HEALTH PLAN POLICY

Policy Title: Corrective Action

Policy Number: AC03
Revision: D

Department: Administration
Sub-Department: Compliance

Applies to Product Lines: □ Medicaid
□ Children’s Health Insurance Plan
☒ USFHP
☒ Commercial Insured
☒ Health Insurance Exchange
□ Non Insured Business
☒ Medicare

Origination/Effective Date: 12/09/2014

Reviewed Date(s): Revision Date(s): 03/04/2016, 09/28/2017, 08/23/2018, 08/14/2019

SCOPE:

The purpose of this policy is to ensure measures are in place to prevent, detect and correct potential noncompliance or Fraud, Waste and abuse (FWA). For all identified issues, or potential issues, corrective action will be initiated to remediate the issue and initiate interventions to prevent further non-compliance, ethical conduct and/or potential FWA.

DEFINITIONS AND ACRONYMS:

- **Centers for Medicare and Medicaid Services (CMS)** – The federal agency responsible for administering the Medicare and Medicaid programs.

- **Corrective Action Plan (CAP)** – A plan that encompasses one or more gaps in a process, as well as interventions to address it, and a timeline in which to do so.

- **Downstream Entity** – Any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the Medicare Advantage benefit or Part D benefit, below the level of the arrangement between a Medicare Advantage Organization (MAO) or applicant or a Part D plan sponsor or applicant and a first tier entity. These written arrangements continue down to the level of the ultimate provider of both health plan and administrative services.¹

- **First Tier Entity** – Any party that enters into a written arrangement, acceptable to CMS, with an MAO or Part D plan sponsor or applicant to provide administrative services or health care services to a Medicare eligible individual under the Medicare Advantage Program or Part D program.²

- **Fraud Waste Abuse (FWA)**

- **Related Entity** – Means any entity that is related to an MAO or Part D sponsor by common ownership or control and

  1. Performs some of the MAO or Part D plan sponsor’s management functions under contract or delegation;

  2. Furnishes services to Medicare enrollees under an oral or written agreement; or

¹ CMS Medicare Managed Care Manual, Chapter 21, Compliance Program Guidelines.  

² Ibid.
HEALTH PLAN POLICY

Policy Title: Corrective Action
Policy Number: AC03
Revision: D

(3) Leases real property or sells materials to the MAO or Part D plan sponsor at a cost of more than $2,500 during a contract period.

- Subcontractor - Any individual or entity, including an Affiliate, which has entered into a Subcontract with the health plan.3

POLICY:

The health plan utilizes various methods to evaluate performance at all levels of the organization to monitor compliance with applicable laws, regulations and company policies. Detection of potential or actual issues related to compliance, FWA, ethical conduct or other areas of performance will result in the initiation of appropriate corrective action.

Effective corrective action will be designed to identify and address the root cause(s) of the issue(s), thereby reducing the risk of reoccurrence and future noncompliance.4 A corrective action will represent an appropriate response to the nature, severity and degree of risk associated with the issue(s) being addressed.

A. Basis for Corrective Action

1. A corrective action will be initiated in response to detection of actual or potential issues related to, but not limited to the following:
   - Compliance with applicable laws, regulations and health plan policy;
   - FWA;
   - Ethical conduct; and
   - Any other issues that increases, or potentially increases, risk to the organization.

2. The first step in developing a corrective action is to perform a root cause analysis to determine what caused or allowed the misconduct, problem or deficiency to occur. Sources for identifying issues that require corrective action include, but are not limited to:
   - Internal audits;
   - Ongoing monitoring;
   - Risk Assessment;
   - Incident reporting process; and
   - Associate input

B. Application of Corrective Action

1. Corrective action will be applied to any tangible component of performance that is identified as a significant cause. A corrective action will be tailored to address the particular misconduct, problem or deficiency identified, and will include timeframes for specific achievements. Examples include, but are not limited to:

---

3 Texas Health & Human Services Commission, Attachment A – Uniform Managed Care Contract Terms and Conditions
4 CMS Medicare Managed Care Manual, Chapter 21, Compliance Program Guidelines. 
HEALTH PLAN POLICY

<table>
<thead>
<tr>
<th>Policy Title: Corrective Action</th>
<th>Policy Number: AC03</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revision: D</td>
</tr>
</tbody>
</table>

- Associate performance;
- Process or work flow;
- Departmental procedure;
- Performance metrics;
- Company policy; and
- Training and education.

2. If the issue is the result of more than one significant, identifiable cause, the corrective action must adequately address each one. Corrective action applied to an associate(s) may or may not be in association with disciplinary action, depending on the circumstances. All disciplinary action will be taken in consultation with Human Resources and any other applicable parties.

C. Minimum Requirements for Corrective Action Plans

1. Generally, the manager responsible for initiating corrective action will use his/her discretion and judgment in determining the elements to include in the corrective action plan (CAP). As appropriate, the manager should seek input from other sources. When the CAP is in response to an internal audit or regulatory review, the CAP must meet all requirements that have been specified by the auditor(s).

2. In order to sufficiently address the noncompliance or FWA committed, the corrective action plan must:
   - Be documented;
   - Clearly indicate or refer to the issue or problem targeted for correction;
   - Identify and address the root cause(s) of the issue;
   - Define the action(s) to be implemented;
   - Provide for adequate training and education to support the correction;
   - Be tied to specific, measurable criteria for tracking effectiveness;
   - Specify a timeframe for improvement, evaluation and closure; and
   - Indicate the ramification for failing to implement the corrective action satisfactorily, such as employment termination, if warranted.

D. First-Tier, Downstream and Related Entities (FDRs) and Contractors

1. When issuing a CAP to an FDR/contractor, the health plan shall detail the elements of the corrective action in a written agreement with the entity, which includes ramifications if the FDR/contractor fails to implement the corrective action satisfactorily, such as contract termination, if warranted.

2. The health plan must continue to monitor corrective actions after their implementation to ensure that they are effective. Such may be done by conducting independent audits or reviewing the FDRs/contractors monitoring or audit reports.

---

3. Monitoring and auditing reports will be presented to both the Board of Directors and the compliance committee.

REFERENCES:

- CMS Medicare Managed Care Manual, Chapter 21, Compliance Program Guidelines, with specific subsections as noted throughout the policy.
- Texas Health & Human Services Commission, Attachment A – Uniform Managed Care Contract Terms and Conditions
- 42 C.F.R. §423.501

RELATED DOCUMENTS:

Corrective Action Plan

Nancy Horstmann
Chief Executive Officer Health Plans

David Engleking, M.D.
Medical Director Health Plans

REVISION HISTORY:

<table>
<thead>
<tr>
<th>Revision</th>
<th>Date</th>
<th>Description of Change</th>
<th>Committee</th>
</tr>
</thead>
<tbody>
<tr>
<td>New</td>
<td>12/09/2014</td>
<td>Initial release.</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>A</td>
<td>03/04/2016</td>
<td>Updated to current template. Updated Definitions and Acronyms.</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>B</td>
<td>09/28/2017</td>
<td>Yearly review. No content change. Changed signatory to reflect CEO.</td>
<td>Board of Directors</td>
</tr>
<tr>
<td>C</td>
<td>08/23/2018</td>
<td>Compliance review.</td>
<td>Executive Leadership</td>
</tr>
<tr>
<td>D</td>
<td>08/14/2019</td>
<td>Annual review. Updated verbiage in Scope, Definitions and Acronyms, and Section B.1.</td>
<td>Executive Leadership</td>
</tr>
<tr>
<td>Date Issued</td>
<td>CAP Title</td>
<td>Barrier Identified</td>
<td>Interventions Currently in Place</td>
</tr>
<tr>
<td>------------</td>
<td>-----------</td>
<td>-------------------</td>
<td>-------------------------------</td>
</tr>
</tbody>
</table>

Page 5 of 5