

# 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



January 1998  
98011

The first printed copy of each California State Auditor report is free.

Additional copies are \$3 each.

Printed copies of this report can be obtained by contacting:

**California State Auditor  
Bureau of State Audits  
660 J Street, Suite 300  
Sacramento, California 95814  
(916)445-0255 or TDD (916)445-0255 x 248**

Permission is granted to reproduce reports.



# CALIFORNIA STATE AUDITOR

---

KURT R. SJOBERG  
STATE AUDITOR

MARIANNE P. EVASHENK  
CHIEF DEPUTY STATE AUDITOR

January 27, 1998

98011

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 fourteenth 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 447,318 drug TARs from June through November 1997, an increase of 368,820 (470 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, it is still higher than during the first review period. Also, in November 1994, the law reduced the limit of prescriptions from ten to six per month that an individual beneficiary could have before a drug TAR had to be submitted.

The department also processed 443,943 drug TARs from June through November 1997, an increase of 366,661 (474 percent) over that of the first six-month period we reviewed. The current number represents the most activity since June through November 1990; however, the increase is only 3,641 (less than 1 percent) more TARs than were processed during the previous six-month period.

While the number of processed drug TARs has risen substantially since June 1990, the percentage of unprocessed drug TARs compared to drug TARs received continues to remain low. The average month-end backlog for the current review period was 6.2 percent of all drug TARs received. This represents a significant improvement over previous periods when we found average backlogs ranging from a high of 34 percent in May 1992 to a low of 5.1 percent in November 1993.

Neither the Los Angeles nor the Stockton drug unit was able to process all drug TARs within one working day, as required by department policy. The Los Angeles drug unit took two working days to fully process 29 (4 percent) of the 731 drug TARs sampled that were either mailed or submitted via facsimile (fax). According to its chief pharmaceutical consultant, the delay in the Los Angeles drug unit was caused by the slow system response time of the department's contractor for data entry—Electronic Data Systems (EDS). The EDS system was completely down for most of a day during October. The Stockton unit also took longer than one working day to fully process 15 (2.4 percent) of the 624 mailed or faxed drug TARs sampled. However, the decisions about these 15 drug TARs were available to the providers through the Provider Telecommunications Network on the first day.

Additionally, we found that the number of fair-hearing requests went up during this latest review period. From June through November 1997, beneficiaries submitted to the Department of Social Services 106 fair-hearing requests appealing denials of drug TARs. This figure represents an increase of 35 (49 percent) over the prior review period of December 1996 through May 1997.

We recommend that to ensure it is promptly processing drug TARs, the department continue to work with EDS to resolve problems with computer and data transmission equipment at the Los Angeles field office and to monitor closely the scheduling of data entry staff so that the department can process drug TARs within the required time frame. We also recommend that when its current contract ends, the department negotiate turnaround time provisions into the next contract that more closely match its policy of one working day.

## ***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 provider, generally a pharmacist, must receive authorization to seek reimbursement for the cost of the drug(s). The provider's 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, providers can mail or fax these requests.

During this review period, two changes occurred that may decrease the volume of drug TARs in the future. First, three new, highly utilized anti-psychotic drugs have been added to the Medi-Cal list of contract drugs and thus no longer require a TAR. The second change is the 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 Figure 1 on page 5 shows, the projected decreases in TAR volume have not yet materialized.

Drug TARs 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 on the fax copy. 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 provider. After a consultant reaches a decision, the drug TAR goes back to EDS for final data entry. At that point, a copy is returned to the 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 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 (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 VDTS, 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 June through November 1997.
- 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 June through November 1997.

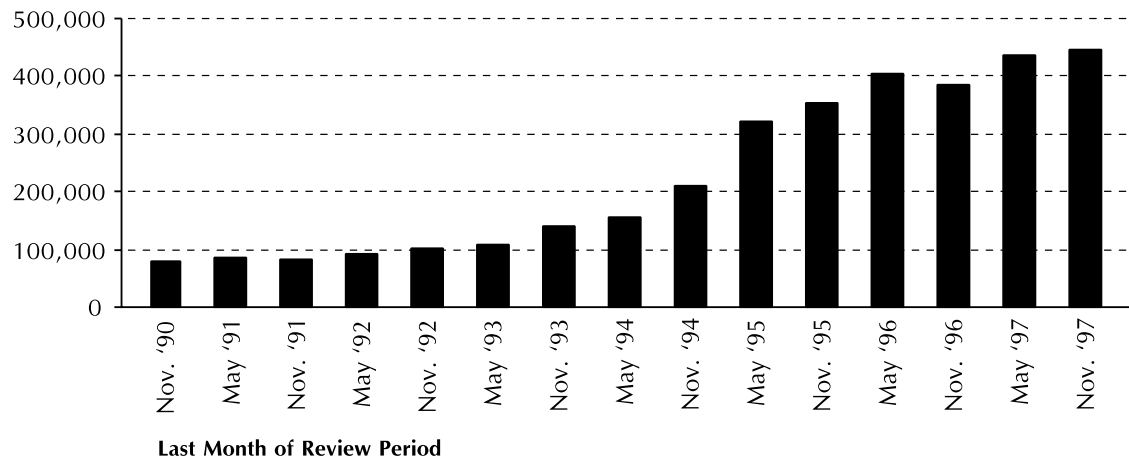
### ***The Number of Drug TARs Received Continues To Increase***

---

As shown in Figure 1, the number of drug TARs received has increased substantially from June 1990 through November 1997. During the first six-month review, the period June through November 1990, the drug units received 78,498 drug TARs. From June through November 1997, they received 447,318, an increase of 368,820 (470 percent).

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

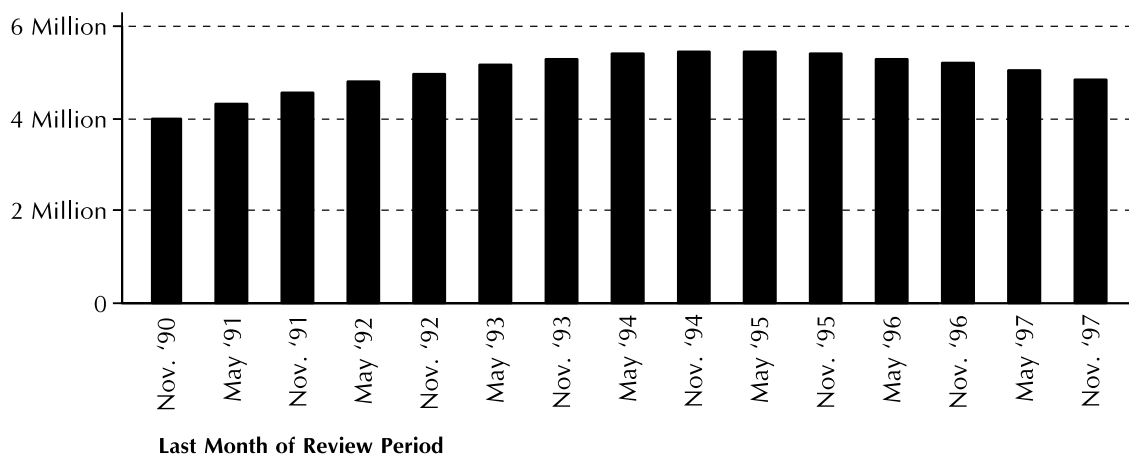
---



From June through November 1997, the department received 10,065 (2.3 percent) more drug TARs than it did during the previous six-month 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 November 1997. According to a pharmaceutical consultant 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 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 June-November 1997**



**Providers Submit the Vast  
Majority of Drug TARs by Fax**

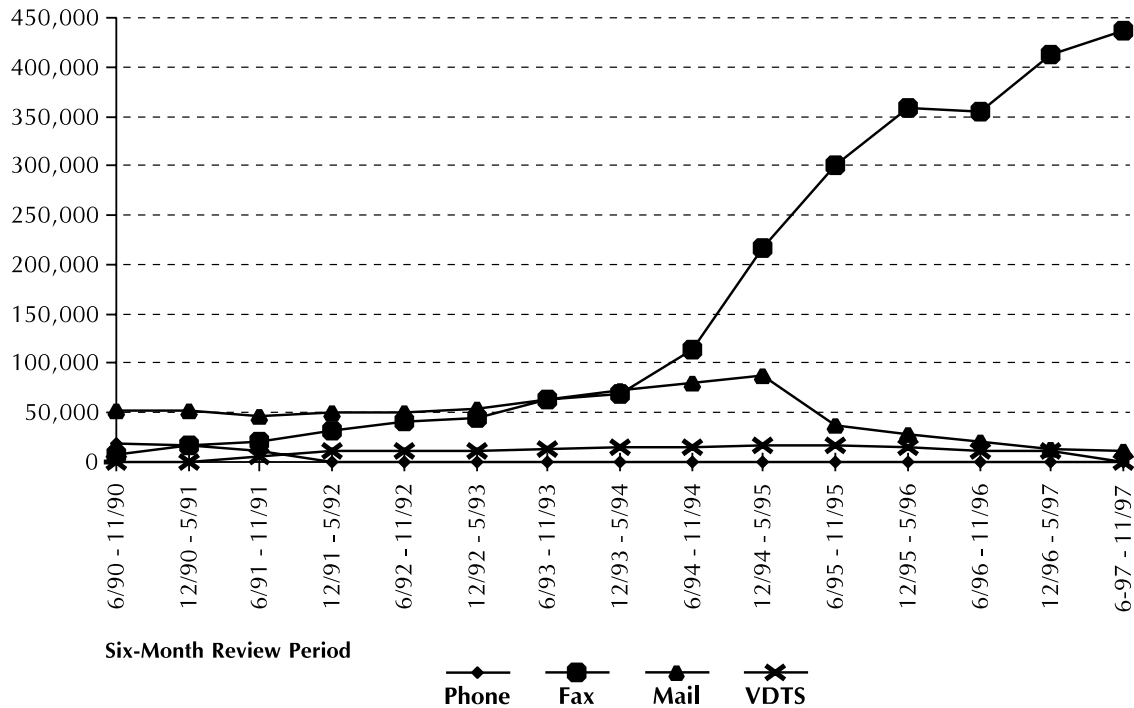
As Figure 3 shows, providers continue to submit most drug TARs by fax. From June through November 1997, providers faxed to the department 436,882 (97.7 percent) of all drug TARs. This represents an increase of 5.7 percent over the total number faxed during the previous six-month reporting period. See Attachment A for details about changes in submission methods between the first and last periods reviewed.

The department ceased accepting drug TARs by VDTS effective June 1997, and received only 60 during June 1997.

The continued decrease in mailed drug TARs is linked to a policy change. Before April 1995, the department allowed 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 providers to fax all drug TARs, a change that decreased the number mailed and increased the number faxed.



**Figure 3**  
**Methods of Receiving Drug TARs**  
**During Each Six Month Review Period,**  
**June-November 1990 Through June-November 1997**



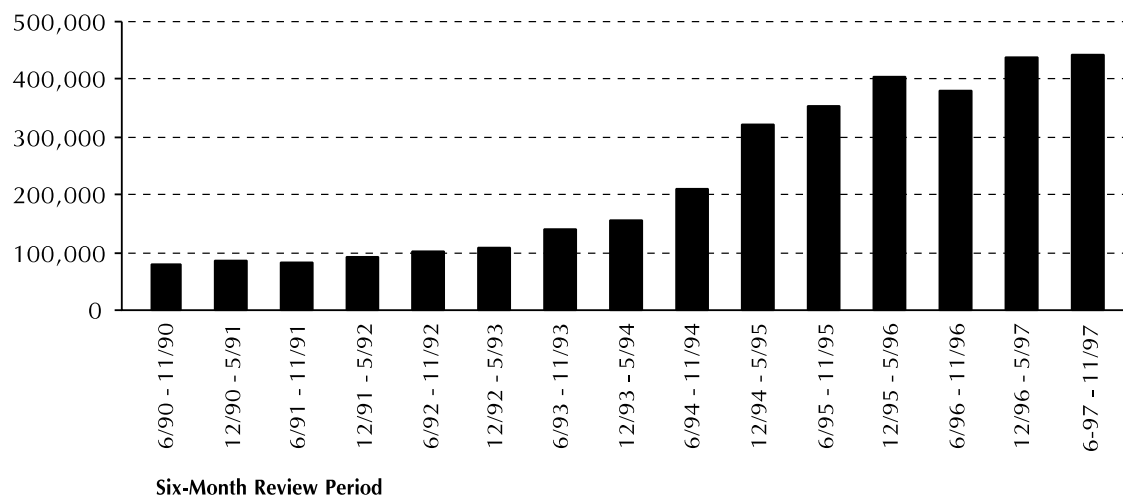
This decrease was first noted during the June through November 1995 reporting period when the drug TARs mailed to the drug units dropped 57.5 percent. The number of mailed drug TARs continued to decrease during this review period. In the six-month period from June to November 1997, only 10,376 were mailed, a decrease of 2,768 (21.1 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 November 1997. During the first six-month review period, the drug units processed 77,282 drug TARs. In comparison, from June through November 1997, they processed 443,943, an increase of 366,661 (474 percent).

**Figure 4**

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



Attachment B presents a comparison of the number of drug TARs the department processed from June through November 1990 and from June through November 1997.

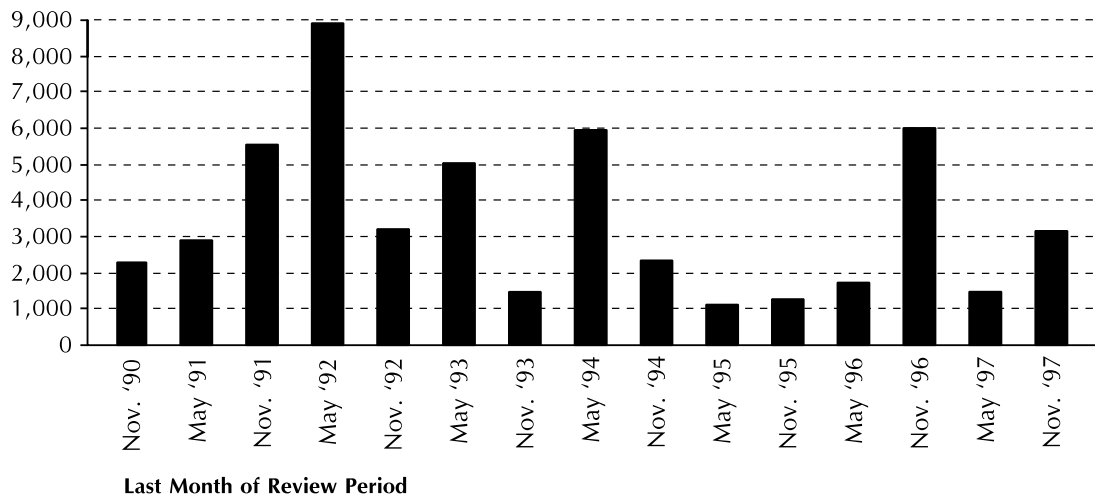
Attachment C compares the number of drug TARs approved, modified, denied, and returned from June through November 1990 and from June through November 1997. Of the 443,943 drug TARs the drug units processed from June through November 1997, 81 percent were approved, 3 percent were modified, 7 percent were denied, and 9 percent were returned to the provider for further information.

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

Historically, both the Los Angeles and Stockton drug units have received a large volume of drug TARs at the end of each month. Providers also submit more drug TARs than usual prior to the drug units being closed for extended periods, such as weekends or holidays. Both drug units are aware of this increase because of weekends and holidays. They 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.

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 November 1997. Backlogged TARs are those received and logged in by the department but not fully processed as of 5 p.m. on a specific workday. 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 the most recent reporting period, November 26, the department had 3,163 unprocessed drug TARs, an increase of 1,674 (112 percent) over the 1,489 remaining on May 30, 1997, the last working day of the prior reporting period. However, the unprocessed drug TARs at the end of November 1997 are 2,836 less (47.3 percent) than at the end of November 1996. Almost 95 percent of the backlog of drug TARs at the end of November 1997 were at the Los Angeles drug unit. The chief pharmaceutical consultant stated that the backlog was caused by a lack of available EDS staff for post review and data entry and by the EDS system's slow response time. Post review is a quality control check during which any errors are corrected before the drug TARs are sent back to the provider.

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



The department informed us that while the backlog created no adverse effect for beneficiaries, it may have affected some providers. Specifically, the department stated that although the provider could dispense the medication to the beneficiary after the consultant had approved the TAR, the provider would be

unable to submit a claim until after EDS has input the final decision. When the daily 5 p.m. deadline approaches and drug TARs remain to be adjudicated, the department has instructed the pharmaceutical consultants to quickly review remaining TARs to determine if any will be denied. The consultant is then to contact the providers directly by phone to inform them if any drug TARs are denied. The department does not feel the need to inform the providers about the delayed drug TARs that it plans to approve because the provider and the beneficiary will not be adversely affected.

Attachment B provides detailed information on the number of unprocessed drug TARs at month end from June through November 1990, and June through November 1997. Although the balance for November 1997 decreased in comparison to the prior November, the balances at the end of June through October 1997 ranged from 3,810 to 7,857. As for November, the chief pharmaceutical consultant stated that the backlogs for September and October 1997, the biggest backlogs, were caused by lack of available EDS staff for post review and data entry and by slow computer response time. Other factors may also be contributing to the backlog of unprocessed drug TARs, such as the fact that under its contract with the department, EDS has some leeway in the time it is allowed to input drug TARs. Also, computer equipment problems continue to hinder the prompt turnaround of some drug TARs.

After a consultant has adjudicated a drug TAR, it goes back to the EDS data-entry staff, who perform the final data entry. Once this has occurred, the department considers the drug TAR fully processed, and only then can the provider submit a claim for payment. After final data entry, the department normally mails or faxes the provider a copy of the drug TAR that documents its status. However, the provider may choose to access the results more quickly by using the department's toll-free Provider Telecommunication Network (network) phone line. By accessing the network, the provider can determine the status of the drug TAR and dispense the medication before receiving the formal copy of the TAR.

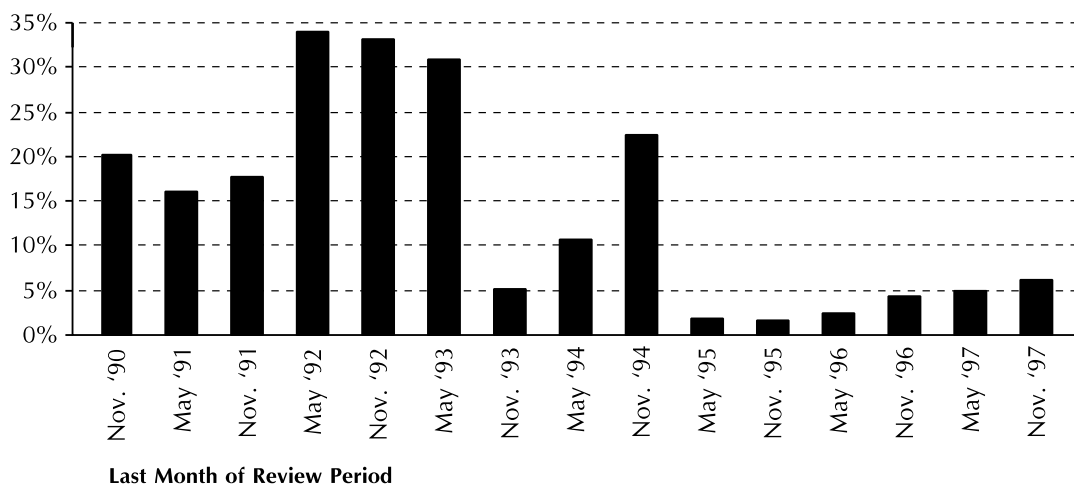
The department's current contract with EDS allows up to 24 hours for final data entry of 80 percent of the adjudicated TARs and up to three working days to process 99 percent. The contract also allows between one and two working days to perform data entry of TARs when the TARs are first received. EDS could therefore take up to five working days to complete data-entry activities, which clearly exceeds the department's policy of processing a TAR within one working day. The latitude provided by these contract provisions may be a contributing factor to a bigger backlog of unprocessed TARs.

The department also continues to report that inadequate or insufficient computer or data-transmission equipment results in longer processing times and contributes to backlogged TARs. 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, in October 1997, the Los Angeles drug unit's computer-system response time was still so slow that EDS reconfigured the computer system so that the data would flow more quickly. The department continues to work with EDS to find the best solution.

The chief pharmaceutical consultant at the Los Angeles drug unit also indicated that the department's hiring freeze may affect the unit's ability to process drug TARs. The department has been unable to replace two consultants who have recently left the department for other employment. In addition, two consultants are away because of medical and family leaves.

Figure 6 depicts the average percentage of unprocessed drug TARs at month end for all review periods. The percentage of unprocessed drug TARs at month-end has increased in each of the last four review periods, although backlogged TARs are considerably reduced from the first nine review periods covering November 1990 through November 1994.

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



### ***Drug TAR Statistics Appear Reasonable***

---

To assess the accuracy of the department's compilation of drug TAR statistics, we sampled statistics for August 1997. The department maintains daily batch-entry logs that document the drug TARs it has processed. We reconciled the totals on the batch-entry logs to the statistics on the department's compilation. In addition, we reviewed selected batch-entry logs and reconciled the detail information to actual drug TAR batches maintained at the drug units. The department's compilation appears reasonable.

### ***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. The 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 receiving it, 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 "one working day" 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. Drug TARs received by fax were to be processed 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 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, we were informed that the HCFA would issue a formal opinion on the department's new policies. 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. However, it 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***

---

During this audit, we reviewed a combined total of 1,357 drug TARs that providers faxed or mailed to the drug units. The receiving units processed 1,313 (97 percent) of them within one workday. However, the Stockton and Los Angeles drug units took two days to process 44 drug TARs submitted through the mail or fax. After discussing these 44 drug TARs with the respective managers of the two drug units, we learned that for some of these TARs the decisions were available to the provider within one day in accordance with the department's policy, even though the TARs had not been fully processed. The Stockton drug unit did not fully process the 15 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 completed, the provider is unable to submit a claim to the department for the cost of the prescription. For these 15 TARs, however, the providers were able to ascertain within one business day whether their TARs had been approved, denied, modified, or returned. This is because when the department's pharmaceutical consultants reach a decision on a TAR, this decision is immediately logged into a database that is accessible by the providers via the department's network. The Los Angeles drug unit did not meet the one-day turnaround for the remaining 29 drug TARs, although it did process these

TARs by the second business day following the day that the TARs were received. Therefore, the impact on the providers and the beneficiaries in these instances was minimal.

According to the chief pharmaceutical consultant of the Los Angeles drug unit, the delay in the Los Angeles drug unit was caused by slow EDS system response time and an inoperable system during most of Friday, October 10, 1997.

The EDS is responsible for the initial as well as final data entry of the drug TARs reviewed by the pharmaceutical consultants. A higher volume of submissions creates a backlog in its data-entry activities and increases the overall turnaround time. As mentioned on page 10, to meet the one-working-day deadline in those instances when the department has reached a decision to deny a TAR, the department has instructed the pharmaceutical consultant to inform the provider directly of the decision. Also, the department has requested that the consultant note this denial on the front of the TAR.

In prior reporting periods, the drug units calculated the time it was taking 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 turnaround time. Although the study suggested an alternative, the department is not planning to implement an interim methodology because of an upcoming system redesign. In 1999, the department expects to implement a redesigned TARs system that includes 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 (DSS). From June through November 1997, 106 fair-hearing requests were submitted to the DSS. This is an increase of 35 (49 percent) from the prior review period, December 1996 through May 1997. Of the 106 requests submitted, 83 were withdrawn or dismissed, 8 were denied, and decisions on the remaining 15 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 monitor closely the scheduling of data-entry staff to ensure that the department can process within the required time frame the number of drug TARs it estimates it will receive.
- When the department's current contract expires, negotiate the turnaround time for drug TARs in the next contract to more closely match the department's policy of one working day.
- Continue to work with EDS to investigate problems with computer and data transmission equipment at the Los Angeles field office.
- Continue with its plan to reinstate procedures for monitoring processing times. The methodology for this plan should:
  - ⇒ Be based on a sample of drug TARs processed on a monthly or quarterly basis;
  - ⇒ Have separate calculations for mailed and faxed drug TARs;
  - ⇒ Feature easy implementation and a minimal need for staff time; and
  - ⇒ Be consistently applied 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,

A handwritten signature in black ink, reading "Kurt R. Sjoberg". The signature is written in a cursive style with a prominent initial "K".

KURT R. SJOBERG  
State Auditor

Date: January 27, 1998

Staff: Steven M. Hendrickson, Audit Principal  
DeLynn Cheney  
Virginia Anderson Johnson

## **Attachments**

- A Comparison of Drug Treatment Authorization Requests  
Received by Means of Delivery  
June Through November 1990 and  
June Through November 1997
  
- B Comparison of Drug Treatment Authorization Requests Processed  
June Through November 1990 and  
June Through November 1997
  
- C Comparison of Drug Treatment Authorization Requests  
Approved, Modified, Denied, and Returned  
June Through November 1990 and  
June Through November 1997

Blank page inserted for reproduction purposes only.

**Comparison of Drug Treatment Authorization Requests  
Received by Means of Delivery  
June Through November 1990 and June Through November 1997**

		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
	<b>Total</b>		<b>18,136</b>	<b>8,105</b>	<b>52,257</b>	<b>0</b>
Monthly Average		3,023	1,351	8,710	0	13,083
1997	June	0	74,194	2,061	60	76,315
	July	0	78,134	1,855	0	79,989
	August	0	69,630	1,764	0	71,394
	September	0	74,690	1,916	0	76,606
	October	0	80,649	1,557	0	82,206
	November	0	59,585	1,223	0	60,808
	<b>Total</b>		<b>0</b>	<b>436,882</b>	<b>10,376</b>	<b>60</b>
Monthly Average		0	72,814	1,729	10	74,553

Source: California Department of Health Services

### Comparison of Drug Treatment Authorization Requests Processed June Through November 1990 and June Through November 1997

		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*	1,477	11,938	13,415	11,104	2,311	82.77
	<b>Total</b>	<b>14,636</b>	<b>78,498</b>	<b>93,134</b>	<b>77,282</b>	<b>15,852</b>	
	Monthly Average	2,439	13,083	15,522	12,880	2,642	82.98%
1997	June	1,489	76,315	77,804	73,874	3,810**	94.95%
	July	3,810	79,989	83,799	79,535	3,991	94.91
	August	3,991	71,394	75,385	70,731	4,364	93.83
	September	4,364	76,606	80,970	72,793	7,857	89.90
	October	7,857	82,206	90,063	85,005	4,630	94.38
	November	4,630	60,808	65,438	62,005	3,163	94.75
	<b>Total</b>	<b>26,141</b>	<b>447,318</b>	<b>473,459</b>	<b>443,943</b>	<b>27,815</b>	
	Monthly Average	4,357	74,553	78,910	73,991	4,636	93.77%

Source: California Department of Health Services

\* The 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 by 1,065, the number unprocessed at the end of the month. Because of this finding, unit staff adjusted the number of unprocessed drug TARs reported at the beginning of November.

\*\*The amounts in this column should equal the amount of TARs available to be processed 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.

**Comparison of Drug Treatment Authorization Requests  
Approved, Modified, Denied, and Returned  
June Through November 1990 and June Through November 1997**

		Approved*	Modified*	Denied*	Returned*	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
<b>Totals</b>		<b>50,131</b>	<b>12,532</b>	<b>9,350</b>	<b>5,269</b>	<b>77,282</b>
Percent of Disposition Total		65	16	12	7	100%
1997	June	59,867	2,020	5,333	6,654	73,874
	July	65,004	2,202	5,446	6,883	79,535
	August	57,480	1,960	4,876	6,415	70,731
	September	59,099	2,020	5,313	6,361	72,793
	October	69,218	2,330	6,286	7,171	85,005
	November	49,731	1,738	4,805	5,731	62,005
<b>Totals</b>		<b>360,399</b>	<b>12,270</b>	<b>32,059</b>	<b>39,215</b>	<b>443,943</b>
Percent of Disposition Total		81	3	7	9	100%

Source: California Department of Health Services

\*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.

Blank page inserted for reproduction purposes only



**DEPARTMENT OF HEALTH SERVICES**

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



January 20, 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 report of your most recent audit mandated by Chapter 716, Statutes of 1992, regarding the processing of drug Treatment Authorization Requests (TARs). While the majority of the statements in the draft are accurate, we would like to clarify one of the assumptions made in the context of this report.

Specifically, the item of concern to us is the discussion regarding the number of unprocessed drug TARs at the end of the six-month review period. The automated reports from which you gleaned the data regarding unprocessed drug TARs do not reflect the actual number of unprocessed TARs at the end of any given month. That report is actually a snapshot of the status of the fiscal intermediary's TAR file on the last working day of the month. Those TARs identified in that report as "unprocessed" are actually TARs that have been adjudicated by the Pharmacy Sections' professional staff and are awaiting "post review" by the fiscal intermediary staff. The decisions rendered on those TARs are available to the submitter of those TARs, within the time limits specified by the Department's policy, via the Provider Telecommunications Network.

The Department has commenced a complete redesign of the TAR system and we plan to address and resolve this "problem" through the redesign.

We hope this clarifies our policies and procedures with regard to the timely processing of drug TARs and that you will consider this response when finalizing your report. Should you have additional questions or need further clarification, please feel free to contact Mr. Virgil J. Toney, Jr., Chief, Medi-Cal Operations Division, at (916) 657-0582.

Sincerely,

S. Kimberly Belshé  
Director

\*The California State Auditor's comments on this reponse begin on page 25.

Blank page inserted for reproduction purposes only

---

# 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 numbers correspond to the numbers we have placed in the response.

- ① We do not agree with the department on this point. As we stated on page 9 of the report, backlogged TARs are those received and logged in by the department but not fully processed as of 5 p.m. on a specific workday. On page 11, we explain that for a drug TAR to be fully processed the department's contractor, EDS, must have completed final data entry of the TAR onto the database, which has not occurred for these backlogged TARs.

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