State of California—Health and Human Services Agency Department of Health Care Services





GAVIN NEWSOM GOVERNOR

- MICHELLE BAASS DIRECTOR
- **DATE:** August 19, 2022

TO: ALL MEDI-CAL DENTAL MANAGED CARE PLANS

SUBJECT: APL 22-009: ENFORCEMENT ACTIONS: ADMINISTRATIVE AND MONETARY SANCTIONS; SUPERSEDES ALL PLAN LETTER 13-004

PURPOSE:

The purpose of this All Plan Letter (APL) is to provide clarification to Dental Managed Care (DMC) plans of the Department of Health Care Services' (DHCS) policy regarding the imposition of administrative and monetary sanctions, which are among the enforcement actions the DHCS may take to enforce compliance with DMC plan contractual provisions and applicable state and federal laws. This APL supersedes APL 13-004.

BACKGROUND:

DHCS must enforce compliance with contractual provisions of the DHCS contracts with DMC plans including the requirement to comply with APLs (collectively, referred to as "Contractual Obligations")¹, as well as ensure compliance with applicable state and federal laws and regulations, in accordance with its authority and obligations under state and federal requirements, and its authority under its contracts with DMC plans. DHCS is authorized to take enforcement actions, including imposing Corrective Action Plans (CAPs), and imposing administrative and monetary sanctions on DMC plans that violate applicable state and federal laws and regulations or violate their Contractual Obligations.

DMC plans are responsible for ensuring that they comply with all Contractual Obligations and applicable state and federal laws and regulations. DMC plans must also ensure that all Subcontractors comply with all contract requirements related to the delegated functions undertaken by each Subcontractor.² These requirements must be communicated by each DMC plan to all Subcontractors.

DHCS may impose administrative and monetary sanctions for non-compliance pursuant to, but not limited to, the following:

¹ DMC Boilerplate Contract can be found at: <u>https://www.dhcs.ca.gov/services/Documents/DMC_Boilerplate.pdf;</u> APLs can be found at: <u>https://www.dhcs.ca.gov/services/Pages/DentalAllPlanLetters.aspx</u> ² DMC Boilerplate Contract Exhibit E, Attachment 1 ALL PLAN LETTER 22-009 Page 2

- Title 42 of the Code of Federal Regulations (CFR) section 438.700 et seq.³
- California Welfare & Institutions Code (WIC) section 14197.7⁴
- Title 28 of the CCR section 1300.86
- California Health & Safety Code (HSC) section 100171⁵
- Title 42 of the United States Code (USC), Chapter 7, Subchapter 19, section 1396 et seq.⁶

POLICY:

SANCTION AUTHORITY UNDER WELFARE AND INSTITUTIONS CODE

When a DMC plan or its Subcontractors fail to meet Contractual Obligations to comply with applicable state and federal laws and regulations, and/or for other good cause,⁷ DHCS can impose administrative and/or monetary sanctions in accordance with WIC section 14197.7and 42 CFR section 438.700(a).^{8 9} These reasons include, but are not limited to, the following: ^{10 11}

- 1. Failure to meet Contractual Obligations.¹²
- 2. Failure to meet Quality Metrics or Benchmarks.¹³
- 3. Failure to meet Data Quality and Reporting requirements.¹⁴
- 4. Failure to meet state and federal regulations and laws.¹⁵
- 5. Failure to meet Corrective Action Plan (CAP) requirements.¹⁶

³ The CFR is searchable at <u>https://www.ecfr.gov/</u>.

⁴ State law is searchable at: <u>https://leginfo.legislature.ca.gov/faces/codes.xhtml</u> ⁵ The HSC is searchable at:

https://leginfo.legislature.ca.gov/faces/codesTOCSelected.xhtml?tocCode=hsc ⁶ The USC is searchable at: <u>https://uscode.house.gov/</u>

⁷ Good cause is defined in WIC Section 14197.7(a) and in DMC Boilerplate Contract Exhibit E, Provision 18, d.

⁸ WIC section 14197.7(e)(1), (2)

⁹ Pursuant to 42 CFR section 438.700(a), DHCS may base sanctions on findings from onsite surveys, enrollee or other complaints, financial status, or any other source; this includes medical audits pursuant to WIC section 14456.

¹⁰ DMC Boilerplate Contract Exhibit E, Provision 18, Sanctions

¹¹ 42 CFR section 438.702(b) provides DHCS the authority to impose sanctions under state laws or regulations that address areas of non-compliance in addition to those prescribed in federal authority.

¹² WIC section 14197.7(e)(2)

¹³ WIC section 14197.7(e)(4)

¹⁴ WIC section 14197.7(e)(11)

¹⁵ WIC section 14197.7(e)(1)

¹⁶ WIC section 14197.7(e)(7)

- 6. Failure to comply with the state plan or approved federal waivers.¹⁷
- 7. Failure to comply with network adequacy standards, including, but not limited to, time or distance,¹⁸ timely access, and provider-to-member ratio requirements pursuant to standards and formulae that are set forth in federal or state law, regulation, state plan or contract, and that are posted in advance to DHCS' internet website.¹⁹
- 8. Failure to submit timely and accurate network provider data.²⁰
- 9. Failure to provide adequate delivery of health care services, inclusive of dental services.
- 10. Failure to meet operational standards, including the timely payment of claims.²¹
- 11. Failure to timely and accurately process grievances or appeals.²²

POLICIES TO ENFORCE COMPLIANCE

DHCS can impose any one or a combination of the following enforcement actions, including imposing sanctions on a DMC plan when said plan fails to comply with Contractual Obligations or applicable state and federal laws and regulations:²³

1. Corrective Action Plans

When a DMC plan fails to comply with applicable federal and state laws and regulations, or meet contractual obligations, there is good cause to require a CAP from the DMC plan. DHCS has the authority to require DMC plans to develop and submit a CAP to DHCS for review and approval, in order to correct cited deficiencies.²⁴

DMC plans are required to complete CAPs within six (6) months of receiving notice of violation from DHCS. DMC plans are required to provide a monthly status update to DHCS utilizing the CAP Response Form (enclosed) and provide supporting CAP documentation until the CAP is completed. Monthly CAP updates must identify and contain the following:

• The specific deficiency,

¹⁷ WIC section 14197.7(e)(3)

¹⁸ WIC section 14197 (b)(3)

¹⁹ WIC section 14197.7(e)(6)

²⁰ WIC section 14197.7(e)(8)

²¹ WIC section 14197.7(e)(10)

²² WIC section 14197.7(e)(12)

²³ WIC section 14197.7(d); WIC section 14197.7(e); 42 CFR section 438.700; 42 CFR section 438.702(b).

²⁴ DMC Boilerplate Contract Exhibit A, Attachment 5, Provision N, Evaluation of Contractor Compliance/Corrective Action Plan (CAP)

- Description of the corrective action,
- Supporting documentation (such as: documentation of problems in completing the corrective action, evidence of the corrections made, and proof of training),
- Responsible person(s), and
- Implementation date(s).

DHCS can require or impose a CAP on a DMC plan and/or impose other enforcement actions for the violations set forth in WIC section 14197.7(a) and outlined below. For example, sanctions can be imposed on a DMC plan together with a CAP, in lieu of a CAP, or if the DMC plan fails to meet CAP requirements.²⁵ The factor(s) set forth in WIC section 14197.7(g) will be considered by DHCS when determining whether a preceding, concurrent, or subsequent CAP is appropriate when taking enforcement actions, including imposing a sanction.

2. Monetary Sanctions

- a. Monetary sanctions can be imposed on a DMC plan for violations set forth in WIC section 14197.7(d) and (e), especially for any violation resulting in potential Member harm. The factor(s) set forth in WIC section 14197.7(g) will be considered by DHCS when determining the amount of the monetary sanction.
- b. DHCS can impose monetary sanctions in accordance with Title 42 CFR section 438.704 and WIC section 14197.7(e), and collect monetary sanctions by withholding the amount from capitation payments owed to the DMC plan. The mechanism by which the monetary sanction is collected from a DMC plan will be decided and communicated by DHCS.²⁶
 - i. For a deficiency that impacts members, each member impacted constitutes a separate violation.²⁷
 - ii. Sanction amounts under WIC section 14197.7(e) are to be determined by applying the factors set forth in WIC 14197.7(g), listed below. DHCS may impose sanctions of up to \$25,000 per violation for the first violation of the conduct set forth in WIC 14197.7(f), up to \$50,000 for the second violation, and up to \$100,000 for each subsequent violation.²⁸

²⁵ WIC section 14197.7(d), (e).

²⁶ DMC Boilerplate Contract Exhibit E, Provision 19, Liquidated Damages

²⁷ WIC section 14197.7(f)(1)

²⁸ WIC section 14197.7(f)(1)(A), (B), (C)

- iii. Sanction amounts under WIC section 14197.7(f) may be separately and independently assessed for each day the DMC plan fails to correct an identified deficiency.²⁹
- c. DHCS can also impose monetary sanctions in accordance with Title 42 CFR section 438.704 and WIC section 14197.7(d)(6), and collect monetary sanctions by withholding the amount from capitation payments owed to the DMC plan:³⁰
 - i. Up to \$25,000 for each determination of:³¹
 - Failing to provide medically necessary services that the DMC plan is required to provide, under law or under its DHCS contract, to a member covered under the contract.
 - Misrepresenting or falsifying information that is furnished to a member, eligible beneficiary, or health care provider.
 - Distributing directly, or indirectly through any agent or independent contractor, marketing materials that have not been approved by DHCS, or that contain false or materially misleading information.
 - ii. Up to \$100,000 for each determination of:³²
 - Conducting any act of discrimination against a member on the basis of the member's health status or need for health care services. This includes termination of enrollment or refusal to reenroll an eligible beneficiary, except as permitted under the Medicaid program, or any practice that would reasonably be expected to discourage enrollment of eligible beneficiaries whose medical condition or history indicates a probable need for substantial future medical services.
 - Misrepresenting or falsifying information furnished to the Centers for Medicare and Medicaid Services (CMS) or furnished to DHCS.
 - iii. Up to \$15,000 for each eligible beneficiary that DHCS determines was not enrolled in a DMC plan because of a discriminatory practice under WIC section 14197.7(d)(6)(B)(i). This sanction is subject to the overall limit of \$100,000 under WIC section 14197.7(d)(6)(B).³³

²⁹ WIC section 14197.7(f)(1)

³⁰ WIC section 14197.7(n)

³¹ WIC section 14197.7(d)(6)(A); 42 CFR section 438.704(b)(1)

³² WIC section 14197.7(d)(6)(B); 42 CFR section 438.704(b)(2)

³³ WIC section 14197.7(d)(6)(C)

- iv. Up to \$25,000 or double the amount of excess charges, whichever is greater, for premiums or charges in excess of the amounts permitted under the Medicaid program. DHCS will deduct from the penalty the amount of overcharge and return the overcharge to the affected member(s).³⁴
- d. DHCS can also recommend that CMS impose a denial of payment sanction as specified in Title 42 CFR section 438.730(e).³⁵

3. Non-monetary or Administrative Sanctions

- a. <u>Temporary Suspension Orders</u> Temporary suspension orders may include any one or combination of the following:³⁶
 - Suspension of a DMC plan's new enrollment activities, including default enrollment.³⁷
 - Suspension of a DMC plan's marketing activities.³⁸
 - Requiring a DMC plan to temporarily suspend specified personnel and/or a specified Subcontractor.³⁹
 - Requiring DMC plans to ensure that Subcontractors cease certain activities, including referrals, assignment of eligible beneficiaries, and reporting, until DHCS determines that the DMC plan is in compliance with Contractual Obligations and applicable state and federal laws and regulations.⁴⁰

b. DMC plan Personnel Termination

DHCS has the authority to require a DMC plan to terminate specified personnel and/or a specified subcontractors for findings of noncompliance of

³⁴ 42 CFR section 438.704(c)

³⁵42 CFR section 438.730(a)

 ³⁶ WIC section 14197.7(d), (j); DMC Boilerplate Contract Exhibit D(F), Provision 31, Suspension or Stop Work Notification; DMC Boilerplate Contract Exhibit E, Provision 18, Sanctions
³⁷ WIC section 14197.7(d)(1); WIC section 14197.7(d)(5); WIC section 14197.7(j); 42 CFR

³⁷ WIC section 14197.7(d)(1); WIC section 14197.7(d)(5); WIC section 14197.7(j); 42 CFR section 438.702(a)(4)

³⁸ WIC section 14197.7(d)(1); WIC section 14197.7(j)

³⁹ WIC section 14197.7(d)(2); WIC section 14197.7(j)

⁴⁰ WIC section 14197.7(d)(2); WIC section 14197.7(j); DMC Boilerplate Contract Exhibit E, Additional Provisions, Provision 18. Sanctions

Contractual Obligations and applicable state and federal laws and regulations, or for other good cause.⁴¹

c. Imposition of Temporary Management

DHCS can impose temporary management consistent with the requirements set forth in Title 42 CFR section 438.706.⁴² DHCS can impose temporary management upon a finding of <u>any</u> of the following:⁴³

- Continuous egregious conduct by the DMC plan, including but not limited to conduct that is described in Title 42 CFR section 438.700, or that is contrary to any requirements of sections 1903(m) and 1932 of the Social Security Act (42 USC section 1396b(m); 42 USC section 1396u-2).
- There is serious or substantial risk to members' health.⁴⁴
- Temporary management is necessary to ensure the health of the DMC plan's members (i) while improvements are made to remedy the DMC plan's sanctionable violations or (ii) until there is an orderly termination or reorganization of the DMC plan.

Additionally, DHCS <u>must</u> impose temporary management if it finds that the DMC plan has repeatedly failed to meet the substantive requirements in sections 1903(m) and 1932 of the Social Security Act (42 USC section 1396b(m); 42 USC section 1396u-2), the requirements of Title 42 CFR Part 438, Subpart I, or has repeatedly engaged in sanctionable conduct under WIC section 14197.7(e). Pursuant to this sanction, DHCS must also grant members the right to terminate enrollment without cause, as described in 42 CFR section 438.702(a)(3), and notify the affected members of their right to terminate enrollment. ⁴⁵

⁴¹ WIC section 14197.7(d)(2)

⁴² WIC section 14197.7(d)(4)

⁴³ 42 CFR section 438.706(a)

⁴⁴ Serious risk to members' health includes situations that may involve the risk of unnecessary treatment, prolonged treatment, lack of treatment, incorrect treatment, medical complication, premature discharge, physiological or anatomical impairment, disability, or death. (42 CFR section 1004.1(b).)

⁴⁵ 42 CFR section 438.706(b); see 42 CFR sections 438.700, 438.702, (which provides state agencies with authority to impose additional sanctions that address areas of noncompliance specified in section 438.800; WIC section 14197.7(e). Additionally, separate and apart from the requirement in 42 CFR section 438.706(b), DHCS may grant members the right to terminate enrollment without cause and notify said members of their right to disenroll as a sanction for violations under 42 CFR section 438.700 and pursuant to authority granted by 42 CFR section 702(b). See 42 CFR section 702(a)(3).

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DHCS will not terminate temporary management until it determines that the DMC plan can ensure that the sanctioned behavior will not recur.⁴⁶

4. Contract Termination

DHCS can terminate a Contract with a DMC plan for violating the standards prescribed in WIC section 14197.7 or for failure to meet applicable requirements in sections 1932, 1903(m), or 1905(t) of the Social Security Act.⁴⁷ In addition, DHCS will terminate a Contract with a DMC plan that the United States Secretary of Health and Human Services has determined does not meet the requirements for participation in the Medicaid program, as contained in Subchapter 19 (commencing with section 1396) of Chapter 7 of Title 42 of the USC.⁴⁸

When applicable, DHCS will initiate the Phase-out Requirements prescribed in the DHCS Contract for a Contract termination.⁴⁹ If DHCS determines that there is an immediate threat to the health of Members assigned to the DMC plan, DHCS will immediately terminate the DMC plan Contract.⁵⁰

FACTORS DHCS MAY CONSIDER WHEN TAKING ENFORCEMENT ACTION

DHCS will consider whether contractual violations warrant a CAP or other forms of enforcement action including non-monetary and monetary sanctions. When determining the appropriate enforcement action including the assessment of monetary sanctions, DHCS will consider the following non-exhaustive factors:⁵¹

- 1. The nature, scope, and gravity of the violation, including potential harm or impact on beneficiaries.
- 2. The good or bad faith of the DMC plan.
- 3. The DMC plan's history of violations.
- 4. The willfulness of the violation.
- 5. The nature and extent to which the DMC plan cooperated with DHCS' investigation.

⁴⁶ 42 CFR section 438.706(d).

⁴⁷ WIC section 14197.7(a); 42 CFR section 438.708; Title XIX of the SSA is searchable at: <u>https://www.ssa.gov/OP_Home/ssact/title19/1900.htm</u>.

⁴⁸ WIC section 14197.7(i)

⁴⁹ DMC Boilerplate Contract Exhibit E, Provision 17, Phase-Out Requirements

⁵⁰ The contract termination reasons outlined in this APL are separate and apart from the natural end of a contract term, which are subject to the terms of the contract including all Phase-out Requirements.

⁵¹ WIC section 14197.7(g); see also 28 CCR section 1300.86

- 6. The nature and extent to which the DMC plan aggravated or mitigated any injury or damage caused by the violation.
- 7. The nature and extent to which the DMC plan has taken corrective action to ensure the violation will not recur.
- 8. The financial status of the DMC plan, including whether the sanction will affect the ability of the DMC plan to come into compliance.
- 9. The financial cost of the health care service, inclusive of dental services, that was denied, delayed, or modified.
- 10. Whether the violation is an isolated incident.
- 11. The amount of the penalty necessary to deter similar violations in the future.
- 12. Any other mitigating factors.

NOTIFICATION AND APPEALS RIGHTS

In the event of an administrative or monetary sanction, DHCS will provide the affected DMC plan with reasonable notice of DHCS' intent to impose the sanction. DHCS, at its discretion, may alert other persons and organizations that may be impacted or interested in the DMC plan's sanction. All sanction notices will be in writing and will include the effective date, duration of, and reason for each sanction proposed, as well as any appeal rights that the DMC plan has. ⁵² The DMC plan may request to meet and confer regarding the proposed sanction(s) if the request is in writing and provided to DHCS' at dmcdeliverables@dhcs.ca.gov within two business days of receipt of the notice.⁵³

1. Temporary Suspension Orders

DHCS will notify the affected DMC plan of DHCS' intent to impose a temporary suspension order. Such temporary suspension order shall be effective no earlier than 20 days after such notice.⁵⁴

- a. <u>Filing a Notice of Appeal</u>. A DMC plan has the right to appeal a temporary suspension order issued as an immediate sanction by filing a written appeal with DHCS within 30 calendar days of receiving notice of the order.
- b. <u>Setting the Appeal for Hearing</u>. No later than 15 calendar days after receiving the written appeal, DHCS will set the matter for hearing. The hearing must be held as soon as possible, but not later than 30 calendar days after the DMC plan receives the notice of hearing. The DMC plan may request a

⁵² WIC section 14197.7(h); 42 CFR 438.710(a)(2)

⁵³ WIC section 14197.7(h)

⁵⁴ WIC section 14197.7(j)(2)

continuance if the DMC plan needs more time to prepare an adequate defense.

c. <u>Final Determination</u>. The temporary suspension order will remain in effect until the hearing is completed and DHCS has made a final determination on the merits. However, the temporary suspension order will be deemed vacated if DHCS fails to make a final determination on the merits within 60 calendar days after the original hearing has been completed.⁵⁵

2. Temporary Management

For temporary management, DHCS will notify the affected DMC plan of DHCS' intent to impose a temporary management a minimum of 30 calendar days before it goes into effect.

- a. <u>Filing a Notice of Appeal</u>. To request a hearing in connection with the imposition of temporary management, a DMC plan must send its request in writing to the address specified in the sanction notice. The request for a hearing must be sent within 15 business days from the date the DMC plan receives the notice of sanction.⁵⁶
- b. <u>No Stay of Sanction</u>. DHCS will not stay or otherwise delay the imposition of temporary management pending a hearing.⁵⁷ DHCS is not permitted to terminate temporary management until DHCS has determined that the DMC plan can ensure the sanctioned behavior will not recur.⁵⁸

3. Contract Termination

Before terminating a DMC plan contract, DHCS is required to provide the affected DMC plan with reasonable written notice not to exceed 30 days. Notice of contract termination will also be provided to members enrolled in the DMC plan.⁵⁹

For contract terminations, except in cases where DHCS determines there is an immediate threat to the health of members enrolled in the DMC plan, DHCS will,

⁵⁵ WIC section 14197.7(k)

⁵⁶ WIC section 14197.7(I)(1); see also WIC section 14197.7(d) (4) and 42 CFR section 438.706.

⁵⁷ 42 CFR section 438.706(c).

⁵⁸ WIC section 14197.7(I).

⁵⁹ DMC Boilerplate Contract Exhibit E, Provision 3, Termination, e.; DMC Boilerplate Contract Exhibit E, Provision 3, g, 3.

at the request of a DMC plan, hold a public hearing, that will commence 30 calendar days after a DMC plan has received notice of DHCS' intent to terminate the DMC plan's contract. For the hearing, DHCS will assign an administrative law judge to provide a written recommendation to DHCS regarding the termination of the contract within 30 days after the conclusion of the hearing.⁶⁰

4. All Other Sanctions (including monetary sanctions)

For monetary sanctions, DHCS will provide the affected DMC plan a minimum of 30 calendar days' notice. In the event that a DMC plan requests a hearing in connection with a monetary sanction, the sanction will not go into effect until after DHCS issues a final decision.

- a. <u>Filing a Notice of Appeal</u>. To request a hearing in connection with any other sanctions, a DMC plan must send its request in writing to the address specified in the sanction notice. The request for a hearing must be sent within 15 working days⁶¹ after the notice of the effective date of the sanction was given.
- b. <u>Staying the Implementation of monetary Sanctions</u>. DHCS will stay the collection of monetary sanctions upon receipt of a DMC plan's timely submitted written request for a hearing. The request for a hearing must be sent within 15 working days⁶² from the date the DMC Plan receives the notice of sanction. Implementation of the sanction will remain stayed until the effective date of DHCS' final decision.⁶³

5. Conduct of Hearings

Except as otherwise provided in WIC section 14197.7, hearings to review the imposition of sanctions, including temporary suspension orders, follow the procedures set forth in Health and Safety Code (HSC) section 100171 and in the DMC plan's contract with DHCS.⁶⁴ Generally, such hearings must be conducted pursuant to the administrative adjudication provisions of the Administrative Procedure Act and the DMC plan's contract with DHCS.⁶⁵

⁶⁰ WIC section 14197.7(c)

⁶¹ WIC section 14197.7(I)

⁶² WIC section 14197.7(I)

⁶³ WIC section 14197.7(I)

⁶⁴ WIC section 14197.7(m); DMC contract.

⁶⁵ HSC section 100171(a).

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If the requirements contained in this APL, including any updates or revisions to this APL, necessitate a change in a DMC plan's contractually required policies and procedures (P&Ps), the DMC plan must submit its updated P&Ps to the Medi-Cal Dental Services Division (MDSD) at <u>dmcdeliverables@dhcs.ca.gov</u> within 90 days of the release of this APL. If a DMC plan determines that no changes to its P&Ps are necessary, the DMC plan must submit an email confirmation to MDSD within 90 days of the release of this APL, stating that the DMC plan's P&Ps have been reviewed and no changes are necessary. The email confirmation must include the title of this APL as well as the applicable APL release date in the subject line.

DMC plans are responsible for ensuring that their Subcontractors and network providers comply with all applicable state and federal laws and regulations, contract requirements, and other DHCS guidance, including APLs. These requirements must be communicated by each DMC plan to all Subcontractors and network providers.

If you have any questions regarding this APL, please contact MDSD at <u>dmcdeliverables@dhcs.ca.gov</u>.

Sincerely,

Original signed by:

Adrianna Alcala-Beshara, JD, MBA Chief, Medi-Cal Dental Services Division Department of Health Care Services

Enclosure