

From: DMHC Licensing eFiling
Subject: APL 19-016 (OFR) - Amendment to the Risk Bearing Organization Regulations
Date: Friday, September 6, 2019 12:38:30 PM
Attachments: APL19-016 (OFR) - Amendment to the Risk Bearing Organization Regulations (9.6.19)

Dear Health Plan Representative,

Please see attached All Plan Letter regarding new requirements to the Risk Bearing Organization regulations.

Thank you.



Gavin Newsom, Governor
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ALL PLAN LETTER

DATE: September 6, 2019

TO: Full Service Health Plans

FROM: Pritika Dutt
Deputy Director, Office of Financial Review

SUBJECT: APL 19-016 (OFR) AMENDMENT TO THE RISK BEARING ORGANIZATION REGULATIONS

The Department of Managed Health Care (DMHC) issues this All Plan Letter (APL) to notify health care service plans (health plans) about recent amendments to the Risk-Bearing Organization (Organization) regulations.¹ The amendments clarify Organization reporting standards and requirements to ensure organizations comply with the financial solvency standards.

A. Timing

- The amended regulations go into effect **October 1, 2019**.
- Organizations have a phase-in period for the amended cash-to-claims ratio and positive tangible net equity (TNE) requirements. The effective date for these new requirements are **October 1, 2020**.

B. New Requirements

The amended regulations:

- Clarify the definition of an Organization, which includes an Organization that contracts directly with a health plan, as well as an Organization that arranges for the health care services of a health plan's enrollees, but does not contract directly with a health plan.
- Updates the quarterly and annual financial survey report forms and the corrective action plan form.
- Requires all Organizations, regardless of the number of lives assigned, to submit quarterly and annual financial survey reports.

¹ See California Code of Regulations, tit. 28, §§ 1300.75.4, 1300.75.4.1, 1300.75.4.2, 1300.75.4.5, 1300.75.4.7, 1300.75.4.8, and 1300.76.

- Clarifies when an Organization and its affiliate must provide financial survey reports on a combined basis.
- Defines terms such as cash-to-claims ratio, sponsoring organization, sub-delegating organization, working capital, and TNE.
- Restricts Organization use of a “sponsoring organization” for reducing liabilities or increasing cash for purposes of calculating TNE, working capital, and cash-to-claims ratio.

The DMHC recommends organizations and health plans review the amended sections 1300.75.4, 1300.75.4.1, 1300.75.4.2, 1300.75.4.5, 1300.75.4.7, 1300.75.4.8, and 1300.76 of title 28, California Code of Regulations.

If you have questions regarding this APL, please contact Pritika Dutt, Deputy Director, Office of Financial Review, at Pritika.Dutt@dmhc.ca.gov or (916)324-8137.