# 19. FINANCE AND REIMBURSEMENT

## A. Financial Viability

### 1. Delegated IPA

***APPLIES TO:***

A. This policy applies for all Delegated IPAs contracted with IEHP.

***POLICY:***

A. IEHP complies with all regulatory requirements to protect its Members and Providers from the consequences of financial failure of an IEHP contracted Delegated IPA.

B. IEHP monitors the financial viability of all contracted Delegated IPAs and has established funding requirements to ensure all contracted Delegated IPAs are financially sound and can handle the risks associated with capitation.

C. IEHP requires all contracted Delegated IPAs to meet IEHP's and California Department of Managed Health Care's (DMHC) financial viability standards/requirements for Risk Bearing Organizations (RBOs) as stated within the California Code of Regulations Title 28 §1300.75.4.2 prior to Member assignment to the Delegated IPA's Primary Care Physicians (PCPs) and on an ongoing basis.

***PROCEDURES:***

A. Prior to entering into a contractual agreement with IEHP and annually thereafter, Delegated IPAs must submit their most current audited financial statements and their most recent monthly and year-to-date financial statements comprising Balance Sheets, Income Statements, Cash Flow Statements and supporting worksheets for incurred, but not reported (IBNR) or IBNR certification by an independent, certified actuary mutually acceptable to IEHP. Additionally, the Delegated IPA must submit their required periodic financial and organizational informational disclosures as stated in section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act as an RBO within five (5) business days after the due date. The financial statements must demonstrate that the Delegated IPA is financially viable and is able to meet IEHP's and DMHC's financial viability standards/requirements as referenced above. IEHP does not contract with Delegated IPAs that do not meet these standards.

B. On an ongoing basis, all contracted Delegated IPAs are required to submit to IEHP a copy of their financial statements comprising Balance Sheets, Income Statements, Cash Flow Statements and supporting worksheets for IBNR on a quarterly basis within forty-five (45) days of the end of each calendar quarter. Additionally, the Delegated IPA must submit their required periodic financial and organizational informational disclosures as stated in section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act as an RBO within five (5) business days after the due date. When requested, Delegated IPAs shall also provide written explanation within two (2) weeks substantiating any of the following (but not limited to):

1. Cash & Cash Equivalents including Restricted Assets
2. All Receivables – Current and Long Term
3. All Liabilities – Current and Long Term, including IBNR
4. Any Due To/From Shareholders/Partnership
5. Any Intercompany or Related Transaction
6. Revenues
7. Medical Expenditures
8. General and Administrative Expenditures

C. On an annual basis, all contracted Delegated IPAs are required to submit annual audited financial statements, including IBNR certification to IEHP for compliance review no later than one hundred fifty (150) days after the end of the Delegated IPAs fiscal year. Additionally, the Delegated IPA must submit their required periodic financial and organizational informational disclosures as stated in section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act as an RBO within five (5) business days after the due date.

D. Financial statements must clearly display the financial condition of the entity that holds the contract with IEHP. Submission of related party, affiliate, consolidated or parent company financials are not acceptable. Consolidating financial statements are only acceptable if the financial conditions of the IEHP contracted entity is clearly documented and identified. Consolidating financial statements must clearly identify any inter-company transaction between related parties, affiliates or parent company.

E. IEHP will review the financial statements submitted by the Delegated IPAs to ensure the following IEHP financial viability standards/requirements are met at all times:

1. Maintained a positive Tangible Net Equity (TNE) as defined in section 1300.76 of the Title 28 California Code of Regulations;
2. Maintained a positive working capital calculated in a manner consistent with Generally Accepted Accounting Principles (GAAP);
3. The Current Ratio (the ratio of current assets to current liabilities) always exceeds 100%;
4. Quick ratio is always greater than 1.0;
5. Debt Coverage Multiple is always greater than 1.2;
6. Cash to Claims Ratio is always 0.75 or greater;
7. Medical Expense Ratio is always less than 0.89;
8. The plan must be notified if claims payable days outstanding is more than four (4) months;

9. The plan must be notified if accounts receivable days outstanding is more than sixty (60) days;
10. Total Assets, (Net of Intangibles and/or Due from Officers, Directors, and Affiliates) as reported on the financial statements, shall fully fund Incurred But Not Reported (IBNR) claims; and
11. IBNR calculation worksheets that support the amounts represented on the financial statements accompany all submissions. Delegated IPAs must provide the following as well:
    a. The methodology used to calculate IBNR.
    b. The data and work papers to substantiate IBNR.
    c. Independent review and certification, if necessary, by:
        1) IEHP
        2) Delegated IPA's Actuary

F. If for any reason the Delegated IPA's Medical Expense ratio is above 0.89, as set forth in section E.7 of this policy, then the following will be required of the Delegated IPA:
1. Medical Expense Ratio greater than 0.89, up to 0.95 - Delegated IPA must submit monthly claim lag tables.
2. Medical Expense Ratio greater than 0.95 - Delegated IPA must submit the following documentation:
    a. Requirement noted above (in section F.1);
    b. As well as a monthly income statement with detailed explanations of the nature of the deficiency, the reasons for the deficiency, and any actions taken to correct the deficiency within fifteen (15) days of month-end close; and
    c. Increase the Letter of Credit (LOC) on file by the deficiency amount of the TNE.

G. IEHP reserves the right to request additional detailed work papers supporting account balances represented on the Delegated IPA's or Management Service Organization's (MSO) financial statements.

H. IEHP reserves the right to ask for more frequent financial reports and information upon written notice to the Delegated IPA, and making appropriate inquiries of the Delegated IPA's key financial personnel during any review.

I. IEHP reserves the right to approve or deny use of a particular MSO by the Delegated IPA.

J. All contracted Delegated IPAs must also have the ability to secure an Irrevocable Standby LOC (See Attachment, "Irrevocable Letter of Credit" in Section 19), with IEHP as the beneficiary, prior to receiving Member enrollment, and quarterly thereafter. This requirement will be waived for Delegated IPAs having a Limited Knox-Keene license.

K. The LOC secured amounts generally are linked to the Delegated IPA's combined ownership of IEHP enrollment as follows:

| Delegated IPA's enrollment | Deposit Requirement |
|---|---|
| **Up to - 10,000** | **$100,000.00** |
| **10,001 - 20,000** | **$200,000.00** |
| **20,001 - 30,000** | **$300,000.00** |
| **30,001 - 40,000** | **$400,000.00** |
| **40,001- 50,000** | **$500,000.00** |
| **50,001 – 60,000** | **$600,000.00** |
| **60,001 – 70,000** | **$700,000.00** |
| **70,001 – 80,000** | **$800,000.00** |
| **80,001 – 90,000** | **$900,000.00** |
| **90,001 plus** | **$1,000,000.00** |

L. Enrollment levels will be reviewed at the end of the reporting quarter, and LOC deposit amounts adjusted, as applicable, within thirty (30) days after the end of the reporting quarter.

M. In addition to securing an Irrevocable Standby LOC with IEHP as the beneficiary, Delegated IPAs are also required to establish a restricted cash reserve in the amount of 25% of the average monthly capitation revenue for the reporting quarter. This requirement will be waived for Delegated IPAs having a Limited Knox-Keene license.

N. In order to satisfy the restricted cash reserve requirement, Delegated IPAs have the following options:

1. Secure an Irrevocable Standby LOC designating IEHP as the beneficiary.
2. Elect to have the monthly Delegated IPA capitation revenue adjusted by IEHP.

O. IEHP reserves the right to increase the LOC amount for a Delegated IPA failing to meet TNE requirements by the amount the Delegated IPA is deficient, which may be in addition to the deposit required based on enrollment.

P. IEHP reserves the right to increase the LOC amount for a Delegated IPA based on either the enrollment level or IBNR, whichever one is higher.

Q. Letters of Credit backed by an agreed upon future loan from a financial institution will require the Delegated IPA to submit a complete list of all LOCs on record with other Health Plan organizations. These LOCs should also be clearly listed and described in the notes to the financial statements.

R. Letters of Credit backed by funds deposited within a secured location such as a financial institution must remain in place for the entire contract year and for one hundred eighty (180) days after the contract expiration/termination.

S. If the Delegated IPA fails to meet any of the above referenced standards, IEHP may take the following actions:

1. Freeze the Delegated IPA to new membership;
2. Place the Delegated IPA in a contractual cure for breach of contract;
3. Seize any capitation and/or monies owed and place the Delegated IPA under Financial Supervision until breach is cured; and
    a. Financial Supervision to include:
        1) Withholding of monthly capitation
        2) Managing and releasing withheld capitation to the Delegated IPA to fund:
            - Administrative Expenses
            - PCP Capitation Payments
            - Claims Payments - limited specifically to months/DOS withheld capitation was intended for payment
        3) Reviewing financial statements, bank statements and/or other records to ensure payments are made
4. Immediately terminate the IEHP/Delegated IPA Agreement for cause.

T. In the event a Delegated IPA fails to perform a financial covenant of its IEHP contract, IEHP may exercise its ability to draw down on the deposit or line of credit for its full amount.

U. The above procedures, including LOC Requirements, may be adjusted by other factors that provide similar financial security as determined by the IEHP Chief Executive Officer or designee of the IEHP Chief Executive Officer.

V. Upon request by Delegated IPA(s), at its sole discretion, IEHP may change/waive any/or part of the Delegated IPA Financial Viability Requirements as it deems necessary either globally or specific to a Delegated IPA.

# 19. FINANCE AND REIMBURSEMENT

## A. Financial Viability

### 1. Delegated IPA

***REFERENCE:***

A. Section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act.

| INLAND EMPIRE HEALTH PLAN | | |
|---|---|---|
| **Chief Approval:** *Signature on file* | **Original Effective Date:** | September 1, 1996 |
| **Chief Title:** Chief Operating Officer | **Revised Date:** | January 1, 2020 |

# 19. FINANCE AND REIMBURSEMENT

## A. Financial Viability
### 2. Hospital

***APPLIES TO:***

A. This policy applies to all Hospitals contracted with IEHP under a Capitated Agreement.

***POLICY:***

A. IEHP complies with all regulatory requirements to protect its Members from the consequences of financial failure of an IEHP contracted hospital.

B. IEHP has established financial viability standards to ensure all capitated hospitals are financially sound and can handle the risks associated with capitation.

C. IEHP requires all capitated hospitals to meet IEHP's financial viability requirements.

D. All financial viability requirements must be met prior to any assignment of Members to the hospital with ongoing conformance with the requirement.

***PROCEDURES:***

A. Prior to entering into a contractual agreement with IEHP and annually thereafter, capitated hospitals must submit their most current audited financial statements comprising Balance Sheets, Income Statements, Statements of Cash Flow and supporting worksheets for incurred, but not reported (IBNR) or IBNR certification by an independent, certified actuary mutually acceptable to IEHP. The financial statements must demonstrate that the hospital is financially viable and able to meet IEHP's financial viability standards/requirements. IEHP does not enter into Capitated Agreements with hospitals that do not meet these standards.

B. On an annual basis, all contracted hospitals are required to submit a copy of their annual audited financial statements, including IBNR certification to IEHP for compliance review no later than one hundred fifty (150) days after the end of the hospitals' fiscal year.

C. Financial statements must clearly display the financial condition of the entity contracted with IEHP. Subject to the following conditions, the submission of consolidated or parent company financial statements in good form are acceptable to IEHP. Consolidated financial statements are acceptable if the financial condition of the contracted entity is clearly stated. Typically, consolidating work papers supporting the consolidated statements are required. A parent company's financial statements are acceptable in lieu of the contracted entity's, if IEHP has accepted the parent company's financial guarantee of the subsidiary.

D. IEHP reviews the financial statements submitted by the hospital to ensure the following financial viability standards are met at all times:

1. Tangible Net Equity equals no less than $1 million at all times;
2. The Current Ratio (the ratio of current assets to current liabilities) always exceeds 100%; and

3. IBNR calculation worksheets that support the amounts on the financial statements accompany all submissions.

E. IEHP may request interim financial statements and supporting information upon written notice to the hospital.

F. If the hospital fails to meet any of the above referenced standards, IEHP may take the following actions:

1. Freeze the hospital to new membership;
2. Place the hospital in contractual cure for breach of contract;
3. Seize any capitation and risk pool monies owed until breach is cured; or
4. Immediately terminate the IEHP/Hospital Agreement for cause and convert to a Per Diem Agreement.

G. The above procedures may be adjusted by other factors that provide similar financial security as determined by the IEHP Chief Executive Officer or designee of the IEHP Chief Executive Officer.

| INLAND EMPIRE HEALTH PLAN | | |
|---|---|---|
| **Chief Approval:** *Signature on file* | **Original Effective Date:** | September 1, 1996 |
| **Chief Title:** Chief Operating Officer | **Revision Date:** | January 1, 2016 |

# 19. FINANCE AND REIMBURSEMENT

## B. Medi-Cal Capitation – Delegated IPA

***APPLIES TO:***

A. This policy applies to all IEHP Medi-Cal Delegated IPAs.

***POLICY:***

A. IEHP delegates the responsibility of providing medical services for its Members to its Delegated IPAs who are contracted with IEHP under a capitated arrangement. In exchange for these services IEHP makes monthly capitation payments to the Delegated IPA for Members assigned to that organization.

B. The capitation is paid on a Per Member Per Month (PMPM) basis according to the Member's Adjusted Clinical Group (ACG) score, aid code category, age, gender, and Medicare status. The Capitation is payment in full to the Delegated IPA for a specified list of services provided to an assigned Member. The list of services covered by capitation is described in the IEHP Capitated Agreement with the Delegated IPA.

C. Capitation is paid monthly to each Delegated IPA for all of their assigned Members. The payments are transferred via Electronic Funds Transfer (EFT) by the first day of each month following the month of service. Retroactive enrollment and disenrollment activities of assigned Members are automatically calculated and included in the monthly capitation payments.

D. Capitation is only paid for Members with active eligibility at the end of the prior month as noted on the file received from California Department of Health Care Services (DHCS).

E. It is the responsibility of the Delegated IPA to provide or arrange for services that are the financial responsibility of the Delegated IPA.

***PROCEDURES:***

A. IEHP calculates capitation payments for each Delegated IPA based on the current (new) month's membership and any retroactive adjustments.

B. Capitation payments are sent via EFT to the Delegated IPA no later than the first of each month following the month of service for all assigned Members. Retroactive enrollment and disenrollment activities of Members assigned to Delegated IPAs are automatically calculated and included in the monthly capitation payments.

C. Each month IEHP creates a capitation file containing all of the detail information from the capitation reports. These files are placed on the Secure File Transfer Protocol (SFTP) server by the first of the month for the prior month's capitation (for file format information see Attachment, "Capitation Data File Format" in Section 19, or refer to the IEHP Provider Electronic Data Interchange (EDI) Manual).

D. To reconcile the amount paid each month, Delegated IPAs should review the electronic cap files and capitation reports provided by IEHP (See Attachments, "Capitation Data File Format" and "Sample Capitation Report" in Section 19).

| INLAND EMPIRE HEALTH PLAN | | |
|---|---|---|
| **Chief Approval:** *Signature on file* | **Original Effective Date:** | September 1, 1996 |
| **Chief Title:** Chief Operating Officer | **Revision Date:** | January 1, 2020 |

# 19. FINANCE AND REIMBURSEMENT

## C. Pay For Performance

***APPLIES TO:***

A. This policy applies to all IEHP Medi-Cal Members.

***POLICY:***

A. The IEHP's Pay for Performance Program (P4P), was designed to increase the provision of preventive health services to IEHP Members as well as improve HEDIS® results to ensure that all IEHP DualChoice Members receive timely annual assessment visits with an emphasis on review and management of chronic illnesses.

B. Under P4P, PCPs are only eligible to receive compensation for Medicare DualChoice Annual Visit.

C. PCPs are automatically enrolled in P4P upon completion of IEHP's credentialing process, designation of an effective date for participation in the IEHP network and initial Provider in-services completion. Request for Taxpayer Identification Number and Certification (Form W-9) information verified during the credentialing process will be used for remittance of P4P payment.

D. The PCP can only receive reimbursement for an active Member who is assigned to them on the date services are provided, unless otherwise specifically noted.

E. **Providers must submit online only at www.iehp.org**. IEHP will not accept or reimburse initial paper submissions made via mail or fax except corrective resubmission only.

F. Medicare DualChoice Annual Visit must be submitted online only at www.iehp.org using the appropriate form. All of the Member's significant conditions/diagnoses must be assessed at the annual visit. Accurate clinical documentation and ICD coding reflecting the Member's condition/diagnoses must be entered on the form, including appropriate assessments and plans. Completed annual visit forms must be submitted online to IEHP within two (2) months from the date of service and must meet IEHP's submission standards to qualify for the incentive. Failure to submit completed forms within the required timeframes will result in denial of reimbursement.

G. IEHP conducts on-going audits of P4P Providers for compliance with Pay for Performance program requirements, including submission accuracy, completeness of forms, and supporting documentation in the Member's medical record for P4P submissions.

***PROCEDURES:***

A. The following outlines each component included in the P4P Program, including participation details and reimbursement requirements.

1. **Medicare DualChoice Annual Visit**

a. Any credentialed IEHP PCP participating in IEHP DualChoice Program is eligible to participate in the Medicare DualChoice Annual Visit component.

b. Only IEHP DualChoice Members are eligible for the Medicare DualChoice Annual Visit component.

c. The goal of the Medicare DualChoice Annual Visit component is to ensure that IEHP DualChoice Members receive a timely annual visit with emphasis on the review and management of chronic illnesses.

d. Participating PCPs must record all chronic diagnoses and document history and physical findings related to these diagnoses in the medical record.

e. The individual Member specific IEHP DualChoice form is available through the Member Eligibility Webpage. A copy of this form must be printed prior to the Member's visit.

f. Participating PCPs must review the Diagnosis Review sections of the P4P Medicare DualChoice Annual Visit form. The conditions need to be confirmed, identified with the appropriate ICD code(s) and noted with its respective assessment/plan.

g. Participating IEHP Direct PCPs are paid $200 and non-IEHP Direct PCPs are paid $100 for each annual Visit they provide to an eligible IEHP DualChoice Member. The incentive is paid in addition to Fee-for-Service (FFS) visit reimbursement or capitation depending on the PCP contract.

h. Only one (1) exam per year qualifies for this incentive, regardless if the IEHP DualChoice Member has had several PCPs and multiple exams.

i. Annual visit performed must be submitted online at www.iehp.org and indicate the appropriate ICD codes for the visit within two (2) months from date of service. Failure to submit within the required timeframe may result in denial of reimbursement.

j. Reimbursements are made within thirty (30) working days of receipt of a complete Medicare DualChoice Annual form submitted online.

B. **Corrective Resubmissions**

1. Except for corrective resubmission, IEHP will not accept or reimburse initial paper submission made by fax or mail.

   a. Corrections to your Medicare DualChoice Annual Visits must be submitted within sixty (60) days of your initial electronic submission to IEHP.

   b. Any corrections received after sixty (60) days from the date of submission are not eligible for the incentive.

   c. Mail your corrections to:

      IEHP - Quality Informatics
      P.O. Box 1800

Rancho Cucamonga, CA 91729-1800

C. **P4P Reports**

1. Providers can print remittance advice reports with each payment distribution (See Attachment, "Remittance Advice – Medicare DualChoice Annual Visit" in Section 19). To access RAs online, log on to the secure site login at www.iehp.org.

D. **P4P Audit Process**

1. IEHP conducts on-going audits of P4P Providers for compliance with P4P requirements, including submission accuracy, completeness of forms and supporting documentation in the Member's medical record for submitted reimbursement.
2. Providers are notified in writing approximately two (2) weeks prior to the targeted audit date. IEHP follows up with a phone call to schedule the audit.
3. IEHP provides the names of the Members' charts to pull two (2) days prior to the scheduled audit.
4. IEHP provides the Providers with written notice of the findings within thirty (30) days of the audit date. Practitioners have thirty (30) days to respond to the findings.
5. Providers not responding to CAP requests are subject to removal from participation in P4P.
6. Depending on the nature and severity of the findings and the Provider's response, IEHP may take action against the Provider up to and including, but not limited to:
   a. Recoupment of all or a portion of the incentives paid under P4P for services deemed inappropriately performed and reimbursed.
   b. Removal from participation in P4P.
   c. Referral to the Peer Review Subcommittee and/or IEHP's Fraud Prevention Committee.
   d. Removal from participation in the IEHP network.
7. Providers removed from P4P for non-response to CAP requests or because of the severity of the findings may appeal the removal decision by submitting a written appeal to IEHP as stated in Policy 16B2, "Dispute and Appeal Resolution Process for Providers - Health Plan."
8. Providers removed from P4P may not re-apply for participation for six (6) months. Providers removed from P4P more than twice are prohibited from future participation.

E. **P4P Appeals**

1. P4P Providers of service must submit P4P Appeals or Inquiries online only at www.iehp.org within six (6) months of the date of denial. Providers should be able to click on the "A" for Appeal form next to any denied P4P component submission. The appeal form provides you reason for denial.

2. Required information must include the specific services the Provider is appealing or inquiring and the reason the appeal should be considered in the Comments Section of the Appeal form. Incomplete information may cause a delay in the resolution of your Appeals or Inquiry.
3. IEHP must identify and acknowledge the receipt of all P4P appeals within five (5) working days of receipt of a written appeal.
4. IEHP must resolve P4P appeals and issue a written determination and disposition within forty-five (45) working days of receipt of an appeal.

F. **Future Changes to P4P Program**

1. IEHP reserves the right to change any component of this Program at any time.
2. All decisions regarding the rules, requirements and compensation under the Program are at the sole discretion of IEHP.

| INLAND EMPIRE HEALTH PLAN | | |
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| **Chief Approval:** *Signature on file* | **Original Effective Date:** | September 1, 1996 |
| **Chief Title:** Chief Operating Officer | **Revision Date:** | January 1, 2020 |

# 19. FINANCE AND REIMBURSEMENT

## D. Third-Party Liability

***APPLIES TO:***

A. This policy applies to all IEHP Medi-Cal Members.

***POLICY:***

A. Capitated Providers must not make a claim for recovery of the value of covered services rendered to a Medi-Cal Member when such recovery would result from an action involving the tort liability of a third party or casualty liability insurance, including Workers' Compensation awards and uninsured motorists coverage.

B. Department of Health Care Services (DHCS) has sole lien rights for such recoveries. Providers must assist IEHP in identifying such cases to DHCS and must respond to any DHCS or IEHP generated request for claims information within ten (10) business days of receipt of such request.

***PROCEDURES:***

A. Providers must identify and notify the IEHP Financial Analysis Department of cases in which an action of a third party could result in recovery of funds by the Medi-Cal Member.

B. IEHP must report such cases to DHCS within ten (10) days of discovery.

C. If IEHP requests payment information and/or copies of paid invoices/claims for Covered Services to a Medi-Cal Member, Providers must deliver the requested information to IEHP via email.

| **INLAND EMPIRE HEALTH PLAN** | | |
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| **Chief Approval:** *Signature on file* | **Original Effective Date:** | September 1, 1996 |
| **Chief Title:** Chief Operating Officer | **Revision Date:** | January 1, 2020 |

# 19. FINANCE AND REIMBURSEMENT

## E. Delegated IPA Financial Supervision

***APPLIES TO:***

A. This policy applies for all Delegated IPAs contracted with IEHP.

***POLICY:***

A. IEHP complies with all regulatory requirements to protect its Members and Providers from the consequences of financial failure of an IEHP contracted Delegated IPA.

B. IEHP requires all contracted Delegated IPAs to meet IEHP's and California Department of Managed Health Care's (DMHC) financial viability standards/requirements for Risk Bearing Organizations (RBOs) under section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act prior to assignment of Members to the Delegated IPA's Primary Care Physicians (PCPs) and on an ongoing basis.

C. IEHP monitors the financial viability of all contracted Delegated IPAs and has established funding requirements to ensure all contracted Delegated IPAs are financially sound and can handle the risks associated with capitation.

D. IEHP shall place Delegated IPAs under the financial supervision program in the event a Delegated IPA is in breach of its contract with IEHP due to non-compliance with IEHP's financial viability standards and/or with the above-mentioned California regulation requirements.

***PROCEDURES:***

A. For Delegated IPAs failing to meet IEHP's financial viability standards and/or with section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act requirements, shall be required to complete a Corrective Action Plan (CAP). The CAP shall include a timeline for when the Delegated IPA shall come into compliance with the financial viability requirements. IEHP shall place the Delegated IPA under Financial Supervision until breach is cured.

B. Delegated IPAs under Financial Supervision due to contractual breach may be subject to any or all of following actions at IEHP's discretion:

   1. Freeze to new membership;
   2. Withholding of monthly capitation revenue and other monies owed to the Delegated IPA;
   3. Managing and releasing withheld capitation and other monies owed to the Delegated IPA to fund:
      a. Administrative Expenses funded monthly as specified in the Delegated IPA/ Management Service Organization (MSO) contract.

b. PCP Capitation Payments for IEHP enrollees funded monthly for the current capitation period based on submission of a check run.

c. Fee-For-Service (FFS) claims payments for professional services rendered to IEHP enrollees funded monthly or at other intervals to coincide with Delegated IPA check runs limited specifically to months/date-of-service (DOS) withheld capitation was intended for payment.

d. Any other legitimate business expense subject to approval by IEHP.

4. Withdrawal of the funds available in the Standby Letter of Credit (LOC); and

5. Immediate termination as stated in the Delegated IPA contract.

C. Any exceptions to the above including the limitation for FFS payments to fund existing claims run-out (IBNR) must be approved by IEHP.

D. Any remaining funds resulting from the implementation of the Financial Supervision may be netted against any claims expenses paid by IEHP for that Delegated IPA.

E. IEHP shall be review financial and other statements, including bank statements and/or other records to ensure payments are made and checks have been cleared.

***REFERENCE:***

A. Section 1300.75.4.2 of Title 28 California Code of Regulations of the Knox Keene Act.

| INLAND EMPIRE HEALTH PLAN | | |
|---|---|---|
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| **Chief Title:** Chief Operating Officer | **Revision Date:** | January 1, 2020 |

# 19. FINANCE AND REIMBURSEMENT

## Attachments

| DESCRIPTION | POLICY CROSS REFERENCE |
|---|---|
| Capitation Data File Format | 19B |
| Irrevocable Letter of Credit | 19A1 |
| Pre-Existing Pregnancy Submission Form | 19D |
| Pre-Existing Pregnancy Submission Form Instructions | 19D |
| Remittance Advice - DualChoice Annual Visit | 19C |
| Sample Capitation Report | 19B |

| # | DATA ELEMENT | FORMAT | DESCRIPTION |
|---|---|---|---|
| 1 | Capitation Month | YYYYMM | Month capitation is being processed and paid. |
| 2 | Eligibility Month | YYYYMM | Eligibility month |
| 3 | Hospital Number | | Hospital Number |
| 4 | Hospital Name | | Hospital Name |
| 5 | Delegated IPA | AAA | Delegated IPA Code |
| 6 | Delegated IPA Name | | Delegated IPA Name |
| 7 | Tax ID | | Employer Identification Number |
| 8 | Provider Number | | Provider Number |
| 9 | Provider Last Name | | Provider Last Name |
| 10 | Provider First Name | | Provider First Name |
| 11 | Member Last Name | | Member Last Name |
| 12 | Member First Name | | Member First Name |
| 13 | Member Middle Initial | | Member Middle Initial |
| 14 | Member Number | 12345678901234 | This is the fourteen (14) digit IEHP assigned Member # (See notes). |
| 15 | Member Age | 999 | Member Age |
| 16 | Member Aid Code | AA | Member's two (2) digit Aid Code (See notes) |
| 17 | Member Gender | M or F or U | Member Gender |
| 18 | Member CIN | 12345678X-Non Healthy Kids | The nine (9) digit alpha-numeric CIN # |
| 19 | Member SSN | 123456789 | This field consists of one of the following: SSN#, PSEUDO#, or CIN# (See notes) |
| 20 | Member Group | AAA-AAA or Cal MediConnect | Member Group |
| 21 | Member Category of Aid | | Member Category of Aid |
| 22 | Member DOB | YYYYMMDD | Member date of birth |
| 23 | Plan Code | | Identifies product line and county |

| | | | |
|---|---|---|---|
| 24 | Paid | 999.99 | Capitation amount |
| 25 | Enrollment | 1, -1 or 0 | Enrollment |
| 26 | HCCA | 99.9999 | CMS Risk Score Part A |
| 27 | HCCB | 99.9999 | CMS Risk Score Part B |
| 28 | Band Begin | 99 | Age Band Begin |
| 29 | Band End | 999.9999 | Age Band End |
| 30 | LOB | | Line of Business |
| 31 | Pay Code | P1, P2, or NULL | Identifies when the payment is made. |
| 32 | ACG Risk Score | 999.99 | |
| 33 | Normalized Risk Score | 999.99 | |
| 34 | COA Base Rate | 999.99 | |

## NOTES

### Data Element

**Element:** **14**
**Note # 14:** Member Number
The Member Number is the IEHP assigned number for each Member. An example of a Member Number is 19960900000100. Medi-Cal Members that became IEHP eligible in 9/96 have a Member Number that matches their original Medi-Cal #.

**Element:** **18**
**Note # 18:** Member CIN
Client Index Number.
A state assigned number to identify Medi-Cal Members. The first eight (8) characters are numeric and the last character is alpha.

**Element:** **19**
**Note # 19:** Member SSN
A nine (9) digit number that is the primary and unique Member identifier.

For Medi-Cal Members, this field consists of one of the two (2) numbers:
SSN - Member SSN, or
PSEUDO - This number appears in this field if no SSN is available as provided by 834 File. First digit begins with the number "8" or "9" and ends with a letter.

CIN – Member Client Index Number if no SSN is available.

**The following aid codes are covered aid codes by IEHP.**

**Element:** **16 & 21**
**Note # 16 & 21:** Member Aid Code and Member Category of Aid

| | MEDI-CAL | | | | | | | MEDICARE | |
|---|---|---|---|---|---|---|---|---|---|
| LTC | Child/Adult | | | SPD | | MCE | Child/Adult | Dual Over 21 | Dual Under 21 |
| 13 | 01 | 0A | 5K | 20 | 10 | | 5C | | |
| 23 | 02 | 2P | 7A | 24 | 14 | 7U | 5D | | |
| 53 | 03 | 2R | 7J | 26 | 16 | L1 | H1 | | |
| 63 | 04 | 2S | 7S | 27 | 17 | M1 | H2 | | |
| | 06 | 2T | 7W | 2E | 1E | | H3 | | |
| | 07 | 2U | 7X | 2H | 1H | | H4 | | |
| | 08 | 3A | 8P | 36 | 1X | | H5 | | |
| | 30 | 3C | 8R | 0N | 1Y | | E6 | | |
| | 32 | 3E | E2 | 0P | | | E7 | | |
| | 33 | 3F | E5 | 60 | | | M5 | | |
| | 34 | 3G | M3 | 64 | | | T1 | | |
| | 35 | 3H | M7 | 66 | | | T2 | | |
| | 37 | 3L | P5 | 67 | | | T3 | | |
| | 38 | 3M | P7 | 6A | | | T4 | | |
| | 39 | 3N | P9 | 6C | | | T5 | | |
| | 40 | 3P | K1 | 6E | | | | | |
| | 42 | 3R | 86 | 6G | | | | | |
| | 43 | 3U | 0E | 6H | | | | | |
| | 45 | 3W | 5L | 6J | | | | | |
| | 46 | 4A | 8U | 6N | | | | | |
| | 47 | 4F | R1 | 6P | | | | | |
| | 49 | 4G | | 6R | | | | | |
| | 54 | 4H | | 6W | | | | | |
| | 59 | 4K | | 6V | | | | | |
| | 72 | 4L | | 0W | | | | | |
| | 82 | 4M | | 6X | | | | | |
| | 83 | 4N | | 6Y | | | | | |
| | 87 | 4S | | 7L | | | | | |
| | | 4T | | L6 | | | | | |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 4U<br>4W | | 0L<br>0M<br>0R<br>0T<br>0U<br>0W | | | | | |

| MEDI-CAL<br>RIVERSIDE | MEDI-CAL<br>SAN BERNARDINO | Medicare<br>RIVERSIDE | Medicare<br>SAN BERNARDINO |
|---|---|---|---|
| RVC-MED<br>RVC-MMD<br>RVC-CCI | SBC-MED<br>SBC-MMD<br>SBC-CCI | Cal MediConnect | Cal MediConnect |

**Element:** **25**
**Note # 25:** Enrollment
Each Member that capitation is paid for is counted as an enrollment of one (1). If we have to take back capitation that we previously paid for a Member (decapitation) the enrollment count for that Member is –1. The field "Enrollment" stands for either a positive enrollment (1) or a negative enrollment count (-1) or enrollment of 0.

**Element:** **31**
**Note # 31:** Pay Code
Pay Code consists of three possible values P1, P2 or Null (blank). P1 is for payments made on the 16th for the paid Capitation month.
P2 and Nulls are for payments made at the end of the Capitation month.

P1=Mid-Month
NULL, P2= End of Month

# *IRREVOCABLE STANDBY LETTER OF CREDIT FOR INCLUSION IN THE PROVIDER NETWORK OF THE INLAND EMPIRE HEALTH PLAN*

BENEFICIARY: Inland Empire Health Plan ISSUE DATE:_____

Governing Board
10801 Sixth Street, Suite 120
Rancho Cucamonga, CA 91730

APPLICANT: (IPA)

AMOUNT:_____ (USD)

DATE AND PLACE OF EXPIRY: _____

LETTER OF CREDIT NO.: _____
**[Identification]**

Re: Irrevocable Standby Letter of Credit delivered as security for Inclusion of _____(IPA)_____ in the Medical Provider Network of the Inland Empire Health Plan ("Agency")

Members of the Board:

We hereby establish our Irrevocable Standby Letter of Credit in your favor available for payment by your draft(s) at sight drawn on _____(Name and Place of Financial Institution)_____ _____; and accompanied by documents as specified below:

1. This original Irrevocable Standby Letter of Credit and any amendments thereto.
2. A signed and dated certification worded as follows:
   "The Undersigned, the Chief Executive Officer, or Designee of the Chief Executive Officer, of the Inland Empire Health Plan, hereby certifies that there exists unpaid liabilities incurred by the IPA on behalf of an IEHP member, the terms of the capitation IPA agreement with IEHP are breached, and the time frame to cure said breach have been exhausted."

Special Conditions:
1. Partial Drawing allowed.
2. Multiple presentations allowed.
3. It is a condition of this Irrevocable Standby Letter of Credit that it shall be deemed automatically extended without amendment for additional period of one (1) year periods from the present or any future expiration date, not to exceed four (4) additional years after the initial term, unless, at least ninety (90) days prior to any expiration date _____ _____(Name of Financial Institution)_____ shall notify the beneficiary, Inland Empire Health Plan, Governing Board in writing by overnight courier service at the above address, that we elect not to extend this letter of credit for any such additional period. Upon such notice,

you may draw, at any time prior to the expiration date, up to the full amount then available. The parties agree that upon the passage of a five (5) year term, a new Irrevocable Standby Letter of Credit shall be issued on behalf of the Inland Empire Health Plan on the same terms and subject to the same conditions herein.

We hereby guarantee you that all drafts drawn under and in compliance with the terms and conditions of this Irrevocable Standby Letter of Credit shall be duly honored if presented for payment at the office of (Financial Institution) on or before the expiration date of this Irrevocable Standby Letter of Credit.

Except so far as otherwise expressly stated, this Irrevocable Standby Letter of Credit is issued subject to the International Standby Practices 1998 ("ISP98"), ICC Publication no. 590. This Letter of Credit shall be deemed to be a contract made under the law of the State of California and shall, as to matters not governed by ISP98, be governed by and construed in accordance with the law of such State without regard to any conflicts of law provisions.

(Name of Financial Institution)

By:_____

_____

By:_____

_____

INLAND EMPIRE HEALTH PLAN

## IPA Capitation

## April 2019

| Group | COA | Current Month | | Retroactivity | | Sub Total | |
|---|---|---|---|---|---|---|---|
| | | Enrollment | Capitation | Enrollment | Capitation | Enrollment | Capitation |
| **RVC-MED** | Adult | 18,321 | $1,312,758.45 | 56 | $3,139.32 | 18,377 | $1,315,897.77 |
| | BCCTP | 8 | $2,731.20 | 0 | $0.00 | 8 | $2,731.20 |
| | Child | 34,239 | $972,387.60 | 111 | $3,152.40 | 34,350 | $975,540.00 |
| | LTC - Non Dual | 2 | $0.00 | 5 | $0.00 | 7 | $0.00 |
| | MCE - Non Dual | 30,892 | $2,337,759.98 | 115 | $2,647.25 | 31,007 | $2,340,407.23 |
| | SPD | 4,844 | $645,129.00 | 33 | $5,842.64 | 4,877 | $650,971.64 |
| | **Sub Total** | **88,306** | **$5,270,766.23** | **320** | **$14,781.61** | **88,626** | **$5,285,547.84** |
| **SBC-MED** | Adult | 14,836 | $1,114,143.17 | 133 | $10,066.82 | 14,969 | $1,124,209.99 |
| | BCCTP | 4 | $1,106.99 | 0 | $0.00 | 4 | $1,106.99 |
| | Child | 33,474 | $950,661.60 | 237 | $6,730.80 | 33,711 | $957,392.40 |
| | LTC - Non Dual | 8 | $0.00 | 1 | $0.00 | 9 | $0.00 |
| | MCE - Non Dual | 24,457 | $1,864,541.69 | 61 | ($5,491.59) | 24,518 | $1,859,050.10 |
| | SPD | 4,899 | $739,348.08 | 39 | $4,688.23 | 4,938 | $744,036.31 |
| | **Sub Total** | **77,678** | **$4,669,801.53** | **471** | **$15,994.26** | **78,149** | **$4,685,795.79** |
| **Total** | | **165,984** | **$9,940,567.76** | **791** | **$30,775.87** | **166,775** | **$9,971,343.63** |

INLAND EMPIRE HEALTH PLAN

## IPA Capitation

## April 2019

| Monthly Totals | | | |
|---|---|---|---|
| | **Current** | **Retro** | **Total** |
| **Enrollment** | 165,984 | 791 | 166,775 |
| **Capitation** | $9,940,567.76 | $30,775.87 | $9,971,343.63 |
| **Adjustments** | | | |
| Claims Decap | | | ($176.62) |
| Risk Adjustment Additional Funding | | | $183,128.96 |
| Paid on the 15th | | | $0.00 |
| Prior Month Adjustment | | | $0.00 |
| **Check Amount** | | | $10,154,295.97 |