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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 4.1@ Two-Plan Model Managed Care Program

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Article 6@ Operational Requirements

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Section 53864@ Financial Standards/Resources

53864 Financial Standards/Resources

(a)

Each plan shall demonstrate fiscal soundness and maintain adequate financial resources to carry out its contractual obligations. Such resources shall be determined by the department and shall include, but not necessarily be limited to, the following: (1) Tangible net equity as defined in Title 10, section 1300.76 (2) Working capital and current ratio of one of the following: (A) A current ration of at least 1:1, or (B) Prior demonstration to the department that the contractor is now meeting financial obligations on a timely basis and has been doing so for at least the preceding two years, or (C) Evidence that sufficient noncurrent assets, which are readily convertible to cash, are available to achieve an equivalent working capital ratio of 1:1, if the noncurrent assets are considered current. (3) Demonstration through its history of plan operations that the plan's arrangements for health care are financially sound, and provide for the achievement and maintenance of a positive cash flow, including provisions for retirement of existing and proposed indebtedness. (4) Enrollment growth.

(1)

Tangible net equity as defined in Title 10, section 1300.76

(2)

Working capital and current ratio of one of the following: (A) A current ration of at least 1:1, or (B) Prior demonstration to the department that the contractor is now meeting

financial obligations on a timely basis and has been doing so for at least the preceding two years, or (C) Evidence that sufficient noncurrent assets, which are readily convertible to cash, are available to achieve an equivalent working capital ratio of 1:1, if the noncurrent assets are considered current.

(A)

A current ration of at least 1:1, or

(B)

Prior demonstration to the department that the contractor is now meeting financial obligations on a timely basis and has been doing so for at least the preceding two years, or

(C)

Evidence that sufficient noncurrent assets, which are readily convertible to cash, are available to achieve an equivalent working capital ratio of 1:1, if the noncurrent assets are considered current.

(3)

Demonstration through its history of plan operations that the plan's arrangements for health care are financially sound, and provide for the achievement and maintenance of a positive cash flow, including provisions for retirement of existing and proposed indebtedness.

(4)

Enrollment growth.

(b)

Administrative costs incurred by a plan and its affiliates shall comply with the requirements of the Knox-Keene Act as set forth in Title 10, section 1300.78. Plans which compensate their subcontractors on a capitated basis shall comply with title 10, CCR, section 1300.78 regarding administrative costs, considering the combined administrative cost of the plan and its capitated subcontractors for

Medi-Cal business.