

June 5, 2024

Jane MacAdam, Director of Compliance  
Deborah Murr, Chief Compliance and Fraud Prevention Officer

*Via E-mail*

Kern Health Systems  
2900 Buck Owen Boulevard  
Bakersfield, CA 93308

RE: Department of Health Care Services Medical Audit

Dear Ms. MacAdam and Ms. Murr:

The Department of Health Care Services (DHCS), Audits and Investigations Division conducted an on-site Medical Audit of Kern Health Systems, a Managed Care Plan (MCP), from November 27, 2023 through December 8, 2023. The audit covered the period from November 1, 2022, through October 31, 2023.

The items were evaluated, and DHCS accepted the MCP's submitted Corrective Action Plan (CAP). The CAP is hereby closed. The enclosed documents will serve as DHCS' final response to the MCP's CAP. Closure of this CAP does not halt any other processes in place between DHCS and the MCP regarding the deficiencies in the audit report or elsewhere, nor does it preclude the DHCS from taking additional actions it deems necessary regarding these deficiencies.

Please be advised that in accordance with Health & Safety Code Section 1380(h) and the Public Records Act, the final audit report and final CAP remediation document (final Attachment A) will be made available on the DHCS website and to the public upon request.

If you have any questions, please reach out to CAP Compliance personnel.

Sincerely,

[Signature on file]

Lyubov Poonka, Chief  
Audit Monitoring Unit

Process Compliance Section  
DHCS - Managed Care Quality and Monitoring Division (MCQMD)

Enclosures: Attachment A (CAP Response Form)

cc: Stacy Nguyen, Chief *Via E-mail*  
Managed Care Monitoring Branch  
DHCS - Managed Care Quality and Monitoring Division (MCQMD)

Grace McGeough, Chief *Via E-mail*  
Process Compliance Section  
Managed Care Monitoring Branch  
DHCS - Managed Care Quality & Monitoring Division (MCQMD)

Maria Angel, Lead Analyst *Via E-mail*  
Audit Monitoring Unit  
Process Compliance Section  
DHCS - Managed Care Quality & Monitoring Division (MCQMD)

Jessica Delgado, Unit Chief *Via E-mail*  
Managed Care Contract Oversight Branch  
DHCS – Managed Care Operations Division (MCOD)

Lucas Paton, Contract Manager *Via E-mail*  
Managed Care Contract Oversight Branch  
DHCS – Managed Care Operations Division (MCOD)

## ATTACHMENT A

### Corrective Action Plan Response Form

**Plan:** Kern Health Systems

**Audit Type:** Medical Audit

**Review Period:** 11/01/22 – 10/31/23

**On-site Review:** 11/27/23 – 12/08/23

MCPs are required to provide a Corrective Action Plan (CAP) and respond to all documented deficiencies included in the medical audit report within 30 calendar days unless an alternative timeframe is indicated in the CAP Request letter. MCPs are required to submit the CAP in Word format, which will reduce the turnaround time for DHCS to complete its review. According to ADA requirements, the document should be at least 12 pt.

The CAP submission must include a written statement identifying the deficiency and describing the plan of action taken to correct the deficiency, as well as the operational results of that action. The MCP shall directly address each deficiency component by completing the following columns provided for MCP response: 1. Finding Number and Summary, 2. Action Taken, 3. Supporting Documentation, and 4. Completion/Expected Completion Date. The MCP must include a project timeline with milestones in a separate document for each finding. Supporting documentation should accompany each Action Taken. If supporting documentation is missing, the MCP submission will not be accepted. For policies and other documentation that have been revised, please highlight the new relevant text and include additional details, such as the title of the document, page number, revision date, etc., in the column "Supporting Documentation" to assist DHCS in identifying any updates that were made by the plan. Implementing deficiencies requiring short-term corrective action should be completed within 30 calendar days. For deficiencies that may be reasonably determined to require long-term corrective action for a period longer than 30 days to remedy or operationalize completely, the MCP is to indicate that it has initiated remedial action and is on the way toward achieving an acceptable level of compliance. In those instances, the MCP must include the date when full compliance will be completed in addition to the above steps. Policies and procedures submitted during the CAP process must still be sent to the MCP's Contract Manager for review and approval, as applicable, according to existing requirements.

**Please note that DHCS expects the plan to take swift action to implement improvement interventions as proposed in the CAP; therefore, DHCS encourages all remediation efforts to be in place no later than month 6 of the CAP unless DHCS grants prior approval for an extended implementation effort.**

DHCS will communicate closely with the MCP throughout the CAP process and provide technical assistance to confirm that the MCP offers sufficient documentation to correct deficiencies. Depending on the number and complexity of deficiencies identified, DHCS may require the MCP to provide weekly updates.

6. Administrative and Organizational Capacity

Finding Number and Summary	Action Taken	Supporting Documentation	Implementation Date * <small>(*Short-Term, Long-Term)</small>	DHCS Comments
<p><b>6.2.1 Fraud and Abuse Reporting</b></p> <p>The Plan and did not report potential FWA to DHCS within ten working days.</p>	<p><u>KHS Response:</u></p> <p>Kern Health Systems (KHS) has made significant improvement related to our Fraud, Waste, and Abuse initiatives over the past two years. Please note the cases covered during the audit period reported to DHCS were reported with the following results:</p> <ul style="list-style-type: none"><li>• 128 were reported timely (98.5%)</li><li>• Two (2) were received late by Compliance and therefore reported late to DHCS (1.5%).</li></ul> <p>Although at the time of the audit, we had already updated our training materials, provided job aides, and were already tracking cases that were received/reported late and reporting those out in our Fraud, Waste, and Abuse Committee</p>	<p>1_FWA_MS Knowledge DB</p> <p>2_MSMtng_20240228</p> <p>2_CompFWA_20240228</p> <p>3_CompCapsule_March</p> <p>3_CompCapsuleMar2024</p> <p>4_MSMtng_20240424</p> <p>5_FWAWorkflow_202404</p>	<p>1. 02/28/2024</p> <p>2. 03/25/2024</p> <p>3. 04/24/2024</p> <p>4. 04/24/2024</p> <p>5. 04/24/2024</p>	<p>The following documentation supports the MCP’s efforts to correct this finding:</p> <p><b>POLICIES AND PROCEDURES</b></p> <ul style="list-style-type: none"><li>• Plan Policy “14.04-P: Prevention, Detection, and Reporting of Fraud, Waste, or Abuse” (revised December 2022) already included language regarding the requirement to report potential FWA to the DHCS PIU within ten working days from the date of discovery or when it is notified of such activity; therefore, an update was not needed to the Plan’s existing policy. Plan policy states the Plan will refer all suspected FWA identified in a preliminary report to the DHCS Program Integrity Unit (PIU) within ten working days from the date of discovery or when the Plan is notified of such activity. Additionally, the Policy states that Plan employees who identify or receive reports of potential FWA should report it to the Compliance Department within two-working-days of internal identification or receiving the report. (DHCS Medical Audit Report (Issued 3/25/24), page 6)</li><li>• The Plan updated “Suspected Fraud, Waste, and Abuse - Internal Referral Process to Compliance,” revised 04/2024. The workflow demonstrates the Plan’s internal referral process to its</li></ul>

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	<p>Meetings, we have taken the following additional corrective actions:</p> <ol style="list-style-type: none"> <li>1. Updated the FWA reference tool within the Member Services knowledge database</li> <li>2. Compliance presented at the Member Services meetings to review the importance of timely referrals and answer any questions the team may have.</li> <li>3. Focused our March Compliance Capsule on Fraud, Waste, and Abuse and the importance of timely referrals.</li> <li>4. Continued reminding the team of the importance in the 04/24/2028 Member Services Staff Meeting</li> <li>5. Updated our FWA referral</li> </ol>			<p>compliance section. The workflow clearly outlines, if FWA is suspected, the actions that may be taken, including a corrective action plan as needed. In addition, Compliance Department meets weekly to monitor reporting timelines (5_FWAWorkflow_202404).</p> <ul style="list-style-type: none"> <li>• The Plan updated its "FWA Reference Tool" which is provided to Member Services team as an overview and instructions on reporting FWA, noting urgency of reporting as soon as Plan staff are made aware of suspected FWA. (1_FWA_MSKnowledgeDB)</li> </ul> <p><b>TRAINING</b></p> <ul style="list-style-type: none"> <li>• PowerPoint training "Compliance Update," dated 02/28/2024, demonstrates that the MCP conducted training to staff regarding the reporting of preliminary investigation of all suspected cases of fraud and abuse to DHCS within 10 working days of the Plan receiving notification of the incident. (2_CompFWA_20240228)</li> <li>• The Plan distributed via email to all Plan staff "Compliance Capsule Mar 2024 FWA" document. The document addresses</li> </ul>

Finding Number and Summary	Action Taken	Supporting Documentation	Implementation Date * (*Short-Term, Long-Term)	DHCS Comments
	workflow to address any referrals received late at the time of receipt and are tracking and trending for repeat offenses not only at the department level, but the employee level, to determine any additional corrective actions needed.			<p>the importance of detecting and preventing FWA. (3_CompCapsuleMar2024)</p> <p><b>MONITORING AND OVERSIGHT</b></p> <ul style="list-style-type: none"><li>• The Plan provided FWA Committee Agenda held on May 6, 2024, which demonstrates evidence that the Plan reviewed and discussed updated Workflow and new process of addressing late submissions. Additionally, the Plan has a process in place to identify and report late submissions on a quarterly basis, which are discussed in the FWA Committee Meetings (6.2.1.6_FWA Agenda)</li><li>• The Plan provided an updated tracking log (implemented 04/24/2024) identifying new columns that were added to track FWA and timely reporting: "Days to Receive", "Submitted By" and "Internal Education Provided." The updated log addresses the gap that contributed to the audit finding. (6.2.1.6_FWA Log_20240424_current)</li></ul> <p><b>The corrective action plan for finding 6.2.1 is accepted.</b></p>

**Submitted by:** Deborah Murr, MHA, BS-HCM, RN  
**Title:** Chief Compliance & Fraud Prevention Officer

**Signed by:** [signature on file]  
**Date:** 04/24/2024