

11 NCAC 11C .0307 FINANCIAL CERTIFICATION: HMO

After the applicant has performed, or caused to be performed, a feasibility study on the proposed operations of the HMO and has developed a specific plan of operation, this information shall be submitted to the applicant's staff actuary, a recognized actuarial consultant, or a recognized health care consultant for completion of an actuarial projection of the anticipated operational results for a three-year period based on the initial working capital of the applicant, any additional sources of funds to be provided, the proposed rate schedules, the expected number of enrollees during the period, and the applicant's plan of operation. This projection shall include the following:

- (1) Certification that the amount of money actually available for working capital is sufficient to carry all acquisition costs and operating expenses for at least the three-year period and that the applicant is financially responsible and may reasonably be expected to meet its obligations to enrollees and prospective enrollees on a continuing basis;
- (2) Certification that the rates to be charged by the applicant for prepaid health services are neither excessive, inadequate nor unfairly discriminatory;
- (3) Determination of an adequate reinsurance program to amply protect the applicant against large claims arising in cases of major health care needs of enrollees, if the financial condition of the applicant requires such a program; and
- (4) Consideration be given in the three year projection to the possible effects of adverse selection and over-utilization of services by enrollees of the applicant.

*History Note: Authority G.S. 58-2-40; 58-67-10;
Eff. April 1, 1993;
Pursuant to G.S. 150B-21.3A, rule is necessary without substantive public interest Eff. December 20, 2015.*