



**FOR IMMEDIATE RELEASE**  
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**DMHC investigation shows Kaiser Foundation Health Plan has little oversight  
over quality assurance programs**

*Health plan fined \$3 million for failure to adequately monitor quality assurance programs  
and complaints against doctors*

(Sacramento) – The California Department of Managed Health Care (DMHC) has fined Kaiser Foundation Health Plan (Kaiser) \$3 million for its failure to provide adequate oversight of quality assurance programs intended to address patient complaints about medical care or physician peer review cases in its 29 medical centers throughout the state. However, \$1 million of the fine may not be imposed if Kaiser fully completes proposed corrective actions.

“State law requires health plans to have processes in place to hear member concerns and act upon them in a timely manner,” said Cindy Ehnes, Director of the DMHC. “This fine is based on the health plan’s failure to have the proper oversight of these processes and is not an indication of the quality of the health care received at Kaiser hospitals or from Kaiser physicians.”

On August 1, 2006, the DMHC began an investigation of Kaiser’s quality assurance oversight programs, which are responsible for investigating and resolving quality-of-care complaints from its members. The investigation was prompted in part from issues identified in the DMHC’s prior examination of the closure earlier this year of Kaiser’s San Francisco Medical Center kidney transplant facility, as well as specific consumer complaints received by the DMHC’s HMO Help Center.

The investigation involved an in-depth look at the programs designed to investigate complaints and conduct physician peer review at nine of Kaiser’s 29 medical centers’ programs throughout the state. State law requires health plans to establish procedures to review the quality of care, performance of medical personnel, and utilization of services and facilities. Specifically, plans must have a proper oversight mechanism in place to ensure that any quality assurance or peer review functions it may delegate to another entity, such as a medical group, are adequately performed.

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The DMHC investigation into Kaiser's quality assurance oversight found two deficiencies of state law – the lack of adequate health plan oversight of quality assurance programs, and the significant variation and inconsistent handling of quality-of-care cases referred for medical center peer review. The health plan did not have an effective or comprehensive uniform system of standards and processes for these functions and lacked the ability to verify whether serious or chronic problems were being addressed.

Evidence of these deficiencies was found in a review of 228 randomly selected peer review and quality assurance case files from the nine medical centers. More than one-third of the files were deficient in at least one of seven categories, such as making sure that corrective action was carried out on a quality complaint, timely and prompt handling of a quality concern, or that consideration of a physician's complaint history was appropriately applied in evaluating a peer review matter. The inconsistencies within the files can be traced to the lack of standards established by the health plan in the consideration of quality-of-care concerns or peer review cases.

Since the completion of the investigation and the findings presented to the health plan in preliminary form, the DMHC and Kaiser have aggressively begun working to address the oversight issues identified. Some of the changes include a requirement that Kaiser establish new reporting processes from its medical centers so that the health plan can fully monitor and review health care changes, quality-of-care complaint systems, and peer review programs at all 29 medical centers. The plan will also establish a uniform set of standards for all medical centers to use in evaluating peer review programs and establish a new regional Member Concerns Committee in southern California to report to the health plan on specific member complaints.

In addition, the DMHC is requiring additional confirmation by October 1, 2007, that corrective actions are under way by Kaiser to improve peer review functions conducted within all of its clinical departments. The DMHC will also conduct "no-notice" site visits beginning in November 2007, as one way of ongoing monitoring of Kaiser's progress toward integrating changes. A follow-up DMHC survey will be conducted in late 2008-09. Successful completion of all corrective actions, as determined by the follow-up survey, will negate the need to impose the final \$1 million of the fine.

The California Department of Managed Health Care is the only stand-alone watchdog agency in the nation, touching the lives of nearly 21 million enrollees. The DMHC has assisted more than 800,000 Californians through its 24-hour Help Center by resolving HMO problems while educating consumers on health care rights and responsibilities, and working closely with health plans to ensure a solvent and stable managed health care system.

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