**Section 143.400 Financial Requirements**

a) Minimum Net Worth

Each MCCN must have and maintain at all times a net worth that meets the minimum net worth requirements as follows:

1) Prior to entering into the contract, net worth shall be at least $500,000.

2) For the first contract year and all subsequent contract years, net worth shall be the greater of:

A) $500,000; or

B) two percent of the first $120,000,000 in annual captitated payments plus one percent of the annual capitated payments in excess of $120,000,000; or

C) An amount equal to the sum of three months of uncovered health care expenditures as reported on the most recent quarterly report filed pursuant to subsection (d); or

D) The sum of eight percent of the annual health care expenditures paid on a non-capitated basis to non-affiliated providers and four percent of the annual health care expenditures paid on a capitated basis to non-affiliated providers plus the annual health care expenditures paid on a non-capitated basis to affiliated providers. Annual health care expenditures that are paid on a capitated basis to affiliated providers are not included in this calculation of the net worth requirement (regardless of downstream arrangements from the affiliated provider). "Affiliated provider" as used in this Section has the same meaning as found at 42 CFR 422.354.

b) Determination of Net Worth

Net worth must be determined in accordance with generally accepted accounting principles (GAAP), subject to the limitations applicable to provider-sponsored organizations in the Medicare+Choice program (42 CFR 422.382), and may take into account certain provisions of the statutory accounting practices defined by the Health Maintenance Organization Act. Each MCCN shall make available to the Department, upon the request of the Department at any time prior to entering into a contract or during the term of any contract, documentation sufficient to enable the Department to verify or otherwise calculate the net worth of the MCCN. Sufficient documentation includes, but is not limited to, audited financial statements, tax returns, and books and records establishing net worth.

c) Solvency Standards

Solvency must be comprised of the following:

1) Prior to entering into the contract, at least $250,000 of the minimum net worth amount must be maintained in cash or cash equivalents.

2) For the first contract year and all subsequent contract years, the greater of:

A) At least $250,000 of the minimum net worth amount maintained in cash or cash equivalents; or

B) 40 percent of the minimum net worth amount in cash and cash equivalents.

3) Each MCCN shall make adequate provisions against the risks of insolvency. Solvency of the MCCN must be guaranteed by guarantees or letters of credit from recognized financial institutions or by the establishment of escrow or trust accounts. Each MCCN must meet the deposit requirements established by 42 CFR 422.388. Each MCCN shall assure that enrollees are in no case held liable for debts of the MCCN in the event of an MCCN's insolvency.

d) Solvency Reporting Requirements

1) Each MCCN shall make a written quarterly report to the Department establishing the state of the MCCN's solvency and whether the MCCN fails to meet, meets or exceeds the solvency requirements set forth in this Part. Upon request of the Department, each MCCN shall provide the Department with access to documentation sufficient to enable the Department to verify or otherwise calculate the solvency of the MCCN. Sufficient documentation may include, but is not limited to, audited financial statements, tax returns, and books and records establishing such solvency.

2) An MCCN that falls below the requirements set forth in this Section, as determined by the Department, shall be provided with written notice by the Department of that failure. The MCCN shall have 30 days from the date of the notice to meet its net worth and/or solvency requirements. The MCCN must provide the Department, within that 30 day period, adequate documentation of its rehabilitation of the net worth and/or solvency. If the MCCN fails to rehabilitate its net worth and/or solvency within that 30 day period, the Department shall impose one or more sanctions, as described in Section 143.300(d), unless the Department extends the 30 day time period. Extension is at the discretion of the Department and the Department shall request the MCCN to show good cause why an extension should be granted. Nothing in this Part shall prohibit the Department from imposing any other sanctions available under this Part or the contract or at law after the expiration of the 30 day period.

e) Incorporation of Federal Requirements by Reference

Any solvency and financial standards set forth in this Part or the contract shall be no more restrictive than the standards applicable to provider-sponsored organizations in the Medicare+Choice program (42 CFR 422.382 through 422.390). Those federal standards, except those less restrictive standards set forth at subsections (a)(1), (a)(2)(A), (a)(2)(B) and (c)(2)(A) of this Section are incorporated by reference as of the date specified, and do not include any later amendments or editions.

(Source: Amended at 37 Ill. Reg. 393, effective December 27, 2012)