



Press Release



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State Fines L.A. Care Health Plan \$55 Million in Enforcement Action to Protect Consumers

(Sacramento) – The California Department of Managed Health Care (DMHC) and Department of Health Care Services (DHCS) have taken action against Local Initiative Health Authority for Los Angeles County (L.A. Care) to protect the plan’s members. The two departments’ actions against the state’s largest Medi-Cal plan include penalties of \$55 million. This consists of a [\\$35 million penalty](#) from the DMHC and [\\$20 million sanction](#) from the DHCS.

“The magnitude of L.A. Care’s violations, which has resulted in harm to its members, requires immediate action,” said DMHC Director Mary Watanabe and DHCS Director Michelle Baass in a joint statement. “Our investigations found several operational failures at L.A. Care, which have significantly impacted the health and safety of some of the state’s most vulnerable health care consumers. This action is necessary to protect the plan’s members, and to get L.A. Care to make serious changes to repair the plan’s operations.”

The two departments conducted coordinated investigations into the plan’s violations and worked together on the respective department actions. The departments’ investigations found several violations by the plan, including L.A. Care’s handling of enrollee grievances, the processing of requests for authorization, and inadequate oversight and supervision of its contracted entities regarding timely access.

L.A. Care disclosed to DHCS and DMHC in 2021 a systemic failure to issue resolution letters to members who filed a grievance with the plan. A health plan is required to acknowledge receipt of a non-urgent grievance within five days, resolve the grievance within 30 days, and send a written resolution to the member. L.A. Care reported to the DMHC that it had failed to timely respond to more than 67,000 grievances for several lines of business, including Medi-Cal. L.A. Care reported to DHCS 41,500 instances in which L.A. Care failed to timely issue a resolution letter for a grievance or appeal from January 2019 through October 2021.

“The DMHC found alarming and systemic failures across several core functions the plan is responsible for to make sure members receive appropriate care,” said DMHC Director Watanabe. “These violations are barriers and cause further delay for members to get needed medical care. They also deprive members of information required in grievance resolution letters notifying them of their rights to file a complaint or apply for an Independent Medical Review with the DMHC Help Center.”

“Although L.A. Care cooperated with our investigation, the scope and breadth of its violations indicate deep-rooted, systemic failures that threaten the health and safety of its members,” added DHCS Director Baass. “Our actions today send a strong message that California will hold L.A. Care accountable for providing quality care to its members.”

Additionally, L.A. Care disclosed in 2021 that the plan had a significant backlog in processing requests for authorizations of health care services for members. The plan reported a backlog of 9,125 authorization requests to the DMHC and 8,517 to the DHCS for a three-month period in 2021. Upon further inquiry, L.A. Care further disclosed to the DHCS an identified 92,854 instances in which prior authorization requests were not processed timely from January 1, 2019 through October 13, 2021.

L.A. Care’s systemic failure to timely process prior authorizations for health care services delayed members’ access to medically necessary health care services and had a detrimental impact on its members. Examples of member harm caused by authorization delays include a cancer patient’s health deteriorating, a plan member suffering extreme pain for over two weeks, and another cancer patient given a prognosis of six to nine months to live who disenrolled from L.A. Care because of treatment delays. These examples of documented harm to the plan’s members demonstrate L.A. Care’s failure to provide covered health care services in a timely manner.

The DMHC’s and DHCS’ investigations into L.A. Care’s oversight of the plan’s contracted provider, Los Angeles County Department of Health Services’ (LADHS), was prompted by an article published by the *Los Angeles Times*. The DMHC investigation revealed L.A. Care’s failure to consistently and adequately oversee its delegate, its disregard of its duty to properly measure and monitor compliance with timely access standards, and its failure to establish and maintain a grievance system that consistently ensures adequate consideration of member grievances in compliance with the law. This includes a review of L.A. Care’s member grievance and appeals files regarding LADHS’ compliance with timely access standards showing the plan consistently failed to adequately consider and resolve the members’ grievances. A DHCS focused compliance audit of L.A. Care for January 1, 2019 through December 31, 2020 further identified compliance violations with respect to the L.A. Care’s oversight of LADHS including in the areas quality of care, access and availability of services, as well as grievance notifications. Audit findings indicate a failure to monitor and ensure compliance including failure to appropriately investigate quality of care issues, and issue and/or enforce corrective action plans when needed.

The investigations by both departments also found that L.A. Care failed to maintain sufficient organizational and administrative capacity to provide services to members. This includes a failure to adequately fund or staff the plan's utilization management department, to maintain adequate systems for timely responding to authorizations for care, or grievances and appeals, or to take appropriate steps to mitigate member harm. The DHCS investigation also found L.A. Care failed to accurately and fully disclose the full extent of its case processing backlog and past violations.

Both the DMHC and DHCS have procedures and offices for health plan members needing assistance. The DMHC encourages members having trouble getting the care they need to file a grievance with their health plan. If the member does not agree with their health plan's response or the plan takes more than 30 days to fix the problem in non-urgent cases, they can file a complaint or apply for an Independent Medical Review with the DMHC Help Center at www.HealthHelp.ca.gov or 1-888-466-2219. DHCS' Medi-Cal Managed Care and Mental Health Office of the Ombudsman works on behalf of plan members to help solve problems from a neutral standpoint and ensure that members receive all medically necessary covered services for which plans are contractually responsible. To contact the Ombudsman email MMCDOmbudsmanOffice@dhcs.ca.gov or call 1-888-452-8609.

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About DHCS:

The DHCS operates California's Medi-Cal program with approximately 14.5 million beneficiaries and is the largest health care purchaser in California. The Department also administers numerous other health care programs mandated by federal or state law.

About DMHC:

The DMHC protects the health care rights of more than 27.7 million Californians and ensures a stable health care delivery system. The DMHC Help Center has assisted approximately 2.5 million Californians to resolve complaints and issues with their health plan. The DMHC Help Center provides assistance in all languages and all services are free. For more information visit www.HealthHelp.ca.gov or call 1-888-466-2219.