

California State Auditor

B U R E A U O F S T A T E A U D I T S

Department of Health Services:

**Drug Treatment Authorization Requests
Continue to Increase**



August 1998
98012

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CALIFORNIA STATE AUDITOR

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STATE AUDITOR

August 4, 1998

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CHIEF DEPUTY STATE AUDITOR

98012

The Governor of California
President pro Tempore of the Senate
Speaker of the Assembly
State Capitol
Sacramento, California 95814

Dear Governor and Legislative Leaders:

Summary

The Bureau of State Audits presents the 15th and final in a series of semiannual reports evaluating the way the Department of Health Services (department) processes reimbursement requests for certain prescribed drugs under the California Medical Assistance Program (Medi-Cal). These requests are known as drug treatment authorization requests (TARs).

The department received 504,644 drug TARs from December 1997 through May 1998, an increase of 426,146 (543 percent) over that of our first six-month review period eight years ago, from June through November 1990. There are two major reasons for the increase. Although the number of Medi-Cal beneficiaries has been decreasing recently, the number is still higher than during the first review period. Also, in November 1994, the law reduced the limit of prescriptions, from 10 to 6 per month, that an individual beneficiary could have before a drug TAR had to be submitted.

The department also processed 497,405 drug TARs from December 1997 through May 1998, an increase of 420,123 (544 percent) over that of the first six-month period we reviewed. The current number represents the most activity since June through November 1990 and is 53,462 (12.1 percent) more TARs than the department processed during the previous six-month period.

Although the number of processed drug TARs has risen substantially since June 1990, the percentage of backlogged drug TARs has fluctuated, ranging from a high of 34 percent of the TARs received in May 1992 to a low of 1.6 percent in

November 1995. Backlogged drug TARs are those TARs that have been received and logged in by the department but not fully processed as of 5 p.m. on the specific workday that the TARs were received. While the average month-end backlog of 11.9 percent for the current review period represents a significant improvement over some previous periods, it also represents an increase in the size of the backlog for the fifth consecutive review period.

The department's policy is to process all of the drug TARs within one working day. However, the department was unable to accomplish this for all of the TARs we sampled during this audit, or we were unable to determine when processing was complete. For 97 of the 2,784 drug TARs we sampled, we could not determine the time of day that the Los Angeles pharmaceutical consultants reached their decision to approve, deny, modify, or defer. The Stockton drug unit, because of the increased volume of drug TARs received, and because of a lack of available data-entry staff during this review period, could not process all drug TARs within the required one working day. The unit took up to four working days to fully process 565 (20.3 percent) of the 2,784 drug TARs we sampled that were either mailed or faxed. According to its chief pharmaceutical consultant, the department's contractor, Electronic Data Systems (EDS), lacked available data-entry staff to fully process all TARs throughout this period. Although staff had not fully processed the TARs, they entered the decisions for 560 requests into the Provider Telecommunications Network. This information was available by phone to any provider within one working day. The decisions on the remaining 5 drug TARs were available within four days.

It is not surprising that the number of fair-hearing requests also rose during this latest review period because the number of drug TARs processed increased by 12 percent. From December 1997 through May 1998, beneficiaries submitted to the Department of Social Services 125 fair-hearing requests regarding drug TAR decisions that were denied or deferred. This figure represents an increase of 19 (17.9 percent) over the period of June 1997 through November 1997.

To ensure it is promptly processing drug TARs, we recommend the department closely monitor the scheduling of data-entry staff. A lack of contract data-entry staff impedes the department's ability to process drug TARs within the required time frame. Additionally, the contractor has up to five days to enter data, which exceeds the department's own timeline of one working day and may contribute to the backlog of TARs.

Therefore, when its current contract ends, we recommend the department negotiate time provisions consistent with its own policy.

Background

Authorized in 1965 under Title XIX of the Social Security Act, Medi-Cal provides a wide array of health care services, including payment for prescription drugs, to public-assistance recipients and low-income families. The department administers Medi-Cal under Title 22 of the California Code of Regulations. State and federal governments jointly fund Medi-Cal.

Medi-Cal beneficiaries may receive prescription drugs identified on a list the department has established. This list, known as the Medi-Cal list of contract drugs, includes drugs from most therapeutic categories, including antibiotics, cardiac drugs, and gastrointestinal drugs. When a doctor prescribes a drug not on the list, or when the recipient exceeds his or her monthly limit of six prescriptions, the drug provider, usually a pharmacist, must receive authorization to seek reimbursement for the cost of the drug(s). This request for authorization is known as a drug TAR. The department has two Medi-Cal drug units that process drug TARs, one in Los Angeles and the other in Stockton. Currently, drug providers can mail or fax these requests.

During this review period, the department continued its statewide effort to place Medi-Cal beneficiaries into managed care. Managed care plans contract directly with pharmacies to dispense drugs to the beneficiaries and thus TARs are no longer required. However, as illustrated in Figure 1 on page 5, the projected decreases in TAR volume that the department expected would accompany the movement of beneficiaries to managed care, have not yet materialized.

Drug TAR processing is divided between the Los Angeles and Stockton drug units, but each unit processes drug TARs the same way. For example, faxed drug TARs include the date and time received. Mailed-in drug TARs are date-stamped on the day received. Those received by either fax or mail are reviewed by clerical or support staff for completeness and then sent to the department's contractor, EDS, for data entry. They are then forwarded for adjudication to the department's licensed pharmaceutical consultants. The consultants may approve, approve with modifications, deny, or return drug TARs to request further information from the drug provider. After a consultant reaches a decision, the drug TAR goes back to the EDS for final data entry. At that point, a copy is returned to the drug provider.

Until June 1997, the Los Angeles drug unit also processed drug TARs received by the Voice Drug TAR System (VDTS). Medical transcribers retrieved and typed the information onto forms. These forms were then forwarded to the pharmaceutical consultants, who followed the same process used for mailed-in or faxed requests. The decision was also recorded on VDTS, which the drug provider could access at any time to determine the status of the request. However, as of June 1997, the VDTS was no longer used to submit drug TARs because it was not cost effective.

Scope and Methodology

Chapter 716, Statutes of 1992, required the Office of the Auditor General (OAG) to prepare an analysis and summary of the department's statistical data on drug TARs. Section 14105.42 of the Welfare and Institutions Code mandated that the OAG submit a report on data and a comparative analysis of changes, using data from June through November 1990 as a base, to the Legislature beginning on February 1, 1991, and every six months thereafter until January 1, 1999. Chapter 12, Statutes of 1993 (California Government Code Section 8546.8), directs the Bureau of State Audits to assume these responsibilities.

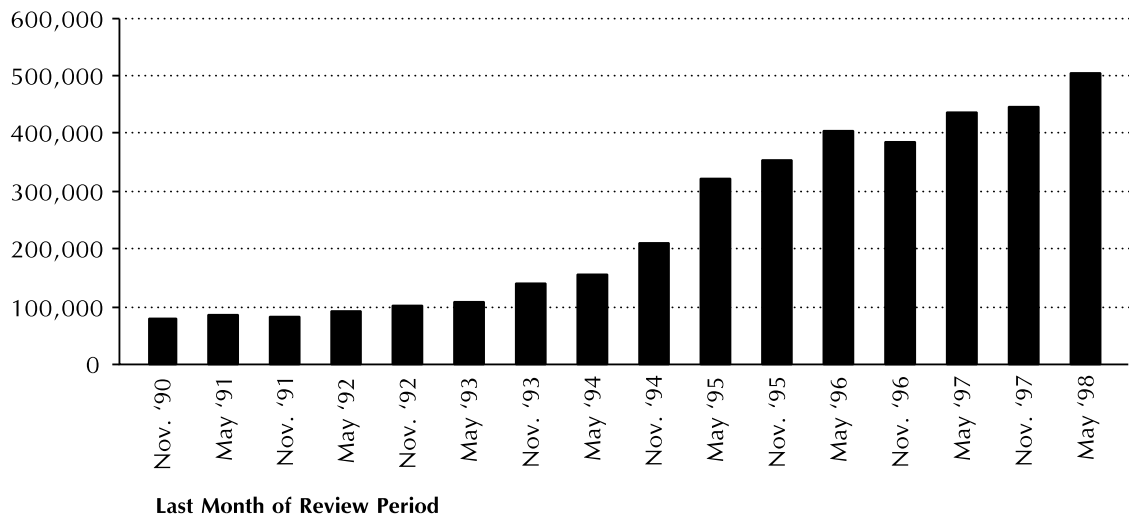
To fulfill these requirements, we did the following:

- Obtained statistical data from the department regarding drug TARs received by fax and mail, as well as the number approved, modified, denied, and returned.
- Verified the Los Angeles and Stockton drug units' processes for compiling monthly drug TAR statistics from December 1997 through May 1998.
- Conducted tests to determine whether the drug units are processing all drug TARs within one working day.
- Obtained data from the drug units on the number of denied drug TARs appealed to the Department of Social Services from December 1997 through May 1998.

***The Number of Drug TARs
Received Continues to Increase***

As shown in Figure 1, the number of drug TARs received has increased substantially from June 1990 through May 1998. During the first six-month review, the period June through November 1990, the drug units received 78,498 drug TARs. From December 1997 through May 1998, they received 504,644, an increase of 426,146 (543 percent).

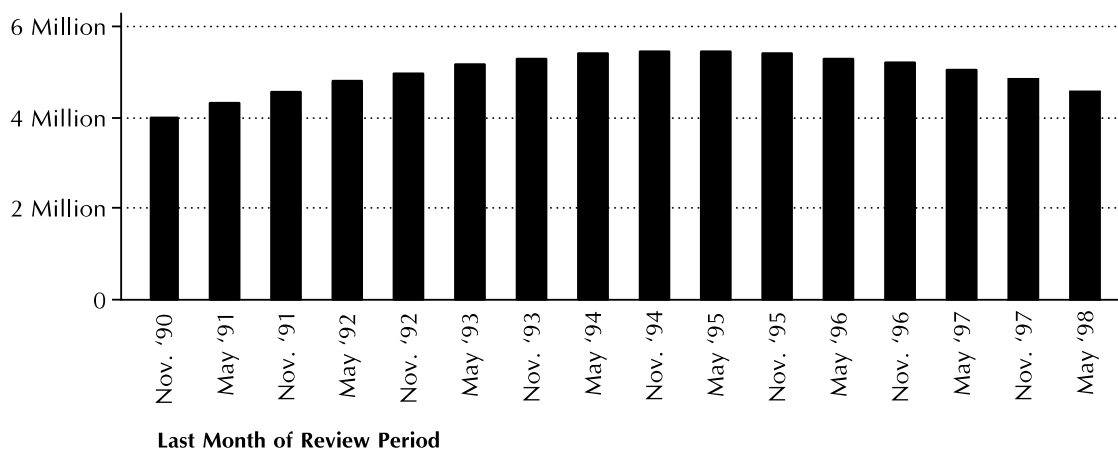
***Figure 1
Number of Drug TARs Received
During Each Six Month Review Period,
June-November 1990 Through December 1997-May 1998***



From December 1997 through May 1998, the department received 57,326 (12.8 percent) more drug TARs than it did during the previous six-month review period. However, during this time, the number of eligible Medi-Cal beneficiaries decreased. Figure 2 illustrates the total number of eligible Medi-Cal beneficiaries at the end of each six-month review period from June 1990 through May 1998. According to the chief of the Medi-Cal Operations Division in the Los Angeles drug unit, although the number of beneficiaries has decreased, the increase in drug TARs can be partially attributed to the greater number submitted per beneficiary compared to those submitted in the past. In addition, the department believes that, in general, more drug providers are submitting drug TARs because they have become aware of how simple it is to do so.

Figure 2

**Number of Eligible Medi-Cal Beneficiaries
At the End of Each Six Month Review Period,
June-November 1990 Through December 1997-May 1998**



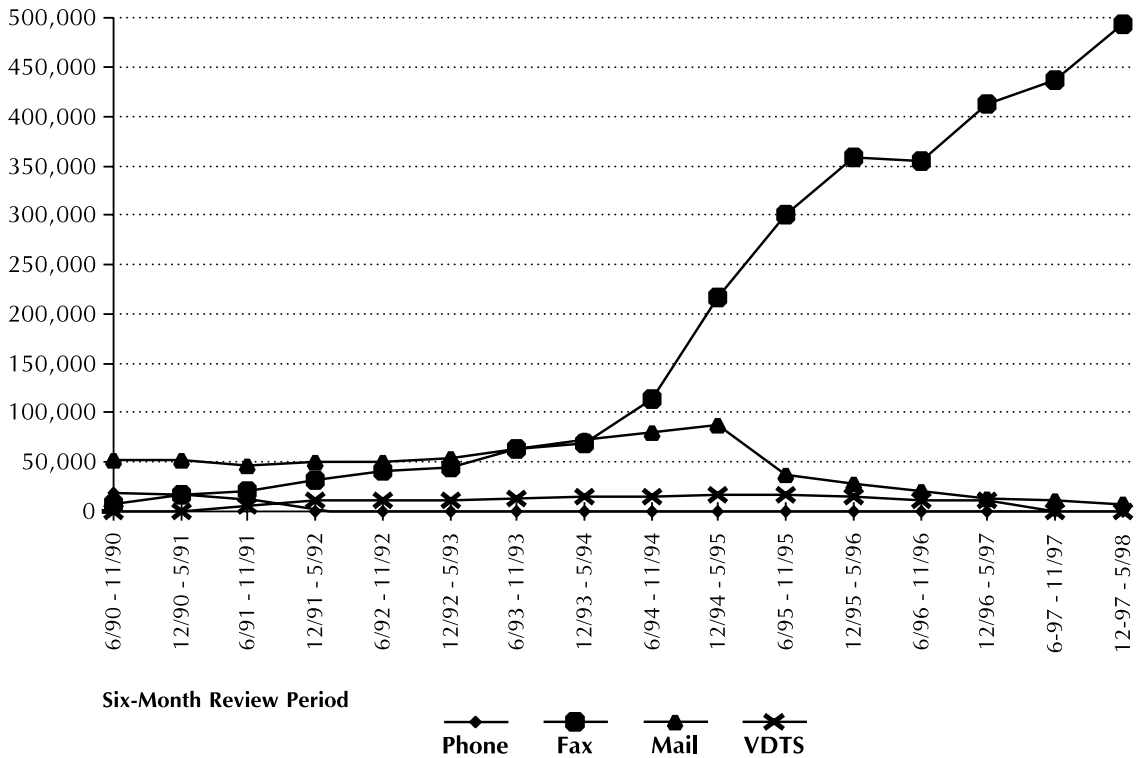
**Drug Providers Submit
Most Drug TARs by Fax**

As Figure 3 shows, drug providers continue to submit most drug TARs by fax. From December 1997 through May 1998, drug providers faxed to the department 494,758 (98 percent) of all drug TARs. This represents an increase of 13.2 percent over the total number faxed during the previous six-month reporting period. See Attachment A for details about changes in submission methods between the first and last periods reviewed.

The continued decrease in mailed drug TARs is linked to a policy change. Before April 1995, the department allowed drug providers to submit by fax or VDTS only those drug TARs for initial supplies of prescribed drugs and drugs that beneficiaries urgently needed. Beginning in April 1995, however, the department allowed drug providers to fax all drug TARs. Also, the department ceased accepting drug TARs by VDTS effective June 1997.

Figure 3

**Methods of Receiving Drug TARs
During Each Six Month Review Period,
June-November 1990 Through December 1997-May 1998**



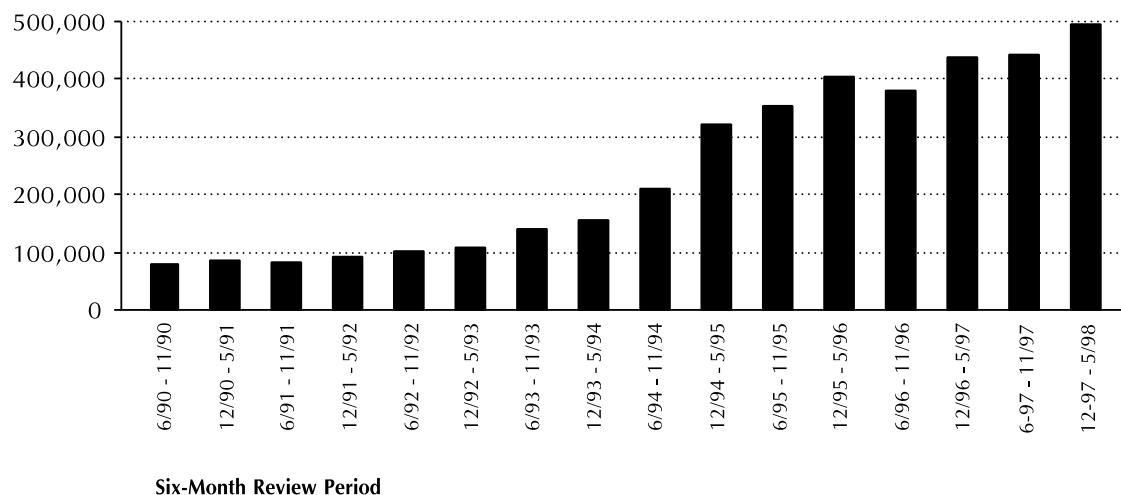
This decrease in mailed-in drug TARs was first noted during the June through November 1995 reporting period when the drug TARs mailed to the drug units dropped 57.5 percent. The number of mailed drug TARs continued to decrease during the current review period. In the six-month period from December 1997 to May 1998, only 9,886 were mailed, a decrease of 490 (4.7 percent) from the prior six-month period we reviewed.

***The Number of Drug TARs Processed
Increased With the Number Received***

Figure 4 displays the number of drug TARs processed during each six-month period from June 1990 through May 1998. During the first review period, the drug units processed 77,282 drug TARs. In comparison, from December 1997 through May 1998, they processed 497,405, an increase of 420,123 (544 percent).

Figure 4

**Number of Drug TARs Processed
During Each Six-Month Review Period,
June-November 1990 Through December 1997-May 1998**



The increase in the number of drug TARs processed during this reporting period is directly related to the 543 percent increase in the number received since the first period of our review, June 1990 through November 1990.

Of the 497,405 drug TARs the units processed from December 1997 through May 1998, 81 percent were approved, 3 percent were modified, 8 percent were denied, and 8 percent were returned to the drug provider for further information.

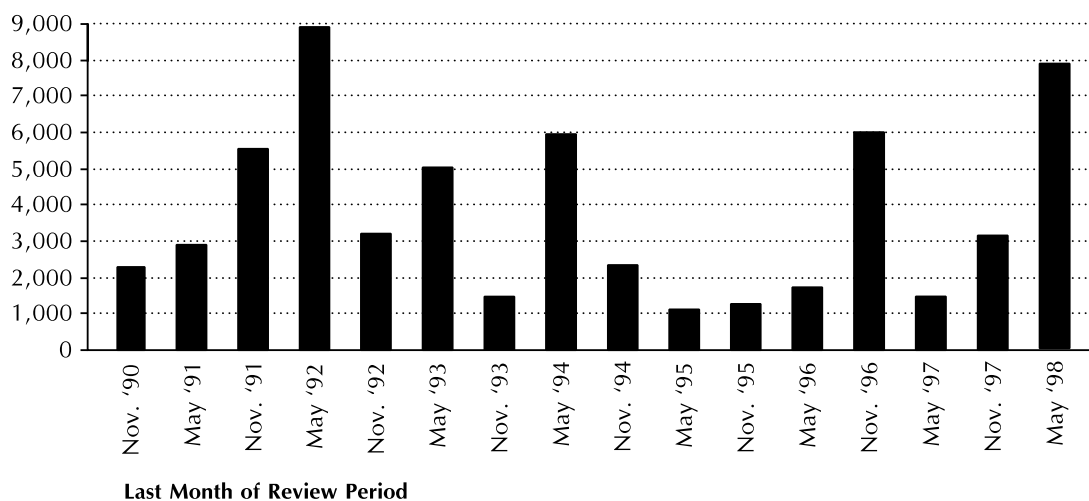
Attachment B presents a comparison of the number of drug TARs the department processed from our first reporting period, June through November 1990, and from December 1997 through May 1998. Attachment C compares the number of drug TARs approved, modified, denied, and returned from June through November 1990, and from December 1997 through May 1998.

***The Backlog of
Unprocessed Drug TARs***

As Figure 5 indicates, the department had a backlog of drug TARs at the end of each six-month review period from June 1990 through May 1998. Backlogged TARs are received and logged in by the department but not fully processed as of 5 p.m. on the workday that these drug TARs were received.

Department policy requires that all drug TARs included in a specific workday's backlog be processed by 5 p.m. of the following workday. At the end of the last working day of this reporting period, May 29, 1998, the department had 7,951 unprocessed drug TARs, including 6,372 (80 percent) in the Los Angeles drug unit. This is substantially greater than that reported at the end of the prior review period. The total number of unprocessed drug TARs on May 29, 1998, represents an increase of 4,788 (151 percent) over the 3,163 unprocessed TARs remaining on the last working day of the prior reporting period, November 26, 1997. Attachment B provides detailed information on the number of unprocessed drug TARs at month's end from June 1990 through November 1990, and from December 1997 through May 1998.

Figure 5
Number of Unprocessed Drug TARs
at the End of Each Six-Month Review Period,
June-November 1990 Through December 1997-May 1998



Historically, both the Los Angeles and Stockton drug units have received a large volume of drug TARs at the end of each month. Drug providers also submit more drug TARs than usual prior to weekends or holidays. Both drug units are aware of these increases and told us that they therefore plan for sufficient personnel, including pharmacists, data-entry staff, and any other necessary staff, to process the larger volume quickly and properly.

The chief pharmaceutical consultants at the Los Angeles and Stockton drug units stated that the backlog was partly caused by the increase in drug TARs received during the period of our review and partly by a lack of available EDS staff. The EDS enters drug TARs into the system prior to forwarding them to the consultants. Consultants adjudicate a drug TAR, then enter the decision into the department's computer system. This decision is available to the drug provider at this time via the department's toll-free Provider Telecommunication Network. By accessing the network, the drug provider can determine the status of the drug TAR and take appropriate action for the beneficiary before receiving the formal copy of the fully processed TAR.

After the consultant enters the decision in the system, the TAR returns to the EDS staff for the final data entry. At this point, the department considers the drug TAR fully processed, and only then can the drug provider submit a claim for payment. The department faxes or mails the drug provider a copy of the drug TAR documenting its status.

According to the chief pharmaceutical consultants at the Los Angeles and Stockton drug units, maternity or sick leave kept the EDS staff from working full-time on drug TAR processing, which may have contributed to the increase in the backlog. Therefore, the EDS hired temporary employees to fill these positions. However, the temporary employees required additional time and training before they were fully productive.

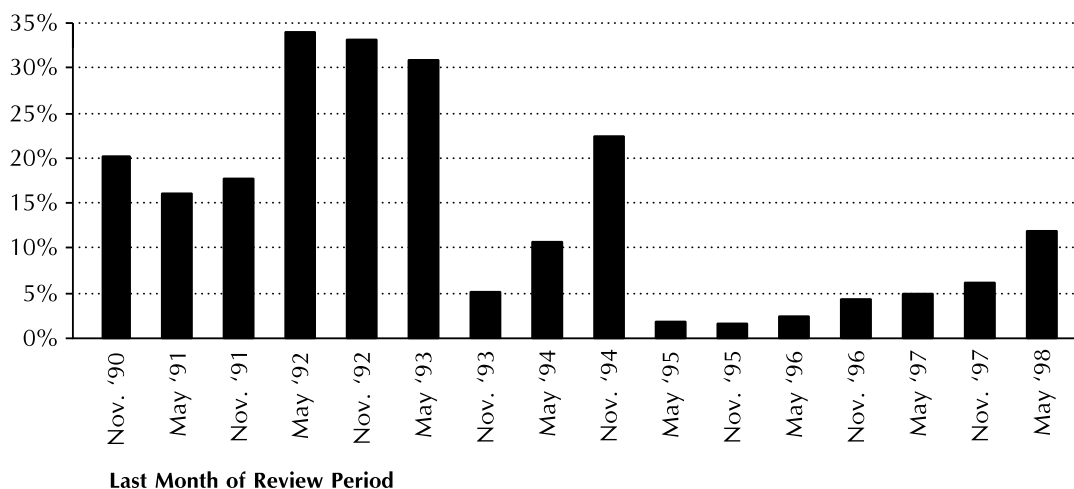
Under its contract with the department, the EDS has some leeway in the time it is allowed to input drug TARs. The department's current contract with the EDS allows up to 24 hours for final data entry of 80 percent of the adjudicated TARs and up to three working days to process 99 percent. The contract also allows between one and two working days to enter TARs when they are first received. The EDS could therefore take up to five working days to complete data-entry activities. This clearly exceeds the department's policy of processing a TAR within one working day. The latitude provided by these contract provisions may contribute to a bigger backlog of unprocessed TARs.

In the previous reporting period, the department reported that inadequate or insufficient computer or data-transmission equipment sometimes results in longer processing times. The department investigated these issues and installed additional equipment at the Los Angeles drug unit in an attempt to speed processing of all computer data within that field office. However, the department has not noticed significant improvement in the Los Angeles drug unit's computer system

response time. The Stockton drug unit reported that system problems on January 5, 1998, contributed to the delay in processing drug TARs that day. While the department continues to work with the EDS to find the best solution for the short term, it plans to implement a redesigned TAR system in 1999 to address many of the past problems.

Figure 6 depicts the average percentage of unprocessed drug TARs at month's end for all review periods. The percentage of unprocessed drug TARs at month's end has increased in each of the last five review periods. In view of this trend, the department and the drug units must be continually attentive to obstacles preventing the prompt processing of drug TARs. This may help to avoid the high backlogs, such as occurred between 1990 and 1994.

Figure 6
Average Percent of Unprocessed Drug TARs at Month-End
During Each Six-Month Review Period,
June-November 1990 Through December 1997-May 1998



Drug TAR Statistics
Appear Reasonable

To assess the accuracy of the department's compilation of drug TAR statistics, we sampled statistics for April 1998. The department maintains daily batch-entry logs that document the drug TARs it has processed. We compared the totals on the batch-entry logs to the statistics on the department's compilation. We additionally reviewed selected batch-entry

logs and reconciled the detailed information to actual drug TAR batches maintained at the drug units. The department's compilation is reasonably accurate.

***The Department's Policy Is Less
Strict Than Federal Time Limits***

Section 1927(d)(5) of the federal Social Security Act of 1990 requires states to respond to all drug TARs within 24 hours of receipt regardless of how they are delivered to the department. The federal Department of Health and Human Services' Health Care Financing Administration (HCFA) upholds this position.

Prior to April 1995, the department used Section 14103.6 of the Welfare and Institutions Code as its standard. This section requires that the department's pharmaceutical consultants process drug TARs in an average of five working days. The department defines a working day as one in which the Medi-Cal drug unit is open for business, and excludes Saturdays, Sundays, and state holidays. This section also states that if the pharmaceutical consultant does not make a decision on a drug TAR within 30 days of receipt, the request is considered approved.

In April 1995, the department changed its policy to conform more closely to the federal requirements and directed the drug units to process all drug TARs within one working day. The department interpreted this to mean that any drug TAR received before 5 p.m. on a working day will be processed by 5 p.m. the following working day. Its new policy has had the greatest impact on mailed-in drug TARs, as previous policy allowed staff five working days to process mail requests, though they processed those received by fax within 24 hours.

Although the department's current policy conforms more closely to the federal regulations, it still does not require processing within 24 hours. For example, if the department receives a drug TAR at 10 a.m. on a Thursday, under the new policy, staff might not complete the processing until 5 p.m. on Friday, an elapsed time of 31 hours. In another example, a drug TAR received after 5 p.m. on the first workday of the month is considered received on the second workday of the month. The decision rendered on that drug TAR must be available to the drug provider no later than 5 p.m. on the third workday of the month, a possible elapsed time of almost 48 hours.

During previous audits, the HCFA informed us it would issue a formal opinion on the department's new policies. However, in June 1997, a representative stated that the HCFA now does not

plan to issue a formal opinion. The HCFA still upholds the 24-hour processing time, but, acknowledges that in some cases processing time for drug TARs will exceed 24 hours—for example, when the department receives them during nonbusiness hours. In these cases, the HCFA allows the department to exceed the federally mandated processing time as long as emergency drugs are still available to beneficiaries. The California Code of Regulations, Title 22, Section 51056, exempts emergency services from prior authorization. Accordingly, the department does not require a drug TAR for emergency situations.

Processing Times Exceed Department Policy

We reviewed a combined total of 2,784 drug TARs faxed or mailed to the drug units. The units processed 2,122 (76.2 percent) of them within one working day. For the other 662 (23.8 percent) TARs, either the units did not fully process the TAR within one working day or we could not determine when the processing was complete. We did learn, however, that decisions on all but 5 were available to the drug providers within one working day.

Of the 662 TARs, we could not determine the time of day that the pharmaceutical consultants reached their decision to approve, deny, modify, or defer 97 TARs mailed to the Los Angeles drug unit. Once the department's pharmaceutical consultants reach a decision on a TAR, the decision is immediately logged into a database and available to drug providers via the department's Provider Telecommunications Network. The consultant then handwrites the time of the review on the cover sheet used to batch TARs together for processing. This handwritten time confirms the department's compliance with its own requirement to process a TAR before 5 p.m. on the working day following receipt of the TAR. For these 97 TARs, there was no consultant review time written on the batch cover sheet. However, the decisions were logged on the database and, therefore, available to the drug provider by phone within one working day.

The Stockton drug unit took two or more working days to process the remaining 565 drug TARs, submitted to the unit by fax. This exceeds the department's policy to process a TAR within one working day. For all but 5 of these 565 drug TARs, the decision was available to the drug provider within the one working day even though the unit did not fully process the drug TARs. By accessing the department's network, the drug providers could ascertain, within one working day, whether

their TARs had been approved, denied, modified, or returned. Of the 5 drug TARs, the decisions for 2 TARs were available to the drug providers by the third business day following receipt and for 3 drug TARs by the fourth business day following receipt. The Stockton drug unit did not fully process the 565 drug TARs because the department's contractor had not yet accomplished post-review, the final step in the processing of a TAR. Until the final step is complete, the drug provider is unable to submit a claim to the department for the cost of the prescription.

The chief pharmaceutical consultant of the Stockton drug unit said these delays were caused by the lack of available EDS staff during the period of our review, December 1997 through May 1998.

The EDS is responsible for the initial as well as the final data entry of the drug TARs reviewed by the pharmaceutical consultants. A higher volume of submissions creates a backlog in data entry and increases the overall turn-around time. Additionally, because of a staff shortage, the Stockton drug unit decided to focus the available EDS staff on the initial data entry, rather than post-review, so the department's consultants could make decisions on the drug TARs available to the drug providers within one workday. This contributed to the backlog of drug TARs awaiting the EDS. To meet the one-day deadline, when the department has decided to deny a TAR, it instructs the pharmaceutical consultant to inform the drug provider directly. The consultant then contacts the drug providers directly by phone to inform them if any drug TARs are denied. The department does not feel the need to inform the drug providers about the delayed drug TARs that it plans to approve because the drug provider and the beneficiary will not be adversely affected.

In 1999, the department expects to implement a redesigned TARs system that includes the option for the drug provider to submit drug TARs electronically. If the drug TAR is not complete, it will not be accepted. The department hopes that this will address some of the reasons for which consultants currently must deny, modify, or defer a drug TAR. Additionally, the combination of the new system's faster speed and the redesign of the manner in which the information is presented should improve the overall system response time.

In prior reporting periods, the drug units calculated the time it took to process drug TARs to ensure that they complied with state requirements, and we validated their calculations. However, in March 1996, the department conducted a study concluding that the method used to prepare the calculations

was inefficient. It directed the drug units to stop using this method to calculate turn-around time. Although the study suggested an alternative, the department is not planning to implement an interim method because of the upcoming system redesign, which will also include an automated calculation of processing times.

Information on Drug TAR Fair Hearings and Complaints

Section 14105.42 of the Welfare and Institutions Code requires the department to report to the Legislature the number of fair hearings requested, approved, denied, and pending for all denied drug TARs. Beneficiaries request fair hearings through the Department of Social Services. From December 1997 through May 1998, 125 fair-hearing requests were submitted to the Department of Social Services. This is an increase of 19 (17.9 percent) from the prior review period, December 1996 through May 1997. Of the 125 requests submitted, 99 were withdrawn or dismissed, 6 were denied, and decisions on the remaining 20 were still pending at the time of our review.

Recommendations

To ensure that it is promptly processing drug TARs, we recommend that the department take the following steps:

- Continue to closely monitor the scheduling of data-entry staff to ensure that the department can process within the required time frame the estimated number of drug TARs it will receive.
- When the current contract expires, negotiate a new contract with a turn-around time for drug TARs of one working day.
- Continue to work with the EDS to investigate problems with computer and data-transmission equipment at the Los Angeles and Stockton field offices.
- Include the following in its plan to reinstate procedures for monitoring processing times:
 - ⇒ Base its methodology on a sample of drug TARs processed on a monthly or quarterly basis.

- ⇒ Employ separate calculations for mailed and faxed drug TARs.
- ⇒ Feature easy implementation and a minimal need for staff time.
- ⇒ Consistently apply its new methodology in the department's drug units.

We conducted this review under the authority vested in the California State Auditor by Section 8543 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope of this report.

Respectfully submitted,



KURT R. SJOBERG
State Auditor

Date: August 4, 1998

Staff: Steven M. Hendrickson, Audit Principal
Jacqueline M. Conway, CPA

Attachments

- A Methods of Delivery for
Drug Treatment Authorization Requests
June Through November 1990 and
December 1997 Through May 1998
- B Drug Treatment Authorization Requests Processed
June Through November 1990 and
December 1997 Through May 1998
- C Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June Through November 1990 and
December 1997 Through May 1998

**Methods of Delivery for
Drug Treatment Authorization Requests
June Through November 1990 and
December 1997 Through May 1998**

| | | Telephone | Fax | Mail | VDTS | Monthly Total |
|-----------------|-----------|---------------|----------------|---------------|----------|----------------|
| 1990 | June | 3,989 | 0 | 10,125 | 0 | 14,114 |
| | July | 3,225 | 985 | 9,990 | 0 | 14,200 |
| | August | 3,126 | 1,561 | 8,679 | 0 | 13,366 |
| | September | 2,358 | 1,646 | 7,517 | 0 | 11,521 |
| | October | 2,955 | 2,064 | 8,340 | 0 | 13,359 |
| | November | 2,483 | 1,849 | 7,606 | 0 | 11,938 |
| Total | | 18,136 | 8,105 | 52,257 | 0 | 78,498 |
| Monthly Average | | 3,023 | 1,351 | 8,710 | 0 | 13,083 |
| 1997 1998 | December | 0 | 83,595 | 2,599 | 0 | 86,194 |
| | January | 0 | 90,847 | 1,652 | 0 | 92,499 |
| | February | 0 | 75,632 | 1,283 | 0 | 76,915 |
| | March | 0 | 85,945 | 1,861 | 0 | 87,806 |
| | April | 0 | 83,619 | 1,357 | 0 | 84,976 |
| | May | 0 | 75,120 | 1,134 | 0 | 76,254 |
| Total | | 0 | 494,758 | 9,886 | 0 | 504,644 |
| Monthly Average | | 0 | 82,460 | 1,647 | 0 | 84,107 |

Source: California Department of Health Services

**Comparison of Drug Treatment Authorization Requests Processed
June Through November 1990 and
December 1997 Through May 1998**

| | | Unprocessed TARs at Beginning of Month | TARs Received During Month | Total Available to Be Processed | Total Processed During Month | Unprocessed TARs | Percent of TARs Processed |
|---------|-----------------------|---|---|--|---|-----------------------------|--|
| 1990 | June | 2,160 | 14,114 | 16,274 | 13,015 | 3,259 | 79.97% |
| | July | 3,259 | 14,200 | 17,459 | 14,164 | 3,295 | 81.13 |
| | August | 3,295 | 13,366 | 16,661 | 14,502 | 2,159 | 87.04 |
| | September | 2,159 | 11,521 | 13,680 | 11,394 | 2,286 | 83.29 |
| | October | 2,286 | 13,359 | 15,645 | 13,103 | 2,542 | 83.75 |
| | November ^a | 1,477 | 11,938 | 13,415 | 11,104 | 2,311 | 82.77 |
| | Total | 14,636 | 78,498 | 93,134 | 77,282 | 15,852 | |
| | Monthly Average | 2,439 | 13,083 | 15,522 | 12,880 | 2,642 | 82.98% |
| 1997-98 | December | 3,163 | 86,194 | 89,357 | 74,290 | 14,896 ^b | 83.14% |
| | January | 14,896 | 92,499 | 107,395 | 94,544 | 12,409 | 88.03 |
| | February | 12,409 | 76,915 | 89,324 | 81,458 | 7,322 | 91.19 |
| | March | 7,322 | 87,806 | 95,128 | 89,055 | 5,714 | 93.62 |
| | April | 5,714 | 84,976 | 90,690 | 78,525 | 11,821 | 86.59 |
| | May | 11,821 | 76,254 | 88,075 | 79,533 | 7,951 | 90.30 |
| | Total | 55,325 | 504,644 | 559,969 | 497,405 | 60,113 | |
| | Monthly Average | 9,221 | 84,107 | 93,328 | 82,901 | 10,019 | 88.81% |

Source: California Department of Health Services

^aThe number of unprocessed drug TARs at the end of October 1990 does not match the number of unprocessed drug TARs at the beginning of November 1990. The manager of the San Francisco drug unit, which has since been closed, stated that unit staff did a hand count of the actual unprocessed drug TARs at the end of October 1990 and found the unit's accounting records overstated the number unprocessed at the end of the month by 1,065. Because of this finding, unit staff adjusted the number of unprocessed drug TARs reported at the beginning of November.

^bThe amounts in this column should equal the number of TARs available for processing less the total processed during the month. However, the department's records for unprocessed TARs reflect an amount different from this calculation. The above amount is a snapshot of actual unprocessed TARs on the last day of the month. The department stated that the difference is due to reporting procedure variances caused by TARs that are returned to the provider and later resubmitted. For example, a TAR received and returned in one month, and later resubmitted and processed in the same month, would be reported as received twice but processed only once.

**Drug Treatment Authorization Requests
Approved, Modified, Denied, and Returned
June Through November 1990 and
December 1997 Through May 1998**

| | | Approved ^a | Modified ^a | Denied ^a | Returned ^a | Total Processed |
|---------------------------------|-----------|-----------------------|-----------------------|---------------------|-----------------------|--------------------|
| 1990 | June | 9,350 | 2,001 | 1,226 | 438 | 13,015 |
| | July | 9,169 | 2,008 | 1,361 | 1,626 | 14,164 |
| | August | 8,980 | 2,650 | 2,045 | 827 | 14,502 |
| | September | 7,222 | 1,847 | 1,565 | 760 | 11,394 |
| | October | 8,377 | 2,215 | 1,698 | 813 | 13,103 |
| | November | 7,033 | 1,811 | 1,455 | 805 | 11,104 |
| Totals | | 50,131 | 12,532 | 9,350 | 5,269 | 77,282 |
| Percent of Disposition Total | | 65% | 16% | 12% | 7% | 100% |
| 1997-98 | December | 60,814 | 2,630 | 5,062 | 5,784 | 74,290 |
| | January | 77,843 | 3,058 | 6,649 | 6,994 | 94,544 |
| | February | 66,723 | 2,258 | 6,227 | 6,250 | 81,458 |
| | March | 71,662 | 2,698 | 7,220 | 7,475 | 89,055 |
| | April | 62,712 | 2,418 | 6,888 | 6,507 | 78,525 |
| | May | 63,242 | 2,429 | 6,738 | 7,124 | 79,533 |
| Totals | | 402,996 | 15,491 | 38,784 | 40,134 | 497,405 |
| Percent of Disposition Total | | 81% | 3% | 8% | 8% | 100% |

Source: California Department of Health Services

^a An approved drug TAR was authorized as submitted. A modified drug TAR was changed by the drug unit in some way and then approved (for example, a change in the quantity of the drug requested, a change in the time for which the drug is approved, or the denial of or change to one drug request on a drug TAR with several requests). A denied drug TAR was rejected as submitted. A returned drug TAR lacks sufficient information to make a decision, and the drug unit returns it to the provider for clarification.

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Agency's response to the report provided as text only:

STATE OF CALIFORNIA-HEALTH AND WELFARE AGENCY

PETE WILSON, Governor

DEPARTMENT OF HEALTH SERVICES
714/744 P STREET
P.O. BOX 942732
SACRAMENTO, CA 94234-7320
(916) 657-1425

July 24, 1998

Mr. Kurt R. Sjoberg
State Auditor
Bureau of State Audits
660 J Street, Suite 300
Sacramento, CA 95814

Dear Mr. Sjoberg:

Thank you for the opportunity to comment on the draft of your most recent audit of the Medi-Cal Pharmacy Sections, as mandated by Chapter 716, Statutes of 1992, regarding the processing of drug Treatment Authorization Requests (TARs). We fully concur with most of the statements and assumptions contained in this draft, however, we have some concerns with some of the other statements and assumptions made in the context of that draft.

In April 1995, the Department of Health Services entered into an agreement with representatives of various patient advocacy groups regarding the processing of drug TARs. The terms of this agreement were promulgated to Medi-Cal providers in Medi-Cal Pharmacy Bulletin No. 363, dated March 1995. This agreement states in part, that "decisions rendered on all drug TARs will be available to the submitters of those TARs no later than 5 p.m. on the business day following the business day of receipt of the TAR." The decisions rendered on such drug TARs are available to the submitters of those TARs via the toll-free Provider Telecommunication Network (PTN) as soon as those decisions have been entered into the automated TAR processing system by the Medi-Cal Consultant, as the final step in the review and adjudication of such drug TARs. This availability of the decisions on drug TARs by no later than 5 p.m. on the business day following the business day of those TARs is, in fact, the Department's "policy" regarding the turnaround of all drug TARs. ^{①*}

While it is true that the provider (i.e., the dispensing pharmacy) cannot submit a claim for payment for the prescription(s) dispensed until final data entry has been performed on adjudicated drug TARs by the Medi-Cal fiscal intermediary, the availability of the decision rendered on a drug TAR enables the pharmacy provider to dispense the prescription(s) with the knowledge that the Medi-Cal program has agreed to pay for the prescription(s). Such payment authorization is required for prescriptions for drugs not on the Medi-Cal List of Contract Drugs and/or for prescriptions in excess of six for any Medi-Cal beneficiary during a given calendar month. Once final data entry is performed by fiscal intermediary staff, a claim for payment may be submitted by the provider. According to the Chief of the Southern Pharmacy Section in Los Angeles, who personally reviewed the 97 TARs identified in the draft as TARs for which timely adjudication could not be determined because of the absence of a notation of time of completion on the batch cover sheet, the decisions rendered on these 97 TARs were available to the submitters of those TARs by the 5 p.m. next business day deadline, as is noted in the draft. It is our contention that the Medi-Cal Pharmacy Sections have adjudicated all drug TARs received within the terms of the agreement described above.

*California State Auditor's comments on this response are on page 23.

Mr. Kurt R. Sjoberg
Page 2
July 24, 1998

The Chief of the Northern Pharmacy Section in Stockton analyzed the five batches which each contained one TAR falling outside the mandated turnaround time. This analysis revealed that all other TARs within those batches were adjudicated in a timely manner. The batch cover sheets did not include the five involved TARs that were "signed out" of the batches (i.e., removed) or processed differently. It is speculated that the decision entered by the consultant into the automated TAR processing system was not accepted and this was not detected until the TAR was "post reviewed" by fiscal intermediary staff. Due to the lack of data entry staff, the "post review" process was not performed in a timely manner and the above problem was not corrected within the mandated turnaround time, as is normally done.

Another item of concern is the large number of drug TARs identified as "backlogged unprocessed TARs." Page nine of the draft identifies 7,951 TARs are "backlogged" or "unprocessed." These are really misnomers since those figures are, in fact, a "snapshot in time" of the number of drug TARs awaiting final data entry on the last business day of a given month and are not indicative, in any way, of TARs submitted and adjudicated by the Pharmacy Sections. Of the 7,951 TARs identified as "unprocessed" in the draft, all of them had been reviewed and adjudicated by the Medi-Cal Consultants in the Pharmacy Sections and the decisions rendered on those TARs were made available to the submitters of those TARs by the "5 p.m. next business day" deadline. This is consistent with the Department's "policy" on drug TAR turnaround.

We completely agree with the recommendations contained in the draft regarding the scheduling of data entry staff, the turnaround of TARs by the fiscal intermediary and computer and data transmission equipment. These items will be addressed in the upcoming redesign of the Medi-Cal TAR system and in future negotiation of the fiscal intermediary contract.

We hope this serves to clarify some of the Medi-Cal Operations Division's policies and procedures regarding the processing, adjudication and turnaround of drug TARs and that this information will be taken into account in your final report. If you have any additional questions or concerns, please feel free to contact Mr. Virgil J. Toney, Jr., Chief, Medi-Cal Operations Division, at (916) 657-0582. Again, thank you for the opportunity to comment.

Sincerely,

Signed by J. Douglas Porter
Deputy Director, Medical Care Service

For S. Kimberly Belshé
Director

Comments

California State Auditor's Comments on the Response From the Department of Health Services

To provide clarity and perspective, we are commenting on the Department of Health Services' (department) response to our audit report. The number corresponds to the number we have placed in the response.

- ① A drug treatment authorization request (TAR) is not fully processed until the decision on the TAR has been entered into the department's database. After the department's pharmaceutical consultant has adjudicated a drug TAR, it goes back to the Electronic Data Systems data entry staff, who performs the final data entry in the department's computer system. At this point, the department considers the drug TAR fully processed, and only then can the provider submit a bill for payment.

cc: Members of the Legislature
Office of the Lieutenant Governor
Attorney General
State Controller
Legislative Analyst
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
Senate Majority/Minority Consultants
Capitol Press Corps