SAN DIEGO: AUDIT & MANAGEMENT ADVISORY SERVICES
0919

May 29, 2018

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Subject: ***Health Net Blue & Gold***
Report 2018-14

The final report for *Health Net Blue & Gold*, Report 2018-14, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

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Attachment

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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Health Net Blue & Gold
Report No. 2018-14
May 2018

FINAL REPORT

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the Health Net Blue & Gold agreement as part of the approved audit plan for Fiscal Year 2017-18. The objective of our review was to review internal controls and business processes related to the Health Net Blue & Gold agreements to evaluate the effectiveness of operations and compliance with UC San Diego Health (UCSDH) policies and procedures and the terms of the contract.

Based on our review, we concluded that internal controls and business processes related to the Health Net Blue & Gold agreements were generally adequate to ensure the effectiveness of operations and compliance with UCSDH policies and procedures and the terms of the contract. We found the terms of the agreements were substantially met, with the exception of the year end reconciliation that is on hold pending contract renegotiations. Responsibility and accountability for monitoring was clearly defined and monitored. The Managed Care team plans to continue collaborating with care redesign and primary care teams, addressing utilization management focusing on high risk areas, increasing technology use to drive outcomes, and supporting continuing education and outreach for accurate coding.

In reviewing the processes in place for managing this agreement, we noted although Managed Care has no role in the financial reconciliation of the Institutional piece of this agreement that Health Net manages, UCSD Managed Care does process the enrollment and the capitation for the fees for professional services. Although management was diligent in reviewing available reports to monitor the performance on the agreement, current processes rely heavily on information provided by Health Net, which do not allow for a detailed reconciliation of plan enrollment to capitation payments received. Development of an enrollment universe will allow for improved reconciliation processes.

In addition, we noted the Managed Care turnaround times for out of network referrals were not always in compliance with UCSD policy and industry standards. We also noted the Timeliness Report implemented to monitor this process was not completed in the past in part due to staffing shortage and turnover. Management has made a number of improvements since this issue was identified, including a redesign of staff and cross training to address staff efficiencies and competencies. Management action plans are summarized briefly below:

A. Reconciliation of Eligibility and Enrollment

1. Management will continue to work with Health Net to improve the level of detail received monthly to ensure an effective reconciliation of current enrollment and year to date member months.
2. Management will continue to work with Decision Support to implement a new enrollment universe to improve reconciliation processes.

B. Turn Around Time (TAT) - Out of Network Requests

To improve turnaround time, management has implemented a redesign of staff and cross training to address staff efficiencies and competencies. Timeliness reports are now run on a routine basis. Management indicated that recent internal mock audit results have shown improvement.

Observations and related management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the Health Net Blue & Gold agreement as part of the approved audit plan for Fiscal Year 2017-18. This report summarizes the results of our review.

In accordance with UC San Diego Health (UCSDH) Strategic Plan, UCSDH is moving with the industry toward population health management and capitated health care contracts where there is identified opportunity for growth. Health Net Blue & Gold, a Health Maintenance Organization (HMO) plan with a custom network of providers created exclusively for University of California (UC) employees and retirees and their families, is one of these opportunities. The Blue & Gold network includes:

- Over 240 hospitals, 9,400 primary care physicians and 25,000 specialists
- Coverage in 30 California counties
- All UC Medical Centers and medical groups

UC employees and their families who use the Health Net Blue & Gold plan choose a doctor in the Blue & Gold HMO network to coordinate their care, including referrals to specialists if needed. The plan covers the cost of services only if the patient's medical group authorizes the service. This plan is presented as a good fit for consumers who want low, predictable out-of-pocket costs, and who prefer having one doctor manage their care.

The Accountable Care Amendment to the Hospital Provider Services Agreement for the Health Net Blue & Gold program began January 1, 2016. Approximately 8600 UCSD employees are enrolled in this newly structured plan. Per the agreement, UCSD and Health Net agreed to incorporate accountable care concepts into an Accountable Care Organization (ACO) approach to improve the coordination, quality and cost of health care. UCSD reimbursement is capitated for the physician professional fees, meaning UCSD receives a per-member per-month (PMPM) rate for Health Net Blue & Gold participants, and is responsible for managing associated patient care and expenses for this population. The institutional (hospital) costs associated with healthcare provided to plan participants are reimbursed per a fee for service (FFS) model.

The UCSD Managed Care team (Managed Care) is responsible for oversight of the agreement. The Director of Network Medical Management oversees care coordination, utilization management, and quality program staff. This group works to improve the coordination, quality and cost of health care to plan participants. The goal of coordinated care provided by the ACO is to ensure that patients and populations, especially the chronically ill, get the right care, at the right time, while avoiding care that has no proven benefit or represents an unnecessary duplication of services. Therefore this team plays a key role in coordinating care and reviewing specialist referrals and other services. When possible, care is coordinated with internal UCSD or contracted providers to ensure quality and maintain a lower cost. In some cases, referrals to out of network providers are requested and reviewed by this unit. The Managed Care team has many tools they use for care management, including quality reports (trends), risk stratification and predictive analytics, high-risk care management and bulk communication to monitor Health Net and the performance of the agreement.

The Director of Managed Care oversees claims, customer service, network operations, and network management. This group provides oversight of member counts, payment rates and other contract terms to ensure accurate revenue collection. Because the institutional agreement is fee-for-service,

UCSD relies on Health Net to effectively manage this agreement. UCSD resources are focused on managing the professional services agreement which is capitated based on PMPM calculations. The Division of Financial Responsibility (DOFR), a tool used in the contracting process by health plans, physician organizations and hospitals in capitated or shared risk payment arrangements, defines which party is financially responsible for services rendered. The DOFR shows for each service whether it is the risk responsibility of the professional side or the institutional side.

UCSDH has a set PMPM budget (including hospital, pharmacy, professional fees, etc). A portion of the PMPM funds is sent to Managed Care each month and the rest is retained by Health Net to pay claims on UCSDH's behalf out of the pool. Managed Care utilizes a financial report created by UCSDH Finance that provides an expense review, in addition to the EPIC ACO dashboard and the Managed Care Summary report to compare data with the Health Net PMPM report. These reports give insight to trends and detail of certain items including, but not limited to; the acute inpatient admissions data, urgent care utilization, utilization metrics (inpatient and outpatient), Emergency Department usage and key claims expense performance indicators. Each month the ACO team, including Health Net and UCSD Management, meet to discuss the performance of this agreement. After this review, Health Net recalculates the costs and the PMPM for the remainder of the year. Mid-year adjustments may be made if there is an unexpected high dollar patient. At the end of the year, per the agreement terms, there should be a full reconciliation of the final actual cost against the final cost target for the year on a PMPM basis, to determine if there is an loss or savings relative to the target.

As of November 30, 2017, the reconciliations for 2016 and 2017 had not been finalized, because discussions were underway to add to the contract provisions related to a UC Provider Reserve Fund that would address costs associated with catastrophic or high dollar claims. This provision would be incorporated retroactively to the 2016 and 2017 agreements in addition to the new 2018 agreement. The Contracting Offices will have to reissue 2016 and 2017 agreements for all participating UC campuses as well as the UC system-wide agreement.

The table below provides data for the year to date as of October 31, 2017, as reported on the Health Net UCSD Blue & Gold Monthly Cost Report that is provided each month to UCSD management. As of October 31, 2017, year to date, UCSD is realizing a savings compared to the budget of $24.48 PMPM.

HEALTH NET OF CA (UCSD ACO Monthly Cost Report) University of CA Blue & Gold Plan	**October, 2017**	**YTD 2017 thru 10/31/17**
Enrollment	***8,979***	***89,908***
PMPM Professional Services (*Capitation & Claims*)	$180.30	$182.09
PMPM UCSD Medical Center Services (*Inpatient, Outpatient Surgery, ER, and Other*)	$264.36	$256.58
PMPM Subtotal All Other Services (*referred services, urgent & emergency services, ambulatory surgical center, other facility services, ancillary services and supplies*)	$34.88	$42.56
PMPM Pharmacy Services & Supplies (*claims & rebates*)	$118.39	$111.08
PMPM Total HCC	**$597.93**	**$592.31**
PMPM Target HCC		**$616.79**
Annualized $ (loss)/Savings relative to target		2,640,788
PMPM (loss)/Savings Relative to Target		$24.48

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to review internal controls and business processes related to the Health Net Blue & Gold agreements to evaluate the effectiveness of operations and compliance with UCSDH policies and procedures and the terms of the contract. In order to achieve our objective, we performed the following:

- Met with UCSDH members of the Strategic Management Team, including the Chief Operating Officer (COO) and the Associate Dean of Clinical Affairs/Medical Director to discuss areas of audit focus;
- Reviewed Health Net Blue & Gold out of network benefits and overall member coverage;
- Met with UCSDH Contract Management to determine the relevant agreements and division of responsibility;
- Obtained and reviewed the first year 2016 UCSD Health Net Blue & Gold ACO agreements for Medical Group and Medical Center as well as the draft reports for 2017;
- Obtained and reviewed the 2016 UC System wide Health Net Blue & Gold ACO Agreement;
- Obtained and reviewed the 2017 draft Division of Financial Responsibility (DOFR) for the UCSD Health Net Blue & Gold ACO Agreement;
- Obtained and reviewed 2016 and January 1 – July 31, 2017 Health Net provided cost report for the ACO agreement;
- Obtained and reviewed additional Health Net reports available;
- Reviewed UCSD Managed Care policies and procedures, Industry Collaborative Effort (ICE) Industry Standards and state regulations;
- Interviewed the following UCSDH Managed Care team members to gain an understanding of the division of responsibility and processes for each role with regard to the Health Net Blue & Gold agreement processes:
  - Director, Managed Care
  - Director, Network Medical Management
  - Assistant Director of Network Operations
  - UM Manager (current and predecessor)
  - Other key Management team employees;
- Evaluated Managed Care processes for the Health Net Blue & Gold Agreement relating to enrollment and eligibility, benefits and coverage, capitation file process, referral management, claims payment management, reporting (Health Net and UCSD available reports) to reconciliation;
- Obtained and reviewed Out of Network (Leakage reports) that identified costs per area of service for trending purposes; and
- Performed detail testing of out of network referrals pertaining to the Health Net Blue & Gold agreement during the time frame August 1, 2017 through October 31, 2017 for compliance with UC policies and procedures and state requirements.

The scope of this review included the UCSD Health Net ACO Blue & Gold Agreements, documentation and financial processes from January 1, 2016 through October 31, 2017.

IV. CONCLUSION

Based on our review, we concluded that internal controls and business processes related to the Health Net Blue & Gold agreements were generally adequate to ensure the effectiveness of operations and compliance with UCSDH policies and procedures and the terms of the contract. We found the terms of the agreements were substantially met, with the exception of the year end reconciliation that is on hold pending contract renegotiations. Responsibility and accountability for monitoring was clearly defined and monitored. The Managed Care team plans to continue collaborating with care redesign and primary care teams, addressing utilization management focusing on high risk areas, increasing technology use to drive outcomes, and supporting continuing education and outreach for accurate coding.

In reviewing the processes in place for managing this agreement, we noted although Managed Care has no role in the financial reconciliation of the Institutional piece of this agreement that Health Net manages, UCSD Managed Care does process the enrollment and the capitation for the fees for professional services. Although management was diligent in reviewing available reports to monitor the performance on the agreement, current processes rely heavily on information provided by Health Net, which do not allow for a detailed reconciliation of plan enrollment to capitation payments received. Development of an enrollment universe will allow for improved reconciliation processes.

In addition, we noted the Managed Care turnaround times for out of network referrals were not always in compliance with UCSD policy and industry standards. We also noted the Timeliness Report implemented to monitor this process was not completed in the past in part due to staffing shortage and turnover. Management has made a number of improvements since this issue was identified, including a redesign of staff and cross training to address staff efficiencies and competencies.

Additional information on these opportunities for improvement are discussed in the detail in the remainder of the report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	**Reconciliation of Eligibility and Enrollment**
The current process for reconciliation of eligibility and enrollment could be improved to more completely reconcile enrolled participants and PMPM payments.	
Risk Statement/Effect	
Inefficient and/or ineffective eligibility and enrollment reconciliation could lead to lost revenues, possible non-compliance with the Health Net Blue & Gold Agreement, and an inaccurate assessment of the overall financial results of the plan.	
Management Action Plan	
A.1	Management will continue to work with Health Net to improve the level of detail received monthly to ensure an effective reconciliation of current enrollment and year to date member months.

A.2	Management will continue to work with Decision Support to implement a new enrollment universe to improve reconciliation processes.

A. Reconciliation of Eligibility and Enrollment – Detailed Discussion

We noted that processes and available data did not enable UCSD to perform a detailed reconciliation of Health Net Blue & Gold enrollment and eligibility of members to the capitated payment dollars received by Health Net. Capitation reports, dashboard reports, and the Managed Care summary results report were consistently reviewed for trends and irregularities that were discussed at the monthly ACO meetings. The Health Net PMPM cost report and the EPIC dashboard reports that are primarily used on a monthly basis are key in monitoring plan outcomes, but cannot be used as reconciliation tools because the data is different. The Health Net PMPM report tells the dollar per member and the EPIC ACO Dashboard report analyzes utilization statistics. These mitigating controls to monitor trends and high risk areas assists to give management assurance that everything is operating smoothly, in the absence of a true reconciliation of enrollment and capitations payments.

Management is currently working with Decision Support to develop an enrollment universe that will allow improved detailed calculation of the expected PMPM dollars, so that it can be compared to what is actually received. Per discussion with Managed Care, the vision of this database is that the full enrollment files, along with the capitation files, will both be loaded into the enrollment universe which will allow them to generate multiple types of reports. One of those reports would be a report that compares the full enrollment file and the full capitation file to identify any outliers. Those outliers would then be elevated back to the health plans to query why payment was not received on that member. The Managed Care IT team would use these reports to track capitation activity to ensure they receive capitation for every active member for Health Net Blue & Gold and other capitated plans.

With the continued growth of this agreement, and potentially others like it, there is a need for improved reconciliation of actual dollars that come in to a complete enrollment / eligibility database. In order to maintain consistent and effective internal controls and processes for management of these agreements there needs to be an accurate and detailed reconciliation.

Management agreed with the identification of the capitation reconciliation as an issue. Management indicated that the monthly reconciliation between the capitation files and the bank deposits is completed consistently, on a monthly basis. However, for an accurate reconciliation of membership and year-to-date member months, UCSD relies heavily on reports provided by the payor. Currently, Managed Care is working with Health Net to improve the level of detail received monthly to ensure an effective reconciliation of current enrollment and year-to-date member months. The enrollment universe will be an important tool in improving the process, however additional ongoing information from the payor will be required for accomplishing the goal.

B.	Turn Around Time (TAT) – Out of Network Requests
TAT's for out of network referrals were not in strict compliance with policy and Industry Collaborative Effort (ICE) time standards.	
Risk Statement/Effect	
Untimely referrals can lead to ineffective patient care coordination, which could impact patient care and patient satisfaction.	
Management Action Plan	
B.1	To improve turnaround time, management has implemented a redesign of staff and cross training to address staff efficiencies and competencies. Timeliness reports are now run on a routine basis. Management indicated that recent internal mock audit results have shown improvement.

B. Turn Around Time (TAT) – Out of Network Requests – Detailed Discussion

UCSD Medical Group Managed Care Policy UM005 – *Prospective Review*, states that "*The utilization management process for prospective review ensures timely access and effective coordination of medically necessary care and will not be overly burdensome for the member, the provider, or the staff. Timeliness of UM decision making follows the ICE standards*" Policy further states "R*outine referrals (non-urgent care) are processed within five working days of obtaining all necessary information*. *If* medical documentation of information is needed in order to make the decision, we will pend the request within ICSD Standard Time Frames. Decisions are made within ICE timeframes."

UCSD uses outside providers for certain services not offered internally or cannot be accommodated due to the volume, including: Pediatric Specialties, Rehabilitation Therapies, Durable Medical Equipment, Podiatry and some Genetic Testing. We obtained a report of out of network orders for the Health Net Blue & Gold Agreement for the three month period August 1, 2017 through October 31, 2017, and noted the majority of the referrals appeared to be for those purposes. This report indicated a total of 514 out of network referrals were approved, 21 were redirected internally to UCSD, and 17 were denied. The 514 approved referrals were broken down into general service areas as follows:

UCSD HEALTH NET BLUE & GOLD Out of Network Referrals (by service area) 3 Month Period 8/1/17 – 10/31/17	
Outpatient Physical Therapy/Occupational Therapy/Speech Therapy	175
Physician Services (primarily pediatric services, UCSD services and podiatry)	170
Durable Medical Equipment	130
Home Health Infusion	13
Radiology Services	8
Outpatient Procedures	7
Audiology Services	4
Genetic Lab – Special tests	3
Ambulatory / Transportation emergency	1
MRI / EMG / CAT / PET	1

UCSD HEALTH NET BLUE & GOLD Out of Network Referrals (by service area) 3 Month Period 8/1/17 – 10/31/17	
Outpatient Infusion – Home Health	1
Rehab Outpatient	1
	514

From this report, we selected a judgmental sample of 30 approved out of network referral requests for review to determine whether the referral was appropriate with respect to initiation, criteria for approval, the approval, timeliness, supporting documentation and compliance with UC policies and industry standards. We noted that four of the 30 (13.3%) were not timely, taking seven to 11 days versus the five days required by policy.

Management indicated that they maintain and update UM policies and procedures in accordance with ICE and Health Plan delegated requirements, however they did become aware of issues related to turnaround time. In the summer and fall of 2017, leadership implemented a UM redesign of staff and cross training to address staff efficiencies and competencies, and in fall 2017, Managed Care Management implemented the following changes:

- Shifted a full time staff person to a full time auditor role to support mock audits and act as a Health Plan liaison support staff to ensure compliance with letter templates and template changes that happen on a regular basis with each individual health plan.
- UM Staff person performs weekly ICE website checks to monitor communication of individual health plan letter template changes.
- Received approval to hire additional RN UM resource to help with letter language accuracy to help meet timeliness, ICE and UCSD policies and procedures.

Management further indicated that its monthly internal mock audits with Health Net showed an improvement from 66.% in October 2017 to 84.9% in December 2017.

Timeliness Report

Per policy UM005 "*Timeliness reports will be generated by the Decision Support team on a semi-annual basis. This report is managed by the UM Program Manager for accuracy and ongoing adherence for non-behavioral UM decision making and notification time frames. The timeliness reports will be ran semi-annually (Jan-June and June-Dec reporting) for a 6 month look back.*"

We noted that the Timeliness Report was not consistently generated, because the person who was responsible for this duty transferred to another UCSDH unit and is no longer part of Managed Care. This report can alert management to trends in timeliness of referrals and team performance that may require management intervention. Lack of management monitoring of timeliness metrics could impact patient care and possibly result in lost revenue.