

May, 1996

WEST VIRGINIA INFORMATIONAL LETTER

NO. 95

TO: HEALTH MAINTENANCE ORGANIZATIONS AND THE WEST VIRGINIA
HEALTH MAINTENANCE ORGANIZATION GUARANTY ASSOCIATION

RE: TREATMENT OF ASSESSMENT PAYMENTS

TREATMENT OF ASSESSMENT PAYMENTS

West Virginia Code § 33-26B-9(g) states: "For purposes of determining the financial condition of the health maintenance organization, a certificate of contribution [for an assessment paid by an HMO] shall be treated as an asset of such form, amount and duration as the commissioner may prescribe." In general, an assessment payment does not resemble an asset. The amount paid is not available to pay the HMOs expenses and is not subject to refund at the election of the HMO.

Consequently, as a general rule, for purposes of determining an HMOs financial condition, a certificate of contribution reflecting the payment of an assessment made by the West Virginia Health Maintenance Organization Guaranty Association will be treated as an asset with a value of zero (0). Given this value, the form and duration of the asset are moot. This general rule will apply to certificates of contribution for the initial assessments called for by W. Va. Code § 33-26B-9(a). The rule also will apply to certificates of contribution for all subsequent assessments, unless a different treatment is announced by the Office of the Insurance Commissioner.

HANLEY C. CLARK
INSURANCE COMMISSIONER