

COMMONWEALTH OF VIRGINIA



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STATE CORPORATION COMMISSION BUREAU OF INSURANCE

June 1, 1988

Administrative Letter 1988-9

TO: ALL HEALTH MAINTENANCE ORGANIZATIONS LICENSED IN VIRGINIA
RE: IMPLEMENTATION OF REGULATION 28: REPORTING DATES

On June 24, 1987, the State Corporation Commission ordered adoption of "Rules Governing Health Maintenance Organizations" (Bureau of Insurance, Regulation 28), to be effective September 1, 1987.

Section 7.A of Regulation 28 prescribes minimum net worth requirements for all licensed health maintenance organizations. However, §7.A.4 also provides that any health maintenance organization licensed prior to September 1, 1987 and not complying with minimum net worth requirements as of September 1, 1987 shall have until January 1, 1990 to be in full compliance. Each such health maintenance organization shall increase its net worth by at least one-third of the initial deficit before January 1, 1988 and by an additional one-third before January 1, 1989.

The language of §7.A.4 therefore contemplates calculation of an initial deficit as of September 1, 1987 for health maintenance organizations falling under this provision for a transitional period toward full compliance. In turn, any calculation of a deficit position is dependent on establishing the amount of a health maintenance organization's uncovered expenses for a previous three-month period (see §7.A.2). Thus §7.A.3 requires every health maintenance to report annually on a form prescribed by the Commission all uncovered expenses for the three month periods ending December 31, March 31, June 30, and September 30, in addition to submitting a balance sheet for the last day of the period reported on. These reporting dates for uncovered expenses prescribed by §7.A.3, however, do not coincide with the need to calculate a specific deficit position as of September 1, 1987.

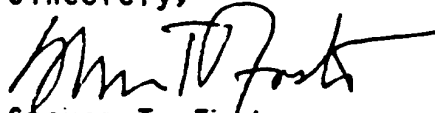
In order to relieve licensed health maintenance organizations of any extraordinary administrative burden, the State Corporation Commission/Bureau of Insurance will use financial reports as of September 30, 1987 to establish whether any health maintenance organization has an initial deficit and to set the amount of that initial deficit as contemplated under §7.A.4 for the purpose of structuring a transitional period toward full compliance with the net worth requirements of Regulation 28.

Any health maintenance organization objecting to this September 30, 1987 calculation date and wishing to use September 1, 1987 as the date to establish any deficit for purposes of §7.A.4 should notify the Bureau of Insurance at the address below immediately and no later than twenty days after the date of this letter. Any health maintenance organization using a September 1, 1987 date must supply financial statements as of September 1, 1987, including a balance sheet as of September 1, 1987 and an accounting for uncovered expenses for the previous three months of June, July and August, 1987.

Bureau of Insurance
Company Licensing and Regulatory Compliance
P. O. Box 1157
Richmond, VA 23219

Attention: Alfred W. Gross

Sincerely,



Steven T. Foster
Commissioner of Insurance

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