



# **ACCOUNTABLE CARE ORGANIZATIONS (ACOs) Oversight Implementation**

**January 19, 2010**

**Department of Managed Health Care**





# ACO Oversight Goals

## *DMHC goals for ACO oversight*

- **Ensure financial stability to protect patients and providers**
- **Lower health care costs**
- **Improve quality of and access to care**
- **Foster innovation and experimentation**
- **Adapt as we learn in a policy driven environment**



# ACO Oversight Goals

## *Why DMHC guidance on ACOs now?*

- The framework already exists in the Knox-Keene Act
- Federal criteria will likely not preempt DMHC jurisdiction over licensing and solvency
- Offer a predictable regulatory environment through integration with existing rules
- Create a level playing field with current licensees



## ACOs: Federal Jurisdiction

- **Section 3022 of PPACA amends the Social Security Act relating to Medicare**
- **U.S. HHS Secretary must establish a program by January 2012 to ensure high quality and efficient delivery of health care services through groups of providers meeting specified criteria**
  - **Anticipate that program criteria will address state licensure requirements**
- **DMHC will continue to offer input**
  - **November 2010: CMS Request for Information**
  - **December 2010: DMHC Response**



# ACOs: State Jurisdiction Knox-Keene Act and Rules

## *Health Care Service Plan or Risk Bearing Organization (RBO)?*

- **HEALTH PLAN:** assumes financial risk for physician services, ambulatory services, and institutional care (i.e. “global risk”)
  - Triggers licensure
- **RBO:** receives compensation on a capitated basis; assumes financial risk and payment of claims for physician services (outpatient care), and other delegated functions, but not institutional risk
  - SB 260 financial solvency requirements apply, but not licensure



## **ACOs: Process to Apply for Restricted License**

- **Six months prior to engaging in global risk, or if taking global risk, contact DMHC Office of Health Plan Oversight (HPO)**
- **Pre-Filing Conference with HPO**
- **Filing requirements: address the unique nature of ACOs; e.g. the key focus of operations:**
  - Financial solvency/stability**
  - Improve quality of care**
  - Lower health care costs**



# Restricted License Application Requirements

- **Summary/description of start-up and/or business operations**
- **Organization structure and principals**
- **Leadership structure and contact information**
- **Contractual arrangements (Physicians, Hospitals, Health Plans, etc.)**
- **Contracts w/ affiliates, principle creditors, and administrative services**
- **Disclosure of financial information**
- **Internal quality of care review system**
- **Enrollment projections**
- **Quarterly and Annual financial statements**
- **Projected financial statements for two years**
- **Description of fiscal arrangements**



# Financial Requirements

	RBO	Restricted License
Restricted Deposit	No	\$300K
Minimum TNE	\$1	\$1Million
Cash to claims	.75	NA
Minimum WC	\$1	NA
Claims Timeliness	95%	95%
Financial Filing	Qtr, Annual	Qtr, Annual
Annual Audit	Yes	Yes



# Timing and Costs Associated with License Application

## Timing

- Expedited review request by Applicant
- Pre-filing will prepare DMHC and Applicant to ensure initial application is complete
- Prompt responses by Applicant to DMHC questions/comment letters
- Target completion: Six months

## Costs

- Application Processing Reimbursement to the DMHC: Maximum of \$25,000
- Annual Assessment: TBD



## ACOs: Next Steps

- **Monitor federal rulemaking**
- **Apply relevant state licensing laws and regulations**
- **Continue to gather stakeholder input**