



Managed Care Compliance Conference

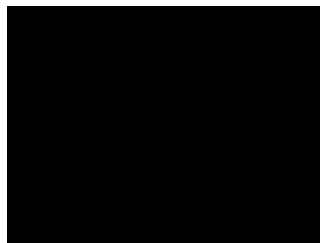
COMPLIANCE AND YOUR HEALTH PLAN SALES STAFF

HCCA MANAGED CARE COMPLIANCE CONFERENCE
FEBRUARY 22 – 24, 2009

LORI J. DUTCHER, JD
VICE PRESIDENT MSSA COMPLIANCE
KAISER FOUNDATION HEALTH PLAN, INC

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Sales Staff are Creative Customer Focused-They
Create messages like this.....



How do you get them from here to the 7 Elements
of an effective Compliance Program?



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AGENDA

- Who is Kaiser and how is Health Plan Compliance Structured?
- Common Sales and Marketing Compliance Issues.
- Where does Compliance stand with your health plan sales staff?
- Suggestions for making Compliance relevant to your sales staff.
- Dialogue and Questions.



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Who is Kaiser Permanente?

- Kaiser Permanente is an integrated health care provider, health plan, and hospital proprietor.

Number of Employees	~158,000
Number of Physicians	~13,700
Number of Nurses	~31,454
Members	8.7 Million
Regions	8 Regions
States	10 States
Hospitals	37 Medical Centers
MOB/Clinics	416
Members enrolled in Medicare Part D	800,000

Annual Operating Revenue (2006)	\$34.4 Billion
External Services	\$11 Billion
Vendors	380,000

- Massive design and construction and IT capital expenditures
- Multi-billion dollar dispenser of pharmaceuticals

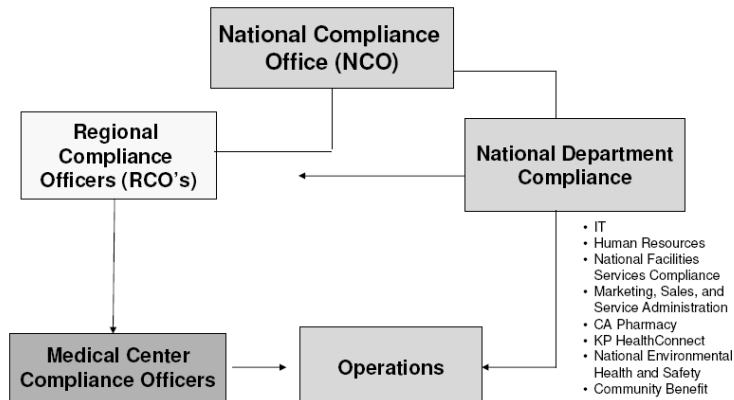


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Our Approach to Compliance

Kaiser Permanente Compliance Structure Relationship to regions and national departments



Common Sales Compliance Issues

- Broker 5500 Reporting Requirements(ERISA Section 104 & 103 (a) (2)).
- Sale of Non-Approved Products.
- Appointment and Licensure of Brokers and Staff.
- Privacy and Security Issues.
- Medicare Improvements for Patients and Provider Act of 2008 (MIPPA).
- State Regulations including Restrictions on Inducements.
- SOX Financial Control Concerns.



Stages of Compliance-Where is your Sales Staff?

		← Stages →			
		Defensive	Adherent	Embedded	Strategic
Characteristics	Accountability	Lack of accountability and denial of seriousness	Defined accountability	Core management process	Competitive edge
	Approach	Unstructured approach and reactionary	Policy based approach	Ingrained in daily operations	Direct tie-in to long term vision and societal needs
	Attitudinal Outcomes	Poor business relationships (IT, Compliance, etc)	Cost of doing business	Incentives are aligned with compliance goals	Industry leader that sets the standard



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The Importance of Brand



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The Brand Imperative

- The global marketing executive for Procter and Gamble (\$6.7 Billion Spend) has commented that customers “want to trust something. It’s trust in the largest sense of the word. People really do care what’s behind the brand, and the values of a company. Business and brands that are breaking records are those that inspire trust and affection and loyalty...”



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I can sell OR I can be compliant! Show them how to do both.

- Frame compliance in terms of protecting and preserving the brand.
- Impact compliance violations have on the Brand.
- Customer expectations.



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Regulators are Customers

- CMS = Membership
- Compliance validates customers confidence in Kaiser Permanente as a business partner
- Loss of faith when privacy breaches occur
- Publication of market conduct findings
- Trust matters in Sales



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Providing Tools



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Identify a business partner in the Sales Community

- Sales Operations (Community of Practice).
- Make compliance part of Performance Scorecard .
- Clearly define who is accountable and for what.
- Use clear graphics to communicate accountabilities.



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Teach Them How to Fish

- Compliance toolkits
- General Compliance Framework
- Identify substantive compliance risks/standards.
- Integrate Compliance accountabilities into on-boarding orientation and performance evaluation process



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Example: Compliance Management Systems Assessment Results

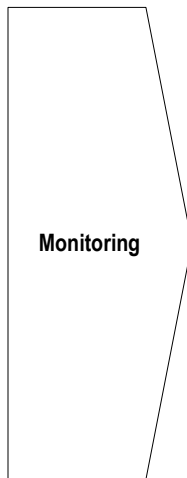
CoMSAT Functional Results by Compliance Framework Element

	ACCOUNTABILITY								RESOURCES & SUPPORT									
	R1	R2	R3	R4	R5	R6	R7	R8	R1	R2	R3	R4	R5	R6	R7	R8		
Health Plan Operations																		
Appeals	R	NA	Y	NA	NA				G	NA	Y	NA	NA					
Benefits						R	R	G			Y		G			R	R	G
Billing & Reimbursement	Y	G	R	Y	R	G	Y	Y		R	G	R	G	Y	Y	Y	Y	
Claims	R	Y	Y	G	G	R	G	R		Y	R	Y	Y	G	R	G	R	
Contracts								G										G
Medicare Finance						Y	R								Y	R		
Member Services / Rights	G	R	G	Y	R			G		G	Y	Y	R	Y	G		G	
Membership	G	Y	NA	R	G			Y		R	G	NA	G	Y		R		
Pricing & Underwriting	R	R	G	G	Y	R	G	Y		G	Y	Y	G	R	Y	G	G	
Procurement (Non-Pharmacy)	G	Y	R	Y	G			R		G	R	G	Y	G		Y		
Products	R	Y	G	Y	R	Y	R	G		R	Y	Y	Y	R	G	Y	R	
Provider Contracting	Y	G	G	NA	G					Y	R	G	NA	Y				
Quality Resource Mngt	R	R	Y	G	Y					G	Y	R	G	Y				
Sales & Marketing	R	Y	G	R	G			Y		R	G	Y	R	G			R	
Sales & Marketing (Medicare)						R	G								R	Y		
Sales & Marketing (Commercial)						Y	R								Y	R		
Utilization Management						G	Y								G	Y		
Underwriting																		
Procurement (Contracts)						R	Y								R	G		

*Surveys performed from 2005 through 2007



KP Compliance Framework Elements - Example



Operationalizing Compliance

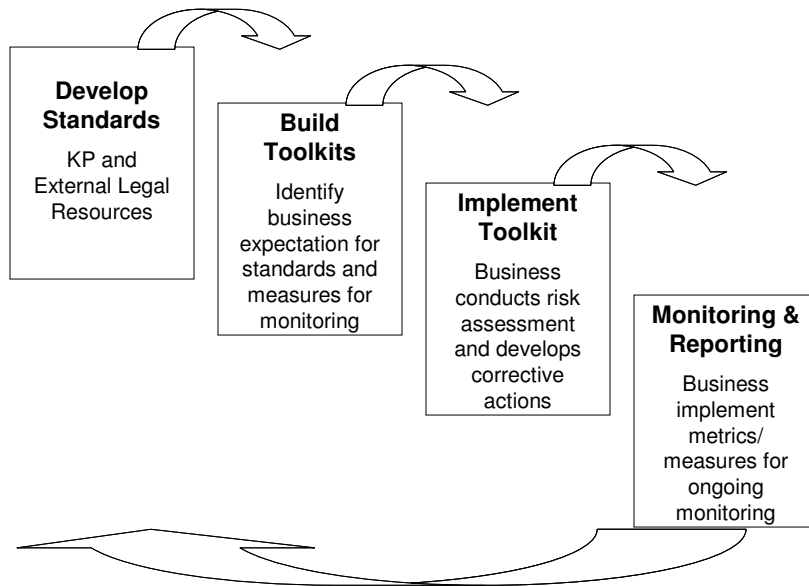
- Each health plan unit can demonstrate internal monitoring for compliance.
- Methods may vary.
- Sampling Techniques (probe samples)
- Surveys
- Compliance Metrics
- Staff Interviews
- Active Strategy

Validation

- Has a risk assessment been completed to identify the relevant risk areas?
- Are areas that have been identified as having prior compliance findings being monitored?
- What type of monitoring is occurring?
- Is trend analysis of findings occurring across market segments?
- Are corrective action plans being monitored?
- Are monitoring results being reported?



A Toolkit Plan



Toolkits: Purpose

Compliance means following all federal and state laws and regulations.

These rules provide guidelines to ensure that:

- Sales and Marketing staff and brokers are appropriately licensed and appointed
- KP products are not misrepresented
- Brokers are paid appropriately and the right financial controls are in place
- Our groups have the appropriate information on broker monetary and non-monetary compensation

Modules based on subject matter are designed to deliver law in clear and concise language.

Provide a process by which Compliance awareness, education, risk identification and risk reduction are enhanced.



Toolkits: What are we working on?

Developing Standards

- **Broker 5500 Reporting Requirements**
- **Sale of Non-Approved Products**
- **Appointment and Licensure**
- **Privacy and Security Issues**
- **Medicare Regulations**
- **State Regulations including Restrictions on Inducements**
- **SOX Financial Control Concerns**

A Collaborative Process –

Compliance, Legal, Subject Matter Experts, Business representatives partner on developing toolkits for the identified risk areas.

The risk areas are chosen based upon the following criteria:

- Prior assessments and findings by compliance, internal audit, outside consultants or regulators.
- High risk (regulatory oversight)
- High dollar (fraud or sanctions)
- Impact to reputation
- Impact to member
- Key business strategy



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Health Plan Initiatives

Sales Operations Toolkits

- Continue implementation of sales operations toolkit (Licensing and Appointment, 5500 Disclosure Reporting, Broker Commission Financial Controls, Marketing & Sale of Approved Products)
- Validate toolkit implementation
- Develop, obtain approval and implement training plan for toolkit risk areas

Accountable Executives – Lori Dutcher, Daniel Edmonds

Progress Made

- Risk Assessment tools developed
- Monitoring measures in development
- Toolkit implementation by Q1
- Broker Commission Financial Control metrics implemented

Measures

- Validation of broker commission financial controls in place
- Toolkits and monitoring measures implemented by Q1

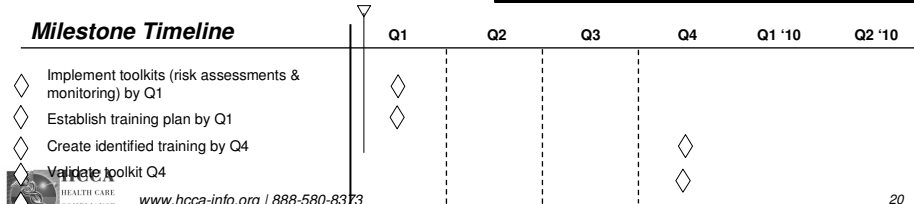
Compliance Objective – Meet federal and state requirements for Sales Operation

(H)	No focused risk mitigation activity
(D)	Compliance Tools in Development
(V)	Business Unit Implementation
(M)	Validation
(C)	Continuous Monitoring

Risk Assessment Findings

Functional Area	Risk Name	Risk Description	National Risk Status & Ranking
Sales Operation, Membership Administration	Broker 5500 Disclosure Reporting	Appropriate data capture and reporting of non-monetary and monetary compensation of brokers to the groups	MED (C)
Sales Operation	Broker Commission Financial Controls	Financial controls are in place to limit financial loss and exposure to regulatory and compliance findings	MED (B)
	Licensing & Appointment	Appropriate Licensure and Appointment - Brokers and sales staff meet the appropriate licensure and appointment requirements set forth by the state and KP policies	MED (C)
	Marketing & Sale of Approved Products (Regulatory Filings)	KP has the necessary process in place to ensure that prior to the marketing and sale of products, they are properly approved	MED (C)

Milestone Timeline



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Sales Operation Business Performance Review – Broker Commission Financial Controls

- On a bi-monthly basis, Sales Operations goes through a process of reviewing 49 Financial Controls
- During these BPRs, the regions identify:
 - Which controls they are not meeting and any roadblocks
 - How and when the control will be in place
 - Best practices amongst the other regions for particular controls

Financial					
	Name	Date	Actual	Target	Variance
1.1	<u>Meet broker commission financial control compliance by ensuring licensing and appointment requirements are met (HI MSSA Compliance)</u>				
	 <u>1.1.1 Broker policy lists all requirements for broker appointment (HI MSSA Compliance)</u>	May 08	Yes	Yes	n/a
	 <u>1.1.2 Broker Admin confirms broker license is valid and in effect by obtaining a copy or confirming licensure in State records (HI MSSA Compliance)</u>	May 08	Yes	Yes	n/a



Reinforcement

- Compensation
- Reporting within the Organization
- Reporting to the Board of Directors
- Key Messages from Senior Sales Leaders



Incorporate Compliance into the Business Unit

- “We work collaboratively within Kaiser Permanente to develop and enhance sales, marketing service, and administrative capabilities (including Account Management, Product Management, Pricing, Underwriting, Membership Administration, Member Services, Claims and Related Functions) that are competitive, effective, efficient and compliant with all laws and regulations.”



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Questions?



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