California State Auditor

BUREAU OF STATE AUDITS

Department of Health Services:

Some Drug Treatment Authorization Requests Are Not Processed Promptly

August 1997
97012

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August 4, 1997 97012

Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Chapter Summary

The Bureau of State Audits presents the thirteenth in a series of semiannual reports evaluating the way the Department of Health Services (department) processes reimbursement requests for certain prescribed drugs under the California Medical Assistance Program (Medi-Cal). These requests are known as drug treatment authorization requests (TARs).

The department received 437,253 drug TARs from December 1996 through May 1997, an increase of 358,755 (457 percent) over the number received during our first six-month review period of June through November 1990. Major reasons for this significant increase include the rise in the number of people eligible to obtain drugs through Medi-Cal and changes in the governing code that require more drug TARs in specific situations.

The department processed 440,302 drug TARs from December 1996 through May 1997, an increase of 363,020 (470 percent) over the number processed during the first six-month period we reviewed. The current number represents the highest level of activity for any period we reviewed.

Although the number of processed drug TARs has risen substantially since June 1990, the percentage of unprocessed drug TARs compared to drug TARs received continues to remain at a low level. The average month-end backlog for the review period December 1996 through May 1997 was just 5 percent of all drug TARs received.

The department's Stockton drug unit consistently complied with state policy, which requires that all drug TARs be processed within one working day. However, the Los Angeles drug unit did not always comply with state policy, taking longer than one working day to fully process 117 (31 percent) of the 375 drug TARs sampled that were either mailed or submitted via Voice Drug TAR System (VDTS). In contrast, samples of facsimile (fax) drug TARs received by the Los Angeles unit, as well as samples of faxes and mailed-in drug TARs received at the Stockton unit, showed both units processed all 1,383 TARs within the required time frame.

We found that the number of fair-hearing requests went down during this latest review period. From December 1996 through May 1997, beneficiaries submitted to the Department of Social Services 71 fair-hearing requests appealing denials of drug TARs. This figure represents a decrease of 26 (27 percent) over the prior review period of June 1996 to November 1996.

Background

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

Medi-Cal beneficiaries may receive prescription drugs identified on a list the department has established. This list, known as the Medi-Cal list of contract drugs, includes drugs from most therapeutic categories, including antibiotics, cardiac drugs, and gastrointestinal drugs. When a doctor prescribes a drug not on the list, or when the monthly limit of six prescriptions for a recipient is exceeded, the provider, who is generally a pharmacist, must receive authorization to seek reimbursement for the cost of the drug or drugs. The provider's request for authorization is known as a drug TAR. The department has two Medi-Cal drug units that process drug TARs, one in Los Angeles and the other in Stockton. Currently, these requests can be submitted via fax or mail.

Processing is divided between the Los Angeles and Stockton drug units on a geographic basis, but each unit handles these the same way. Faxed drug TARs include the date and time received on the fax copy. Mailed-in drug TARs are date-stamped on the day received. Those received by either fax or mail are reviewed by medical transcribers for completeness

and then sent to the department's contractor, Electronic Data Systems (EDS), for data entry. They are then forwarded to licensed pharmaceutical consultants employed by the department for adjudication. The consultants may approve, approve with modifications, deny, or return drug TARs to request further information from the provider. After a consultant reaches a decision, the drug TAR goes back to EDS for final data entry. At that point, a copy is returned to the provider.

Until June 1997, the Los Angeles drug unit also processed drug TARs received by VDTS. Medical transcribers retrieved and then typed the information onto forms. These forms were then forwarded to the pharmaceutical consultants, who followed the same process as for mailed-in or faxed requests. A copy was sent to the provider. The decision was also recorded on VDTS, which the provider could access at any time to determine the status of the request. Beginning in June 1997, the VDTS is no longer used to submit drug TARs.

Scope and Methodology

Chapter 716, Statutes of 1992, required the Office of the Auditor General (OAG) to prepare an analysis and summary of the department's statistical data on drug TARs. Section 14105.42 of the Welfare and Institutions Code mandated that the OAG submit a report on data and a comparative analysis of changes, using data from June through November 1990 as a base, to the Legislature beginning on February 1, 1991, and every six months thereafter until January 1, 1999. Chapter 12, Statutes of 1993 (Government Code, Section 8546.8), directs the Bureau of State Audits to assume these responsibilities.

To fulfill these requirements, we did the following:

- Obtained statistical data from the department regarding drug TARs received by VDTS, fax, and mail, as well as the number approved, modified, denied, and returned;

- Verified the Los Angeles and Stockton drug units' processes for compiling monthly drug TAR statistics during the six months from December 1996 through May 1997;

- Conducted tests to determine whether the drug units are processing all drug TARs within one working day; and

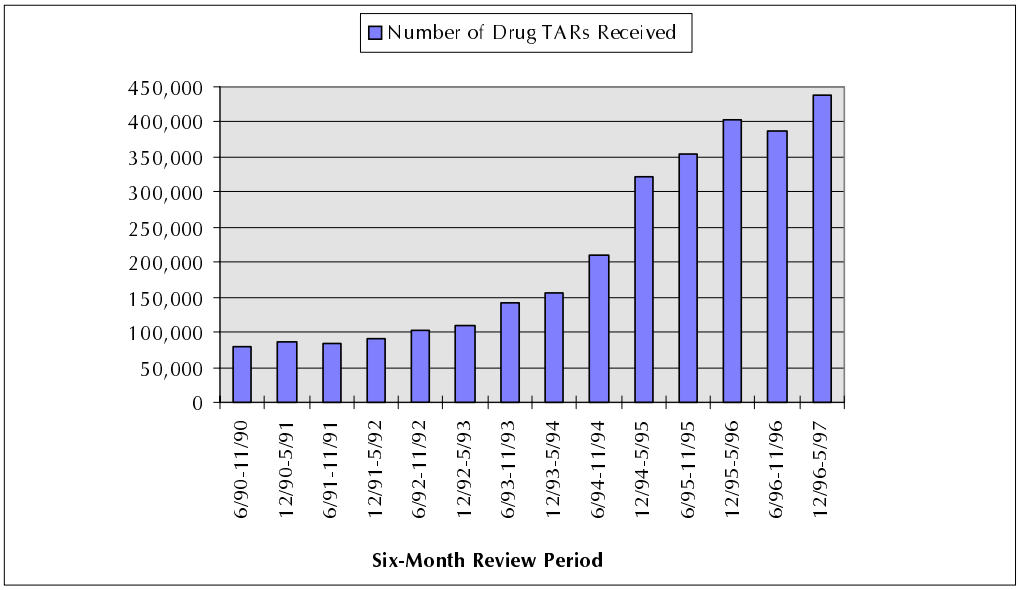
- Obtained data from the drug units on the number of denied drug TARs appealed to the Department of Social Services during December 1996 through May 1997.

The Number of Drug TARs Received Continues To Increase

As shown in Figure 1, the number of drug TARs received has increased substantially from June 1990 through May 1997. During the first six months of OAG's review, from June through November 1990, the drug units received 78,498 drug TARs. From December 1996 through May 1997, they received 437,253, an increase of 358,755 (457 percent).

Figure 1

Number of Drug TARs Received During Each Six-Month Review Period June-November 1990 Through December 1996-May 1997

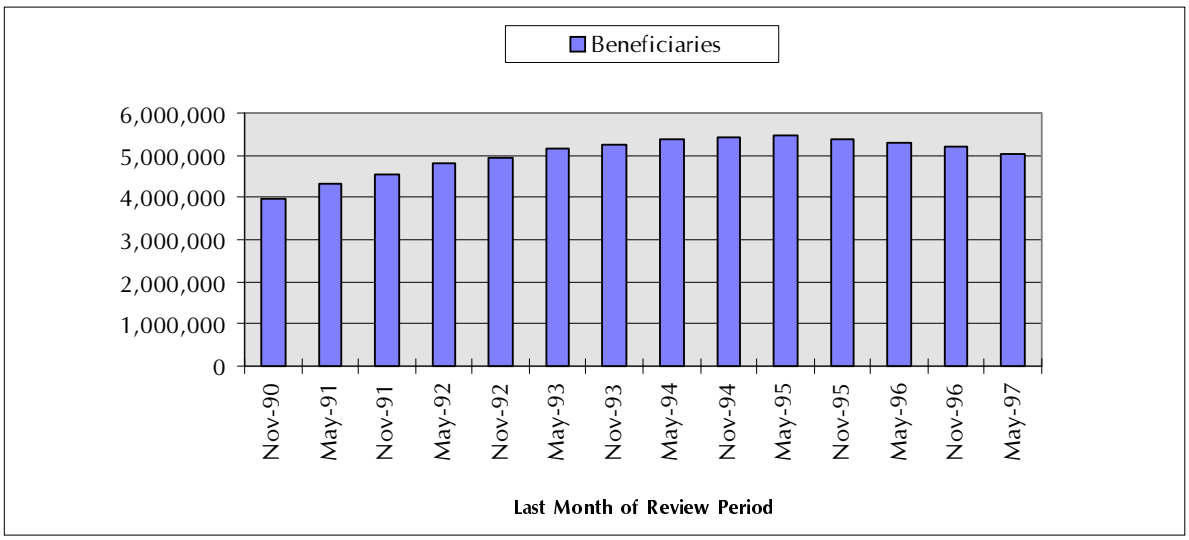


From December 1996 through May 1997, the department received 50,769 (13.1 percent) more drug TARs than it did during the previous six-month period. However, during this time, the number of Medi-Cal beneficiaries enrolled decreased. Figure 2 illustrates the total number of Medi-Cal beneficiaries enrolled at the end of each six-month review period from June 1990 through May 1997. According to a pharmaceutical consultant in the Los Angeles drug unit, although the number of

beneficiaries enrolled has decreased, the increase in the number of drug TARs received can be partially attributed to the greater number submitted per beneficiary compared to the past. In addition, the department believes that more providers in general are submitting drug TARs because they have become aware of the simplicity of doing so.

Figure 2

Number of Medi-Cal Beneficiaries
at the End of Each Six-Month Review Period
June-November 1990 Through December 1996-May 1997



The Method of Submitting Drug TARs Is Changing

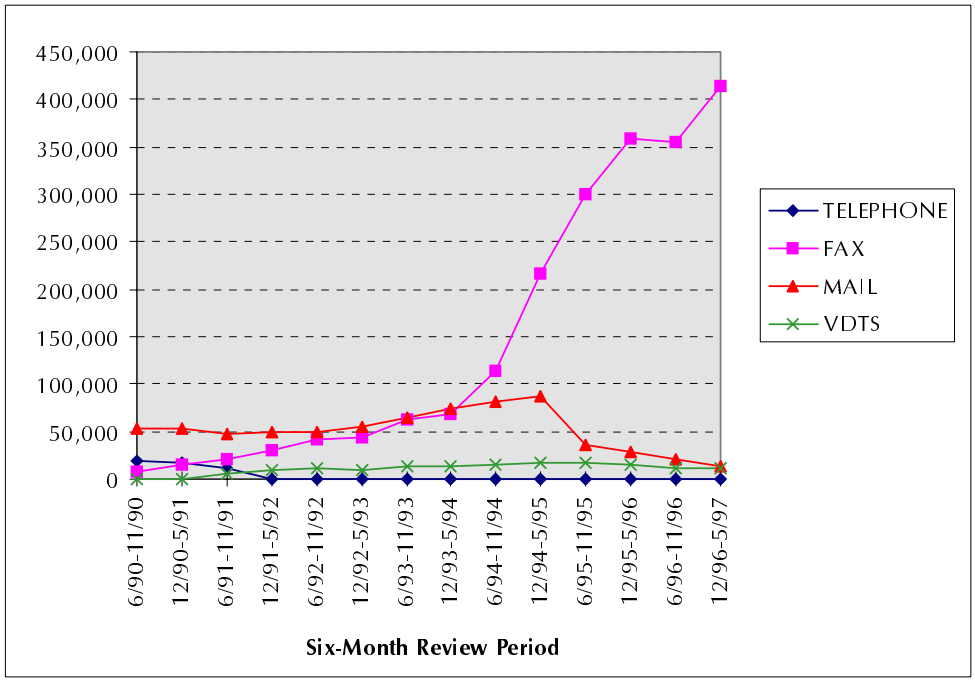
As Figure 3 shows, the most common method of submitting drug TARs continues to be by fax. During the period December 1996 through May 1997, providers faxed to the department 413,201 (94.5 percent) of all drug TARs received. This represents an increase of 16.4 percent over the total number received by fax during the previous six-month reporting period. See Attachment A for details about changes in methods of submittal between the first and last period reviewed.

The number of drug TARs received by VDTS during this latest reporting period slightly decreased from the prior reporting period. From June to November 1996, 11,505 drug TARs were submitted by VDTS, whereas 10,908 were submitted by this method from December 1996 through May 1997. The latest figure represents 597 (5.2 percent) fewer drug TARs submitted

by VDTS. Nonetheless, this total is still significantly higher than the number of drug TARs submitted during the first full six-month period that VDTS was operational, from June through November 1991.

Figure 3

Methods of Receiving Drug TARs
During Each Six-Month Review Period
June-November 1990 Through December 1996-May 1997



In our previous report, we mentioned that the department was exploring the possibility of eliminating the VDTS system. According to a program analyst, the department performed a study and concluded that discontinuing the VDTS system would save the State approximately $600,000 each year. Therefore, effective June 1, 1997, the department no longer accepts drug TARs submitted by VDTS.

The number of mailed-in drug TARs continued to decrease during the period December 1996 through May 1997. This decrease was first noted during the June through November 1995 reporting period when 36,715 drug TARs were mailed to the drug units. In the six-month period from June 1996 to November 1996, only 20,069 were mailed. A

total of 13,144 were mailed during the current period. This figure shows a decrease of 6,925 (34.5 percent) from our previous review.

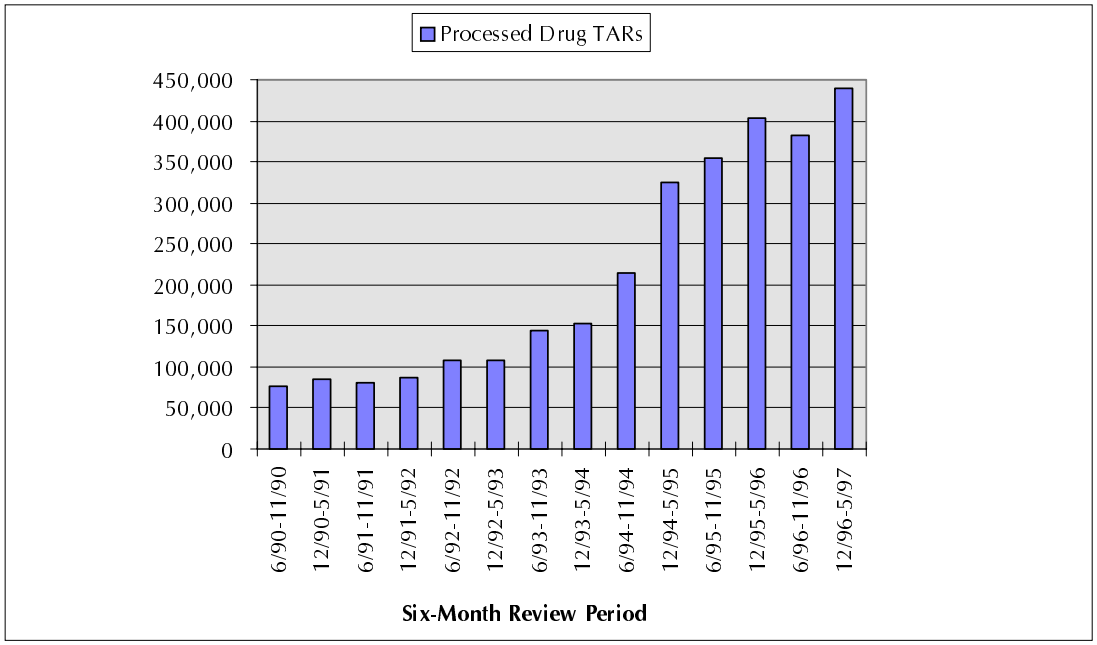
The decreased use of mail is attributable to a policy change. Before April 1995, the department allowed providers to submit by fax or VDTS only those drug TARs for initial supplies of prescribed drugs and drugs that beneficiaries urgently needed. Beginning in April 1995, the department allowed providers to fax all drug TARs, a change that decreased the number mailed in and increased the number submitted by fax.

The Number of Drug TARs Processed Increased With the Number Received

Figure 4 displays the number of drug TARs processed during each six-month period from June 1990 through May 1997. During the first six months of the OAG's review, the drug units processed 77,282 drug TARs. In comparison, from December 1996 through May 1997, they processed 440,302, an increase of 363,020 (470 percent).

Figure 4

Number of Drug TARs Processed During Each Six-Month Review Period June-November 1990 Through December 1996-May 1997



The increase in the number of drug TARs processed during this review period is directly related to the 457-percent increase in the number the department received since the first period of our review. Attachment B presents a comparison of the number of drug TARs the department processed from June through November 1990 and from December 1996 through May 1997.

Attachment C compares the number of drug TARs approved, modified, denied, and returned from June through November 1990 and from December 1996 through May 1997. Of the 440,302 drug TARs the drug units processed from December 1996 through May 1997, 82 percent were approved, 3 percent were modified, 7 percent were denied, and 8 percent were returned to the provider for further information.

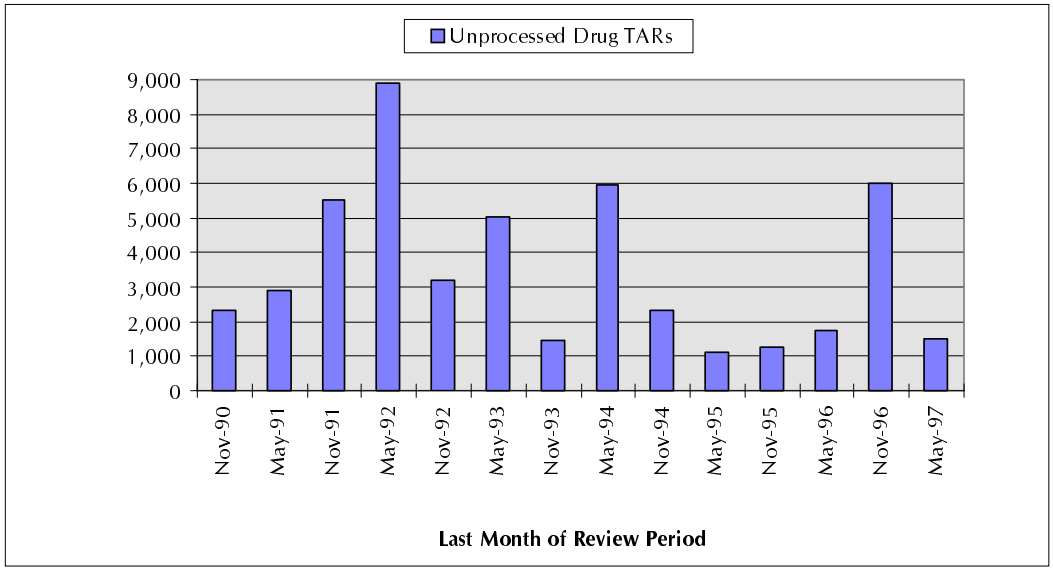
The Backlog of Unprocessed Drug TARs Fluctuated

As Figure 5 indicates, the department had a backlog of drug TARs at the end of each six-month review period from June 1990 through May 1997. Backlogged TARs are those received and logged in by the department but not fully processed as of 5 p.m. on a specific workday. Department policy requires that all drug TARs included in a specific workday's backlog be processed by 5 p.m. of the following workday. At the end of the last working day of the most recent reporting period, May 30, the department had 1,489 unprocessed drug TARs, a decrease of 4,510 (75 percent) over the 5,999 remaining on November 27, 1996, the last working day of the prior reporting period. Our previous report discussed the lack of available EDS staff during the last week of November 1996 as the cause of the high backlog.

Attachment B provides detailed information on the monthly number of unprocessed drug TARs at month end from June through November 1990, and from December 1996 through May 1997. Although the balance for May 1997 decreased in comparison to the prior review period, the balances at the end of January through April 1997 ranged from 3,812 to 6,167. These are considerably higher than the balances at the end of December 1996 and May 1997.

Figure 5

Number of Unprocessed Drug TARs
at the End of Each Six-Month Review Period
June-November 1990 Through December 1996-May 1997



Historically, both the Los Angeles and Stockton drug units receive a large volume of drug TARs at the end of each month. Providers also submit more drug TARs than usual before time periods when the drug units will close for extended periods, such as weekends or holidays. Both drug units are aware of the increased activity associated with weekends and holiday periods, and they plan for sufficient personnel, including pharmacists, data-entry staff, and any other necessary support personnel, to process the larger volume quickly and properly. According to the chief pharmaceutical consultant at the Los Angeles drug unit, although EDS had filled all of its positions at the unit in February 1997, several staff could not work full-time on drug TAR processing between January and April 1997. Four were out on workers' compensation during this period, and another was absent on maternity leave. Therefore, EDS hired temporary employees to fill these positions. The temporary employees required additional time and training before they could process TARs at the standard levels. By May 1997, the backlog had returned to a reasonable level, as indicated by the lower balance of unprocessed drug TARs on May 30.

After a consultant has adjudicated a drug TAR, it goes back to the EDS data entry staff, who performs the final data entry in the department's computer system. At this point, the department

considers the drug TAR fully processed, and only then can the provider submit a bill for payment. After final data entry, the department normally mails or faxes the provider a copy of the drug TAR that documents its status. The provider can access the results more quickly by using the department's toll-free Provider Telecommunication Network (network) phone line. By accessing the network, the provider can determine the status of the drug TAR and take appropriate action for the beneficiary before receiving the formal copy of the TAR.

As noted above, the department had a shortage of trained EDS staff to perform final data entry. In addition, the department's current contract with EDS allows up to 24 hours for final data entry of 80 percent of the adjudicated TARs and up to three working days to process 99 percent. The contract also allows between one and two working days to perform initial data entry of TARs when the TARs are first received. Therefore, EDS could take up to five working days to complete data entry activities, which is clearly in excess of the department's policy of processing a TAR within one working day. The flexibility of this contract provision could contribute to a higher backlog of unprocessed TARs.

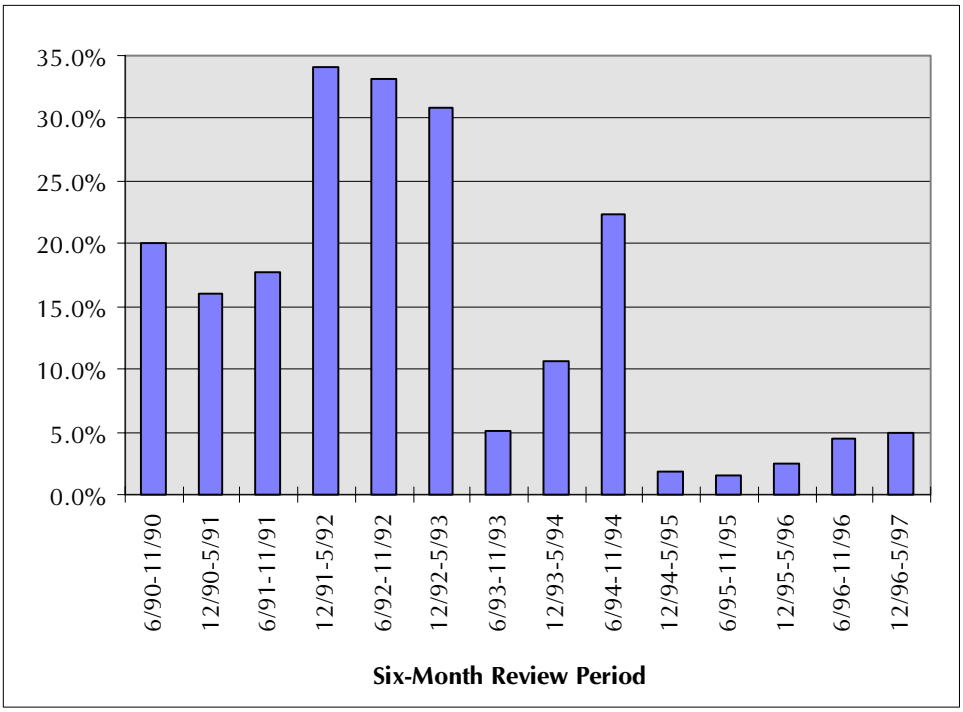
The department informed us that the backlog created no adverse effect on beneficiaries, but it may have affected some providers. Specifically, the department stated there was a longer-than-usual delay between the time a drug TAR was approved and the time the provider could bill the department for the dispensed medication. To meet the one-working-day deadline in those situations where the consultant has adjudicated a TAR, but EDS is delayed in its final data entry of the decision, the department has instructed the consultant to inform the provider directly of the decision.

In the previous reporting period, the department noted that another factor contributing to the existing backlog may have been inadequate or insufficient computer or data-transmission equipment. This problem resulted in a longer processing time. The department investigated this issue and installed additional equipment at the Los Angeles drug unit in an attempt to speed processing of all computer data within that field office. However, as of June 1997, the department had not noticed significant improvement in the Los Angeles drug unit's computer-system response time. The department requested EDS investigate this issue to identify and find the best solution for any problem.

Figure 6 depicts the average percent of unprocessed drug TARs at month-end for all review periods. During the past five review periods, the average has not exceeded 5 percent.

Figure 6

Average Percent of Unprocessed TARs at Month-End During Each Six-Month Review Period June-November 1990 Through December 1996-May 1997



Drug TAR Statistics Appear Reasonable

To assess the reasonableness of the department's compilation of drug TAR statistics, we sampled statistics for April 1997. The department maintains daily batch entry logs that document the drug TARs it has processed. We reconciled the totals on the batch entry logs to the statistics on the department's compilation. In addition, we reviewed selected batch entry logs and reconciled the detail information to actual drug TAR batches maintained at the drug units. The department's compilation appears reasonable.

The Department's Policy Is Compatible With Federal Time Limits

Section 14103.6 of the Welfare and Institutions Code requires that the department's pharmaceutical consultants process drug TARs in an average of five working days. The department defines a working day as one on which the Medi-Cal drug unit is open for business and excludes Saturdays, Sundays, and state holidays. This section also states that if the pharmaceutical consultant does not make a decision on a drug TAR within 30 days of receiving it, the request is considered approved. In contrast, Section 1927(d)(5) of the federal Social Security Act of 1990 requires states to respond to all drug TARs within 24 hours of receipt regardless of how they are delivered to the department. The federal Department of Health and Human Services' Health Care Financing Administration (HCFA) upholds this position.

In April 1995, the department changed its policy to conform more closely to the federal requirements and directed the drug units to process all drug TARs within one working day. The department interpreted "one working day" to mean that any drug TAR received before 5 p.m. on a working day will be processed by 5 p.m. the following working day. Its new policy has had the greatest impact on mailed-in drug TARs, as previous policy allowed staff five working days to process requests received by mail. Drug TARs received by fax or VDTS were to be processed within 24 hours.

Although the department's current policy conforms more closely to the federal regulations, it still does not require processing within 24 hours. For example, if the department receives a drug TAR at 10 a.m. on a Thursday, under the new policy, staff might not complete the processing until 5 p.m. on Friday, an elapsed time of 31 hours. In another example, a drug TAR received after 5 p.m. on the first workday of the month is considered received on the second workday of the month. The decision rendered on that drug TAR must be available to the provider no later than 5 p.m. on the third workday of the month, a possible elapsed time of almost 48 hours.

During previous audits, we were informed that the HCFA would issue a formal opinion on the department's new policies. During the current review, a representative stated the HCFA now does not plan to issue a formal opinion. The HCFA still upholds the 24-hour processing time; however, it acknowledges that in some cases, processing time for drug TARs will exceed 24 hours, for example, when the department receives them during nonbusiness hours. In these cases, the HCFA allows the department to exceed the federally mandated processing time as

long as emergency drugs are available to beneficiaries when necessary. The California Code of Regulations, Title 22, Section 51056, exempts emergency services from prior authorization. Accordingly, the department does not require a drug TAR for emergency situations.

Processing Times Exceed Department Policy at the Los Angeles Unit

During this audit, we reviewed a combined total of 1,758 drug TARs that providers faxed, mailed, or submitted by VDTS to the drug units. The receiving units processed 1,641 (93 percent) of them within one workday. However, 97 (6 percent) drug TARs from the sample that were submitted to the Los Angeles drug unit through the mail took two workdays to process. In addition, 20 (1 percent) of the total sample of drug TARs submitted to the Los Angeles drug unit by VDTS were not processed until two workdays after receipt.

According to the chief pharmaceutical consultant of the Los Angeles drug unit, the department occasionally experiences delays in processing drug TARs, especially if it receives a large number on a particular day. In addition, if the department's workload in other activities is excessive, EDS staff could be reassigned, resulting in fewer staff available to process TARs.

EDS is responsible for initial data entry as well as the final data entry of the drug TARs reviewed by the pharmaceutical consultants. A higher volume of submittals creates a backlog in its data entry activities and increases the overall turnaround time. As mentioned earlier, to meet the one-working-day deadline in those situations where the department has reached a decision to modify, to deny, or to return a TAR, but if EDS is delayed in the final data entry, the department has instructed the pharmaceutical consultant to inform the provider directly of the decision. Also, the department has requested the consultant to document this notification on the front of the TAR. However, for those TARs in our sample that took more than one workday to process, we did not see any written notification on the TAR form showing that the consultant had notified the provider of the decision.

In prior reporting periods, the drug units calculated the time it was taking to process drug TARs to ensure that they complied with state requirements, and we validated their calculations. However, in March 1996, the department conducted a study and determined that the method used to prepare the calculations was inefficient. It directed the drug units to stop using this method to calculate turnaround time. Although the

study suggested an alternative, the department had still not developed and implemented a new methodology at the time of this review.

According to the chief of the Medi-Cal Operations Division, the department plans to develop and implement a TARs system redesign that will include an automated calculation of processing time for drug TARs. The department expects to complete this implementation in 1999. Because of the upcoming system redesign, the department is not planning to implement an interim methodology to calculate the processing time for drug TARs.

Information on Drug TAR Fair Hearings and Complaints

Section 14105.42 of the Welfare and Institutions Code requires the department to report to the Legislature the number of fair hearings requested, approved, denied, and pending for all denied drug TARs. Beneficiaries request fair hearings through the Department of Social Services (DSS). From December 1996 through May 1997, 71 fair-hearing requests were submitted to the DSS. This is a decrease of 26 (27 percent) from the prior review period, June through November 1996. Of the 71 requests submitted, 57 were withdrawn or dismissed, 2 were denied, 1 was approved, and the decisions on the remaining 11 were still pending at the time of our review.

Recommendations

To ensure that it is promptly processing drug TARs, we recommend that the department take the following steps:

- Continue to monitor closely the scheduling and experience levels of data entry staff to ensure that the department can process within the required time frame the number of drug TARs it estimates it will receive;

- Renegotiate turnaround time requirements for drug TARs in the EDS contract to more closely match the department's policy of a one-working-day turnaround;

- Continue to investigate problems with computer and data transmission equipment at the Los Angeles field office; and

- Continue with its plan to reinstate procedures for monitoring processing times. The methodology for this plan should include the following:

  - Be based on a sample of drug TARs processed on a monthly or quarterly basis;

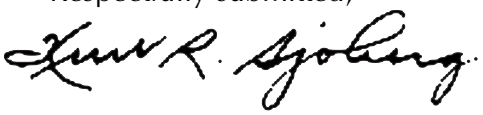
  - Have separate calculations for drug TARs received in the mail and by fax;

  - Feature easy implementation and a minimal need for staff time; and

  - Be consistently applied in the department's drug units.

We conducted this review under the authority vested in the California State Auditor by Section 8543 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 of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: August 4, 1997

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Linus Li, CPA
Tyler Covey
Kathryn Lozano

Attachments

A Comparison of Drug Treatment Authorization Requests
Received by Means of Delivery
June Through November 1990 and
December 1996 Through May 1997

B Comparison of Drug Treatment Authorization Requests Processed
June Through November 1990 and
December 1996 Through May 1997

C Comparison of Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June Through November 1990 and
December 1996 Through May 1997

Attachment A

Comparison of Drug Treatment Authorization Requests Received by Means of Delivery June Through November 1990 and December 1996 Through May 1997

		Telephone	Fax	Mail	VDTS	Monthly Total
1990	June	3,989	0	10,125	0	14,114
	July	3,225	985	9,990	0	14,200
	August	3,126	1,561	8,679	0	13,366
	September	2,358	1,646	7,517	0	11,521
	October	2,955	2,064	8,340	0	13,359
	November	2,483	1,849	7,606	0	11,938
	Total	**18,136**	**8,105**	**52,257**	**0**	**78,498**
	Monthly Average	3,023	1,351	8,710	0	13,083
1996/1997	December	0	64,889	2,360	2,017	69,266
	January	0	74,296	2,447	2,279	79,022
	February	0	65,574	2,065	1,925	69,564
	March	0	69,189	2,247	1,726	73,162
	April	0	71,578	2,179	1,583	75,340
	May	0	67,675	1,846	1,378	70,899
	Total	**0**	**413,201**	**13,144**	**10,908**	**437,253**
	Monthly Average	0	68,867	2,191	1,818	72,876

Source: California Department of Health Services

Attachment B

Comparison of Drug Treatment Authorization Requests Processed June Through November 1990 and December 1996 Through May 1997

		Unprocessed TARs at Beginning of Month	TARs Received During Month	Total Available To Be Processed	Total Processed During Month	Unprocessed TARs	Percent of TARs Processed
1990	June	2,160	14,114	16,274	13,015	3,259	79.97%
	July	3,259	14,200	17,459	14,164	3,295	81.13
	August	3,295	13,366	16,661	14,502	2,159	87.04
	September	2,159	11,521	13,680	11,394	2,286	83.29
	October	2,286	13,359	15,645	13,103	2,542	83.75
	November*	1,477	11,938	13,415	11,104	2,311	82.77
	Total	**14,636**	**78,498**	**93,134**	**77,282**	**15,852**	
	Monthly Average	2,439	13,083	15,522	12,880	2,642	83.00%
1996/1997	December	5,999	69,266	75,265	73,578	1,345 **	97.76%
	January	1,345	79,022	80,367	74,141	6,167	92.25
	February	6,167	69,564	75,731	71,186	4,242	94.00
	March	4,242	73,162	77,404	73,340	3,812	94.75
	April	3,812	75,340	79,152	73,912	5,013	93.38
	May	5,013	70,899	75,912	74,145	1,489	97.67
	Total	**26,578**	**437,253**	**463,831**	**440,302**	**22,068**	
	Monthly Average	4,430	72,876	77,305	73,384	3,678	94.97%

* The number of unprocessed drug TARs at the end of October 1990 does not agree with the number of unprocessed drug TARs at the beginning of November 1990. The manager of the San Francisco drug unit stated that unit staff did a hand count of the actual unprocessed drug TARs at the end of October 1990 and found the unit's accounting records overstated by 1,065 the number unprocessed for the end of the month. Because of this finding, unit staff adjusted the number of unprocessed drug TARs reported at the beginning of November.

** The amounts in this column should equal the amount of TARs available to be processed less the total processed during the month. However, the department's records for unprocessed TARs reflect an amount different from this calculation. The above amount is a snapshot of actual unprocessed TARs on the last day of the month. The department stated that the difference is due to reporting procedure variances caused by TARs that are returned to the provider and later resubmitted. For example, a TAR received and returned in one month, and later resubmitted and processed in the same month, would be reported as received twice but processed only once.

Source: California Department of Health Services

Attachment C

Comparison of Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June Through November 1990 and
December 1996 Through May 1997

		Approved*	Modified*	Denied*	Returned*	Total Processed
1990	June	9,350	2,001	1,226	438	13,015
	July	9,169	2,008	1,361	1,626	14,164
	August	8,980	2,650	2,045	827	14,502
	September	7,222	1,847	1,565	760	11,394
	October	8,377	2,215	1,698	813	13,103
	November	7,033	1,811	1,455	805	11,104
	Totals	**50,131**	**12,532**	**9,350**	**5,269**	**77,282**
	Percent of Disposition Total	65%	16%	12%	7%	100%
1996/1997	December	61,117	1,978	4,708	5,775	73,578
	January	62,371	1,932	4,547	5,291	74,141
	February	58,503	1,879	5,003	5,801	71,186
	March	59,587	2,115	5,388	6,250	73,340
	April	60,633	2,028	5,030	6,221	73,912
	May	59,566	2,200	5,761	6,618	74,145
	Totals	**361,777**	**12,132**	**30,437**	**35,956**	**440,302**
	Percent of Disposition Total	82%	3%	7%	8%	100%

* An approved drug TAR was authorized as submitted. A denied drug TAR was rejected as submitted. A modified drug TAR was changed by the drug unit in some way and then approved (for example, a change 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 drug TAR lacks sufficient information to make a decision, and the drug unit returns it to the provider for clarification.

Source: California Department of Health Services

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DEPARTMENT OF HEALTH SERVICES
714/744 P Street
P. O. BOX 942732
SACRAMENTO, CA 94234-7320
(916) 657-1425

July 25, 1997

Mr. Kurt R. Sjoberg
State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

Thank you for allowing us to comment on the draft of your most recent audit mandated by Chapter 716, Statutes of 1992, regarding the processing of drug Treatment Authorization Requests (TARs). While many of the statements in this draft are correct, we must take exception with several of the assumptions made in the context of this report.

In 1995, the Department entered into an agreement with representatives of various patient advocacy groups which was published as a provider bulletin update in March of 1995. Please see enclosed copy of Pharmacy Provider Bulletin No. 363. This bulletin update states in part that the "decisions rendered on all drug TARs will be available to the submitters of those TARs no later than 5 p.m. on the next business day following the day of receipt of the TAR." In the context of the draft submitted, we find that there must have been a misunderstanding of the process. (1)*

During the adjudication of TARs in our drug sections, the pharmaceutical consultant inputs his/her decision directly into the computer. At that point, the provider has the ability to access the Provider Telecommunications Network, as mentioned in your draft report, and obtain the decision rendered on his/her TAR. The provider does not have the ability to bill for these services until the fiscal intermediary staff have completely entered the remaining information. However, the provider does have the ability to access the rendered decision, which was stipulated in our agreement. The chief of our Southern Pharmacy Section in Los Angeles personally reviewed all of the 117 TARs submitted through facsimile, the 97 TARs submitted through the mail, and the 20 TARs submitted through the Voice Drug TAR System (VDTS) cited in your draft report as not having met the one business day agreement. What he found was that each of these TARs had been adjudicated by a pharmaceutical consultant within one business day of receipt, which meant that the rendered decisions on all of these TARs were available for inquiry by the submitting providers within one business day of receipt. (2)

While it is true that our fiscal intermediary staff are not contractually obligated to key enter TARs within time limits specified in the agreement reached with the patient advocacy groups, every effort is made to assure that the level of key entry staff available to perform tasks associated with drug TAR processing is sufficient to maintain the one business day agreement.

*The California State Auditor's comments on this response begin on page 23.

One last item is of concern to us. The number of unprocessed TARs at the end of the month is not accurately reflected in our automated reports because these reports do not reflect actual transactions submitted and adjudicated. The reports are a snapshot of the status of the TAR file on the last working day of the month. A pertinent example would include a TAR submitted twice within the same month. The TAR is deferred, resubmitted and approved in the same month. This TAR would be reflected as being received and processed only once (the second submission). This snapshot view of the TAR file contributes to the imbalance of remaining TARs from month to month. As we have previously indicated, we intend to resolve this issue with the upcoming redesign of the automated TAR system. (3)

I hope this clarifies our Medi-Cal Operations Division's policies and practices with regards to the timely processing of TARs, and that you will consider this response when finalizing your report. Should you have further questions or need further clarification, please feel free to contact Mr. Virgil J. Toney, Jr., Chief of our Medi-Cal Operations Division at 657-0582.

Sincerely,

S. Kimberly Belshé
Director

Enclosure

Comments

California State Auditor's Comments on the Response From the Department of Health Services

To provide clarity and perspective, we are commenting on the Department of Health Services' (department) response to our audit report. The numbers correspond to the numbers we have placed in the response.

(1) We have chosen not to include the copy of the pharmacy bulletin in our report. Readers interested in reviewing this bulletin may contact our office.

(2) The chief pharmaceutical consultant at the Los Angeles drug unit incorrectly told us that Electronic Data Systems (EDS), not the consultant, enters the decision directly into the Provider Telecommunications Network (network). Based on the new information in the response, we have revised the text on pages 9 and 10. Although we believe that our understanding of the drug treatment authorization request (TAR) process is correct and we agree that providers can access the consultants' decisions on the network, the fact remains that a drug TAR is not fully processed until EDS completes its final data entry. And, for each of the 117 TARs identified on page 13, we found the department and the EDS took longer than one working day to fully process the TAR. Furthermore, as noted on page 13, we found no evidence the consultant had communicated the decision directly to the provider before fully processing the TAR.

(3) Attachment B discusses the department's assertion that the unprocessed TAR totals are not precise because of requests that are returned and resubmitted. Nevertheless, as noted on page 11, we conclude that the department's compilation of drug TAR statistics, including unprocessed TARs, is reasonable.

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps