



Department of Health Care Services

Although Its Oversight of Managed Care Health Plans Is Generally Sufficient, It Needs to Ensure That Their Administrative Expenses Are Reasonable and Necessary

Background

Overseen by the Department of Health Care Services (DHCS), the California Medi-Cal Assistance Program (Medi-Cal) provides public health insurance to certain low-income individuals and families who meet federal and state eligibility requirements. Nearly 12 million Medi-Cal beneficiaries receive their health care through one of two delivery systems: fee-for-service and managed care. Under fee-for-service, medical providers bill DHCS directly for approved services they provide to beneficiaries, while under the managed care model, DHCS contracts with health plans and pays each a monthly capitation payment (premium) per beneficiary to provide them with health care. During fiscal years 2013–14 through 2017–18, DHCS contracted with 22 health plans to provide managed health care services and set out the federal and state quality of care and financial operating standards health plans must meet.

Key Recommendations

DHCS should do the following:

- Identify best practices and follow up on whether health plans implement and expand successful projects.
- Develop and issue guidance regarding what constitutes reasonable and necessary administrative expenses and bonus programs.

Key Findings

- DHCS's processes to oversee health plans' quality of care appear to be sufficient to monitor the quality of care they provide and to address those that are performing poorly. However, two health plans have still fallen short of meeting their corrective action plan requirements.
 - » Of the 22 health plans in the State that offered Medi-Cal coverage during fiscal year 2016–17, DHCS identified four that consistently performed below the minimum performance levels established.
 - » DHCS monitored the progress all four health plans made in developing and implementing their *quality* corrective action plans.
 - » Despite taking appropriate monitoring measures, two of the four health plans failed to achieve the requirements included in their corrective action plans—DHCS appropriately imposed monetary sanctions on both health plans.
- DHCS inadequately oversees health plans' processes to prevent fraud or conflicts of interest—we identified shortcomings in some of its medical audits for both determining fraud and ensuring health plans adhere to the State's conflict-of-interest requirements.
- DHCS does not ensure that health plans' administrative expenses are proper.
 - » It has not issued guidance to health plans regarding what constitutes reasonable and necessary administrative expenses under state regulations and does not perform audits of health plans' financial information.
 - » Although their administrative expenses were below the threshold, the three health plans we reviewed had some questionable administrative expenses from 2015 through 2018.
 - » Although state and federal regulations allow bonuses, DHCS lacks guidance on what constitutes a reasonable bonus program.