

**PROPOSED REGULATION OF THE
COMMISSIONER OF INSURANCE**

LCB File No. R194-99

November 16, 1999

EXPLANATION – Matter in *italics* is new; matter in brackets ~~omitted material~~ is material to be omitted.

AUTHORITY: §1, NRS 679B.130, 695C.070 and 695C.270; §§2 and 3, NRS 679B.130.

Section 1. NAC 695C.120 is hereby amended to read as follows:

695C.120 An application for a certificate of authority must be accompanied by all forms specifically required by chapter 695C of NRS and provided by the division and by:

1. All documents describing the financing and ownership of the organization, including financial statements and copies of any contracts made or to be made between any member of the governing board or committee, the officers of the corporation or partners of a partnership or association, or providers, and the proposed organization. The financial statements must depict a net worth of not less than \$1,500,000 for a health maintenance organization. All financial statements must be certified by an independent certified public accountant.

2. For a health maintenance organization, a surety bond or deposit of cash or securities *to secure the debts of the health maintenance organization and* for the protection of the enrollees in the amount of \$250,000 or more which is deposited with the commissioner. The bond must include a provision preventing cancellation except after written notice to the commissioner of not less than 90 days. A health maintenance organization which has made a deposit of securities pursuant to this subsection may withdraw them if it makes an equivalent deposit of cash, securities or a combination of cash and securities acceptable to the commissioner.

3. For a health maintenance organization, a blanket fidelity bond in an amount of not less than \$1,000,000 in the aggregate to cover every director, officer, partner and employee of the health maintenance organization who may receive, collect, disburse or invest funds in connection with the activities of the health maintenance organization.

4. A proposed plan of operation for the first 3 years of operation based on projected total income and projected total expenses. The amounts stated for the cost of medical services and the use of them in the proposed plan must be certified by a qualified actuary. The plan must project income and expected costs allocated to:

- (a) Coverage for emergencies or medically necessary services rendered outside of the specified geographic area of service of the organization;
- (b) Per capita payments to primary physicians;
- (c) Fees to other providers of health care;
- (d) Supplemental benefits;
- (e) A contract of stop loss insurance;
- (f) Expenses of administration; and
- (g) Amortization of necessary costs for the establishment of the organization.

Sec. 2. NAC 695C.137 is hereby amended to read as follows:

695C.137 1. ~~Each~~ *After the first year of operation, as a protection against insolvency,* *each* health maintenance organization shall retain as reserves an amount ~~⌈~~
~~—(a) Equal to the premium taxes owed pursuant to chapter 680B of NRS; and~~
~~—(b) After the first year of operation, as a protection against insolvency,⌋~~ equal to twice its actual average monthly uncovered expenditures for the previous year of operation or \$500,000, whichever is greater.

2. ~~Payments for premium taxes may be made from the account maintained for reserves.~~

~~3. Except as otherwise provided in subsection 2, no~~ A health maintenance organization may *not* reduce the reserves for protection against insolvency unless it notifies the commissioner in writing and receives his written approval of the reduction. Any unauthorized reduction in this reserve creates a presumption that the health maintenance organization is in an unsound financial condition.

~~4.~~ 3. All reserves maintained by a health maintenance organization pursuant to this section:

(a) Must be deposited in a trust account in a ~~federally insured financial institution located in Nevada.~~ *bank chartered by this state or a bank that is a member of the Federal Reserve System and has been approved by the commissioner.* All income earned by the account belongs to the health maintenance organization and may be credited and paid to the health maintenance organization and used for its operations.

(b) Are in addition to those reserves established by the health maintenance organization according to good business and accounting practices for incurred but not reported claims and other similar claims.

Sec. 3. NAC 695C.195 is hereby amended to read as follows:

695C.195 1. ~~Each~~ *An* agreement between a primary physician or delivery system intermediary and an organization ~~must~~ *may* provide for per capita payments . ~~which~~ *If an agreement provides for per capita payments, such payments* must be:

(a) Paid in advance without regard to the time services are rendered or the extent of those services; and

(b) Based upon an actuarial computation of the expected cost of those services.

2. The per capita payment:

(a) May be reduced by the amount withheld pursuant to the agreement between the provider and organization as an incentive for the effective use of health care services.

(b) May not reflect any payment made by an enrollee to a physician in accordance with the schedule filed with and approved by the division.

3. This section does not prohibit the organization and physician or delivery system intermediary from agreeing to prospective or retroactive adjustments of the per capital payment which reflect an increase in the number of enrollees or additional services tendered by the physician or delivery system intermediary.