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UNITED STATES DISTRICT COURT

NORTHERN DISTRICT OF CALIFORNIA, SAN FRANCISCO DIVISION

UNITED STATES OF AMERICA ex rel.
RONDA OSINEK,

Plaintiff,

v.

KAISER PERMANENTE, et al.,

Defendants.

Case No. 3:13-cv-03891-EMC

**DEFENDANT KAISER FOUNDATION
HEALTH PLAN, INC.'S AMENDED
ANSWER AND AFFIRMATIVE DEFENSES
TO UNITED STATES' AMENDED
COMPLAINT-IN-INTERVENTION**

Judge: Hon. Edward M. Chen
Courtroom: 5, 17th Floor

Defendant Kaiser Foundation Health Plan, Inc. (“Defendant”) hereby files its Amended Answer and Affirmative Defenses (“Answer”) to Plaintiff United States’ Amended Complaint-in-Intervention (the “Amended Complaint”).¹ Each numbered response in this Answer is made subject to the following limitations. First, unless specifically admitted, Defendant denies each and every allegation in the Amended Complaint. Second, to the extent the Amended Complaint includes headings, a table of contents, or other impertinent material that is inappropriate under Federal Rules of Civil Procedure 8, 10, or 12(f), no response is necessary and such material should be stricken. To the extent any headings, table of contents, or impertinent material is deemed to require a response, Defendant denies each and every allegation. Any headings from the Amended Complaint that are reproduced herein are reproduced for convenience of reading only.

First unnumbered paragraph contains the United States’ characterization of this action, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that the United States brings this action against Defendants Kaiser Foundation Health Plan, Inc. (“KFHP”), Kaiser Foundation Health Plan of Colorado (“KFHP-CO”), The Permanente Medical Group, Inc. (“TPMG”), Southern California Permanente Medical Group (“SCPMG”), and Colorado Permanente Medical Group, P.C. (“CPMG”) to recover treble damages and civil penalties for alleged violations of the False Claims Act (“FCA”) and alleged conspiracy to violate the FCA, and damages and other relief for alleged common law claims of payment by mistake and unjust enrichment. First unnumbered paragraph references the procedural background of this case, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that first unnumbered paragraph references a Notice of Election to Intervene in Part and to Decline to Intervene in Part filed by the United States on July 27, 2021 (Case No. 3:13-cv-03891-EMC (N.D. Cal.) (Dkt. 64). First unnumbered paragraph contains legal conclusions and/or argument, which require no response. To the extent

¹ Defendant previously filed counterclaims. Dkt. No. 282. Pursuant to a joint stipulation with the United States, Defendant voluntarily dismissed those counterclaims. Dkt. No. 289. Because the counterclaims were previously voluntarily dismissed, Defendant does not reassert them here.

any response to such allegations is necessary, Defendant admits that first unnumbered paragraph references 31 U.S.C. §§ 3729-33 and 3730(b)(4)(A). Defendant denies each and every other allegation in first unnumbered paragraph.

I. PRELIMINARY STATEMENT

1. Paragraph 1 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Paragraph 1 contains the United States' characterization of the Amended Complaint, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that the Amended Complaint brings allegations related to Medicare Advantage. Defendant denies each and every other allegation in paragraph 1.

2. Paragraph 2 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. To the extent paragraph 2 references ¶¶ 126–39 of the Amended Complaint, *see* Defendant's responses to those paragraphs, which are incorporated herein. Defendant denies each and every other allegation in paragraph 2.

3. Answering paragraph 3, Defendant admits that Defendant and KFHP-CO are Medicare Advantage Organizations ("MAOs") that administer private Medicare Advantage ("MA" or "Part C") plans under which they assume the financial risk of providing Medicare benefits to members enrolled in their MA plans and in turn receive monthly payments from the Centers for Medicare & Medicaid Services ("CMS"); that, upon information and belief, to determine payment under MA, CMS determines a bid amount through an annual bid submission process between CMS and each MA plan; that, upon information and belief, CMS calculates, for beneficiaries enrolled in an MA plan, risk scores that act as an adjustment to the bid amount for purposes of determining payment pursuant to the CMS Hierarchical Condition Category ("CMS-HCC") risk adjustment model; that, upon information and belief, CMS in part uses diagnosis codes transmitted by MAOs to CMS to calculate these adjustments. To the extent paragraph 3 references ¶¶ 22–24 and ¶¶ 54–74 of the Amended Complaint, *see* Defendant's responses to those

1 paragraphs, which are incorporated herein. Defendant denies each and every other allegation in
2 paragraph 3.

3 4. Paragraph 4 contains references to documents, which require no response because
4 the referenced documents speak for themselves. To the extent any response to such allegations is
5 necessary, Defendant admits that paragraph 4 references and attempts to quote a portion of a
6 document; that paragraph 4 quotes and references a portion of Defendants' website. To the extent
7 paragraph 4 references ¶¶ 30–42 and ¶¶ 105–25 of the Amended Complaint, *see* Defendant's
8 responses to those paragraphs, which are incorporated herein. Defendant denies each and every
9 other allegation in paragraph 4.

10 5. Paragraph 5 contains legal conclusions and/or argument, which require no
11 response. To the extent any response to such allegations is necessary, Defendant denies each and
12 every such allegation. Paragraph 5 contains reference to a document, which requires no response
13 because the referenced document speaks for itself. To the extent any response to such allegations
14 is necessary, Defendant admits that paragraph 5 references the ICD Guidelines. To the extent
15 paragraph 5 references ¶¶ 75–89 of the Amended Complaint, *see* Defendant's responses to those
16 paragraphs, which are incorporated herein. Defendant denies each and every other allegation in
17 paragraph 5.

18 6. Paragraph 6 contains legal conclusions and/or argument, which require no
19 response. To the extent any response to such allegations is necessary, Defendant denies each and
20 every such allegation. To the extent paragraph 6 references ¶¶ 90–100 of the Amended
21 Complaint, *see* Defendant's responses to those paragraphs, which are incorporated herein.
22 Defendant denies each and every other allegation in paragraph 6.

23 7. Paragraph 7 contains legal conclusions and/or argument, which require no
24 response. To the extent any response to such allegations is necessary, Defendant denies each and
25 every such allegation. Defendant denies each and every other allegation in paragraph 7.

26 8. Answering paragraph 8, Defendant admits that, during at least some of the relevant
27 period: Defendant Permanente Medical Groups' and KFHP-CO's employees identified in
28 members' medical records certain conditions diagnosed in previous service years but not yet

1 diagnosed in the current service year, sometimes referred to as “refresh” activities; after those
2 members’ medical visits, Defendant Permanente Medical Groups’ and KFHP-CO’s employees
3 sometimes provided Defendant Permanente Medical Groups’ physicians with lists of conditions
4 identified via refresh activities but not diagnosed in a specific form in those members’ medical
5 records at those members’ medical visits. Defendant denies each and every other allegation in
6 paragraph 8.

7 9. Paragraph 9 contains legal conclusions and/or argument, which require no
8 response. To the extent any response to such allegations is necessary, Defendant denies each and
9 every such allegation. To the extent paragraph 9 references ¶¶ 140–200 of the Amended
10 Complaint, *see* Defendant’s responses to those paragraphs, which are incorporated herein.
11 Defendant denies each and every other allegation in paragraph 9.

12 10. Answering paragraph 10, Defendant admits that a query is a communication tool
13 used to clarify documentation in the health record for accurate code assignment. Paragraph 10
14 contains legal conclusions and/or argument, which require no response. To the extent any
15 response to such allegations is necessary, Defendant denies each and every such allegation. To
16 the extent paragraph 10 references ¶¶ 202–33 of the Amended Complaint, *see* Defendant’s
17 responses to those paragraphs, which are incorporated herein. Defendant denies each and every
18 other allegation in paragraph 10.

19 11. Paragraph 11 contains allegations that do not reference Defendant, which require
20 no response. To the extent any response to such allegations is necessary, Defendant lacks
21 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
22 such allegation. To the extent paragraph 11 references ¶¶ 234–86 of the Amended Complaint, *see*
23 Defendant’s responses to those paragraphs, which are incorporated herein. Defendant denies
24 each and every other allegation in paragraph 11.

25 12. Paragraph 12 contains legal conclusions and/or argument, which require no
26 response. To the extent any response to such allegations is necessary, Defendant denies each and
27 every such allegation. Paragraph 12 contains allegations that do not reference Defendant, which
28 require no response. To the extent any response to such allegations is necessary, Defendant lacks

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 2 such allegation. Paragraph 12 contains reference to a document, which requires no response
 3 because the referenced document speaks for itself. To the extent any response to such allegations
 4 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 5 basis, denies each and every such allegation. Defendant lacks sufficient knowledge to admit or
 6 deny the allegation that Relator Randi Osinek is a certified medical coder, and, on that basis,
 7 denies each and every such allegation. To the extent paragraph 12 references ¶¶ 287–358 of the
 8 Amended Complaint, *see* Defendant’s responses to those paragraphs, which are incorporated
 9 herein. Defendant denies each and every other allegation in paragraph 12.

10 13. Paragraph 13 contains legal conclusions and/or argument, which require no
 11 response. To the extent any response to such allegations is necessary, Defendant denies each and
 12 every such allegation. Defendant denies each and every other allegation in paragraph 13.

13 **II. PARTIES**

14 **A. PLAINTIFF AND RELATORS**

15 14. Answering Paragraph 14, Defendant admits that, during at least some of the
 16 relevant period: upon information and belief, CMS was an operating division of the United States
 17 Department of Health and Human Services (“HHS”); upon information and belief, CMS
 18 administered the MA Program and made risk adjustment payments under the MA program.
 19 Paragraph 14 contains the United States’ characterization of the Amended Complaint, which
 20 requires no response. To the extent any response to such allegations is necessary, Defendant
 21 admits that the Amended Complaint is brought by Plaintiff United States of America, suing on
 22 behalf of HHS. Paragraph 14 references the procedural background of this case, which requires
 23 no response. To the extent any response to such allegations is necessary, Defendant admits that
 24 paragraph 14 references a Notice of Election to Intervene in Part and to Decline to Intervene in
 25 Part filed by the United States on July 27, 2021 (Case No. 3:13-cv-03891-EMC (N.D. Cal.) (Dkt.
 26 64). Paragraph 14 contains legal conclusions and/or argument, which require no response. To
 27 the extent any response to such allegations is necessary, Defendant admits that paragraph 14
 28

1 references 31 U.S.C. § 3730(b)(4)(A). Defendant denies each and every other allegation in
2 paragraph 14.

3 15. Paragraph 15 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Paragraph 15 references the procedural background of this case, which requires
7 no response. To the extent any response to such allegations is necessary, Defendant admits that
8 paragraph 15 references a Complaint filed by Relator Osinek on August 22, 2013 (Case No. 3:13-
9 cv-03891-EMC (N.D. Cal.) (Dkt. 1). Paragraph 15 contains the United States' characterization of
10 Relator Osinek's Complaint, which requires no response. To the extent any response to such
11 allegations is necessary, Defendant admits that Relator Osinek alleges violations of the FCA on
12 behalf of herself and the United States pursuant to the *qui tam* provisions of the FCA. Paragraph
13 15 contains legal conclusions and/or argument, which require no response. To the extent any
14 response to such allegations is necessary, Defendant admits that this paragraph references
15 31 U.S.C. § 3730(b). Defendant lacks sufficient knowledge to admit or deny the allegations that
16 Relator Osinek is currently a citizen of the United States, a resident of the State of Oregon, and a
17 certified medical coder, and, on that basis, denies each and every such allegation. Defendant
18 denies each and every other allegation in paragraph 15.

19 16. Paragraph 16 contains allegations that do not reference Defendant, which require
20 no response. To the extent any response to such allegations is necessary, Defendant lacks
21 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
22 such allegation. Paragraph 16 references the procedural background of this case, which requires
23 no response. To the extent any response to such allegations is necessary, Defendant admits that
24 paragraph 16 references a Complaint filed by Relator James Taylor, M.D., in the District of
25 Colorado on October 22, 2014 (Case No. 3:21-cv-03894-EMC (N.D. Cal.) (Dkt. 1). Paragraph 16
26 contains the United States' characterization of Relator Taylor's Complaint, which requires no
27 response. To the extent any response to such allegations is necessary, Defendant admits that
28 Relator Taylor alleges violations of the FCA on behalf of himself and the United States pursuant

1 to the *qui tam* provisions of the FCA. Defendant lacks sufficient knowledge to admit or deny the
2 allegations that Relator Taylor is a citizen of the United States and a resident of the State of
3 Colorado, and, on that basis, denies each and every such allegation. Defendant denies each and
4 every other allegation in paragraph 16.

5 17. Paragraph 17 contains allegations that do not reference Defendant, which require
6 no response. To the extent any response to such allegations is necessary, Defendant lacks
7 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
8 such allegation. Paragraph 17 references the procedural background of this case, which requires
9 no response. To the extent any response to such allegations is necessary, Defendant admits that
10 paragraph 17 references a Complaint filed by Relators Naser Arefi, Ajith Kumar, and Prime
11 Healthcare Services, Inc. (“Prime”) on September 4, 2015 (Case No. 3:13-cv-03891-EMC (N.D.
12 Cal.) (Dkt. 1). Paragraph 17 contains the United States’ characterization of Relators Arefi,
13 Kumar, and Prime’s Complaint, which requires no response. To the extent any response to such
14 allegations is necessary, Defendant admits that Relators allege violations of the FCA on behalf of
15 themselves and the United States pursuant to the *qui tam* provisions of the FCA. Defendant lacks
16 sufficient knowledge to admit or deny the allegations that Relator Arefi is currently a citizen of
17 the United States and a resident of the State of California, that Relator Kumar is currently a
18 citizen of the United States and a resident of the State of California, that Relator Kumar was Vice
19 President of Reimbursement Management at Prime, and that Prime owns and operates 25 acute
20 care hospitals, including 15 in California, and, on that basis, denies each and every such
21 allegation. Defendant denies each and every other allegation in paragraph 17.

22 18. Answering paragraph 18, Defendant admits that, from 1987 to 2011, Kaiser
23 Foundation Hospitals employed Relator Marcia Stein as Manager Health Information
24 Management, Regional Area Director of Coding, and Director II Health Information
25 Management; that, during at least some of the relevant period, Kaiser Foundation Hospitals
26 employed Relator Rodolfo Bone as a part-time coder. Paragraph 18 references the procedural
27 background of this case, which requires no response. To the extent any response to such
28 allegations is necessary, Defendant admits that paragraph 18 references a Complaint filed by

1 Relators Stein and Bone on May 16, 2016 (Case No. 3:16-cv-05337-EMC (N.D. Cal.) (Dkt. 1)
2 and an Amended Complaint filed by Relators Stein and Bone on November 3, 2016 (Case No.
3 3:16-cv-05337-EMC (N.D. Cal.) (Dkt. 27). Paragraph 18 contains the United States'
4 characterization of Relators Stein and Bone's Complaint and Amended Complaint, which
5 requires no response. To the extent any response to such allegations is necessary, Defendant
6 admits that Relators Stein and Bone allege violations of the FCA on behalf of themselves and the
7 United States pursuant to the *qui tam* provisions of the FCA. Defendant lacks sufficient
8 knowledge to admit or deny the allegations that Relators Stein and Bone are currently citizens of
9 the United States and residents of the State of California and that Relator Bone is a medical
10 school graduate, and, on that basis, denies each and every such allegation. Defendant denies each
11 and every other allegation in paragraph 18.

12 19. Answering paragraph 19, Defendant admits that, prior to her retirement in 2017,
13 Defendant employed Relator Gloryanne Bryant as Director National Revenue Cycle Coding &
14 Education. Paragraph 19 contains allegations that do not reference Defendant, which require no
15 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
16 knowledge to admit or deny such allegations and, on that basis, denies each and every such
17 allegation. Paragraph 19 references the procedural background of this case, which requires no
18 response. To the extent any response to such allegations is necessary, Defendant admits that
19 paragraph 19 references a Complaint filed by Relators Bryant and Victoria Hernandez on March
20 1, 2018 (Case No. 3:18-cv-01347-EMC (N.D. Cal.) (Dkt. 1). Paragraph 19 contains the United
21 States' characterization of Relators Bryant and Hernandez's Complaint. To the extent any
22 response to such allegations is necessary, Defendant admits that Relators Bryant and Hernandez
23 allege violations of the FCA on behalf of themselves and the United States pursuant to the *qui*
24 *tam* provisions of the FCA. Defendant lacks sufficient knowledge to admit or deny the
25 allegations that Relators Bryant and Hernandez are currently citizens of the United States and
26 residents of the State of California, and, on that basis, denies each and every such allegation.
27 Defendant denies each and every other allegation in paragraph 19.
28

20. Paragraph 20 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Paragraph 20 references the procedural background of this case, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that paragraph 20 references a Complaint filed by Relator Michael Bicocca, M.D., in the Eastern District of California on February 10, 2020 (Case No. 3:21-cv-03124-EMC (N.D. Cal.) (Dkt. 1)). Paragraph 20 contains the United States' characterization of Relator Bicocca's Complaint, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that Relator Bicocca alleges violations of the FCA on behalf of himself and the United States pursuant to the *qui tam* provisions of the FCA. Defendant lacks sufficient knowledge to admit or deny the allegations that Relator Bicocca is currently a citizen of the United States and a resident of the State of California, and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 20.

B. DEFENDANTS

21. Answering paragraph 21, Defendant admits that Defendant and certain other health plans, physician medical groups, and hospitals maintain a business relationship with one another under the trade name "Kaiser Permanente" to offer an integrated care model. Paragraph 21 contains the United States' characterization of the Amended Complaint, which requires no response. To the extent any response to such allegations is necessary, Defendant admits that the Amended Complaint names Defendants KFHP, KFHP-CO, TPMG, SCPMG, and CPMG. Defendant denies each and every other allegation in paragraph 21.

1. KAISER HEALTH PLANS

22. Answering paragraph 22, Defendant admits that Defendant wholly owns subsidiary KFHP-CO; that Defendant and KFHP-CO are health plans that have executed contracts with CMS to act as MAOs that administer private MA plans under which they assume the financial risk of providing Medicare benefits to members enrolled in their MA plans. Defendant denies each and every other allegation in paragraph 22.

23. Answering paragraph 23, Defendant admits that Defendant is headquartered in Oakland, California; that Defendant contracts with CMS to act as an MAO that administers private MA plans under which it assumes the financial risk of providing Medicare benefits to members enrolled in its MA plans; that Defendant administers private MA plans under which it assumes the financial risk of providing Medicare benefits to members enrolled in its MA plans in the Northern California and Southern California regions. Defendant denies each and every other allegation in paragraph 23.

24. Answering paragraph 24, Defendant admits that KFHP-CO contracts with CMS to act as an MAO that administers private MA plans under which it assumes the financial risk of providing Medicare benefits to members enrolled in its MA plans; that KFHP-CO administers private MA plans under which it assumes the financial risk of providing Medicare benefits to members enrolled in its MA plans in the Colorado region. Defendant denies each and every other allegation in paragraph 24.

2. PERMANENTE MEDICAL GROUPS

25. Answering paragraph 25, Defendant admits that TPMG, SCPMG, and CPMG are medical groups; that TPMG and SCPMG contract with Defendant to provide health care services to members who enroll in Defendant's health plans, including members who enroll in Defendant's MA plan; that CPMG contracts with KFHP-CO to provide health care services to members who enroll in KFHP-CO's health plans, including members who enroll in KFHP-CO's MA plan; that collectively, TPMG, SCPMG, and CPMG have over one million MA members in California and Colorado. Defendant denies each and every other allegation in paragraph 25.

26. Answering paragraph 26, Defendant admits that TPMG is headquartered in Oakland, California; that TPMG provides medical services in the Northern California region. Paragraph 26 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 26.

1 27. Answering paragraph 27, Defendant admits that SCPMG is headquartered in
 2 Pasadena, California; that SCPMG provides medical services in the Southern California region.
 3 Paragraph 27 contains allegations that do not reference Defendant, which require no response. To
 4 the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to
 5 admit or deny such allegations and, on that basis, denies each and every such allegation.
 6 Defendant denies each and every other allegation in paragraph 27.

7 28. Answering paragraph 28, Defendant admits that CPMG is headquartered in
 8 Denver, Colorado; that CPMG provides medical services in the Colorado region. Paragraph 28
 9 contains allegations that do not reference Defendant, which require no response. To the extent
 10 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
 11 deny such allegations and, on that basis, denies each and every such allegation. Defendant denies
 12 each and every other allegation in paragraph 28.

13 29. Answering paragraph 29, Defendant admits that, during at least some of the
 14 relevant period: the Defendant Permanente Medical Groups had a national leadership and
 15 consulting organization, The Permanente Federation LLC (“Permanente Federation”); the
 16 leadership of the Permanente Federation included employees of some Permanente Medical
 17 Groups. Defendant denies each and every other allegation in paragraph 29.

18 3. **KAISER’S INTEGRATED AND COLLABORATIVE RISK- 19 ADJUSTMENT OPERATIONS**

20 30. Answering paragraph 30, Defendant admits that Defendant and certain other health
 21 plans, physician medical groups, and hospitals maintain a business relationship with one another
 22 under the trade name “Kaiser Permanente” to offer an integrated care model. Paragraph 30
 23 contains references to documents, which require no response because the referenced documents
 24 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 25 admits that paragraph 30 quotes a portion of Defendant’s website; that paragraph 30 quotes a
 26 portion of the “Kaiser Permanente 2020 Annual Report.” Defendant denies each and every other
 27 allegation in paragraph 30.
 28

1 31. Answering paragraph 31, Defendant admits that, during at least some of the
2 relevant period: Defendants used an electronic health record system called KP HealthConnect;
3 certain of Defendant's employees had the ability to access electronic health records in KP
4 HealthConnect; certain of each Defendant Permanente Medical Groups' employees had the
5 ability to access electronic health records of that Permanente Medical Group's members in KP
6 HealthConnect. Defendant denies each and every other allegation in paragraph 31.

7 32. Paragraph 32 contains allegations that do not reference Defendant, which require
8 no response. To the extent any response to such allegations is necessary, Defendant lacks
9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
10 such allegation. Paragraph 32 contains reference to a document, which requires no response
11 because the referenced document speaks for itself. To the extent any response to such allegations
12 is necessary, Defendant admits that paragraph 32 quotes a portion of a document. Defendant
13 denies each and every other allegation in paragraph 32.

14 33. Paragraph 33 contains reference to a document, which requires no response
15 because the referenced document speaks for itself. To the extent any response to such allegations
16 is necessary, Defendant admits that paragraph 33 quotes a portion of a document. Defendant
17 denies each and every other allegation in paragraph 33.

18 34. Paragraph 34 contains reference to a document, which requires no response
19 because the referenced document speaks for itself. To the extent any response to such allegations
20 is necessary, Defendant admits that paragraph 34 quotes a portion of a document. Defendant
21 denies each and every other allegation in paragraph 34.

22 35. Answering paragraph 35, Defendant admits that, during at least some of the
23 relevant period, Defendant employed Kathy Lancaster as Executive Vice President and Chief
24 Financial Officer and Diane Morissette as National Director for Medicare Risk Adjustment,
25 National Medicare Finance. Paragraph 35 contains reference to a document, which requires no
26 response because the referenced document speaks for itself. To the extent any response to such
27 allegations is necessary, Defendant admits that paragraph 35 quotes and references a portion of a
28 document. Defendant lacks sufficient knowledge to admit or deny the allegations that the

1 Permanente Federation employed Jack Cochran as Executive Director and Dr. Simon Cohn as
2 Associate Executive Director, and, on that basis, denies each and every such allegation.
3 Defendant denies each and every other allegation in paragraph 35.

4 36. Answering paragraph 36, Defendant admits that, during at least some of the
5 relevant period, Defendant's National Medicare Finance ("NMF") department employed dozens
6 of individuals in roles involving cost reimbursement, risk management, finance and accounting,
7 and/or systems and project management; that Defendant's NMF department had a Risk
8 Adjustment Team, among other teams; that Defendant's NMF department included analysts who
9 helped interpret Medicare risk adjustment trends and data and assisted with risk score forecasting,
10 among other employees. Paragraph 36 contains reference to a document, which requires no
11 response because the referenced document speaks for itself. To the extent any response to such
12 allegations is necessary, Defendant admits that paragraph 36 quotes and references a portion of a
13 document. Defendant denies each and every other allegation in paragraph 36.

14 37. Answering paragraph 37, Defendant admits that, during at least some of the
15 relevant period: employees from Defendant, KFHP-CO, and Defendant Permanente Medical
16 Groups attended meetings of the Medicare Regional Reporting Group or Regional Reporting
17 Group ("RRG"). Paragraph 37 contains reference to a document, which requires no response
18 because the referenced document speaks for itself. To the extent any response to such allegations
19 is necessary, Defendant admits that paragraph 37 quotes a portion of a document. Defendant
20 denies each and every other allegation in paragraph 37.

21 38. Paragraph 38 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant admits that paragraph 38 quotes and references a portion of a document.
24 Defendant denies each and every other allegation in paragraph 38.

25 39. Answering paragraph 39, Defendant admits that, during at least some of the
26 relevant period: Defendant had a National Compliance, Ethics & Integrity Office or National
27 Compliance Office ("NCO"); Defendant's Senior Vice President and Chief Compliance Officer
28 led Defendant's NCO; Defendant's Chief Compliance Officer reported directly to Defendant's

1 Chief Executive Officer and Board of Directors; Defendant's NCO employees provided training
 2 to coders in the Permanente Medical Groups; Defendant's NCO employees conducted audits of
 3 the Permanente Medical Groups' diagnosis coding of member diagnoses. Defendant denies each
 4 and every other allegation in paragraph 39.

5 40. Answering paragraph 40, Defendant admits that, during at least some of the
 6 relevant period: regions had a Regional Compliance Officer and regional Compliance Committee;
 7 regional Compliance Committees participated in oversight of certain regional compliance
 8 activities, including some with respect to Medicare Advantage. Defendant denies each and every
 9 other allegation in paragraph 40.

10 41. Paragraph 41 contains reference to the content of an image, which requires no
 11 response because the referenced image speaks for itself. To the extent any response to such
 12 allegations is necessary, Defendant admits that paragraph 41 shows a portion of a document.
 13 Defendant denies each and every other allegation in paragraph 41.

14 42. Defendant denies each and every allegation in paragraph 42.

15 **III. JURISDICTION AND VENUE**

16 43. Paragraph 43 contains legal conclusions and/or argument, which require no
 17 response. To the extent any response to such allegations is necessary, Defendant admits that
 18 paragraph 43 references 28 U.S.C. §§ 1331 and 1345 and 31 U.S.C. § § 3732(a)-(b). Defendant
 19 denies each and every other allegation in paragraph 43.

20 44. Paragraph 44 contains legal conclusions and/or argument, which require no
 21 response. To the extent any response to such allegations is necessary, Defendant admits that, for
 22 purposes of personal jurisdiction, at least one of the Defendants can be found in, resides in, or
 23 transacts business in the Northern District of California; that paragraph 44 references 31 U.S.C.
 24 § 3732(a); that paragraph 44 quotes and references Fed. R. Civ. P. 4(k)(1)(C). Defendant denies
 25 each and every other allegation in paragraph 44.

26 45. Paragraph 45 contains legal conclusions and/or argument, which require no
 27 response. To the extent any response to such allegations is necessary, Defendant admits that, for
 28 purposes of venue, at least one of the Defendants can be found in, resides in, or transacts business

1 in the Northern District of California; that paragraph 45 references 28 U.S.C. § 1391(b)-(c) and
 2 31 U.S.C. § 3732(a). Defendant denies each and every other allegation in paragraph 45.

3 46. Paragraph 46 contains legal conclusions and/or argument, which require no
 4 response. To the extent any response to such allegations is necessary, Defendant admits that, for
 5 purposes of intradistrict assignment, Defendant and TPMG are headquartered in Oakland,
 6 California; that paragraph 46 references Civil L.R. 3-2(c). Defendant denies each and every other
 7 allegation in paragraph 46.

8 **IV. THE FALSE CLAIMS ACT**

9 47. Paragraph 47 contains the United States' characterization of the FCA, which
 10 requires no response. To the extent any response to such allegations is necessary, Defendant
 11 denies each and every such allegation. Paragraph 47 contains reference to a document, which
 12 requires no response because the referenced document speaks for itself. To the extent any
 13 response to such allegations is necessary, Defendant admits that paragraph 47 references and
 14 attempts to quote a portion of S. Rep. No. 99-345, at 1 (1986), 1986 U.S.C.C.A.N. 5266.
 15 Defendant denies each and every other allegation in paragraph 47.

16 48. Paragraph 48 contains legal conclusions and/or argument, which require no
 17 response. To the extent any response to such allegations is necessary, Defendant admits that
 18 paragraph 48 quotes and references 31 U.S.C. §§ 3729(a)(1)(A); that paragraph 48 references 31
 19 U.S.C. § 3729(b)(2). Defendant denies each and every other allegation in paragraph 48.

20 49. Paragraph 49 contains legal conclusions and/or argument, which require no
 21 response. To the extent any response to such allegations is necessary, Defendant admits that
 22 paragraph 49 quotes and references 31 U.S.C. § 3729(a)(1)(B); that paragraph 49 references
 23 Fraud Enforcement and Recovery Act of 2009 ("FERA"), Pub. L. No. 111-21 (May 20, 2009).
 24 Defendant denies each and every other allegation in paragraph 49.

25 50. Paragraph 50 contains legal conclusions and/or argument, which require no
 26 response. To the extent any response to such allegations is necessary, Defendant admits each and
 27 every allegation.
 28

1 51. Paragraph 51 contains legal conclusions and/or argument, which require no
 2 response. To the extent any response to such allegations is necessary, Defendant admits that
 3 paragraph 51 references 31 U.S.C. §§ 3729(b)(1)(A) and 3729(b)(1)(B). Paragraph 51 contains
 4 the United States' characterization of the Amended Complaint, which requires no response. To
 5 the extent any response to such allegations is necessary, Defendant denies each and every such
 6 allegation. Defendant denies each and every other allegation in paragraph 51.

7 52. Paragraph 52 contains legal conclusions and/or argument, which require no
 8 response. To the extent any response to such allegations is necessary, Defendant admits that
 9 paragraph 52 quotes and references 31 U.S.C. § 3729(b)(4). Defendant denies each and every
 10 other allegation in paragraph 52.

11 53. Paragraph 53 contains legal conclusions and/or argument, which require no
 12 response. To the extent any response to such allegations is necessary, Defendant admits that
 13 paragraph 53 references 31 U.S.C. § 3729(a)(1) and 28 C.F.R. § 85.5. Defendant denies each and
 14 every other allegation in paragraph 53.

15 **V. THE MEDICARE ADVANTAGE PROGRAM AND ITS RISK-ADJUSTMENT**
 16 **PAYMENT SYSTEM**

17 **A. MEDICARE PART C AND RISK-ADJUSTMENT PAYMENTS TO MA**
 18 **ORGANIZATIONS**

19 54. Paragraph 54 contains legal conclusions and/or argument, which require no
 20 response. To the extent any response to such allegations is necessary, Defendant admits that
 21 Medicare is a federally operated health insurance program administered by CMS benefiting
 22 individuals 65 and older and certain disabled individuals; that there are four parts to the Medicare
 23 program; that Medicare Part A covers inpatient and institutional care; that Medicare Part B covers
 24 physician, hospital, outpatient, and ancillary services and durable medical equipment; that
 25 Medicare Part C establishes the MA program; that Medicare Part D establishes prescription drug
 26 coverage; that paragraph 54 references 42 U.S.C. §§ 1395c *et seq.* Paragraph 54 contains the
 27 United States' characterization of the Amended Complaint, which requires no response. To the
 28 extent any response to such allegations is necessary, Defendant admits that the Amended

1 Complaint brings allegations related to Medicare Advantage. Defendant denies each and every
2 other allegation in paragraph 54.

3 55. Paragraph 55 contains legal conclusions and/or argument, which require no
4 response. To the extent any response to such allegations is necessary, Defendant admits that a
5 Medicare beneficiary may enroll in Medicare Parts A and B; that Medicare Parts A and B are
6 commonly referred to as “traditional” Medicare; that, under Medicare Parts A and B, CMS
7 reimburses health care providers using a fee-for-service system, under which health care
8 providers transmit claims for payment to CMS for medical services actually rendered; that, upon
9 information and belief, CMS then typically pays the providers directly for each service based on
10 payment rates predetermined by the government. Defendant denies each and every other
11 allegation in paragraph 55.

12 56. Paragraph 56 contains legal conclusions and/or argument, which require no
13 response. To the extent any response to such allegations is necessary, Defendant admits that a
14 Medicare beneficiary can enroll in an MA plan managed by an MAO; that paragraph 56
15 references Subchapter XVIII of the Social Security Act, 42 U.S.C. §§ 1395w-21 to 1395w-28.
16 Defendant denies each and every other allegation in paragraph 56.

17 57. Paragraph 57 contains legal conclusions and/or argument, which require no
18 response. To the extent any response to such allegations is necessary, Defendant admits that
19 MAOs are insurers that contract with CMS to administer private MA plans under which they
20 assume the financial risk of providing Medicare benefits to members enrolled in their MA plans;
21 that MA plans must provide to Medicare beneficiaries benefits available under traditional
22 Medicare, subject to certain exceptions; that Defendant and KFHP-CO administer MA plans in
23 California and Colorado, respectively; that paragraph 57 references 42 U.S.C. §§ 1395w-21-
24 1395w-28. Defendant denies each and every other allegation in paragraph 57.

25 58. Paragraph 58 contains legal conclusions and/or argument, which require no
26 response. To the extent any response to such allegations is necessary, Defendant admits that a
27 Medicare beneficiary who enrolls in an MA plan is considered a member of and enrollee in that
28 plan. Defendant denies each and every other allegation in paragraph 58.

Paragraph 58 footnote 1 contains the United States' characterization of the Amended Complaint, which requires no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 58 footnote 1.

59. Paragraph 59 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant admits that CMS reimburses MA plans differently than it reimburses health care providers for Medicare Parts A and B; that under Medicare Part C, CMS pays each MAO a predetermined base monthly amount for each enrollee in their MA plans; that this monthly payment varies for each MA plan depending on various factors; that paragraph 59 references 42 U.S.C. § 1395w-23, 42 C.F.R. Part 422 Subpart F, and 42 C.F.R. Part 422 Subpart G. Defendant denies each and every other allegation in paragraph 59.

Paragraph 59 footnote 2 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant admits that Medicare+Choice was the predecessor to the Medicare Advantage Program; that paragraph 59 footnote 2 quotes and references Medicare Prescription Drug, Improvement, and Modernization Act of 2003, Pub. L. 108-73, § 201(b), 117 Stat. 2066, 2176 (Dec. 8, 2003). Defendant denies each and every other allegation in paragraph 59 footnote 2.

60. Paragraph 60 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant admits that, upon information and belief, CMS adjusts the monthly payment amount for each MA beneficiary using demographic factors such as age and gender (among others) and health status, pursuant to the CMS-HCC risk adjustment model; that, upon information and belief, CMS calculates a risk score for each beneficiary pursuant to the CMS-HCC risk adjustment model, which is a multiplier that is applied to the bid amount for the relevant beneficiary and is a component of the payment amount for each beneficiary; that paragraph 60 references a portion of 42 U.S.C. §§ 1395w-23(a)(1)(C)(i), 1395w-23(a)(1)(G), and 42 C.F.R. § 422.308(e). Defendant denies each and every other allegation in paragraph 60.

1 61. Paragraph 61 contains legal conclusions and/or argument, which require no
 2 response. To the extent any response to such allegations is necessary, Defendant admits that,
 3 since 2004, CMS has used the CMS-HCC risk adjustment model for beneficiaries enrolled in MA
 4 plans, pursuant to which it uses demographic factors and health status to calculate risk scores for
 5 beneficiaries; that this paragraph references 42 U.S.C. § 1395w-23(a)(1)(C), 42 C.F.R.
 6 § 422.308(c), and 42 U.S.C. § 1395w-23(a)(1)(C)(i). Defendant denies each and every other
 7 allegation in paragraph 61.

8 62. Answering paragraph 62, Defendant admits that the CMS-HCC risk adjustment
 9 model is prospective in the sense that it uses diagnosis codes from a given year (the “service
 10 year”), along with demographic information (such as age and gender, among others), to estimate
 11 predicted medical costs to the MAO to provide Medicare benefits to beneficiaries in the following
 12 year (the “payment year”); that HCCs are disease groupings consisting of diagnosis codes
 13 currently from the International Classification of Diseases, Tenth Revision, Clinical Modification
 14 (“ICD-10-CM”) and previously from the International Classification of Diseases, Ninth Revision,
 15 Clinical Modification (“ICD-9-CM”). Defendant denies each and every other allegation in
 16 paragraph 62.

17 63. Paragraph 63 contains legal conclusions and/or argument, which require no
 18 response. To the extent any response to such allegations is necessary, Defendant admits that HHS
 19 has adopted the ICD code sets as the source of numeric and alphanumeric diagnosis codes for
 20 certain health care transactions; that this paragraph references 45 C.F.R. §§ 162.1002(a)(1),
 21 (b)(1), (c)(2), (c)(3), and 42 C.F.R. § 422.310(d)(1). Paragraph 63 contains references to
 22 documents, which require no response because the referenced documents speak for themselves.
 23 To the extent any response to such allegations is necessary, Defendant admits that paragraph 63
 24 references CMS, *Medicare Managed Care Manual*, Chapter 7, Exhibit 30 (Rev. 57, Aug. 13,
 25 2004); and CMS, *Medicare Managed Care Manual*, Chapter 7 § 40 (Rev. 118, Sept. 19, 2014).
 26 Defendant denies each and every other allegation in paragraph 63.

27 64. Paragraph 64 contains legal conclusions and/or argument, which require no
 28 response. To the extent any response to such allegations is necessary, Defendant admits that ICD

1 diagnosis codes are numeric and alphanumeric diagnosis codes used to represent diagnoses; that
 2 ICD diagnosis codes are set forth in the ICD-9-CM through October 1, 2015, and thereafter in the
 3 ICD-10-CM; that paragraph 64 references 45 C.F.R. § 162.1002, the Health Insurance Portability
 4 and Accountability Act, and HHS regulations. Paragraph 64 contains references to documents,
 5 which require no response because the referenced documents speak for themselves. To the extent
 6 any response to such allegations is necessary, Defendant admits that paragraph 64 references
 7 ICD-9-CM and the ICD-10-CM. Paragraph 64 contains the United States' characterization of the
 8 Amended Complaint, which requires no response. To the extent any response to such allegations
 9 is necessary, Defendant denies each and every such allegation. Defendant denies each and every
 10 other allegation in paragraph 64.

11 Paragraph 64 footnote 3 contains references to documents, which require no response
 12 because the referenced documents speak for themselves. To the extent any response to such
 13 allegations is necessary, Defendant admits that paragraph 64 references
 14 <https://www.cdc.gov/nchs/icd/icd9cm.htm> and <https://www.cdc.gov/nchs/icd/icd10cm.htm>.
 15 Paragraph 64 footnote 3 contains the United States' characterization of the Amended Complaint,
 16 which requires no response. To the extent any response to such allegations is necessary,
 17 Defendant denies each and every such allegation. Defendant denies each and every other
 18 allegation in paragraph 64 footnote 3.

19 65. Answering paragraph 65, Defendant admits that the CMS-HCC risk adjustment
 20 model uses diagnosis codes from the ICD-9-CM or the ICD-10-CM; that HCCs are disease
 21 groupings consisting of diagnosis codes (currently from the ICD-10-CM and previously from the
 22 ICD-9-CM); that, during at least some of the relevant period, under the CMS-HCC risk
 23 adjustment model, certain diagnosis codes for cancer, including colorectal and bladder cancers,
 24 were grouped together under HCC 11; that, during at least some of the relevant period, under the
 25 CMS-HCC risk adjustment model, certain diagnosis codes for metastatic cancer were grouped
 26 together under HCC 8, which had the highest risk coefficient of the HCCs within the cancer
 27 hierarchy; that the CMS-HCC risk adjustment model generally does not provide for risk-
 28 adjustment payments based upon "history" diagnosis codes; that there are different ICD diagnosis

1 codes for malignant neoplasm and other cancers versus personal history of malignant neoplasm
 2 and other cancers; that a malignant neoplasm or other cancer diagnosis code results in payment
 3 under the CMS-HCC risk adjustment model but a personal history of malignant neoplasm or
 4 other cancer diagnosis code does not; that if a patient is diagnosed with a condition that is
 5 reported to CMS as a diagnosis code that corresponds to more than one HCC in a hierarchy, only
 6 the most severe HCC is kept and any lower-ranking HCCs are dropped; that each HCC
 7 coefficient within the CMS-HCC risk adjustment model aims to correlate with the marginal
 8 predicted cost of medical expenditures for that set of medical disease groupings based on CMS's
 9 data from administering the traditional Medicare fee-for-service program. Defendant denies each
 10 and every other allegation in paragraph 65.

11 66. Answering paragraph 66, Defendant admits that, an MA beneficiary may have a
 12 number of associated HCCs for a given payment year, depending on how many diagnosis codes
 13 that uniquely correspond to an HCC were transmitted to CMS for the beneficiary for the service
 14 year; that some example HCCs under Version 22 of the CMS-HCC risk adjustment model are
 15 diabetes with chronic complications (HCC 18), protein-calorie malnutrition (HCC 21), and
 16 vascular disease (HCC 108). Defendant denies each and every other allegation in paragraph 66.

17 Answering paragraph 66 footnote 4, Defendant admits that CMS has adjusted the CMS-
 18 HCC risk adjustment model over time, utilizing different versions. Paragraph 66 footnote 4
 19 contains the United States' characterization of the Amended Complaint, which requires no
 20 response. To the extent any response to such allegations is necessary, Defendant denies each and
 21 every such allegation. Defendant denies each and every other allegation in paragraph 64 footnote
 22 4.

23 67. Paragraph 67 contains legal conclusions and/or argument, which require no
 24 response. To the extent any response to such allegations is necessary, Defendant admits that each
 25 HCC has an associated coefficient within the CMS-HCC risk adjustment model that aims to
 26 correlate with the marginal predicted cost of medical expenditures for that set of medical disease
 27 groupings based on CMS's data from administering the traditional Medicare fee-for-service
 28 program; that, upon information and belief, CMS calculates a beneficiary's risk score by adding

1 risk coefficients for each HCC associated with the beneficiary together with the risk coefficients
 2 for other factors, including demographic characteristics such as age and gender; that under the
 3 CMS-HCC risk adjustment model, a risk score of 1.0 reflects the expected Medicare-incurred
 4 expenditures of an average beneficiary; that under the CMS-HCC risk adjustment model, a risk
 5 score of 0.75 reflects expected Medicare-incurred expenditures that are 25% less than an average
 6 beneficiary; that under the CMS-HCC risk adjustment model, a risk score of 1.25 reflects
 7 expected Medicare-incurred expenditures that are 25% greater than an average beneficiary.

8 Defendant denies each and every other allegation in paragraph 67.

9 Paragraph 67 footnote 5 contains legal conclusions and/or argument, which require no
 10 response. To the extent any response to such allegations is necessary, Defendant admits that,
 11 upon information and belief, CMS makes further adjustments to the risk score before reaching a
 12 final calculation. Paragraph 67 footnote 5 contains reference to a document, which requires no
 13 response because the referenced document speaks for itself. To the extent any response to such
 14 allegations is necessary, Defendant admits that paragraph 67 footnote 5 references CMS,
 15 *Medicare Managed Care Manual*, Chapter 7 § 100 (Rev. 114, June 7, 2013). Paragraph 67
 16 footnote 5 contains the United States' characterization of the Amended Complaint, which requires
 17 no response. To the extent any response to such allegations is necessary, Defendant denies each
 18 and every such allegation. Defendant denies each and every other allegation in paragraph 67
 19 footnote 5.

20 68. Paragraph 68 contains legal conclusions and/or argument, which require no
 21 response. To the extent any response to such allegations is necessary, Defendant admits that,
 22 upon information and belief, CMS adjusts the monthly payment amount for a given MA
 23 beneficiary using that beneficiary's risk score; that, upon information and belief, each MA
 24 beneficiary's risk score is based in part upon diagnosis codes that are transmitted by MAOs to
 25 CMS associated with the beneficiary's medical visits in a given service year; that, upon
 26 information and belief, CMS uses an MA beneficiary's risk score calculated based on diagnosis
 27 codes from a given service year to determine monthly payments to MAOs for that beneficiary in
 28 the following year (the payment year); that, upon information and belief, a given MA

1 beneficiary's risk score is calculated each year. Defendant denies each and every other allegation
2 in paragraph 68.

3 69. Paragraph 69 contains a hypothetical example containing no factual assertions,
4 which requires no response. To the extent any response to such allegations is necessary,
5 Defendant denies each and every such allegation. Defendant denies each and every other
6 allegation in paragraph 69.

7 Answering paragraph 69 footnote 6, Defendant admits that, upon information and belief,
8 CMS makes further adjustments to the risk score before reaching a final calculation. Paragraph
9 69 footnote 6 contains the United States' characterization of the Amended Complaint, which
10 requires no response. To the extent any response to such allegations is necessary, Defendant
11 denies each and every such allegation. Defendant denies each and every other allegation in
12 paragraph 69 footnote 6.

13 70. Paragraph 70 contains legal conclusions and/or argument, which require no
14 response. To the extent any response to such allegations is necessary, Defendant denies each and
15 every such allegation.

16 71. Paragraph 71 contains legal conclusions and/or argument, which require no
17 response. To the extent any response to such allegations is necessary, Defendant admits that this
18 paragraph references 42 C.F.R. § 422.504(*l*). Paragraph 71 contains reference to a document,
19 which requires no response because the referenced document speaks for itself. To the extent any
20 response to such allegations is necessary, Defendant admits that paragraph 71 quotes and
21 references CMS, *2013 National Technical Assistance Risk Adjustment 101 Participant Guide* 13
22 (2013). Defendant denies each and every other allegation in paragraph 71.

23 72. Answering paragraph 72, Defendant admits that, during at least some of the
24 relevant period, MAOs transmitted risk adjustment data, including diagnosis codes, through two
25 electronic systems administered by CMS: the Risk Adjustment Processing System ("RAPS") and
26 the Encounter Data Processing System ("EDPS"). Defendant denies each and every other
27 allegation in paragraph 72.
28

1 73. Paragraph 73 contains legal conclusions and/or argument, which require no
2 response. To the extent any response to such allegations is necessary, Defendant denies each and
3 every allegation in paragraph 73.

4 74. Answering paragraph 74, Defendant admits that MAOs may delete diagnosis code
5 encounter data previously transmitted through either RAPS or EDPS; that, upon information and
6 belief, CMS accepts or rejects the deletion and may recalculate payment. Defendant denies each
7 and every other allegation in paragraph 74.

8 **B. STANDARDS GOVERNING RISK-ADJUSTMENT PAYMENTS**

9 75. Paragraph 75 contains legal conclusions and/or argument, which require no
10 response. To the extent any response to such allegations is necessary, Defendant admits that
11 paragraph 75 references 42 U.S.C. § 1395w-26(b) and 42 C.F.R. Part 422. Defendant denies each
12 and every other allegation in paragraph 75.

13 76. Answering paragraph 76, Defendant admits that, during at least some of the
14 relevant period, Defendant and KFHP-CO entered into contracts with CMS to act as MAOs that
15 administer private MA plans under which they assume the financial risk of providing Medicare
16 benefits to members enrolled in their respective MA plans. Paragraph 76 contains legal
17 conclusions and/or argument, which require no response. To the extent any response to such
18 allegations is necessary, Defendant admits that paragraph 76 references 42 U.S.C. § 1395w-27(a),
19 42 C.F.R. Part 422, Subpart K, 42 C.F.R. § 422.505, and 422.503(b)(4)(vi)(G). Defendant denies
20 each and every other allegation in paragraph 76.

21 77. Paragraph 77 contains legal conclusions and/or argument, which require no
22 response. To the extent any response to such allegations is necessary, Defendant admits that the
23 paragraph references 42 C.F.R. § 422.504(l). Defendant denies each and every other allegation in
24 paragraph 77.

25 78. Answering paragraph 78, Defendant admits that entities like physician groups may
26 enter into agreements with MAOs to provide health care services to MA beneficiaries. Paragraph
27 78 contains legal conclusions and/or argument, which require no response. To the extent any
28 response to such allegations is necessary, Defendant admits that paragraph 78 quotes and

1 references 42 C.F.R. § 422.500 and 42 C.F.R. § 422.504(i). Defendant denies each and every
2 other allegation in paragraph 78.

3 79. Paragraph 79 contains legal conclusions and/or argument, which require no
4 response. To the extent any response to such allegations is necessary, Defendant admits that the
5 paragraph references 42 C.F.R. § 422.504(i)(3)(iii) and 42 C.F.R. § 422.504(l)(3); that paragraph
6 79 quotes and references 42 C.F.R. § 422.504(i)(4)(v). Defendant denies each and every other
7 allegation in paragraph 79.

8 80. Paragraph 80 contains legal conclusions and/or argument, which require no
9 response. To the extent any response to such allegations is necessary, Defendant denies each and
10 every allegation in paragraph 80.

11 81. Paragraph 81 contains legal conclusions and/or argument, which require no
12 response. To the extent any response to such allegations is necessary, Defendant admits that
13 paragraph 81 quotes and references 42 C.F.R. § 422.504(l). Paragraph 81 contains references to
14 documents, which require no response because the referenced documents speak for themselves.
15 To the extent any response to such allegations is necessary, Defendant admits that paragraph 81
16 references CMS, *Medicare Managed Care Manual*, Chapter 11 § 130 (Rev. 79, Feb. 17, 2006);
17 that paragraph 81 references and attempts to quote Defendant and KFHP-CO contracts with
18 CMS. Defendant denies each and every other allegation in paragraph 81.

19 82. Paragraph 82 contains legal conclusions and/or argument, which require no
20 response. To the extent any response to such allegations is necessary, Defendant denies each and
21 every such allegation. Paragraph 82 contains references to documents, which require no response
22 because the referenced documents speak for themselves. To the extent any response to such
23 allegations is necessary, Defendant admits that paragraph 82 quotes and references CMS,
24 *Medicare Managed Care Manual*, Chapter 7 § 40 (Rev. 118, Sept. 19, 2014). Defendant denies
25 each and every other allegation in paragraph 82.

26 Paragraph 82 footnote 7 contains reference to a document, which requires no response
27 because the referenced document speaks for itself. To the extent any response to such allegations
28 is necessary, Defendant admits that paragraph 82 footnote 7 references CMS, *Medicare Managed*

1 *Care Manual*, Chapter 7 Table 19 (Rev. 118, Sept. 19, 2014). Paragraph 82 footnote 7 contains
 2 the United States' characterization of the Amended Complaint, which requires no response. To
 3 the extent any response to such allegations is necessary, Defendant denies each and every such
 4 allegation. Defendant denies each and every other allegation in paragraph 82 footnote 7.

5 83. Paragraph 83 contains legal conclusions and/or argument, which require no
 6 response. To the extent any response to such allegations is necessary, Defendant admits that
 7 paragraph 83 references 45 C.F.R. § 162.1002(a)(1)(i), (b)(1), (c)(2)(i) and 42 C.F.R.
 8 § 422.504(h)(2); that paragraph 83 quotes and references 42 C.F.R. § 422.301(d)(1). Paragraph
 9 83 contains references to documents, which require no response because the referenced
 10 documents speak for themselves. To the extent any response to such allegations is necessary,
 11 Defendant admits that paragraph 83 quotes and references CMS, *Medicare Managed Care*
 12 *Manual*, Chapter 7 § 40 (Rev. 118, Sept. 19, 2014) and ICD Guidelines, Preamble; that paragraph
 13 83 references CMS, *Medicare Managed Care Manual*, Chapter 7 § 40 (Rev. 114, June 7, 2013),
 14 CMS, *Medicare Managed Manual*, Chapter 7, Exhibit 30 (Rev. 57, Aug. 13, 2004); CMS, *2008*
 15 *Risk Adjustment Data Technical Assistance Participant Guide* § 7.1.5. Defendant denies each
 16 and every other allegation in paragraph 83.

17 84. Paragraph 84 contains legal conclusions and/or argument, which require no
 18 response. To the extent any response to such allegations is necessary, Defendant denies each and
 19 every such allegation. Paragraph 84 contains reference to a document, which requires no
 20 response because the referenced document speaks for itself. To the extent any response to such
 21 allegations is necessary, Defendant admits that paragraph 84 references ICD Guidelines §§ II, III,
 22 and IV. Paragraph 84 contains the United States' characterization of the Amended Complaint,
 23 which requires no response. To the extent any response to such allegations is necessary,
 24 Defendant denies each and every such allegation. Defendant denies each and every other
 25 allegation in paragraph 84.

26 85. Paragraph 85 contains legal conclusions and/or argument, which require no
 27 response. To the extent any response to such allegations is necessary, Defendant denies each and
 28 every such allegation. Paragraph 85 contains reference to a document, which requires no

1 response because the referenced document speaks for itself. To the extent any response to such
2 allegations is necessary, Defendant admits that paragraph 85 references ICD-10 Guidelines § IV.J
3 and ICD-9 Guidelines § IV.K. Defendant denies each and every other allegation in paragraph 85.

4 Paragraph 85 footnote 8 contains reference to a document, which requires no response
5 because the referenced document speaks for itself. To the extent any response to such allegations
6 is necessary, Defendant admits that paragraph 85 footnote 8 references the ICD-9 Guidelines and
7 ICD-10 Guidelines. Paragraph 85 footnote 8 contains the United States' characterization of the
8 Amended Complaint, which requires no response. To the extent any response to such allegations
9 is necessary, Defendant denies each and every such allegation. Defendant denies each and every
10 other allegation in paragraph 85 footnote 8.

11 86. Paragraph 86 contains legal conclusions and/or argument, which require no
12 response. To the extent any response to such allegations is necessary, Defendant denies each and
13 every such allegation. Paragraph 86 contains reference to a document, which requires no
14 response because the referenced document speaks for itself. To the extent any response to such
15 allegations is necessary, Defendant admits that paragraph 86 references and attempts to quote
16 ICD-10 Guidelines § IV.I and ICD-9 Guidelines § IV.J; that paragraph 86 quotes and references
17 CMS, 2013 *National Technical Assistance Risk Adjustment 101 Participant Guide* 17 (2013).
18 Defendant denies each and every other allegation in paragraph 86.

19 87. Paragraph 87 contains legal conclusions and/or argument, which require no
20 response. To the extent any response to such allegations is necessary, Defendant denies each and
21 every such allegation in paragraph 87. Defendant denies each and every other allegation in
22 paragraph 87.

23 88. Paragraph 88 contains legal conclusions and/or argument, which require no
24 response. To the extent any response to such allegations is necessary, Defendant denies each and
25 every such allegation. Paragraph 88 contains reference to a document, which requires no
26 response because the referenced document speaks for itself. To the extent any response to such
27 allegations is necessary, Defendant admits that paragraph 88 references ICD-10 Guidelines
28

§ IV.H, ICD-9 Guidelines § IV.I, ICD-10 Guidelines § IV.J, and ICD-9 Guidelines § IV.K.

Defendant denies each and every other allegation in paragraph 88.

89. Paragraph 89 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation in paragraph 89. Defendant denies each and every other allegation in paragraph 89.

VI. KAISER KNEW THE CMS STANDARD FOR SUBMISSION OF RISK-ADJUSTMENT DIAGNOSES

90. Paragraph 90 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 90.

91. Paragraph 91 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 91 quotes and references a portion of a document. Defendant denies each and every other allegation in paragraph 91.

92. Paragraph 92 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 92 quotes a portion of a document. Paragraph 92 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 92.

93. Paragraph 93 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 93 quotes and references a portion of a document. Defendant denies each and every other allegation in paragraph 93.

94. Paragraph 94 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations

1 is necessary, Defendant admits that paragraph 94 references and attempts to quote a portion of a
2 document. Defendant denies each and every other allegation in paragraph 94.

3 95. Paragraph 95 contains reference to a document, which requires no response
4 because the referenced document speaks for itself. To the extent any response to such allegations
5 is necessary, Defendant admits that paragraph 95 quotes a portion of a document. Defendant
6 denies each and every other allegation in paragraph 95.

7 96. Paragraph 96 contains reference to a document, which requires no response
8 because the referenced document speaks for itself. To the extent any response to such allegations
9 is necessary, Defendant admits that paragraph 96 quotes a portion of a document. Defendant
10 denies each and every other allegation in paragraph 96.

11 97. Paragraph 97 contains reference to a document, which requires no response
12 because the referenced document speaks for itself. To the extent any response to such allegations
13 is necessary, Defendant admits that paragraph 97 quotes and references a portion of a
14 document. Defendant denies each and every other allegation in paragraph 97.

15 98. Paragraph 98 contains reference to a document, which requires no response
16 because the referenced document speaks for itself. To the extent any response to such allegations
17 is necessary, Defendant admits that paragraph 98 quotes a portion of the transcript of the October
18 7, 2020 testimony of Janet Franklin pursuant to a Civil Investigative Demand. Defendant denies
19 each and every other allegation in paragraph 98.

20 99. Defendant denies each and every allegation in paragraph 99.

21 100. Paragraph 100 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant admits that paragraph 100 quotes and references a portion of a
24 document. Defendant denies each and every other allegation in paragraph 100.
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26
27
28

VII. KAISER KNOWINGLY SUBMITTED OR CAUSED TO BE SUBMITTED FRAUDULENT DIAGNOSIS CODES

101. Paragraph 101 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 101.

102. Defendant denies each and every allegation in paragraph 102.

103. Defendant denies each and every allegation in paragraph 103.

104. Answering paragraph 104, Defendant admits that, during at least some of the relevant period, Defendant Permanente Medical Groups' and Defendant KFHP-CO's employees tracked diagnosis codes and financial results related to refresh and data mining activities.

Paragraph 104 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 104.

A. KAISER RECOGNIZED THE IMPORTANCE OF MEDICARE REVENUE AND IMPLEMENTED NATIONAL INITIATIVES TO INCREASE PATIENT RISK SCORES.

105. Paragraph 105 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 105 quotes and references a portion of a document. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant lacks sufficient information to admit or deny the allegation that "Kaiser recognized and emphasized internally that Medicare Advantage, and in particular risk-adjustment payments from diagnoses, were (and are) critical to Kaiser's business," and, on that basis, denies such allegation. Defendant denies each and every other allegation in paragraph 105.

106. Paragraph 106 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 106 quotes a portion of a document. Defendant denies each and every other allegation in paragraph 106.

1 107. Answering paragraph 107, Defendant admits that, during at least some of the
2 relevant period, employees of Defendant attended meetings of the RRG. Paragraph 107 contains
3 reference to a document, which requires no response because the referenced document speaks for
4 itself. To the extent any response to such allegations is necessary, Defendant admits that
5 paragraph 107 quotes a portion of a document. Defendant denies each and every other allegation
6 in paragraph 107.

7 108. Answering paragraph 108, Defendant admits that, during at least some of the
8 relevant period, Defendant and KFHP-CO compensated certain Permanente Medical Groups for
9 their provision of services for Medicare Advantage members. Paragraph 108 contains reference
10 to a document, which requires no response because the referenced document speaks for itself. To
11 the extent any response to such allegations is necessary, Defendant admits that paragraph 108
12 quotes a portion of a document. Defendant denies each and every other allegation in paragraph
13 108.

14 109. Paragraph 109 contains reference to the content of an image, which requires no
15 response because the referenced image speaks for itself. To the extent any response to such
16 allegations is necessary, Defendant admits that paragraph 109 shows a portion of a document.
17 Defendant denies each and every other allegation in paragraph 109.

18 110. Answering paragraph 110, Defendant admits that, during at least some of the
19 relevant period: the National Medicare Leadership Team, NMF department, and RRG were all
20 involved in risk adjustment activities; RRG shared information across Defendant regions
21 regarding risk adjustment, including successful initiatives. Defendant denies each and every
22 other allegation in paragraph 110.

23 111. Paragraph 111 contains reference to a document, which requires no response
24 because the referenced document speaks for itself. To the extent any response to such allegations
25 is necessary, Defendant admits that paragraph 111 quotes and references a portion of a document.
26 Defendant denies each and every other allegation in paragraph 111.

27 112. Defendant denies each and every allegation in paragraph 112.
28

1 113. Answering paragraph 113, Defendant admits that, during at least some of the
2 relevant period: employees of Defendant's NMF department tracked metrics; risk scores were
3 tracked across regions, tracked over time, tracked against forecasts, and compared to benchmarks;
4 volumes of diagnosis codes were tracked across time and regions and against expected upper and
5 lower thresholds; diagnosis codes per medical visit, medical visits per member per year, HCCs
6 per member per year, HCC frequency comparisons, and number of unaddressed known chronic
7 diagnoses were monitored. Defendant denies each and every other allegation in paragraph 113.

8 114. Answering paragraph 114, Defendant admits that, during at least some of the
9 relevant period: reports on risk adjustment metrics were distributed to certain employees of
10 Defendant Health Plans and Defendant Permanente Medical Groups involved in Medicare risk
11 adjustment; reports on risk adjustment metrics were posted to a "KP Medicare Risk Adjustment
12 Website." Paragraph 114 contains reference to a document, which requires no response because
13 the referenced document speaks for itself. To the extent any response to such allegations is
14 necessary, Defendant admits that paragraph 114 quotes a portion of a document. Defendant
15 denies each and every other allegation in paragraph 114.

16 115. Answering paragraph 115, Defendant admits that, during at least some of the
17 relevant period, the KP Medicare Risk Adjustment Website contained risk adjustment reports,
18 presentations from past RRG conferences, links to training materials, compliance policies, and
19 Defendant's NCO work plans. Defendant denies each and every other allegation in paragraph
20 115.

21 116. Paragraph 116 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant admits that paragraph 116 quotes a portion of a document. Defendant
24 denies each and every other allegation in paragraph 116.

25 117. Answering paragraph 117, Defendant admits that, during at least some of the
26 relevant period, employees of the NMF department worked with employees of each Defendant
27 region to develop a "risk adjustment improvement plan." Paragraph 117 contains reference to a
28 document, which requires no response because the referenced document speaks for itself. To the

1 extent any response to such allegations is necessary, Defendant admits that paragraph 117 quotes
2 a portion of a document. Defendant denies each and every other allegation in paragraph 117.

3 118. Answering paragraph 118, Defendant admits that, during at least some of the
4 relevant period, the RRG held monthly meetings; the RRG held semi-annual conferences in part
5 to ensure that some employees involved in risk adjustment were updated with the latest
6 information from CMS, review score trends and accuracy rates, and learn about new tools that
7 would allow them to work more efficiently and effectively. Paragraph 118 contains reference to a
8 document, which requires no response because the referenced document speaks for itself. To the
9 extent any response to such allegations is necessary, Defendant admits that paragraph 118 quotes
10 a portion of a document. Defendant denies each and every other allegation in paragraph 118.

11 119. Paragraph 119 contains reference to a document, which requires no response
12 because the referenced document speaks for itself. To the extent any response to such allegations
13 is necessary, Defendant admits that paragraph 119 quotes and references a portion of a document.
14 Defendant denies each and every other allegation in paragraph 119.

15 120. Paragraph 120 contains reference to a document, which requires no response
16 because the referenced document speaks for itself. To the extent any response to such allegations
17 is necessary, Defendant admits that paragraph 120 quotes a portion of a document. Defendant
18 denies each and every other allegation in paragraph 120.

19 121. Answering paragraph 121, Defendant admits that, during at least some of the
20 relevant period, Defendant's employees calculated the value of each risk score point. Answering
21 paragraph 121, Defendant admits that, for 2015, Defendant's employees calculated the value of
22 each risk score point across regions to be more than \$80 million. Paragraph 121 contains
23 references to documents, which require no response because the referenced documents speaks for
24 themselves. To the extent any response to such allegations is necessary, Defendant admits that
25 paragraph 121 quotes a portion of a document; that paragraph 121 references and attempts to
26 quote portions of "an internal Kaiser training." Defendant denies each and every other allegation
27 in paragraph 121.

28 122. Defendant denies each and every allegation in paragraph 122.

1 123. Answering paragraph 123, Defendant admits that, during at least some of the
2 relevant period, under the CMS-HCC risk adjustment model, a risk score of 1.0 reflects the
3 expected Medicare-incurred expenditures of an average beneficiary. Answering paragraph 123,
4 Defendant admits that, during the relevant period, risk score forecasts were calculated to be
5 higher each year. Paragraph 123 contains reference to a document, which requires no response
6 because the referenced document speaks for itself. To the extent any response to such allegations
7 is necessary, Defendant admits that paragraph 123 quotes a portion of a document. Defendant
8 denies each and every other allegation in paragraph 123.

9 124. Paragraph 124 contains allegations that do not reference Defendant, which require
10 no response. To the extent any response to such allegations is necessary, Defendant lacks
11 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
12 such allegation. Paragraph 124 contains reference to a document, which requires no response
13 because the referenced document speaks for itself. To the extent any response to such allegations
14 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
15 basis, denies each and every such allegation. Defendant denies each and every other allegation in
16 paragraph 124.

17 125. Answering paragraph 125, Defendant admits that CMS began using the CMS-
18 HCC risk adjustment model in 2004. Defendant denies each and every other allegation in
19 paragraph 125.

20 Paragraph 125 footnote 9 contains references to documents, which require no response
21 because the referenced documents speak for themselves. To the extent any response to such
22 allegations is necessary, Defendant admits that paragraph 125 footnote 9 references “Kaiser
23 Family Foundation, Do People Who Sign Up for Medicare Advantage Plans Have Lower
24 Medicare Spending? (May 2019), available at [https://files.kff.org/attachment/Issue-Brief-Do-](https://files.kff.org/attachment/Issue-Brief-Do-People-Who-Sign-Up-for-Medicare-Advantage-Plans-Have-Lower-Medicare-Spending)
25 [People-Who-Sign-Up-for-Medicare-Advantage-Plans-Have-Lower-Medicare-Spending](https://files.kff.org/attachment/Issue-Brief-Do-People-Who-Sign-Up-for-Medicare-Advantage-Plans-Have-Lower-Medicare-Spending) (last
26 visited Jun. 11, 2023), Jason Brown et al., How Does Risk Selection Respond to Risk
27 Adjustment? Evidence from the Medicare Advantage Program, 104 Am. Econ. Rev. 3335
28

(2014), and *UnitedHealthcare Ins. Co. v. Becerra*, 9 F.4th 868, 876 (D.C. Cir. 2021). Defendant denies each and every other allegation in paragraph 125 footnote 9.

B. KAISER MINED PATIENT MEDICAL RECORDS TO ADD LUCRATIVE RISK-ADJUSTMENT DIAGNOSES VIA ADDENDA TO ACHIEVE RISK-SCORE TARGETS.

126. Defendant denies each and every allegation in paragraph 126.

127. Defendant denies each and every allegation in paragraph 127.

128. Defendant denies each and every allegation in paragraph 128.

129. Answering paragraph 129, Defendant admits that, while the term “addendum” has different meanings in different contexts, the Medicare Program Integrity Manual refers to amendments to, corrections of, or entries of documentation after physician-patient encounters. Defendant denies each and every other allegation in paragraph 129.

130. Answering paragraph 130, Defendant admits that addenda have legitimate uses. Paragraph 130 contains legal conclusions and/or argument, which require no response, and contains references to documents, which require no response because the referenced documents speaks for themselves. To the extent any response to such allegations is necessary, Defendant admits that paragraph 130 references and cites a portion of CMS, *Medicare Program Integrity Manual*, Chapter 3 § 3.3.2.5(A) and 2008 *Risk Adjustment Data Technical Assistance Participant Guide* § 6.4.2; that paragraph 130 references and miscites CMS, *Medicare Program Integrity Manual*, Chapter 3 § 3.3.2.5(A). Defendant denies each and every other allegation in paragraph 130.

131. Defendant denies each and every allegation in paragraph 131.

132. Paragraph 132 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 132.

133. Answering paragraph 133, Defendant admits that, during at least some of the relevant period, Defendant Permanente Medical Groups’ and KFHP-CO’s employees identified in members’ medical records certain conditions diagnosed in previous service years but not yet

1 diagnosed in the current service year, sometimes referred to as “refresh” activities. Defendant
2 denies each and every other allegation in paragraph 133.

3 134. Answering paragraph 134, Defendant admits that, during at least some of the
4 relevant period: after members’ medical visits, Defendant Permanente Medical Groups’
5 physicians sometimes received lists of conditions identified via refresh activities but not
6 diagnosed in a specific form in those members’ medical records at those members’ medical visits;
7 lists received by Defendant Permanente Medical Groups’ physicians sometimes included
8 potential diagnoses identified via data mining activities. Defendant denies each and every other
9 allegation in paragraph 134.

10 135. Answering paragraph 135, Defendant admits that: a query is a communication tool
11 used to clarify documentation in the health record for accurate code assignment; queries can be
12 written or oral. Defendant denies each and every other allegation in paragraph 135.

13 136. Paragraph 136 contains legal conclusions and/or argument, which require no
14 response. To the extent any response to such allegations is necessary, Defendant denies each and
15 every such allegation. To the extent paragraph 136 references ¶¶ 202-233 of the Amended
16 Complaint, *see* Defendant’s responses to those paragraphs, which are incorporated herein.
17 Defendant denies each and every other allegation in paragraph 136.

18 137. Defendant denies each and every allegation in paragraph 137.

19 138. Paragraph 138 contains allegations that do not reference Defendant, which require
20 no response. To the extent any response to such allegations is necessary, Defendant denies each
21 and every such allegation. Paragraph 138 contains a hypothetical example containing no factual
22 assertions, which requires no response. To the extent any response to such allegations is
23 necessary, Defendant denies each and every such allegation. Defendant denies each and every
24 other allegation in paragraph 138.

25 139. Defendant denies each and every allegation in paragraph 139.
26
27
28

1 **1. DATA MINING GENERATES NEW RISK-ADJUSTMENT**
 2 **DIAGNOSES.**

3 140. Answering paragraph 140, Defendant admits that, during at least some of the
 4 relevant period, data mining identified existing diagnoses and potential diagnoses in members'
 5 electronic medical records using algorithms that identified certain key words, lab results,
 6 medications, clinical indicators, and/or other items that might indicate conditions a member did or
 7 may have had. Defendant denies each and every other allegation in paragraph 140.

8 141. Defendant denies each and every allegation in paragraph 141.

9 142. Defendant denies each and every allegation in paragraph 142.

10 143. Paragraph 143 contains allegations that do not reference Defendant, which require
 11 no response. To the extent any response to such allegations is necessary, Defendant lacks
 12 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 13 such allegation. Paragraph 143 contains reference to a document, which requires no response
 14 because the referenced document speaks for itself. To the extent any response to such allegations
 15 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 16 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 17 paragraph 143.

18 144. Paragraph 144 contains allegations that do not reference Defendant, which require
 19 no response. To the extent any response to such allegations is necessary, Defendant lacks
 20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 21 such allegation. Paragraph 144 contains reference to a document, which requires no response
 22 because the referenced document speaks for itself. To the extent any response to such allegations
 23 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 24 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 25 paragraph 144.

26 Answering paragraph 144 footnote 10, Defendant admits that when the Affordable Care
 27 Act ("ACA") was implemented in 2014, it provided for additional risk adjustment payments from
 28

1 the government for ACA patients. Defendant denies each and every other allegation in paragraph
2 144 footnote 10.

3 145. Answering paragraph 145, Defendant admits that, during at least some of the
4 relevant period, Defendant Permanente Medical Groups provided medical care to some traditional
5 (fee-for-service) Medicare members. Paragraph 145 contains allegations that do not reference
6 Defendant, which require no response. To the extent any response to such allegations is
7 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
8 basis, denies each and every such allegation. Defendant denies each and every other allegation in
9 paragraph 145.

10 146. Answering paragraph 146, Defendant admits that, during at least some of the
11 relevant period: a Risk Adjustment Data Mining Workgroup was organized to collect, analyze,
12 and disseminate information to employees of entities including Defendants on data mining
13 activities, including algorithm best practices and effectiveness and return on investment
14 experience; employees from each of Defendant, KFHP-CO, and Defendant Permanente Medical
15 Groups attended meetings of this workgroup; the workgroup was sponsored by Dr. Simon Cohn;
16 the chairs included Ken Nelson (then Director of Risk Adjustment Analytics, KFHP) and Relator
17 Taylor; the workgroup grew over time to nearly 40 members including employees from each
18 Defendant entity. Paragraph 146 contains allegations that do not reference Defendant, which
19 require no response. To the extent any response to such allegations is necessary, Defendant lacks
20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
21 such allegation. Defendant denies each and every other allegation in paragraph 146.

22 147. Answering paragraph 147, Defendant admits that, during at least some of the
23 relevant period: employees of Defendant's NMF department facilitated a smaller predecessor
24 group called the HCC Data Mining Workgroup; that workgroup had a goal to share information;
25 that workgroup had representatives from each Defendant region. Defendant denies each and
26 every other allegation in paragraph 147.

27 148. Answering paragraph 148, Defendant admits that, during at least some of the
28 relevant period: the Risk Adjustment Data Mining Workgroup met approximately monthly;

1 employees of each Defendant attended meetings to discuss data mining activities and results;
2 attendees discussed data mining activities, tracking data mining activities, ideas to improve the
3 accuracy of algorithms, and addenda to medical records; the workgroup's activities were
4 presented outside of the workgroup, including to the RRG. Defendant denies each and every
5 other allegation in paragraph 148.

6 149. Answering paragraph 149, Defendant admits that, during at least some of the
7 relevant period: employees of Defendant Health Plans ran algorithms and distributed results to
8 certain employees of each Defendant region; employees of Defendant Permanente Medical
9 Groups developed algorithms and data mining activities, which they sometimes discussed at
10 workgroup meetings. Paragraph 149 contains allegations that do not reference Defendant, which
11 require no response. To the extent any response to such allegations is necessary, Defendant lacks
12 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
13 such allegation. Defendant lacks sufficient knowledge to admit or deny the allegations that
14 "Kaiser's data-mining programs covered an extensive range of potential diagnoses" and that
15 regions "regularly" shared algorithms and initiatives at workgroup meetings, and, on that basis,
16 denies each and every such allegation. Defendant denies each and every other allegation in
17 paragraph 149.

18 150. Paragraph 150 contains allegations that do not reference Defendant, which require
19 no response. To the extent any response to such allegations is necessary, Defendant lacks
20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
21 such allegation. Paragraph 150 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
24 basis, denies each and every such allegation. Defendant lacks sufficient knowledge to admit or
25 deny the allegation that "[m]any of these diagnosis-specific algorithms coincided with regional
26 initiatives," and, on that basis, denies each and every such allegation. Defendant denies each and
27 every other allegation in paragraph 150.

28 151. Defendant denies each and every allegation in paragraph 151.

1 152. Answering paragraph 152, Defendant admits that, during at least some of the
2 relevant period: Defendant Permanente Medical Groups' employees participated in activities
3 sometimes referred to as "Natural Language Processing" ("NLP") activities, which involved use
4 of computer algorithms to search members' medical records for documented diagnoses that had
5 not resulted in a diagnosis code transmission to CMS; SCPMG employees developed NLP; Dr.
6 Paul Minardi oversaw NLP activities at SCPMG. Defendant denies each and every other
7 allegation in paragraph 152.

8 153. Defendant denies each and every allegation in paragraph 153.

9 154. Paragraph 154 contains allegations that do not reference Defendant, which require
10 no response. To the extent any response to such allegations is necessary, Defendant lacks
11 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
12 such allegation. Defendant denies each and every other allegation in paragraph 154.

13 155. Paragraph 155 contains allegations that do not reference Defendant, which require
14 no response. To the extent any response to such allegations is necessary, Defendant lacks
15 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
16 such allegation. Paragraph 155 contains reference to a document, which requires no response
17 because the referenced document speaks for itself. To the extent any response to such allegations
18 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
19 basis, denies each and every such allegation. Defendant denies each and every other allegation in
20 paragraph 155.

21 156. Paragraph 156 contains allegations that do not reference Defendant, which require
22 no response. To the extent any response to such allegations is necessary, Defendant lacks
23 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
24 such allegation. Paragraph 156 contains reference to a document, which requires no response
25 because the referenced document speaks for itself. To the extent any response to such allegations
26 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
27 basis, denies each and every such allegation. Defendant denies each and every other allegation in
28 paragraph 156.

1 157. Answering paragraph 157, Defendant admits that obesity hypoventilation
2 syndrome exists only in obese individuals. Answering paragraph 157, Defendant admits that,
3 during at least some of the relevant period, obesity hypoventilation syndrome mapped to the
4 morbid obesity HCC under the CMS-HCC risk adjustment model. Paragraph 157 contains
5 allegations that do not reference Defendant, which require no response. To the extent any
6 response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny
7 such allegations and, on that basis, denies each and every such allegation. Paragraph 157
8 contains reference to a document, which requires no response because the referenced document
9 speaks for itself. To the extent any response to such allegations is necessary, Defendant lacks
10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
11 such allegation. Defendant denies each and every other allegation in paragraph 157.

12 158. Defendant denies each and every allegation in paragraph 158.

13 159. Paragraph 159 contains allegations that do not reference Defendant, which require
14 no response. To the extent any response to such allegations is necessary, Defendant lacks
15 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
16 such allegation. To the extent paragraph 159 references other paragraphs of the Amended
17 Complaint, *see* Defendant's responses to those paragraphs, which are incorporated herein.
18 Defendant denies each and every other allegation in paragraph 159.

19 160. Answering paragraph 160, Defendant admits that, during at least some of the
20 relevant period: Defendant Permanente Medical Groups' employees developed tracking
21 mechanisms to monitor data mining activities; tracking mechanisms were discussed and shared
22 with other Defendant entities, including through the Risk Adjustment Data Mining Workgroup;
23 some tracking mechanisms tracked expected risk adjustment payments in connection with data
24 mining activities; Risk Adjustment Improvement Plans provided to Defendant included details
25 about data mining activities. Paragraph 160 contains allegations that do not reference Defendant,
26 which require no response. To the extent any response to such allegations is necessary,
27 Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies
28

1 each and every such allegation. Defendant denies each and every other allegation in paragraph
2 160.

3 **2. “REFRESH” AND “MISSED-OPPORTUNITIES” ARE MORE**
4 **DATA-MINING PROGRAMS THAT GENERATE RISK-**
5 **ADJUSTMENT DIAGNOSES.**

6 161. Answering paragraph 161, Defendant admits that, during at least some of the
7 relevant period: Defendant Permanente Medical Groups’ employees identified in members’
8 medical records certain conditions diagnosed in previous service years but not yet diagnosed in
9 the current service year, with such activities sometimes referred to as “refresh” and such
10 conditions sometimes referred to as “unrefreshed diagnoses”; Defendant Permanente Medical
11 Groups’ employees identified such conditions in members’ electronic medical records using
12 algorithms; TPMG’s and SCPMG’s algorithms typically searched members’ electronic medical
13 records for the prior three service years. Defendant denies each and every other allegation in
14 paragraph 161.

15 162. Defendant denies each and every allegation in paragraph 162.

16 163. Paragraph 163 contains allegations that do not reference Defendant, which require
17 no response. To the extent any response to such allegations is necessary, Defendant lacks
18 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
19 such allegation. Defendant denies each and every other allegation in paragraph 163.

20 164. Answering paragraph 164, Defendant admits that, during at least some of the
21 relevant period: Sue Gertz was Defendant’s Vice President, Medicare; Diane Morissette was
22 Defendant’s National Director for Medicare Risk Adjustment, NMF. Paragraph 164 contains
23 reference to a document, which requires no response because the referenced document speaks for
24 itself. To the extent any response to such allegations is necessary, Defendant admits that
25 paragraph 164 references a portion of a document. Defendant denies each and every other
26 allegation in paragraph 164.

27 165. Answering paragraph 165, Defendant admits that, during at least some of the
28 relevant period: employees of Defendant’s NMF department identified and monitored certain
conditions diagnosed in previous service years but not yet diagnosed in the current service year

1 on a regular basis and shared results with Defendant Permanente Medical Groups' and KFHP-
2 CO's employees; Defendant Permanente Medical Groups' and KFHP-CO's employees ran
3 algorithms to identify and monitor certain conditions diagnosed in previous service years but not
4 yet diagnosed in the current service year; employees of Defendant's NMF department evaluated
5 Risk Adjustment Improvement Plans, which included discussion of refresh activities, quarterly;
6 Defendants' employees discussed refresh activities as part of the RRG and Risk Adjustment Data
7 Mining Work Group. Defendant denies each and every other allegation in paragraph 165.

8 166. Answering paragraph 166, Defendant admits that, during at least some of the
9 relevant period: refresh activities focused on assessing diagnoses during a member's medical
10 visit; Defendant Permanente Medical Groups' physicians were sometimes given a list of
11 refreshable diagnoses prior to member medical visits in paper or electronic format; Defendant
12 Permanente Medical Groups' employees utilized "pushpins" in Defendant Permanente Medical
13 Groups' electronic health records to identify chronic conditions; Defendant Permanente Medical
14 Groups' physicians could add conditions from the problem list to the encounter field. Paragraph
15 166 contains reference to a document, which requires no response because the referenced
16 document speaks for itself. To the extent any response to such allegations is necessary,
17 Defendant admits that paragraph 166 quotes and shows a portion of a document. Defendant
18 denies each and every other allegation in paragraph 166.

19 167. Answering paragraph 167, Defendant admits that, during at least some of the
20 relevant period, a tool was developed within the electronic health record called a chronic disease
21 widget or chronic disease grid. Defendant denies each and every other allegation in paragraph
22 167.

23 168. Defendant denies each and every allegation in paragraph 168.

24 169. Paragraph 169 contains a hypothetical example containing no factual assertions,
25 which requires no response. To the extent any response to such allegations is necessary,
26 Defendant denies each and every such allegation. Defendant denies each and every other
27 allegation in paragraph 169.
28

1 170. Paragraph 170 contains allegations that do not reference Defendant, which require
2 no response. To the extent any response to such allegations is necessary, Defendant lacks
3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
4 such allegation. Defendant denies each and every other allegation in paragraph 170.

5 171. Paragraph 171 contains allegations that do not reference Defendant, which require
6 no response. To the extent any response to such allegations is necessary, Defendant lacks
7 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
8 such allegation. Defendant denies each and every other allegation in paragraph 171.

9 172. Paragraph 172 contains allegations that do not reference Defendant, which require
10 no response. To the extent any response to such allegations is necessary, Defendant lacks
11 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
12 such allegation. Defendant denies each and every other allegation in paragraph 172.

13 173. Paragraph 173 contains allegations that do not reference Defendant, which require
14 no response. To the extent any response to such allegations is necessary, Defendant lacks
15 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
16 such allegation. Defendant denies each and every other allegation in paragraph 173.

17 174. Defendant denies each and every allegation in paragraph 174.

18 175. Answering paragraph 175, Defendant admits that Defendant transmitted an ICD
19 diagnosis code for malnutrition to CMS for the member referenced in paragraph 175; that
20 Defendant received a risk adjustment payment from CMS for the member referenced in paragraph
21 175. Paragraph 175 contains allegations that do not reference Defendant, which require no
22 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
23 knowledge to admit or deny such allegations and, on that basis, denies each and every such
24 allegation. Paragraph 175 contains reference to a document, which requires no response because
25 the referenced document speaks for itself. To the extent any response to such allegations is
26 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
27 basis, denies each and every such allegation. Defendant denies each and every other allegation in
28 paragraph 175.

1 176. Answering paragraph 176, Defendant admits that Defendant transmitted an ICD
2 diagnosis code for malnutrition to CMS for the patient referenced in paragraph 176; that
3 Defendant received a risk adjustment payment from CMS for the patient referenced in paragraph
4 176. Paragraph 176 contains allegations that do not reference Defendant, which require no
5 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
6 knowledge to admit or deny such allegations and, on that basis, denies each and every such
7 allegation. Paragraph 176 contains reference to a document, which requires no response because
8 the referenced document speaks for itself. To the extent any response to such allegations is
9 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
10 basis, denies each and every such allegation. Defendant denies each and every other allegation in
11 paragraph 176.

12 177. Answering paragraph 177, Defendant admits that the CMS-HCC risk adjustment
13 model generally does not provide for risk adjustment payments based upon ICD history codes.
14 Paragraph 177 contains reference to a document, which requires no response because the
15 referenced document speaks for itself. To the extent any response to such allegations is
16 necessary, Defendant admits that paragraph 177 references the ICD Guidelines. Defendant
17 denies each and every other allegation in paragraph 177.

18 178. Defendant denies each and every allegation in paragraph 178.

19 179. Defendant denies each and every allegation in paragraph 179.

20 180. Paragraph 180 contains allegations that do not reference Defendant, which require
21 no response. To the extent any response to such allegations is necessary, Defendant lacks
22 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
23 such allegation. Paragraph 180 contains reference to a document, which requires no response
24 because the referenced document speaks for itself. To the extent any response to such allegations
25 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
26 basis, denies each and every such allegation. Defendant denies each and every other allegation in
27 paragraph 180.
28

181. Paragraph 181 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 181.

182. Defendant denies each and every allegation in paragraph 182.

3. CHART REVIEW IS ANOTHER PROGRAM TO GENERATE RISK-ADJUSTMENT DIAGNOSES.

183. Paragraph 183 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Paragraph 183 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 183.

184. Paragraph 184 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Paragraph 184 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Paragraph 184 contains references to documents, which require no response because the referenced documents speaks for themselves. To the extent any response to such allegations is necessary, Defendant admits that paragraph 184 references the ICD Guidelines; Defendant lacks sufficient knowledge to admit or deny the allegation that “the goal [of the program] is to identify diagnoses that have never yet been made by a physician,” and, on that basis, denies such allegation. Defendant denies each and every other allegation in paragraph 184.

185. Paragraph 185 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
2 such allegation. Defendant denies each and every other allegation in paragraph 185.

3 186. Paragraph 186 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Paragraph 186 contains reference to a document, which requires no response
7 because the referenced document speaks for itself. To the extent any response to such allegations
8 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
9 basis, denies each and every such allegation. Defendant denies each and every other allegation in
10 paragraph 186.

11 187. Answering paragraph 187, Defendant admits that under the CMS-HCC risk
12 adjustment model, an MAO only receives a risk adjustment payment corresponding with any
13 given HCC once per HCC per service year, so if an MAO transmits two diagnosis codes for a
14 beneficiary in a service year that correspond to the same HCC, the HCC risk coefficient is
15 counted only once in the beneficiary's risk score for the service year. Paragraph 187 contains
16 allegations that do not reference Defendant, which require no response. To the extent any
17 response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny
18 such allegations and, on that basis, denies each and every such allegation. Defendant denies each
19 and every other allegation in paragraph 187.

20 188. Paragraph 188 contains allegations that do not reference Defendant, which require
21 no response. To the extent any response to such allegations is necessary, Defendant lacks
22 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
23 such allegation. Defendant denies each and every other allegation in paragraph 188.

24 189. Defendant denies each and every allegation in paragraph 189.

25 190. Paragraph 190 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant lacks
27 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
28 such allegation. Defendant denies each and every other allegation in paragraph 190.

1 191. Paragraph 191 contains allegations that do not reference Defendant, which require
2 no response. To the extent any response to such allegations is necessary, Defendant denies each
3 and every such allegation. Paragraph 191 contains a hypothetical example containing no factual
4 assertions, which requires no response. To the extent any response to such allegations is
5 necessary, Defendant denies each and every such allegation. Defendant denies each and every
6 other allegation in paragraph 191.

7 192. Paragraph 192 contains legal conclusions and/or argument, which require no
8 response. To the extent any response to such allegations is necessary, Defendant denies each and
9 every such allegation. Paragraph 192 contains allegations that do not reference Defendant, which
10 require no response. To the extent any response to such allegations is necessary, Defendant
11 denies each and every such allegation. Defendant denies each and every other allegation in
12 paragraph 192.

13 193. Paragraph 193 contains allegations that do not reference Defendant, which require
14 no response. To the extent any response to such allegations is necessary, Defendant denies each
15 and every such allegation. Paragraph 193 contains reference to a document, which requires no
16 response because the referenced document speaks for itself. To the extent any response to such
17 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
18 and, on that basis, denies each and every such allegation. Defendant denies each and every other
19 allegation in paragraph 193.

20 194. Paragraph 194 contains allegations that do not reference Defendant, which require
21 no response. To the extent any response to such allegations is necessary, Defendant denies each
22 and every such allegation. Defendant denies each and every other allegation in paragraph 194.

23 195. Paragraph 195 contains allegations that do not reference Defendant, which require
24 no response. To the extent any response to such allegations is necessary, Defendant denies each
25 and every such allegation. Paragraph 195 contains reference to a document, which requires no
26 response because the referenced document speaks for itself. To the extent any response to such
27 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
28

1 and, on that basis, denies each and every such allegation. Defendant denies each and every other
2 allegation in paragraph 195.

3 196. Paragraph 196 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant denies each
5 and every such allegation. Defendant denies each and every other allegation in paragraph 196.

6 197. Paragraph 197 contains allegations that do not reference Defendant, which require
7 no response. To the extent any response to such allegations is necessary, Defendant denies each
8 and every such allegation. Defendant denies each and every other allegation in paragraph 197.

9 198. Answering paragraph 198, Defendant admits that, during at least some of the
10 relevant period: KFHP-CO's and CPMG's employees tracked overall number of "Medicare
11 Queries," addenda, revenue generated, and return on investment for some chart reviews; that
12 KFHP-CO's employees circulated these reports, including to employees of Defendant's NMF
13 department. Paragraph 198 contains references to documents, which require no response because
14 the referenced documents speak for themselves. To the extent any response to such allegations is
15 necessary, Defendant admits that paragraph 198 references portions of documents. Due to the
16 non-specific and vague nature of Plaintiff's allegations, Defendant lacks sufficient information to
17 admit or deny the allegation that "[c]alculations for other query programs involving data mining
18 showed that they generated thousands of queries and addenda, resulting in millions of dollars in
19 risk-adjustment revenue," and, on that basis, denies such allegation. Defendant denies each and
20 every other allegation in paragraph 198.

21 199. Defendant denies each and every allegation in paragraph 199. Paragraph 199
22 contains allegations that do not reference Defendant, which require no response. To the extent
23 any response to such allegations is necessary, Defendant denies each and every such allegation.
24 Defendant denies each and every other allegation in paragraph 199.

25 200. Paragraph 200 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant denies each
27 and every such allegation. Defendant denies each and every other allegation in paragraph 200.
28

1 **C. KAISER PRESSURED PHYSICIANS TO ADD DIAGNOSES VIA**
 2 **ADDENDA.**

3 201. Defendant denies each and every allegation in paragraph 201.

4 **1. INAPPROPRIATE QUERIES PRESSURED PHYSICIANS TO**
 5 **CREATE ADDENDA.**

6 202. Defendant denies each and every allegation in paragraph 202.

7 203. Defendant denies each and every allegation in paragraph 203.

8 204. Answering paragraph 204, Defendant admits that, during at least some of the
 9 relevant period, Defendant Permanente Medical Groups' employees developed electronic tools
 10 that allowed Defendant Permanente Medical Groups' physicians to access lists of conditions
 11 identified via refresh and data mining activities via computer. Paragraph 204 contains allegations
 12 that do not reference Defendant, which require no response. To the extent any response to such
 13 allegations is necessary, Defendant denies each and every such allegation. Paragraph 204
 14 contains reference to a document, which requires no response because the referenced document
 15 speaks for itself. To the extent any response to such allegations is necessary, Defendant lacks
 16 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 17 such allegation. Defendant denies each and every other allegation in paragraph 204.

18 205. Paragraph 205 contains allegations that do not reference Defendant, which require
 19 no response. To the extent any response to such allegations is necessary, Defendant lacks
 20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 21 such allegation. Defendant denies each and every other allegation in paragraph 205.

22 206. Paragraph 206 contains allegations that do not reference Defendant, which require
 23 no response. To the extent any response to such allegations is necessary, Defendant lacks
 24 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 25 such allegation. Defendant denies each and every other allegation in paragraph 206.

26 207. Defendant denies each and every allegation in paragraph 207.

27 208. Answering paragraph 208, Defendant admits that, during at least some of the
 28 relevant period, AHIMA practice briefs were cited in some policy documents and training

1 materials created by Defendants' employees. Defendant denies each and every other allegation in
2 paragraph 208.

3 209. Paragraph 209 contains reference to a document, which requires no response
4 because the referenced document speaks for itself. To the extent any response to such allegations
5 is necessary, Defendant admits that paragraph 209 quotes and references a portion of a document.
6 Defendant denies each and every other allegation in paragraph 209.

7 210. Paragraph 210 contains legal conclusions and/or argument, which require no
8 response. To the extent any response to such allegations is necessary, Defendant denies each and
9 every such allegation. Paragraph 210 contains references to documents, which require no
10 response because the referenced documents speak for themselves. To the extent any response to
11 such allegations is necessary, Defendant admits that paragraph 210 references portions of
12 documents. Defendant denies each and every allegation in paragraph 210.

13 211. Paragraph 211 contains references to documents, which require no response
14 because the referenced documents speak for themselves. To the extent any response to such
15 allegations is necessary, Defendant admits that paragraph 211 quotes and references AHIMA's
16 2008 practice brief "Managing an Effective Query Process" and AHIMA's 2013 practice brief
17 "Guidelines for Achieving a Compliant Query Practice." Defendant denies each and every other
18 allegation in paragraph 211.

19 212. Paragraph 212 contains references to documents, which require no response
20 because the referenced documents speak for themselves. To the extent any response to such
21 allegations is necessary, Defendant admits that paragraph 212 quotes and references portions of
22 documents. Defendant denies each and every other allegation in paragraph 212.

23 213. Paragraph 213 contains legal conclusions and/or argument, which require no
24 response. To the extent any response to such allegations is necessary, Defendant denies each and
25 every such allegation. Defendant denies each and every other allegation in paragraph 213.

26 214. Paragraph 214 contains references to documents, which require no response
27 because the referenced documents speak for themselves. To the extent any response to such
28 allegations is necessary, Defendant admits that paragraph 214 quotes AHIMA's 2008 practice

1 brief “Managing an Effective Query Process,” AHIMA’s 2013 practice brief “Guidelines for
2 Achieving a Compliant Query Practice,” and documents. Defendant denies each and every other
3 allegation in paragraph 214.

4 215. Paragraph 215 contains legal conclusions and/or argument, which require no
5 response. To the extent any response to such allegations is necessary, Defendant denies each and
6 every such allegation. Defendant denies each and every allegation in paragraph 215.

7 216. Paragraph 216 contains references to documents, which require no response
8 because the referenced documents speak for themselves. To the extent any response to such
9 allegations is necessary, Defendant admits that paragraph 216 quotes and references AHIMA’s
10 2008 practice brief “Managing an Effective Query Process” and documents. Defendant denies
11 each and every other allegation in paragraph 216.

12 217. Paragraph 217 contains legal conclusions and/or argument, which require no
13 response. To the extent any response to such allegations is necessary, Defendant denies each and
14 every such allegation. Defendant denies each and every allegation in paragraph 217.

15 218. Paragraph 218 contains allegations that do not reference Defendant, which require
16 no response. To the extent any response to such allegations is necessary, Defendant lacks
17 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
18 such allegation. Paragraph 218 contains references to documents, which require no response
19 because the referenced documents speak for themselves. To the extent any response to such
20 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
21 and, on that basis, denies each and every such allegation. Defendant denies each and every other
22 allegation in paragraph 218.

23 219. Paragraph 219 contains allegations that do not reference Defendant, which require
24 no response. To the extent any response to such allegations is necessary, Defendant lacks
25 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
26 such allegation. Paragraph 219 contains references to documents, which require no response
27 because the referenced documents speak for themselves. To the extent any response to such
28 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations

1 and, on that basis, denies each and every such allegation. Defendant denies each and every other
2 allegation in paragraph 219.

3 220. Answering paragraph 220, Defendant admits that thrombocytopenia is a condition
4 where a patient has a low blood platelet count; Defendant transmitted a diagnosis code for
5 thrombocytopenia to CMS for the patient referenced in paragraph 220; Defendant received a risk-
6 adjustment payment from CMS for the patient referenced in paragraph 220 for the diagnosis code
7 for thrombocytopenia. Paragraph 220 contains legal conclusions and/or argument, which require
8 no response. To the extent any response to such allegations is necessary, Defendant denies each
9 and every such allegation. Paragraph 220 contains allegations that do not reference Defendant,
10 which require no response. To the extent any response to such allegations is necessary,
11 Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies
12 each and every such allegation. Paragraph 220 contains references to documents, which require
13 no response because the referenced documents speak for themselves. To the extent any response
14 to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such
15 allegations and, on that basis, denies each and every such allegation. Defendant denies each and
16 every other allegation in paragraph 220.

17 221. Paragraph 221 contains allegations that do not reference Defendant, which require
18 no response. To the extent any response to such allegations is necessary, Defendant lacks
19 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
20 such allegation. Paragraph 221 contains references to documents, which require no response
21 because the referenced documents speak for themselves. To the extent any response to such
22 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
23 and, on that basis, denies each and every such allegation. Defendant denies each and every other
24 allegation in paragraph 221.

25 222. Paragraph 222 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant lacks
27 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
28 such allegation. Paragraph 222 contains reference to a document, which requires no response

1 because the referenced document speaks for itself. To the extent any response to such allegations
2 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
3 basis, denies each and every such allegation. Defendant denies each and every other allegation in
4 paragraph 222.

5 223. Defendant denies each and every allegation in paragraph 223.

6 224. Answering paragraph 224, Defendant admits that cachexia is a complex metabolic
7 syndrome associated with physical wasting, loss of weight, muscle atrophy, fatigue and anorexia,
8 commonly seen with diagnoses such as HIV/AIDS, cancer, and other major chronic progressive
9 diseases. Paragraph 224 contains allegations that do not reference Defendant, which require no
10 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
11 knowledge to admit or deny such allegations and, on that basis, denies each and every such
12 allegation. Paragraph 224 contains references to documents, which require no response because
13 the referenced documents speak for themselves. To the extent any response to such allegations is
14 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
15 basis, denies each and every such allegation. Defendant denies each and every other allegation in
16 paragraph 224.

17 225. Paragraph 225 contains allegations that do not reference Defendant, which require
18 no response. To the extent any response to such allegations is necessary, Defendant lacks
19 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
20 such allegation. Paragraph 225 contains references to documents, which require no response
21 because the referenced documents speak for themselves. To the extent any response to such
22 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
23 and, on that basis, denies each and every such allegation. Defendant denies each and every other
24 allegation in paragraph 225.

25 226. Paragraph 226 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant lacks
27 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
28 such allegation. Paragraph 226 contains reference to a document, which requires no response

1 because the referenced document speaks for itself. To the extent any response to such allegations
2 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
3 basis, denies each and every such allegation. Defendant denies each and every other allegation in
4 paragraph 226.

5 227. Paragraph 227 contains allegations that do not reference Defendant, which require
6 no response. To the extent any response to such allegations is necessary, Defendant lacks
7 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
8 such allegation. Paragraph 227 contains reference to a document, which requires no response
9 because the referenced document speaks for itself. To the extent any response to such allegations
10 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
11 basis, denies each and every such allegation. To the extent paragraph 227 references other
12 paragraphs of the Amended Complaint, *see* Defendant's responses to those paragraphs, which are
13 incorporated herein. Defendant denies each and every other allegation in paragraph 227.

14 228. Paragraph 228 contains allegations that do not reference Defendant, which require
15 no response. To the extent any response to such allegations is necessary, Defendant lacks
16 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
17 such allegation. Paragraph 228 contains references to documents, which require no response
18 because the referenced documents speak for themselves. To the extent any response to such
19 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
20 and, on that basis, denies each and every such allegation. Defendant denies each and every other
21 allegation in paragraph 228.

22 229. Answering paragraph 229, Defendant admits that in October 2013, Nancy
23 Andersen (then Senior Compliance Manager, NCO, KFHP) emailed Dr. Teresa Welsh that a
24 Medicare Query template being used by CPMG might be interpreted as leading by CMS; that in
25 October 2013, Andersen sent Dr. Welsh a copy of an AHIMA practice brief titled "Managing an
26 Effective Query Process." Defendant denies each and every other allegation in paragraph 229.

27 230. Defendant denies each and every allegation in paragraph 230.
28

1 231. Paragraph 231 contains allegations that do not reference Defendant, which require
 2 no response. To the extent any response to such allegations is necessary, Defendant lacks
 3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 4 such allegation. Paragraph 231 contains reference to a document, which requires no response
 5 because the referenced document speaks for itself. To the extent any response to such allegations
 6 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 7 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 8 paragraph 231.

9 232. Paragraph 232 contains allegations that do not reference Defendant, which require
 10 no response. To the extent any response to such allegations is necessary, Defendant lacks
 11 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 12 such allegation. Paragraph 232 contains reference to a document, which requires no response
 13 because the referenced document speaks for itself. To the extent any response to such allegations
 14 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 15 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 16 paragraph 232.

17 233. Paragraph 233 contains allegations that do not reference Defendant, which require
 18 no response. To the extent any response to such allegations is necessary, Defendant lacks
 19 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 20 such allegation. Paragraph 233 contains references to documents, which require no response
 21 because the referenced documents speak for themselves. To the extent any response to such
 22 allegations is necessary, Defendant admits that paragraph 233 quotes and references portions of
 23 documents. Defendant denies each and every other allegation in paragraph 233.

24 **2. KAISER USED “SMARTPHRASES” TO MAKE IT EASY FOR**
 25 **PHYSICIANS TO CREATE ADDENDA EVEN WHEN THE**
 26 **CONDITION DID NOT REQUIRE OR AFFECT PATIENT CARE,**
 TREATMENT, OR MANAGEMENT.

27 234. Answering paragraph 234, Defendant admits that, during at least some of the
 28 relevant period, SmartPhrases were a tool within Defendants’ electronic-health-record system that

1 allowed users to insert specific text by typing a short abbreviation. Defendant denies each and
2 every other allegation in paragraph 234.

3 235. Answering paragraph 235, Defendant admits that, during at least some of the
4 relevant period: Defendant Permanente Medical Groups' employees created multiple
5 SmartPhrases; that Defendant Permanente Medical Groups' physicians received guidance on how
6 to use SmartPhrases when creating addenda; the input language varied over time and across
7 regions. Defendant denies each and every other allegation in paragraph 235.

8 236. Paragraph 236 contains allegations that do not reference Defendant, which require
9 no response. To the extent any response to such allegations is necessary, Defendant lacks
10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
11 allegation in paragraph 236.

12 237. Answering paragraph 237, with respect to at least some of the relevant period,
13 Defendant admits each and every allegation with respect to TPMG. Defendant denies each and
14 every other allegation in paragraph 237.

15 238. Paragraph 238 contains allegations that do not reference Defendant, which require
16 no response. To the extent any response to such allegations is necessary, Defendant lacks
17 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
18 allegation in paragraph 238.

19 239. Paragraph 239 contains allegations that do not reference Defendant, which require
20 no response. To the extent any response to such allegations is necessary, Defendant lacks
21 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
22 such allegation. Defendant denies each and every other allegation in paragraph 239.

23 240. Paragraph 240 contains allegations that do not reference Defendant, which require
24 no response. To the extent any response to such allegations is necessary, Defendant lacks
25 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
26 such allegation. Paragraph 240 contains reference to a document, which requires no response
27 because the referenced document speaks for itself. To the extent any response to such allegations
28 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that

1 basis, denies each and every such allegation. Defendant denies each and every other allegation in
2 paragraph 240.

3 241. Paragraph 241 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Paragraph 241 contains reference to a document, which requires no response
7 because the referenced document speaks for itself. To the extent any response to such allegations
8 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
9 basis, denies each and every such allegation. Defendant denies each and every other allegation in
10 paragraph 241.

11 242. Paragraph 242 contains allegations that do not reference Defendant, which require
12 no response. To the extent any response to such allegations is necessary, Defendant lacks
13 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
14 such allegation. Paragraph 242 contains reference to a document, which requires no response
15 because the referenced document speaks for itself. To the extent any response to such allegations
16 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
17 basis, denies each and every such allegation. Defendant denies each and every other allegation in
18 paragraph 242.

19 **3. KAISER PRESSURED PHYSICIANS BY REQUIRING THEM TO**
20 **JUSTIFY REFUSALS TO ADD DIAGNOSES.**

21 243. Defendant denies each and every allegation in paragraph 243.

22 244. Paragraph 244 contains allegations that do not reference Defendant, which require
23 no response. To the extent any response to such allegations is necessary, Defendant lacks
24 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
25 such allegation. Paragraph 244 references the content of an image, which requires no response
26 because the referenced image speaks for itself. To the extent any response to such allegations is
27 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
28 basis, denies each and every allegation. To the extent paragraph 244 references other paragraphs

1 of the Amended Complaint, *see* Defendant's responses to those paragraphs, which are
2 incorporated herein. Defendant denies each and every other allegation in paragraph 244.

3 245. Defendant denies each and every allegation in paragraph 245.

4 246. Paragraph 246 contains allegations that do not reference Defendant, which require
5 no response. To the extent any response to such allegations is necessary, Defendant lacks
6 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
7 such allegation. Defendant denies each and every other allegation in paragraph 246.

8 247. Paragraph 247 contains allegations that do not reference Defendant, which require
9 no response. To the extent any response to such allegations is necessary, Defendant lacks
10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
11 such allegation. Paragraph 247 contains reference to a document, which requires no response
12 because the referenced document speaks for itself. To the extent any response to such allegations
13 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
14 basis, denies each and every such allegation. Defendant denies each and every other allegation in
15 paragraph 247.

16 248. Paragraph 248 contains allegations that do not reference Defendant, which require
17 no response. To the extent any response to such allegations is necessary, Defendant lacks
18 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
19 such allegation. Defendant denies each and every other allegation in paragraph 248.

20 249. Paragraph 249 contains allegations that do not reference Defendant, which require
21 no response. To the extent any response to such allegations is necessary, Defendant lacks
22 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
23 such allegation. Defendant denies each and every other allegation in paragraph 249.

24 250. Paragraph 250 contains allegations that do not reference Defendant, which require
25 no response. To the extent any response to such allegations is necessary, Defendant lacks
26 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
27 such allegation. Paragraph 250 contains reference to a document, which requires no response
28 because the referenced document speaks for itself. To the extent any response to such allegations

1 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 2 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 3 paragraph 250.

4 **4. KAISER USED FINANCIAL INCENTIVES AND OTHER**
 5 **METRICS TO PRESSURE PERMANENTE MEDICAL GROUP**
 6 **PHYSICIANS TO CREATE ADDENDA.**

6 251. Defendant denies each and every allegation in paragraph 251.

7 252. Defendant denies each and every allegation in paragraph 252.

8 253. Paragraph 253 contains allegations that do not reference Defendant, which require
 9 no response. To the extent any response to such allegations is necessary, Defendant lacks
 10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 11 such allegation. Paragraph 253 contains reference to a document, which requires no response
 12 because the referenced document speaks for itself. To the extent any response to such allegations
 13 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 14 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 15 paragraph 253.

16 254. Paragraph 254 contains allegations that do not reference Defendant, which require
 17 no response. To the extent any response to such allegations is necessary, Defendant lacks
 18 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 19 such allegation. Paragraph 254 contains reference to a document, which requires no response
 20 because the referenced document speaks for itself. To the extent any response to such allegations
 21 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 22 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 23 paragraph 254.

24 255. Paragraph 255 contains allegations that do not reference Defendant, which require
 25 no response. To the extent any response to such allegations is necessary, Defendant lacks
 26 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 27 such allegation. Paragraph 255 contains reference to a document, which requires no response
 28 because the referenced document speaks for itself. To the extent any response to such allegations

1 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
2 basis, denies each and every such allegation. Defendant denies each and every other allegation in
3 paragraph 255.

4 256. Paragraph 256 contains allegations that do not reference Defendant, which require
5 no response. To the extent any response to such allegations is necessary, Defendant lacks
6 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
7 such allegation. Paragraph 256 contains reference to a document, which requires no response
8 because the referenced document speaks for itself. To the extent any response to such allegations
9 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
10 basis, denies each and every such allegation. Defendant lacks sufficient knowledge to admit or
11 deny each and every other allegation in paragraph 256 and, on that basis, denies each and every
12 such allegation.

13 257. Defendant denies each and every allegation in paragraph 257.

14 258. Answering paragraph 258, Defendant admits that, in 2013, CPMG compensated
15 CPMG's physicians with overtime payments to respond to all pending queries by the end of the
16 year. Paragraph 258 contains reference to a document, which requires no response because the
17 referenced document speaks for itself. To the extent any response to such allegations is
18 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
19 basis, denies each and every such allegation. Defendant denies each and every other allegation in
20 paragraph 258.

21 259. Paragraph 259 contains allegations that do not reference Defendant, which require
22 no response. To the extent any response to such allegations is necessary, Defendant lacks
23 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
24 such allegation. Paragraph 259 contains reference to a document, which requires no response
25 because the referenced document speaks for itself. To the extent any response to such allegations
26 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
27 basis, denies each and every such allegation. Defendant denies each and every other allegation in
28 paragraph 259.

1 260. Paragraph 260 contains allegations that do not reference Defendant, which require
 2 no response. To the extent any response to such allegations is necessary, Defendant lacks
 3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 4 such allegation. Paragraph 260 contains reference to a document, which requires no response
 5 because the referenced document speaks for itself. To the extent any response to such allegations
 6 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 7 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 8 paragraph 260.

9 **D. HOW KAISER TARGETED THE DIAGNOSIS AORTIC**
 10 **ATHEROSCLEROSIS TO INCREASE RISK-ADJUSTMENT PAYMENTS:**
 11 **“\$40M IS NO CHUMP CHANGE.”**

12 261. Answering paragraph 261, Defendant admits that, during at least some of the
 13 relevant period, Defendant Permanente Medical Groups’ employees performed activities to
 14 document the presence of the condition atherosclerosis of the aorta (“AA”). Answering
 15 paragraph 261, Defendant admits that atherosclerosis of the aorta is the hardening of the artery
 16 walls of the aorta. Paragraph 261 contains allegations that do not reference Defendant, which
 17 require no response. To the extent any response to such allegations is necessary, Defendant lacks
 18 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 19 such allegation. Paragraph 261 contains reference to a document, which requires no response
 20 because the referenced document speaks for itself. To the extent any response to such allegations
 21 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 22 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 23 paragraph 261.

24 262. Paragraph 262 contains allegations that do not reference Defendant, which require
 25 no response. To the extent any response to such allegations is necessary, Defendant lacks
 26 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 27 such allegation. Defendant denies each and every other allegation in paragraph 262.

28 263. Paragraph 263 contains allegations that do not reference Defendant, which require
 no response. To the extent any response to such allegations is necessary, Defendant lacks

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
2 such allegation. Paragraph 263 references the content of an image, which requires no response
3 because the referenced image speaks for itself. To the extent any response to such allegations is
4 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
5 basis, denies each and every such allegation. Defendant denies each and every other allegation in
6 paragraph 263.

7 264. Paragraph 264 contains reference to a document, which requires no response
8 because the referenced document speaks for itself. To the extent any response to such allegations
9 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
10 basis, denies each and every such allegation. Defendant denies each and every other allegation in
11 paragraph 264.

12 265. Paragraph 265 contains allegations that do not reference Defendant, which require
13 no response. To the extent any response to such allegations is necessary, Defendant lacks
14 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
15 such allegation. Paragraph 265 contains reference to a document, which requires no response
16 because the referenced document speaks for itself. To the extent any response to such allegations
17 is necessary, Defendant admits that paragraph 265 references a portion of a document. Defendant
18 denies each and every other allegation in paragraph 265.

19 266. Paragraph 266 contains allegations that do not reference Defendant, which require
20 no response. To the extent any response to such allegations is necessary, Defendant lacks
21 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
22 such allegation. Paragraph 266 contains reference to a document, which requires no response
23 because the referenced document speaks for itself. To the extent any response to such allegations
24 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
25 basis, denies each and every such allegation. Defendant denies each and every other allegation in
26 paragraph 266.

27 267. Paragraph 267 contains allegations that do not reference Defendant, which require
28 no response. To the extent any response to such allegations is necessary, Defendant lacks

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
2 such allegation. Defendant denies each and every other allegation in paragraph 267.

3 268. Paragraph 268 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Paragraph 268 contains reference to a document, which requires no response
7 because the referenced document speaks for itself. To the extent any response to such allegations
8 is necessary, Defendant admits that paragraph 268 quotes a portion of the transcript of the
9 October 5, 2020 testimony of Karen Graham (former Managing Director, EIO) pursuant to a Civil
10 Investigative Demand. Defendant denies each and every other allegation in paragraph 268.

11 269. Paragraph 269 contains allegations that do not reference Defendant, which require
12 no response. To the extent any response to such allegations is necessary, Defendant lacks
13 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
14 such allegation. Defendant denies each and every other allegation in paragraph 269.

15 270. Paragraph 270 contains allegations that do not reference Defendant, which require
16 no response. To the extent any response to such allegations is necessary, Defendant lacks
17 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
18 such allegation. Paragraph 270 contains reference to a document, which requires no response
19 because the referenced document speaks for itself. To the extent any response to such allegations
20 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
21 basis, denies each and every such allegation. Defendant denies each and every other allegation in
22 paragraph 270.

23 271. Paragraph 271 contains reference to a document, which requires no response
24 because the referenced document speaks for itself. To the extent any response to such allegations
25 is necessary, Defendant admits that paragraph 271 quotes a portion of a document. Defendant
26 denies each and every other allegation in paragraph 271.

27 272. Paragraph 272 contains allegations that do not reference Defendant, which require
28 no response. To the extent any response to such allegations is necessary, Defendant lacks

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
2 such allegation. Paragraph 272 contains reference to a document, which requires no response
3 because the referenced document speaks for itself. To the extent any response to such allegations
4 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
5 basis, denies each and every such allegation. Defendant denies each and every other allegation in
6 paragraph 272.

7 273. Paragraph 273 contains allegations that do not reference Defendant, which require
8 no response. To the extent any response to such allegations is necessary, Defendant lacks
9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
10 such allegation. Paragraph 273 contains reference to a document, which requires no response
11 because the referenced document speaks for itself. To the extent any response to such allegations
12 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
13 basis, denies each and every such allegation. Defendant denies each and every other allegation in
14 paragraph 273.

15 274. Defendant denies each and every allegation in paragraph 274.

16 275. Defendant denies each and every allegation in paragraph 275.

17 276. Paragraph 276 contains legal conclusions and/or argument, which require no
18 response. To the extent any response to such allegations is necessary, Defendant admits that
19 paragraph 276 references the ICD Guidelines. Paragraph 276 contains reference to a document,
20 which requires no response because the referenced document speaks for itself. To the extent any
21 response to such allegations is necessary, Defendant admits that paragraph 276 quotes and
22 references a portion of a document. To the extent paragraph 276 references other paragraphs of
23 the Amended Complaint, *see* Defendant's responses to those paragraphs, which are incorporated
24 herein. Defendant denies each and every other allegation in paragraph 276.

25 277. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
26 lacks sufficient information to admit or deny the allegations in paragraph 277 and, on that basis,
27 denies each and every allegation in paragraph 277.
28

1 278. Paragraph 278 contains allegations that do not reference Defendant, which require
2 no response. To the extent any response to such allegations is necessary, Defendant lacks
3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
4 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
5 lacks sufficient information to admit or deny the other allegations in paragraph 278 and, on that
6 basis, denies each and every other allegation in paragraph 278.

7 279. Paragraph 279 contains legal conclusions and/or argument, which require no
8 response. To the extent any response to such allegations is necessary, Defendant denies each and
9 every such allegation. Defendant denies each and every other allegation in paragraph 279.

10 280. Paragraph 280 contains references to documents, which require no response
11 because the referenced documents speak for themselves. To the extent any response to such
12 allegations is necessary, Defendant admits that paragraph 280 quotes and references portions of
13 documents. Defendant denies each and every other allegation in paragraph 280.

14 281. Answering paragraph 281, Defendant admits that, during at least some of the
15 relevant period, the Professional Documentation and Coding Group, also known as the Physician
16 Documentation and Coding Group, was a group of physicians from multiple regions that provided
17 advice relating to documentation and diagnosis coding. Paragraph 281 contains reference to a
18 document, which requires no response because the referenced document speaks for itself. To the
19 extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to
20 admit or deny such allegations and, on that basis, denies each and every such allegation.
21 Defendant denies each and every other allegation in paragraph 281.

22 282. Defendant denies each and every allegation in paragraph 282.

23 283. Paragraph 283 contains reference to a document, which requires no response
24 because the referenced document speaks for itself. To the extent any response to such allegations
25 is necessary, Defendant admits that paragraph 283 quotes and references a portion of a document.
26 Defendant denies each and every other allegation in paragraph 283.

1 284. Paragraph 284 contains legal conclusions and/or argument, which require no
2 response. To the extent any response to such allegations is necessary, Defendant denies each and
3 every such allegation. Defendant denies each and every allegation in paragraph 284.

4 285. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
5 lacks sufficient information to admit or deny the allegations in paragraph 285, and, on that basis,
6 denies each and every allegation in paragraph 285.

7 286. Paragraph 286 contains allegations that do not reference Defendant, which require
8 no response. To the extent any response to such allegations is necessary, Defendant lacks
9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
10 such allegation. Defendant denies each and every other allegation in paragraph 286.

11 **E. KAISER KNEW THAT ITS PRACTICES RESULTED IN THE ADDITION**
12 **OF IMPROPER DIAGNOSES TO PATIENT MEDICAL RECORDS.**

13 287. Defendant denies each and every allegation in paragraph 287.

14 **1. KAISER KNEW THAT ITS USE OF ADDENDA TO ADD RISK-**
15 **ADJUSTMENT DIAGNOSES DID NOT COMPLY WITH CMS**
16 **RULES FOR SUBMISSION OF DIAGNOSES FOR RISK-**
17 **ADJUSTMENT PAYMENT.**

18 288. Paragraph 288 contains legal conclusions and/or argument, which require no
19 response. To the extent any response to such allegations is necessary, Defendant denies each and
20 every such allegation. Defendant denies each and every other allegation in paragraph 288.

21 289. Paragraph 289 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant admits that paragraph 289 quotes and references a portion of a document.
24 Defendant denies each and every other allegation in paragraph 289.

25 290. Paragraph 290 contains reference to a document, which requires no response
26 because the referenced document speaks for itself. To the extent any response to such allegations
27 is necessary, Defendant admits that paragraph 290 quotes a portion of a document. Defendant
28 denies each and every other allegation in paragraph 290.

291. Paragraph 291 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Paragraph 291 contains references to documents, which require no response because the referenced documents speak for themselves. To the extent any response to such allegations is necessary, Defendant admits that paragraph 291 references a portion of a document; Defendant lacks sufficient knowledge to admit or deny allegations regarding “a 2011 Northern California training” and “a 2015 Northern California training,” and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 291.

292. Paragraph 292 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant admits that paragraph 292 quotes a portion of a document. Defendant denies each and every other allegation in paragraph 292.

293. Paragraph 293 contains allegations that do not reference Defendant, which require no response. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Paragraph 293 contains reference to a document, which requires no response because the referenced document speaks for itself. To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every such allegation. Defendant denies each and every other allegation in paragraph 293.

2. KAISER PUSHED FOR ADDENDA REGARDLESS OF HOW MUCH TIME HAD PASSED SINCE THE PATIENT VISIT, ESPECIALLY AT THE END OF THE YEAR.

294. Defendant denies each and every allegation in paragraph 294.

295. Paragraph 295 contains references to documents, which require no response because the referenced documents speak for themselves. To the extent any response to such allegations is necessary, Defendant admits that paragraph 295 quotes and references portions of documents. Defendant denies each and every other allegation in paragraph 295.

1 296. Paragraph 296 contains reference to a document, which requires no response
2 because the referenced document speaks for itself. To the extent any response to such allegations
3 is necessary, Defendant admits that paragraph 296 references and attempts to quote a portion of
4 the transcript of the October 1, 2020 testimony of Nancy Andersen pursuant to a Civil
5 Investigative Demand. Defendant denies each and every other allegation in paragraph 296.

6 297. Paragraph 297 contains reference to a document, which requires no response
7 because the referenced document speaks for itself. To the extent any response to such allegations
8 is necessary, Defendant admits that paragraph 297 references and attempts to quote a portion of
9 the transcript of the October 7, 2020 testimony of Janet Franklin pursuant to a Civil Investigative
10 Demand. Defendant denies each and every other allegation in paragraph 297.

11 298. Defendant denies each and every allegation in paragraph 298.

12 299. Defendant denies each and every allegation in paragraph 299.

13 300. Answering paragraph 300, Defendant admits that, from service years 2009 to
14 2018, Defendant Permanente Medical Groups' physicians, in aggregate, documented over
15 150,000 diagnoses in addenda more than 90 days after a member medical visit. Due to the non-
16 specific and vague nature of Plaintiff's allegations, Defendant lacks sufficient information to
17 admit or deny the allegation that "[m]ore than 6,000 diagnoses were added over a year after the
18 patient visit," and on that basis, denies such allegation. Defendant denies each and every other
19 allegation in paragraph 300.

20 301. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
21 lacks sufficient information to admit or deny the allegations in paragraph 301, and on that basis,
22 denies each and every allegation in paragraph 301.

23 302. Paragraph 302 contains allegations that do not reference Defendant, which require
24 no response. To the extent any response to such allegations is necessary, Defendant lacks
25 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
26 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
27 lacks sufficient information to admit or deny the other allegations in paragraph 302 and, on that
28 basis, denies each and every other allegation in paragraph 302.

1 303. Paragraph 303 contains allegations that do not reference Defendant, which require
 2 no response. To the extent any response to such allegations is necessary, Defendant lacks
 3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 4 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
 5 lacks sufficient information to admit or deny the other allegations in paragraph 303 and, on that
 6 basis, denies each and every other allegation in paragraph 303.

7 304. Paragraph 304 contains allegations that do not reference Defendant, which require
 8 no response. To the extent any response to such allegations is necessary, Defendant lacks
 9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 10 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
 11 lacks sufficient information to admit or deny the other allegations in paragraph 304 and, on that
 12 basis, denies each and every other allegation in paragraph 304.

13 305. Defendant denies each and every allegation in paragraph 305.

14 306. Answering paragraph 306, Defendant admits that, in January 2014, physicians
 15 could no longer hold medical visits for the 2013 service year. Paragraph 306 contains legal
 16 conclusions and/or argument, which require no response. To the extent any response to such
 17 allegations is necessary, Defendant denies each and every such allegation. Paragraph 306
 18 contains allegations that do not reference Defendant, which require no response. To the extent
 19 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
 20 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 306
 21 contains references to documents, which require no response because the referenced documents
 22 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 23 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
 24 every such allegation. Defendant denies each and every other allegation in paragraph 306.

25 **3. KAISER PHYSICIANS PUT KAISER ON FURTHER NOTICE OF**
 26 **FRAUDULENT DIAGNOSES.**

27 307. Defendant denies each and every allegation in paragraph 307.
 28

1 308. Paragraph 308 contains allegations that do not reference Defendant, which require
2 no response. To the extent any response to such allegations is necessary, Defendant lacks
3 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
4 such allegation. Paragraph 308 contains reference to a document, which requires no response
5 because the referenced document speaks for itself. To the extent any response to such allegations
6 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
7 basis, denies each and every such allegation. Defendant denies each and every other allegation in
8 paragraph 308.

9 309. Paragraph 309 contains allegations that do not reference Defendant, which require
10 no response. To the extent any response to such allegations is necessary, Defendant lacks
11 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
12 such allegation. Paragraph 309 contains reference to a document, which requires no response
13 because the referenced document speaks for itself. To the extent any response to such allegations
14 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
15 basis, denies each and every such allegation. Defendant denies each and every other allegation in
16 paragraph 309.

17 310. Paragraph 310 contains allegations that do not reference Defendant, which require
18 no response. To the extent any response to such allegations is necessary, Defendant lacks
19 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
20 such allegation. Paragraph 310 contains reference to a document, which requires no response
21 because the referenced document speaks for itself. To the extent any response to such allegations
22 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
23 basis, denies each and every such allegation. Defendant denies each and every other allegation in
24 paragraph 310.

25 311. Paragraph 311 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant lacks
27 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
28 such allegation. Paragraph 311 contains reference to a document, which requires no response

1 because the referenced document speaks for itself. To the extent any response to such allegations
2 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
3 basis, denies each and every such allegation. Defendant denies each and every other allegation in
4 paragraph 311.

5 312. Paragraph 312 contains allegations that do not reference Defendant, which require
6 no response. To the extent any response to such allegations is necessary, Defendant lacks
7 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
8 such allegation. Paragraph 312 contains reference to a document, which requires no response
9 because the referenced document speaks for itself. To the extent any response to such allegations
10 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
11 basis, denies each and every such allegation. Defendant denies each and every other allegation in
12 paragraph 312.

13 313. Paragraph 313 contains allegations that do not reference Defendant, which require
14 no response. To the extent any response to such allegations is necessary, Defendant lacks
15 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
16 such allegation. Paragraph 313 contains reference to a document, which requires no response
17 because the referenced document speaks for itself. To the extent any response to such allegations
18 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
19 basis, denies each and every such allegation. Defendant denies each and every other allegation in
20 paragraph 313.

21 314. Defendant denies each and every allegation in paragraph 314.

22 315. Paragraph 315 contains allegations that do not reference Defendant, which require
23 no response. To the extent any response to such allegations is necessary, Defendant lacks
24 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
25 such allegation. Paragraph 315 contains reference to a document, which requires no response
26 because the referenced document speaks for itself. To the extent any response to such allegations
27 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
28

1 basis, denies each and every such allegation. Defendant denies each and every other allegation in
2 paragraph 315.

3 316. Paragraph 316 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Defendant denies each and every other allegation in paragraph 316.

7 317. Defendant denies each and every allegation in paragraph 317.

8 318. Paragraph 318 contains allegations that do not reference Defendant, which require
9 no response. To the extent any response to such allegations is necessary, Defendant lacks
10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
11 such allegation. Paragraph 318 contains reference to a document, which requires no response
12 because the referenced document speaks for itself. To the extent any response to such allegations
13 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
14 basis, denies each and every such allegation. Defendant denies each and every other allegation in
15 paragraph 318.

16 319. Paragraph 319 contains allegations that do not reference Defendant, which require
17 no response. To the extent any response to such allegations is necessary, Defendant lacks
18 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
19 such allegation. Paragraph 319 contains reference to a document, which requires no response
20 because the referenced document speaks for itself. To the extent any response to such allegations
21 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
22 basis, denies each and every such allegation. Defendant denies each and every other allegation in
23 paragraph 319.

24 320. Paragraph 320 contains allegations that do not reference Defendant, which require
25 no response. To the extent any response to such allegations is necessary, Defendant lacks
26 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
27 such allegation. Paragraph 320 contains reference to a document, which requires no response
28 because the referenced document speaks for itself. To the extent any response to such allegations

1 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
2 basis, denies each and every such allegation. Defendant denies each and every other allegation in
3 paragraph 320.

4 321. Paragraph 321 contains allegations that do not reference Defendant, which require
5 no response. To the extent any response to such allegations is necessary, Defendant lacks
6 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
7 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
8 lacks sufficient information to admit or deny the other allegations in paragraph 321, and on that
9 basis, denies each and every other allegation in paragraph 321.

10 322. Paragraph 322 contains allegations that do not reference Defendant, which require
11 no response. To the extent any response to such allegations is necessary, Defendant lacks
12 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
13 such allegation. Paragraph 322 contains reference to a document, which requires no response
14 because the referenced document speaks for itself. To the extent any response to such allegations
15 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
16 basis, denies each and every such allegation. Defendant denies each and every other allegation in
17 paragraph 322.

18 323. Paragraph 323 contains allegations that do not reference Defendant, which require
19 no response. To the extent any response to such allegations is necessary, Defendant lacks
20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
21 such allegation. Paragraph 323 contains reference to a document, which requires no response
22 because the referenced document speaks for itself. To the extent any response to such allegations
23 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
24 basis, denies each and every such allegation. Defendant denies each and every other allegation in
25 paragraph 323.

1 **4. KAISER'S INTERNAL AUDITS PUT KAISER ON FURTHER**
2 **NOTICE OF FRAUDULENT DIAGNOSES.**

3 324. Paragraph 324 contains legal conclusions and/or argument, which require no
4 response. To the extent any response to such allegations is necessary, Defendant admits that
5 paragraph 324 quotes and references 42 C.F.R. § 422.503(b)(4)(vi) and 422.503(b)(4)(vi)(G).
6 Defendant denies each and every other allegation in paragraph 324.

7 325. Paragraph 325 contains legal conclusions and/or argument, which require no
8 response. To the extent any response to such allegations is necessary, Defendant admits that
9 paragraph 325 references and attempts to quote 42 C.F.R. § 422.503(b)(4)(vi)(G). Defendant
10 denies each and every allegation in paragraph 325.

11 326. Defendant denies each and every allegation in paragraph 326.

12 327. Answering paragraph 327, Defendant admits that, during at least some of the
13 relevant period, at least two teams within Defendant's NCO were directly involved in audit
14 functions. Paragraph 327 contains reference to a document, which requires no response because
15 the referenced document speaks for itself. To the extent any response to such allegations is
16 necessary, Defendant admits that paragraph 327 quotes a portion of a document. Defendant
17 denies each and every other allegation in paragraph 327.

18 328. Answering paragraph 328, Defendant admits that, during at least some of the
19 relevant period, the Government Audit & Reimbursement Team conducted annual audits of
20 Defendant regions, called "probe" audits. Paragraph 328 contains reference to a document, which
21 requires no response because the referenced document speaks for itself. To the extent any
22 response to such allegations is necessary, Defendant admits that paragraph 328 quotes and
23 references a portion of a document. Defendant denies each and every other allegation in
24 paragraph 328.

25 329. Paragraph 329 contains reference to a document, which requires no response
26 because the referenced document speaks for itself. To the extent any response to such allegations
27 is necessary, Defendant admits that paragraph 329 quotes and references a portion of a document.
28 Defendant denies each and every other allegation in paragraph 329.

1 330. Paragraph 330 contains reference to a document, which requires no response
2 because the referenced document speaks for itself. To the extent any response to such allegations
3 is necessary, Defendant admits that paragraph 330 quotes a portion of a document. Defendant
4 denies each and every other allegation in paragraph 330.

5 331. Answering paragraph 331, Defendant admits that the “Northern California
6 Region 2013 Medicare Advantage Data Validation Targeted HCC Probe Audit” was submitted by
7 Janet Franklin (then Manager, Compliance Strategy, NCO, KFHP) and distributed to certain
8 employees of Defendant and TPMG. Defendant denies each and every other allegation in
9 paragraph 331.

10 332. Paragraph 332 contains reference to a document, which requires no response
11 because the referenced document speaks for itself. To the extent any response to such allegations
12 is necessary, Defendant admits that paragraph 332 quotes a portion of a document. Defendant
13 denies each and every other allegation in paragraph 332.

14 333. Answering paragraph 333, Defendant admits that the “Northern California
15 Region 2014 Medicare Advantage Data Validation Targeted HCC Probe Audit” was submitted by
16 Janet Franklin and distributed to certain employees of Defendant and TPMG. Defendant denies
17 each and every other allegation in paragraph 333.

18 334. Paragraph 334 contains allegations that do not reference Defendant, which require
19 no response. To the extent any response to such allegations is necessary, Defendant lacks
20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
21 such allegation. Defendant denies each and every other allegation in paragraph 334.

22 335. Paragraph 335 contains allegations that do not reference Defendant, which require
23 no response. To the extent any response to such allegations is necessary, Defendant lacks
24 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
25 such allegation. Defendant denies each and every other allegation in paragraph 335.

26 336. Paragraph 336 contains allegations that do not reference Defendant, which require
27 no response. To the extent any response to such allegations is necessary, Defendant lacks
28

1 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
2 such allegation. Defendant denies each and every other allegation in paragraph 336.

3 337. Paragraph 337 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Defendant denies each and every other allegation in paragraph 337.

7 338. Paragraph 338 contains allegations that do not reference Defendant, which require
8 no response. To the extent any response to such allegations is necessary, Defendant lacks
9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
10 such allegation. Defendant denies each and every other allegation in paragraph 338.

11 339. Answering paragraph 339, Defendant admits that in 2017, Defendant's NCO
12 created a corrective action plan for AA that covered multiple regions. Paragraph 339 contains
13 reference to a document, which requires no response because the referenced document speaks for
14 itself. To the extent any response to such allegations is necessary, Defendant admits that
15 paragraph 339 quotes a portion of a document. Defendant denies each and every other allegation
16 in paragraph 339.

17 340. Paragraph 340 contains reference to a document, which requires no response
18 because the referenced document speaks for itself. To the extent any response to such allegations
19 is necessary, Defendant admits that paragraph 340 quotes a portion of a document. Defendant
20 denies each and every other allegation in paragraph 340.

21 341. Answering paragraph 341, Defendant admits that the "Southern California
22 Region 2012 Medicare Advantage Data Validation Targeted HCC Probe Audit" was submitted by
23 Janet Franklin and distributed to certain employees of Defendant and SCPMG. Defendant denies
24 each and every other allegation in paragraph 341.

25 342. Answering paragraph 342, Defendant admits that, in response to the "Northern
26 California Region 2013 Medicare Advantage Data Validation Targeted HCC Probe Audit," the
27 "Northern California Region 2014 Medicare Advantage Data Validation Targeted HCC Probe
28 Audit," and the "Southern California Region 2012 Medicare Advantage Data Validation Targeted

1 HCC Probe Audit,” Defendant’s employees transmitted to CMS deletions for the specific
2 diagnosis codes identified in those audits as discrepant codes. Defendant denies each and every
3 other allegation in paragraph 342.

4 343. Paragraph 343 contains reference to a document, which requires no response
5 because the referenced document speaks for itself. To the extent any response to such allegations
6 is necessary, Defendant admits that paragraph 343 quotes and references a portion of a
7 document. Defendant denies each and every other allegation in paragraph 343.

8 344. Paragraph 344 contains allegations that do not reference Defendant, which require
9 no response. To the extent any response to such allegations is necessary, Defendant lacks
10 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
11 such allegation. Paragraph 344 contains reference to a document, which requires no response
12 because the referenced document speaks for itself. To the extent any response to such allegations
13 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
14 basis, denies each and every such allegation. Defendant denies each and every other allegation in
15 paragraph 344.

16 345. Defendant denies each and every allegation in paragraph 345.

17 346. Paragraph 346 contains allegations that do not reference Defendant, which require
18 no response. To the extent any response to such allegations is necessary, Defendant lacks
19 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
20 such allegation. Paragraph 346 contains reference to a document, which requires no response
21 because the referenced document speaks for itself. To the extent any response to such allegations
22 is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
23 basis, denies each and every such allegation. Defendant denies each and every other allegation in
24 paragraph 346.

25 347. Paragraph 347 contains allegations that do not reference Defendant, which require
26 no response. To the extent any response to such allegations is necessary, Defendant lacks
27 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
28 such allegation. To the extent paragraph 347 references other paragraphs of the Amended

1 Complaint, *see* Defendant's responses to those paragraphs, which are incorporated herein.

2 Defendant denies each and every other allegation in paragraph 347.

3 348. Paragraph 348 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Defendant denies each and every other allegation in paragraph 348.

7 349. Paragraph 349 contains allegations that do not reference Defendant, which require
8 no response. To the extent any response to such allegations is necessary, Defendant lacks
9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
10 such allegation. Defendant denies each and every other allegation in paragraph 349.

11 350. Answering paragraph 350, Defendant admits that, during at least some of the
12 relevant period, Defendant's employees, including employees of Defendant's NMF department,
13 knew that TPMG's employees used a data mining algorithm for cachexia. Defendant denies each
14 and every allegation in paragraph 350.

15 351. Answering paragraph 351, Defendant admits that, in 2013, an employee of
16 Defendant's NCO expressed concern that a Medicare Query template being used by employees in
17 the Colorado region might be interpreted as leading by CMS. Defendant denies each and every
18 other allegation in paragraph 351.

19 352. Answering paragraph 352, Defendant admits that, in 2013, Dr. Teresa Welsh gave
20 a presentation regarding chart review and query activities in the Colorado region to employees of
21 other Defendants at a semi-annual meeting of the RRG. Paragraph 352 contains allegations that
22 do not reference Defendant, which require no response. To the extent any response to such
23 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
24 and, on that basis, denies each and every such allegation. Defendant denies each and every other
25 allegation in paragraph 352.

26 353. Paragraph 353 contains reference to a document, which requires no response
27 because the referenced document speaks for itself. To the extent any response to such allegations
28

1 is necessary, Defendant admits that paragraph 353 quotes and references a portion of a document.
2 Defendant denies each and every other allegation in paragraph 353.

3 354. Paragraph 354 contains allegations that do not reference Defendant, which require
4 no response. To the extent any response to such allegations is necessary, Defendant lacks
5 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
6 such allegation. Paragraph 354 contains reference to a document, which requires no response
7 because the referenced document speaks for itself. To the extent any response to such allegations
8 is necessary, Defendant admits that paragraph 354 quotes and references a portion of a document.
9 Defendant denies each and every other allegation in paragraph 354.

10 355. Defendant denies each and every allegation in paragraph 355.

11 356. Answering paragraph 356, Defendant admits that Defendant transmitted to CMS
12 an ICD diagnosis code for emphysema for Patient #11 for service year 2013. Paragraph 356
13 contains legal conclusions and/or argument, which require no response. To the extent any
14 response to such allegations is necessary, Defendant denies each and every such allegation.
15 Paragraph 356 contains allegations that do not reference Defendant, which require no response.
16 To the extent any response to such allegations is necessary, Defendant lacks sufficient knowledge
17 to admit or deny such allegations and, on that basis, denies each and every such allegation.
18 Paragraph 356 contains references to documents, which require no response because the
19 referenced documents speak for themselves. To the extent any response to such allegations is
20 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
21 basis, denies each and every such allegation. To the extent paragraph 356 references other
22 paragraphs of the Amended Complaint, *see* Defendant's responses to those paragraphs, which are
23 incorporated herein. Defendant denies each and every other allegation in paragraph 356.

24 357. Answering paragraph 357, Defendant admits that Defendant transmitted to CMS a
25 deletion for the ICD diagnosis code for emphysema for Patient #11 for service year 2013 on April
26 29, 2015. Paragraph 357 contains legal conclusions and/or argument, which require no response.
27 To the extent any response to such allegations is necessary, Defendant denies each and every such
28 allegation. Paragraph 357 contains allegations that do not reference Defendant, which require no

1 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
 2 knowledge to admit or deny such allegations and, on that basis, denies each and every such
 3 allegation. Defendant denies each and every other allegation in paragraph 357.

4 358. Defendant denies each and every allegation in paragraph 358.

5 **VIII. KAISER RECEIVED MONEY FROM MEDICARE BASED ON THE**
 6 **PRESENTATION OF FALSE CLAIMS.**

7 359. Paragraph 359 contains allegations that do not reference Defendant, which require
 8 no response. To the extent any response to such allegations is necessary, Defendant lacks
 9 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 10 such allegation. Due to the non-specific and vague nature of Plaintiff's allegations, Defendant
 11 lacks sufficient information to admit or deny the other allegations in paragraph 359 and, on that
 12 basis, denies each and every other allegation in paragraph 359.

13 360. Answering paragraph 360, Defendant admits that, for service years 2009 to 2018:
 14 there are over 1,600 physicians employed at Defendant Permanente Medical Groups, in
 15 aggregate, that documented over 100 diagnoses in addenda; there are over two dozen physicians
 16 at Defendant Permanente Medical Groups, in aggregate, that documented over 500 diagnoses in
 17 addenda. Defendant denies each and every other allegation in paragraph 360.

18 361. Paragraph 361 contains legal conclusions and/or argument, which require no
 19 response. To the extent any response to such allegations is necessary, Defendant denies each and
 20 every such allegation. Defendant denies each and every allegation in paragraph 361.

21 362. Paragraph 362 contains legal conclusions and/or argument, which require no
 22 response. To the extent any response to such allegations is necessary, Defendant denies each and
 23 every such allegation. Defendant denies each and every other allegation in paragraph 362.

24 363. Paragraph 363 contains legal conclusions and/or argument, which require no
 25 response. To the extent any response to such allegations is necessary, Defendant denies each and
 26 every such allegation. Defendant denies each and every other allegation in paragraph 363.

1 **A. PATIENT #1**

2 364. Answering paragraph 364, Defendant admits that Defendant transmitted to CMS
 3 an ICD diagnosis code for AA for Patient #1 for service year 2012. Paragraph 364 contains legal
 4 conclusions and/or argument, which require no response. To the extent any response to such
 5 allegations is necessary, Defendant denies each and every such allegation. Paragraph 364
 6 contains allegations that do not reference Defendant, which require no response. To the extent
 7 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
 8 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 364
 9 contains references to documents, which require no response because the referenced documents
 10 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 11 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
 12 every such allegation. Defendant denies each and every other allegation in paragraph 364.

13 **B. PATIENT #2**

14 365. Answering paragraph 365, Defendant admits that Defendant transmitted to CMS
 15 ICD diagnosis codes for AA, emphysema, and active prostate cancer for Patient #2 for service
 16 year 2012. Paragraph 365 contains legal conclusions and/or argument, which require no
 17 response. To the extent any response to such allegations is necessary, Defendant denies each and
 18 every such allegation. Paragraph 365 contains allegations that do not reference Defendant, which
 19 require no response. To the extent any response to such allegations is necessary, Defendant lacks
 20 sufficient knowledge to admit or deny such allegations and, on that basis, denies each and every
 21 such allegation. Paragraph 365 contains references to documents, which require no response
 22 because the referenced documents speak for themselves. To the extent any response to such
 23 allegations is necessary, Defendant lacks sufficient knowledge to admit or deny such allegations
 24 and, on that basis, denies each and every such allegation. Defendant denies each and every other
 25 allegation in paragraph 365.

26 **C. PATIENT #3**

27 366. Answering paragraph 366, Defendant admits that Defendant transmitted to CMS
 28 ICD diagnosis codes for AA, morbid (severe) obesity, diabetes with other specified

1 manifestations, and colostomy status for Patient #3 for service year 2013. Paragraph 366 contains
 2 legal conclusions and/or argument, which require no response. To the extent any response to
 3 such allegations is necessary, Defendant denies each and every such allegation. Paragraph 366
 4 contains allegations that do not reference Defendant, which require no response. To the extent
 5 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
 6 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 366
 7 contains references to documents, which require no response because the referenced documents
 8 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 9 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
 10 every such allegation. Defendant denies each and every other allegation in paragraph 366.

11 **D. PATIENT #4**

12 367. Answering paragraph 367, Defendant admits that Defendant transmitted an ICD
 13 diagnosis code for history of myocardial infarction for Patient #4 for service year 2013.
 14 Paragraph 367 contains legal conclusions and/or argument, which require no response. To the
 15 extent any response to such allegations is necessary, Defendant denies each and every such
 16 allegation. Paragraph 367 contains allegations that do not reference Defendant, which require no
 17 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
 18 knowledge to admit or deny such allegations and, on that basis, denies each and every such
 19 allegation. Paragraph 367 contains references to documents, which require no response because
 20 the referenced documents speak for themselves. To the extent any response to such allegations is
 21 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 22 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 23 paragraph 367.

24 **E. PATIENT #5**

25 368. Answering paragraph 368, Defendant admits that Defendant transmitted to CMS
 26 an ICD diagnosis code for purpura, not otherwise specified, for Patient #5 for service year 2014.
 27 Paragraph 368 contains legal conclusions and/or argument, which require no response. To the
 28 extent any response to such allegations is necessary, Defendant denies each and every such

1 allegation. Paragraph 368 contains allegations that do not reference Defendant, which require no
 2 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
 3 knowledge to admit or deny such allegations and, on that basis, denies each and every such
 4 allegation. Paragraph 368 contains references to documents, which require no response because
 5 the referenced documents speak for themselves. To the extent any response to such allegations is
 6 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 7 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 8 paragraph 368.

9 **F. PATIENT #6**

10 369. Answering paragraph 369, Defendant admits that Defendant transmitted to CMS
 11 an ICD diagnosis code for major depression, recurrent, for Patient #6 for service year 2014.
 12 Paragraph 369 contains legal conclusions and/or argument, which require no response. To the
 13 extent any response to such allegations is necessary, Defendant denies each and every such
 14 allegation. Paragraph 369 contains allegations that do not reference Defendant, which require no
 15 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
 16 knowledge to admit or deny such allegations and, on that basis, denies each and every such
 17 allegation. Paragraph 369 contains references to documents, which require no response because
 18 the referenced documents speak for themselves. To the extent any response to such allegations is
 19 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that
 20 basis, denies each and every such allegation. Defendant denies each and every other allegation in
 21 paragraph 369.

22 **G. PATIENT #7**

23 370. Answering paragraph 370, Defendant admits that Defendant transmitted to CMS
 24 an ICD diagnosis code for AA for Patient #7 for service year 2014. Paragraph 370 contains legal
 25 conclusions and/or argument, which require no response. To the extent any response to such
 26 allegations is necessary, Defendant denies each and every such allegation. Paragraph 370
 27 contains allegations that do not reference Defendant, which require no response. To the extent
 28 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or

1 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 370
 2 contains references to documents, which require no response because the referenced documents
 3 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 4 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
 5 every such allegation. Defendant denies each and every other allegation in paragraph 370.

6 **H. PATIENT #8**

7 371. Answering paragraph 371, Defendant admits that Defendant transmitted to CMS
 8 an ICD diagnosis code for AA for Patient #8 for service year 2014. Paragraph 371 contains legal
 9 conclusions and/or argument, which require no response. To the extent any response to such
 10 allegations is necessary, Defendant denies each and every such allegation. Paragraph 371
 11 contains allegations that do not reference Defendant, which require no response. To the extent
 12 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
 13 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 371
 14 contains references to documents, which require no response because the referenced documents
 15 speak for themselves. To the extent any response to such allegations is necessary, Defendant
 16 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
 17 every such allegation. Defendant denies each and every other allegation in paragraph 371.

18 **I. PATIENT #9**

19 372. Answering paragraph 372, Defendant admits that Defendant transmitted to CMS
 20 an ICD diagnosis code for code for hypogammaglobinemia for Patient #9 for service year 2014.
 21 Paragraph 372 contains legal conclusions and/or argument, which require no response. To the
 22 extent any response to such allegations is necessary, Defendant denies each and every such
 23 allegation. Paragraph 372 contains allegations that do not reference Defendant, which require no
 24 response. To the extent any response to such allegations is necessary, Defendant lacks sufficient
 25 knowledge to admit or deny such allegations and, on that basis, denies each and every such
 26 allegation. Paragraph 372 contains references to documents, which require no response because
 27 the referenced documents speak for themselves. To the extent any response to such allegations is
 28 necessary, Defendant lacks sufficient knowledge to admit or deny such allegations and, on that

1 basis, denies each and every such allegation. Defendant denies each and every other allegation in
2 paragraph 372.

3 **J. PATIENT #10**

4 373. Answering paragraph 373, Defendant admits that Defendant transmitted to CMS
5 an ICD diagnosis code for cachexia for Patient #10 for service year 2014. Paragraph 373 contains
6 legal conclusions and/or argument, which require no response. To the extent any response to
7 such allegations is necessary, Defendant denies each and every such allegation. Paragraph 373
8 contains allegations that do not reference Defendant, which require no response. To the extent
9 any response to such allegations is necessary, Defendant lacks sufficient knowledge to admit or
10 deny such allegations and, on that basis, denies each and every such allegation. Paragraph 373
11 contains references to documents, which require no response because the referenced documents
12 speak for themselves. To the extent any response to such allegations is necessary, Defendant
13 lacks sufficient knowledge to admit or deny such allegations and, on that basis, denies each and
14 every such allegation. Defendant denies each and every other allegation in paragraph 373.

15 374. Paragraph 374 contains legal conclusions and/or argument, which require no
16 response. To the extent any response to such allegations is necessary, Defendant denies each and
17 every such allegation. Defendant denies each and every allegation in paragraph 374.

18 375. Defendant denies each and every allegation in paragraph 375.

19 376. Paragraph 376 contains legal conclusions and/or argument, which require no
20 response. To the extent any response to such allegations is necessary, Defendant denies each and
21 every such allegation. Defendant denies each and every allegation in paragraph 376.

22 **IX. CAUSES OF ACTION**

23 **FIRST CLAIM FOR RELIEF**

24 **False Claims Act: Presenting or Causing to be Presented False Claims**

25 **31 U.S.C. § 3729(a)(1)(A) (formerly 31 U.S.C. § 3729(a)(1))**

26 377. Answering paragraph 377, Defendant reasserts its answers to the above paragraphs
27 as if fully set forth herein.
28

379. Paragraph 379 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 379.

380. Paragraph 380 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 380.

381. Paragraph 381 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 381.

False Claims Act: Making or Using False Records or Statements

382. Answering paragraph 382, Defendant reasserts its answers to the above paragraphs as if fully set forth herein.

383. Paragraph 383 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 383.

384. Paragraph 384 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 384.

385. Paragraph 385 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 385.

THIRD CLAIM FOR RELIEF

Conspiracy to Violate the False Claims Act

31 U.S.C. § 3729(a)(1)(C) (formerly 31 U.S.C. § 3729(a)(3))

386. Answering paragraph 386, Defendant reasserts its answers to the above paragraphs as if fully set forth herein.

387. Paragraph 387 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 387.

388. Paragraph 388 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 388.

FOURTH CLAIM FOR RELIEF

Payment by Mistake

389. Answering paragraph 389, Defendant reasserts its answers to the above paragraphs as if fully set forth herein.

390. Paragraph 390 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 390.

391. Paragraph 391 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 391.

FIFTH CLAIM FOR RELIEF

Unjust Enrichment

392. Answering paragraph 392, Defendant reasserts its answers to the above paragraphs as if fully set forth herein.

393. Paragraph 393 contains legal conclusions and/or argument, which require no response. To the extent any response to such allegations is necessary, Defendant denies each and every such allegation. Defendant denies each and every other allegation in paragraph 393.

1 394. Paragraph 394 contains legal conclusions and/or argument, which require no
2 response. To the extent any response to such allegations is necessary, Defendant denies each and
3 every such allegation. Defendant denies each and every other allegation in paragraph 394.

4 **X. PRAYER FOR RELIEF**

5 395. Answering the Prayer for Relief, Defendant denies that Plaintiff is entitled to the
6 relief it seeks in this paragraph.

7 **XI. DEMAND FOR JURY TRIAL**

8 396. The Demand for Jury Trial contains legal conclusions and/or argument, which
9 require no response. To the extent any response to such allegations is necessary, Defendant
10 denies each and every allegation.

11 **AFFIRMATIVE DEFENSES**

12 397. A person liable under the False Claims Act “is liable to the United States
13 Government for civil penalties of not less than \$5,000 and not more than \$10,000 [as adjusted for
14 inflation], plus 3 times the amount of damages which the Government sustains because of the act
15 of that person.” 31 U.S.C. § 3729(a)(1). The United States seeks hundreds of millions of dollars
16 in damages, which are subject to trebling if awarded. *See* U.S. Am. Compl. ¶ 13 (alleging
17 “Kaiser improperly obtained and retained hundreds of millions of dollars in risk-adjustment
18 payments from CMS”). In addition, the United States contends that each diagnosis code at issue
19 is a claim for payment, such that each allegedly false diagnosis code could result in mandatory
20 civil penalties ranging from \$5,000 to \$10,000.² While the United States has not yet disclosed in
21 discovery all of the diagnosis codes that it may allege are false, Defendant alleges that hundreds
22 of thousands of diagnosis codes may be at issue. Accordingly, upon information and belief,
23 Defendant alleges that the civil penalties and damages that the United States seeks would result in
24 an unconstitutionally excessive fine under the Eighth Amendment to the United States
25 Constitution because any award would be grossly disproportional to the gravity of Defendant’s
26 offense, if any.

27
28 ² Defendant reserves its right to contest later in the case whether diagnosis codes constitute claims for payment within the meaning of 31 U.S.C. § 3729(b)(2).

1 398. Defendant contends that, for at least some of the relevant time period at issue in
2 the United States' Amended Complaint-in-Intervention, through Risk Adjustment Data
3 Validation audits, CMS reviewed and verified the types of diagnosis codes that the United States
4 now alleges are false in its Amended Complaint-in-Intervention. Defendant contends that, as
5 early as 2003, CMS also has stated that healthcare provider documentation of a diagnosis in the
6 beneficiary's medical record is acceptable support for submission of diagnosis codes to CMS
7 under Medicare Part C, even though the United States' Amended Complaint-in-Intervention
8 challenges submission of diagnosis codes to CMS where a healthcare provider has documented in
9 the medical record the diagnosis at issue. Accordingly, upon information and belief, Defendant
10 asserts that through its actions and omissions, the United States ratified, or otherwise consented
11 to, transactions and occurrences that are the subject of this action.

12 399. The United States did not take reasonable steps to notify Defendant that the United
13 States disagreed with Defendant's interpretation of Section IV.K of the ICD-9 Guidelines and
14 Section IV.J of the ICD-10 Guidelines (the "Contested Provision") and that the United States
15 believed that Defendant was improperly presenting diagnosis codes to CMS based on that
16 disputed interpretation. Defendant alleges that CMS knew of Defendant's interpretation and
17 application of the Contested Provision through communications between representatives of CMS
18 and representatives of Defendant about its risk-adjustment data submissions and CMS's Risk
19 Adjustment Data Validation ("RADV") audits, through which CMS reviewed and verified
20 diagnoses coded consistent with Defendant's interpretation of the Contested Provision.
21 Defendant alleges that the United States knew that other Medicare Advantage Organizations also
22 held the same interpretation of the Contested Provision as Defendant, including through
23 communications with Medicare Advantage Organizations about their risk-adjustment programs
24 and CMS's RADV audits, through which CMS reviewed and verified diagnoses coded consistent
25 with Defendant's interpretation of the Contested Provision. Through such RADV audits and
26 communications with Defendant and other industry participants about risk-adjustment data
27 submissions, the United States affirmed Defendant's interpretation and application of the
28 Contested Provision during the period at issue in this case. Accordingly, even if Defendant's

1 interpretation of the Contested Provision is proven to be incorrect, Defendant is not liable to the
 2 extent that the United States failed to take adequate measures to mitigate its damages.

3 400. In the alternative to the ratification and failure-to-mitigate defenses above,
 4 Defendant alleges that CMS was aware of Defendant's risk-adjustment practices and similar
 5 practices by other industry participants through auditing activity and interactions with Medicare
 6 Advantage Organizations in its role administering the Medicare Advantage program. Defendant
 7 alleges that CMS knew of Defendant's interpretation and application of the Contested Provision
 8 through communications between representatives of CMS and representatives of Defendant about
 9 its risk-adjustment data submissions and CMS's RADV audits, through which CMS reviewed and
 10 verified diagnoses coded consistent with Defendant's interpretation of the Contested Provision.
 11 Even though CMS knew how Defendant and others in the industry interpreted and applied the
 12 Contested Provision, and even though CMS received repeated requests to clarify how to interpret
 13 and apply the Contested Provision, CMS persistently refused to provide clear guidance to
 14 Defendant and other Medicare Advantage Organizations about the correct way to interpret the
 15 Contested Provision. Defendant relied on these acts and/or omissions by CMS in conducting its
 16 risk-adjustment activities and in interpreting the ICD Guidelines, which the United States now
 17 challenges in its Amended Complaint-in-Intervention. Accordingly, even if Defendant's
 18 interpretation of the Contested Provision is proven to be incorrect, the United States' claims for
 19 relief are barred, in whole or in part, by the doctrine of estoppel.

20 401. During the period at issue in the Amended Complaint-in-Intervention, the
 21 American Health Information Management Association ("AHIMA") was a private professional
 22 organization that, among other things, issued guidance on diagnosis coding practices, including
 23 about physician query practices. This guidance was updated from time to time. Defendant never
 24 agreed to comply with AHIMA guidance in any binding contract with the United States, nor did
 25 any statutes or regulations require Defendant to comply with AHIMA guidance. The United
 26 States nonetheless alleges that "the queries Kaiser sent to physicians frequently ran afoul of the
 27 standards set by AHIMA[.]" U.S. Am. Compl. ¶ 217. The American Hospital Association
 28 ("AHA") is a private professional organization that represents hospitals, healthcare systems, and

1 other healthcare organizations. During the period at issue in the Amended Complaint-in-
 2 Intervention, AHA provided public and private guidance regarding the interpretation of the ICD
 3 Guidelines, including the Contested Provision, which states as follows: “Code all documented
 4 conditions that coexist at the time of the encounter/visit, and require or affect patient care
 5 treatment or management. Do not code conditions that were previously treated and no longer
 6 exist. However, history codes (categories Z80- Z87) may be used as secondary codes if the
 7 historical condition or family history has an impact on current care or influences treatment.”
 8 Defendant never agreed to comply with AHA guidance in any binding contract with the United
 9 States, nor did any statutes or regulations require Defendant to comply with AHA guidance.
 10 Upon information and belief, the United States will argue that Defendant violated AHA’s
 11 guidance regarding the ICD Guidelines. To the extent that the United States premises its claims
 12 for relief on allegations that Defendant violated guidance or an interpretation of guidance issued
 13 by a private, non-governmental entity, such as AHIMA or AHA, the United States’ claims for
 14 relief are barred by the nondelegation doctrine.

15
 16
 17 Dated: September 11, 2023

Respectfully submitted,

18 By: /s/ K. Lee Blalack, II

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