

## SB1041 Legislative Report

**Date:** September 16, 2020

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### Overview

As part of the CCO 2.0 recommendations, the Oregon Health Policy Board (OHPB) recommended a variety of solvency and financial accountability standards be applied to Coordinated Care Organizations (CCOs), with Oregon Health Authority (OHA) as the regulatory authority. During the 2019 legislative session, Senate Bill 1041 (SB 1041) was passed to accomplish and put in place these critical financial and solvency standards. SB 1041 grants authority and controls to OHA for the oversight of CCOs similar to how the insurance code grants the Department of Consumer and Business Services (DCBS) oversight authority for commercial insurers. These regulatory tools focus on evaluating reserves using a risk-based approach governed by the National Association of Insurance Commissioners (NAIC), granting administrative and judicial tools to OHA in the event a CCO becomes impaired, and directed OHA to institute a variety of rules to operationalize the framework.

Specifically, SB 1041 does the following:

- Improved transparency of CCO financial reporting
- Authorized risk-based reserve evaluation
- Required examinations of CCOs on a regular basis to ensure compliance
- Provided administrative and judicial tools for dealing with impaired CCOs

SB 1041 also required specific next steps for the Oregon Health Authority to fulfill as part of the implementation. The following items list specific next steps that have been completed, per SB 1041:

- ✓ Established a set of administrative rules for financial regulation
- ✓ Established a set of administrative rules related to Mergers and Acquisitions
- ✓ Established an Advisory Group with CCOs related to financial reporting requirements
- ✓ Trained CCO staff on Statutory Accounting Principles (SAP)

The list above are tangible actions that the agency has taken to implement SB 1041 over the last year; however, OHA has a variety of annual or regular tasks related to SB 1041 that include posting financial documents, posting CCO financials publicly, and training/hiring staff to support this work.

Finally, SB 1041 required OHA to submit this report to the Legislature by September 15, 2020 describing the Advisory Group's recommendations and work related to reporting requirements. The

following report highlights the advisory group's meetings and recommendations for reporting requirements and notes the impact of COVID-driven delays on SB 1041 implementation.

## **Impact of COVID-19 on SB 1041 Implementation**

As part of the COVID-19 pandemic response in early 2020, OHA instituted a variety of flexibilities to support the Medicaid health care system, including postponing non-critical policy meetings and delaying CCO deliverables, if possible. As part of this response, OHA decided in consultation with its CCO representatives to cancel SB 1041 Advisory Group meetings from March through July and convened a final meeting in August 2020. OHA also waived the NAIC reporting requirement for Quarter 1 2020, and only required submission of the OHA-built financial reporting template. CCOs submitted their first NAIC quarterly submission on August 31, 2020 for Quarter 2 2020.

These delays impacted the final recommendations published in this report; however, a significant amount of work was completed by this Advisory Group. During the final meeting in August 2020, OHA and the CCO representatives agreed that the Advisory Group would not need to continue, and the work can continue in other regular meeting venues between OHA and CCOs.

## **Advisory Group Overview**

SB 1041 legislation directed OHA to form a public Advisory Group and charged the Group with making recommendations which will be reported to the Legislature by OHA before September 15, 2020. The Advisory Group's purpose is to advise and inform a report regarding ways to eliminate duplicative reporting between the financial reporting required by the NAIC and the financial reporting that OHA needs to regulate coordinated care organizations.

OHA also engaged a sub-committee of this Advisory Group to review the various NAIC and existing financial reports to identify any needed redactions before posting publicly. The sub-committee produced a report providing OHA with their comments on each report and whether redaction was necessary. This report is currently being reviewed by OHA's legal counsel.

The Advisory Group was made up of CCO representatives and OHA staff and met regularly until the COVID-19 pandemic required meetings be cancelled and deferred. The following highlights the meeting topics and actions the group took over the last year:

### **November 2019 Meeting:**

At the first meeting, the group discussed and advised on membership requirements as well as motioning to approve the group charter. OHA provided the group with a two-day onsite SAP training. The group continued the discussion by reviewing the Exhibit L reporting scope and how OHA will utilize each report.

### **January 2020 Meeting:**

During this meeting, the group reviewed previously submitted questions from its members and responses from OHA. OHA reviewed items within the Exhibit L that overlapped with the NAIC reporting requirements to be considered for elimination. OHA also introduced the NAIC Filing Checklist to the group, specifically identifying specific deadlines to OHA and NAIC. The group discussed the need for formal guidance to which OHA advised that any formal guidance will be memorialized for audit. OHA discussed the holding company system reporting filings, and the group agreed to postpone forms B and F's first filing from 1/1/2020 to 6/30/2020 due to the limited time available for CCOs to comply with the NAIC reporting requirements under the new

OAR. Furthermore, the group discussed the implementation of a redaction process, and a subgroup was formed to discuss the standards for trade-secret redactions.

**February 2020 Meeting:**

The group met to review previously submitted questions from the members and responses from OHA. OHA presented the group with identified eliminations and retentions for the Exhibit L report as previously discussed in January's meeting. To facilitate CCOs with their transition into NAIC reporting, the group determined a formal guidance is needed from OHA and worked on determining what items to be put in the guidance and what the preferred resolutions are for each item. The group worked through the checklist to determine what reporting items are applicable to CCOs as well as determined the reasonable reporting deadlines. OHA reviewed each RBC levels in the OAR and its requirements in the RBC plan where OHA expressed to reserve the right to question the CCOs if there is concern that the organization may fall into the regulatory action level. The restricted reserve requirements were reviewed, highlighting changes that fall under CCO 2.0.

**March/April 2020 Meeting:**

The group was consulted regarding the need for a meeting in March and April due to the COVID-19 global pandemic, and the group concluded no outstanding items needed to be discussed at this time. A notice was issued to CCO representatives regarding the cancellation.

**August 2020 Meeting:**

The group reconvened and began discussing the COVID-19 impact. An agreement was reached on OHA's guidance on aspects of NAIC reporting, including a finalized NAIC filing checklist. The group continued to discuss eliminating any Exhibit L reports that are duplicative. OHA presented on the updated restricted reserve requirements and calculation. The group moved to discuss further financial reporting matters in a standing meeting series between CCO financial staff and OHA. The redaction subgroup discussed redaction operations and moved to finalize requirements in the near future.

## **Recommendations on Financial Reporting and Reduced Redundancies**

During multiple Advisory Group meetings, OHA and CCOs reviewed the existing OHA-built financial reports and the NAIC financial reports to evaluate opportunities for reducing redundancies and duplication wherever possible. During the process, five key financial reports were identified as possibly redundant between NAIC and the existing financial reports, and eight reports required further evaluation. The other existing financial reports were deemed as needed for either program reasons, not redundant, or needed for rate development.

Of these thirteen reports, OHA and the Advisory Group recommend reviewing the need of these reports after the 2020 annual reports are submitted in April 2021. If these reports and any other are deemed redundant based on CCO input during normal OHA-CCO rates workgroup meetings, OHA will evaluate and decide whether to issue a waiver for the 2021 reporting period to reduce reporting for the CCOs. The matrix used to evaluate the reports against the NAIC standard reporting template is included as Appendix I.

## Appendix Documents

The appendices are contained in the following accompanying files:

### I: Exhibit L 2020 Structure Summary

Exhibit L 2020 Structure Summary DRAFT

Report # (2020)	Not NAIC	Report Name	Frequency	User/Owner	CORE Finance	Actuarial	Program/Policy	Eliminate	Retain As Is	Further Discussion Needed
L1	x	Certification	quarterly	Finance	x	x	x		x	
L2		Member Approaching or Surpassing stop-loss deductible	annual	Actuarial		x				x
L2 Part II Item I		Loss Protection Program PDF	annual	Actuarial		x				x
L3	x	Restricted reserves	quarterly	Finance	x				x	
L3.1 OHP		Adjusted and unadjusted medical loss ratios & Net worth requirement	quarterly	Finance	x			x		
L3.1 CAK		Adjusted and unadjusted medical loss ratios & Net worth requirement	quarterly	Finance	x			x		
L8 Part II		Summary of Financial Transactions by Category of Service	quarterly	Finance; Optumas	x	x				x
L4		Key financial indicators	quarterly	Finance	x					x
L5		Quarterly balance sheet of corporate activity	quarterly	Finance	x					x
L6 CORP		Quarterly statement of revenues, expenses & changes in net assets	quarterly	Finance	x					x
L6 OHP		Quarterly statement of revenues, expenses	quarterly	Finance	x					x
L6 CAK		Quarterly statement of revenues, expenses	quarterly	Finance	x					x
L6.1 OHP		Quarterly statement of administrative and other non-benefit costs	quarterly	Finance; Optumas	x	x				x
L6.21 OHP	x	Health related services - bi-annually	bi-annual	HRS; Optumas		x	x		x	
L6.22 OHP	x	Health related services - member detail	annual	HRS		x	x		x	
L6.3	x	Case management	annual	Optumas		x			x	
L6.4	x	Case management breakdown	annual	Optumas		x			x	
L6.5	x	Recoveries and recoupments	annual	Optumas		x			x	
L6.6	x	Recoveries and recoupments breakdown	annual	Optumas		x			x	
L6.7	x	SHARE Initiative Obligation	annual	SDOH			x		x	
L7		Cash flow analysis corporate activity/indirect method	quarterly	Finance	x			x		
L8 Part I		Org Chart	annual	Finance	x					x
L9		Audited annual balance sheet of corporate activity	annual	Finance	x			x		
L10		Audited annual statement of revenues, expenses & changes in net assets	annual	Finance	x			x		
Audit Report		Audit Report	annual	Finance	x			x		
Actuarial Report		Actuarial Report	annual	Finance	x			x		
L11		Disclosure of compensation	annual	Finance	x				x	
L12	x	Enrollment validation	annual	Optumas		x			x	
L13	x	Medical costs	annual	Optumas		x			x	
L14	x	IBNR completion rate	annual	Optumas		x			x	
L15	x	Sub-capitation	annual	Optumas		x			x	
L16	x	Breakdown of all alternative payment arrangements (value based payment) by provider	annual	VBP; Optumas		x	x		x	
L17	x	Incentive programs	annual	Quality Pool; Optumas		x	x		x	
L17.1	x	Quality pool payment breakdown	annual	Quality Pool; Optumas		x	x		x	
L17.2	x	Other incentive payment breakdown	annual	Optumas		x			x	
L18	x	Other payment arrangements	annual	Optumas		x			x	
L18.1	x	Other payments breakdown	annual	Optumas		x			x	
L19	x	Financial overview and reconciliation of costs	annual	Optumas		x			x	
Supplemental RAE	x	RAE reporting	annual	Actuarial; Optumas		x			x	