

1300.75.4 Definitions

As used in these Solvency Regulations:

(a)

"External party" means the Department of Managed Health Care or its designated agent, which may be contracted or appointed to fulfill the functions stated in these Solvency Regulations. Whenever these Solvency Regulations reference the Department of Managed Health Care it shall mean the Department of Managed Health Care (Department) or its designated agent.

(b)

"Organization" means a risk-bearing organization as defined in Health and Safety Code Section 1375.4(g). An organization includes an entity that contracts directly with the plan or subcontracts with another organization to arrange for the health care services of a plan's enrollees and meets the requirements of Health and Safety Code section 1375.4(g).

(c)

"Plan" means full-service health care service plan, as defined by Health and Safety Code section 1345(f).

(d)

"Risk arrangement" is defined to include both "risk-sharing arrangement" and "risk-shifting arrangement," which are defined as follows:(1) "Risk-sharing arrangement" means any compensation arrangement between an organization and

a plan under which the organization shares the risk of financial gain or loss with the plan. (2) "Risk-shifting arrangement" means a contractual arrangement between an organization and a plan under which the plan pays the organization on a fixed, periodic or capitated basis, and the financial risk for the cost of services provided pursuant to the contractual arrangement is assumed by the organization.

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"Risk-shifting arrangement" means a contractual arrangement between an organization and a plan under which the plan pays the organization on a fixed, periodic or capitated basis, and the financial risk for the cost of services provided pursuant to the contractual arrangement is assumed by the organization.

(e)

"Solvency Regulations" means sections 1300.75.4 through 1300.75.4.8 of Title 28 of the California Code of Regulations.

(f)

"Cash-to-claims ratio" is an organization's cash, readily available marketable securities and HMO capitation receivables due within thirty (30) days, divided by the organization's unpaid claims (claims payable and incurred but not reported [IBNR] claims) liability. The organization shall report only those HMO capitation receivables due within thirty (30) days the organization reasonably believes will be received by that time.

(g)

"Corrective action plan" (CAP) means a plan reflected in a document containing

requirements for correcting and monitoring an organization's efforts to correct any financial solvency deficiencies in the Grading Criteria or other financial or other claims payment deficiencies, determined through the Department's review or audit process, indicating that the organization may lack the capacity to meets its contractual obligations consistent with the requirements of section 1300.70(b)(2)(H)(1) of Title 28, California Code of Regulations.

(h)

"Grading Criteria" means the four grading/reviewing criteria specified in Health and Safety Code sections 1375.4(b)(1)(A)(i), (ii), (iii), and (iv) and the cash-to-claims ratio as defined in subsection (f) above.

(i)

"In a manner that does not adversely affect the integrity of the contract negotiation process" means the disclosure of an organization's financial data submissions in a format that does not impair the organization's ability to negotiate its contracts for the delivery of health care services or does not allow a contracting party to calculate: (1) an organization's precise profit/loss margins on any line of business, or (2) the rates that the organization has negotiated with any contracting entity or vendor during a prior accounting period.

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(j)

"Sponsoring organization" shall have the same meaning as Health and Safety Code section 1375.4(b)(1)(B).

(k)

"Sub-delegating organization" means an organization that delegates any portion of the responsibility for providing or arranging for the health care services of a plan's enrollees to another organization on a capitated or fixed period payment basis.