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Emerging trends in organizational compliance: A health plan perspective
Industry risks for health plans

**Product & Strategy**
- Mergers, Acquisitions, Divestitures, New Products & Markets
- Pricing, Reimbursement & Payment Models
- Operating Model & Talent
- Product and Marketing
- Governance
- Sourced and Outsourced Management
- Government Relations
- Legal

**Care Delivery & Quality**
- Model of Care
- Provider Network & Access
- Provider Credentialing & Licensure
- Care & Quality Management
- Organizational Determinations
- Coverage Determinations
- Appeals
- Grievances & Complaints
- Quality Ratings & Reporting

**Government Mandates**
- Performance-based Monitoring & Auditing (Internal & External)
- Privacy & Security
- Fraud, Waste & Abuse
- Data Reporting
- Policies & Procedures
- Training

**Operations**
- Operational Efficiency
- Delegation Oversight
- Brokers & Sales Agent Management
- Enrollment & Disenrollment
- Member Satisfaction & Services
- Revenue Reconciliation
- Claims
- IT & Infrastructure

Payers are impacted by several larger trends

**Current state**
- Cost-driven transactional models
- Benefit management activities
- Employer paid health care

**Future state**
- Outcome-driven models
- Care management interventions
- Consumer and government models

Led by robust analytics capabilities
Supported by efficient, capabilities-driven Operations
**Regulatory trends**

Impacts of growing regulatory oversight are being felt across programs and driving operational performance activities.

- **Medicare**
  - Updating audit protocols (added model of care)
  - Adjusting 5 STAR

- **Medicaid**
  - Negotiating new terms in contracts to drive improved compliance/behavior
  - Increased oversight by CMS

- **Duals**
  - Application of Medicare compliance effectiveness protocols
  - Emphasis on model of care and measuring related outcomes

- **Exchanges**
  - Increasing oversight of health insurance exchanges
  - Application of Medicare compliance effectiveness and enrollment protocols

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**Impact of trends on the Compliance function**

Health insurers are revamping their organization’s approach to partnering with and using their compliance function.

- **Compliance is a trusted business advisor to the C-Suite and the Board of Directors to achieve organizational strategic goals**

- **C-Suite leadership and the Board of Directors are looking to Compliance to help drive growth and reduce G&A, while managing and mitigating risk**

- **Health insurers are moving toward integrated monitoring of operational performance and compliance**

- **Payers are organizing around their business in order to optimize organizational structure**

- **Organizations are making significant investments to enhance C-suite and Board of Directors reporting, dashboards and operational performance and risk monitoring reporting**
Payer response to increasing requirements
Compliance as a strategic enabler

<table>
<thead>
<tr>
<th>Compliance activity</th>
<th>Example leading practices</th>
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<tbody>
<tr>
<td>Enhancing Operational Performance Monitoring</td>
<td>• Use current methods and processes to interpret and communicate new regulatory requirements to delegated entities</td>
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<td>• Leverage existing communication channels to obtain compliance-related information / documentation</td>
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<tr>
<td>Mapping and Auditing FDRs</td>
<td>• Develop measureable compliance and operational metrics and key performance indicators (KPIs) based on delegated activities</td>
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<td>• Determine type and frequency of oversight based on risk and prioritization assessment</td>
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<tr>
<td>Gauging Revenue Integrity</td>
<td>• Identify cost control measures, develop reporting mechanisms, and implement scorecards to measure performance</td>
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<td>• Apply data analytics and control points to evaluate each encounter both as a single data point and as a holistic data set.</td>
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Analytics, reporting and spotlights
The best offense is an effective compliance program...

....where oversight and responsibility for compliance is shared...

<table>
<thead>
<tr>
<th>Tone and Oversight</th>
<th>Risk Assessment</th>
<th>Internal Audit</th>
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<tbody>
<tr>
<td>Management</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>• Owns and manages risks</td>
<td>• Oversees/monitors risks</td>
<td>• Provides independent assurance</td>
</tr>
<tr>
<td>• Responsible for maintaining effective internal controls</td>
<td>• Helps to translate legal interpretation of laws into actionable standards</td>
<td>• Scope of assurance is broad - from strategic to compliance risks</td>
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Monitoring

Auditing
...and an analytics-driven approach provides greater risk assurance

Value analytics brings to health plans:

- Better understanding of risks using the same techniques as the regulators
- Advanced analytical techniques can be more cost efficient than traditional methods
- Analytics-driven compliance can identify issues missed by traditional approaches and accelerates root-cause analysis

Continuous monitoring and controls testing
Data-driven insights and streamlined reporting
Actionable intelligence and expanded audit coverage

Good Compliance makes good business sense: The evolution of compliance data, analytics and reporting

Health plans are evolving their analytics with the most significant focus on several core fundamental areas.

<table>
<thead>
<tr>
<th>Focus area</th>
<th>Results achieved</th>
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</table>
| Integration of regulatory/compliance requirements into operational performance reporting | ✓ Improved operational performance
✓ Increased regulatory compliance
✓ Reduced level of effort related to organizational compliance |
| Transformation of management and executive-level dashboards | ✓ Implemented proactive approach to managing both compliance and operational performance
✓ Increased regulatory compliance |
| Evolving analytics for compliance-related audits and reviews | ✓ Reduced effort by business areas to conduct audits
✓ Enhanced value to the business in streamlining remediation and prevention efforts |
| Profiling of providers to link compliance, care management and quality together | ✓ Enhanced view into the linkage of quality performance to outcomes, down to provider level
✓ Remaining on pace with direction regulators are headed |
Driving an analytics-based approach to risk and compliance

Now that government entities are using advanced statistical models and sophisticated data analytics to target fraudulent activity and poor quality of care, compliance functions must leverage similar tools and processes in order to proactively address compliance risk and implement effective controls.

The convergence of a high volume and a diverse range of government mandates is overwhelming already stretched risk and compliance teams.

Regulators armed with data-mining techniques are issuing fines and sanctions in response to claims of fraud, waste, and abuse and noncompliance with government regulations.

The recent explosion in the volume of data creates operational, financial, and reputational risks that traditional monitoring can no longer address.

New data integration and visualization tools are enabling more thorough testing, better identification of trends and aberrations, and dynamic reporting.

How regulators are using your data to identify your risks and areas of noncompliance...

Data-driven diagrams/convergences
Part D monitoring
Core D monitoring
Case selection of pre-identified fails
Drive-operational changes/outcomes
Embedding analytics across compliance lifecycle

A value-driven risk assessment approach

Implement a risk assessment approach that leverages methodologies and leading practices to identify, and rank compliance risks.

1. Identify and Assess Compliance Risk
2. Develop Risk Assessment Tools
3. Develop Risk Assessment Process

A robust monitoring plan

Leveraging the risk assessment, assess the current self monitoring program and provide recommendations for improvements including the use of data analytics.

1. Understand and Assess Current State
2. Develop Monitoring Program Requirements
3. Develop Monitoring Program Metrics and Process

Data-driven continuous monitoring approach

Implement data analytics enabled methodology to identify, predict and actively monitor compliance risks (including fraud, waste and abuse) by leveraging disparate sources of data.

1. Understand and Assess Current State
2. Design Data Mining and Analytics Framework
3. Develop Processes, Policies and Procedures

Impact

• The client significantly enhanced its compliance program supported by industry-leading KPI monitoring which resulted in:
  - Higher confidence with the Board of Directors and Executive Team
  - Passed subsequent validation audits
  - Reduced cost-of-compliance through embedding regulatory compliance in operations
  - An increased 5-Star rating the following year (upon completion of the engagement)

Illustrative Example: Compliance monitoring build-out

Operational compliance monitoring mitigates the organization's risk of non-compliance by leveraging key performance indicators (KPIs) to detect deviations from regulatory requirements and standards.

<table>
<thead>
<tr>
<th>Issue</th>
<th>Action</th>
<th>Impact</th>
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<tr>
<td>The Audit Committee of a regional Medicare and Medicaid health plan was concerned with the effectiveness of its corporate compliance program due to a number of issues raised by regulators.</td>
<td>• Upon completion of the assessment, PwC was retained to lead remediation efforts in developing the client's operational compliance monitoring capabilities. Specific activities included:  - Developed an inventory of 127 KPI metrics as a baseline for monitoring  - Performed a readiness analysis to determine level of effort required to build KPI reports  - Established an &quot;Information Maturity Framework&quot; to assign scores to existing reports  - Directed design, build, test and implementation efforts across business and IT</td>
<td>• The client significantly enhanced its compliance program supported by industry-leading KPI monitoring which resulted in:  - Higher confidence with the Board of Directors and Executive Team  - Passed subsequent validation audits  - Reduced cost-of-compliance through embedding regulatory compliance in operations  - An increased 5-Star rating the following year (upon completion of the engagement)</td>
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PwC
Illustrative Example: Compliance monitoring build-out (continued)

The “Information Maturity Model” previously referenced reflected the client’s progress towards successful development of its monitoring capabilities.

Information Maturity Model

Key Performance Indicators

The example KPI metrics listed below represent a subset of those for which operational compliance monitoring reports can be built.

<table>
<thead>
<tr>
<th>Business area</th>
<th>Relevant examples*</th>
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| Appeals & Grievances | - Standard Grievance Resolution Turnaround Time (TAT): 95% within 30 calendar days
| | - Expedited Reconsideration Resolution TAT: 95% within 72 hours
| | - Claim Reconsideration IRE Turnaround Time: 95% within 30 calendar days
| Claims | - Payment of Non-Contracted Providers/Clean Claims TAT: 95% within 30 calendar days
| | - Payment of Contracted Providers/Tardy Claims TAT: 95% within 60 calendar days from date of receipt
| | - Denial of Non-Contracted, Non-Clean Claim TAT: 95% within 60 days
| Customer Service | - Customer Call Center Average Hold Time: Not to exceed 2 minutes after IVR or touch tone response and before reaching a live person
| | - Customer Call Center Average Speed of Answer: 80% within 30 seconds
| | - Customer Call Center Disconnect Rate: Not to exceed 5%
| Enrollment | - Acknowledgement of Receipt of Complete Enrollment Application: 95% within 10 calendar days of receipt
| | - Confirmation of Enrollment Sent to Member: 95% within 10 calendar days of TIB receipt
| | - Notice of CMS Rejection of Enrollment Sent to Enrollee: 95% within 10 calendar days of TIB receipt
| Sales | - Resolution of Sales Allegations: 95% completed within 31 days
| | - Notify CMS of Marketing Events: 90% within 7 calendar days prior to the event’s scheduled date, or prior to advertising the event, whichever is earlier
| | - Scope of Appointment Signatures Prior to Appointment: 95% completed 1 business day before appointment
| Utilization Management | - Pre-Service Auth Revenue Notice of Extension: 95% within 14 calendar days
| | - Pre-Service Auth Urgent Resolution TAT: Extended: 95% within 3 calendar days of oral notice + up to 14-day extension
| | - Expedited Drug Benefit Coverage Determination TAT: 95% within 24 hours

* Note: Thresholds set for KPI metrics based on regulatory requirements/expectations and/or plan sponsor internal standards of operation.
**Analytical dashboards provide an easy visual for stakeholders to digest data**

Dashboards with a particular focus on claims data can be used to identify cases where payments were disbursed for services not medically necessary.

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**Leveraging analytics to identify FWA**

Dashboards that efficiently provide actionable intelligence can be used to answer specific questions regarding potential instances of FWA.

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*Services shown are examples and may be considered medically necessary in certain situations*
Kaiser Permanente spotlight
Compliance and Analytics

Rakesh Shah, Executive Director, Commercial Compliance

Kaiser Permanente

Mission
To provide high-quality, affordable health care services and to improve the health of our members and the communities we serve.

Vision
To be a leader in total health by making lives better.
Kaiser Permanente

Quick Facts – July 2014

- Members by Region
- Community investments
- Medical Facilities & Staff

Community investments:
- $178.4 million
- $4.9 billion
- $19.9 billion

Medical Facilities & Staff:
- Hospitals: 38
- Physicians: 17,425
- Nurses: 48,285
- Employees: 174,415

Our Quality Is Recognized Nationally

- Leads the nation in the most No. 1’s in Effectiveness of Care Measures
- Kaiser Permanente is the only health plan in California to earn the highest rating for overall quality of care in the Healthcare Quality Report Card
- Kaiser Permanente has received 37 Stage 7 Hospital Awards for successful electronic health record implementation
- Six Kaiser Permanente research centers selected for inclusion in the 13-center Mental Health Research

- Kaiser Permanente Lakes Among the Safest in the Nation
- Kaiser Permanente Wins Prestigious Eisenberg Award for Patient Safety and Quality Efforts
- Implant registries recognized for contributions to patient safety, quality improvement and cost effectiveness

Kaiser Permanente: Thrive
Message From The CEO

CEO Bernard J. Tyson shares his vision for driving down health care costs

Health care in this nation is at a critical inflection point. All across the country, people are asking three important questions about their health care and the industry that provides it: Why does it cost so much? Why does the price keep going up so fast? And why haven’t we been able to rein in the costs?

These are critical questions, and they also are entirely fair. In fact, 18 percent of all spending in this country goes toward health care — a level of spending that, despite slowing growth, remains unsustainable.

In recent days, Kaiser Permanente has been in the spotlight, and I have been asked these same questions, pointedly, by some of the largest organizations whose members and employees we serve in California and across the nation.

While we are the lowest-cost and most affordable option in many areas of the country, our customers have looked at the increases in the price for our care and coverage for the upcoming year and have told us they are disappointed.

Incoming Federal & State Regulations

From 2006 through Q3 2013 the federal government issued approximately *56,948 pages of ACTIONABLE regulations, laws or sub-regulatory guidelines.

* Some regulations impact both Health Plan and Care Delivery and are counted under each area of interest.
Regulators

More new laws and regulations. Increased investigations, cases, and audits.

2012/13:
1,106 new laws & regulations
34,425 pages

Regulatory Environment

2012
2013

--- Member Investigations --- Internal Investigations
--- TrakWeb Cases --- External Audits

31% (175 in 2013)*

5% (178 in 2013)
4% (581 in 2013)
3% (2,104 in 2013)

* Does not include 8,454 RAC audits conducted in 2012/13

Health Care Today

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<th></th>
<th>11</th>
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<td>Medicaid &amp; CHIP</td>
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<tr>
<td>Medicare</td>
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Exchanges
Exchanges/Affordable Care Act Provisions are the Key to Kaiser Permanente’s Future Growth

Health care reform (HCR) is projected to drive about a third of our membership growth over the next 10 years and the exchanges will account for the large majority of that growth.

With this growth comes another challenge: Migrating status of individuals.

- 1: Single, loses job = Joins Medicaid
- 2: Married, loses job = Exchanges and Subsidies
- 3: Single, get job = Exchanges

Situation – The Health Care Reform Regulatory Environment

Multiple Requirements & Oversight Bodies Create Complexity and Risk

The Affordable Care Act results in a new layer of federal regulations and oversight on Kaiser Permanente’s commercial insurance products program wide. Kaiser Permanente’s commercial lines of business face regulatory scrutiny and increased insurer oversight.

Federal Market Rules (MBR, IRS), Federal and State Exchanges, Other Health Care Reform, Other Mandates (e.g., EHRMA)

State DOH/DHCF/DOB

State Exchange Board

Advocacy Areas
- Amending Grandfathered Plans
- Rates/Rate structure
- Disclosure
- Grandfathered coverage
- Conversion plans

Regulatory Bodies

CMS

OPM

DOL

State Market Rules (DOH/DHCF/DOB)

Federal Exchange Governance (TEC)

Qualified Health Plan (QHP)

State Exchange

Regional Variations

SPE

FFE

GA, CA, WA

Health & Human Services

CMS – Centers for Medicare & Medicaid Services

HHS – Health and Human Services

OPM – Office of Personnel Management

DOL – Department of Labor

MBR – Medical Benefit Ratio

SR’s – Risk Adjustment, Reinsurance, Risk Corridors

FFE – State Partnership

SPE – State Partnership
Kaiser Permanente Compliance Program

SVP and Chief Compliance and Privacy Officer Dan Garcia was appointed in 2001 by BOD.
- Started with seven people and now has integrated compliance personnel into seven regions nationwide.

Developed based on Office of Inspector General's Seven Elements of an Effective Compliance Program.
- Practice areas: Coding; Compliance Audit and Investigations; Training; Communications; Ethics and Integrity; Federal Programs; Health Plan Operations; Compliance; Fraud Control; Health Care Delivery Compliance; Privacy and Information Security; and Data Mining & Analytics.

Many best practices developed over the years:
- One system support tool.
- Integrated model with co-creation culture.
- Comprehensive leadership accountability and functional support.
- National shared services.
Kaiser Permanente Compliance Mission and Vision

Mission
The Kaiser Permanente Compliance, Ethics & Integrity Program supports the Kaiser Permanente mission by:
- Promoting a culture of ethics and integrity.
- Assuring alignment and compliance with laws and regulations, licensing requirements, accreditation standards, and regulator expectations.
- Contributing to the right risk management work efficiently.

Vision
Kaiser Permanente does the right thing by promoting ethics in decision making and integrity in all actions.

Compliance Program Structure
Compliance Program Maturity

Reactive
- Denial of seriousness
- Ad hoc
- Dependent on heroics
- Not perceived as a necessary cost

Proactive
- Defined controls and processes
- Proactive detection and monitoring
- Timely response to allegations of misconduct
- Perceived as a necessary cost

Integrated
- Aligned operational goals and joint initiatives
- Investigations with law enforcement and peer organizations
- Collaboration among subject matter experts for dynamic integration
- Positive return on investment
- Culture of co-creation

Compliance and Analytics
Evolution of Data Analytics at Kaiser Permanente

Regulatory requirements state that health care organizations have a “robust” fraud, waste, and abuse (FWA) program including data mining.

Proactive (Targeted)
- Fraud Control
  - Data mining proactive work plan
    - Risk based analytics
- Compliance Monitoring
  - OIG work plan
  - Audits/risk assessments
- Cost Containment
  - Identification and monitoring

Reactive
- Analytics designed to assist and address:
  - Audits and risk-based requests
    - Internal Audit and National Compliance Audit Team
    - Care Delivery Compliance
  - National and Regional Fraud Investigations
  - External Entities
    - Federal and state regulatory law enforcement agencies and contractors

Historically Data Analytics Has Been Reactive
Using Analytics: Positive Return On Investment

More than $160 million saved and/or recovered due to the work facilitated by the National Compliance, Ethics & Integrity Office.

Proactive and Reactive Data Mining

Approximately 75 percent of data hosted for FWA also supports the functional areas overlapping with “Program Integrity.”

Data supports a proactive and reactive comprehensive FWA data mining program.

Our data mining program runs queries encompassing all business lines (e.g., accounts payable, pharmacy, membership, etc.).
Growth in Demand for Analytics Continues

- Our analytics growth over the years has required use of more sophisticated technology to handle the data complexity and volume.
- Increasing requirements necessitates migration to predictive modeling toolsets to meet expanded demand without significant increase in staff.

Health Care Reform Analytics

Looking to the Future
The Opportunity

- Unprecedented levels of reimbursement restructuring.
- Rewarding value rather than volume, and outcomes rather than activity.
- Connecting the various silos of internal and external data needed in order to provide better, more efficient care.
- Confidently understand and improve organizational performance – operational and clinical.

Health Care Reform Analytics Approach

- Data-driven model to measure the impact of various aspects of the Patient Protection Affordable Care.
- Act on their organization and employee population.
- Data Integration across the extended enterprise.
- Understand and manage risks and incentives as a result of the new reimbursement models.
- Use analytics to understand the true cost of care.
- Engage patients to become actively involved in monitoring and managing their own health.
Designing and implementing HCR compliance analytics

**Data Analytics – Current And Future**

**Current State**
- **Transaction Analysis**
  - Rules based.
  - If/then.
- **Anomaly Analysis**
  - Detect abnormal patterns, outliers, comparative – aggregate or peers.
- **Predictive Analysis**
  - Modeling against known and unknown fraud cases.
- **Network Link/Neural Analysis**
  - Discovery through associative links
  - Usually hidden layers below common data.

**Future State**

1/26/2015
Questions?
Key takeaways

1. Health plans are making sweeping changes to remain competitive and those that are doing it well are delivering products and services to members while maintaining a focus regulatory requirements.

2. There is a need to invest in people, process, technology but a substantial level of effort is required to realize true benefits.

3. Many payers are experiencing the following benefits by integrating Operations and Compliance:
   • Improved operational and compliance performance;
   • Increased ability to identify, monitor and mitigate organizational risk; and
   • Enhanced delivery and quality of care, maximizing member and beneficiary impact.