blue of california

Final Report of Non-Routine Medical Survey Report Dated: December 19, 2006
Supplemental Plan Statement [Health & Safety Code § 1382(d)]

Pursuant to Section 1382(d) of the Act, Blue Shield of California (hereinafter "the Plan") submits the following brief supplemental statement to be appended to the Final Report of Non-Routine Medical Survey dated December 19, 2006 ("Final Report").

The Plan appreciates the findings and comments of the Department as set forth in the Final Report. The Plan believes that the information and materials presented to the Department in response to these findings demonstrate a clear commitment on the part of the Plan to investing time and resources to make significant modifications and enhancements to its procedures for handling member-initiated potential quality issues ("member-initiated PQIs). The Plan does wish to offer the following additional brief comments in order for these findings to be positioned in an appropriate broader context and to provide some updated information with respect to certain of the Department's significant factual findings.

Commitment to Quality Programs: The findings in the Final Report relate only to one aspect of the Plan's multifaceted Quality Improvement ("QI") programs. The Plan has a comprehensive set of quality assurance/quality management programs in effect, that include review of member-initiated PQIs as only one piece. That QI program covers a broad range of clinical and service indicators in order to identify potential problems and opportunities for improvement. The QI program includes clinical monitoring based on member utilization trends, design of primary prevention and disease/care management programs designed to address the burden of illness across the entire Plan population, and an evidence-based clinical messaging program aimed at ensuring that national evidence-based clinical guidelines are followed. In addition, the Plan tracks service indicators with analysis of key drivers of member satisfaction and loyalty. Lastly the Plan oversees a robust provider credentialing program. Valid indicators are reviewed quarterly from all parts of this Quality Improvement (QI) Program. The entire program is critically evaluated and updated annually with physician oversight and senior executive input from the Plan's management team.

The Department reviewed the Plan's quality management program described above in the Routine Medical Survey completed in January, 2006. With the exception of the subject recommendations made regarding member-initiated PQIs, there were no findings that any aspect of the Plan's quality management programs failed to comply with any statutory or regulatory requirements.

Moreover, the Plan's quality assurance/quality management programs were last reviewed in conjunction with an NCQA accreditation survey in June, 2005 and NCQA once again awarded the Plan an "Excellent" three year accreditation for the Plan's HMO and POS products. A similar "excellent" accreditation was obtained for the Plan's Medicare product in 2006. This is the top accreditation designation possible and demonstrates the Plan's commitment to provide access to high quality healthcare with outstanding service metrics. In the NCQA standards relating to the Plan's Quality Improvement Program, 100% of the possible points were achieved. Each year the

NCQA accreditation status is reevaluated based on HEDIS and CAHPS results and the Plan has maintained its "Excellent" standing in 2006.

Nonetheless, the Plan appreciates the important role that member-initiated PQI cases play in effective overall QI program.

Commitment to Process Redesign: The Plan is committed to completion of the redesign and implementation of its member PQI program changes as described in the materials submitted to the Department. We believe that the changes made and to be made, with the significant resources dedicated by the Plan, will result in a robust, effective and timely PQI program consistent with the Plan's overall commitment to quality. The Plan will, as requested, periodically submit information to the Department to demonstrate the progress with and effectiveness of these programs changes.

Update on Open Cases: The Final Report references a sample of 92 "audit files" that were the focus of the non-routine survey as well as 921 "universe files" which were pending member-initiated PQI cases from 2004 through June, 2006. The Plan established as a goal the completion of the review of all of those pending PQI matters by the close of 2006. As of December 31, 2006, the results of those efforts are as follows:

AUDIT FILES: 99% (91 out of 92 files) of the audit files were completed and closed by 12/31/06. The one remaining file was previously developed and submitted to the Peer Review Committee for evaluation and a recommendation. However, the PRC requested additional review and input from a clinical specialist. That input has been obtained and the file will be reviewed by the PRC at its next meeting (scheduled for January 26, 2007). Thus, all of the pending audit files will be closed at that time.

UNIVERSE FILES: 98.70% (909 out of 921 files) of the universe of pending files have been completed and were closed by 12/31/06. Of the 12 remaining files:

- 3 were pended by the PRC for further specialist review
- 5 are pending specialist evaluation before submission to the PRC
- 4 files remain to be presented at the next PRC meeting

The Plan believes that review and action on all of the remaining 12 universe files will be completed by January 26, 2007, unless further review of any of the few remaining files is recommended by the PRC.

In addition, the Plan would note that, while working to eliminate these pending cases, the Plan has been able to receive and process all new member-initiated PQI cases within the average 90 day turn-around time standard established by the Plan.

Submitted: January 3, 2007 By: _____

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