

1300.75.1 Fiscal Soundness, Insurance, and Other Arrangements

(a)

A plan shall demonstrate fiscal soundness and assumption of full financial risk as follows: (1) Demonstrate through its history of operations and through projections (which shall be supported by a statement as to the facts and assumptions upon which they are based) that the plan's arrangements for health care services and the schedule of its rates and charges are financially sound, and provide for the achievement and maintenance of a positive cash flow, including provisions for retirement of existing and proposed indebtedness. (2)

Demonstrate that its working capital is adequate, including provisions for contingencies. (3) Demonstrate an approach to the risk of insolvency which allows for the continuation of benefits for the duration of the contract period for which payment has been made, the continuation of benefits to subscribers and enrollees who are confined on the date of insolvency in an in-patient facility until their discharge, and payments to unaffiliated providers for services rendered.

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(b)

As a part of its program pursuant to subsection (a), a plan may obtain insurance or make other arrangements: (1) For the cost of providing to any member covered health care services the aggregate value of which exceeds \$5,000 in any year; (2) For the cost of covered health care services provided to its members other than through the plan because medical necessity required their provision before they could be secured through the plan; and (3) For not more than 90 percent of the amount by which its costs for any of its fiscal years exceed 115 percent of its income for such fiscal year.

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(3)

For not more than 90 percent of the amount by which its costs for any of its fiscal years exceed 115 percent of its income for such fiscal year.

(c)

In passing upon a plan's showing pursuant to this section, the Director will consider all relevant factors, including but not limited to: (1) The method of compensating providers and the terms of provider contracts, especially as to the obligations of providers to subscribers and enrollees in the event of plan insolvency. (2) The methods by which the plan controls and monitors the utilization of health care services. (3) The administrative expenses (actual and projected) of the plan and especially as to new or expanding plans, the fiscal soundness of its program to acquire and service an expanded subscriber population.

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(3)

The administrative expenses (actual and projected) of the plan and especially as to new or expanding plans, the fiscal soundness of its program to acquire and service an expanded subscriber population.