



State of California—Health and Human Services Agency
Department of Health Care Services



GAVIN NEWSOM
GOVERNOR

DATE: October 6, 2022

QIP POLICY LETTER 22—003

TO: QIP ENTITIES

SUBJECT: QUALITY INCENTIVE POOL (QIP) DATA AUDITING POLICIES

PURPOSE:

This QIP Policy Letter (QPL) informs QIP entities of specific QIP program data auditing policies related to measure validation and audit compliance applicable beginning for Program Year (PY) 4.

BACKGROUND:

The QIP Reporting Manual states that State and Federal officials reserve the right to require additional verification of any reported data, related documentation, and compliance with all QIP requirements and to audit QIP entities at any time. QIP entities must provide any information, records or access deemed necessary by DHCS or auditors on behalf of DHCS (who are considered HIPAA business associates of DHCS), in accordance with the below statutes and program policies, as well as with the attestation of data integrity and accuracy signed by QIP entities during data submission to the QIP Portal:

- W&I Code 14197.4(c)(1)(B) (for DPHs) and W&I Code 14197.4(c)(4)(D) (for DMPHs)¹
- QIP PY 4 Manual – QIP Program Policies, Section V(F): Data Integrity Policy and V(H): Audit Guidance
- QIP Policy Letter 22-002²

The purpose of the audit activities (i.e., performance measure validation or PMV) is twofold: 1) to assess the accuracy and validity of data used in performance measure

¹ W&I Code 14197.4(c):

https://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=WIC§ionNum=14197.4.&article=6.3.&highlight=true&keyword=quality%20incentive

² QIP Policy Letter 22-002: <https://www.dhcs.ca.gov/services/Documents/DirectedPymts/QPL-22-002-PY4-Updates-revised-6-7-22.pdf>

calculations and evaluate whether reported data aligns with measure specifications and reporting guidelines in scope of review and 2) understand variances in rates that are reported by entities and managed care plans to improve encounter data and clinical quality data integrity and transmission at all levels of the Medi-Cal program. PMV will be a collaborative process with the goal of making all measures reportable and identifying opportunities to improve data integrity at both the provider and plan level. In PY 4, measures in scope of review include those measures in QIP that overlap with the DHCS 2022 Managed Care Accountability Set to allow for comparisons between plan and entity rates. DHCS reserves the right to expand measures in scope of review in future years to all reported measures in the program year.

Auditors contracted with DHCS will use nationally accepted methods when conducting performance measure validation, that are meant to assess the integrity of information systems, processes, and data integration for performance measure production.

POLICY:

Effective PY 4, DHCS – via its contracted external auditor – will verify and audit data submitted by QIP entities (i.e., Designated Public Hospitals and District and Municipal Public Hospitals participating in QIP). QIP entities must meet all audit deadlines, as outlined by the Document Request Packet sent by the auditor prior to each audit cycle.

Performance Measure Validation (PMV) Options

For the PY 4 audit cycle and beyond, unless specified otherwise by DHCS, QIP entities will select between two options for the PMV methods employed during their audit:

Option 1: Traditional Performance Measure Validation

Option 2: Targeted Performance Measure Data Validation

Option 1 will include the completion of an Information System Capabilities Assessment Tool (ISCAT), source code review, live virtual review session, primary source verification on a small sample and medical record review validation (MRRV) on hybrid measures.

Option 2 is focused on assessing and evaluating an expanded set of patient level detail and performance measure rates. Option 2 no longer includes the full scope ISCAT, virtual on-site review, and MRRV activities and instead utilizes primary source verification on an expanded sample size of measures selected through the audit process and proof of service verification (i.e., source system screenshots).

A particular entity may elect a given option based on its collective preferences to either provide more up-front information (e.g., the ISCAT) in Option 1) versus providing asynchronous proof-of-service documentation (Option 2). The level of effort for each option is anticipated to be the same.

Measures At-Risk of an “Unable to Validate” Designation:

DHCS and its auditor are committed to working collaboratively with each QIP entity throughout the audit process.

If an entity obtains any observed critical errors, the entity will become at risk for an Unable to Validate (UTV) designation for the measure in which the error is found. “Critical errors” are defined as any audit finding that changes the compliance of a patient in a given measure (i.e. removing the patient from the denominator and/or numerator), impacting the overall rate. Auditors will work with each QIP entity to uncover the root cause of any detected errors that are driving a potential risk for an UTV designation, as well as determine if any other measures were impacted in the scope of the review. Auditors will work with QIP entities to apply necessary corrections and resolve any detected errors to mitigate a UTV risk.

QIP entities will be notified of any detected errors or risks for an UTV designation. Entities will be given 10 business days from the time of notification of detected errors and risk for UTV to provide documentation and correct the identified errors to avoid a final UTV designation. If a QIP entity is unable to make corrections based on identified errors within 10 business days from the time of notification, the QIP entity is responsible for providing the auditor with a detailed plan of correction including a clear timeline that does not exceed allowable timelines for timely payment processing. The auditor will work with DHCS to approve the QIP entity’s plan of action where entities are unable to resolve errors within 10 business days.

Auditors will work with QIP entities to assess the impact on the QIP entity’s reported numerator, denominator, and rate across impacted measures. QIP entities are responsible for applying necessary corrections to resolve detected errors. Auditors will work with the QIP entity and the assigned DHCS QIP liaison to correct the reported numerator, denominator, and rate in the QIP portal across all impacted measures to ensure the final reported rate is valid.

Entities with No Reportable Measures

A subset of DMPH QIP participating entities who are not reporting any QIP overlapping measures within the Managed Care Accountability Set (MCAS) for PY 4 will subsequently not have any reportable measures in scope of the audit. For PY 4, they will instead undergo a readiness assessment/review.

The auditor will focus specifically on evaluating the systems and processes each of the participating QIP entities have in place to perform measure calculation activities and will conduct a current and prospective assessment and evaluation on systems and processes to support future performance measure reporting. For entities reflecting zero reportable MCAS measures in scope of review, they will complete an ISCAT and undergo a virtual audit review session. This allows the auditor to assess entities end-to-end systems and processes used to calculate performance measures and will allow the

interview of key QIP entity staff and live demonstrations on the systems and processes outlined in the ISCAT. PMV conducted will not include source code review, primary source verification, or performance rate review.

Financial Impact of PMV Audit Results Starting in PY 5

Effective in PY 5, should an entity not be able to resolve errors and/or meet outlined deadlines, and subsequently obtains a final UTV designation for any given measure(s), the measure(s) will be assigned an Achievement Value (AV) of 0 for the PY and no payment for the specific measure(s) will be issued for the PY. However, measures that receive a UTV designation in a single PY will still count towards the entity's minimum measure reporting requirement.

Measures that receive a final UTV designation in PY 5 may still be used in PY 6 if the QIP entity submits documentation/data, as required by DHCS/Auditor, to sufficiently resolve the UTV designation within 30 calendar days following expiration of the 10-business day cure period. Failure to resolve the UTV designation within this timeframe will mean the entity cannot report on the measure in PY 6.

Please contact your QIP Liaison or email the QIP Mailbox at gip@dhcs.ca.gov if there are any questions concerning this QPL.

Sincerely,

ORIGINAL SIGNED BY PALAV BABARIA

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