



# CALIFORNIA STATE AUDITOR

Elaine M. Howle, State Auditor

# FACT SHEET

Date: May 27, 2010

Report: 2009-112

The California State Auditor released the following report today:

## Department of Health Care Services

*It Needs to Streamline Medi-Cal Treatment Authorizations and Respond to Authorization Requests Within Legal Time Limits*

### BACKGROUND

The California Medical Assistance Program (Medi-Cal), administered by the Department of Health Care Services (Health Care Services), provides health care services that the state and federal governments jointly finance. Federal regulations require Health Care Services to implement utilization controls to prevent unnecessary or inappropriate use of Medi-Cal services or excess payments and to assess the quality of services rendered. Health Care Services uses the treatment authorization request (TAR) process to conduct prior authorization for services and to authorize reimbursement for services already provided in order to monitor and control the provision of certain Medi-Cal services and drugs. During fiscal years 2007–08 and 2008–09, Health Care Services processed 10 million TARs and spent an estimated \$72.6 million to process them.

### KEY FINDINGS

During our review of Health Care Services' administration of the Medi-Cal TAR process, we noted that Health Care Services:

- Manually adjudicates—decides to approve, modify, defer, or deny—medical TARs, even though it denied a relatively small portion of certain TARs in almost half of the instances in fiscal years 2007–08 and 2008–09. Specifically, it:
  - ✓ Spent approximately \$14.5 million processing four million medical TARs with denial rates of less than 4 percent.
  - ✓ Denied less than 1 percent of the 1.31 million TARs for adult day health care and less than 2 percent of the 1.27 million TARs for nonemergency medical transportation.
- Does not adequately consider whether its administrative costs to process TARs for service categories with low denial rates equaled or exceeded its savings.
- Does not track TAR processing costs separately and thus cannot calculate its total cost to administer the TAR process. However, data indicates that overall the TAR process saves substantially more money in claims Health Care Services avoids having to pay, than what it costs to administer.
- Failed to process drug TARs within federal and state time limits and took:
  - ✓ Longer than the 24 hours required to respond to 84 percent and 58 percent of manually adjudicated drug TARs in fiscal years 2007–08 and 2008–09, respectively. Some TARs could take as long as 96 hours to process because of Health Care Services' interpretation of the law.
  - ✓ An average of four to 14 working days to process both prior and retroactive authorizations of all medical TARs, despite the state requirement that prior-authorization TARs be processed within an average of five working days.

### KEY RECOMMENDATIONS

To streamline providing Medi-Cal services and improve its level of service, we recommended that Health Care Services conduct cost-benefit analyses to identify opportunities to remove authorization requirements or auto-adjudicate certain medical services and drugs. We also recommended that Health Care Services abolish certain policies for responding to drug TARs to ensure that prior-authorization requests are processed within legally mandated periods or seek formal federal authorization to continue its current process. Other recommendations were aimed at ensuring Medi-Cal recipients receive timely services from providers and that Health Care Services separately track data.

