

In California, a strict system is in place to make sure every health plan has the funds — called financial reserves — to cover their members' care, no matter what happens.

## Financially stable health plans protect consumers from costly medical bills and medical debt

California's health plans are required by law to maintain strong financial stability and are strictly regulated by the Department of Managed Health Care (DMHC), Department of Health Care Services (DHCS), and Department of Insurance (CDI), which includes oversight of health plan financial reserves.

### Why Health Plan Reserves Matter to Consumers

Financial reserves are a health plan's emergency fund. California requires health plans to hold these funds to ensure they can always pay for consumers' medical bills, even in a crisis.

Imagine what would happen if your health plan ran out of money:

- You could be left with unpaid, costly medical bills.
- Doctors and hospitals might not get paid, leading to disrupted care and weakened provider networks.

Reserves help cover costs in case of unforeseen events like:

- A major public health crisis.
- A sudden, significant drop in plan enrollment.
- Large, unexpected payouts for high-cost treatments.



### The Financial Solvency Standards Board (FSSB)

The DMHC is advised by the FSSB, a group created by state law in 2000 to improve the financial stability of the entire health care system.

#### The FSSB's main jobs are:

##### Recommending financial standards:

The board develops and recommends financial requirements and standards for health plan operations and transactions with their providers.

##### Monitoring:

The FSSB monitors and reports on how effectively the department is implementing its financial solvency requirements.

##### Reviewing regulations:

The board reviews any proposed changes to regulations that are related to financial solvency.

##### Assessing risk-bearing organizations (RBOs):

FSSB also provides reports to the DMHC director on issues related to RBOs, which are medical groups and other providers that take on financial risk for delivering care.

# California Health Plans Must Adhere to Strict Regulations and Extensive Transparency Requirements

Health plans are required to report financial information to the Department of Managed Health Care, which is shared with the public.

## Health Plan Transparency Requirements at DMHC

- DMHC conducts public financial examinations of health plans to ensure stable finances and compliance with regulations.
- Health plans provide quarterly and annual financial statements, which the DMHC publishes on its website.
- If a health plan fails to meet financial standards, the DMHC can trigger corrective action plans requiring the health plan to stabilize their finances.
- FSSB oversees these processes and may intervene when necessary.

## Medical Costs Can Be Massive — That's Why Reserves Are Vital

When a health plan is financially sound, it keeps consumers from taking on crippling debt. Without health plan coverage, a serious medical event could be financially devastating.



### Examples of High-Cost Care in California:



National average cost for a major organ transplant can range from

**over \$400,000 to more than \$2 million.**



Open-heart surgery can cost anywhere from

**\$30,000 to over \$200,000.**



Cancer treatment costs can vary significantly from tens of thousands to

**over \$150,000 annually.**

California's health plans and state regulators remain committed to maintaining strong health plan financial reserves, ensuring that when health care is needed, the money is there to cover the bills.