted of a section by section summary of the regulations. The summary of the regulations was followed by a discussion of the public comments and recommendations received regarding each regulatory section.

General discussion of the existing draft. A question was raised by Ms. McIntyre-Kolpin as to whether the existing draft regulations would be used partially, completely, or not at all. It was decided by the FSSB that the draft regulations would be used as a template.

Individual comments were made from each FSSB member. The following is brief summary of those comments:

- 1) Chairman Syphax – Characterized the existing regulations as a vessel and an attempt to place major issues regarding the regulations on the table for discussion. Emphasized the limited time frame given to the FSSB and the expectation for a work product.

- 2) Mr. Wallerstein – Stated that the regulations were fairly ambiguous. Requested that the larger area of financial solvency be considered along with the specific areas.
- 3) Mr. Davies – Reiterated Mr. Wallerstein’s comments. Requested that the FSSB address operational measures and standards as an early warning system for financial solvency.
- 4) Mr. Katz – Spoke of the need to keep moving forward and focus on the issues raised in the public comments.
- 5) Dr. Molina – Stated that the draft regulations were a good framework. However, stated that the regulations, starting at the beginning, needed to be changed.
- 6) Mr. Cymerys – Stated that the regulations were a good start but the regulatory sections needed to clarify the problems that they were seeking to address.
- 7) Dr. Torrens – Stated that he had two influences in his thinking: 1. Do the regulations do the things that the Department needs to have done, and 2. Do the regulations place onerous requirements that make them difficult or impossible for compliance by the plans. He stated that there had to be a balance between the two influences.
- 8) Ms. McIntyre-Kolpin – Stated that there was a lot of work that needed to be done based on the volume of comments that were received by the Department regarding the draft regulations. Stated that a broad workplan process needed to be figured out prior to talking about the minutia and issues needed to be addressed in terms of both providers and plans.
- 9) Director Zingale – Stated that the draft regulations were a good starting point for the FSSB and that they could be used as a template.

At this point, Chairman Syphax turned the floor over to Herb Schultz to begin discussing the draft regulations by individual sections.

Herb Schultz suggested that it might be easier to focus on the necessary elements for the financial solvency regulations if a grid was created. One row of the grid would include the requirements of SB 260 and the second row would state what the draft regulations look like in each of those areas. Mr. Katz suggested that the public comments on each area of the draft regulations should also be included in the chart. Ms. McIntyre-Kolpin volunteered to work on a grid with Mr. Schultz. She stated that it would take them approximately two weeks to complete.

Dr. Molina requested that the process might be speedier if the FSSB broke into small work groups (subcommittees).

It was decided that the next meeting would include coordination of members’ schedules to enable the FSSB to break into small subcommittees.

## **IX. Third Public Comment Period**

The following persons spoke on the draft regulations: 1) Mary Griffin, NIPAC, CAPO, and AMGA, 2) Jennifer Jackman, Bright Medical Associates, 3) Walter Zelman, President and CEO of California Association of Health Plans, 4) Jackie Nolan, CEO of Local Health Plans of California, 5) Janiece Nolan, President and CEO of the John Muir Mount Diablo Health Network, and 6) Julio Mateo, Health Access.

## **X. Final Discussion**

Chairman Syphax summarized the seven sections contained in the draft regulations: 1) Definitions, 2) Risk-Sharing, 3) Organization Criteria, 4) Organization Information, 5) Organization Evaluation, 6) Corrective Action, and 7) Plan Reporting.

Chairman Syphax then proposed that the subcommittee groups be assigned certain sections of the regulations to research and discuss. The following subcommittees were formed and sections assigned:

1. Dr. Molina, and Ms. McIntyre-Kolpin - Definitions and Organization Criteria
2. Mr. Cymerys, Mr. Wallerstein, and Mr. Davies - Risk-Sharing and Organization Information.
3. Chairman Syphax, Mr. Katz and Dr. Torrens - Organization Evaluation, Corrective Action and Plan Reporting.

Final Comments were made by each member and the meeting adjourned.