

STATE OF CALIFORNIA
HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF MANAGED HEALTH CARE

Licensee: **BLUE CROSS OF CALIFORNIA, INC.**
License No.: 933 0303

Matter No.: 11-506

FILED

JUL 16 2012

ORDER
The Director of the
Department of Managed Health Care

DEPARTMENT OF MANAGED HEALTH CARE
By *Laura B. Rodriguez*
Filing Clerk

The Director of the Department of Managed Health Care (the "Director") after investigation, effective this date does hereby ORDER:

PART A

CEASE AND DESIST

1. **BLUE CROSS OF CALIFORNIA, INC.** ("Blue Cross"), is hereby ordered to immediately cease and desist from violating Health and Safety Code section 1367.01, subdivision (e), by enabling its delegatee, Accountable Health Care IPA, to allow, authorize, enable, permit, and/or not prevent unlicensed or otherwise unqualified individuals from engaging in the practice of "medical review" or any other utilization management function involving a modification or denial for requested medical services, in whole or in part, based on medical necessity.

2. This Order shall remain in effect until further order from the Director or an order of the court to the contrary.

PART B

I.

3. The Director of the Department of Managed Health Care ("Department") is vested with the responsibility to administer and enforce the Knox-Keene Health Care Service Plan Act of 1975, as amended ("Knox-Keene Act"), codified at Health and Safety Code section 1340, et seq.

4. Accountable Health Care IPA, A Professional Medical Corporation (“Accountable” or the “RBO”), is now, and has been since September 21, 1993, a Professional Corporation within the meaning of Part 4 of Division 3 of Title 1 of the California Corporations Code. At all times relevant to this Cease and Desist Order, Accountable has been operating as a “risk-bearing organization” within the meaning of Health and Safety Code section 1375.4, subdivision (g), and is a “capitated provider” within the meaning of California Code of Regulations, title 28, section 1300.71, subdivision (a)(1)(B). Accountable is subject to the Knox-Keene Act and California Code of Regulations, title 28, promulgated pursuant to the Knox-Keene Act.

5. Blue Cross of California, Inc. (“Blue Cross”), is now, and has been since July 1, 1991, a full service plan (File No. 933 0303) licensed pursuant to Health and Safety Code section 1353. Its principal place of business is located at 1 Wellpoint Way, Thousand Oaks, CA 91362. Blue Cross is subject to the Knox-Keene Act and Title 28 of the California Code of Regulations, promulgated pursuant to the Knox-Keene Act, and maintains a risk arrangement with Accountable. As of the first quarter of 2012, Blue Cross reported that 67,726 enrollees were assigned to Accountable.

6. Aetna Health of California, Inc., California Physicians’ Service (“Blue Shield”), Care 1st Health Plan, Easy Choice Health Plan, Health Net of California, Inc., Honored Citizens Choice Health Plan, Inc., Local Initiative Health Authority for L.A. County (“LA Care”), and Molina Healthcare are all full service health care service plans licensed pursuant to Health and Safety Code section 1353 and maintain a risk arrangement with Accountable.

7. Each of the aforementioned health care service plans are referred to collectively herein as the “Contracted Plans.”

8. The Director has and may exercise all powers necessary or convenient for the administration and enforcement of, among other laws, the Knox-Keene Act. (Health & Saf. Code, § 1341.)

9. The Director may adopt, amend, and rescind any rules, forms, and orders that are necessary to carry out the provisions of the Knox-Keene Act. (Health & Saf. Code, § 1344.)

10. The Director may issue an order directing a plan or any representative thereof or any other person to cease and desist from engaging in any act or practice in violation of the provisions of the Knox-Keene Act, any rule adopted pursuant to the Knox-Keene Act, or any order issued by the Director pursuant to the Knox-Keene Act. (Health & Saf. Code, § 1391.)

11. Health and Safety Code section 1367.01, subdivision (e), provides that no individual other than a licensed physician or a licensed health care professional who is competent to evaluate the specific clinical issues involved in the health care services requested by the provider may deny or modify requests for authorization of health care services for an enrollee for reasons of medical necessity. All health care service plans and any entities with which they contract must comply with this provision pursuant to Health and Safety Code section 1367.01, subdivision (a).

II.

12. Accountable is a risk-bearing organization providing basic health care services on a capitated basis to enrollees of the Contracted Plans and maintains risk arrangements with those Contracted Plans. Dr. George Jayatilaka is the Chief Executive Officer and Medical Director of Accountable.

13. Druvi Jayatilaka is not and, at all times relevant to this Cease and Desist Order, was not a licensed physician or a licensed health care professional who is competent to evaluate specific clinical issues involved in health care services requested by providers. Druvi Jayatilaka is the son of Dr. George Jayatilaka and is, and at all times relevant to this Cease and Desist Order, Vice President of Accountable.

14. Ambarish Pathak is not and, at all times relevant to this Cease and Desist Order, was not a licensed physician or a licensed health care professional who is competent to evaluate specific clinical issues involved in health care services requested by providers. Ambarish Pathak

is and, at all times relevant to this Cease and Desist Order, was acting as the Quality Management/Utilization Management advisor to Accountable.

15. Accountable provides health care services in the greater Los Angeles area to approximately 148,835 enrollees of the Contracted Plans pursuant to its respective contracts with those Contracted Plans.

16. Under its contracts with the Contracted Plans, Accountable is delegated to conduct, among other things, utilization review and utilization management functions which prospectively, retrospectively, and concurrently reviews, approves, modifies, delays, or denies, based in whole or in part on medical necessity, requests by providers prior to, retrospectively, or concurrent with the provision of health care services to enrollees of the Contracted Plans.

17. Between December 24, 2008, and the present, Druvi Jayatilaka on many occasions was personally responsible for modifying or denying an authorization of health care services for an enrollee for reasons of medical necessity.

18. Between December 24, 2008, and the present, Ambarish Pathak on many occasions was personally responsible for modifying or denying an authorization of health care services for an enrollee for reasons of medical necessity.

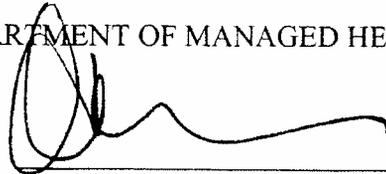
19. Ambarish Pathak and/or Druvi Jayatilaka may have been personally responsible for modifying or denying an authorization of health care services for an enrollee for reasons of medical necessity on many more occasions that are as of now concealed because Accountable's method of notating review by a medical reviewer does not always include the name of the medical reviewer, making it impossible to confirm, at this time, whether an authorized individual licensed to practice medicine in the State of California made the decision to modify or deny an authorization.

III.

20. Blue Cross, through its delegatee Accountable, has on many occasions allowed, authorized, enabled, permitted, and/or not prevented individuals other than a licensed physician or a licensed health care professional who is competent to evaluate specific clinical issues

involved in health care services requested by providers to modify and/or deny requests for authorization of health care services for enrollees for reasons, in whole or in part, of medical necessity in violation of Health and Safety Code section 1367.01, subdivision (e).

DEPARTMENT OF MANAGED HEALTH CARE



ANTHONY MANZANETTI
Deputy Director | Chief Counsel
Office of Enforcement

Dated: July 16, 2012

