



Edmund G. Brown Jr., Governor
State of California
Health and Human Services Agency
DEPARTMENT OF MANAGED HEALTH CARE
980 9th Street, Suite 500, Sacramento, CA 95814
Telephone: 916-255-5242 | Fax: 916-255-2280

Via USPS Delivery and eFile

May 1, 2017

Mr. Mike Myers
Chair of the Board and Chief Executive Officer
Dignity Health Provider Resources, Inc.
4550 California Avenue, Suite 100
Bakersfield, CA 93309

FINAL REPORT OF ORIENTATION EXAMINATION OF DIGNITY HEALTH PROVIDER RESOURCES, INC.

Dear Mr. Myers:

Enclosed is the Final Report of an orientation examination of the fiscal and administrative affairs of Dignity Health Provider Resources, Inc. (Plan), conducted by the Department of Managed Health Care (Department), pursuant to Section 1382(a) of the Knox-Keene Health Care Service Plan Act of 1975.¹ The Department issued a Preliminary Report to the Plan on December 7, 2016. The Department accepted the Plan's electronically filed response on April 3, 2017.

This Final Report includes a description of the compliance efforts included in the Plan's April 3, 2017 response, in accordance with Section 1382(c).

Section 1382(d) states, "If requested in writing by the plan, the director shall append the plan's response to the final report issued pursuant to subdivision (c). The plan may modify its response or statement at any time and provide modified copies to the department for public distribution not later than 10 days from the date of notification from the department that the final report will be made available to the public. The addendum to the response or statement shall also be made available to the public."

Please indicate within ten (10) days from the date of the Plan's receipt of this letter whether the Plan requests the Department to append its response to the Final Report.

¹ References throughout this report to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq. References to "Rule" are to the regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act, found at Chapter 2 of Division 1, Title 28, of the California Code of Regulations, beginning with Section 1300.43.

If so, please indicate which portions of the Plan's response shall be appended, and electronically file copies of those portions of the Plan's response excluding information held confidential pursuant to Section 1382(c). If the Plan requests the Department to append a brief statement summarizing the Plan's response to the Report or wishes to modify any information provided to the Department in its April 3, 2017 response, please provide the electronically filed documentation no later than ten (10) days from the date of the Plan's receipt of this letter through the eFiling web portal. Please file this addendum electronically via the Corrective Action Plan system ("CAP system") within the Online Forms Section of the Department's eFiling web portal <https://wpsso.dmhc.ca.gov/secure/login/>, as follows:

- From the main menu, select "eFiling"
- From the eFiling (Home) menu, select "Online Forms"
- From the Existing Online Forms menu click on the "Details" for the DFO Corrective Action Plan S17-O2-515
- Go to the "Messages" tab
 - Select "Addendum to Final Report" (note this option will only be available for 10 days after the Final Report has been issued)
 - Select the deficiency(ies) that are applicable
 - Create a message for the Department
 - Attach and Upload all documents with the name "Addendum to Final Report"
 - Select "Send Message"

The Department finds the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required.

Questions or problems related to the electronic transmission of the response should be directed to Vijon Morales at 916-255-2447 or email at Vijon.Morales@dmhc.ca.gov. You may also email inquiries to wpsso@dmhc.ca.gov.

The Department will make the attached Final Report available to the public in ten (10) days from the Plan's receipt of this letter through the eFiling system. The Report will be located at the Department's web site at [View Financial Examination Reports](#).

If there are any questions regarding this Report, please contact me at 916-255-5242 or email: sang.le@dmhc.ca.gov.

Sincerely,

ORIGINAL SIGNED BY SANG LE

Sang Le
Examiner IV (Supervisor)
Office of Financial Review

cc: Pritika Dutt, CPA, Deputy Director, Office of Financial Review
Sully Wong-Guerrero, Examiner, Division of Financial Oversight
Ping Han, Examiner, Division of Financial Oversight
Terence Sharp, Attorney III, Office of Plan Licensing
Laura Dooley-Biele, Chief, Division of Plan Surveys
Paula Hood, Staff Services Manager I, Help Center

**STATE OF CALIFORNIA
DEPARTMENT OF MANAGED HEALTH CARE**

DIVISION OF FINANCIAL OVERSIGHT

FINAL REPORT OF ORIENTATION EXAMINATION

OF

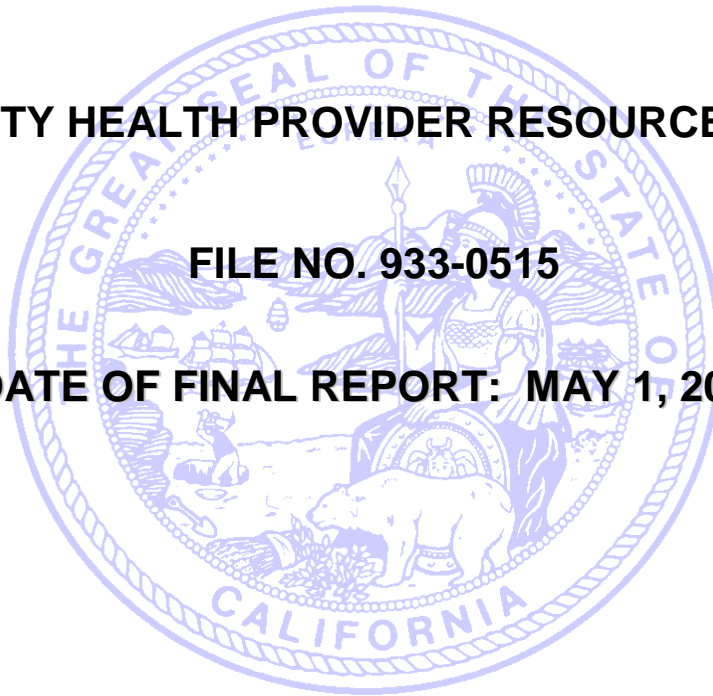
DIGNITY HEALTH PROVIDER RESOURCES, INC.

FILE NO. 933-0515

DATE OF FINAL REPORT: MAY 1, 2017

OVERSIGHT EXAMINER: SANG LE

EXAMINER-IN-CHARGE: SULLY WONG-GUERRERO



**BACKGROUND INFORMATION FOR DIGNITY HEALTH PROVIDER
RESOURCES, INC.**

| | |
|--|--|
| Date Plan Licensed: | August 6, 2015. |
| Organizational Structure: | Dignity Health Provider Resources, Inc. (Plan) is a non-profit public benefit corporation incorporated on January 7, 2015. Its sole shareholder is Dignity Health Provider Resources, LLC, whose sole member is Dignity Health. The Plan contracts with Dignity Health's existing integrated network of medical groups and hospitals providers in order to offer cost-effective and high quality health care services to Medicare Advantage (MA) members of Kern County. The Plan also contracts with Managed Care Systems for the provision of administrative services. |
| Type of Plan: | The Plan is a restricted full service health care service plan authorized to provide and arrange health care to MA and commercial enrollees of other Knox-Keene licensed plans through contractual arrangements. |
| Provider Network: | The Plan contracts with medical groups, hospitals, and ancillary providers for the provision of medical services to its members on a capitated basis. |
| Plan Enrollment: | The Plan reported 7,398 MA and 22,807 commercial enrollees as of December 31, 2016. |
| Service Area: | Kern County. |
| Date of prior Final Routine Examination Report: | This is the first examination; therefore, no prior examination reports were issued. |

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This Final Report includes a description of the compliance efforts included in the Plan's April 3, 2017 response to the Preliminary Report, in accordance with Section 1382(c). The Plan's response is noted in *italics*.

The Department examined the Plan's financial report filed with the Department for the quarter ended June 30, 2016, as well as other selected accounting records and controls related to the Plan's various fiscal and administrative transactions. The Department's findings are presented in this Report as follows:

| | |
|--------------|------------------------------------|
| Section I. | Financial Statements |
| Section II. | Calculation of Tangible Net Equity |
| Section III. | Compliance Issues |

The Department finds the Plan's compliance efforts are responsive to the deficiencies cited and the corrective actions required. Therefore, no further response is required

¹ References throughout this report to "Section" are to sections of the Knox-Keene Health Care Service Plan Act of 1975, as codified in the California Health and Safety Code, Section 1340, et seq. References to "Rule" are to the regulations promulgated pursuant to the Knox-Keene Health Care Service Plan Act, found at Chapter 2 of Division 1, Title 28, of the California Code of Regulations, beginning with Section 1300.43.

SECTION I. FINANCIAL REPORT

The Department's examination did not result in any adjustments or reclassifications to the Plan's financial statements for the quarter ended June 30, 2016, as filed with the Department. A copy of the Plan's financial statements can be viewed at the Department's website by typing the link <http://wpso.dmh.ca.gov/fe/search/#top> and selecting Dignity Health Provider Resources, Inc. on the second drop down menu.

No response is required to this Section.

SECTION II. CALCULATION OF TANGIBLE NET EQUITY (TNE)

| | |
|---|-------------------|
| Net Worth and TNE as reported by the Plan as of Quarter Ended June 30, 2016 | \$ 1,602,431 |
| Required TNE | <u>1,000,000</u> |
| TNE Excess per Examination | <u>\$ 602,431</u> |

The Plan is in compliance with the TNE requirement of Section 1376 and Rule 1300.76 as of June 30, 2016.

No response is required to this Section.

SECTION III. COMPLIANCE ISSUES

The Department performed a review of the Plan's systems in place to ensure compliance with the Knox-Keene Act and the Department's regulations regarding various fiscal and administrative transactions, administrative capacity and provider contracts. However, the Department did not test detailed account balances nor review sample claims.

FIDELITY BOND

Section 1351(q) and Rule 1300.76.3 require each plan to maintain at all times a fidelity bond. The fidelity bond shall provide for thirty (30) days' notice to the Director prior to cancellation. The fidelity bond shall provide at least the minimum coverage for the plan, as required by the schedule in this Rule, and may contain a provision for a deductible amount that is not in excess of ten (10) percent of the required minimum bond coverage, but in no event shall the deductible amount be in excess of \$100,000.

The Department's examination disclosed that the Plan's fidelity bond was not in compliance with the above Section and Rule. The Plan was covered under an umbrella policy of Dignity Health, the Plan's parent company. The policy did not specifically provide the Plan with exclusive right to the minimum required coverage of \$2,000,000, based on

the Plan's projected gross income. The fidelity bond should provide exclusive coverage for the Plan for at least the minimum coverage as required by the above Section and Rule.

The Plan was required to submit to the Department a copy of its fidelity bond that provided \$2,000,000 in exclusive coverage to the Plan. The Plan was also required to state the management position(s) responsible for overseeing and ensuring continued compliance.

The Plan indicated that it obtained the requested fidelity bond and included a copy of the new policy with its response to the Preliminary Report.

The Department finds that the Plan's compliance effort is responsive to the corrective action required. Therefore, no further response is required.