Effective Compliance Oversight:				
	The Role of Compliance vs. The Role of Operations			
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#	Focus	
1	Introduction and Background	
2	Compliance structures and business involvement	
3	The Three Lines of Defense	
4	Spotlight: Compliance Monitoring	
5	Achilles Heel? FDR Oversight!	
6	Q&A	

## Slide 2

## 3

Pending Picture Albert Aguilar (US - Assurance), 1/4/2018

## Today's objectives

- Understand the differing roles and responsibilities of managed care compliance and operations related to compliance standards
- Evaluate the different structures and models to ensure compliance coverage
- Understand the three lines of defense and how they relate in the identification and mitigation of compliance risk
- · Review examples of functional areas and the potential roles of compliance and operations



## 1. Introduction and Background

- Defining compliance roles and responsibilities

  Emerging risks underscore the urgency for Compliance to not only change how it partners with
  the business but also clarify roles and responsibilities between its function and that of Operations
  Big "C" Compliance and little "c" operational compliance: Roles and responsibilities are
  clearly defined where Operations "owns" (accountable, responsible for) day-to-day compliance and
  the Compliance Departnent "owns" the infrastructure to drive compliance behavior
  throughout the organization.
- Centralized vs. Decentralized vs. Hybrid Structures: Organizational models are designed to align with the business organization's strategy, while providing flexibility as the organization grows and change.
- Convergence and Business Diversification: Continuous growth of the organization's business requires new skill sets, different approaches to coordinating across stakeholders and refined capabilities to look at data and process impacts differently.
- Implementing Member-Centric Risk Management: Playing at the intersection of Compliance, Customer Experience and Operations, the Compliance function can use its view across the entire value chain in playing the role of a strategic advisor to the business.
- Evolving Analytics: Compliance needs to be at the forefront of transforming data into information and of leveraging analytics for monitoring, auditing and advising the Board and C-suite as well as empowering regulators in the oversight of payer.
- Achilles Heel: Delegated entity / vendor management oversight becomes increasingly difficult with the diversification of products, thus requiring Compliance to play a more hands-on role in risk-based oversight and collaborating with vendor/entity owners.

## Comparison of Compliance and Business Roles

- Key Roles of the Compliance function:
   Identify and assess compliance risks
   Develop standards and expectations across the overaginating.
- the organization
  Keep up to date with regulatory
  requirements and communicate
- appropriately Coordinate and monitor implementation of
- Coordinate and monitor implementation of compliance activities in business units/ areas Establish and provide foundational operational compliance activities (e.g., hotline, tools, standard reporting, policy management, Code of Conducts)

  Assess effectiveness of compliance controls and activities

  Analyze root cause of compliance issues identified, plan remediation and report progress/outcomes

## Key Roles of the Business Operations and Other functions:

- Identify applicable compliance risks /
- Identify applicable compliance risks / requirements
  Monitor results of Key Performance
  Indicators (RPIs)
  Gather and provide compliance information to Compliance function and senior management
  Customize activities to meet business unit risks and local laws and regulations
  Ensure that employees know their roles and are properly trained to execute them.
  Monitor/Audit employee performance
  Vendor oversight and monitoring

Compliance partners with operational stakeholders to develop corrective action and implementation plans

The business "owns" compliance; management is "accountable."

## Risks from lack of collaboration between Compliance and Business Operations

- Poor communication / reporting between Compliance and Business Operations lead to silos amongst teams, including Senior Leadership
- Failure to achieve strategy and business goals
- Fostering a reactive v. a proactive culture
- Inaccurate risk assessments, lead to inefficacy to mitigate potential regulatory risks
- Inability to efficiently respond to an unfortunate event (i.e. Fraud Investigations)
- Lack of significant resources dedicated to compliance and operational functions (e.g. policies, procedures, controls, trainings, etc.)
- Penalties for noncompliance, including fines, sanctions, suspension or exclusion.



2. Compliance Structure	es and
Business Involvement	

## Governance and oversight of compliance

## Board of Directors

- rd of Directors
  Significant
  compliance issues /
  audits findings and
  planned corrective
  actions
  Significant
  regulatory updates
  and plans for
  implementation
  Code of Conduct
  updates/revisions
  Risk trends and
  mitigation

- Compliance Committee

  Audit findings and planned corrective and planned corrective and planned corrective and planned committee and planned compliance issues dentified, results of root cause analysis, and received and committee and committee

Operational stakeholders

Addressing findings related to their functional areas
Regulatory updates impacting their functional areas
Compliance issues identified in their functional areas
Monitoring results of Key Performance Indicators (KPIs)
Compliance policy and Code of Conduct updates / revisions
Vendor Oversight
Compliance partners with opperational stakeholders to develop corrective action and implementation plans

10

## Compliance structure and governance considerations

	Compliance Structure and Governance Considerations	Impact
Structure of Function:	- Benefits of centralized, decentralized and hybrid structure - Structure of the wider organization - Risks and related risk management of the organization - Scoge and sake of compliance function activity - Regulatory requirements at the different levels of the company - Revel to drive consistency (functions, insues, locations, etc.) - Perception of independence of the compliance function	Compliance function that allocates compliance resources effectively in order to manage risks appropriately     Appropriate sharing of compliance monitoring responsibilities
Business Unit Alignment:	<ul> <li>Compliance function that is structured in a manner that is in alignment with significant business units so they can identify and address the compliance risks and meet the regulatory demands of their markets, locations and industries</li> </ul>	between Compliance and the business units • Acceptance of
Flexible Structure:	Compliance structure that is flexible, allowing for the ability to immediately address the varying short-term needs of quickly enhancing the compliance function and addressing the compliance and regulatory requirements     Underlying compliance procedures allow the flexibility to conform to local laws and regulations	compliance by business units  Business units embed compliance within their business units and are
Compliance Organization Member Attributes:	<ul> <li>Skill sets of compliance, business unit and functional resources to effectively establish compliance culture and trust</li> <li>Members should establish and manage relationships to interact and coordinate responsibilities across functions and business units</li> </ul>	in compliance
Complimentary Compliance Risk Management:	Compliance should work collaboratively with Business Units, Internal Audit, Legal Counsel and Human Resources. Each should lake on specific governance, risk and compliance responsibilities in order to help build a strong compliance structure.	] "

## The Common Structures of the Compliance **Function**

While healthcare payers and providers typically align their compliance function and structures to the compliance model that best fits their needs, the common models include:

## Centralized

## De-Centralized

Compliance leadership and oversight are mainly located and operated at the local level

Local Compliance may receive limited guidance or cross-functional support for compliance issues and enhancements

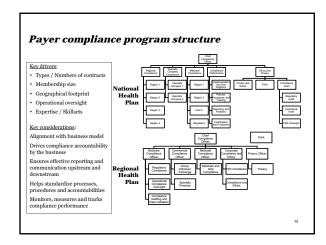
Compliance is structured and operated differently across the enterprise but may be tailored to specific local needs

## Hybrid

Joint responsibility for some Compliance responsibilities and sole responsibility divided based on operational efficiencies

Compliance is joint responsibility, with enhancements and coordinated responses to compliance issues

Operational and compliance processes are developed to allow for a flexible, solution oriented approaches to Compliance



## 3. The Three Lines of Defense

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# Definition of the Three Lines of Defense The Three Lines of Defense distributes ownership of risks across Business Operations, Compliance and Internal Audit Committee Governing Body Board Audit Committee Serior Management 1\*\*\*Line of Defense 2\*\*\*Line of Defense 1\*\*\*Line of Defense 1\*\*\*Line of Defense 2\*\*\*Line of Defense 1\*\*\*Line of Defense 1\*\*\*Line of Defense 2\*\*\*Line of Defense 1\*\*\*Line of Defense 1\*\*Line of Defense 1\*\*\*Line of Def

## Three Lines of Defense – 1st Line – Operations

## 1st line of Defense

Internal Control and Operational Monitoring

## Responsible for identifying, assessing, managing, and controlling compliance risks inherent in its activities: This principle:

- Applies across risk types (not just compliance)
- Places ultimate accountability for the management of compliance with the head of each Line of Business even if the function is delegated to a delegated entity
- Implies that the business must absorb losses resulting from compliance events
- May prompt Line of Business leaders to appoint staff within the business units to assist them in discharging their responsibilities with respect to compliance

Acceptance of business being the  $1^{\rm st}$  line of defense leads to a culture of accountability

## Three Lines of Defense – 2nd Line – Compliance

## 2nd line of Defense

Compliance, Risk Management and Quality Assurance

## **Responsible for providing compliance oversight to the business** Key responsibilities:

- Compliance risk assessment, including emerging risks
- Support with operational risk mitigation through understanding and implementation of complex regulatory requirements
- Supports organizational response to regulatory oversight
- $Linkage\ of\ compliance\ plan\ to\ business\ plan,\ including\ clear\ understanding\ of\ strategy,\ business\ architecture\ and\ compliance\ profile\ of\ the\ business$
- Compliance policies, standards, tools, methodologies and programs
- Oversight of compliance across all businesses monitoring and reporting
- Compliance aggregation and a portfolio view; reporting to management and board
- Training and venue for compliance reporting

## Compliance and operational partnership

Healthcare payers and providers face a broad universe of potential risks, which require an integrated risk ownership approach between the business (i.e., operations) and the compliance function



- No single view of risk management across organization Differing perspectives on risk (audit vs. business, inherent vs. residual, BU vs. Group) Potential for duplication and gaps in Potential for ment Limited Boerd/AC level visibility of the linkage between sources of risk management.

	Integrated	Approach
ı	Internal Audit	Management
) i	Risk	Compliance
- 1	Legal	External Audit

- Collaboration between risk management functions Develop common view of risk to organization Presents to Board how key risks are being covered by risk management functions
  This is more than developing ments in risk-based internal multime.

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p	otlight: Compliance Monitoring
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	liance Monitoring
erformance aga	ust have ongoing procedures ingrained in daily operations to routinely measure operational inst key regulatory requirements  s for Consideration  Sample Design Attributes
In what way track and re corrective a letters, non- When the or	does the organization use monitoring to few key compliance program activities (e.g., foot plans, vendor compliance, warring sompliance, regulator sanctions)? ganization implements new or updated business until leadership of the compliance of the
quality cont appropriate - How are mo stakeholder	quirements, including monitoring and on measures, how does it confirm compliance risk mitigation and timely implementation?  Monitoring results disseminated to appropriate including the Board, compliance compliance as when the stakeholders remediate and improve organizational strategy and compliance the strat
leadership? Data Elements a	Hotline/helpline metrics 92%
scorecards, - Operational	compliance monitoring tools (e.g. lashboard reports, RPIs) monitoring tools which report on key Risk assessment results 78%
<ul> <li>tracked and</li> <li>Business ur</li> <li>(e.g., business</li> </ul>	compared over time)  Laspecific compliance monitoring reports sunit scorecards or dashboards including (not reported through hotline/helpline)  64%
metrics suc	as regulatory turn around times or Employee disclosures (e.g. conflicts of interest and gift reporting) 54%
F	I C
Below are examp	les of areas for compliance monitoring les of metres for which operational compliance monitoring routinely takes place.  [Relevant Examples
	Note: Thresholds set for KPI metrics are based on regulatory requirement/ expectations and/or plan sponsor internal standards of operations
Appeals & Grievances	- Standard Grievances Resolution Turnaround Time (TAT): 95% within 30 calendar days - Expedited Reconsideration Resolution TAT: 95% within 72 hours - Claims Reconsideration IRE Overturn Effectuation: 95% within 30 calendar days
Claims	Payment of Non-Contracted Providers Clean Claims TAT: 95% within 30 calendar days     Payment of Contracted Providers Claims TAT: 95% within 60 calendar days from date of receipt
Customer Service	<ul> <li>Denial of Non-Contracted, Non-Clean Claims TAT: 95% within 60 days</li> <li>Customer Call Center Average Hold Time: Not to exceed 2 minutes after IVR or touch tone response an before reaching a live person</li> </ul>
	- Customer Call Center Average Speed of Answer: 80% within 30 seconds - Customer Call Center Disconnect Rate: Not to exceed 5%
Enrollment	<ul> <li>Acknowledgement of Receipt of Complete Enrollment Application: 95% within 10 calendar days of rece</li> <li>Confirmation of Enrollment Sent to Member: 95% within 10 calendar days of TRR receipt</li> <li>Notice of CMS Rejection of Enrollment Sent to Enrollege; 95% within 10 calendar days of TRR receipt</li> </ul>
Sales	<ul> <li>Resolution of Sales Allegations: 95% completed within in 30 days</li> <li>Notify CMS of Marketing Events: 90% within 7 calendar days prior to the event's scheduled date, or prior</li> </ul>
17072 - 12	to advertising the event, whichever is earlier - Scope of Appointment Signed Prior to Appointment: 95% completed 1 business day before appointmen
Utilization Management	<ul> <li>- Pre-Service Auth Routine Notice of Extension: 95% within 14 calendar days</li> <li>- Pre-Service Auth Urgent Resolution TAT (Extended): 95% within 3 calendar days of oral notice + up to day extension</li> </ul>

## 

## Create risk-based approach for auditing and monitoring compliance performance Program Component Audit/Monitoring Plan Develop a work plan and processes to audit routine operational and compliance performance Utilize an Impact vs. Likelihood analysis to understand high risk functions Impact Impact Likelihood Likelihood

# What is a Risk-based approach for auditing and monitoring compliance performance? Program Component Routine Monitoring Plans should execute administrative activities to detect instances of non-compliance, trend performance, and confirm that instances of non-compliance have been effectively remediated. - Develop measurable metrics and key performance indicators (KPIs) based on delegated activities - Compliance tincluding: training, code of conduct, excluded entities/persons screening - Operational metrics such as: claims accuracy and timeliness, suphasis timeliness, number of grievances, transition fill accuracy and timeliness, authorization timeliness - Clearly define reporting process including ownership, due dates and clear accountability - Trend and regularly report KPIs - Incorporate metrics (KPIs of FDRs into Compliance dashboards presented to organization's leadership, Compliance Committee(s) and the Board of Directors - Include all operational data (including FDR data) - within enterprise data warehouses to streamline reporting capabilities

## Implementation of a transparent and effective reporting and response to identified issues

## **Leading Practice**

## Program Component

Program Component
Detected Offense
Reporting and Response
Compilance issues are
identified and reported timely
and internal stakeholders are
provided with information to
adequately understand the
severity and root cause of the
issue. Stakeholders are
accountable to track the FDR's
remediation of identified
issues.

- Document escalation protocol with criteria for internal and external response pathways

   Identify actions to be taken with FDRs in response to instances of non-compliance

   Align actions with organization's code of conduct and vendor contracts

   Include criteria, protocols, and process for vendor de-delegation and termination
   Identify internal stakeholders, including committees and the Board of Directors, for each stage of the escalation process
   Align the escalation reporting process with established Compliance governance
   Incorporate FDR deficiencies identification, tracking and remediation in existing corrective action processes, maintain corrective action plans by FDR, and include remediation confirmation as part of closing out corrective actions

## 5. Achilles Heel? FDR Oversight!

## Why is an FDR oversight program

- Compliance with regulator expectations: CMS, for example, holds plan sponsors accountable for the compliance of its FDRs with Medicare regulations and requirements.

  Vendor Management: Enable improved vendor performance management through compliance oversight processes.

- Access to quality of care: Increased coordination between sponsor and FDR may enable improved access to care and better member retention.

  5 star rating: Cooperation between the sponsor and FDR may result in improvements to care deliver and that collection.

## Example business functions delegated to FDRs

- Pharmacy Benefit Manager Credentialing
- Sales
- Claims Authorizations and Referrals
- Enrollment
- Member materials and communication
- Medical Management
- Disease Management Behavioral Health
- Customer Service Fulfillment
- Fulfillment

9

Example framework for an effective FDR oversight program							
Foundation		Core Re	egulato	r Expec	tations		
Governance Operational Ownership Operational Committees Board Oversight Program Components - Identification of FDRs - Communication of Expectations - Management of Compliance - Routine Monitoring - Risk-based Auditing - Detected Offense Reporting and Response	Standards of Conduct, Disciplinary Standards and Policies and Procedures	Training and Education	Dele Acti (Oper	sight of gated vities ational mance)	Oversight of Compliance and Fraud, Waste and Abuse	Issue Remediation and Verification	
Oversight - Operational reporting	Related Processes						
Operational reporting Key risks Controls effectiveness Compliance Key Performance Indicators Representation to members (regulators that FDR=Plan	Meetings	Data	n Perf		ormance	Other	

	•		-	iness should					d how compliance ee
	Policies and Villa Cole of Coulout Statement of Main Seals, and Ottom Value in Cole of Coulout		Switzen of divise and forces a francis the Cells of Centur others a francisco the experience. An	laday contagost waters, needen and in affiliation.	-	man.		-	Questions to consider: How are you comfortable that your FDRs are meeting all of your regulators'
,	Commitment to Compliance within Code of Conduct		E. Training and	So experientes has a compliance training program.	-	-	no.	-	(including CMS') expectations? Is your risk-based audit plan effective?
1	East to Boal Colle Condust Colle of Condust Approved	,	Program  Timely Delivery of Detected, July Specific Training	The apparation is employed forthing entiring entire of distance of distance of a fine of processing and a registration under conformation across registrate relating and transparation in the information of the apparation of the a	,	,	,	-	What is the involvement of the corollary business unit in overseeing FDR
	Palier and Person State States and State States State States	,	Andrews to Restro Training	The apparature and instruction following bills of the language from the attention and quantum of the requirement propers = 10 persons in Andready for 12th a state administration or transport and applicable **state or artifactor velocity :  * I bond weather  * I propose for the attention of the application of the attention of the application of the application when  * I propose for the attention of the application of the ap		-	,	_	performance? Is the active monitoring and training
7 8	Perpaned Polists Francisco Decement Salest Policy	,	Topico de la Compliano Trabalago	United Marian Commission of the Commission of th				-	you're performing over or providing to your FDRs improving FDRs performance? Are you and/or the corollary business unit receiving accurate and valid
				Burner éxeculos addintité réproduces stribues.				-	performance reporting including compliance KPIs? Have you received any CTMs or grievances pertaining to FDR activities?

# 5. Questions?

Thank you!	
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