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**SynerMed Corrective Action Plan  
November 17, 2017**

**Problem Presented:**

Recently, the Department of Health Care Services (DHCS) received a whistleblower complaint documenting widespread deficiencies in SynerMed's utilization management (UM) processes. Many Medi-Cal Managed Care Health Plans (MCPs), including the MCPs to whom this letter is addressed, have delegated UM functions to Medical Groups (MG) and Independent Provider Associations (IPA), who in turn have delegated UM functions to SynerMed. Members are currently in imminent danger of not receiving medically necessary health care services because SynerMed is not timely processing requests for health care services.

**Background:**

SynerMed is an Administrative Services Organization (ASO) that contracts with IPAs and MGs to administer health insurance benefits for Medicare Advantage plans, Medi-Cal MCPs, and commercial plans. The information DHCS has received to date shows that SynerMed provides UM services to Adventist Health Plan, Alpha Care Medical Group, Angeles IPA, Crown City Medical Group, Employee Health Systems, Multicultural Primary Care Medical Group, Advantage Health Network, Community Family Care-Pacific Alliance, Southland Advantage Medical Group, Southland San Gabriel Valley Medical Group and Torrance Health IPA. MCPs need to verify whether they contract with any other MGs or IPAs that utilize SynerMed services.

The whistleblower complaint documents SynerMed's serious UM processing deficiencies. DHCS has also received information from several MCPs confirming widespread deficiencies. The information DHCS has received to date from the whistleblower and health plans shows that SynerMed:

- Fails to process, or timely process, hundreds, possibly thousands of requests for health care services;
- Fails to provide members and providers with critical Notices of Actions (NOAs) advising them of their appeal rights;
- Falsifies adjudication dates relating to denials, referrals, and modifications; and
- Creates false UM documentation for audit purposes.

### **Legal Authority:**

DHCS permits MCPs to delegate utilization UM activities to third parties. (See MCP Contract, Exhibit A, Attachment 5, ¶5.) MCPs are responsible for overseeing delegated functions and remain accountable for any functions they delegate to third parties. (MCP Contract, Exhibit A, Attachment 6, ¶14, Subcontracts; 42 CFR 438.230(b)(1), 22 CCR § 53867.) Regardless of delegation, MCPs must comply with all UM duties and obligations set forth in the MCP Contract. (MCP Contract, Exhibit, A, Attachment 4, ¶6, Attachment 5.) DHCS retains the right to approve or disapprove any subcontract entered into by the MCP. (MCP Contract, Exhibit A, Attachment 6, ¶14.) Pursuant to Exhibit A, Attachment 6, ¶14, DHCS directs MCPs to immediately institute the following safeguards in order for the MCPs, or any of their subcontractors, to use SynerMed for ASO services.

### **Mandated Corrective Action Plan Requirements:**

MCP contracts clearly make every MCP individually responsible for all delegated UM activities. Because multiple MCPs and their subcontractors delegate UM activities to SynerMed, DHCS requires affected MCPs to coordinate their efforts in resolving SynerMed's UM deficiencies as set forth in the Individual and Group MCP Responsibilities sections below. All MCPs that have contractual relationships with SynerMed, directly or indirectly, will have shared responsibilities for ameliorating the current deficiencies.

### **Individual MCP Responsibilities**

#### **Mandate No. 1 – Plan of Action:**

Each MCP shall prepare and submit a Plan of Action to DHCS detailing information regarding its members who may have been adversely impacted by SynerMed's deficient UM processes in the proceeding twenty-four (24) months, at a minimum. Each MCP shall submit the Plan of Action to DHCS for review and approval no later than **10 business days** from the date of this letter. The Plan of Action may be amended and updated by the MCP as necessary with DHCS approval.

The Plan of Action must include, at a minimum, the following components:

- 1) The total number of members assigned to subcontractors that utilize SynerMed services;

- 2) The number of members with delayed or unprocessed service request determinations due to SynerMed's deficient UM processes;
- 3) The number of MCP subcontractors that are impacted. For each subcontractor, the following must be submitted:
  - a. Subcontractor name
  - b. A list of the subcontractor's providers and whether those providers are affiliated with other MGs and IPAs
  - c. Total number of providers impacted;
- 4) An assessment of the MCP's "provider affiliation overlap (any IPA/MG impacted and the provider overlap with non-impacted IPAs/MGs)" for impacted members;
- 5) The MCP's transition plan for impacted members;
- 6) Information relating to the MCP's contracts with IPAs (identified in the Background section, above), including the contract term and termination summary of all termination provisions;
- 7) Information relating to the IPAs' contracts with SynerMed, including the contract term and any provisions relating to termination;
- 8) A description of how the MCP's impacted subcontractors propose to handle UM functions on a go forward basis including but not limited to the transition of members to a new Administrative Services Organization;
- 9) A description of how the MCP's impacted subcontractors propose to conduct oversight for any delegate UM functions on a go forward basis;
- 10) A description on how the MCP intends to monitor subcontractors that have been delegated MCP responsibilities. The description shall include a forensic analysis of SynerMed and how to prevent similar deficiencies from occurring in the future;
- 11) A description of how the MCP proposes to make changes to its oversight of delegated UM functions on a go forward basis to detect and correct UM deficiencies; and
- 12) Milestones and timelines.

DHCS reserves the right to request additional data and documents including, but not limited to, the actual contracts that each MCP has with the IPAs and that the IPAs have with SynerMed.

**Mandate No. 2 – Gathering and Preserving Documents:**

MCPs shall independently and expeditiously obtain all necessary information from their subcontractors and SynerMed to quantify the extent of potential member harm. This information includes, but is not limited to:

- 1) Medical records;

- 2) Referral data; and
- 3) All data relating to Notice of Action (NOA) letters as defined by the DHCS and MCP contract and All Plan Letter 17-006, whether the NOA was mailed or not.

Each MCP shall take all steps necessary to safeguard and preserve SynerMed documents relating to any and all UM activities as well as all provider and member requests for services for the past 10 years from being destroyed or compromised. The Independent Management Organization referenced in Mandate 6 shall facilitate data collection efforts by the MCPs as well as the MCPs' subcontracted entities.

The MCP shall take immediate steps to copy and preserve SynerMed's data relating to their beneficiaries. DHCS reserves the right to have one or more of its staff on-site at Synermed if concerns arise regarding document preservation.

#### **Mandate No. 3 – Impacted Members:**

To the extent the MCP determines that SynerMed did not appropriately respond to the MCP member's or provider's request for health care services, the MCP shall expeditiously evaluate the current member's medical information relating to the request(s) and promptly authorize all medically necessary covered services. The MCP shall only authorize medically necessary covered services to the extent the individual continues to be eligible and enrolled in the MCP. The MCP shall focus on services that were requested within the prior twenty-four (24) months that have not been properly adjudicated but shall also review, to the extent possible, all service requests that have not been properly adjudicated. "Impacted members" shall be defined as, at a minimum, including authorization requests pending a determination (not yet approved, denied or modified) and any denials identified by the plan as lacking an appropriate medical necessity review. Whenever possible, the MCP shall prioritize members with chronic conditions as defined by aid code.

#### **Mandate No. 4 – Progress Reports:**

Each MCP shall submit a progress report to DHCS on a **weekly basis**, or whenever a significant event occurs, whichever is sooner unless the Joint Progress Report(s) under Group MCP Responsibilities, Mandate 8 include sufficient information to represent the Individual MCP's progress, as determined by DHCS. The MCP shall submit its first progress report to DHCS ten (10) business days from the date of the MCP's initial Plan of Action submission, unless the Joint Progress Report exemption applies. The MCP may request approval from DHCS to change the submission intervals as Plan of Action milestones are completed.

**Mandate No. 5 – Contacting Impacted Members:**

Each MCP shall work expeditiously to contact current members impacted by the SynerMed UM deficiencies in, at a minimum, the twenty-four (24) months prior to the submission of the Action Plan and expedite access to outstanding medically necessary Medi-Cal managed care covered services. The MCP's current member contact campaign must include, at a minimum, three outbound telephone call attempts and one written notice. The MCP may stop the telephone calls if contact is made or current contact information is unavailable or inaccurate.

**Group MCP Responsibilities**

**Mandate No. 6 – Appointing a Lead MCP:**

Health Net Community Solutions, Inc. ("Health Net") is designated as the lead MCP. The lead MCP will serve as the facilitator to coordinate compliance with the requirements prescribed in Mandate Nos. 7, 8, and 9, below insofar as those requirements uniformly apply to each Individual MCP.

The lead MCP shall identify, at a minimum, two MCP contacts that will be communications contacts for DHCS. One of the contacts at the lead MCP must be the President or Chief Executive Officer.

The lead MCP is not responsible for the individual MCP Plan of Action or compliance with those requirements set forth under the Individual MCP Responsibilities section.

**Mandate No. 7 – Installing an Independent Management Organization:**

The lead MCP shall enter a contract with an independent management organization with appropriate experience in providing administrative services to managed care entities. The lead MCP shall ensure that the Management Organization does not have any conflicts of interest, business interests or financial arrangements with SynerMed or any of its related companies.

The lead MCP shall establish the scope of work and standards of performance for the Management Organization's contract, subject to DHCS's approval. The terms shall include at least the following:

- The Management Organization shall undertake to investigate and identify all of SynerMed's UM deficiencies and develop strategies to ameliorate those deficiencies.
- The Management Organization shall ensure ongoing maintenance of business including capacity to take on the daily operations functions for SynerMed as necessary.
- The Management Organization shall promptly comply with requests for information, data, and creations of reports from DHCS.
- In the event that the Management Organization discovers additional unrelated deficiencies or irregularities, such as, but not limited to, claims payment deficiencies, the Management Organization shall immediately advise the MCPs and DHCS.
- The Management Organization shall oversee and monitor any transition or termination of business activities by SynerMed to ensure appropriate data transfer and retention of records.

Within **ten (10) business days** from the date of this letter, the lead MCP shall identify its proposed Management Organization and provide documentation concerning their expertise for DHCS approval. The approved management organization must be physically present where SynerMed's UM functions are conducted, at a minimum, for 40 hours per week; beginning **5 business days** after the lead MCP receives DHCS' approval of the management organization. The lead MCP shall obtain DHCS's approval before removing the Management Organization or reducing the Management Organization's hours. All reports provided to the lead MCP shall be submitted to DHCS concurrently.

The cost of the Management Organization shall be shared by the MCPs proportional to the MCPs membership with provider groups that use SynerMed Medical Management services. If the MCPs cannot agree on how to share the cost of the Management Organization, then the Management Organization's costs shall be split in proportion to each MCP's current enrollment that was serviced by SynerMed as of October 1, 2017. DHCS will not share in the cost of the Management Organization.

**Mandate No. 8 – Joint Plan of Action:**

All MCPs identified in this letter are required to coordinate in the form of participation in the Group MCP Responsibilities under the lead MCP to address SynerMed's systematic UM deficiencies. An MCP who seeks to be excused from the Group MCP Responsibilities shall seek the approval of DHCS. Each MCP will assign a single point of contact to participate in MCP Group Plan of Action and governance.

The lead MCP shall prepare and submit a Joint Plan of Action specifically related to the ongoing maintenance of business and transition of services from SynerMed. The lead MCP shall send the Joint Plan of Action to DHCS for review and approval no later than **ten (10) business days** from the date of this letter. The Joint Plan of Action must include, at a minimum, the following components:

- 1) Identified actions to ameliorate all UM deficiencies and delayed care identified in this CAP within SynerMed's operational span of control;
- 2) The steps the MCPs have taken to preserve evidence/documentation of member harm, including the need to copy and preserve computer data;
- 3) Steps to facilitate an orderly transition plan for Medi-Cal beneficiaries to alternate providers as applicable;
- 4) Steps to facilitate an orderly transition of MCPs' subcontractors to alternative ASOs, as applicable;
- 5) Contract phase-out activities and preservation of SynerMed's books and records;
- 6) Update on any operational issues identified in the normal course of business;  
and
- 7) Milestones and timelines.

#### **Mandate No. 8 – Joint Progress Reports:**

The lead MCP shall submit a Joint Progress Report on the Joint Action Plan to DHCS on a **weekly basis** or whenever a significant event occurs, whichever is sooner. The lead MCP shall submit the first Joint Progress Report to DHCS ten (10) business days following the MCPs' initial Joint Plan of Action submission. MCPs shall jointly approve the progress report template. The MCP shall request approval from DHCS to change the submission intervals as Joint Plan of Action milestones are completed.

MCPs shall jointly approve the Joint Progress Report template. The template shall, at a minimum, include all items contained in the Joint Plan of Action.

DHCS will continue to evaluate the MCPs' progress toward ameliorating SynerMed's UM deficiencies. The evaluation process includes the potential to impose monetary sanctions on a quarterly basis for any period of time that the MCPs have not been previously sanctioned for the deficiencies.

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DHCS reserves its right to assess contract penalties and claim liquidated damages.  
If you have any questions, please contact Sarah Brooks, [sarah.brooks@dhcs.ca.gov](mailto:sarah.brooks@dhcs.ca.gov).

Sincerely,

Original signed by Sarah Brooks

Sarah Brooks, Deputy Director  
Health Care Delivery Systems  
Department of Health Care Services