



***Simplifying
Healthcare
Compliance***

CareSource's
Experience with
Integrated GRC



Agenda

- | Introduction and Overview
- | Governance, Risk and Compliance
- | Getting Organized
- | Implementation and Beyond
- | Lesson Learned



Who is CareSource?



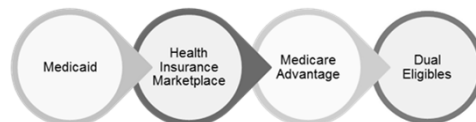
Our MISSION

To make a lasting difference in our members' lives by improving their health and well-being.



CARESOURCE

- A nonprofit health plan and national leader in Managed Care
- 27-year history of serving the low-income populations across multiple states and insurance products
- Currently serving over 1.5 million members in Kentucky, Ohio, Indiana, West Virginia
- Preparing to serve Indiana and Georgia Medicaid members in 2017



1.52M
members



Confidential & Proprietary

4



Our COMMITMENT

We will always put people over profit.

- Best-in-class administrative cost ratio delivers maximum benefits to members while being responsible stewards of government funds
- Serving members across the continuum of government programs, coordinating care as their eligibility changes
- Comprehensive, member-centric models of care to address our entire population's health and social needs
- Help members navigate through daily life challenges and obstacles

As a **non-profit, member-centric company**, we are accountable to our members and the communities we serve - not shareholders.




6%
Administrative Costs

90-92%



Medical Cost Ratio

Confidential & Proprietary 5



Why Governance Risk and Control Automation?

CareSource

OBJECTIVES

Governance Risk & Compliance

With the highly evolving regulatory landscape, healthcare payers are facing numerous compliance challenges and stringent regulatory scrutiny.

Mitigating risks of non-compliance with evolving regulations is a top priority in the industry today, making healthcare organizations move towards adopting GRC solutions.

Governance Risk and Control (GRC) solutions offer benefits for successfully managing regulatory and compliance elements

- Get a single source of truth for all compliance, risk, and quality data
- Streamline and automate GRC processes
- Improve collaboration and coordination across GRC activities
- Transform real-time risk data into valuable business intelligence
- Simplify compliance with regulations, corporate policies, and quality standards through a common compliance framework

7

Confidential & Proprietary



INTEGRATED GRC

Second Level

THE GOAL

*Bring people together
by coordinating efforts
and sharing resources.*

GRC TERMINOLOGY

Compliance And Controls
Enterprise Risk Management
Integrated Assurance

ORGANIZATIONAL FOUNDATION

Compliance And Controls
Enterprise Risk Management
Integrated Assurance

START WITH THE END IN MIND

Reporting Expectations
Executive Level Rollup
Agility When There Are Changes

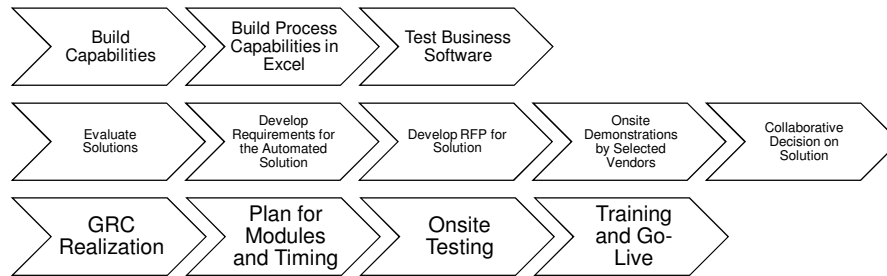
8

Confidential & Proprietary



GRC AUTOMATION

Our Journey



9

Confidential & Proprietary



Planning and Strategy



PLANNING

*Develop your plan **BEFORE** starting GRC implementation.*

ROADMAPS

Technology
Implementation and Foundation First

FOUNDATIONAL ELEMENTS

Determine Scope of Implementation
Process, Controls, Metrics, Risk, etc.

HIERARCHY

Determine Reporting Capability
Segment
Tie to Financial or HR Systems

HIGH LEVEL PROCESS

Understand Critical Steps
Evaluate Process
Be Flexible

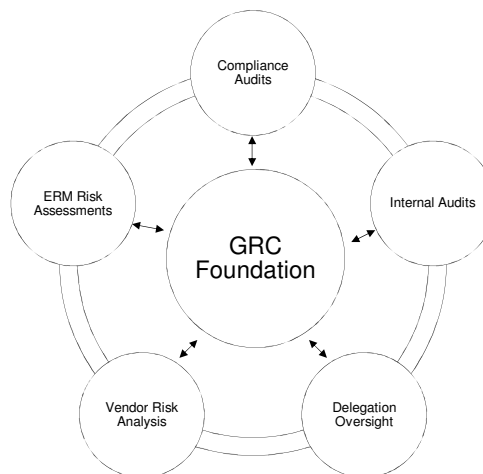
11

Confidential & Proprietary



FOUNDATION ELEMENT

Basics



12

Confidential & Proprietary



FOUNDATION ELEMENT

Example Controls

Control Report

Load Preference

| Control ID | Control Name | Key Control | Control Purpose | Control Ty |
|---------------|--------------------------------------|-------------|-----------------|------------|
| CTRL-00001019 | A101 AP Check Access | No | Preventive | MAR |
| CTRL-00001427 | A102 Accounting Detail Review | Yes | Preventive | MAR |
| CTRL-00001021 | A102 Accounting Detail Review | Yes | Preventive | MAR |
| CTRL-00001023 | A103 Bank Deposit Preparation | Yes | Preventive | MAR |
| CTRL-00001025 | A104 AP Check Destruction | No | Preventive | MAR |
| CTRL-00001027 | A105 Bank Reconciliations | Yes | Detective | MAR |
| CTRL-00001029 | A109 Monitoring of Bank Transactions | No | Detective | MAR |
| CTRL-00001031 | A110 Debits To Bank Accounts | No | Preventive | MAR |
| CTRL-00001033 | A111 Online Bank Account Access | Yes | Preventive | MAR |
| CTRL-00001035 | A112 Bank Account New User Setup | Yes | Preventive | MAR |
| CTRL-00001037 | A118 Approved Payment Templates | No | Preventive | MAR |
| CTRL-00001039 | A119 Releaser Payment Approval | Yes | Preventive | MAR |
| CTRL-00001041 | A122 ACH Payment Approval | Yes | Preventive | MAR |
| CTRL-00001043 | A123 Ohio Transaction Limit | No | Preventive | MAR |
| CTRL-00001045 | A124 Bank Resolutions | No | Preventive | MAR |
| CTRL-00001047 | A125 Template Approval | No | Preventive | MAR |
| CTRL-00001049 | A127 Clearwater Reconciliation | Yes | Detective | MAR |
| CTRL-00001051 | A130 Clearwater Access Limit | No | Preventive | MAR |
| CTRL-00001053 | A131 Investment Approval | Yes | Preventive | MAR |
| CTRL-00001055 | A132 Investment Initiation | No | Preventive | MAR |

13

Confidential & Proprietary



FOUNDATION ELEMENT

Example Controls

Control Report

Load Preference

| Control ID | Control Name | Key Control | Control Purpose | Control Type |
|--|----------------------|-------------|-----------------|--------------|
| CTRL-00001019 | A101 AP Check Access | No | Preventive | MAR |
| Description: Live check access is limited by use of lockbox and locked cabinet Owner Organizations: CareSource Owners: Cathleen Aldmer Level 1 Approver: Level 2 Approver: Applies to Organizations: Related Areas of Compliance: Internal Controls Related Assertions: Related Assets: Related Asset Classes: Related Controls: Related Evidences: Related Framework References: Related Functions: Related Objectives: Related Processes: A1 Cash Receipts and Disbursements Related Products: | | | | |

14

Confidential & Proprietary



FOUNDATION ELEMENT

Example Risks

Risk Report

| Risk ID | Risk Name | Status | Level |
|---------------|---|--------|---------|
| RISK-00001008 | D1.R1 Ineffective Control Environment | Active | Level 1 |
| RISK-00001005 | D1.R2 Lack of Strategic Plan | Active | Level 1 |
| RISK-00001006 | D1.R3 Monitoring of Financial Condition | Active | Level 1 |
| RISK-00001007 | D1.R4 Lack of Governance Processes and Monitoring | Active | Level 1 |
| RISK-00001016 | Data classification | Active | Level 1 |
| RISK-00001022 | Data protection | Active | Level 1 |
| RISK-00001032 | Economic changes | Active | Level 1 |
| RISK-00001021 | Employee onboarding | Active | Level 1 |
| RISK-00001076 | Employee performance management | Active | Level 1 |
| RISK-00001073 | Encounters | Active | Level 1 |
| RISK-00001064 | Enrollment | Active | Level 1 |
| RISK-00001040 | Enterprise information management | Active | Level 1 |
| RISK-00001064 | Ethics | Active | Level 1 |
| RISK-00001030 | Facilities maintenance | Active | Level 1 |
| RISK-00001062 | Facilities operations | Active | Level 1 |
| RISK-00001024 | Facilities planning | Active | Level 1 |
| RISK-00001074 | Financial reporting | Active | Level 1 |
| RISK-00001010 | Fraud and abuse | Active | Level 1 |
| RISK-00001029 | Government and industry relations | Active | Level 1 |
| RISK-00001004 | IA - Compliance | Active | Level 1 |

15

Confidential & Proprietary



FOUNDATION ELEMENT

Example Risks

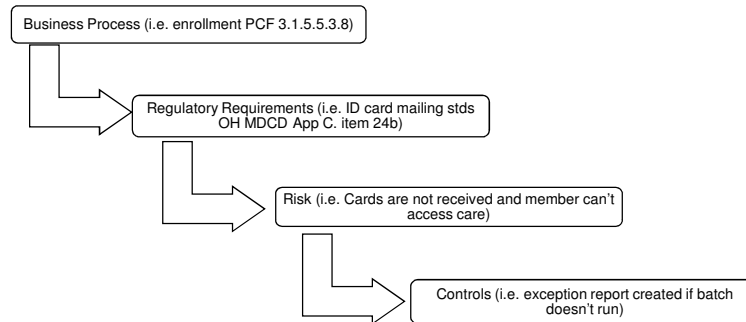
| | | | | |
|---|---|--------|---------|----|
| RISK-00001007 | D1.R4 Lack of Governance Processes and Monitoring | Active | Level 1 | No |
| Description: Governance processes and monitoring activities are not in place or sufficient, leading to reduced effectiveness of CareSource's control environment | | | | |
| Owner Organizations: CareSource | | | | |
| Owners: Cathleen Altmer | | | | |
| Level 1 Approver: | | | | |
| Level 2 Approver: | | | | |
| Applies to Organizations: | | | | |
| Related Areas of Compliance: Internal Controls | | | | |
| Related Assets: | | | | |
| Related Controls: D108 Finance Committee D110 Audit and Compliance Committee D111 Nominating/Governance Committee D112 Executive Compensation Committee D113 ERM Committee D114 Executive Council Committee D115 Enterprise Governance Committee D116 Compliance Committee | | | | |
| Related Functions: | | | | |
| Related Objectives: | | | | |
| Related Processes: D1 Entity Level Controls | | | | |
| Related Products: | | | | |
| Related Regulatory Bodies: Internal | | | | |
| Related Requirements: | | | | |
| Related Risks: | | | | |

16

Confidential & Proprietary



HIGH LEVEL PROCESS



17

Confidential & Proprietary



PLANNING

Support Model

DEDICATED STAFF
Internal Staff
Vendors

PARTNER WITH ANOTHER ORGANIZATION

UNDERSTAND THE TOOL
Understand Functionality

PARTNER WITH THE VENDOR
Frequent Connection Points
Develop Escalation Paths
Determine Willingness to Modify the Product Roadmap

WORK WITH END USERS
Understand Functionality

18

Confidential & Proprietary



PLANNING

Role Assignments

CONSIDERATIONS FOR ROLE ASSIGNMENTS

- Security
- Reporting Needs
- Activity Input vs. Supervisor Approval
- Executive
- Same for all modules or can vary by module
- Multiple roles per user
- Place primary and backup people in each role

19

Confidential & Proprietary



ROLE ASSIGNMENTS

Example

Role-Activity Mapping

The following table lists the roles and related activities in the Risk Management application.

| Activities | Roles | | | | | |
|---|--------------------|----------------------|---------------|--------------------|-----------|--------------|
| | Chief Risk Officer | Risk Program Manager | Risk Assessor | Business Unit Head | ERM Admin | Risk Manager |
| RSK - Manage Scenarios | | ✓ | | | ✓ | |
| RSK - Manage Risk Factors | | ✓ | | | ✓ | |
| RSK - View All Scheduled Risk Assessments | | ✓ | | | | |
| RSK - View Scheduled Risk Assessments | | | | ✓ | | ✓ |
| RSK - Edit All Scheduled Risk Assessments | | ✓ | | | | |
| RSK - Edit Scheduled Risk Assessment | | ✓ | | | | ✓ |
| RSK - Approve Scheduled Risk Assessment | | | | | | ✓ |
| RSK - Assess Risks | | | ✓ | | | |
| RSK - Approve Risk Assessments | | ✓ | | | | ✓ |
| RSK - View Risk Assessment | | | | ✓ | | ✓ |
| RSK - View All Risk Assessments | ✓ | ✓ | | | | |

20

Confidential & Proprietary



PLANNING

Governance Model

STEERING COMMITTEE

Review and monitor overall program progress
Specifically oversee any customization decisions
Monitor budget and implementation timelines
Includes executive sponsor, senior leaders and key stakeholders

WORKGROUP COMMITTEE

Discuss and decide on implementation needs
Collaborate on central functions
Benchmark and share best practices
Includes business owners from all departments using system

21

Confidential & Proprietary



Implementation Steps & Outcomes



IMPLEMENTATION STEPS

Rollout Strategy

Phase 1

- Governing structure & hierarchy
- Issue management
- Compliance management

Phase 2

- Internal Audit
- Enterprise Risk Management

Phase 3

- Vendor Management
- Regulation Change Management

23

Confidential & Proprietary



BACKGROUND

Case Study - Complaints

Complaints received from State Regulators require formal and comprehensive responses according to the regulator specified timelines. The expectation is 100% on-time response rate and greater than 90% “first-response” resolution.

During 2015, response rates performed at 92% on-time and first-response resolution performed at 65%.

Previous system for managing complaints did not allow simultaneous interactions from multiple business owners impacting the thoroughness of the response and causing delays in timely responses.

24

Confidential & Proprietary



IMPLEMENTATION ACTIONS

Case Study - Complaints

IMPLEMENTATION ACTIONS

Determined requirements for successful management of complaint activity

Cross business collaboration

Identification of SMEs across business areas

Tracking of business owner activities

Tracking of response activities

Ability to report trends and themes

Engaged business in developing the solution

25

Confidential & Proprietary



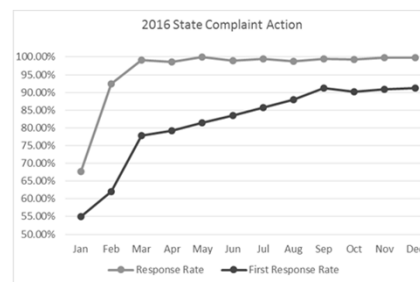
RESULTS

Case Study - Complaints

Through the implementation of our new GRC tool, we improved on-time response rates to regulators from 67% to 99.9% for complaints.

Through business owner engagement and collaboration in the solution, the response rates improved internally.

First-response resolution also improved from 55% to over 90%.



26

Confidential & Proprietary



SAMPLE REPORTING

Case Study - Complaints



SAMPLE ONLY

27

Confidential & Proprietary

CareSource

Lessons Learned

CareSource

BEST PRACTICES

Do The Foundation Work First
Learn The Capabilities Of The Tool
Establish Change Control Structure
Configuration Vs. Customization
Consultants Onsite For Key Milestones To Ensure Engagement
Readiness Checklist
Plan For Reporting

29

Confidential & Proprietary



CONTACT US

- Kurt Lenhart
 - VP, Corporate Compliance Officer
 - Kurt.Lenhart@CareSource.com
 - 937-531-2028
- Margaux Frazee
 - Director, Medicaid Compliance
 - Margaux.Frazee@CareSource.com
 - 937-531-3338
- Sean Woodson
 - GRC Implementation Lead
 - Sean.Woodson@CareSource.com
 - 937-531-2734

30

Confidential & Proprietary



