



Policy: MA.3002
Title: **Financial Security Requirements**
Department: Finance
Section: Not Applicable

CEO Approval: /s/ Michael Hunn 08/08/2024

Effective Date: 08/01/2005
Revised Date: 08/01/2024

Applicable to: ☐ Medi-Cal
☒ OneCare
☐ PACE
☐ Administrative

I. PURPOSE

This policy outlines the requirement and monitoring of financial security reserves required by each Health Network within the OneCare program in accordance with their Health Network Service Agreement.

II. POLICY

A. A Health Network shall establish financial security reserves unless otherwise agreed upon in the Health Network Service Agreement.

1. Financial security reserves shall be established as set forth in this policy and required for the duration of a Health Network's participation in the OneCare Program.
2. Financial security reserves for OneCare shall be in an amount equal to fifty-thousand dollars (\$50,000) plus a minimum of twenty-five percent (25%) of one (1) month's average Capitation Payment, typically computed at the end of each quarter. If a Health Network meets the fifty-thousand dollars (\$50,000) element of the financial security reserve requirement for participation as a contract holder with CalOptima Health for Medi-Cal members, the Health Network shall be deemed to have met the fifty-thousand dollars (\$50,000) element of the financial security reserve requirement for OneCare.
3. CalOptima Health may, at its sole discretion, require a greater amount based on its assessment of a Health Network's operational readiness and financial condition.

B. Financial security reserves shall be used:

1. In the event such funds are needed to protect the interests of, and to ensure the continuation of Covered Services to Members; or
2. For administrative costs directly attributable to a conservatorship, receivership, or liquidation of a Health Network.

C. CalOptima Health shall monitor a Health Network's financial security reserves and review their adequacy on a quarterly basis and during any financial field audit review.

III. PROCEDURE

- A. A Health Network shall establish an initial financial security reserve within one-hundred-twenty (120) calendar days after the effective date of the Health Network Service Agreement.
 - 1. A Health Network shall establish financial security reserves in the form of Financial Security Instruments.
 - a. Approved Financial Security Instruments shall include time certificates of deposit, irrevocable standby letters of credit, and surety bonds. CalOptima Health shall not accept other Financial Security Instruments without prior approval.
 - b. The Financial Security Instruments shall designate CalOptima Health as the sole beneficiary for the duration of the Health Network's participation in OneCare.
 - c. A Health Network shall establish Financial Security Instruments so that any withdrawal or transfer of funds shall only require the signature of the CalOptima Health CFO, or his/her Designee.
 - 2. CalOptima Health shall inform a Health Network, in writing, that an increase in financial security reserves is required if the average Capitation Payment materially increases due to membership or rate increases.
 - 3. A Health Network shall comply with written requests to increase financial security reserves within thirty (30) calendar days after receipt of such request, unless otherwise granted by CalOptima Health.
 - 4. CalOptima Health shall not grant decreases to a Health Network's financial security reserves due to fluctuations in membership or rate changes unless the decrease is material. CalOptima Health shall consider such requests only upon receipt of a formal written request from the Health Network.
- B. If a Health Network requests a substitution of Financial Security Instruments, CalOptima Health shall receive the new Financial Security Instruments prior to releasing the old Financial Security Instruments.
- C. Release of Financial Security Reserves
 - 1. CalOptima Health shall release Financial Security Instruments no earlier than six (6) months after a Health Network's termination in OneCare, unless termination is the result of Health Network insolvency, and only after all operational requirements have been met.
 - 2. Unless earlier release is required by law or judicial action, CalOptima Health shall release to a Health Network, financial security reserves no earlier than twelve (12) months after termination if termination is the result of Health Network insolvency, and only after all operational requirements have been met.
 - 3. CalOptima Health shall inform the Health Network, in writing, of the date it expects to release the Financial Security Instruments.

D. Corrective Actions and Sanctions

1. If a Health Network fails to comply or meet any of the requirements outlined in this Policy, CalOptima Health may take the following actions:
 - a. CalOptima Health may require a Health Network to submit a Corrective Action Plan (CAP) as appropriate, in accordance with CalOptima Health Policy HH.2005: Corrective Action Plan.
 - b. CalOptima Health may place the Health Network in a contractual cure for breach of contract, including the following:
 - i. CalOptima Health may seize any Capitation and/or monies owed and place the Health Network under financial supervision until breach is cured. Financial supervision would include:
 - a) Withholding of monthly Capitation; and
 - b) Managing and releasing withheld Capitation to the Health Network to fund administrative expenses, Primary Care Provider (PCP) Capitation Payments and/or claims payments (limited specifically to months/dates of service that such withheld Capitation was intended to be used for payment).
 - ii. CalOptima Health may review the Health Network's financial statements, bank statements, and/or other records to ensure payments are made.
2. CalOptima Health may impose Sanctions in accordance with CalOptima Health Policy HH.2002: Sanctions.

IV. ATTACHMENT(S)

Not Applicable

V. REFERENCE(S)

- A. CalOptima Health Contract with the Centers for Medicare & Medicaid Services (CMS) for Medicare Advantage
- B. CalOptima Health Policy HH.2002: Sanctions
- C. CalOptima Health Policy HH.2005: Corrective Action Plan
- D. Medicare Advantage Physician Group Service Contract

VI. REGULATORY AGENCY APPROVAL(S)

None to Date

VII. BOARD ACTION(S)

None to Date

VIII. REVISION HISTORY

Action	Date	Policy	Policy Title	Program(s)
Effective	08/01/2005	MA.3002	Financial Security Requirements	OneCare
Revised	08/01/2016	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	10/01/2017	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	07/01/2018	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	01/01/2019	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	09/01/2019	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	07/01/2020	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	08/01/2021	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	08/01/2022	MA.3002	Financial Security Requirements	OneCare OneCare Connect
Revised	04/01/2023	MA.3002	Financial Security Requirements	OneCare
Revised	08/01/2024	MA.3002	Financial Security Requirements	OneCare

IX. GLOSSARY

Term	Definition
Capitation Payment	The monthly amount paid to a Health Network by CalOptima Health for the delivery of Covered Services to Members in that Health Network.
Corrective Action Plan	A plan delineating specific identifiable activities or undertakings that address and are designed to correct program deficiencies or problems identified by formal audits or monitoring activities by CalOptima Health, the Centers of Medicare & Medicaid Services (CMS), Department of Health Care Services (DHCS), or designated representatives. FDRs and/or CalOptima Health departments may be required to complete CAPs to ensure they are in compliance with statutory, regulatory, or contractual obligations and any other requirements identified by CalOptima Health and its regulators.
Covered Service	Those medical services, equipment, or supplies that CalOptima Health is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract.
Designee	A person selected or designated to carry out a duty or role. The assigned designee is required to be in management or hold the appropriate qualifications or certifications related to the duty or role.
Financial Security Instruments	Time certificates of deposit, irrevocable standby letters of credit, or surety bonds naming CalOptima Health as the beneficiary.
Health Network	A Physician Hospital Consortium (PHC), physician group under a shared risk contract, or health care service plan, such as a Health Maintenance Organization (HMO) that contracts with CalOptima Health to provide Covered Services to Members assigned to that Health Network.
Health Network Service Agreement	The written agreement between CalOptima Health and a Health Network to provide Covered Services to Members.
Member	A beneficiary enrolled in a CalOptima Health OneCare program.
Primary Care Practitioner/Physician (PCP)	A Practitioner/Physician responsible for supervising, coordinating, and providing initial and primary care to Members and serves as the medical home for Members. The PCP is a general practitioner, internist, pediatrician, family practitioner, or obstetrician/gynecologist (OB/GYN). For Members who are Seniors or Persons with Disabilities or eligible for the Whole Child Model, “Primary Care Practitioner” or “PCP” shall additionally mean any Specialty Care Provider who is a Participating Provider and is willing to perform the role of the PCP. A PCP may also be a Non-physician Medical Practitioner (NMP) (e.g., Nurse Practitioner [NP], Nurse Midwife, Physician Assistant [PA]) authorized to provide primary care services under supervision of a physician. For SPD or Whole Child Model beneficiaries, a PCP may also be a specialty care provider or clinic.
Sanctions	An action taken by CalOptima Health, including, but not limited to, restrictions, limitations, monetary fines, termination, or a combination thereof, based on an FDR’s or its agent’s failure to comply with statutory, regulatory, contractual, and/or other requirements related to CalOptima Health Programs.