

Addendum to the Final Statement of Reasons
Financial Solvency of Risk Bearing Organizations
(Control No. 2017-5216)

There have been no changes in applicable laws or to the effect of the proposed regulation from the laws and effects described in the Notice of Proposed Regulatory Action dated May 25, 2018.

The following is the Department of Managed Health Care's (Department) Addendum to the Final Statement of Reasons that was contained in the Department's rulemaking action OAL File No. 2019-0322-02S, which is hereby incorporated by reference. (*Please Note:* Certain of the provisions below were also contained in the Department's Addendum to the Initial Statement of Reasons that was noticed to the public on May 6, 2019).

Non-Substantive Changes to the Text – 5th Comment Period

- Non-substantive edits to correct grammar, punctuation, numbering, dates and spelling were made during the comment period.
- The DMHC has edited section 1300.75.4.2(b)(1)(B) to state the Director shall consider the information when making the request instead of “determining whether to grant” the request.
- The DMHC has edited section 1300.75.4.2(c)(1)(B) to state the Director shall consider the information when making the request instead of “determining whether to grant” the request.
- The DMHC has edited the General Information for the DMHC Quarterly Financial Survey Report Form to correct numbering errors. The following non-substantive edits were made to this form:
 - Page 4 of the General Information for the DMHC Quarterly Financial Survey Report Form.
 - Reference to Page 3. Balance Sheet: Net Worth. Line 45 has been changed to Line 46;
 - Reference to Page 3. Balance Sheet: Net Worth. Line 46 has been changed to Line 47 and the total of liabilities and net worth has been corrected to Line 41 and Line 46;
- The DMHC has edited the General Information for the DMHC Quarterly Financial Survey Report Form to note the following other non-substantive changes:
 - Page 8 of the General Information for the DMHC Quarterly Financial Survey Report Form. The words “Net Income” have been added before Line 23;

- Page 9 of the General Information for the DMHC Quarterly Financial Survey Report Form. The citation under Tangible Net Equity has been edited from referencing 1300.75.4.2(c)(3) to section 1300.75.4.2(b)(4);
- Page 9 of the General Information for the Quarterly Financial Survey Report Form. The citation under Working Capital has been edited from referencing 1300.75.4(c)(3) to section 1300.75.4.2(b)(4).
- Page 10 of the General Information for the DMHC Quarterly Financial Survey Report Form. The citation under Claims and IBNR has been edited from referencing 1300.75.4(c)(2) to section 1300.75.4.2(b)(2); and,
- The DMHC has edited the General Information for the DMHC Annual Financial Survey Report Form to note the following non-substantive changes:
 - Page 1 of the General Information for the DMHC Annual Financial Survey Report Form.
 - Reference to Page 1. RBO Details. The first reference to Item 8 is changed to item 7.
- The DMHC has edited the General Information for the DMHC Annual Financial Survey Report Form (page 14) and the General Information for the DMHC Quarterly Financial Survey Report Form (page 11) to remove information regarding Schedule I, Item A, which incorrectly identified an item that was deleted during a previous comment period for this regulation package. This is a non-substantive edit for consistency with the text of the Annual Financial Survey Report Form and the Quarterly Financial Survey Report Form that were incorporated by reference in the regulation. The deleted item reads as follows: “Item A: Minimum TNE Requirement is the minimum RBO TNE requirement as indicated in Section 1300.75.4.2(c)(3).”
Schedule I, Items B and C, were renumbered to Schedule I, Items A and B, in the General Information for the DMHC Annual Financial Survey Report Form and the General Information for the Quarterly Financial Survey Report Form based on this deletion.

Substantive Changes to the Text – 5th Comment Period

- Section 1300.75.4(b) is amended to remove “other” in front of “other requirements” because it is unnecessary and duplicative language. The definition of organization requires that the organization meets all the requirements of Health and Safety Code section 1375.4(g) as required under the Knox-Keene Act.
- Section 1300.75.4(j) is amended to remove “for purposes of this section” because it is not necessary since the definition already requires that the sponsoring organization has the same meaning as Health and Safety Code section 1375.4(b)(1)(B). The deleted language is confusing and was removed based upon a review of the existing language in the Health and Safety Code.
- Section 1300.75.4.1(a)(4) is amended to delete the reference to Medicare+Choice. The Medicare+Choice program no longer exists and this

subdivision is updated to correct the reference to the new term, which is Medicare Advantage. This updated reference will prevent confusion and ensure that stakeholders clearly understand the information about the correct program to disclose.

- Section 1300.75.4.1(b) is amended to remove the reference to the effective date of the application of the provision to contracts and disclosures between a sub-delegating organization and an organization. Because the regulatory amendment becomes effective on a set date, as determined under the Government Code and Administrative Procedures Act, it was not necessary to have this provision in the subdivision.
- Section 1300.75.4.1(c) is amended to remove the reference to the effective date of the application of the provision to contracts involving risk shifting arrangements and disclosures between a sub-delegating organization and an organization. Because the regulatory amendment becomes effective on a set date, as determined under the Government Code and Administrative Procedures Act, it was not necessary to have this provision in the subdivision.
- Section 1300.75.4.2(a) is amended to specify the dates when the previous definition of cash-to-claims is in effect prior to the new definition becoming effective. The old definition of cash-to-claims for purposes of the ratio has also been included in the text. These amendments were made to clarify the specific dates of application for the old definition and to ensure that stakeholders understand and know the cash-to-claims definition that is in place during this time-period.
- Section 1300.75.4.2(b)(1)(B) is amended to state the minimal amount of information that will be considered by the Director when deciding whether to make a request that an organization or affiliate provide a separate Quarterly Financial Survey Report Form, rather than a combined form. This amendment is to clarify that the Director will consider at least the listed factors when making this request to ensure that the organization or affiliate knows and understands why this request could be made. The amended subdivision lists the following factors:
 - Financial solvency concerns that impact the organization's or affiliate's ability to maintain compliance with Grading Criteria or processing and payment of claims as required under section 1300.71. This information indicates a larger issue of the organization or affiliate having solvency issues that may impact its ability to maintain financial viability that must be looked at more closely by the Department.
 - Concerns regarding the transparency of the affiliate relationship. This information indicates that the organization and affiliate have mingled to such an extent that it is difficult to discern the financial viability of either or the entities on their own. The Department needs to ensure the financial solvency of these organizations in their contractual arrangements.
 - Financial documentation is not presented in accordance with Generally Accepted Accounting Principles (GAAP).

- Section 1300.75.4.2(b)(4)(A)(ii)a. is amended to state the minimal amount of information that will be considered by the Director when decision whether to grant a request for a single twelve (12) month extension for an organization to rely on a sponsoring organization to reduce its liabilities or increase its cash-to-claims ratio. It is important that the organization understand it may only have one twelve (12) month extension of the sponsoring organization and then the organization must be able to meet the financial solvency criteria on its own. This is crucial for the Department when monitoring an organization in this type of arrangement because the continued use of a sponsoring organization to meet the financial solvency criteria indicates an ongoing issue of financial viability. The amended subdivision lists the following information that will be considered by the Director when determining whether to grant the organization’s request:
 - Financial projections demonstrate the compliance timeframes of the organization. This information is necessary to demonstrate the organization using the sponsoring organization is working on a plan to resolve its solvency issues. The Department analyzes this plan to determine whether the financial projections are valid and the organization will use the extra time with a sponsoring organization to improve its financial status.
 - Specific actions taken and proposed by the organization to improve financial solvency. This information is necessary to demonstrate the organization using the sponsoring organization is working on a plan to resolve its solvency issues. The Department analyzes this plan to determine whether the financial projections are valid and the organization will use the extra time with a sponsoring organization to improve its financial status.
 - Any modification or changes to the guarantee provided by the sponsoring organization. This information is necessary because a modification or change to the guarantee agreement often signals ongoing financial difficulties that are not being addressed by the organization. The Department reviews the modification or change to assess whether it is indicative of an ongoing systemic financial problem the organization is not addressing.
- Section 1300.75.4.2(c)(1)(A) has been amended to remove the reference to “any and all” which is not necessary since it is duplicative language. The subdivision applies to all contracts involving the allocation of risk between the sub-delegating organization and the organization, so the previous use of “any and all” may be confusing to stakeholders.
- Section 1300.75.4.2(c)(1)(B) is amended to state the minimal amount of information that will be considered by the Director when deciding whether to make a request that an organization or affiliate provide a separate Annual Financial Survey Report Form, rather than a combined form. This amendment is to clarify that the Director will consider at least the listed factors when making this

request to ensure that the organization or affiliate knows and understands why this request could be made. The amended subdivision lists the following factors:

- Financial solvency concerns that impact the organization's or affiliate's ability to maintain compliance with Grading Criteria or processing and payment of claims as required under section 1300.71. This information indicates a larger issue of the organization or affiliate having solvency issues that may impact its ability to maintain financial viability that must be looked at more closely by the Department.
 - Concerns regarding the transparency of the affiliate relationship. This information indicates that the organization and affiliate have mingled to such an extent that it is difficult to discern the financial viability of either or the entities on their own. The Department needs to ensure the financial solvency of these organizations in their contractual arrangements.
 - Financial documentation is not presented in accordance with Generally Accepted Accounting Principles (GAAP).
- Section 1300.75.4.2(c)(3)(A)(ii)a. is amended to state the minimal amount of information that will be considered by the Director when decision whether to grant a request for a single twelve (12) month extension for an organization to rely on a sponsoring organization to reduce its liabilities or increase its cash-to-claims ratio. It is important that the organization understand it may only have one twelve (12) month extension of the sponsoring organization and then the organization must be able to meet the financial solvency criteria on its own. This is crucial for the Department when monitoring an organization in this type of arrangement because the continued use of a sponsoring organization to meet the financial solvency criteria indicates an ongoing issue of financial viability. The amended subdivision lists the following information that will be considered by the Director when determining whether to grant the organization's request:
 - Financial projections demonstrate the compliance timeframes of the organization. This information is necessary to demonstrate the organization using the sponsoring organization is working on a plan to resolve its solvency issues. The Department analyzes this plan to determine whether the financial projections are valid and the organization will use the extra time with a sponsoring organization to improve its financial status.
 - Specific actions taken and proposed by the organization to improve financial solvency. This information is necessary to demonstrate the organization using the sponsoring organization is working on a plan to resolve its solvency issues. The Department analyzes this plan to determine whether the financial projections are valid and the organization will use the extra time with a sponsoring organization to improve its financial status.
 - Any modification or changes to the guarantee provided by the sponsoring organization. This information is necessary because a modification or

change to the guarantee agreement often signals ongoing financial difficulties that are not being addressed by the organization. The Department reviews the modification or change to assess whether it is indicative of an ongoing systemic financial problem the organization is not addressing.

- Section 1300.75.4.5(a)(7) is amended to state the Director may, rather than has the discretion to, disapprove, postpone or suspend a sub-delegating organization's proposed transfer of enrollees if the Department makes certain reasonable determinations. This amendment is necessary to clarify that the Director has the authority to make this decision if the Department has made certain determinations, which are largely based upon the financial stability the organization. The amended subdivision lists the following information that will be considered by the Department before the Director makes this decision. These factors are the same factors listed in subdivision (a)(6) and include:
 - The proposed reassignment of enrollees will likely cause the organization's failure or result in the organization ceasing operations within three (3) months. This information is necessary for the Department to consider because maintaining the solvency of the organization and the stability of the healthcare market is a priority. If reassigning enrollees, versus other types of actions that could be taken, would lead to the organization's failure, then the Department and the Director must give this possibility consideration when making any determination that might cause this impact.
 - The organization has financial and administrative capacity to provide timely access to care through an adequate network of qualified health care providers. It is necessary for the Department to consider this information because it indicates that although the organization may be experiencing financial difficulties, the organization is still fulfilling its obligations and responsibilities to provide timely access to care for enrollees. If reassigning enrollees, versus other types of actions that could be taken, would lead to the organization's failure, then the Department and the Director must give this possibility consideration when making any determination that might cause this impact.
 - The organization is not denying or delaying basic health care services or continuity of care for the plan's enrollees assigned to the organization. It is necessary for the Department to consider this information because it indicates that although the organization may be experiencing financial difficulties, the organization is still fulfilling its obligations and responsibilities by providing access to care for the health plan's enrollees. If reassigning enrollees, versus other types of actions that could be taken, would lead to the organization's failure, then the Department and the Director must give this possibility consideration when making any determination that might cause this impact.

- Section 1300.75.4.5(b) is amended to remove the reference to the effective date of the application of the provision to contracts involving risk arrangements between a sub-delegating organization and an organization. Because the regulatory amendment becomes effective on a set date, as determined under the Government Code and Administrative Procedures Act, it was not necessary to have this provision in the subdivision.
- Section 1300.75.4.7 is amended to remove the specific effective date for placing information in contracts between a sub-delegating organization and an organization. Because the regulatory amendment becomes effective on a set date, as determined under the Government Code and Administrative Procedures Act, it was not necessary to have this provision in the subdivision.
- Section 1300.75.4.8 is amended to remove the reference to the effective date of the application of the provision to contracts involving risk arrangements and between a sub-delegating organization and an organization for compliance with the Corrective Action Plan (CAP) process. Because the regulatory amendment becomes effective on a set date, as determined under the Government Code and Administrative Procedures Act, it was not necessary to have this provision in the subdivision.
- Section 1300.76(c)(1) is amended to place the specific effective date when the new definition of positive TNE will be in place. This is necessary to prevent confusion with stakeholders over the time-period in which the old definition will be in place prior to the new definition taking effect. The old language referencing a “phase-in” period has been removed because it is no longer necessary with the insertion of the specific time-periods.
- Section 1300.76(c)(3) is amended to state the specific time period when the previous definition of positive TNE will be in place and to specify the amount of the positive TNE threshold during this time period. This is necessary to prevent confusion with stakeholders over the time-period in which the old definition will be in place prior to the new definition taking effect. The old language referencing a “phase-in” period has been removed because it is no longer necessary with the insertion of the specific time-periods.

General Information for the DMHC Annual Financial Survey Report Form

- Page 1. RBO Details.
 - Items 1 - 8: The DMHC added Items 1 – 8 to the General Information for the DMHC Annual Financial Survey Report Form (“General Information”) to identify the information needed on the Annual Financial Survey Report Form (“Annual Form”) to understand the specific details of the RBO. These items make clear the organization that is the subject of the Annual Form is clearly identified, the contact person completing the form is clearly identified, date the Annual Form was started and completed, the reporting year of the Annual Form, the type of opinion that was issued with the audited financial statements, whether the Annual Form is on a combining

basis with an affiliate and whether the Annual Form has been completed or remains open. All of this information allows the DMHC to easily identify the filing and filer being reviewed, the contact person for the filer if more information is needed, gives the DMHC a snapshot as to what information is being filed and allows the DMHC to track the status of reports and keep accurate records of compliance as required under the Knox-Keene Act. Items 1 - 8 also allow the filer to comply with proposed section 1300.75.4.2, subdivision (c) and give the DMHC necessary information for evaluating the financial solvency of the organization and its contracts.

- Item 10: The DMHC added clarification to information required for reinsurance and professional stop-loss because adding this new information clarifies the type of management of risk arrangements the organization uses. The disclosure of this information is necessary for the DMHC to fully assess the organization's risk arrangements and ensure financial viability for the time period in question.
- Item 11: The DMHC added clarification on what information should be uploaded under this item by adding Item 11 to specify and clarify that any applicable documents related to the Annual Form disclosures must be attached to the Annual Form. This information is necessary as it allows the DMHC and the organization to ensure a complete filing of the Annual Form. This information is necessary for the DMHC when reviewing the Annual Form to clearly understand the specifics and background of the information given by the organization. Further, the information gives the DMHC and the organization the ability to track the status of reports and ensure they are consistent with the information reported and required under the Knox-Keene Act.
- Page 2. Statement of Organization (Description of Structure).
 - Items 12 - 14: The DMHC added clarification on what the organization shall disclose by adding Items 12 - 14 to specify and clarify the provider organization and model type of each provider organization. The disclosure of this information to the DMHC is necessary to understand the type of financial arrangement that is involved and assists the DMHC in understanding the organization's ability to assume risk and ensure viability.
 - Item 15: The DMHC added Item 15 to the General Information to clarify the information needed for arrangements with management service organizations (MSOs). The DMHC needs this information because it assists the DMHC to understand who may be responsible for processing the claims received from providers. The proposed item also allows the DMHC to obtain the contact information of the MSO if there are any problems with administrative services and claims processing. Additionally, the DMHC needs this information to fully understand the type of contracting arrangements of the organization and its affiliated entities.
- Page 2. Dispute Resolution Mechanism.
 - Item 16: The DMHC added Item 16 to the General Information to clarify the information needed by the organization concerning its dispute

resolution mechanism to help provide clarity and transparency to the contracted providers who may use this process. The information is also necessary to ensure the organization is compliant with the Knox-Keene Act's requirements for provider dispute resolution mechanisms.

- Page 2. RBO Lives Under Risk Arrangement.
 - Item 18: The DMHC added Item 18 to the General Information to clarify to organizations that they must include the percentage of lives covered under each product because this information will assist the DMHC to assess the risk associated with each organization and the potential risk to the specific segments of the healthcare market if the organization becomes insolvent. This information is also necessary for the DMHC to evaluate and ensure the enrollees have appropriate access to providers and specialists who contract with the organization to provide health care services to these specific populations of enrollees.
- Pages 2 - 3. Affiliate Information.
 - Item 19: The DMHC added Item 19 to clarify to the organization that it must include information regarding its relationship with affiliates. This information assists the DMHC in understanding the third-party transactions between the organization and any affiliates that may impact the organization's solvency. This information helps the DMHC evaluate the financial solvency of the transactions occurring with the organization. This information is also necessary to evaluate the financial viability of the organization.
- Page 3. Reimbursement for Specialists.
 - Item 22: The DMHC added Item 22 to clarify to the organization that it must disclose on the Annual Form the compensation percentage to each type of specialist. The compensation percentage is necessary to understand the potential financial risk the organization is undertaking or passing on to affiliates based on the types of provider payment. This item clarifies the DMHC only needs the percentage to help alleviate any potential concerns the organization may have regarding disclosure of confidential information and helps to protect any appearance of interference in the negotiations between the organization and its affiliated providers.
- Pages 3 - 4. Foundation Information.
 - Item 23: Numerical data: The DMHC added this item to clarify the type of HMO revenues that must be included on the Annual Form. This information is necessary to understand the financial viability of the organization and the impact of HMO revenues on the organization's solvency. This addition clarifies withholding, refunds insurance services, capitation and copayments received on an ongoing basis from HMO must be included in the information provided to the DMHC so that the DMHC has an accurate accounting of this revenue when reviewing and assessing the organization's solvency.
 - Item 23: The DMHC added this item to clarify and specify the revenue total that must be included on the Annual Form under this section. This

additional information clarifies that for all expenses an organization must provide the sum of all administrative and other expenses to ensure the DMHC has clear understanding of the organization's financial viability. The DMHC added additional details regarding this item to ensure the organization understands the scope of the information that must be provided to the DMHC for its evaluation.

- Page 5. Financials.

Balance Sheet: Current Assets, List assets available to the organization during the current period as follows.

- Line 2: Short-Term Investments: The DMHC added Line 2 to the General Information to clarify what information needs to be added to the short-term investment line of the Annual Form. This information is necessary to show the types of assets being used by the organization in calculating its solvency and the information assists the DMHC in accurately evaluating the financial viability of the organization.
- Line 3: HMO Capitation Receivable - Net (collectible within 30 days) (Schedule B): The DMHC added Line 3 to the General Information to clarify and define the information that needs to be included on the Annual Form for the "HMO Capitation Receivable - Net (collectible within 30 days) (Schedule B)". The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 4: HMO Capitation Receivable - Net (collectible beyond 30 days) (Schedule B): The DMHC added Line 4 to the General Information to clarify and define the information that needs to be included on the Annual Form for the "HMO Capitation Receivable - Net (collectible beyond 30 days) (Schedule B)". The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 5: Non-HMO/Fee-for-Service Receivable - Net (Schedule B): The DMHC added Line 5 to the General Information to clarify and define the information that needs to be included on the Annual Form for the "Non-HMO/Fee-for-Service Receivable - Net (Schedule B)" as otherwise the organization will not understand the specific information required on the

Annual Form. This information is necessary to also show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.

- Line 6: HMO Receivable - Net (Schedule B) (collectible within 30 days): The DMHC added Line 6 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “HMO Receivable - Net (Schedule B) (collectible within 30 days)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 7: HMO Receivable - Net (Schedule B) (collectible beyond 30 days): The DMHC added Line 7 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “HMO Receivable - Net (Schedule B) (collectible beyond 30 days)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 8: Risk Pool Receivable – Net (Schedule B): The DMHC added Line 8 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Risk Pool Receivable – Net (Schedule B)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 9: Other Incentive Program Receivables - Net (Schedule B): The DMHC added Line 9 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Other Incentive Program Receivables - Net (Schedule B)”. The DMHC has added this information to assist the organization in understanding the type

of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.

- Line 10: Secured Affiliate Receivable - Net (Schedule B): The DMHC added Line 10 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Secured Affiliate Receivable – Net (Schedule B)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 11: Unsecured Affiliate Receivable – Net (Schedule B): The DMHC added Line 11 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Unsecured Affiliate Receivable – Net (Schedule B)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 12: Other Receivable - Net (Schedule B): The DMHC added Line 12 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Other Receivable - Net (Schedule B)”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Line 13: Other Current Assets: The DMHC added Line 13 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Other Current Assets”. The DMHC has added

this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.

- Line 14: Total Current Assets: The DMHC added Line 14 to the General Information to clarify and define the information that needs to be included on the Annual Form for the “Total Current Assets”. The DMHC has added this information to assist the organization in understanding the type of information that should be provided in this area of the Annual Form. The organization must give the DMHC accurate information for the DMHC to evaluate its financial viability and the details regarding HMO capitation receivable will assist the organization in providing this accurate information by ensuring the organization clearly understand what the DMHC is reviewing. This information is necessary to show the types of assets being used by the organization to calculate its solvency.
- Page 5. Balance Sheet: Other Assets.
 - Lines 15 - 24: The DMHC added Lines 15 - 24 to the General Information to specifically delineate the “other assets” not listed in Lines 1 – 13. This information is necessary to assist the DMHC in evaluating the total financial solvency of the organization. The information helps provide a full and accurate picture of the types of assets being used by the organization to calculate its solvency.
 - Line 16: Intangible Assets and Goodwill - Net: The DMHC added Line 16 to specifically define the type of information the DMHC needs to see in Line 16 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
 - Line 17: Risk Pool Receivable (Non-Current) (Schedule B): The DMHC added Line 17 to specifically define the type of information that must be included in the amount given in Line 17 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
 - Line 18: Other Incentive Program Receivables (Non-Current) (Schedule B): The DMHC added Line 18 to specifically define the type of information that must be included in Line 18 of the Annual Form. Without this additional information, the organization may not understand the specifics

of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.

- Line 19: Secured Affiliate Receivables – Long-Term (Schedule B): The DMHC added Line 19 to specifically define the type of information that must be included in Line 19 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
- Line 20: Unsecured Affiliate Receivables – Long-Term (Schedule B): The DMHC added Line 20 to specifically define the type of information that must be included in Line 20 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
- Line 21: Other Non-Current Assets: The DMHC added Line 21 to specifically define the type of information that must be included in Line 21 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
- Line 22: Total Other Assets: The DMHC added Line 22 to specifically define the type of information that must be included in Line 22 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization. This additional information also clarifies the difference in information that should be provided by the organization between Line 21 and Line 22.
- Line 24: Total Assets: The DMHC added Line 24 to specifically define the type of information that must be included under Line 24 of the Annual Form. Without this additional information, the organization may not understand the specifics of what needs to be provided to the DMHC under this section. This information demonstrates the types of assets being used by the organization in calculating its solvency and will assist the DMHC in evaluating the total financial solvency of the organization.
- Page 5. Balance Sheet: Current Liabilities.

- Lines 25 - 34: The DMHC added Lines 25 - 34 to specify the different types of liabilities of the organization that should be listed during the current period of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency.
- Line 25: Trade Accounts Payable: The DMHC added Line 25 to specifically define the type of information regarding trade accounts that must be included under Line 25 of the Annual Form. Without this addition, the organization may not understand the specific information needed under this section. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency.
- Line 26: Sub-Capitation Payable: The DMHC added Line 26 to specifically define the type of information regarding sub-capitation amounts that must be included under Line 26 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency.
- Line 27: Claims Payable (excluding Incurred But Not Reported Claims): The DMHC added Line 27 to specifically define the type of information regarding claims payable by the organization that must be included under Line 27 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency as often late payment or non-payment of claims is an early indicator of financial solvency issues.
- Line 28: Incurred But Not Reported Claims (Schedule C): The DMHC added Line 28 to specifically define the type of information regarding incurred but not reported claims that must be included under Line 28 for the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency as often late payment or non-payment of claims is an early indicator of financial solvency issues.
- Line 29: Withhold/Surplus Payable: The DMHC added Line 29 to specifically define the type of withhold/surplus information that must be included under Line 29 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the

organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency as withholds and surplus are an indicator of the financial solvency of the organization since withholds are delayed payments from the HMO conditioned upon the performance of the contracted organization.

- Line 30: Other Medical Liability: The DMHC added Line 30 to specifically define the type of information regarding specific medical liability that must be included under Line 30 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial health.
- Line 31: Loans and Notes Payable (Current): The DMHC added Line 31 to specifically define the type of loans and notes information that must be included under Line 31 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial health.
- Line 32: Amounts Due to Affiliates (Current): The DMHC added Line 32 to specifically define the type of affiliate information that must be included under Line 32 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial health and how its liabilities may impact other affiliates involved with the organization.
- Line 33: Other Current Liabilities: The DMHC added Line 33 to specifically define the type of other liability information that must be included under Line 33 of the Annual Form. The DMHC needs a detailed listing of this information to show the types of liabilities incurred by the organization in order to understand how the liabilities may impact the organization's solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial health and how its liabilities may impact other entities involved with the organization.
- Line 34: Total Current Liabilities: The DMHC added Line 34 to specifically define the type of information that must be included under Line 34 of the Annual Form. The DMHC needs to understand the totality of the liabilities of the organization to accurately analyze its financial viability and ensure that the organization maintains financial solvency.
- Pages 5 - 6. Balance Sheet: Other Liabilities.
 - Lines 35 - 41: The DMHC added Lines 35 - 41 specify the other liabilities not listed otherwise on the Annual Form of the organization during the current period of the Annual Form. The DMHC needs to understand the totality of the liabilities of the organization to accurately analyze its

financial viability and ensure that the organization maintains financial solvency.

- Line 35: Loans and Notes Payable (not subordinated) (Long-Term): The DMHC added Line 35 to specifically define the type of information regarding loans and notes payable that must be included under Line 35 of the Annual Form. Without this addition, the organization may not understand the specific information that should be provided to the DMHC in this section of the Form. The DMHC needs to understand the totality of the liabilities of the organization, which include loans and notes payable, to accurately analyze its financial viability and ensure that the organization maintains financial solvency.
- Line 36: Loans and Notes Payable (subordinated): The DMHC added Line 36 to specifically define the type of information regarding loans and notes payable that must be included under Line 36 of the Annual Form. Without this addition, the organization may not understand the specific information that should be provided to the DMHC in this section of the Form. The DMHC needs to understand the totality of the liabilities of the organization, which include loans and notes payable, to accurately analyze its financial viability and ensure that the organization maintains financial solvency.
- Line 37: Accrued Subordinated Interest Payable: The DMHC added Line 37 to specifically define the type of information regarding accrued subordinated interest payable that must be included under Line 37 of the Annual Form. Without this addition, the organization may not understand the specific information that should be provided to the DMHC in this section of the Form. The DMHC needs to understand the totality of the liabilities of the organization, which include accrued subordinated interest payable, to accurately analyze its financial viability and ensure that the organization maintains financial solvency.
- Line 39: Other Long-Term Liabilities: The DMHC added Line 39 to specifically define the type of information regarding other types of long term liabilities that should be listed under Line 39 of the Annual Form. Without this addition, the organization may not understand the specific information that should be provided to the DMHC in this section of the Form. The DMHC needs to understand the totality of the liabilities of the organization, which include different types of liabilities, to accurately analyze its financial viability and ensure that the organization maintains financial solvency.
- Line 40: Total Other Liabilities: The DMHC added Line 40 to specifically list all the liabilities that should be included when filling out this portion of the form. The DMHC needs a full picture of the organization's liabilities to understand its overall financial solvency and determine whether the organization is having any financial liability issues.
- Line 41: Total Liabilities: The DMHC added Line 41 to specifically list all the liabilities that should be included when filling out this portion of the form. The DMHC needs a full picture of the totality of the organization's liabilities to understand its overall financial solvency and determine

whether the organization is having any financial liability issues that need to be addressed.

- Page 6. Balance Sheet: Net Worth.
 - Lines 42 - 47: The DMHC added Lines 42 - 47 to specify the calculations for net worth for the current period of the Annual Form filing. This information is necessary ensure the DMHC is receiving accurate information from the organization to assist the DMHC in understanding the types of assets used by the organization to calculate its solvency. This information is also essential to the DMHC's evaluation of the organization's overall financial solvency.
 - Line 42: Capital: The DMHC added Line 42 to specifically define the type of capital information that must be included under Line 42 of the Annual Form. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.
 - Line 43: Additional Paid-In Capital: The DMHC added Line 43 to specifically define the type of paid in capital information that must be included under Line 43 of the Annual Form. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.
 - Line 44: Retained Earnings (deficit/fund balance): The DMHC added Line 44 to specifically define the type of retained earnings and deficits and fund balance information that must be included under Line 44 of the Annual Form. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.
 - Line 45: Other Net Worth Items: The DMHC added Line 45 to specifically define the other types of net worth information that must be included under Line 45 of the Annual Form. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.
 - Line 46: Total Net Worth: The DMHC added Line 46 to specifically define the types of net worth information that must be included under Line 46 of the Annual Form for calculating the total net worth of the organization. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This

information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.

- Line 47: Total Liabilities and Net Worth: The DMHC added Line 47 to specifically define the type of liability and net worth information that must be included under Line 47 of the Annual Form, which indicates the totality of the liabilities and net worth of the organization. Without this addition, the organization may not understand the specific information the DMHC needs to have provided for its review. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization.
- Page 6. Statement of Net Worth – Current Period.
 - Lines 1 - 10: The DMHC added Lines 1 - 10 to specify that an organization provide further detail to the “net worth” section of the Balance Sheet of the Annual Form. This detailed information is necessary to show how an organization’s values in the “Net Worth” section of the Annual Form are obtained. The DMHC can then use this information to evaluate the organization’s financial solvency while clearly understanding how it was provided by the organization.
 - Line 1: Net Worth Beginning of Period: The DMHC added Line 1 to specifically define the type of initial net worth information that must be included in this area of the Annual Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form and to clearly indicate to the DMHC how its initial net worth was calculated. This information assists the DMHC in evaluating the financial solvency of the organization.
 - Line 3: Increase (Decrease) In Stock: The DMHC added Line 3 to specifically define the type of increase or decrease of accrued stock information that must be included under Line 3 of the Annual Form. Without this addition, the organization may not understand the specific information to provide to the DMHC under this section of the form. This requirement is also necessary to show detailed information on how an organization arrives at the stock values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.
 - Line 4: Increase (Decrease) in Additional Paid-In Capital: The DMHC added Line 4 to specifically define the type of additional paid in capital information that must be included under Line 4 of the Annual Form. Without this addition, the organization may not understand the specific information the DMHC needs to review under this section. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.

- Line 5: Increase (Decrease) in Contributed Capital: The DMHC added Line 5 to specifically define the type of increase or decrease of contributed capital information that must be included under Line 5 of the Annual Form. Without this addition, the organization may not understand the specific information needed under this section. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.
- Line 7: Net Income (Loss): The DMHC added Line 7 to specifically define the type of net income or net income loss information that must be included under Line 7 of the Annual Form. Without this additional information, the organization may not understand the specific information needed by the DMHC under this section. This requirement is necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.
- Line 8: Distribution to Shareholders: The DMHC added Line 8 to specifically define the distribution to shareholders information that must be included under Line 8 of the Annual Form. Without this addition, the organization may not understand the specific information needed by the DMHC under this section of the form. This requirement is necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.
- Line 10: Net Worth End of Period: The DMHC added Line 10 to specifically define the type of net worth at the end of the time period information that must be included under Line 10 for the Annual Form. Without this addition, the organization may not understand the specific information the DMHC requires under this section. This detail is also necessary to show particular information on how an organization arrives at the values noted in its “Net Worth” section of the Annual Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization.
- Page 6. Income Statement-Year-to-Date.
 - Lines 1 - 6 require the RBOs revenues: The DMHC added Lines 1 - 6 specify how an organization should calculate its revenue in this section of the form. This information is necessary to show the types of revenues being used by the organization to calculate its solvency and assists the DMHC’s evaluation of the organization’s overall financial solvency.
 - Line 1: HMO Revenue: The DMHC added Line 1 to specifically define the type of HMO revenue that must be included under Line 1 of the Annual Form. Without this clarifying addition, the organization may not understand the specific information regarding the types of HMO revenues

that must be provided under this section of the form. This additional information also assists the organization in demonstrating how it calculates its revenues for solvency purposes. This information enables the DMHC in its evaluation of the financial solvency of the organization.

- Line 2: Non-HMO/Fee-for-Service Revenue: The DMHC added Line 2 to specifically define the type of information regarding non-HMO revenue and fee for service revenue that must be included under Line 2 of the Annual Form. Without this addition, the organization may not understand the specific information about this type of revenue that must be given in this section of the form. This requirement is also necessary to show detailed information on how an organization calculates its revenues for solvency purposes. This necessary information assists the DMHC in evaluating the financial solvency of the organization.
- Line 3: Risk Pool Revenue (Schedule D): The DMHC added Line 3 to specifically define the type of risk pool revenue information that must be included under Line 3 of the Annual Form. Without this additional detailed information, the organization may not understand the specific types of revenue related to risk pools that needs to be included under this section. This requirement is also necessary to show detailed information on how an organization calculates its overall revenues for solvency purposes. This necessary information assists the DMHC in evaluating the financial solvency of the organization.
- Line 5: Other Revenue: The DMHC added Line 5 to specifically define the other types of revenue information that should be included under Line 5 of the Annual Form. Without this additional revenue information, the organization may not understand the types of specific information needed under this section of the form. This required information is also necessary to show details of how an organization calculates its revenues for solvency purposes. This necessary information assists the DMHC in evaluating the financial solvency of the organization.
- Line 6: Total Revenue: The DMHC added Line 6 to specifically define all the types of revenue information that must be included under Line 6 of the Annual Form. Without this additional information and detail, the organization may not understand the specific revenues that should be used in this section of the form. This requirement helps the organization calculates its total revenues for solvency purposes. This information assists the DMHC in evaluating the financial solvency of the organization.
- Lines 7 - 16 require information regarding the RBO's expenses. The DMHC added the information for Lines 7 - 16 to specify how an organization calculates its expenses. This information is necessary to show the types of expenses incurred by the organization during the annual period that the organization uses to calculate its solvency. This information assists the DMHC's evaluation of the organization's overall financial solvency during the time period.
 - Line 7: Physician and Physician Extender-Salary & Benefits: The DMHC added Line 7 to define the types of physician information that must be included under Line 7 of the Annual Form. Without this additional

descriptive information, the organization may not understand the specific types of physician information that should be included in this section of the form. This detailed information on the physician expenses incurred by the organization helps the DMHC evaluate its overall financial solvency.

- Line 8: Medical Claims Expense: The DMHC added Line 8 to specifically define the type of medical claims information that must be included under Line 8 of the Annual Form. Without this additional information, the organization may not understand the specific types of medical expense information that should be provided under this section. This information is also necessary to show what information was included by the organization in calculating its expenses. This additional detail allows the DMHC to evaluate its expenses incurred for solvency purposes and assists the DMHC in evaluating the overall financial solvency of the organization.
- Line 9: Pharmacy Expense: The DMHC added Line 9 to specifically detail the type of pharmacy expense information that must be included under Line 9 of the Annual Form. Without this additional information, the organization may not understand the specific types of pharmacy expenses to provide in this section. This requirement is also necessary to show detailed information on the types of pharmacy expenses incurred by the organization for solvency purposes and assists the DMHC in evaluating the overall financial solvency of the organization.
- Line 10: Other Medical Expenses (Capitated): The DMHC added Line 10 to specifically detail the other types of capitated medical expenses to include in Line 10 of the Annual Form. Without this additional information, the organization may not understand the specific type of medical expenses to provide in this section. This requirement is also necessary to show detailed information on the medical expenses incurred by the organization for solvency purposes and assists the DMHC in evaluating the overall financial solvency of the organization.
- Line 11: Other Medical Expenses (Non-Capitated): The DMHC added Line 11 to specifically define the type of non-capitated medical expense information to provide in Line 11 of the Annual Form. Without this additional detail, the organization may not understand the specific type of expense information to provide in this section of the form. This requirement is also necessary to show detailed non-capitated medical expense information incurred by the organization for solvency purposes. This type of information assists the DMHC in evaluating the overall financial solvency of the organization.
- Line 12: Administration and Other Expenses (Schedule E): The DMHC added Line 12 to specifically define the type of information that must be included under Line 12 for the Annual Form. Without this addition, the organization may not understand the specific information needed under this section and this information is needed by the DMHC when evaluating the financial health of the organization. This requirement is also necessary to show detailed information on the expenses incurred by the

organization for solvency purposes and will assist the DMHC in evaluating the overall financial solvency of the organization.

- Line 13: Total Expenses: The DMHC added Line 13 to specifically define how to total the information on expenses for Line 13 of the Annual Form. Without this addition, the organization may not understand the specific information needed to reach this expense number under this section of the form. This requirement is also necessary to show detailed information on the expenses incurred by the organization for solvency purposes that can be reviewed by the DMHC. This information assists the DMHC in evaluating the financial solvency of the organization and how its expenses are being tallied during the yearly period.
- Line 14: Income (Loss) Before Provision for Income Taxes: The DMHC added Line 14 to specifically define the type of income information that must be included under Line 14 of the Annual Form. This information is necessary to show detailed income and losses due to income taxes incurred by the organization. The DMHC reviews this information to ensure that the organization is able to handle its debts and payments while still have adequate income to maintain solvency.
- Line 15: Income Taxes: The DMHC added Line 15 to specifically define the type of income tax information that must be included under Line 15 of the Annual Form. Without this addition, the organization may not understand the specific tax information needed by the DMHC in this section of the form. The DMHC reviews this information to ensure that the organization is able to handle its debts and payments while still have adequate income to maintain solvency.
- Line 16: **Net Income (Loss)**: The DMHC added Line 16 to specify how to calculate the sum of net income or loss that must be included under Line 16 of the Annual Form. Without this addition, the organization may not understand the specific calculation of amounts that need to be used to show an accurate net income amount for the DMHC to review. This net income information assists the DMHC in evaluating the financial solvency of the organization by demonstrating how much monies are available to the organization during the annual year.

Page 7. Statements of Cash Flow.

- Statement of Cash Flows for Current Period: The DMHC has added this section to the General Information as it is necessary to demonstrate the changes in cash flows over the period of time contained in the Annual Form. This information regarding cash flows provides reconciliation and adjustments to net cash provided by operating activities and provides the DMHC with clear information on the cash inflows and outflows of the organization and how these amounts are impacting the organization's solvency.
- CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES.
 - Line 1: Capitation Revenues: The DMHC added Line 1 to specifically define the type of revenues concerning capitation amounts received from health plans that must be included under Line 1 of the Annual Form.

Without this addition, the organization may not understand the specific type of cash flow information that needs to be provided under this section for the DMHC review. This information shows the types of cash flow being used by the organization to operate its activities and how these capitation amounts impact its solvency. This information assists the DMHC in evaluating the financial solvency of the organization and understanding how its cash flow is impacting the solvency.

- Line 2: Fee-for-Service Revenues: The DMHC added Line 2 to specifically define the type of fee-for-service cash flow amounts that should be included under Line 2 of the Annual Form. This cash flow information is necessary to show the detailed types of monetary amounts (capitation vs. fee-for-service) impacting the operational cash flow of an organization. This specific amount details the fee-for-service amounts being used by the organization by the organization to operate its activities and assists the DMHC in evaluating the financial solvency of the organization and how different types of payments are impacting the organization's financial health.
- Line 3: Risk and Incentive Revenues: The DMHC added Line 3 to specifically define the type of risk and incentive revenue information that must be included under Line 3 of the Annual Form. The DMHC needs the organization to account for specific risk and incentive revenues in this section of the Annual Form to determine how these amounts impact the organization's cash flow. This shows the types of cash flow being used by the organization and the associated risk attached to those amounts, that is used to operate its activities. Because these monies are tied to performance levels that must be met by the organization, the DMHC needs this information to evaluate the organization's financial solvency and how the organization is meeting performance metrics with its affiliated entities.
- Line 4: Other Revenues: The DMHC added Line 4 to specifically define the type of revenue information that must be included under Line 4 of the Annual Form. The organization may have additional revenues being received that do not fall within the other categories of the Annual Form but need to be included because of the impact on the financial health of the organization. These amounts give the DMHC a detailed and accurate accounting of the operational cash flow of an organization. This information is assists the DMHC in evaluating the overall financial solvency of the organization.
- Line 5: Medical Expenses: The DMHC added Line 5 to specifically define the type of medical expense information that must be included under Line 5 of the Annual Form. This additional information helps the organization to understand the types of expenses that should or should not be included in this section of the form. This requirement demonstrates the operational cash flow of an organization and how expenses are being paid. This information assists the DMHC in evaluating the financial solvency of the organization and understanding its expenses.

- Line 6: Administrative Expenses and Other Expenses: The DMHC added Line 6 to specifically define the type of information that must be included under Line 6 for the Annual Form. Without this addition, the organization may not understand the specific information needed under this section. This requirement is also necessary to show detailed information on the operational cash flow of an organization. This shows the types of cash flow being used by the organization to operate its activities and demonstrates its solvency. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization.
- Line 7: Income Taxes: The DMHC added Line 7 to specifically define the type of income tax information that must be included under Line 7 of the Annual Form. This requirement demonstrates how the organization is paying taxes that impact the operational cash flow of the organization. This information assists the DMHC in evaluating the overall financial solvency of the organization and helps the DMHC understand how the organization is operating and paying expenses.
- Line 8: Interest: The DMHC added Line 8 to specifically define the type of interest amounts that must be included under Line 8 of the Annual Form. This additional information demonstrates how the organization is paying its amounts due and the impact of interest on those amounts. This information assists the DMHC in evaluating the financial solvency of the organization when looking at its overall cash flow amounts.
- Line 9: NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES: The DMHC added Line 9 to specifically define the type of net cash information that must be included by the organization under Line 9 of the Annual Form. Without this additional detailing, the organization may not understand the specific types of cash flow information to provide to the DMHC for review. The DMHC uses this total amount of cash flow used by the organization in its operating activities when evaluating the financial solvency of the organization.
- CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES.
 - Line 10: Investments: The DMHC added Line 10 to specifically define the types of investment amounts that must be included under Line 10 of the Annual Form. The organization needs this information to understand the what types of investment should be included in this section. This requirement is also necessary to show detailed information regarding calculation of investing cash flows. The DMHC uses this investment amount when evaluating the financial solvency of the organization and how the organization is using its monies.
 - Line 12: Other Long-Term Assets: The DMHC added Line 12 to specifically define the types of other long-term assets that must be included under Line 12 of the Annual Form. Without this additional information, the organization may not understand the specific types of assets that should be used in this section of the form. These additional types of assets are used by the organization to calculate its investment

cash flows and these amounts help the DMHC evaluate the overall financial solvency of the organization.

- CASH FLOW PROVIDED (USED) BY FINANCING ACTIVITIES.
 - Line 17: Dividends Paid: The DMHC added Line 17 to specifically define the type of dividend information that must be included under Line 17 of the Annual Form. This information shows the types of cash flow being used by the organization for financing activities. The DMHC needs this dividend information to fully understand the workings of the organization and to help evaluate its financial solvency.
 - Line 18: Other Financing Activities: The DMHC added Line 18 to specifically define the other types of financing activities that should be reported in Line 18 of the Annual Form. This additional information helps the organization demonstrate its financing activities and how it is obtaining and using its cash flow. This finance information assists the DMHC in evaluating the financial solvency of the organization and how it is maintaining its overhead costs.
 - Line 19: NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES: The DMHC added Line 19 to specifically define the type of net cash provided and used by the organization under Line 19 of the Annual Form. This information helps demonstrate how the organization is calculating its financing activities. The DMHC uses this information to conduct an overall review of the operating expenses and functions of the organization during the annual form year.
 - Line 20: NET CASH INCREASE (DECREASE) IN CASH: The DMHC added Line 20 to specifically define the type of net cash increase or decrease by the organization under Line 20 of the Annual Form. This information helps demonstrate how the organization is calculating its financing activities and how those activities impact its net cash amounts. The DMHC uses this information to conduct an overall review of the operating expenses and functions of the organization during the annual form year.
 - Line 21: CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR: The DMHC added Line 21 to specifically define the type of cash and cash equivalents the organization should calculate under Line 21 of the Annual Form. This information helps demonstrate how the organization is calculating its financing activities and how those activities impact its cash amounts. The DMHC uses this information to conduct an overall review of the operating expenses, cash amounts and functions of the organization during the annual form year.
 - Line 22: CASH AND CASH EQUIVALENTS AT END OF THE YEAR: The DMHC added Line 22 to specifically define the amount of cash and cash equivalents available to the organization under Line 22 of the Annual Form. This information helps demonstrate how the organization is calculating its financing activities and how those activities impact its net cash amounts available for operating expenses. The DMHC uses this information to conduct an overall review of the operating expenses and

functions of the organization during the annual form year and to ascertain its overall financial solvency.

- RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES.
 - Line 23: Net Income: The DMHC added Line 23 to specifically define the type of net income to net cash information that must be used to calculate the amount in Line 23 of the Annual Form. Without this additional information, the organization may not understand the specific amounts to use to show its overall net income to net cash amount provided by its operating activities and how to reconcile those amounts. The DMHC uses this information to evaluate the financial solvency of the organization and how its operating activities affects the organization's overall solvency.
- ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES.
 - Line 24: Depreciation and Amortization: The DMHC added Line 24 to specifically define the type of depreciation and amortization asset information that must be included under Line 24 of the Annual Form. Without this addition, the organization may not understand which types of assets (tangible vs. intangible) and how to use them to calculate these amounts in this section of the form. This requirement is also necessary to show detailed information on reconciliation of the net income to net cash and how it is used in the organization's operating activities. The DMHC uses this information to evaluate the financial solvency of the organization and how its assets influence the organization's overall financial health.
 - Line 25: Decrease (Increase) In Receivables: The DMHC added Line 25 to specifically define the type of receivable information that must be included in the amount listed under Line 25 of the Annual Form. Without this additional information, the organization may not understand the specific receivables to use in calculating the amounts in this section of the form. This amount shows detailed information on the reconciliation of the net income to net cash of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its receivables influence the organization's overall financial health.
 - Line 26: Decrease (Increase) In Prepaid Expenses: The DMHC added Line 26 to specifically define the type of prepaid expense information that must be calculated to show the amount in Line 26 of the Annual Form. Without this additional information from the DMHC, the organization may not understand the specific expenses used to calculate the final amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its prepaid expenses impact its overall financial health.
 - Line 27: Decrease (Increase) In Affiliated Receivables: The DMHC added Line 27 to specifically define the type of affiliate receivables that must be calculated to show the amount in Line 27 of the Annual Form. Without this

addition information from the DMHC, the organization may not understand the specific types of receivables used to calculate the final amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its affiliated receivables impact its overall financial health.

- Line 28: Decrease (Increase) In Accounts Payable: The DMHC added Line 28 to specifically define the type of accounts payable information that must be calculated to show the amount in Line 28 of the Annual Form. Without this addition information from the DMHC, the organization may not understand the specific amounts payable that should be used to calculate the final amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its accounts payable impact its overall financial health.
- Line 29: Decrease (Increase) In Claims Payable and Shared Risk Pool: The DMHC added Line 29 to specifically define the type of claims and shared risk pool information that must be calculated to show the amount in Line 29 of the Annual Form. Without this addition information from the DMHC, the organization may not understand the specific types of claims payable and shared risk pool information that should be used to calculate the final amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its claims payable and shared risk pools impact its overall financial health.
- Line 30: Decrease (Increase) In Unearned Capitation: The DMHC added Line 30 to specifically define the type of unearned capitation monies that must be calculated to show the amount in Line 30 of the Annual Form. Without this addition information from the DMHC, the organization may not understand the specific unearned capitation amounts that should be used to calculate the final amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this information to evaluate the financial solvency of the organization and how its unearned capitation amounts impact its overall financial health.
- Line 31: Decrease (Increase) In Other Adjustments to Net Income: The DMHC added Line 31 to specifically define the type of other adjustments that should be used to calculate the amount in Line 31 of the Annual Form. Without this addition information from the DMHC, the organization may not understand the specific adjustments of amounts that should be made to calculate the final monetary amount in this section of the form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses

this information to evaluate the financial solvency of the organization and how its adjusted amounts impact its overall financial health.

- Line 32: TOTAL ADJUSTMENTS: The DMHC added Line 32 to specifically define how to calculate the total adjustment amount in Line 32 of the Annual Form. This amount helps demonstrate the types of net income to net cash provided by the operating activities of the organization. The DMHC uses this total adjustment amount to evaluate the financial solvency of the organization.
- Line 33: NET CASH PROVIDED BY OPERATING ACTIVITIES: The DMHC added Line 33 to specifically define how to calculate the net cash amount from operating activities in Line 33 of the Annual Form. The accuracy of this amount is necessary to reconcile the net income to net cash of the organization and demonstrate how the net income to net cash impacts the organization's operating activities. The DMHC uses this net cash amount in evaluating the financial solvency of the organization.

Page 8. Grading Criteria.

- Tangible Net Equity: The DMHC added the "Tangible Net Equity" requirement to clarify what an organization is attesting to under this section of the Annual Form. This requirement is also necessary to show compliance with section 1300.75.4.2, subdivision (b)(4) of Title 28, California Code of Regulations. This information assists the DMHC in evaluating the financial solvency of the organization and ensuring that it is maintaining an adequate tangible net equity as required by law.
 - Line 1: Net Equity: The DMHC added the information regarding Line 1 to indicate what information should be used by the organization as its net equity amount. Without this specific information, the organization may not understand what amount should be placed in this section of the form. The DMHC uses this amount to evaluate the financial solvency of the organization as demonstrated through the Grading Criteria in the financial solvency regulations.
 - Line 2: Add Subordinated Debt: The DMHC added the information regarding Line 2 to indicate what information should be used by the organization as its subordinated debt amount. Without this specific information, the organization may not understand what amount should be placed in this section of the form. The DMHC uses this subordinated debt amount to evaluate the financial solvency of the organization as demonstrated through the Grading Criteria in the financial solvency regulations.
 - Line 3: Less Receivables from officers, directors and affiliates: The DMHC added the information regarding Line 3 to indicate what information should be used by the organization as its less receivables from officers, directors and affiliates amount. Without this specific information, the organization may not understand how to calculate the amount placed in this section of the form. The DMHC uses this amount to evaluate the financial solvency of the organization as demonstrated through the Grading Criteria in the financial solvency regulations.

- Line 4: Less Intangibles: The DMHC added the information regarding Line 4 to indicate what information should be used by the organization as its less tangibles amount. Without this specific information, the organization may not understand what amount should be placed in this section of the form. The DMHC uses this less tangible amount to evaluate the financial solvency of the organization as demonstrated through the Grading Criteria in the financial solvency regulations.
- Line 5: Tangible Net Equity: The DMHC added the information regarding Line 5 to indicate what information should be used by the organization as its tangible net equity amount. Without this specific information, the organization may not understand what amount should be placed in this section of the form. The DMHC uses this tangible net equity amount to evaluate the financial solvency of the organization as demonstrated through the Grading Criteria in the financial solvency regulations.
- Line 6: Required Tangible Net Equity (Schedule I): The DMHC added Line 6 to specifically define the type of information that must be included under Line 6 of the Annual Form as required tangible net equity. Without this additional information, the organization may not understand the specific amount to place in this section of the form. The DMHC needs this information to evaluate the overall financial solvency of an organization.
- Line 7: State the TNE Excess or Deficiency by using Schedule I: The DMHC added the information regarding Line 7 to address how to find the TNE excess or deficiency in Schedule I for use in the Annual Form. Without this additional direction, the organization may not understand where to obtain the information needed in this section of the form. The DMHC uses this information to evaluate the financial solvency of the organization when reviewing the Annual Form.
- Line 8: Maintained a positive TNE at all times, for the reporting period: The DMHC added information regarding the need to state “yes” or “no” in Line 8 of the Annual Form. This information indicates to the DMHC whether the organization maintained positive TNE during the period of the form indicating financial solvency of the organization for purposes of the Grading Criteria.
- Working Capital: The DMHC added this provision to clarify that an organization must self-attest to whether they meet the working capital requirements section 1300.75.4.2, subdivision (b)(4) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assist the DMHC in reviewing and evaluating the solvency and financial viability of the organization.
 - Line 9: Maintained a positive working capital at all times, for the reporting period: The DMHC added information regarding the need to state “yes” or “no” in Line 9 of the Annual Form. This information indicates to the DMHC whether the organization maintained positive working capital during the time period of the form indicating financial solvency of the organization for purposes of the Grading Criteria.

- Line 10: Provide working capital calculation: The DMHC added information regarding Line 10 to indicate that the organization needs to show how it calculated its working capital. Without this additional information, the organization may not understand what information to provide the DMHC in this area of the form. The DMHC uses this information to help evaluate the financial solvency of the organization.
- Cash-to-Claims Ratio: The DMHC added this provision to clarify that an organization must self-attest to whether they meet the cash-to-claims ratio requirements section 1300.75.4.2, subdivision (c)(4) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assist the DMHC in reviewing and evaluating the solvency and financial viability of the organization.
 - Line 11: The DMHC added information regarding the need to state “yes” or “no” in Line 11 of the Annual Form. This information indicates to the DMHC whether the organization maintained the required cash-to-claims ratio during the time-period of the form indicating financial solvency of the organization for purposes of the Grading Criteria and the DMHC’s review of the organization’s financial solvency.
 - Line 12: The DMHC added information regarding Line 12 to indicate that the organization needs to show how it calculated its cash-to-claims ratio. Without this additional information, the organization may not understand what information to provide the DMHC in this area of the form. The DMHC uses this information to help evaluate the financial solvency of the organization.
- Claims and IBNR: The DMHC added this provision to clarify that an organization must self-attest to the methodology of its IBNR and its timeframe for meeting requirements under section 1300.75.4.2, subdivision (c)(2) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assist the DMHC in reviewing and evaluating the solvency and financial viability of the organization.
 - Line 13: The DMHC added information regarding the need to state “yes” or “no” in Line 13 of the Annual Form. This information indicates to the DMHC whether the organization maintained the required claims payment IBNR timeframes during the time-period of the form indicating financial solvency of the organization for purposes of the Grading Criteria and the DMHC’s review of the organization’s financial solvency.
 - Line 14: The DMHC added information to indicate to the organization the percentage of compliance for claims payment timeliness should be included in Line 14 of the form. The DMHC uses this information to help determine the financial solvency of an organization since claims payment timeliness is a key indicator of whether the organization is financially healthy.
 - Line 15: The DMHC added information to indicate that the organization must provide its methodology for calculating IBNR and the types of methodology that may be used (lag study, actuarial, estimation or other). The manner in which IBNR is calculated is important in understanding the

organization's IBNR process for claims and compliance with claims payment timeframes in the Knox-Keene Act. The DMHC uses this claims information to help determine the financial solvency of an organization since claims payment timeliness is a key indicator of whether the organization is financial healthy.

- Line 16: The DMHC added Line 16 to indicate that if the organization used some "other" type of methodology for calculating IBNR, this methodology must be described in this section of the form. The DMHC needs this information to determine whether the methodology is valid and the IBNR amount given by the organization is accurate.
- Line 17: The DMHC added Line 17 to state that the organization must indicate whether its estimated and documented liability for IBNR claims is done pursuant to a method described in section 1300.77.2 of the regulations. The DMHC needs this information to determine whether the method is compliant and the IBNR claims estimation is being done as required by the Knox-Keene Act.
- Line 18: The DMHC added information regarding the need to state "yes" or "no" in Line 18 of the Annual Form. This information indicates to the DMHC whether the organization's IBNR estimates were the basis for the financial statement given by the organization. The DMHC uses this validation by the organization to review how the organization pays claims and remains solvent.
- Pages 9 - 19: Schedules A through J: The DMHC added these provisions to the General Information as these provisions are essential in the organization's accurate completion of the Annual Form and the DMHC's understanding of where the organization derived its information. This information is used by the DMHC to assess the overall financial solvency of the organization and to ensure the DMHC's proper financial oversight of the organization.
 - Schedule A: The DMHC added information indicating that the details from the Balance Sheet, Line 1, should be used to fill out Schedule A of the Annual Form. The DMHC added this direction to ensure that the proper amounts are being placed in this schedule to allow the DMHC to review the overall financial solvency of the organization.
 - Schedule B: The DMHC added the type of information from the Balance Sheet that should be used in filling out Schedule B of the Annual Form. This information is used by the DMHC to assess the overall financial solvency of the organization and to ensure the DMHC has the proper information in the form to aid its review.
 - Schedule C: The DMHC added information regarding Schedule C to specifically state the type of information the organization must provide in the "Claims and IBNR" portion of the Annual Form. The DMHC needs accurate information in this section of the form to properly evaluate the methodology of the organization's claims payment process and to ensure the organization is calculating IBNR pursuant to the law.
 - Schedule D: The DMHC added Schedule D to specifically define the type of information the organization must provide in the "Risk Pool Revenues"

and “Other Incentive Pool Revenues” and where this information may be found in the Annual Form. The DMHC uses this information to verify the amounts given by the organization, which are then used to review the organization’s overall financial solvency.

- Schedule E: The DMHC added information regarding Schedule E to assist the organization in filling out the “Administrative and Other Expenses” section of the Annual Form. Without this additional information, the organization may not understand how to complete this section of the form, which could result in misinformation being reviewed by the DMHC. The DMHC uses this information to review the organization’s administrative expenses and its impact on the organization’s overall financial solvency.
- Schedule F: The DMHC added information regarding Schedule F to specify what enrollment data should be included in the Annual Form. This information assists the DMHC in analyzing the amounts given by the organization and to understand how the organization’s types and numbers of enrollment may impact its financial health. The DMHC uses this information to review the risks associated with the different types of enrollment assigned to the organization and how these numbers may impact the organization’s overall financial solvency.
- Schedule G: The DMHC added information regarding the inventory of claims processing in Schedule G of the Annual Form. The organization needs to provide the DMHC accurate inventory of claims inflows and outflows to enable the DMHC to understand how these numbers impact the organization’s financial solvency.
- Schedule H: The DMHC added information regarding what should be included in Schedule H of the Annual Form for mergers and acquisitions. This information helps the DMHC determine the financial health and soundness of an organization as a merger or an acquisition may result in additional liabilities or assets that are not otherwise explained on the Annual Form but impact the financial solvency of the organization. The DMHC uses this additional information to evaluate the financial solvency of the organization.
- Schedule I: The DMHC added information regarding Schedule I to indicate to the organization how to calculate its tangible net equity to determine compliance with the Knox-Keene Act. The tangible net equity information helps the DMHC to assess the financial health of an organization so it is crucial that the information is accurately calculated.
 - Item A: The DMHC has added Item A to clarify and define what “healthcare revenues” is calculated for TNE calculation purposes. This information is necessary to provide the DMHC with the basis of evaluating the financial solvency of the organization.
 - Item B: The DMHC has added Item B to clarify and define what “healthcare expenditures” is calculated for the TNE calculation purposes. This information is necessary to provide the DMHC with the basis of evaluating the financial solvency of the organization.

- Schedule J: The DMHC added Schedule J to specifically define the types of additional information the organization must submit to the DMHC. This information is important for the DMHC to assess the overall financial soundness of the organization. Without this addition, the organization may not understand the specific information needed under this section and submit an incomplete Annual Form that is not helpful to the DMHC and/or is missing vital documents.

Update of Information Contained in the Initial Statement of Reasons- General Information DMHC Corrective Action Plan Form

- The DMHC added a General Information Sheet to accompany the DMHC Corrective Action Plan Form (DMHC CAP Form or Form). The purpose of the General Information Sheet is to provide additional guidance and instruction on certain portions of the DMHC CAP Form to assist organizations in filling out the Form correctly for the DMHC's review.
- In a footnote on Page 1 of the General Information Sheet, the DMHC explains that additional information is only provided on those items where additional description may assist the organization in filling out the Form. This is necessary since some items on the CAP Form itself are self-explanatory.
- The DMHC added information to the General Information Sheet, Page 1, regarding the reporting of Grading Criteria, appearing on Page 1 of the Form. The added information is necessary to assist the organization in filling out the CAP Form properly. The Grading Criteria section specifies the solvency information required to be completed for the DMHC review of the CAP Form. This is necessary to assist the Department in evaluating the financial solvency of the organization and to assist the DMHC in assessing the area of financial deficiency for the purposes of correcting the solvency issue.
- The DMHC added information to the General Information Sheet, Page 1, regarding the reporting of the RBO Quarterly Financial Survey - Corrective Action Plan (CAP) Form, appearing on Page 2 of the CAP Form. The additional information regarding descriptions of financial assumptions is necessary to assist the organization in filling out the CAP Form properly to allow for a thorough DMHC review. This will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting the solvency issue identified in the Quarterly Financial Survey Report Form.
- The DMHC added information to the General Information Sheet, Page 1, regarding CAP Financial Projections and Assumptions, appearing on Page 3 of the Form, to explain what information the organization is required to place in the balance sheet. The DMHC

provided additional information to further explain what needs to be detailed in Rows 9, 10, and 13. Specifically, the following items: Secured Affiliate Receivables, Unsecured Affiliate Receivables, and Total Current Assets. This information is necessary to provide additional detail that may assist organizations in filling out the CAP Form properly to enable the DMHC to do a thorough review and assessment of the CAP. This information will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting the solvency issue identified in the CAP Form.

- The DMHC added information to the General Information Sheet, Page 2, regarding CAP Financial Projections and Assumptions, appearing on Page 3 of the Form, to explain what information is required in the Balance Sheet-Other Assets section of the form. The DMHC provided additional information to further explain Rows 14, 16, 17, and 21-23 within the form, specifically, the following: Long Term Investments, Risk Pool Receivable (Non-Current), Other Incentive Program Receivables (Non-Current), Total Other Assets, Total Property and Equipment-Net, and Total Assets. This additional information is necessary to provide additional information that may assist organizations in properly filling out the Form to address issues contained financial projections and assumptions. This will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, Pages 2-3, regarding CAP Financial Projections and Assumptions to explain what information is required in the Balance Sheet-Current Liabilities appearing on Pages 2-3 of the Form. The DMHC added explanations regarding filling out Rows 24, 25, 27, 28, 32 and 33 of the Form, specifically, the following: Trade Accounts Payable, Sub-Capitation Payable, Incurred But Not Reported Claims, Withhold/Surplus Payable, Other Current Liabilities, and Total Current Liabilities. This additional information is necessary to provide additional information that may assist organizations in correctly filling out the CAP Form to allow the DMHC to do a thorough review. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, Page 3, regarding the CAP Financial Projections and Assumptions to explain what information is required in the Balance Sheet-Other Liabilities, appearing on Page 3 of the Form. The DMHC added explanations explaining how to fill out Rows 34, 35, 38, 39, and 40, specifically, the following: Loans and Notes Payable (not subordinated)(Long Term), Loans and Notes Payable (subordinated), Other Long Term Liabilities, Total Other Liabilities, and Total Liabilities. This is necessary to provide additional information that may assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows

will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.

- The DMHC added information to the General Information Sheet, Page 3, regarding the CAP Financial Projections and Assumptions to explain what information is required in the Balance Sheet-Net Worth, appearing on Page 3 of the Form. The DMHC added explanations regarding Rows 41, 42, 45, and 46, specifically, the following: Capital, Additional Paid-In Capital, Total Net Worth, and Total Liabilities and Net Worth. This is necessary to provide additional information that may assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, Page 4 , regarding CAP Financial Projections and Assumptions to explain what information is required in the Statement of Net Worth section appearing on Page 3 of the Form. The DMHC added information regarding Rows 1, 3, 4, 8 and 10, specifically to the following items: Net Worth Beginning of Period, Increase (Decrease) in Stock, Increase (Decrease) in Additional Paid-In Capital, Distributions to Shareholders, and Net Worth End of Period. This additional information is necessary to assist the organization in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, Page 4, regarding the CAP Financial Projections and Assumptions to explain what information is required in the Income Statement-Revenues appearing on Page 4 of the Form. The DMHC added explanations regarding Rows 1-3 and 6: HMO Revenues, Non-HMO/Fee-For-Service Revenue, Risk Pool Revenue and Total Revenue. This is necessary to provide additional information that may assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, Pages 4-5, regarding the CAP Financial Projections and Assumptions to explain what information is required in the Income Statement-Expenses appearing on Pages 4-5 of the Form. The DMHC added explanations regarding Rows 7, 8, 12-16, specifically, Physician and Physician Extender, Medical Claims Expense, Administration and Other Expenses, Total

Expenses, Income (Loss) Before Provision For Income Taxes, Income Taxes, Net Income (Loss). This additional information is necessary to assist the organization in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.

- The DMHC added information to the General Information Sheet, Pages 5-6, regarding the CAP Financial Projections and Assumptions to explain what information is required in the Statement of Cash Flows appearing on pages 5-6 of the Form. For the section regarding Cash Flow Provided (Used) by Operating Activities, the Department added additional information explaining the following Rows 1-3 and 9: Capitation Revenues, Fee-For-Service Revenues, Risk and Incentive Revenues, and Net Cash Provided (Used) by operating activities. This detail for filling out these rows will assist the DMHC in evaluating the financial solvency of the organization and assessing the area of financial deficiency to address the identified problems.
- For the Cash Flow Provided (Used) by Investing Activities, the DMHC added information explaining Rows 10 and 13: Investments, Net Cash Provided (Used) By Investing Activities. For the Cash Flow Provided (Used) by Financing Activities, the DMHC added information explaining Rows 14, 17-20: Capital or Stock Issuance, Dividends Paid, Other Financing Activities, Net Cash provided (Used) by Financing Activities, and Net Cash Increase (Decrease) in Cash. The addition of this information is necessary to assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, page 6, regarding the CAP Financial Projections and Assumptions to provide additional information regarding the Reconciliation of Net Income to Net Cash Provided by Operating Activities. Specifically, the DMHC explains that Row 23 requires the excess or deficiency of total revenues over total expenses. This is necessary to provide additional information that may assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.
- The DMHC added information to the General Information Sheet, pages 6-7, regarding the CAP Financial Projections and Assumptions to provide additional information regarding the Adjustments to Reconcile Net Income to Net Cash Provided by Operating

Activities. The DMHC added information to explain Rows 24 through Rows 32; specifically, additional information was added to explain: Depreciation and Amortization, Decrease (Increase) in Receivables, Decrease (Increase) in Prepaid Expenses, Decrease (Increase) in Affiliated Receivables, Decrease (Increase) in Accounts Payable, Decrease (Increase) in Claims Payable and Shared Risk Pool, Decrease (Increase) in Unearned Capitation, Decrease (Increase) in Other Adjustments to Net Income, and Total Adjustments. The additional information is necessary to assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.

- The DMHC added information to the General Information Sheet, pages 7-8, regarding the Projected Financial Criteria section appearing on page 6 of the Form. The DMHC added additional information explaining Rows 1 through 6. Specifically, additional information was added regarding the following fields: Tangible Net Equity, Required Tangible Net Equity, Working Capital, Cash-to-Claims Ratio, Claims Timeliness Percentage, and IBNR Methodology. The additional information is necessary to assist organizations in filling out the Form correctly to allow the DMHC to conduct a thorough review of these items to address solvency problems. This detail regarding these rows will assist the Department in evaluating the financial solvency of the organization and assessing the area of financial deficiency for the purposes of correcting any solvency issue identified.

The DMHC Quarterly Financial Survey Report Form

Page 2. Balance Sheet: Current Assets. Below is general information for the purposes of filling out this section of the form.

- Line 1: Cash and Cash Equivalents (Schedule A): The DMHC added Line 1 to the “General Information for the DMHC Quarterly Financial Survey Report Form” (General Information) to clarify what information needs to be added under the “Cash and Cash Equivalents (Schedule A) for completion of the Quarterly Financial Survey Report Form (Quarterly Form). The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 2: Short-term investments: The DMHC added Line 2 to the General Information to clarify what information needs to be added to the short-term investment line of the Quarterly Form. This information is necessary to show the types of assets being used by the organization in calculating its solvency and it assists the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form

accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 3: HMO Capitation Receivable - Net (collectible within 30 days) (Schedule B): The DMHC added Line 3 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “HMO Capitation Receivable - Net (collectible within 30 days)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 4: HMO Capitation Receivable - Net (collectible beyond 30 days) (Schedule B): The DMHC added Line 4 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “HMO Capitation Receivable - Net (collectible beyond 30 days) (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information demonstrates the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 5: Non-HMO/Fee-for-Service Receivable – Net (Schedule B): The DMHC added Line 5 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Non-HMO/Fee-for-Service Receivable – Net (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 8: Risk Pool Receivable – Net (Schedule B): The DMHC added Line 8 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Risk Pool Receivable – Net (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form

accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 9: Other Incentive Program Receivables – Net (Schedule B): The DMHC added Line 9 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Other Incentive Program Receivables - Net (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 10: Secured Affiliate Receivable - Net (Schedule B): The DMHC added Line 10 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Secured Affiliate Receivable – Net (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 12: Other Receivable - Net (Schedule B): The DMHC added Line 12 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Other Receivable - Net (Schedule B)” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 13: Other Current Assets: The DMHC added Line 13 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Other Current Assets” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the

information it needs to do a thorough review of the financial solvency of the organization.

- Line 14: Total Current Assets: The DMHC added Line 14 to the General Information to clarify and define the information that needs to be included on the Quarterly Form for the “Total Current Assets” as otherwise the organization will not understand the specific information required on the Quarterly Form. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 2. Balance Sheet: Other Assets. Below is general information for the purposes of filling out this section of the form.

- Line 15: Long-term Investments: The DMHC added Line 15 to specifically define the type of information that must be included under Line 15 for the Quarterly Form. Without this addition, the organization may not understand the specific information needed under this section. This information is necessary to demonstrate the types of assets being used by the organization in defining its long-term investments. It will also assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 16: Intangible Assets and Goodwill - Net: The DMHC added Line 16 to specifically define the type of information that must be included under Line 16 for the Quarterly Form. Without this addition, the organization may not understand the specific information needed under this section. This information is necessary to demonstrate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 17: Risk Pool Receivable (Non-Current) (Schedule B): The DMHC added Line 17 to specifically define the type of information that must be included under Line 17 for the Quarterly Form. Without this addition, the organization may not understand the specific information needed under this section. This information is necessary to indicate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 18: Other Incentive Program Receivables (Non-Current) (Schedule B): The DMHC added Line 18 to specifically define the type of information that must be included under Line 18 for the Quarterly Form. Without this addition, the organization may not understand the specific information needed under this section. This information is necessary to indicate the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 19: Secured Affiliate Receivables - Long-Term (Schedule B): The DMHC added Line 19 to specifically define the type of information that must be included under Line 19 for the Quarterly Form. Without this addition, the organization may not understand the specific information needed under this section. This information is necessary to indicate the types of secured affiliate receivables being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 20: Unsecured Affiliate Receivables – Long-Term (Schedule B): The DMHC added Line 20 to specifically define the type of information that must be included under Line 20 for the Quarterly Form. This information is necessary to indicate the types of unsecured affiliate receivables being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 21: Other Non-Current Assets: The DMHC added Line 21 to specifically define the type of information that must be included under Line 21 for the Quarterly Form. This information is necessary to indicate the other non-current types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 24: Total Assets: The DMHC added Line 24 to specifically state how to calculate the total assets for Line 24 of the Quarterly Form. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 2. Balance Sheet: Current Liabilities.

- Lines 25 - 34 list the RBOs current liabilities. The DMHC added Lines 25 - 34 to specify the liabilities of the organization during the current period of the Quarterly Form filing as it is necessary that this information be detailed to show the types of liabilities incurred by the organization to calculate its solvency. This information is also essential to the DMHC's evaluation of the organization's financial solvency.
- Line 25: Trade Accounts Payable: The DMHC added Line 25 to detail the type of information that must be included under Line 25 of the Quarterly Form. This information shows the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 26: Sub-Capitation Payable: The DMHC added Line 26 to detail the type of information that must be included under Line 26 of the Quarterly Form. This information is necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 29: Withhold/Surplus Payable: The DMHC added Line 29 to detail the type of withhold and surplus information that must be included under Line 29 of the Quarterly Form. This information is necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 33: Other Current Liabilities: The DMHC added Line 33 to detail the type of current liabilities that must be included under Line 33 of the Quarterly Form. This information is also necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 34: Total Current Liabilities: The DMHC added Line 34 to detail how to calculate the total current liabilities included under Line 34 of the Quarterly Form. This information is also necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 2. Balance Sheet: Other Liabilities.

- Lines 35 - 41: The DMHC added Lines 35 - 41 specify the other liabilities not listed otherwise on the Quarterly Form of the organization during the current period of the Quarterly Form filing. This information is necessary to show the types of liabilities incurred by the organization to calculate its solvency. This information is essential to the DMHC's evaluation of the organization's financial solvency. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 35: Loans and Notes Payable (not subordinated) (Long-Term): The DMHC added Line 35 to detail the type of non-subordinated loans and notes payable information that must be included under Line 35 of the Quarterly Form. This information is necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 36: Loans and Notes Payable (subordinated): The DMHC added Line 36 to specifically define the type of subordinated loans and notes payable information that must be included under Line 36 of the Quarterly Form. This information is necessary to show the types of loans and notes payable of the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 39: Other Long-Term Liabilities: The DMHC added Line 39 to detail the type of other long-term liabilities that must be included under Line 39 of the Quarterly Form. This information is necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to

understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 40: Total Other Liabilities: The DMHC added Line 40 to detail how to calculate the total other liabilities that must be included under Line 40 of the Quarterly Form. This information is necessary to show the types of liabilities incurred by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 3. Balance Sheet: Net Worth.

- Lines 42 - 47: The DMHC added Lines 42 - 47 to detail the calculations for net worth for the current period of the Quarterly Form filing. This information is necessary to show the types of assets being used by the organization to calculate its solvency. This information is also essential to the DMHC's evaluation of the organization's financial solvency. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 43: Additional Paid-In Capital: The DMHC added Line 43 to detail the type of paid-in capital information that must be included under Line 43 of the Quarterly Form. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 44: Retained Earnings (deficit/fund balance): The DMHC added Line 44 to detail the type of retained earning information for deficit and fund balance that must be included under Line 44 of the Quarterly Form. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 46: Total Net Worth: The DMHC added Line 46 to detail how to calculate the organization's total net worth for inclusion under Line 46 of the Quarterly Form. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating

the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 47: Total Liabilities and Net Worth: The DMHC added Line 47 to detail how to calculate the organization's total liabilities and net worth that must be included under Line 47 of the Quarterly Form. This information is also necessary to show the types of assets being used by the organization in calculating its solvency and it will assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 3. Statement of Net Worth - Current Period.

- Lines 1 - 10: The DMHC added information regarding Lines 1 – 10 to detail how an organization completes the “net worth” section of the Balance Sheet of the Quarterly Form. This additional information is necessary to show the how an organization's values in the “Net Worth” section of the Quarterly Form are obtained. This information is also essential to the DMHC's evaluation of the organization's financial solvency. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 1: Net Worth Beginning of Period: The DMHC added information regarding Line 1 to detail the type of net worth information that must be included under Line 1 of the Quarterly Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Quarterly Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 2: Audit Adjustments: The DMHC added information regarding Line 2 to detail the type of audit adjustments that must be included under Line 2 of the Quarterly Form. This requirement is also necessary to show any audit adjustments made by the organization that could impact its financial solvency. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 4: Increase (Decrease) in Additional Paid-In Capital: The DMHC added information regarding Line 4 to detail the type of increase or decrease in paid-in

capital that must be included under Line 4 of the Quarterly Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Quarterly Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 5: Increase (Decrease) in Contributed Capital: The DMHC added information regarding Line 5 to detail the type of increase or decrease in contributed capital that must be included under Line 5 of the Quarterly Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Quarterly Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 8: Distributions to Shareholders: The DMHC added information regarding Line 8 to detail the type of distribution to shareholders amounts that must be included under Line 8 of the Quarterly Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Quarterly Form. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 9: Changes in Other Net Worth Items: The DMHC added information regarding Line 9 to detail the type of changes in other net worth amounts that must be included under Line 9 of the Quarterly Form. This requirement is also necessary to show detailed information on how an organization arrives at the values noted in its “Net Worth” section of the Quarterly Form. This is essential in understanding the financial soundness of the organization. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 3. Income Statement - Revenues.

- Lines 1 - 6: The DMHC added information regarding Lines 1 - 6 to specify how an organization calculates its revenue. This additional detailing is necessary to show the types of revenues being used by the organization to calculate its

solvency. This information is also essential to the DMHC's evaluation of the organization's financial solvency.

- Line 1: HMO Revenue: The DMHC added information regarding Line 1 to detail the type of HMO revenue information that must be included under Line 1 of the Quarterly Form. This information is necessary to show detail on how an organization calculates its revenues for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 2: Non-HMO/Fee-for-Service Revenue: The DMHC added information regarding Line 2 to detail the type of non-HMO/fee-for-service information that must be included under Line 2 of the Quarterly Form. This information is necessary to demonstrate how an organization calculates its revenues for solvency purposes. This information is necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 3: Risk Pool Revenue (Schedule D): The DMHC added information regarding Line 3 to detail what risk pool information must be included under Line 3 of the Quarterly Form. This information is necessary to show how an organization calculates its revenues for solvency purposes. This information is necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 6: Total Revenue: The DMHC added information regarding Line 6 to detail how to calculate the total revenue amount to include under Line 6 of the Quarterly Form. This information is also necessary to show how an organization calculates its revenues for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 3. Income Statements - Expenses.

- Lines 7 - 16: The DMHC added information regarding Lines 7 - 16 to specify how an organization calculates its expenses. This information is necessary to show the types of expenses incurred by the organization to determine its solvency. This information is also essential to the DMHC's evaluation of the organization's

financial solvency. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 7: Physician and Physician Extender-Salary & Benefits: The DMHC added information regarding Line 7 to detail the type physician and physician extender salary and benefit information that must be included under Line 7 of the Quarterly Form. This information is needed to demonstrate the expenses incurred by the organization for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 8: Medical Claims Expense: The DMHC added information regarding Line 8 to detail the type of medical claims expense information that must be included under Line 8 of the Quarterly Form. This information helps demonstrate the expenses incurred by the organization for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 12: Administration and Other Expenses (Schedule E): The DMHC added information regarding Line 12 to detail the type of administration and other expense amounts that must be included under Line 12 of the Quarterly Form. This information demonstrates these types of expenses incurred by the organization for solvency purposes. This information is necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 13: Total Expenses: The DMHC added information regarding Line 13 to detail how to calculate the total expenses that must be included under Line 13 of the Quarterly Form. This information demonstrates the expenses incurred by the organization for solvency purposes. This information is necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 14: Income (Loss) Before Provision for Income Taxes: The DMHC added information regarding Line 14 to detail the type of income or income loss before income tax information that must be included under Line 14 of the Quarterly Form. This information is necessary to demonstrate the expenses incurred by

the organization for solvency purposes. This information assists the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 15: Income Taxes: The DMHC added information regarding Line 15 to detail the type of income tax information that must be included under Line 15 of the Quarterly Form. This information helps demonstrate the expenses incurred by the organization for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 16: **Net Income (Loss)**: The DMHC added information regarding Line 16 to how to calculate the net income or loss that must be included under Line 16 of the Quarterly Form. This information is necessary to demonstrate the expenses incurred by the organization for solvency purposes. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 4. Statements of Cash Flow.

- Statement of Cash Flows for Current Period: The DMHC has added this information to demonstrate the changes in cash flows over the period detailed in the Quarterly Form. This information also provides reconciliation and adjustments to net cash provided by operating activities and provides the DMHC with clear information on the cash inflows and outflows of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

CASH FLOW PROVIDED (USED) BY OPERATING ACTIVITIES.

- Line 1: Capitation Revenues: The DMHC added information regarding Line 1 to detail the type of capitation revenue amounts that must be included under Line 1 of the Quarterly Form. This information is necessary to detail the operational cash flow of an organization and shows the types of cash flow the organization uses to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 2: Fee-for-Service Revenues: The DMHC added information regarding Line 2 to detail the type of fee-for-service revenues that must be included under Line 2 of the Quarterly Form. This demonstrates the operational cash flow of an organization and shows the types of cash flow being used by the organization to operate its activities. This information assists the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 3: Risk and Incentive Revenues: The DMHC added information for Line 3 to detail the type of risk and incentive revenues that must be included under Line 3 of the Quarterly Form. This information demonstrates the operational cash flow of an organization and shows the types of cash flow being used by the organization to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 4: Other Revenues: The DMHC added information regarding Line 4 to detail the type of revenue information that must be included under Line 4 of the Quarterly Form. This information demonstrates the operational cash flow of an organization and shows the types of cash flow being used by the organization to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 5: Medical Expenses: The DMHC added information regarding Line 5 to detail the type of medical expense information that must be included under Line 5 of the Quarterly Form. This requirement shows detailed information on the operational cash flow of an organization and demonstrates the types of cash flow being used by the organization to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 6: Administrative Expenses and Other Expenses: The DMHC added information regarding Line 6 to detail the type of administrative and other expense information that must be included under Line 6 of the Quarterly Form. This information is necessary to demonstrate the operational cash flow of an organization and shows the types of cash flow being used by the organization to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to

understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- **Line 9: NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:** The DMHC added information regarding Line 9 to detail how to calculate the net cash provided or used for operating activities of the organization that must be included under Line 9 of the Quarterly Form. This information demonstrates the operational cash flow of an organization and shows the types of cash flow being used by the organization to operate its activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

CASH FLOW PROVIDED (USED) BY INVESTING ACTIVITIES.

- **Line 10: Investments:** The DMHC added information regarding Line 10 to detail the type of investment information that must be included under Line 10 of the Quarterly Form. This information is necessary for the calculation of investing cash flows and demonstrates the types of investments being used by the organization for investment purposes. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- **Line 12: Other Long-Term Assets:** The DMHC added information regarding Line 12 to detail the other types of long-term asset information that must be included under Line 12 of the Quarterly Form. This information is used by the organization to show its investment of cash flows and demonstrates the types of assets being used by the organization. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- **Line 13: NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES:** The DMHC added information regarding Line 13 to detail how to calculate the net cash provided or used by the investing activities that must be included under Line 13 of the Quarterly Form. This information details how an organization's investing activities are impacting the financial solvency of the organization. This information is also necessary to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

CASH FLOW PROVIDED (USED) BY FINANCING ACTIVITIES.

- Row 17: Dividends Paid: The DMHC added information regarding Line 17 to specifically detail the information on dividends paid that must be included under Line 17 of the Quarterly Form. This information on payment of dividends demonstrates how the organization is calculating its financing activities. This shows the types of cash flow being used by the organization for financing activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 18: Other Financing Activities: The DMHC added information regarding Line 18 to detail the types of financing activities that must be included under Line 18 of the Quarterly Form. This financial activity information is used for calculating the organization's financing activities and shows the types of cash flow being used by the organization. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 19: NET CASH PROVIDED (USED) BY FINANCING ACTIVITIES: The DMHC added information regarding Line 19 to detail how to calculate the net cash provided/used for financing activities that must be included under Line 19 of the Quarterly Form. This information on the net cash used by the organization for financing activities shows the types of cash flow being used by the organization. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 20: NET CASH INCREASE (DECREASE) IN CASH: The DMHC added information regarding Line 20 to how to calculate the net cash increase or decrease that must be included under Line 20 of the Quarterly Form. This requirement is also necessary to show detailed information on calculating financing activities. This calculation demonstrates the cash flow being used by the organization for financing activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES.

- Line 23: The DMHC added information regarding Line 23 to detail the reconciliation of net income to net cash information that must be included under Line 23 of the Quarterly Form. This calculation demonstrates the reconciliation of the net income to net cash for the organization's operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

ADJUSTMENTS TO RECONCILE NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES.

- Line 24: Depreciation and Amortization: The DMHC added information regarding Line 24 to detail the type of depreciation and amortization information that must be included under Line 24 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash and shows the types of net income to net cash provided by operating activities. This information is essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 25: Decrease (Increase) In Receivables: The DMHC added information regarding Line 25 to detail the decrease or increase in receivables that must be included under Line 25 of the Quarterly Form. This information is necessary to demonstrate the reconciliation of net income to net cash and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 26: Decrease (Increase) In Prepaid Expenses: The DMHC added information regarding Line 26 to detail the decrease or increase in prepaid expenses that must be included under Line 26 of the Quarterly Form. This information details the reconciliation of the net income to net cash and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 27: Decrease (Increase) In Affiliated Receivables: The DMHC added information regarding Line 27 to detail the decrease or increase of affiliate receivables that must be included under Line 27 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash by the organization and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 28: Decrease (Increase) In Accounts Payable: The DMHC added information regarding Line 28 to detail the decrease or increase in accounts payable that must be included under Line 28 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash of the organization and shows the types of net income to net cash provided by its operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 29: Decrease (Increase) In Claims Payable and Shared Risk Pool: The DMHC added information regarding Line 29 to detail the decrease or increase in claims payable and shared risk pool information that must be included under Line 29 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash of the organization and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 30: Decrease (Increase) In Unearned Capitation: The DMHC added information regarding Line 30 to detail the decrease or increase in unearned capitation information that must be included under Line 30 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash by the organization and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 31: Decrease (Increase) In Other Adjustments to Net Income: The DMHC added information regarding Line 31 to detail the decrease or increase in other adjustments to net income that must be included under Line 31 of the Quarterly

Form. This information demonstrates the reconciliation of the net income to net cash by the organization and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 32: TOTAL ADJUSTMENTS: The DMHC added information regarding Line 32 to detail how to calculate the total adjustment of amounts that must be included under Line 32 of the Quarterly Form. This information demonstrates the reconciliation of the net income to net cash of the organization and shows the types of net income to net cash provided by operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 33: NET CASH PROVIDED BY OPERATING ACTIVITIES: The DMHC added information regarding Line 33 to detail how to calculate the net cash provided by operating activities amount that must be included under Line 33 of the Quarterly Form. This information demonstrates the organization's reconciliation of the net income to net cash and shows the types of net income to net cash provided by its operating activities. This information is also essential to assist the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Page 5. Grading Criteria.

Tangible Net Equity: The DMHC added information regarding the “Tangible Net Equity” requirement to clarify what an organization is attesting to under this section of the Quarterly Form. This requirement is also necessary to show compliance with section 1300.75.4.2(b)(4) of Title 28, California Code of Regulations. This information assists the DMHC in evaluating the financial solvency of the organization.

- Line 1: Net Equity: The DMHC added information regarding Line 1 to specifically define the net equity information that must be included under Line 1 of the Quarterly Form. This information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 2: Add Subordinated Debt: The DMHC added information regarding Line 2 to detail the subordinated debt information that must be included under Line 2 of

the Quarterly Form. This information is essential to determining the financial solvency of an organization and determining its TNE. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

- Line 3: Less Receivables from officers, directors and affiliates: The DMHC added information regarding Line 3 to detail the receivables from officers, directors and affiliates information that must be included under Line 3 of the Quarterly Form. This information is essential to determining the financial solvency of an organization and determining its TNE. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 4: Less Intangibles: The DMHC added information regarding Line 4 to detail the intangible amounts that must be included under Line 4 of the Quarterly Form. This information is essential to determining the financial solvency of an organization and determining its TNE. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 5: Tangible Net Equity: The DMHC added information regarding Line 5 to detail the TNE amount that must be included under Line 5 of the Quarterly Form. This information is essential to determining the financial solvency of an organization and its TNE. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 6: Required Tangible Net Equity (Schedule I): The DMHC added information regarding Line 6 to detail the required TNE amount that must be included under Line 6 of the Quarterly Form. This information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 7: State the TNE Excess or Deficiency by using Schedule I: The DMHC added information regarding Line 7 to detail how to complete Line 7 of the Quarterly Form. This TNE excess or deficiency information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 8: Maintained a positive TNE at all times, for the reporting period: The DMHC added information regarding Line 8 to detail how to fill out Line 8 of the Quarterly Form. This information is essential to determining the financial

solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Working Capital: The DMHC added this information regarding this provision to clarify that an organization must self-attest to whether they meet the working capital requirements section 1300.75.4.2, subdivision (b)(4) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assists the DMHC in reviewing and evaluating the solvency and financial viability of the organization.

- Line 9: Maintained a positive working capital at all times, for the reporting period: The DMHC added information regarding Line 9 to detail how to fill out Line 9 of the Quarterly Form. This positive working capital information is essential to determining the financial solvency of an organization and in assisting the DMHC in evaluating the financial solvency of the organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 10: Provide working capital calculation: The DMHC added information regarding how to fill out Line 10 of the Quarterly Form. This section is essential to explaining the organization's working capital calculation, which assists in determining an organization's solvency. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Cash-to-Claims Ratio: The DMHC added information regarding this provision to clarify that an organization must self-attest to whether they meet the cash-to-claims ratio requirements section 1300.75.4.2, subdivision (b)(5) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assists the DMHC in reviewing and evaluating the solvency and financial viability of the organization.

- Line 11: The DMHC added information regarding Line 11 to detail the type of cash-to-claim information that must be included under Line 11 of the Quarterly Form. This cash-to-claims information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 12: The DMHC added information regarding Line 12 to detail the type of cash-to-claims information that must be included under Line 12 of the Quarterly Form. This section is essential to explaining the organization's cash-to-claim ratio, which assists in determining an organization's solvency. The stakeholders

need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.

Claims and IBNR: The DMHC added information regarding this provision to clarify that an organization must self-attest to the methodology of its IBNR and its timeframe for meeting requirements under section 1300.75.4.2, subdivision (b)(3) of Title 28, California Code of Regulations. This information is necessary to hold the organization accountable as well as to assist the DMHC in reviewing and evaluating the solvency and financial viability of the organization.

- Line 13: The DMHC added information regarding Line 13 to detail the type of claims and IBNR information that must be included under Line 13 of the Quarterly Form. The manner in which IBNR is calculated is important in understanding the organization's IBNR process and compliance with the Knox-Keene Act. This information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 14: The DMHC added information regarding Line 14 to detail the type of claims and IBNR information that must be included under Line 14 of the Quarterly Form. The manner in which IBNR is calculated is important in understanding the organization's IBNR process and compliance with the Knox-Keene Act. This information is essential to determining the financial solvency of an organization. The stakeholders need to understand how to complete this portion of the form accurately so they DMHC has the information it needs to do a thorough review of the financial solvency of the organization.
- Line 15: The DMHC added information regarding Line 15 to detail the type of claims and IBNR information that must be included under Line 15 of the Quarterly Form. The manner in which IBNR is calculated is important in understanding the organization's IBNR process and compliance with the Knox-Keene Act. This information is also essential to determining the financial solvency of an organization and in assisting the DMHC in evaluating the financial solvency of the organization.
- Line 17: The DMHC added Line 17 to detail the type of claims and IBNR information that must be included under Line 17 of the Quarterly Form. The manner in which IBNR is calculated is important in understanding the organization's IBNR process and compliance with the Knox-Keene Act. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.

- Line 18: The DMHC has added information regarding Line 18 to provide guidance to the organization as what information must be included under Line 18 of the Quarterly Form. This information is necessary because it helps clarify to the organization exactly why IBNR information must be included and helps establish the organization's solvency. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Pages 6 - 16. Schedules A through Schedule J: The DMHC added information regarding these provisions to the General Information. This information is essential in the organization's completion of the Quarterly Form as well as how the Annual and Quarterly Forms of the organization are resolved. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule A: The DMHC added information regarding Schedule A to detail the type of information the organization must provide in the Balance Sheet of the Quarterly Form. This information is essential to determining the financial solvency of an organization and in assisting the DMHC in evaluating the financial solvency of the organization. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule B: The DMHC added information regarding Schedule B to detail the type of information the organization must provide in the Balance Sheet of the Quarterly Form for receivables reported by the organization. This information is essential to determining the financial solvency of an organization. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule C: The DMHC added information regarding Schedule C to detail the type of information the organization must provide in the "Claims and IBNR" and "Criteria" sections of the Quarterly Form for receivables reported by the organization. This information is also essential to determining the financial solvency of an organization and in assisting the DMHC in evaluating the financial solvency of the organization as well in understanding the claims liability accrual of the organization.
- Schedule D: The DMHC added information regarding Schedule D to detail the type of information the organization must provide in the "Risk Pool Revenues" and "Other Incentive Pool Revenues" sections of the Quarterly Form. This information helps the organization demonstrate how it reaches the values in the relevant sections of the Quarterly Form. This information is also essential to

determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.

- Schedule E: The DMHC added information regarding Schedule E to detail the type of information the organization must provide in the “Administrative and Other Expenses” section of the Quarterly Form. This information regarding an organization’ administrative expenses is important to demonstrate its impact on the organization’s financial solvency. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule F: The DMHC added information regarding Schedule F to detail the type of information the organization must provide in the Quarterly Form for enrollment data as this is important in the understanding of where an organization’s enrollment is coming from and any detrimental impact the health market section will suffer if enrollment is reduced. This information is essential to determining the financial solvency of an organization and in assisting the DMHC in evaluating the financial solvency of the organization. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule G: The DMHC added information regarding Schedule G to detail the type of information the organization must provide on the Quarterly Form for claims processing, which is important to understanding the inflow and outflow of claims on a monthly basis. This information helps demonstrate the financial health and soundness of an organization since unpaid or unprocessed claims are an early indicator of financial solvency issues. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule H: The DMHC added information regarding Schedule H to detail the type of information the organization must provide on the Quarterly Form for mergers and acquisitions. This information helps demonstrate the financial health and soundness of an organization as a merger or an acquisition may result in additional liabilities or assets impacting the financial solvency of the organization. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.
- Schedule I: The DMHC added information regarding Schedule I to detail the type of information the organization must provide on the Quarterly Form regarding its tangible net equity calculation for compliance with the Knox-Keene Act. This information helps demonstrate the financial health and soundness of an organization. This information is also essential to determining the financial

solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.

- Item A: The DMHC has added information regarding Item A to clarify and define what “healthcare revenues” is totaled for TNE calculation. This information is necessary to provide the DMHC with the basis of evaluating the financial solvency of the organization.
- Item B: The DMHC has added information regarding Item B to clarify and define what “healthcare expenditures” is calculated for the TNE purposes. This information is necessary to provide the DMHC with the basis of evaluating the financial solvency of the organization.
- Schedule J: The DMHC added information regarding Schedule J to specifically define the types of additional information the organization must submit to the DMHC in the Quarterly Form, including information used to support the organization’s submission. This information helps demonstrate the financial health and soundness of an organization. This information is also essential to determining the financial solvency of an organization and assisting the DMHC in evaluating the financial solvency of the organization.

Forms Incorporated by Reference

Pursuant to Title 1, section 20, of the California Code of Regulations, the Department has incorporated by reference the Annual Financial Survey Report Form, the Quarterly Financial Report Form and the Corrective Action Plan Form after determining that it would be too cumbersome, unduly expensive, or otherwise impractical to publish the document in the California Code of Regulations.

Mandate on Local School Agencies and School Districts

The Department has determined that the proposed regulation will not impose a mandate on local school agencies or school districts.

Comparable Federal Law

The Department has reviewed federal law and determined that there is no comparable federal law for these regulations.

Alternatives to the Proposed Regulation

The Department determined during the rulemaking process that no alternative considered would be more effective in carrying out the purposes for which the regulation is proposed, would not be as effective and less burdensome to regulated entities, and would not be more cost-effective in implementing the requirements of the Knox-Keene Act. As discussed in the Initial Statement of Reasons, the Department reviewed existing law and determined the timeframes and requirements for the financial solvency of organizations as contained in the proposed regulations accomplished the purpose for which they are intended in the most effective manner.

Summary of and Responses to Comments

The Department's summary and responses to comments from the five public comment periods are incorporated by reference from Tabs D and E in OAL File No. 2019-0528-02SR and Tabs L, P, and T in OAL File No. 2019-0322-02S.

Updated Informative Digest

The Department held four 15-day public comment periods wherein modifications to the regulation text were noticed to the public for review and comment. (September 13-28, 2018, November 15-December 4, 2018, January 4-22, 2019, and May 6-21, 2019.) A description of those changes and necessity for the proposed changes are found in the Addendum to the Initial Statement of Reasons and pages 1-62 of the Addendum to the Final Statement of Reasons.