PARTNERSHIP HEALTHPLAN OF CALIFORNIA

POLICY/ PROCEDURE

<table>
<tr><td colspan="4">Policy/Procedure Number: CMP-38</td><td colspan="3">Lead Department: Compliance</td></tr>
<tr><td colspan="4">Policy/Procedure Title: Escalation and Corrective Action</td><td colspan="3">☒External Policy
☒ Internal Policy</td></tr>
<tr><td colspan="4">Original Date: 05/16/2019</td><td colspan="3">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="3">☒ Employees</td></tr>
<tr><td rowspan="2">Reviewing Entities:</td><td colspan="2">☐ IQI</td><td>☐ P & T</td><td colspan="3">☐ 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="3">☐ DEPT. DIRECTOR/OFFICER</td></tr>
<tr><td colspan="4">Approval Signature: Sonja Bjork, CEO</td><td colspan="3">Approval Date: 09/03/2026</td></tr>
</table>

I. RELATED POLICIES:

A. CMP-45 Administrative and Financial Sanctions
B. CMP-02 Risk Assessment, Audits, and Monitoring
C. CMP-30 Records Retention and Access Requirements
D. CMP-36 Delegation Oversight and Monitoring

II. IMPACTED DEPTS:

A. All

III. DEFINITIONS:

A. Corrective Action Plan (CAP): A written plan of action describing interventions designed to redress deficiencies or opportunities for improvement identified by Partnership HealthPlan of California (Partnership) or its governing agency through oversight activities such as regular monitoring or audit. When developed by a current or potential Delegated Entity or FDR, a proposed CAP shall be approved by Partnership prior to implementation by affected entity to ensure planned action satisfies the identified deficiency.
B. Delegate: An external entity that Partnership has given the authority to perform an activity/activities that Partnership would otherwise perform as defined by the (NCQA) standards. By virtue of performing delegated activities, a delegate is always a subcontractor.
C. Delegated Entity: A subcontractor or delegate who has entered into contract with Partnership to perform services related explicitly to fulfilling Partnership's obligations to DHCS under the terms of the DHCS/Medi-Cal contract or those duties Partnership would otherwise perform as defined by NCQA.
D. Escalation: The process by which Partnership formally raises and makes recommendations for improvement upon a cited opportunity for improvement by a delegated entity. Escalation may occur prior to the imposition of a CAP.
E. FDR: First Tier, Downstream, and Related Entities, as defined by applicable CMS Medicare program requirements. These are entities that Medicare Advantage organizations (MAOs) or Part D plan sponsors contract with to provide administrative or healthcare services related to the program.
F. Monitoring: Ongoing review processes such as periodic audits, random sampling, and progress reporting to ensure compliance
G. Network Provider: Pursuant to 42 CFR 438.2 and the Medi-Cal contract by and between Partnership and the Department of Health Care Services (DHCS), any provider, group of providers, or entity that has a network provider agreement with Partnership or its subcontractor for the delivery, ordering, or referral of Medi-Cal Covered Services.
H. Pre-delegation evaluation: The review of an external entity's policy, procedures, program descriptions,

and other materials as necessary, to determine the entity's capacity to perform functions on behalf of Partnership, prior to delegating responsibility.

I. Regulatory Agency: As referenced in this policy, regulatory agency shall include DHCS, the Centers for Medicare and Medicaid Services (CMS), the Department of Health Human Services (HHS), as applicable, the Department of Managed Health Care (DMHC) or any of their agents or designees.

J. Reportable Event: per NCQA Health Plan Accreditation Standards, defined as any issuance by a state or federal regulatory agency, including, but not limited to, request for corrective action and/or sanction where the substance of such action relates to the organization's handling of UM decisions, network adequacy, quality improvement, credentialing, benefit denials, complaints, grievances, appeals or other important patient safety matters.

K. Triggering event - An occurrence that initiates a CAP, such as an audit finding, performance drop, or member grievance.

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

M. 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) have 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.

N. Subject Matter Expert (SME): Partnership employee, department, or other stakeholder that is/are the authority and responsible for participating in and/or conducting an audit and/or monitoring of a specific program, area, or delegated function(s).

IV. ATTACHMENTS:

A. Corrective Action Plan (CAP) Form

V. PURPOSE:

Under contract with the Department of Health Care Services (DHCS), Centers for Medicare and Medicaid and as required by National Committee for Quality Assurance (NCQA), Partnership HealthPlan of California (Partnership) is obligated to regularly monitor delegate, subcontractor, and/or network provider compliance with regulatory requirements, contractual obligations, applicable Partnership policy and procedures, and performance standards. This policy establishes guidelines for Partnership's escalation of non-compliance or opportunities for improvement and imposition of corrective action as needed.

VI. POLICY / PROCEDURE:

A. Policy

1. Identification of Deficiencies or Opportunities for Improvement:
    a. As described under the DHCS Medi-Cal contract in accordance to 42 CFR section 438.608(a)) and DHCS Medi-Cal Contract, Exhibit A, Attachment III, 1.3.1 (L) CMS Medicare Managed Care Manual 100-16 and 100-18 and as an NCQA-accredited health plan, Partnership and its subcontractors, delegates, and/or network providers are subject to DHCS', other regulatory agencies, and/or independent accreditation organization's requirement to develop corrective action plans for failure to meet contractual obligations, including the requirement to comply with All Plan Letters (APLs) or applicable state and federal laws and regulations, performance standards, and/or nationally recognized accreditation standards.

i. Partnership reserves the right to pass through the requirement to develop or comply with corrective action as imposed by DHCS, CMS or, other regulatory governing bodies, due to non-compliance by a subcontractor, delegate, FDR or network provider, and

ii. Partnership reserves the right to require the development of corrective action or additional monitoring of subcontractor, delegate, FDR and/or network provider should regulatory agencies or accrediting organizations cite said parties for performance or compliance deficiencies.

b. In compliance with Partnership policy and procedure CMP-36 Delegation Oversight and Monitoring, potential delegated entities or FDRs are subject to a pre-delegation evaluation to determine the entity's capacity to perform the proposed delegated activities. If deficiencies are identified during such review, the entity is subject to escalation and corrective action consistent with the processes described under this policy.

c. In compliance with Partnership policy and procedure CMP-36 Delegation Oversight and Monitoring, Partnership subcontractors, FDRs and/or delegates are subject to regular oversight and monitoring. Through the course of monitoring activities, if Partnership identifies a notable deficiency or opportunity for improvement, the issue of non-compliance or unmet performance must be escalated and, depending on severity, may require development of a corrective action plan.

d. Within ten (10) business days, unless otherwise directed by Partnership leadership, from the date of discovery of a notable deficiency or opportunity for improvement, SMEs with Regulatory Affairs and Compliance (RAC) shall further investigate the issue to determine the appropriate course of redress.

e. Imposition of corrective action by DHCS to the Plan is considered a Reportable Event to NCQA. Upon occurrence of a Reportable Event, Partnership must notify NCQA within 30 calendar days. RAC shall ensure timely notification to the Partnership Quality Improvement department to facilitate notification to NCQA.

2. Escalation of Opportunity for Improvement:

a. As identified by Partnership or regulatory agency, delegated activities that are not performed satisfactorily and provide an opportunity for improvement, shall be addressed in detail with the delegated entity to afford the opportunity to bring activities into compliance. Escalation may be the result of a material deficiency that does not rise to the level of non-compliance necessitating a CAP. Opportunities for improvement that require escalation, but may not necessitate development of a CAP include, but are not limited to:

i. Technical errors in the development, maintenance, or issuance of member informing materials;

ii. Rejection of regulatory report (i.e. new reporting template);

iii. Timely implementation of regulatory and/or contractual requirement in whole or part;

iv. Low-scoring performance that has not yet fallen below set benchmarks; or

v. Untimely or missed submission of required reports

b. Partnership may use verbal or written communication to escalate opportunities for improvement to delegates, subcontractors, and/or network providers. When escalation occurs verbally (e.g. during a joint operations meeting), Partnership will make best efforts to follow up in writing to detail findings, related discussion, and make recommendations for improvement. As necessary, written escalation shall provide a timeline for demonstration of satisfactory progress and as applicable, related deliverables, including reporting.

c. Partnership reserves the right to bypass the escalation process and require corrective action.

3. Requirement of Corrective Action Plan: in accordance to DHCS Medi-Cal Contract, Exhibit A,

Attachment III, 1.3.1 (L):

a. As identified by Partnership or regulatory agency, potential or contracted delegates, potential or contracted subcontractors, and/or network providers demonstrated non-compliance shall require the development of a formal written CAP. Such CAP shall describe the cited entities step-by-step plan of action to meet full compliance with requirements. Demonstrated non-compliance may include, but not be limited to:
   i. Inability to perform at set benchmarks;
   ii. Failure to implement recommendations for improvement as communicated through escalation;
   iii. Failure to comply with regulatory requirements, contractual obligations, applicable Partnership policies and procedures and/or performance standards; or
   iv. Repeat instances of poor performance or poor responsiveness to Partnership requests related to delegated activities or oversight thereof.
b. Partnership shall communicate in writing to the affected entity detailed findings of non-compliance and request for the development of a formal written CAP.
c. SMEs, including RAC, who have requested corrective action, are responsible for CAP imposition, tracking timely resolution, making regular reports to DORS, and retaining records of CAP forms and related correspondence.
d. Pursuant to DHCS All Plan Letter (APL) 23-006, Partnership shall alert the DHCS Managed Care Operations Division (MCOD) Contract Manager within three (3) business days upon the discovery of significant non-compliance, or the imposition of corrective action or financial sanctions for contracted delegates, subcontractors, and/or network providers that requires development of a CAP. Significant non-compliance may include:
   i. Failure to provide medical items, services, or prescription drugs;
   ii. Repeat occurrences of a previously identified deficiency;
   iii. Failure to comply with terms of an approved CAP;
   iv. Unsatisfactory implementation of regulatory requirements;
   v. Causing financial distress; or
   vi. Posing a threat to member care due to non-existent or inadequate programmatic or operational structures or components.

4. Compliance with Approved Corrective Action Plan: in accordance to DHCS Medi-Cal Contract, Exhibit A, Attachment III, 1.3.1 (L):
   a. CAPs as approved by Partnership or regulatory agency shall be implemented in whole by the affected delegate, subcontractor, and/or network provider within the agreed upon timeframe including demonstration of compliance as described in the CAP or directed by the plan or its governing agency. Failure to fully or timely comply with requirements may result in further corrective action including the imposition of penalties in compliance with Partnership policy and procedure ADM-47 Administrative and Financial Sanctions.

B. Procedure
1. Request for Escalation or Corrective Action:
   a. Upon the identification of non-compliance and within a timeframe reasonable for the severity of the deficiency, but not to exceed fourteen (14) calendar days unless otherwise directed by PHC leadership, SMEs and/or RAC may redress such finding through escalation or CAP. Partnership shall make a written request to the affected entity to comply.
      i. **Escalation of observed opportunities for improvement**: Partnership may use verbal or written communication to communicate observed opportunities for improvement.

Communication shall detail an account of observations with recommendations for improvement, which may be made through joint operations meetings, email or other written correspondence. As applicable, such requests may include, but not be limited to, description of:

a) Data, documentation, or activity in question;
b) Period or duration of performance issue;
c) Detailed findings of actual or potential underperformance;
d) Recommendation for improvement; and
e) Deliverables and/or request for increased reporting.

ii. **Request for Development of CAP**: Partnership shall issue a written account of cited deficiencies to inform the affected entities of the development of a CAP. A request for CAP shall be made utilizing Partnership's standardized CAP form and include at a minimum:

a) Identification of deficient category, program, or functional area;
b) Date of request for CAP;
c) Responsible department(s), as applicable
d) Data, documentation, or activity in question;
e) Regulatory or contractual authority (citation);
f) Detailed account of finding;
g) Recommendation for corrective action;
h) Required documentation in demonstration of satisfactory compliance;
i) Method of response; and
j) Required response date.

b. When findings do not rise to the level of significant non-compliance, the cited entity may be given an opportunity to provide evidence in demonstration of compliance prior to Partnership's request for development of a formal written CAP. This initial opportunity for demonstration of compliance by the delegated entity, may be referred to as the "Preliminary CAP."

c. RAC must be included in and made aware of any requests for escalation or development of corrective action relative to potential or contracted delegates and/or subcontractors for tracking and record retention purposes. When the request for escalation or development of a CAP is not made directly by RAC to the affected entity, the requestor must submit a copy of the correspondence to RAC using the *delegationoversight@partnershiphp.org* inbox.

2. Requirements of CAP:

a. Unless specified under contract, policy, or necessitated to mitigate member harm, delegates, subcontractors, and/or network providers shall respond to Partnership's request for development of a CAP within thirty (30) calendar days of receipt. Proposed CAPs may include, but not be limited to:

i. Root cause analysis of the deficiency which may include a description of programmatic or operational failures (policies/procedures, systems, training, staffing, communication, or other contributing factors.);
ii. Steps taken or planned to resolve the deficiency;
iii. Implementation method of corrective action;
iv. Evidence in demonstration of compliance; and
v. Actual or anticipated resolution date.

3. Responding to a Proposed CAP:

a. Partnership or its governing agency shall approve delegate, subcontractor, and/or network provider proposed corrective action to ensure full remediation of cited deficiency, understanding

of requirements, and prevention of reoccurrence. SMEs and/or RAC will review proposed CAPs to ensure the critical elements described under B(2)(a) are included.

b. Partnership shall provide a written response to the affected entity, either accepting the CAP as provided or rejecting the CAP with a request for additional information. Critical elements in determining the approval or rejection of a proposed CAP include:
   i. **Approved CAPs**:
      a) PHC may accept and close a CAP simultaneously if the critical elements described in B (2)(a) are present, the affected entity has demonstrated full compliance with the cited deficiency, and monitoring is not necessary.
      b) If a CAP is accepted, but not closed, Partnership will monitor the affected entity's progress with the approved CAP and shall only close the CAP when satisfactory compliance has been reached as determined by the plan or its regulatory agency.
   ii. **Rejected CAPs**: If the critical elements described in B(2)(a) are not present, PHC does not believe the proposed corrective action will satisfy the deficiency, and/or additional information is needed, PHC will make a written request to the delegate describing additional action required to develop a CAP satisfactorily.

c. RAC shall maintain record of approved CAPs and/or SME's and status updates regularly reported to the Delegation Oversight Review Sub-committee (DORS) for tracking of satisfactory progress, aging, and, as necessary, recommendation as appropriate.

3. Monitoring Compliance with Escalation or Approved CAP:
   a. To ensure implementation of agreed upon remediation measures, Partnership may monitor, parties and/or individuals subject to CAPs to ensure adherence with agreed upon corrective actions or escalated opportunities for improvements. Partnership may monitor CAP compliance through a variety of measures, which may include, but is not be limited to:
      i. More frequent joint operations meetings between Partnership and the affected party;
      ii. Testing of CAP implementation;
      iii. Increase in frequency or type of reporting;
      iv. Ad hoc or focused audits; and/or
      v. Other activities as directed by Partnership and/or Partnership's regulatory agency.
   b. If at any time during monitoring, Partnership identifies the cited entity's failure to comply with the deficiency under CAP, Partnership may raise the concern to DORS, the Compliance Officer, or the Chief Executive Officer for further action. Further action may include the imposition of sanctions, up to and including the revocation of delegation, in compliance with Partnership policy and procedure ADM-47, Administrative and Financial Sanctions.

4. Satisfactory Completion of CAP:
   a. Upon the delegate's, subcontractor's, FDR and/or network provider's demonstration of and Partnership's or its regulatory agencies' validation of full compliance with the approved CAP and, as applicable, satisfactory outcomes of monitoring, Partnership shall close the CAP. Partnership shall issue a written notification of the closure with an updated CAP form including the acknowledgement and date of the closure.
      a. RAC shall maintain record of closed CAPs and a status update provided to DORS.
   b. Partnership's closure of a CAP does not preclude future planned or ad hoc auditing, monitoring, retesting, and oversight activities by Partnership.

5. Failure to Comply:
   a. A delegate, subcontractor, and/or network provider's failure to participate in Partnership or its

regulators investigation of non-compliance, escalation of opportunities for improvement, request for corrective action or compliance with terms of an approved CAP may result in the imposition of sanctions, up to, revocation of delegation consistent with Partnership policy and procedure ADM-47 Administrative and Financial Sanctions.

6. Record Retention:
   a. 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 23-006
B. DHCS Medi-Cal Contract, Exhibit A, Attachment III, 1.3.1 (L)
C. 42 CFR 438.2
D. 42 CFR 438.608
E. CMS Medicare Managed Care Manual 100-16
F. CMS Medicare Managed Care Manual 100-18
G. 2026 NCQA Health Plan Accreditation Standards

VIII. DISTRIBUTION:

A. PowerDMS

IX. POSITION RESPONSIBLE FOR IMPLEMENTING PROCEDURE:

A. Department Directors
B. Regulatory Affairs and Compliance

X. REVISION DATES:

08/20/2020, 08/19/2021, 8/18/2022, 8/17/2023, 8/15/2024, 08/18/2026, 09/03/2026

PREVIOUSLY APPLIED TO:

N/A