



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

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June 5, 2002

RE: June 18, 2002 FSSB Meeting

Dear Stakeholders:

The court in *CMA v. Zingale* issued a final order on May 16, 2002. As anticipated, the court permanently enjoined and restrained the DMHC from implementing regulation sections 1300.75.4.2 (data collection) and 1300.75.4.4 (disclosure). To ensure compliance with the court's order, the Department filed a request to repeal both regulations with the Office of Administrative Law (OAL) on May 22, 2002. OAL has 30 working days to review and approve the request. Upon approval, the request is filed with the Secretary of State, which has 30 days to officially repeal the sections.

While the Department continues to consider the practical ramifications of the court's order and the potential necessity of clarifying legislation, it is simultaneously necessary to focus the efforts of the Financial Solvency Standards Board on the development of an alternative implementation strategy for SB 260. To that end, the Department would like to facilitate a focused discussion on the issue of confidentiality protections for and public disclosure of the financial information submitted by risk-bearing organizations. While the Department recognizes that there are a number of approaches and forms for disclosing financial information, the court's decision requires the Department to determine that the financial information designated as public information will not adversely affect the integrity of the contract negotiation process between the risk-bearing organization and its contracting health plans. Accordingly, the June 18, 2002 FSSB meeting will specifically consider this topic.

Attached to this correspondence is a disclosure matrix that outlines four approaches to making the financial information submitted by risk-bearing organizations available to the public. These approaches range from restoring the disclosure format that the Department had been posting on its website prior to the court's ruling to a more complete disclosure format that includes the availability of actual financial data as well as the disclosure of designated financial ratios intended to reflect the organization's overall financial viability.

The Department invites all interested stakeholders to submit written comments and suggestions addressing:

- Which of the attached alternatives present the most appropriate level of public disclosure of risk-bearing organization financial information collected pursuant to SB 260?
- What affect, if any, would each of the alternative disclosure options have on “the integrity of the contract negotiation process” between the health care service plan and the risk-bearing organizations, as that phrase is used in Health and Safety Code Section 1375.4.

Responses should be submitted on or before June 14, 2002 and addressed to “SB 260 Next Steps” and either emailed to SB260RBO@dmhc.ca.gov or faxed to (916) 322-2533.

The DMHC thanks you in advance for your thoughtful and constructive comments.

Sincerely,

ANDREW MEYERS
Deputy Director
Financial Solvency Standards Board

Attachment