REPORT BY THE AUDITOR GENERAL OF CALIFORNIA

THE DEPARTMENT OF HEALTH SERVICES' INFORMATION ON DRUG TREATMENT AUTHORIZATION REQUESTS

P-044

JANUARY 1991

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January 31, 1991 P-044

Honorable Robert Campbell, Chairman
Members, Joint Legislative Audit Committee
State Capitol, Room 2163
Sacramento, California 95814

Dear Mr. Chairman and Members:

Summary The Office of the Auditor General presents its first in a series of semiannual reports concerning the way the Department of Health Services (department) processes requests to seek reimbursement for certain prescribed drugs (drug TARs) under the Medi-Cal program.

In response to Chapter 457, Statutes of 1990, the department has given us statistical information, compiled each month, concerning the number of drug TARs received and processed from June through November 1990. During our review, we analyzed this information and reviewed the department's process for counting and compiling the data on drug TARs. We found that the department's field offices had made errors in compiling this data. However, although we could identify that errors had been made, we could not always identify the source of the errors, and as a result, we were unable to adjust for them.

From June through November 1990, the department processed at least 11,100 and as many as 14,500 drug TARs each month. Most of the drug TARs received by the field offices during this period were delivered by mail, although the drug TARs delivered

by mail declined by eight percentage points from June through November. Similarly, the drug TARs delivered by telephone declined by seven percentage points during the same period. In July 1990, the department's field offices began receiving drug TARs via telephone facsimile machines (FAX). Since July 1990, the number of drug TARs delivered by FAX has nearly doubled. According to the chief of the department's field services branch, providers now appear to be using FAX to deliver drug TARs that, in the past, would have been delivered by telephone or mail.

According to the chief of the field services branch, the department plans to open a new field office in March 1991. The new field office will be equipped with an enhanced telephone system, enabling providers to submit drug TARS and determine the status of those drug TARS over the telephone without having to wait until personnel in the field office are available to respond to the call.

Background

Authorized in 1965 under Title XIX of the Social Security Act, the California Medical Assistance Program (Medi-Cal) provides a wide array of health care services to public assistance recipients and low income individuals and families, including payment for prescription drugs. Under the provisions of Title 22 of the California Code of Regulations, the department administers the Medi-Cal program. The state and federal governments jointly fund this program.

Processing Drug TARs

Under Medi-Cal, beneficiaries may receive prescription drugs from a list that has been established by the department. This list is known as the Medi-Cal list of contract drugs and, according to the chief of the field services branch, includes drugs from most therapeutic categories. Therapeutic categories are classifications of drug therapy that address specific medical problems. For example, the list of contract drugs includes such therapeutic

categories as antibiotics, cardiac drugs, and gastrointestinal drugs. According to the chief of the field services branch, when a doctor prescribes a drug that is not on the list of contract drugs, the provider, generally a pharmacist, must receive authorization to seek reimbursement for the cost of the drug. This is known as a treatment authorization request (TAR).

Currently, two of the department's Medi-Cal field offices process drug TARs. These offices, located in Los Angeles and San Francisco, handle all drug TARs for the State. Providers submit drug TARs to their designated field office by telephone, FAX, or mail. According to the chief of the department's field services branch, drug TARs received by telephone and by FAX are restricted to initial supplies of prescribed drugs or drugs that are urgently needed. If providers choose to use FAX to send in their drug TARs for initial or urgently needed supplies of drugs, the field offices have asked that these providers no longer send these drug TARs by telephone. In contrast to those drug TARs received by FAX or telephone, drug TARs received by mail generally cover renewals or retroactive approvals of prescribed drugs, although requests for initial supplies may also be received by mail. In both renewals and retroactive approvals, the beneficiary, or patient, has already received the drug.

The chief of the field services branch provided us with the following description of the drug TAR process. Drug TARs received by telephone are handled by medical transcribers at the Los Angeles and San Francisco field offices. The transcriber receives the call and completes the drug TAR form while the provider is on the telephone line. The completed form is immediately forwarded to one of the department's pharmaceutical consultants, who are licensed pharmacists. While the provider holds on the telephone line, the consultant may approve, deny, approve with modifications, or request further information from the provider.

If the consultant requests further information from the provider and receives adequate further information, the consultant can finish processing the drug TAR by approving it, denying it, or

approving it with modifications. If further information is not available, the consultant may place the drug TAR on hold until information becomes available. After a decision is made on a drug TAR, the medical transcriber relays the decision to the provider to complete the telephone call.

The field offices also receive drug TARs by FAX or mail and review the TAR forms for completeness. The drug TARs are then forwarded to the pharmaceutical consultants, who may take one of the four actions described above. After a decision is made on a drug TAR, the medical transcriber returns the TAR to the provider via the same method in which it was received.

Scope and Methodology

Chapter 457, Statutes of 1990, requires the Office of the Auditor General to prepare a summary and analysis of the department's data on the drug TAR process. Further, this legislation mandates that the Office of the Auditor General submit a report on this data to the Legislature beginning February 1, 1991, and every six months thereafter until August 1, 1992.

To complete this report, we obtained statistical data from the department regarding drug TARs received by telephone, FAX, and mail. We also obtained data on the number of drug TARs approved, denied, modified, and returned. This data covers the six months from June through November 1990. We visited the two field offices that process drug TARs to observe the process and to determine how the offices count the drug TARs they have received and processed each month.

Furthermore, we determined if the field offices measure the time it takes them to respond to a drug TAR from the time it is received at the field office to the time the field office returns the drug TAR to the provider. We also surveyed by telephone a sample of providers about their experiences submitting drug TARs to the field offices.

To determine the types of telephone systems used to receive drug TARs, we interviewed department officials. We also interviewed department officials regarding the status of recent and planned improvements to the telephone systems at the field offices. Finally, in cooperation with the department and Pacific Bell, we attempted to obtain a quantitative measure of the difficulty that providers face in getting through to the field offices by telephone. However, we were not successful in obtaining such a measure for this report. We plan to report on this in our August 1991 report.

To determine how the field offices compiled their monthly statistical reports on drug TARs, we interviewed staff and observed the procedures used to count drug TARs at both field offices. To determine the accuracy and reliability of the monthly statistical reports, we analyzed a sample of the field office records on drug TARs for one or more months that we selected. We found that various errors had been made in the compilation of the monthly reports, including incorrect counts of daily drug TARs received and processed and counts that were incorrectly transcribed. We did not, however, do enough testing of the department's counting of the drug TARs and compiling of the drug TAR data to assess the impact of these errors on the numbers reported here. In addition, we were unable to adjust for the errors we found because we could not always identify the source of the errors. We are, therefore, presenting the department's data on drug TARs aware that errors exist in this data.

We have informed the field offices and officials at department headquarters of the errors we found in drug TAR counts and monthly report compilations. According to the chief of the field services branch, the department has directed the field offices to correct such problems immediately. In addition, the drug unit managers at the two field offices have agreed to improve the accuracy of the compilation of the monthly reports.

We inquired about the department's plans to collect additional data on the number of complaints from providers or beneficiaries about the drug TAR process and the number of denied drug TARs for which the beneficiary has sought a fair hearing of the denial.

According to the chief of the field services branch, the department has not yet analyzed the number of complaints it has received about its processing of drug TARs because it does not collect data on complaints about drug TARs separately from complaints about all types of TARs, which cover a variety of other medical treatments. The department expects to implement a method for collecting complaints about drug TARs by the next reporting period in August 1991.

Similarly, according to the chief of the field services branch, the department has not collected data on the number of denied drug TARs that have been appealed to the Department of Social Services. When a drug TAR is denied by a Medi-Cal field office and a beneficiary wishes to appeal that decision, the appeal is forwarded to the Administrative Adjudications Division of the Department of Social Services for a fair hearing. The department is currently working with the Department of Social Services to devise a method for collecting data on such appeals by August 1991.

Changes in How Drug TARs Are Delivered

All drug TAR renewals and retroactive approvals must be mailed to the field offices. During the six months from June through November 1990, the majority of drug TARs were delivered this way. However, during this same period the department noticed a change in the way providers delivered drug TARs to the field offices. As Table 1 shows, the percentage of drug TARs delivered by mail declined by 8 percentage points from June through November 1990. Meanwhile, the percentage of drug TARs delivered by telephone declined by 7 percentage points whereas the percentage of those delivered by FAX have increased from 7 percent of the total in July, the first month FAX machines were used, to 15 percent of the total in November 1990.

Table 1 Drug TARs Received - 1990

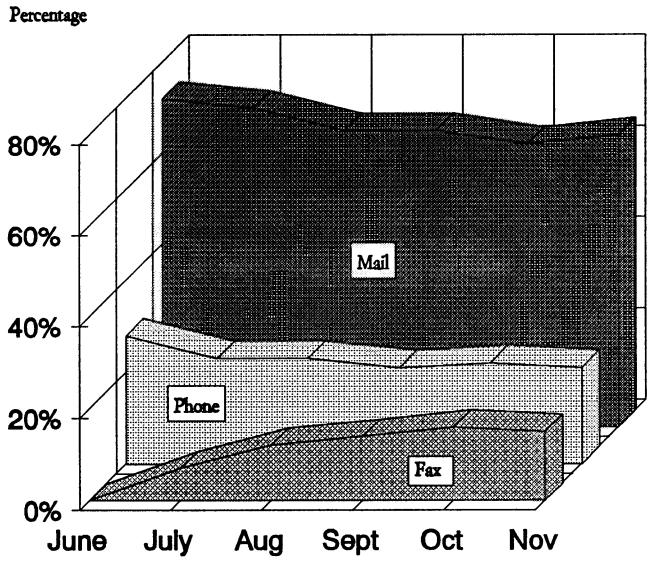
Means of Delivery	June	July	August	September	October	November	Total
Telephone	3,989 (28%)	3,225 (23%)	3,126 (23%)	2,358 (21%)	2,955 (22%)	2,483 (21%)	18,136 (23%)
FAX	--	985 (7%)	1,561 (12%)	1,646 (14%)	2,064 (16%)	1,849 (15%)	8,105 (10%)
Mail	10,125 (72%)	9,990 (70%)	8,679 (65%)	7,517 (65%)	8,340 (62%)	7,606 (64%)	52,257 (67%)
Monthly Totals	**14,114**	**14,200**	**13,366**	**11,521**	**13,359**	**11,938**	**78,498**
Percentage Totals	**(100%)**	**(100%)**	**(100%)**	**(100%)**	**(100%)**	**(100%)**	**(100%)**

Source: Department of Health Services

The following chart illustrates the change in the percentage of drug TARs delivered by telephone, FAX, and mail from June through November 1990.

Methods of
Delivering Drug TARs

1990



According to the chief of the department's field services branch, it appears that providers are now using FAX to deliver drug TARs to the field offices that in the past have been delivered by telephone and by mail. Before July 1990, the field offices were not yet able to receive drug TARs by FAX. At this time, providers had two ways they could deliver drug TARs requesting initial or urgently needed supplies of drugs: by telephone or by mail. If providers first tried the telephone, but were not successful because all the telephone lines at the field office were busy, the provider could then have opted to mail in the drug TARs. Providers who, before July 1990, used the telephone to deliver drug TARs for

initial or urgently needed supplies now appear to be sending these drug TARs in by FAX. Similarly, some of the providers who, before July, mailed drug TARs for initial or urgently needed supplies may now be sending in these drug TARs by FAX.

Processing Time

The department processes drug TARs received by telephone and FAX more promptly than it processes drug TARs received by mail. According to the chief of the department's field services branch, since drug TARs submitted by telephone or FAX are for beneficiaries seeking an initial supply of a prescribed drug or the drug is urgently needed, the processing is done quickly.

Drug TARs delivered by telephone are processed while the provider waits on the telephone line, as long as the provider makes available all the information the field office needs to process the drug TAR. Drug TARs delivered via FAX are processed within 24 hours from their receipt in the field office.

On the other hand, drug TARs that have been mailed in are generally for beneficiaries who have already received an initial supply of the required drug. According to the chief of the department's field services branch, these mailed-in drug TARs do not require as quick a response as do drug TARs that have been received by telephone or by FAX. The chief of the field services branch also stated that, after a field office receives a drug TAR by mail, it routes the drug TAR to the department's fiscal intermediary, a contractor that processes Medi-Cal claims, for entry into a master file of all TARs. Once entered into the master file, the drug TAR is returned to the field office for a decision by the field office's pharmaceutical consultant. Once the consultant makes a decision, the drug TAR is again routed to the fiscal intermediary, who enters the consultant's decision into the master file. The fiscal intermediary then returns the drug TAR to the field office, which mails a copy of the processed drug TAR to the provider.

The department collects data on its measurement of the time it takes to process drug TARs, which it refers to as "turnaround time." We have displayed the department's data on turnaround time in Table 2.

Table 2 Turnaround Time for Processing Mailed Drug TARs at the Field Offices-In Days 1990

	June	July	August	September	October	November
Los Angeles field office	4	4	5	4	16	21
San Francisco field office	14	14	6	7	7	3

Source: Department of Health Services

As Table 2 shows, the turnaround time for processing drug TARs delivered by mail to the Los Angeles field office ranged from 4 to 21 days. The turnaround time of 16 days in October and 21 days in November represents a noticeable increase from the previous four months. According to the manager of the drug unit at the Los Angeles field office, the increases during October and November were due to heavier than usual staff absences and the high number of TARs received by FAX.

To compute turnaround time, the Los Angeles field office determines, for a sample of drug TARs, the difference in days from the date of the pharmaceutical consultant's decision to the date that the drug TAR is mailed back to the provider.

Measuring turnaround time this way, however, understates the total time actually taken to process the drug TAR because the field office does not include the time taken by the fiscal intermediary to first enter the drug TAR onto the master file. To be useful in

gauging how promptly the field offices are serving Medi-Cal providers, turnaround time should measure the time the field office takes to process a drug TAR from the date the field office originally receives it to the date the drug TAR is returned to the provider.

In a meeting with the Los Angeles field office, we discussed its method of measuring turnaround time. The field office has agreed to modify its measurement to reflect more closely the time the drug TAR is in the hands of the field office.

The San Francisco field office computes the turnaround times for the drug TARs it receives differently from the Los Angeles field office. According to the staff, it divides the number of unprocessed drug TARs at the end of the month by the average number of drug TARs processed per day during that month. If, for example, the field office had 2,000 unprocessed drug TARs left at the end of the month and the field office had processed an average of 200 drug TARs a day during the month, the turnaround time for this month would have been ten days. We did not attempt to determine the validity of the San Francisco office's method for computing turnaround time.

As Table 2 shows, during the months of our review, the turnaround time for processing drug TARs mailed to the San Francisco field office ranged from 3 to 14 days. The turnaround times for the months of June and July were both 14 days, which is noticeably longer than the turnaround times for the other four months reported in the table. According to the manager of the drug unit at the San Francisco field office, the longer turnaround times for June and July were due to heavier than usual staff absences because of vacations during these months. The manager reported that the field office was allotted another pharmaceutical consultant position, which it filled during the month of July. Table 2 shows that the San Francisco field office was able to reduce its turnaround time during the months of August through November.

Number of Drug TARs Processed

According to Table 3, from June through November 1990, the department processed at least 11,100 and as many as 14,500 drug TARs each month. The drug TARs available for processing each month included the unprocessed drug TARs from the previous month and those received that month. In every month except August 1990, the department processed fewer drug TARs than it received during the month.

Table 3 Drug TARs Processed 1990

	June	July	August	September	October	November
Unprocessed TARs beginning of month	2,160	3,259	3,295	2,159	2,286	1,477[a]
TARs received during month	14,114	14,200	13,366	11,521	13,359	11,938
Total available to be processed	16,274	17,459	16,661	13,680	15,645	13,415
Total Processed	13,015	14,164	14,502	11,394	13,103	11,104
Unprocessed TARs end of the month	**3,259**	**3,295**	**2,159**	**2,286**	**2,542**	**2,311**

Source: Department of Health Services

[a]The number of unprocessed drug TARs at the end of October does not agree with the number of unprocessed drug TARs at the beginning of November, as it should. At the end of October 1990, the San Francisco field office recognized that its accounting records for drug TARs were probably in error. According to the manager of the drug unit in the San Francisco field office, the field office did a hand count of the actual drug TARs that were unprocessed at the end of October. It found that its accounting records overstated by 1,065 the number of unprocessed drug TARs at the end of October 1990. Because of this finding, the field office adjusted the number of unprocessed drug TARs that it reported at the beginning of November.

Attachment A provides detail on the number of drug TARs approved, denied, modified, and returned by the field offices from June through November 1990.

Current Constraints

The field offices' ability to receive drug TARs is limited by the number of medical transcribers available to answer the toll-free long distance line and the local lines at each field office. The chief of the field services branch and the managers of the drug units at the two field offices explained how the field offices process incoming telephone calls. If all the medical transcribers are occupied, incoming calls are transferred to a waiting queue, which holds a maximum of 20 incoming calls. When the queue is full, the provider receives a busy signal and must repeat the call.

Providers who wish to submit drug TARs via telephone sometimes have difficulty getting through to one of the medical transcribers at their designated field office. We surveyed 12 providers who participate in the Medi-Cal program and who submit drug TARs to one of the two field offices. Six of the providers that responded to our survey reported having had some problems getting through to the field offices to submit their drug TARs by telephone. According to the managers of the drug units at the two field offices, it is not uncommon for all of the transcribers at both field offices to be occupied with calls from providers and not be able to receive additional incoming calls.

The time medical transcribers must remain on the telephone to process drug TARs helps explain why all of the medical transcribers can be occupied on the telephone at once. The transcriber must receive the drug TAR information from the provider, type this information onto the TAR form, and then forward the completed TAR form to one of the field office's pharmaceutical consultants, all while the provider waits on the telephone. According to the chief of the field services branch, medical transcribers processing drug TARs submitted by telephone spend an average of about 14 minutes on the telephone.

In cooperation with the department and Pacific Bell, we attempted to obtain a quantitative measure of the difficulty that providers face in getting through to the field offices by telephone to deliver drug TARs. In November, we asked the department to direct Pacific Bell to do a special analysis of the toll-free long distance telephone lines and the local telephone lines at both

field offices. This special analysis was to determine the percentage of the time that the telephone lines were busy during five working days in December 1990. Pacific Bell performed this analysis and provided the department with the results of its analysis. However, without an explanation from a Pacific Bell expert, the department could not interpret the results of this analysis. The department has repeatedly called the telephone company in an attempt to obtain an interpretation of the analysis, but without success. Before the Office of the Auditor General prepares its second report on drug TARs in August 1991, the department will again have Pacific Bell perform this special analysis and will obtain an interpretation of the results.

Planned Enhancements

The department is establishing a third field office to expand its capability for processing drug TARs. The chief of the field services branch provided us with the following description of the new field office and the corresponding enhancements for processing drug TARs. The new Stockton field office will be equipped with an enhanced telephone system for receiving and processing drug TARs. When a provider calls the new field office and all the medical transcribers are busy, the provider will be able to dictate the drug TAR into a message storage device, which can be accessed later by the one of the field office's medical transcribers. The enhanced telephone system allows up to 16 incoming telephone calls to be recorded simultaneously.

As the medical transcribers have time, they can retrieve the recorded information and enter it onto a drug TAR form for processing. Each drug TAR recorded in this fashion will receive a transaction number. The provider can then call the telephone system, enter the transaction number, and determine whether the TAR has been approved, modified, denied, or returned.

Although the department expects that its new field office will be ready to open by March 1991, it will be phasing in the use of this office throughout 1991. Once the telephone system has been installed, the department will staff the new field office with medical transcribers and pharmaceutical consultants, who will process drug TARs that are dictated into the telephone system.

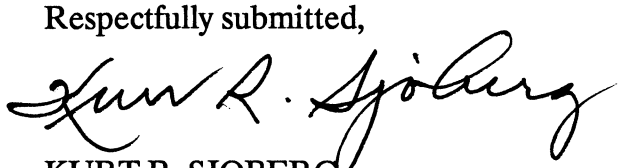
To test the new telephone system for two to three months, the Stockton field office will receive only drug TARs that have been dictated into the new system while the San Francisco and Los Angeles field offices continue to receive and process drug TARs as they do now. Providers will have the option of submitting their drug TARs by telephone, FAX, or mail to their designated field office or of dictating their drug TARs into the new telephone system. Some of the medical transcribers and pharmaceutical consultants for the Stockton field office have already been hired and were scheduled to begin training in early January 1991.

According to the chief of the field services branch, the department expects the new telephone system to result in an overall increase in the number of drug TARs it receives and processes. Since the new telephone system and a third field office will enable more Medi-Cal drug providers to contact the field offices, the department expects that providers will be able to complete many more attempted contacts to the field offices.

After a review of the new telephone system indicates that it is successful, the department plans to install the same telephone system into its Los Angeles and San Francisco field offices. Later in 1991, when the Stockton field office begins to receive drug TARs by telephone, FAX, and mail in addition to dictated drug TARs, the staffing of this office will total 11 medical transcribers and 8 pharmaceutical consultants. Ultimately, the department will reroute a portion of the drug TARs received at the two current field offices to the Stockton field office.

We conducted this review under the authority vested in the auditor general by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this letter report.

Respectfully submitted,



KURT R. SJOBERG
Auditor General (acting)

Attachment

Response to the Audit

Department of Health Services

Attachment A

The following table presents data on the number of drug TARs approved, modified, denied, and returned by the field offices from June 1990 through November 1990.

TARs	June	July	August	September	October	November
Approved	9,350	9,169	8,980	7,222	8,377	7,033
Modified	2,001	2,008	2,650	1,847	2,215	1,811
Denied	1,226	1,361	2,045	1,565	1,698	1,455
Returned	438	1,626	827	760	813	805
Total Processed	**13,015**	**14,164**	**14,502**	**11,394**	**13,103**	**11,104**

An *approved* drug TAR has been accepted by the Department of Health Services' field office as submitted.

A *denied* drug TAR has been rejected as submitted.

A *modified* drug TAR has been changed by the field office in some way and then approved. Changes could include a difference in the quantity of the drug requested, a change in the time for which the drug is approved, or the denial of or change to one drug request on a drug TAR with several requests.

A *returned* TAR lacks sufficient information for the field office to make a decision. The field office returns the drug TAR to the provider for clarification.

State of California - Health and Welfare Agency

Pete Wilson, Governor

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JAN 28 1991

Mr. Kurt R. Sjoberg
Acting Auditor General
Office of the Auditor General
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

We have reviewed your draft report, "Statistical Information on Drug Treatment Authorization Requests", and have the following comments.

Chapter 457, Statutes of 1990, changed the "Medi-Cal Formulary" to the "Medi-Cal List of Contract Drugs". We now routinely use the latter term, and confusion would be reduced if you would do the same.①

Your report refers to errors in the compilation of the drug TAR data for statistical reports. Our review of your specific concerns indicate that, indeed, there may have been simple human errors in the compilation and transcription of the data; however, it should be pointed out that the errors were not substantial. We have already taken steps to insure that these errors do not recur.

You describe our process for calculating turnaround time for the drug TARs in the Los Angeles Field Office. You correctly point out that it is different than the process used in the San Francisco Field Office. However, your description of the Los Angeles process is in error in that our turnaround time calculation does, indeed, include the time the Pharmaceutical Consultant spends reviewing the TAR.①Hereafter, the two field offices will use similar procedures.

In all other respects, we agree with your report. I would like to take this opportunity to thank your staff for their work with us in the collection of the data for this report, and especially for their patience as we tried to provide the "busy study" data from the phone company.

Sincerely,

John Rodriguez
Deputy Director
Medical Care Services

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① The Office of the Auditor General's comment: The report has been changed to reflect these comments.