PARTNERSHIP HEALTHPLAN OF CALIFORNIA

POLICY/ PROCEDURE

<table>
<tr><td colspan="3">Policy/Procedure Number: CMP45</td><td colspan="3">Lead Department: Administration</td></tr>
<tr><td colspan="3">Policy/Procedure Title: Administrative and Financial Sanctions</td><td colspan="3">☒External Policy
☒ Internal Policy</td></tr>
<tr><td colspan="2">Original Date: 04/10/2018</td><td colspan="4">Next Review Date: 09/03/2027
Last Review Date: 09/03/2026</td></tr>
<tr><td>Applies to:</td><td colspan="2">☒ Medi-Cal</td><td>☐ Healthy Kids</td><td colspan="2">☐ Employees</td></tr>
<tr><td rowspan="2">Reviewing Entities:</td><td colspan="2">☐ IQI</td><td>☐ P & T</td><td colspan="2">☐ QUAC</td></tr>
<tr><td colspan="2">☒ OPERATIONS</td><td>☐ EXECUTIVE</td><td>☒ COMPLIANCE</td><td>☐ DEPARTMENT</td></tr>
<tr><td rowspan="2">Approving Entities:</td><td colspan="2">☐ BOARD</td><td>☐ COMPLIANCE</td><td>☐ FINANCE</td><td>☐ PAC</td></tr>
<tr><td>☒ CEO</td><td>☐ COO</td><td>☐ CREDENTIALING</td><td colspan="2">☐ DEPT. DIRECTOR/OFFICER</td></tr>
<tr><td colspan="3">Approval Signature: Sonja Bjork, CEO</td><td colspan="3">Approval Date: 09/03/2026</td></tr>
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I. RELATED POLICIES:

A. CMP-02 Risk Assessments, Audits, and Monitoring
B. CMP-09 Investigating and Reporting Fraud, Waste, and Abuse
C. CMP-18 Reporting Privacy Incidents
D. CMP-30 Records Retention and Access Requirements.
E. CMP-36 Delegation Oversight and Monitoring
F. CMP-38 Escalation and Corrective Action
G. FIN-405 Treatment of Recoveries of Overpayments to Providers
H. MPPRGR210 Provider Grievance
I. MPNET102 DHCS Network Certification Requirements

II. IMPACTED DEPTS:

A. All

III. DEFINITIONS:

A. Annual Network Certification (ANC): A request for specific data and information submission requirements that Medi-Cal managed care health plans (MCPs) must submit to the Department of Health Care Services (DHCS) for their Annual Network Certification
B. Corrective Action Plan (CAP)**:** A formal document outlining remedial steps, timelines, responsible parties, and metrics for resolving deficiencies and sustaining improvement.
C. Delegate: An external entity that Partnership HealthPlan of California (PARTNERSHIP) has given the authority to perform an activity/activities that PARTNERSHIP would otherwise perform as defined by the National Committee for Quality Assurance (NCQA) standards. By virtue of performing delegated activities, a delegate is always a DHCS subcontractor.
D. Network Provider: Pursuant to 42 CFR 438.2, any provider, group of providers, or entity that has a network provider agreement with PARTNERSHIP (a Managed Care Organization) to order, refer, or render covered services.
E. Penalty(ies): a monetary sanction imposed on any network provider, support vendor, subcontractor, and/or delegate directly by PARTNERSHIP for failure to satisfactorily perform within the terms and conditions of an agreement between the entity and PARTNERSHIP, or for non-compliance with federal or state statutes, regulations, rules, corrective action plan (CAP), and/or PARTNERSHIP policies and procedures, as applicable. The methodology by which these penalties are calculated is based on enhanced methodology factors described in DHCS APL 25-007
F. Sanction(s): Any and all financial sanctions imposed upon PARTNERSHIP by state or Federal agencies as a result of a network provider's, support vendor's, subcontractor's, and/or delegate's non-compliance

with federal or state statutes, regulations, rules, contractual obligations, and/or a corrective action plan (CAP), and are subject to PARTNERSHIP pass-through to the non-compliant entity.

G. Significant non-compliance: Repeated non-compliance or non-compliance that has the potential to cause member harm or jeopardize PARTNERSHIP's good standing with accreditation or regulatory agencies.

H. Subcontractor: A person or entity who enters into a subcontract with PARTNERSHIP. Assessing whether an entity is a Subcontractor depends on the relationship between the entities and the services being performed, not on the type of persons or companies involved. A person or entity is deemed a subcontractor if: 1) they are either a provider of health care services that agreed to furnish Covered Services to PARTNERSHIP Members, or 2) has agreed to perform any administrative function or service for PARTNERSHIP specifically related to fulfilling PARTNERSHIP's obligations to DHCS under the terms of the DHCS Medi-Cal Contract.

I. Support vendor: An entity that is not contracted as a network provider and is not a subcontractor, but one who enters into an agreement to perform other services for PARTNERSHIP.

J. Triggers: Per APL 25-007, a triggering event is a particular threshold that an MCP must meet to comply with the annual network adequacy timely access standards report.

IV. ATTACHMENTS:

A. N/A

V. PURPOSE:

To describe standards by which the Department of Health Care Services (DHCS) may impose sanctions against PARTNERSHIP HealthPlan of California (PARTNERSHIP) for non-compliance or failure to comply with applicable federal or state statutes, regulations, rules, and contractual obligations. Furthermore, establishes standards by which PARTNERSHIP, with good cause, may exercise the authority to impose and enforce sanctions against any network provider, support vendor, subcontractor, and/or delegate for breach of any material term, covenant or condition of an agreement and/or for failure to comply with applicable federal or state statutes, regulations, rules and failure to meet Network Adequacy and Timely Access standards.

VI. POLICY / PROCEDURE:

Policy

A. DHCS Imposition of Sanctions Against Partnership and pass-through to subcontractors

1. In accordance with established federal and state law and as described in DHCS All Plan Letter (APL) 25-007, DHCS maintains the authority to impose sanctions against PARTNERSHIP, a contracted Managed Care Plan (MCP) for its or its Subcontractor's failure to meet contractual obligations, including the requirement to comply with APLs and applicable state and federal laws and regulations.
2. DHCS is authorized to take enforcement actions consistent with APL 22-015 and any future related APLs, when PARTNERSHIP violates any applicable state and federal laws and regulations or violates the contractual agreement

3. DHCS may impose sanctions against PARTNERSHIP for non-compliance or failure to comply or meet quality performance measure rates that fall below designated national benchmarks established by DHCS. DHCS requires Partnership to report annually on the Managed Care Accountability Set (MCAS) measures and will submit MCAS audited data to DHCS in accordance with applicable DHCS guidance, as specified in APL 25-007 Attachment C. These failures, also known as triggers, include, but are not limited to:
   a. Three repeated and uncorrected medical audit deficiencies that have the potential to endanger

patient care;

b. Repeated failure to achieve minimum quality system performance measures (in cases of the Quality Improvement System) on an External Accountability Set measure after the implementation of corrective action;
c. Failure to provide medically necessary covered services to a member in specified timeframes;
d. Failure to meet Annual Network Certification or follow up compliance components identified in the Timely Access Survey results or rectify findings identified by DHCS through preliminary corrective action plan process pursuant to APL 20-003 and any future related DHCS guidance, such as APL25-007;
e. Non-compliance with contractual obligations or applicable federal or state laws; and/or
f. Accrual of claims that have not or will not be paid, as applicable.
g. Failure to comply with Corrective Action Plans.
h. Failure to meet timely access guidelines as described in APL 25-007 Timely Access Standards Enforcement Attachment B and C.
i. Failure to report on any of the above MCAS measures at the county level even for counties operating in for the first time.
j. Failure to report on the EQRO results of the above MCAS measures for fully delegated Subcontractors and fully delegated downstream contractors.

4. DHCS may impose any one or a combination of the following enforcement actions when PARTNERSHIP violates any applicable state and federal laws and regulations or violates the contractual agreement:
    a. Temporary suspension orders such as:
        i. Suspension of PARTNERSHIP's new enrollment activities, including default enrollment
        ii. Requiring PARTNERSHIP to suspend specified personnel and/or a specified subcontractor temporarily
        iii. Requiring PARTNERSHIP to ensure subcontractors/FDRs cease certain activities, including referrals, assignment of eligible beneficiaries, and reporting, until DHCS determines that PARTNERSHIP is in compliance with Contractual Obligations and applicable state and federal laws and regulations.
        iv. Temporary suspension order will remain in effect until the hearing is completed and DHCS has made a final determination on the merits.
    b. PARTNERSHIP personnel termination
    c. Imposition of temporary management
        i. Upon finding any of the following:
            a) Repeated failure to meet the substantive requirements in sections 1903(m) and 1932 of the Social Security Act (42 USC section 1396b(m); 42 USC section 1396u-2), the requirements of Title 42 CFR Part 438, Subpart I, or repeated engagement in sanctionable conduct
            b) Continuous egregious conduct by the MCP, including but not limited to conduct that is described in Title 42 CFR Section 438.700, or that is contrary to any requirements of sections 1903(m) and 1932 of the Social Security Act
            c) There is a serious risk to members' health;
            d) Temporary management is necessary to ensure the health of PARTNERSHIP's members
                1. While corrective actions are implemented to remedy PARTNERSHIP's members while corrective actions are implemented

to remedy sanctionable violations or;

2. until is an orderly termination or reorganization of PARTNERSHIP is completed.

d. Contract termination
   i. DHCS may terminate Partnership's contract for violating the standards prescribed in WIC section 14197.7 or for failure to meet applicable requirements in sections 1932, 1903(m), or 1905(t) of the Social Security Act.
   ii. DHCS may terminate Partnership's contract if the United States Secretary of Health and Human Services has determined Partnership does not meet the requirements for participation in the Medicaid program, as contained in Subchapter 19 (commencing with section 1396) of Chapter 7 of Title 42 of the USC.
   iii. Partnership may request to hold a public hearing for contract termination.
   iv. DHCS is required to provide Partnership with a minimum of 60 calendar days' notice and a Notice of Contract termination to members enrolled with Partnership

e. Factors DHCS will consider when taking Enforcement Action
   i. When determining the appropriate enforcement action, including the assessment of monetary sanctions, DHCS will consider the following non-exhaustive factors
      a. The nature, scope, and gravity of the violation, including potential harm or impact on Members.
      b. The good or bad faith of the MCP
      c. The MCP's history of violations
      d. The willfulness of the violation
      e. The nature and extent to which the MCP cooperated with DHCS' investigation.
      f. The nature and extent to which the MCP aggravated or mitigated any injury or damage caused by the violation
      g. The nature and extent to which the MCP has taken corrective action to ensure the violation will not recur

f. Corrective Action Plan (CAP)
   i. PARTNERSHIP is required to complete CAPs within the timeframe specified in the Notice of Corrective Action from DHCS
      i. These CAPS must include metrics to address the following:
         a. Identify root causes
         b. Set measurable corrective actions and timelines
         c. Report progress to DHCS
         d. Meet deadlines and complete remediation tasks
   ii. PARTNERSHIP is required to provide a monthly status update that demonstrates actionable steps taken to correct the deficiencies to DHCS and provide supporting documentation until the CAP is closed

g. Administrative and monetary sanctions
   i. DHCS can collect monetary sanctions by withholding the amount from capitation payments, or require a check or wire from PARTNERSHIP
   ii. Deficiencies that impact members will constitute a separate sanction violation for each member
   iii. DHCS can impose sanctions for up to:
   i. Up to $25,000 per violation for:
      1. A first violation;
      2. Each failure to provide medically necessary services that PARTNERSHIP is required to provide; or

3. Each misrepresentation or falsification of information furnished to a member, eligible beneficiary, or health care provider.

ii. $50,000 for the second violation

iii. Up to $100,000 for:
1. Each subsequent violation
2. Conducting any act of discrimination against a member on the basis of the member's health status or need for health care services.
   a. $15,000 may be imposed for each eligible beneficiary that DHCS determines was not enrolled because of a discriminatory practice. This is subject to the overall limit of $100,000

ii. Misrepresenting or falsifying information furnished to the CMS or DHCS

iv. Up to $15,000 for each eligible beneficiary that DHCS determines was not enrolled because of discriminatory practice – overall limit of $100,000

v. Up to $25,000, or double the amount of excess charges, whichever is greater, for premiums or charges in excess of the amounts permitted under the Medicaid program.

vi. Sanction amounts may be assessed separately and independently for each day PARTNERSHIP fails to correct an identified deficiency

vii. In addition to the above listed sanctions, DHCS is authorized to take any other appropriate action deemed necessary.

viii. In the event of monetary sanction(s), DHCS will provide Partnership with a minimum of a 30-calendar day notice

5. In the event that DHCS imposes an administrative or monetary sanction, DHCS will provide Partnership with a reasonable notice of DHCS's intent to impose the Sanction. DHCS may also alert other persons or organizations that may be impacted or interested in PARTNERSHIP's sanction.
   a. All sanction notices will be in writing and will include the effective date, duration of, reason for each sanction proposed, and any appeal rights PARTNERSHIP has.
   b. PARTNERSHIP may request to meet and confer regarding the proposed sanctions. The request must be made in writing and provided to PARTNERSHIP's contract manager within two business days of receipt of the notice.
   c. PARTNERSHIP has the right to appeal a temporary suspension order issued as an immediate sanction by filing a written appeal with DHCS within 30 calendar days from the date PARTNERSHIP receives notice of the order.
      i. However, the suspension order will remain in effect through the hearing completion and the DHCS final determination.
   d. PARTNERSHIP may request a continuance for a hearing related to a temporary suspension order if PARTNERSHIP needs more time to prepare an adequate defense.
   e. In the event PARTNERSHIP requests a hearing in connection with a monetary sanction, the sanction will not go into effect until after DHCS issues a final decision.
6. In the event that PARTNERSHIP elects to appeal a sanction, PARTNERSHIP must send its request in writing to the DHCS Office of Administrative Hearings and Appeals (OAHA) and other parties as specified in the sanction notice, within 15 business days from the date PARTNERSHIP receives the notice of sanction. This includes, for instance, proposed temporary management and/or monetary sanctions.
   a. Except as otherwise provided in WIC section 14197.7, hearings to review the imposition of sanctions, including temporary suspension orders, follow the procedures set forth in Health and Safety Code Section 100171, and generally, such hearings must be conducted pursuant to the administrative adjudication provisions of the Administrative Procedure Act, the DHCS Contract

and any other relevant governing law.

7. Furthermore, the Centers for Medicare and Medicaid Services (CMS) may impose a denial of payment sanction against the Plan, as specified in Title 42 CFR Section 438.730 (e)
8. Pass-through actions
    a. As a part of or resulting from disciplinary action against PARTNERSHIP, DHCS may require PARTNERSHIP to pass-through corrective action and/or sanction to a PARTNERSHIP contracted network provider or subcontractor. All such pass-through mandates will be at the direction of DHCS and not subject to processes established under this policy and/or other established complaint procedures.

B. PARTNERSHIP's Imposition of Penalties Against any Network Provider, Support Vendor, Subcontractor, and/or Delegate
1. PARTNERSHIP is responsible for ensuring that all subcontractors and network providers comply with all contract requirements related to the delegated functions they undertake.
2. PARTNERSHIP, through the direct authority of the PARTNERSHIP Compliance Committee or the Chief Executive Officer (CEO), whichever is the most expeditious method for authorization, may impose Penalties against any network provider, support vendor, subcontractor, and/or delegate for failure to comply with federal or state statutes, regulations, rules, contractual obligations, Corrective Action Plan (CAP), and/or PARTNERSHIP policies and procedures.
3. PARTNERSHIP may impose Penalties following any instance of non-compliance against any organization or individual described herein with or without a CAP. PARTNERSHIP may require that the Penalty recipient implement a CAP concurrent with other terms of the Penalty.
4. To the extent possible, the Penalty shall correspond with the severity of the deficiency and potential or actual risk posed to PARTNERSHIP's members, financial solvency, or contractual or accreditation good standing, and shall be designed to correct non-compliance and remediate future occurrences.
5. Penalties include, but are not limited to, monetary sanctions, suspension of membership enrollment, suspension of membership referrals, suspension of reporting activities, revocation of delegation, and/or contract termination. PARTNERSHIP retains the right to take termination action in addition to, and notwithstanding, the imposition of other sanctions as described under this policy.
6. In the event that the recipient of a Penalty fails to correct the issue(s) of non-compliance in the required time or manner, PARTNERSHIP may impose additional and/or more severe Penalties.

Procedure

A. Basis for Penalties or Sanctions Against any Network Provider, Support Vendor, Subcontractor, and/or Delegate
1. PARTNERSHIP may choose to request a corrective action plan (CAP) as a condition of a penalty or sanction. CAPs at the result of penalty or sanction shall be developed, monitored, and reported consistently with PARTNERSHIP Policy CMP-38 Escalation and Corrective Action.
2. PARTNERSHIP may impose Penalties or pass-through Sanctions, or take any other action against any network provider, support vendor, subcontractor, and/or delegate, at the direction of DHCS or other regulatory agency, or based on the identification of deficient performance, or failure to comply. Failures may include, but are not limited to:
    a. Findings from monitoring, auditing, and other delegation oversight activities as described under PARTNERSHIP policy and procedure CMP-36 Delegation Oversight and Monitoring;
    b. Failing to comply with rules, regulations, or findings from state and/or federal regulatory agencies or accreditation bodies including, but not limited to, the Department of Health Care Services (DHCS), Office of Civil Rights (OCR), Department of Justice (DOJ), Centers for Medicare and Medicaid Services (CMS), and the National Committee for Quality Assurance

(NCQA) audits, surveys, or investigations;

c. Findings from provider and member complaints and surveys;
d. Failing to provide medically necessary covered services to a member within specified timeframes;
e. Accrual of claims that have not or will not be paid, which constitutes a failure to meet operational standards.
f. Engaging in Fraud, Waste, or Abuse (FWA) activities, and/or failure to comply with applicable standards of the Health Insurance Portability and Accountability Act of 1996 (HIPAA) and the Health Information Technology for Economic and Clinical Health Act (HITECH);
g. Failing to meet data quality and reporting requirements, which includes failing to report timely or knowingly reporting incorrect/incomplete data, or other information, required by PARTNERSHIP and in accordance with PARTNERSHIP policy and procedure CMP-05 Reports and Agency Requests, DHCS APL 14-019 Encounter Data Submission Requirements, and DHCS APL 17-005 Certification of Document and Data Submissions;
h. Failure to identify and/or timely report providers and/or subcontractors suspended or excluded from participation in the Medi-Cal program;
i. Failure to submit timely and accurate Network Provider data, including meeting Annual Network Certification components as identified by PARTNERSHIP and/or DHCS;
j. Failing to comply with PARTNERSHIP policies and procedures, Provider Manual, audits, and/or investigations as applicable;
k. Breaching any covenant, condition, or term of the contract, agreement, or delegation grid as applicable, including, but not limited to, failing to perform specified duties and responsibilities in the required time or manner;
l. Failing to submit, remediate, or implement a CAP response, or take corrective action under any approved CAP response in the required time or manner.
m. Failure to meet contractual obligations;
n. Failure to meet quality metrics or benchmarks;
o. Failure to comply with California Medicaid State Plan or approved federal waivers; and
p. Failure to accurately and timely process grievances or appeals.

B. Authority for Imposition of Penalties Against any Network Provider, Support Vendor, Subcontractor, and/or Delegate

1. Incidents of non-compliance as identified by any of the mechanisms described under this policy or otherwise, that may result in the imposition of Sanctions or Penalties shall be reviewed by the PARTNERSHIP Compliance Committee or the CEO, whichever is the most expeditious method for authorization, for the final determination of the severity and implementation of Sanctions or Penalties.
2. Except for those directed by regulatory agencies, the PARTNERSHIP Compliance Committee or the CEO retains the authority to authorize and implement all Sanctions or Penalties. The aforementioned or designee, shall oversee and monitor all sanctions imposed.
3. PARTNERSHIP staff assigned to the development and/or monitoring of Penalties shall be responsible for providing regular reports to the Compliance Committee and/or CEO and other governing committees, as applicable (e.g. Delegation Oversight Review Sub-committee) and for the duration of related corrective action plans. Based on the type of issue(s) and the impact of failure to comply, the PARTNERSHIP Compliance Committee or the CEO may consult with executive leadership including, but not limited to, the Chief Financial Officer, Chief Operating Officer, Chief Medical Officer , or Chief Information Officer prior to imposing a Penalty.
4. Where a regulatory agency directs sanction and/or corrective action, related actions are exempt

from the aforementioned hierarchy and authority for imposition shall be retained by the governing agency.

C. Types of Penalties Assessed Against any Network Provider, Support Vendor, Subcontractor, FDR, and/or Delegate

1. Following any instance of non-compliance by any network provider, support vendor, subcontractor, and/or delegate, PARTNERSHIP may impose sanctions including, but not limited to;
    a. Monetary penalties, including but not limited to deduction or withholding of capitation payments;
    b. Suspension of new membership enrollment, membership referrals, and/or reporting activities;
    c. Revocation of delegated function(s);
    d. The requirement to engage and pay for an external auditor, or other consultant, acceptable to and approved by PARTNERSHIP, in order to correct the identified deficiency or non-compliance to PARTNERSHIP's satisfaction;
    e. Termination of the contract or agreement with the non-compliant organization or individual; and
    f. Any other action that PARTNERSHIP deems appropriate and reasonable.

D. Notification of Sanctions and Penalties Imposed Against any Network Provider, Support Vendor, Subcontractor, and/or Delegate

1. Unless otherwise directed by a regulatory agency, PARTNERSHIP shall notify the affected entity in writing no fewer than thirty (30) days prior to the implementation date of the Sanctions or Penalties. Such notice shall include:
    a. Effective date;
    b. Detailed findings of non-compliance;
    c. Reference to the applicable statutory, regulatory, contractual, PARTNERSHIP policy and procedures, or other requirements that are the basis of the findings;
    d. Detailed information describing the Sanctions and/or Penalties;
    e. Request to develop corrective action, as applicable;
    f. Timeframes by which the organization or individual shall be required to achieve compliance, as applicable;
    g. Indication that PARTNERSHIP may impose additional Penalties if compliance is not achieved in the manner and time frame specified; and
    h. Network providers notice shall include their right to file a complaint (grievance) in accordance with PARTNERSHIP policy and procedure MPPRGR210 Provider Grievance.
    i. Non-provider entities' notice shall include their right to file a complaint under the terms of their agreement with PARTNERSHIP.
2. If PARTNERSHIP determines a need for termination of contract or agreement with the non-compliant organization or individual, the timeframes for notification shall comply with those standards set forth in applicable state or federal regulations or contractual obligations.
3. The PARTNERSHIP Compliance Committee or the CEO or their designee shall oversee and monitor the response to the Sanctions and/or Penalties notification.
4. Pursuant to DHCS All Plan Letter (APL) 17-004, PARTNERSHIP shall alert the DHCS

Managed Care Operations Division (MCOD) Contract Manager within three (3) business days upon the discovery of significant non-compliance for contracted delegates, subcontractors, and/or network providers that result in development of a CAP and/or imposition of Penalties.

E. Record Retention:

1. Data, documentation, and information related to the processes described under this policy shall be maintained in compliance with PARTNERSHIP policy and procedure CMP-30 Records Retention and Access Requirements.

VII. REFERENCES:

A. DHCS APL 19-002: Delegation and Administrative Service Requirements
B. DHCS APL 25-007: Enforcement Actions: Corrective Action Plans, Administrative and Monetary Sanctions (04/25/2025)
C. DHCS APL 22-015: Enforcement Actions: Administrative and Monetary Sanctions
D. DHCS APL 14-019: Encounter Data Submission Requirements
E. DHCS APL 16-019: Oversight of Delegated Entities and Administrative Functions
F. DHCS APL 17-004: Significant Non-Compliance Reporting Requirements
G. DHCS APL 17-005: Certification of Document and Data Submissions
H. 42 CFR §438.700: Basis and Scope of Intermediate Sanctions
I. 42 CFR §438.2: Definitions

VIII. DISTRIBUTION:

A. PowerDMS

IX. POSITION RESPONSIBLE FOR IMPLEMENTING PROCEDURE:

CEO or designee

X. REVISION DATES:

7/23/2019, 8/19/2021, 2/16/2023, 8/18/25, 09/03/2026

PREVIOUSLY APPLIED TO:

ADM47 to CMP 8/18/2025

REGULATOR APPROVAL:

DHCS approved 09/03/2026 as APL 25-007 deliverable