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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 53321@ Capitation Payment Rates Determination

## **53321 Capitation Payment Rates Determination**

### **(a)**

The Department shall determine capitation payment rates annually by actuarial methods with assistance from an actuary or consulting actuary.

### **(b)**

The rates shall not exceed actuarially equivalent Medi-Cal fee-for-service costs. These costs shall be determined by viewing the total services and requirements, including administration, provided under this Chapter by a prepaid health plan as though such same services and requirements, including administration, were reimbursable under Chapter 3. For purposes of this section: (1) Costs of administration include, but are not limited to: (A) Salaries, bonuses or benefits paid or incurred with respect to the officers, directors, partners, trustees or other principal management of the plan, minus, to the extent that such persons also are providers of health care services, the minimum reasonable cost of obtaining such health care services from other persons. (B) Cost of soliciting, enrolling and verifying enrollment of members. (C) Legal and accounting fees and expenses. (D) Costs associated with the establishment and maintenance of agreements with providers of health care services, excluding the cost of reviewing quality and utilization of such services and the cost of reviewing utilization of health care services on a referral basis. (E) Premium on required fidelity and surety bonds and any insurance maintained pursuant to Section 1377, Health and Safety Code, and

any insurance or other expense incurred for the purpose of complying with Section 1375.1, Health and Safety Code. Malpractice insurance is not included within this subsection. (F) Costs of preparing reports required by this Chapter. (G) Costs of maintaining facilities for administrative services. (2) Cost of administration shall not include: (A) Bad debt write-off. (B) Donations. (C) Out-of-state and out-of-country travel. (D) Expenditures for commercial market development. (E) Stock losses. (F) Good will.

**(1)**

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**(A)**

Salaries, bonuses or benefits paid or incurred with respect to the officers, directors, partners, trustees or other principal management of the plan, minus, to the extent that such persons

also are providers of health care services, the minimum reasonable cost of obtaining such health care services from other persons.

**(B)**

Cost of soliciting, enrolling and verifying enrollment of members.

**(C)**

Legal and accounting fees and expenses.

**(D)**

Costs associated with the establishment and maintenance of agreements with providers of health care services, excluding the cost of reviewing quality and utilization of such services and the cost of reviewing utilization of health care services on a referral basis.

**(E)**

Premium on required fidelity and surety bonds and any insurance maintained pursuant to Section 1377, Health and Safety Code, and any insurance or other expense incurred for the purpose of complying with Section 1375.1, Health and Safety Code. Malpractice insurance is not included within this subsection.

**(F)**

Costs of preparing reports required by this Chapter.

**(G)**

Costs of maintaining facilities for administrative services.

**(2)**

Cost of administration shall not include: (A) Bad debt write-off. (B) Donations. (C) Out-of-state and out-of-country travel. (D) Expenditures for commercial market development. (E) Stock losses. (F) Good will.

**(A)**

Bad debt write-off.

**(B)**

Donations.

**(C)**

Out-of-state and out-of-country travel.

**(D)**

Expenditures for commercial market development.

**(E)**

Stock losses.

**(F)**

Good will.

**(c)**

The rates shall be effective for one year beginning the first day of July each year. In the event that payment of the new rates is delayed beyond the first day of July, continued payment of the rate in effect shall be interim payment only. Final payment shall be: (1) Adjusted by increase or decrease to the level of the new rates. (2) Effective as of the first day of July.

**(1)**

Adjusted by increase or decrease to the level of the new rates.

**(2)**

Effective as of the first day of July.

**(d)**

Notwithstanding subsection (c), payment of the new annual rates shall commence no later than September 1, provided that a contract amendment providing for the new annual rates has been prior approved by DHHS, and signed by the Department and the plan, but has not yet received the approval of all required control agencies and departments.

**(e)**

Contract amendments providing for the new annual rates shall provide that: (1) The plan stipulates to a confession of judgment, for any amounts received in excess of the final approved rate, by accepting payment of the new annual rates prior to final approval.

**(1)**

The plan stipulates to a confession of judgment, for any amounts received in excess of the final approved rate, by accepting payment of the new annual rates prior to final approval.

**(f)**

Any underpayment by the State, if the final approved rates differ from the rates set forth in an amendment providing for new annual rates, shall be paid by the Department to the plan within 30 days after final approval of such rate amendment.

**(g)**

Any overpayment by the State shall be recovered by Department withhold of the amount due from the plan's next capitation payment, not to exceed 25 percent of the capitation payment. If the overpayment is more than 25 percent, amounts up to 25 percent shall be withheld from each successive capitation payment until such deficiencies are recovered by the Department.

**(h)**

The contract between the State and a prepaid health plan shall include: (1) The monthly capitation rates. (2) A description of the actuarial method, assumptions, cost information and utilization rates used in determining the rates.

**(1)**

The monthly capitation rates.

**(2)**

A description of the actuarial method, assumptions, cost information and utilization rates used in determining the rates.