

#5 Appropriate State Regulations

California's 183 risk-bearing medical groups and IPAs are regulated by the Department of Managed Health Care (DMHC).

The DMHC monitors financial stability of RBO (Risk-Bearing Organizations):

- Current Ratio: 1:1
- Cash to IBNR: .75:1
- Tangible Net Equity: Must be positive

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Result:

- Between 1996 and 2003, 86 RBOs in California closed for financial reasons.
- Since 2004, 11 have done so.

Next Steps

Pioneer Medical Group is now evaluating taking Institutional (Hospital) risk as well –
Moving from a “Shared Risk” to a “Global Risk” model.

This will involve:

- Internalizing our Managed Care Administration function (have historically outsourced it)
- Obtaining a limited Knox-Keene License; and
- Negotiating favorable contracts with
 - Health Plans
 - Hospitals, SNFs, etc.