

1300.75.4.2 Organization Information

Every contract involving a risk arrangement between a plan and an organization shall require the organization or sub-delegating organization to do the following:

(a)

Maintain at all times a minimum "cash-to-claims ratio," as defined in section 1300.75.4(f), of 0.75 except as specified below. Beginning October 1, 2019 and ending on October 1, 2020, an organization shall comply with the cash-to-claims ratio definition, which is defined as an organization's cash, readily available marketable securities and receivables, excluding all risk pool, risk-sharing, incentive payment program and pay-for-performance receivables, reasonably anticipated to be collected within sixty (60) days divided by the organization's unpaid claims (claims payable and incurred but not reported (IBNR) claims) liability.

(b)

DMHC Quarterly Financial Survey Report Form ("quarterly financial survey report"). For each quarter, submit to the Department, not more than forty-five (45) days after the close of each quarter of the fiscal year, a quarterly financial survey report on the DMHC Quarterly Financial Survey Report Form, dated September, 2018, as incorporated herein by reference, and published by the Department on its webpage: www.dmhc.ca.gov. The DMHC Quarterly Financial Survey Report Form shall be filed pursuant to section 1300.41.8 of Title 28, California Code of

Regulations, and shall contain all of the following information: (1) Quarterly financial survey report information (including the following: a balance sheet; an income statement; a statement of cash flows; a statement of net worth; cash and cash equivalent; receivables and payables; risk pool and other incentives; claims aging; notes to financial statements; enrollment information; mergers, acquisitions and discontinued operations; the incurred but not reported (IBNR) methodology; and administrative expenses), or in the case of a nonprofit entity comparable financial statements and supporting schedule information (including but not limited to, aging of receivable information), reflecting the results of operations for the immediately preceding quarter and year-to-date, prepared in accordance with generally accepted accounting principles (GAAP) and the identification of the individual or office in the organization designated to receive public inquiries. (A) Sub-delegating organizations shall list all contracting organizations, including their names, addresses, contact persons, telephone numbers, and number of enrollees assigned to the organization as of the last day of the quarter being reported. (B) Quarterly financial survey reports of an organization required pursuant to these rules shall be on a combining basis with an affiliate, if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in this report shall be separately identified and reported in a combining schedule format. Upon the request of the Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Quarterly Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request: (i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims

in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP. (C) For the purposes of this section, an organization's use: (i) Of a "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating tangible net equity, working capital, and cash-to-claims ratio; or (ii) An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay the claims liability for the health care services for enrollees. (2) A statement as to what percentage of completed claims the organization has timely reimbursed, contested, or denied during the quarter in accordance with the requirements of Health and Safety Code sections 1371 and 1371.35, section 1300.71 of Title 28 of the California Code of Regulations, and any other applicable state and federal laws and regulations. If less than 95% of all complete claims have been reimbursed, contested or denied on a timely basis, the statement shall be accompanied by a report that describes the reasons why the claims adjudication process is not meeting the requirements of applicable law, any action taken to correct the deficiency, and any results of that action. This claims payment report is for the purpose of monitoring the financial solvency of the organization and is not intended to change or alter existing state and federal laws and regulations relating to claims payment settlement practices and timeliness. (3) A statement as to whether or not: (A) The organization has estimated and documented, on a monthly basis, its liability for IBNR claims, pursuant to a method specified in section 1300.77.2; and (B) The estimates are the basis for the quarterly financial survey report submitted under these Solvency Regulations. If the estimated and documented liability has not met the requirements of section

1300.77.2 in any way, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, the action taken to correct the deficiency, and the results of that action. An organization failing: (i) To estimate and document, on a monthly basis, its liability for IBNR claims; or (ii) To maintain its books and records on an accrual accounting basis shall be deemed to have failed to maintain, at all times, positive tangible net equity (TNE) and positive working capital as set forth in subsection (4) below. (4) A statement as to whether or not the organization has at all times during the quarter maintained positive TNE, as defined in section 1300.76(c) of Title 28 California Code of Regulations; and has at all times during the quarter maintained positive working capital, calculated in a manner consistent with GAAP, that excludes unsecured affiliate receivables except those arising in the normal course of business which are payable on the same terms as equivalent transactions with non-affiliates. If the required TNE, cash-to-claims ratio, or the required working capital has not been maintained at all times, a statement shall be included in the quarterly financial survey report that describes in detail the following, with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action. (A) The organization may reduce its liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year; and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and

Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts, as well as the nature and scope of the guarantee provided, consistent with Health and Safety Code section 1375.4(b)(1)(B).

a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization.

b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

c. If the period that an organization has a sponsoring organization is longer than twelve (12)

months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. (5) A statement as to whether or not the organization has, at all times during the quarter, maintained a cash-to-claims ratio as required in section (a), calculated in a manner consistent with GAAP. If the required cash-to-claims ratio has not been maintained at all times, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to the deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action.

(1)

Quarterly financial survey report information (including the following: a balance sheet; an income statement; a statement of cash flows; a statement of net worth; cash and cash equivalent; receivables and payables; risk pool and other incentives; claims aging; notes to financial statements; enrollment information; mergers, acquisitions and discontinued operations; the incurred but not reported (IBNR) methodology; and administrative expenses), or in the case of a nonprofit entity comparable financial statements and supporting schedule information (including but not limited to, aging of receivable information), reflecting the results of operations for the immediately preceding quarter and year-to-date, prepared in accordance with generally accepted accounting principles (GAAP) and the identification of the individual or office in the organization designated to receive public inquiries. (A) Sub-delegating organizations shall list all contracting organizations, including their names, addresses, contact persons, telephone numbers, and number of enrollees assigned to the organization as

of the last day of the quarter being reported. (B) Quarterly financial survey reports of an organization required pursuant to these rules shall be on a combining basis with an affiliate, if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in this report shall be separately identified and reported in a combining schedule format. Upon the request of the Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Quarterly Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request: (i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP. (C) For the purposes of this section, an organization's use: (i) Of a "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating tangible net equity, working capital, and cash-to-claims ratio; or (ii) An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay the claims liability for the health care services for enrollees.

(A)

Sub-delegating organizations shall list all contracting organizations, including their names, addresses, contact persons, telephone numbers, and number of enrollees assigned to the organization as of the last day of the quarter being reported.

(B)

Quarterly financial survey reports of an organization required pursuant to these rules shall be

on a combining basis with an affiliate, if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in this report shall be separately identified and reported in a combining schedule format. Upon the request of the Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Quarterly Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request: (i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP.

(i)

Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations;

(ii)

Whether there are concerns regarding the transparency of the affiliate relationship; and,

(iii)

Whether financial documentation is not presented in accordance with GAAP.

(C)

For the purposes of this section, an organization's use: (i) Of a "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating tangible net equity, working capital, and cash-to-claims ratio; or (ii) An affiliated entity to provide claims

processing services shall not be construed to automatically create a legal or financial obligation to pay the claims liability for the health care services for enrollees.

(i)

Of a "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating tangible net equity, working capital, and cash-to-claims ratio; or

(ii)

An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay the claims liability for the health care services for enrollees.

(2)

A statement as to what percentage of completed claims the organization has timely reimbursed, contested, or denied during the quarter in accordance with the requirements of Health and Safety Code sections 1371 and 1371.35, section 1300.71 of Title 28 of the California Code of Regulations, and any other applicable state and federal laws and regulations. If less than 95% of all complete claims have been reimbursed, contested or denied on a timely basis, the statement shall be accompanied by a report that describes the reasons why the claims adjudication process is not meeting the requirements of applicable law, any action taken to correct the deficiency, and any results of that action. This claims payment report is for the purpose of monitoring the financial solvency of the organization and is not intended to change or alter existing state and federal laws and regulations relating to claims payment settlement practices and timeliness.

(3)

A statement as to whether or not: (A) The organization has estimated and documented, on a monthly basis, its liability for IBNR claims, pursuant to a method specified in section 1300.77.2; and (B) The estimates are the basis for the quarterly

financial survey report submitted under these Solvency Regulations. If the estimated and documented liability has not met the requirements of section 1300.77.2 in any way, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, the action taken to correct the deficiency, and the results of that action. An organization failing: (i) To estimate and document, on a monthly basis, its liability for IBNR claims; or (ii) To maintain its books and records on an accrual accounting basis shall be deemed to have failed to maintain, at all times, positive tangible net equity (TNE) and positive working capital as set forth in subsection (4) below.

(A)

The organization has estimated and documented, on a monthly basis, its liability for IBNR claims, pursuant to a method specified in section 1300.77.2; and

(B)

The estimates are the basis for the quarterly financial survey report submitted under these Solvency Regulations. If the estimated and documented liability has not met the requirements of section 1300.77.2 in any way, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, the action taken to correct the deficiency, and the results of that action. An organization failing: (i) To estimate and document, on a monthly basis, its liability for IBNR claims; or (ii) To maintain its books and records on an accrual accounting basis shall be deemed to have failed to maintain, at all times, positive tangible net equity (TNE) and positive working capital as set forth in subsection (4) below.

(i)

To estimate and document, on a monthly basis, its liability for IBNR claims; or

(ii)

To maintain its books and records on an accrual accounting basis shall be deemed to have failed to maintain, at all times, positive tangible net equity (TNE) and positive working capital as set forth in subsection (4) below.

(4)

A statement as to whether or not the organization has at all times during the quarter maintained positive TNE, as defined in section 1300.76(c) of Title 28 California Code of Regulations; and has at all times during the quarter maintained positive working capital, calculated in a manner consistent with GAAP, that excludes unsecured affiliate receivables except those arising in the normal course of business which are payable on the same terms as equivalent transactions with non-affiliates. If the required TNE, cash-to-claims ratio, or the required working capital has not been maintained at all times, a statement shall be included in the quarterly financial survey report that describes in detail the following, with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action. (A) The organization may reduce its liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year; and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall

provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts, as well as the nature and scope of the guarantee provided, consistent with Health and Safety Code section 1375.4(b)(1)(B). a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization. b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

(A)

The organization may reduce its liabilities or increase its cash for purposes of calculating its

TNE, working capital and cash-to-claims ratio in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year; and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts, as well as the nature and scope of the guarantee provided, consistent with Health and Safety Code section 1375.4(b)(1)(B). a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization. b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with

requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

(i)

Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year; and

(ii)

A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts, as well as the nature and scope of the guarantee provided, consistent with Health and Safety Code section 1375.4(b)(1)(B). a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when

determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization. b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

a.

An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization.

1.

Financial projections demonstrating the compliance timeframes outlined by the organization;

2.

Specific actions taken and proposed by the organization to improve financial solvency; and,

3.

Any modifications or changes to the guarantee provided by the sponsoring organization.

b.

An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

c.

If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

(5)

A statement as to whether or not the organization has, at all times during the quarter, maintained a cash-to-claims ratio as required in section (a), calculated in a manner consistent with GAAP. If the required cash-to-claims ratio has not been maintained at all times, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to the deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action.

(c)

DMHC Annual Financial Survey Report Form ("annual financial survey report"). An organization shall submit to the Department, not more than one hundred fifty (150) days after the close of the organization's fiscal year and not more than one hundred fifty (150) days after the close of each of the organization's subsequent fiscal years, an annual financial survey report on the DMHC Annual Financial

Survey Report Form, dated September 2018, as incorporated herein by reference and published by the Department on its webpage: www.dmh.ca.gov. The DMHC Annual Financial Survey Report Form shall be filed pursuant to section 1300.41.8 of Title 28 of the California Code of Regulations, and shall be based upon the organization's annual audited financial statement prepared in accordance with generally accepted accounting principles (GAAP). The annual financial survey report shall contain all of the following: (1) Annual financial survey report, based upon the organization's annual audited financial statements (including at least the following: a balance sheet; an income statement; a statement of cash flows; a statement of net worth; cash and cash equivalent; receivables and payables; risk pool and other incentives; claims aging; notes to financial statements; enrollment information; mergers, acquisitions and discontinued operations; the incurred but not reported (IBNR) methodology; administrative expenses; and footnote disclosures), or in the case of a nonprofit entity, comparable financial statements, and supporting schedule information (including, but not limited to, aging of receivable information and debt maturity information), for the immediately preceding fiscal year, prepared by the independent certified public accountant in accordance with GAAP. (A) A sub-delegating organization shall include the allocation of risk between the sub-delegating organization and each organization with which it contracts and shall disclose whether the sub-delegating organization provides stop-loss coverage to the organization, and if so, the nature of all stop-loss arrangements. (B) Annual financial survey reports of an organization required pursuant to these Solvency Regulations shall be on a combining basis with an affiliate if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in the report shall be separately identified. Upon the request of the

Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Annual Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request: (i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP. (C) For the purposes of this section, an organization's use of: (i) A "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating TNE and working capital, cash-to-claims ratio; or (ii) An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay claims liability for health care services for enrollees. (D) When combined financial statements are required by this regulation, the independent accountant's report or opinion shall address all the entities included in the combined financial statements. If the accountant's report or opinion makes reference to the fact that another auditor performed a part of the examination, the organization shall also file the report or opinion issued by the other auditor. (i) For purposes of determining the independence of the certified public accountant, the regulations of the California State Board of Accountancy (Division 1, sections 1 through 99.2, Title 16, California Code of Regulations), shall apply. (E) The opinion of the independent certified public accountant indicating whether the organization's annual audited financial statements present fairly, in all material respects, the financial position of the organization, and whether the financial statements were prepared in

accordance with GAAP. If the opinion is qualified in any way, the survey report shall include an explanation regarding the nature of the qualification. (2) A statement as to whether or not the organization has estimated and documented, on a monthly basis, its liability for IBNR claims, pursuant to a method specified in section 1300.77.2, and that these estimates are the basis for the financial survey reports submitted under these Solvency Regulations. If the estimated and documented liability has not met the requirements of section 1300.77.2, a statement shall be included in the annual financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, the action taken to correct the deficiency, and the results of that action. An organization failing: (A) To estimate and document, on a monthly basis, its liability for IBNR claims; or (B) To maintain its books and records on an accrual accounting basis, shall be deemed to have failed to maintain, at all times, positive TNE and positive working capital as set forth in subsection (3)(A) below. (3) A statement as to whether or not the organization has, at all times during the year, maintained positive TNE, as defined in section 1300.76(c) of Title 28, California Code of Regulations; and has, at all times during the year, maintained positive working capital, calculated in a manner consistent with GAAP, that excludes unsecured affiliate receivables except those arising in the normal course of business which are payable on the same terms as equivalent transactions with non-affiliates. If either the required TNE, cash-to-claims ratio, or the required working capital has not been maintained at all times, a statement shall be included in the annual financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action. (A) The organization may reduce its liabilities for purposes of

calculating its TNE and working capital in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section, so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts as well as the nature and scope of the guarantee provided consistent with Health and Safety Code section 1375.4(b)(1)(B).

a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee

provided by the sponsoring organization. b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. (4) A statement as to whether or not the organization has at all times during the year maintained a cash-to-claims ratio as required in section (a), calculated in a manner consistent with GAAP. If the required cash-to-claims ratio has not been maintained at all times, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to the deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action. (5) A statement as to whether the organization maintains reinsurance and/or professional stop-loss coverage. (6) The annual financial survey report shall include, as an attachment, a copy of the complete annual audited financial statement, including footnotes and the certificate or opinion of the independent certified public accountant.

(1)

Annual financial survey report, based upon the organization's annual audited financial statements (including at least the following: a balance sheet; an income statement; a statement of cash flows; a statement of net worth; cash and cash equivalent;

receivables and payables; risk pool and other incentives; claims aging; notes to financial statements; enrollment information; mergers, acquisitions and discontinued operations; the incurred but not reported (IBNR) methodology; administrative expenses; and footnote disclosures), or in the case of a nonprofit entity, comparable financial statements, and supporting schedule information (including, but not limited to, aging of receivable information and debt maturity information), for the immediately preceding fiscal year, prepared by the independent certified public accountant in accordance with GAAP. (A) A sub-delegating organization shall include the allocation of risk between the sub-delegating organization and each organization with which it contracts and shall disclose whether the sub-delegating organization provides stop-loss coverage to the organization, and if so, the nature of all stop-loss arrangements. (B) Annual financial survey reports of an organization required pursuant to these Solvency Regulations shall be on a combining basis with an affiliate if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in the report shall be separately identified. Upon the request of the Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Annual Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request: (i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP. (C) For the purposes of this section, an organization's use of: (i) A "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating TNE

and working capital, cash-to-claims ratio; or (ii) An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay claims liability for health care services for enrollees. (D) When combined financial statements are required by this regulation, the independent accountant's report or opinion shall address all the entities included in the combined financial statements. If the accountant's report or opinion makes reference to the fact that another auditor performed a part of the examination, the organization shall also file the report or opinion issued by the other auditor. (i) For purposes of determining the independence of the certified public accountant, the regulations of the California State Board of Accountancy (Division 1, sections 1 through 99.2, Title 16, California Code of Regulations), shall apply. (E) The opinion of the independent certified public accountant indicating whether the organization's annual audited financial statements present fairly, in all material respects, the financial position of the organization, and whether the financial statements were prepared in accordance with GAAP. If the opinion is qualified in any way, the survey report shall include an explanation regarding the nature of the qualification.

(A)

A sub-delegating organization shall include the allocation of risk between the sub-delegating organization and each organization with which it contracts and shall disclose whether the sub-delegating organization provides stop-loss coverage to the organization, and if so, the nature of all stop-loss arrangements.

(B)

Annual financial survey reports of an organization required pursuant to these Solvency Regulations shall be on a combining basis with an affiliate if either the organization or such affiliate is legally or financially responsible for the payment of the organization's claims. Any affiliated entity included in the report shall be separately identified. Upon the request of the

Director, the organization or affiliate subject to this subdivision shall provide financial statements on a separate DMHC Annual Financial Survey Report Form. The Director shall consider at least the following information when determining whether to make the request:

(i) Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations; (ii) Whether there are concerns regarding the transparency of the affiliate relationship; and, (iii) Whether financial documentation is not presented in accordance with GAAP.

(i)

Whether financial solvency concerns exist with the organization or the affiliate, which impact the organization's ability to maintain compliance with the Grading Criteria or processing and paying claims in compliance with Claims Settlement Practices as detailed in section 1300.71 of Title 28, California Code of Regulations;

(ii)

Whether there are concerns regarding the transparency of the affiliate relationship; and,

(iii)

Whether financial documentation is not presented in accordance with GAAP.

(C)

For the purposes of this section, an organization's use of: (i) A "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating TNE and working capital, cash-to-claims ratio; or (ii) An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay claims liability for health care services for enrollees.

(i)

A "sponsoring organization" arrangement to reduce its liabilities for the purposes of calculating TNE

and working capital, cash-to-claims ratio; or

(ii)

An affiliated entity to provide claims processing services shall not be construed to automatically create a legal or financial obligation to pay claims liability for health care services for enrollees.

(D)

When combined financial statements are required by this regulation, the independent accountant's report or opinion shall address all the entities included in the combined financial statements. If the accountant's report or opinion makes reference to the fact that another auditor performed a part of the examination, the organization shall also file the report or opinion issued by the other auditor. (i) For purposes of determining the independence of the certified public accountant, the regulations of the California State Board of Accountancy (Division 1, sections 1 through 99.2, Title 16, California Code of Regulations), shall apply.

(i)

For purposes of determining the independence of the certified public accountant, the regulations of the California State Board of Accountancy (Division 1, sections 1 through 99.2, Title 16, California Code of Regulations), shall apply.

(E)

The opinion of the independent certified public accountant indicating whether the organization's annual audited financial statements present fairly, in all material respects, the financial position of the organization, and whether the financial statements were prepared in accordance with GAAP. If the opinion is qualified in any way, the survey report shall include an explanation regarding the nature of the qualification.

(2)

A statement as to whether or not the organization has estimated and documented, on a monthly basis, its liability for IBNR claims, pursuant to a method specified in section 1300.77.2, and that these estimates are the basis for the financial survey reports

submitted under these Solvency Regulations. If the estimated and documented liability has not met the requirements of section 1300.77.2, a statement shall be included in the annual financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, the action taken to correct the deficiency, and the results of that action. An organization failing:

(A) To estimate and document, on a monthly basis, its liability for IBNR claims; or (B) To maintain its books and records on an accrual accounting basis, shall be deemed to have failed to maintain, at all times, positive TNE and positive working capital as set forth in subsection (3)(A) below.

(A)

To estimate and document, on a monthly basis, its liability for IBNR claims; or

(B)

To maintain its books and records on an accrual accounting basis, shall be deemed to have failed to maintain, at all times, positive TNE and positive working capital as set forth in subsection (3)(A) below.

(3)

A statement as to whether or not the organization has, at all times during the year, maintained positive TNE, as defined in section 1300.76(c) of Title 28, California Code of Regulations; and has, at all times during the year, maintained positive working capital, calculated in a manner consistent with GAAP, that excludes unsecured affiliate receivables except those arising in the normal course of business which are payable on the same terms as equivalent transactions with non-affiliates. If either the required TNE, cash-to-claims ratio, or the required working capital has not been maintained at all times, a statement shall be included in the annual financial survey report that describes in detail the following with respect to each deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of

that action. (A) The organization may reduce its liabilities for purposes of calculating its TNE and working capital in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section, so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts as well as the nature and scope of the guarantee provided consistent with Health and Safety Code section 1375.4(b)(1)(B).

a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization.

b. An organization shall apply to the Department to

request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

(A)

The organization may reduce its liabilities for purposes of calculating its TNE and working capital in a manner allowed by Health and Safety Code section 1375.4(b)(1)(B) and this section, so long as the sponsoring organization has filed with the Department: (i) Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year and (ii) A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts as well as the nature and scope of the guarantee provided consistent with Health and Safety Code section 1375.4(b)(1)(B). a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio.

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(i)

Its audited annual financial statements within one-hundred and twenty (120) days of the end of the sponsoring organization's fiscal year and

(ii)

A copy of the written guarantee meeting the requirements of Health and Safety Code section 1375.4(b)(1)(B). For purposes of Health and Safety Code section 1375.4(b)(1)(B), a sponsoring organization shall have a TNE of at least twice the total of all amounts that it has guaranteed to all persons and entities, or a lesser amount in situations where the organization can demonstrate to the Director's satisfaction and written approval that a lesser amount of TNE is sufficient. If an

organization has a sponsoring organization, the organization shall provide information to the Department demonstrating the capacity of the sponsoring organization to guarantee the organization's debts as well as the nature and scope of the guarantee provided consistent with Health and Safety Code section 1375.4(b)(1)(B). a. An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization. b. An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates. c. If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

a.

An organization may rely on a sponsoring organization for no more than one (1) fiscal year to reduce the organization's liabilities or increase its cash for purposes of calculating its TNE, working capital and cash-to-claims ratio. Requests by an organization to extend the one (1) year period and to rely on a sponsoring

organization during a subsequent period shall be submitted to the Department and may be approved at the Director's discretion. Only a single twelve (12) month extension of the use of a sponsoring organization may be requested by the organization. The Director shall consider at least the following information when determining whether to grant the request: 1. Financial projections demonstrating the compliance timeframes outlined by the organization; 2. Specific actions taken and proposed by the organization to improve financial solvency; and, 3. Any modifications or changes to the guarantee provided by the sponsoring organization.

1.

Financial projections demonstrating the compliance timeframes outlined by the organization;

2.

Specific actions taken and proposed by the organization to improve financial solvency; and,

3.

Any modifications or changes to the guarantee provided by the sponsoring organization.

b.

An organization shall apply to the Department to request the use of a sponsoring organization. The application shall include projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

c.

If the period that an organization has a sponsoring organization is longer than twelve (12) months, the organization shall annually, from the date of the sponsoring organization contract, report to the Department projections showing how the organization will obtain and maintain compliance with the requirements of Health and Safety Code section 1375.4(b)(1)(A) once the guarantee from the sponsoring organization terminates.

(4)

A statement as to whether or not the organization has at all times during the year maintained a cash-to-claims ratio as required in section (a), calculated in a manner consistent with GAAP. If the required cash-to-claims ratio has not been maintained at all

times, a statement shall be included in the quarterly financial survey report that describes in detail the following with respect to the deficiency: the nature of the deficiency, the reasons for the deficiency, any action taken to correct the deficiency, and any results of that action.

(5)

A statement as to whether the organization maintains reinsurance and/or professional stop-loss coverage.

(6)

The annual financial survey report shall include, as an attachment, a copy of the complete annual audited financial statement, including footnotes and the certificate or opinion of the independent certified public accountant.

(d)

Statement of Organization Survey. Submit to the external party, a "Statement of Organization," in an electronic format, prepared by the Department, to be filed along with the annual financial survey report, which shall include the following information, as of December 31 of each calendar year prior to the filing: (1) Name and address of the organization; (2) A financial and public contact person, with title, address, telephone number, fax number, and e-mail address; (3) A list of all health plans with which the organization maintains risk arrangements; (4) Whether the organization is an Independent Practice Association (IPA), Medical Group, Foundation, other entity, or some combination thereof. If the organization is a foundation, identify each and every medical group within the foundation, and whether any of those medical groups independently qualifies as a risk-bearing organization as defined in Health and Safety Code section 1375.4(g); (5) Whether the organization is a professional corporation, partnership, not-for-profit corporation, sole proprietor, or other form of business; (6) The name, business

address and principal officer of each of the organization's affiliates as defined in Title 28, California Code of Regulations, section 1300.45(c)(1) and (2); (7) Whether the organization is partially or wholly owned by a hospital or hospital system; (8) A matrix listing all major categories of medical care offered by the organization, including, but not limited to, anesthesiology, cardiology, orthopedics, ophthalmology, oncology, obstetrics/gynecology and radiology.(A) Next to each listed category in the matrix, a disclosure of the primary compensation model (salary, fee-for-service, capitation, other) used by the organization to compensate the majority of providers of that category of care; (9) An approximation of the number of enrollees served by the organization under a risk arrangement, pursuant to a list of ranges developed by the Department; (10) Any Management Services Organization (MSO) that the organization contracts with for administrative services; (11) The total number of contracted physicians in employment and/or contractual arrangements with the organization; (12) Disclosure of the organization's primary service area (excluding out-of-area tertiary facilities and providers) by California county or counties; (13) The identification of the organization's address, telephone number and website link, if available, where providers may access written information and instructions for filing of provider disputes with the organization's Dispute Resolution Mechanism consistent with requirements of section 1300.71.38 of Title 28, California Code of Regulations; and, (14) Provide any other information that the Director deems reasonable and necessary, as permitted by law, to understand the operational structure and finances of the organization.

(1)

Name and address of the organization;

(2)

A financial and public contact person, with title, address, telephone number, fax number, and e-mail address;

(3)

A list of all health plans with which the organization maintains risk arrangements;

(4)

Whether the organization is an Independent Practice Association (IPA), Medical Group, Foundation, other entity, or some combination thereof. If the organization is a foundation, identify each and every medical group within the foundation, and whether any of those medical groups independently qualifies as a risk-bearing organization as defined in Health and Safety Code section 1375.4(g);

(5)

Whether the organization is a professional corporation, partnership, not-for-profit corporation, sole proprietor, or other form of business;

(6)

The name, business address and principal officer of each of the organization's affiliates as defined in Title 28, California Code of Regulations, section 1300.45(c)(1) and (2);

(7)

Whether the organization is partially or wholly owned by a hospital or hospital system;

(8)

A matrix listing all major categories of medical care offered by the organization, including, but not limited to, anesthesiology, cardiology, orthopedics, ophthalmology, oncology, obstetrics/gynecology and radiology.(A) Next to each listed category in the matrix, a disclosure of the primary compensation model (salary, fee-for-service, capitation, other) used by the organization to compensate the majority of providers of that category of care;

(A)

Next to each listed category in the matrix, a disclosure of the primary compensation model (salary, fee-for-service, capitation, other) used by the organization to compensate the majority of providers of that category of care;

(9)

An approximation of the number of enrollees served by the organization under a risk arrangement, pursuant to a list of ranges developed by the Department;

(10)

Any Management Services Organization (MSO) that the organization contracts with for administrative services;

(11)

The total number of contracted physicians in employment and/or contractual arrangements with the organization;

(12)

Disclosure of the organization's primary service area (excluding out-of-area tertiary facilities and providers) by California county or counties;

(13)

The identification of the organization's address, telephone number and website link, if available, where providers may access written information and instructions for filing of provider disputes with the organization's Dispute Resolution Mechanism consistent with requirements of section 1300.71.38 of Title 28, California Code of Regulations; and,

(14)

Provide any other information that the Director deems reasonable and necessary, as permitted by law, to understand the operational structure and finances of the organization.

(e)

Submit a written verification for each report made under subsections (b), (c), and

(d) of this section stating that the report is true and correct to the best knowledge and belief of a principal officer of the organization, and, if the report is a combined report, a principal officer of the affiliate, and signed by both principal officers, as defined by section 1300.45(o) of Title 28, California Code of Regulations. This verification shall be submitted by delivering a hard copy with an original signature to the Director, care of the Office of Financial Review, Department of Managed Health Care, 980 Ninth Street, Suite 500, Sacramento, CA 95814.

(f)

Notify the Department and each contracting health plan or sub-delegating organization no later than five (5) business days after discovering that the organization has experienced any event that materially alters its financial situation or threatens its solvency. Each sub-delegating organization shall have adequate procedures in place to ensure the Department of Managed Health Care or its designated agent is notified no later than five (5) business days from discovering that any of its contracting organizations experienced any event which materially alters the organization's financial situation, or threatens its solvency.

(g)

Permit the Department to make any examination that it deems reasonable and necessary to implement Health and Safety Code section 1375.4, and provide to the Department, upon request, any books or records deemed relevant or useful to implementing this section for inspection and copying, as permitted by law.