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Title 22@ Social Security

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Division 3@ Health Care Services

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Subdivision 1@ California Medical Assistance Program

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Chapter 4@ Prepaid Health Plans

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Article 3@ OPERATIONAL REQUIREMENTS

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Section 53251@ Assumption of Financial Risk

## **53251 Assumption of Financial Risk**

### **(a)**

Plans shall be responsible for the total costs, except as otherwise provided in this Chapter, of care rendered to members under the provisions of this Chapter.

### **(b)**

The Department shall bear the costs of providing medically necessary covered services to a member when such costs, based on Medi-Cal schedules of reimbursement and exclusive of third-party recoveries, exceed the risk limit in the aggregate during the 12-month period specified in the contract. The risk limit shall be determined annually, at the same time and using the same data base as used in the determination of new annual rates, as provided by Section 53321, and shall be stated in the contract. The Department shall bear such costs only for the period of time between the date on which the aggregate amount exceeds the risk limit, and the end of the 12-month period specified in the contract. The Department shall determine that services and the amounts payable therefor are reasonable and medically necessary, prior to payment, and within 90 days after submittal of the documentation required in subsection (b)(2). (1) Members whose cost of care exceeds the risk limit in the 12-month period shall not be disenrolled by the plan solely for that reason. The plan shall remain responsible for arranging and initially paying for the member's medically necessary care, at Medi-Cal reimbursement levels, when the cost for such care exceeds the risk limit in the 12-month period.

(2) Plans shall submit to the Department documentation of accumulated costs which result in reaching the risk limit and of all costs in excess of the limit. Documentation shall be submitted in a format prescribed by the Department.

**(1)**

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**(2)**

Plans shall submit to the Department documentation of accumulated costs which result in reaching the risk limit and of all costs in excess of the limit. Documentation shall be submitted in a format prescribed by the Department.

**(c)**

A plan shall not enter into a subcontract which would remove the contractor's obligation to bear a significant portion of the overall risk assumed in providing services under this Chapter.

**(d)**

A plan shall designate one of the methods described in subsection (e) as its operating definition of significant risk, if the plan enters into subcontracts to fulfill its contractual obligations, unless the plan can demonstrate to the Department that significant risk is retained by some other method. Combinations of methods shall not be permitted. All subcontract approvals by the Department shall be contingent upon the retention of significant risk, as designated by the method selected by the contractor.

**(e)**

Significant risk shall be the financial responsibility for either of the following: (1) All expenditures which exceed 115 percent of the estimated specified total expenditures made under each subcontract. (2) All inpatient hospitalization expenditures, including expenditures for services connected with the period of hospitalization, as determined by the Department.

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