

June 8, 2011

Augustavia J. Haydel  
Chief Legal Officer  
Local Initiative Health Authority for L.A. County  
d.b.a. L.A. Care Health Plan  
555 West Fifth Street, 29th Floor  
Los Angeles, CA 90013-3036

RECEIVED  
MANAGED HEALTH CARE  
ACCOUNTING OFFICE  
2011 JUN 23 AM 9:37

**RE: ENFORCEMENT MATTER NUMBER 10-142**

**LETTER OF AGREEMENT**

Dear Ms. Haydel:

The Department of Managed Health Care's ("Department") Office of Enforcement ("Enforcement") has concluded its investigation of Local Initiative Health Authority for L.A. County, dba L.A. Care Health Plan ("L.A. Care"), concerning the above-referenced matter. This investigation concerned a violation of Health and Safety Code sections 1371 and 1371.37 and California Code of Regulations, title 28, section 1300.71(a)(8)(B) and (b)(2)(A) and (B). The relevant facts are fully set forth below.

A routine financial examination was conducted for the period ending December 31,2008. The Final Report was issued on February 22,2010. The exam revealed that L.A. Care failed to forward misdirected claims in a timely manner as required by California Code of Regulations, title 28, section 1300.71(a)(8)(B), and (b)(2)(A) and (B), and failed to pay penalties and interest for late claims in accordance with Health and Safety Code section 1371 and California Code of Regulations, title 28, section 1300.71. These are repeat violations of issues noted in the Department's Final Report issued on June 1,2006.

L.A. Care's failure to forward misdirected claims is not only a repeat violation but also a demonstrable and unjust payment pattern. (Health & Saf. Code, § 1371.37; Cal. Code Regs., tit. 28, § 1300.71(a)(8)(B), and (b)(2)(A) and (B).) According to the L.A. Care's Internal Claims Compliance Audit, claims were timely redirected only 63% of the time. Furthermore, the L.A. Care failed to pay interest and penalties on late paid claims. Interest was incorrectly computed on all 50 claims in the sample (72% were underpaid and 28% were overpaid). The repeat nature of these violations indicates that L.A. Care failed to successfully implement a Corrective Action Plan following the 2006 financial audit.

Based on the above, the Department initially assessed L.A. Care an administrative penalty of \$35,000. However, the Department later agreed to suspend \$10,000 of the penalty after L.A. Care voluntarily undertook action to prevent future violations of this nature, and agreed to provide quarterly compliance reportings through December 31, 2011. For the purpose of resolving this matter, L.A. Care has agreed to pay \$25,000 of the penalty immediately, and provide quarterly reportings from June 30, 2011 through December 31, 2011 to Carrie Ramage, Staff Counsel with Enforcement of: 1) percentage compliance in forwarding misdirected claims; and 2) percentage compliance with interest and penalty payments. After the final quarterly reporting, L.A. Care may petition the Department, and upon demonstrable proof of successful completion of the quarterly compliance reportings, request a waiver of the suspended penalty of \$10,000. The Department agrees that execution of this Letter of Agreement, payment of \$25,000, and successful completion of the quarterly compliance reportings will settle this enforcement matter.

Sincerely,

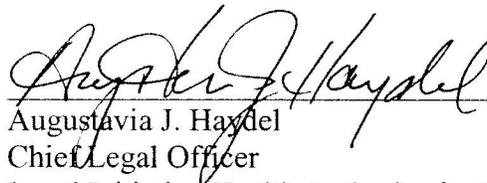


Debra L. Denton  
Acting Assistant Deputy Director  
Office of Enforcement

CAR:slb

**Accepted by LOCAL INITIATIVE HEALTH AUTHORITY FOR L.A. COUNTY**

Dated: June 10, 2011



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