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Date: November 8, 2001
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 October 16, 2001.

I. Introduction: Opening remarks by Daniel Zingale, Director, Department of Managed Health Care

1. Prior meeting minutes were approved and adopted by the Board members.
2. On October 4, 2001, the Department published first quarter of 2001 results of 250 risk-bearing organizations' compliance with the four solvency standards prescribed under SB 260. The Department is still in the process of finalizing the list of risk-bearing organizations.
3. An update was provided regarding the California Medical Association's lawsuit against the Department related to its proposed disclosure of SB 260 financial information. A hearing on the suit was held on September 26, 2001, which resulted in a partial restraining order restricting the Department's ability to publish financial information collected pursuant to SB 260. The order permitted the Department to make public information that is currently on the web site and allowed the Department to continue the data collection process. The Department is waiting for the court to issue a final order. Until then, the information the Department may release is confined to the information currently posted on the Department's web site. A hearing on the permanent injunction is scheduled for November 30, 2001.

II. Discussion Regarding: Draft Language for Corrective Action Plans and Review/Grading Process

1. Director Zingale opened the floor for public comment as various sections of the draft corrective action plan language were discussed.

Public Comment:

Provider focus: (1) regarding submission of a simple corrective action plan (CAP), organizations reporting working capital deficiencies and/or tangible net equity deficiencies not exceeding 20 percent should be permitted to use the simple CAP process; (2) time

frames outlined in regulations make it very difficult to get the right people together to have a viable, ongoing discussion regarding implementing a customized CAP; (3) clean-up language regarding submission of a preliminary CAP to the Department and every plan with which the organization contracts; (4) the proposed language raises various anti-trust concerns.

Health plan focus: (1) regarding submission of a simple CAP, this simplified process should be restricted to organizations reporting working capital deficiencies and/or tangible net equity deficiencies not exceeding 10 percent; (2) strike reference to meeting with plans collectively to discuss differences in the draft CAP; (3) since plans are accountable under the Knox-Keene Act, plans should not be precluded from exercising their contractual rights which means terminating contracts with organizations that are not meeting standards.

Consumer focus: (1) regulations are generally in good shape.

2. Responding to Board member discussion, Director Zingale suggested that the Board divide up responsibility for working on some bigger-picture issues that the Legislature should be aware of related to medical group solvency. Department staff will look into this.
3. Department will review public and Board comments and modify the draft review/grading and the corrective action plan process regulatory language.

VI. Closing Remarks/Next Steps

Director Zingale made closing remarks and the meeting was adjourned.