









Update and revise the Health Maintenance Organization Model Act as appropriate, paying particular attention to strengthening solvency standards and insolvency protections for managed care organizations. Report by Winter National Meeting.

The revisions were drafted by the working group. Numerous interested parties participated, including industry representatives, such as the American Association of Health Plans (AAHP), the Health Insurance Association of America (HIAA), the Blue Cross and Blue Shield Association (BCBSA), the EOSHealth, Inc., Kaiser Permanente, and the Group Health Cooperative of Puget Sound, and consumer representatives, such as AARP, National Partnership for Women and Families; and other interested parties, such as the National Committee for Quality Assurance (NCQA) and the federal government through the Centers for Medicare and Medicaid Services (CMS).

There have been more than fifteen drafts of revisions to the model since the project began in 2000. Each draft was circulated for comment to interested parties prior to discuss at NAIC quarterly meetings. In addition, all drafts of the proposed model were posted on the NAIC web site. Throughout the drafting process comments from various interest groups and organizations were received and discussed by the working group.

The most significant issue that arose during the drafting of revisions to the model act concerned the extent to which the model should regulate entities assuming downstream risk. The working group heard presentations on the issue, reviewed how other states have addressed the issue, and consulted the National Association of Managed Care Regulators White Paper on Downstream Risk. The working group decided not to license risk bearing entities, but to create a registration requirement, placing the responsibility for monitoring the continuing financial health of the risk bearing entity on the health maintenance organization. The model act includes requirements for the exchange of information among the health maintenance organization, the risk bearing entity and the regulator.

Another significant issue that arose during the drafting of revisions to the model act concerned whether it was appropriate to exempt staff and group model HMOs from the requirements on downstream risk. Because there is mutual exclusivity between a provider group and the health plan in group and staff model HMOs, the financial health of both are deeply intertwined. Several states and the Health Organizations Risk Based Capital (HORBC) Model Act contemplate special treatment for these Kaiser-type plans. The working group agreed to include an exemption for entities similar to that contained the HORBC Model Act.