



CalOptima
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CMS Audit of OneCare

Michael Schrader
Chief Executive Officer

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Audit Description

- Comprehensive audit
 - Audit process involved 13 different organizations
- Audit methodology
 - Audit is designed to detect systemic problems
 - Both targeted and random sampling are used
- Scope of audit
 - Effectiveness of compliance program
 - Pharmacy formulary and benefit administration
 - Medical and drug coverage determination, appeals and grievances
 - Enrollment process
 - Adherence to the Model of Care

Audit Findings

- 57 audit findings
 - 14 immediate corrective action required (ICAR) and 43 non-immediate corrective action required (CAR)
 - Spanned across CalOptima, 11 health networks and pharmacy management company
 - Findings related to processes, payments and timeliness
 - Highlighted that CalOptima must improve internal controls and oversight of delegated entities that perform these functions
 - Enrollees experienced “...delays or denials in receiving covered medical services or prescription drugs, and increased out-of-pocket costs.”

- CalOptima is accountable for resolving all deficiencies

14 Immediate Corrective Actions

- Pharmacy Management Company (PerformRx)
 1. Inappropriately applied prescription drug quantity limits, impacting 52 beneficiaries
 2. Rejected formulary medications as not being on the formulary, impacting four beneficiaries
 3. Missed deadlines to forward member appeal to CMS, impacting 19 beneficiaries
 4. Did not make reimbursement within 14 days, affecting one beneficiary
 5. Inappropriately applied a prior authorization requirement, with no impact to any beneficiary
 6. Applied a prior authorization requirement for prescriptions where none was required, impacting one beneficiary

[Continued]

14 Immediate Corrective Actions (Cont.)

- Pharmacy Management Company [Continued]
 7. Inappropriately denied prescriptions, affecting 446 beneficiaries
 8. Misapplication of utilization management that resulted in denied coverage of medication for 26 beneficiaries
 9. Did not follow procedures for over-the-phone authorization, impacting 57 beneficiaries
- OneCare Health Networks
 10. Did not process expedited appeals within 72 hours, affecting 42 beneficiaries
 11. Inappropriately denied payments by erroneously requiring an authorization for hospital admissions from the ER, affecting 106 beneficiaries

[Continued]

14 Immediate Corrective Actions (Cont.)

- OneCare Health Networks [Continued]
 12. Remittance advice to providers did not state a reason for the denial or description of the appeals process, impacting 531 beneficiaries
 13. Misclassified routine inquiries as grievances causing delays in resolution, affecting 36 beneficiaries
- CalOptima
 14. Did not forward an appeal to CMS independent review entity in a timely manner, impacting one member

Actions Taken to Date

- Submitted 14 immediate corrective actions to CMS for approval on January 29
- Submitted action plans for resolving 43 non-immediate corrective actions to CMS on January 31
- Met with health network operations staff to review corrective actions
- Met with health network leadership to define expectations
- Met with pharmacy management company
- Rebuild of Compliance Department

Timeline for Future Actions

- Prompts three additional audits
 - CMS follow-up audit no sooner than July 24, 2014
 - DHCS audit of Medi-Cal program; date TBD
 - DMHC audit of CalOptima; date TBD
- Six months to prepare for follow-up CMS audit
 - Implement remedies and test controls via mock audits
- Immediate Next Steps
 - Contract with independent Medicare-experienced consultants to work with staff in resolving findings
 - Contract with consultant to perform mock audits and assess readiness for CMS follow-up audit

Audit Impact

- Suspends all OneCare marketing and enrollment
 - Allows CalOptima to continue to administer OneCare for existing members
 - OneCare members must be notified about audit findings
- Delays Cal MediConnect launch until audit findings are resolved

Star Rating and Audit Results

- Star rating measures clinical outcomes and member satisfaction
- Audit measures process and adherence to contractual and regulatory requirements