



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

980 Ninth Street
Suite 500
Sacramento, CA 95814

TO: All Licensed Health Care Service Plans

FROM: Warren Barnes, Chief, Division of Licensing

DATE: September 24, 2003

RE: Filing Suggestions: Exhibits F, L, and M

This memorandum is intended to further your efforts to facilitate your plan's filings of Exhibits F, L and M. It highlights the filing requirements for these exhibits to help you ensure that filings of these exhibits are as thorough and complete as possible. Your careful attention to the provisions of the Knox-Keene Act and regulations pertaining to Exhibits F, L, and M will expedite the Department's review of your plan's filings.¹

Exhibit F: Organization and Affiliated Persons

- Section 1352(c) requires a Plan to give written notice to the Director of any change in officers, directors, partners, controlling shareholders, principle creditors or persons occupying similar positions or performing similar functions of the Plan, of any management company of the Plan and of any parent company of the Plan or management company within five days of the change. The notice is to be by Amendment, unless the information is incorporated into a Notice of Material Modification. *See* Section 1300.52.2. If the changes are in conjunction with a merger, consolidation, acquisition of a controlling interest, or sale of the Plan or of all or substantially all of the assets of the Plan, directly or indirectly, Section 1300.52.4(d)(iii) requires the Plan to file a material modification with the Department.
- Ensure that F-1-a-iii forms list all persons, including, but not limited to, corporations or organizations, who hold of record or beneficially over 5% of the voting or equity securities of the applicant. "Person" referred to in section 6 of the form is defined in Section 1345(j).
- Check that names and titles and content and background information regarding of principle officers and directors are consistent with other exhibits such as Exhibits L and M.
- The Plan should include F-1-f individual information sheets for those individuals serving as Medical Directors, or Clinical Director in the case of some specialized health plans, per Section 1352(c) and Rule 1300.52.2(a).

Exhibit L & M: Organization Chart and Narrative Explanation of Organization Chart

- Please include sufficient information to enable the reviewer to determine whether the organization of the Plan is capable to furnish, in a reasonable and efficient manner, the health care services for which

¹ California Health and Safety Code Section 1340 *et seq.* References to "Section" are to sections of the Knox-Keene Health Care Service Plan Act as amended. References to "Rule" are to the regulations promulgated pursuant to the Act at Title 28 of the California Code of Regulations commencing at Section 1300.43.

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subscribers and enrollees have contracted and the effective conduct of the Plan's business, as required by Section 1300.67.3.

- Exhibits L and M should reflect that there is a separation of administrative and fiscal decision-making from medical decision-making. Section 1367(g) requires that the Plan should be able to demonstrate to the Department that medical decisions are rendered by qualified medical providers unhindered by fiscal and administrative management. The Medical Director, or Clinical Director in the case of some specialized health plans, should report quality assurance oversight directly to the governing board. *See* Sections 1367g, 1300.67.3 and 1300.70.
- Exhibits L and M should provide sufficient information to evidence that the governing body is competent to perform the review of the Plan's quality assurance system, including the review of grievances, and has the ultimate authority to review and approve key policies and operations of the Plan to be implemented by Plan staff. *See* Sections 1367(g), 1300.67.3 and 1300.70.
- According to Section 1367.01(c), the organization chart and narrative explanation should show clearly that the quality assurance program is supervised by a qualified physician or in the case of specialized plans, a designated dentist, optometrist, psychologist or other professional provider within the scope of his or her licensure.
- Section 1300.68(b)(1) requires that the Plan identify the designated officer who has primary responsibility for the Plan's grievance system, the review of grievance operations and of any emergent patterns of grievances. Exhibits L and M should identify this individual.
- Exhibit M-1 should identify the individuals who serve on boards and committees and not just the name of the board or committee.
- Narrative statements for individuals should encompass all of the information described in Section 1300.51(d), Item M-2, including each position that the individual holds within the Plan and any affiliates, the percentage of time devoted to each principle function, and each individual's training and experience.
- Public and confidential versions of resumes should be filed under separate bar codes as follows:

DOC Code XM004 Resumes (Confidential)
DOC Code XM005 Resumes (Public)

Information that is confidential or personal in nature should be redacted from any public version of a resume and filed separately as "confidential." Information regarding education and training is generally public information, because of the public interest in showing that the Plan has administrative capacity by employing qualified personnel. *See* Rule 1007.

- If there are changes in the organizational chart, the organizational chart should clearly reflect the changes, whether by redlining or two separate charts.

Thank you for your continued interest in expediting the filing and review process under the Act. Should you have any suggestions, or any questions regarding a specific change in Plan operation or ownership, please contact the Department licensing counsel assigned to your plan.