Financial Audits

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CMS
CENTERS FOR MEDICARE & MEDICAID SERVICES

Today's Objectives

- Provide overview of the 1/3 financial audit process
- Provide examples of audit findings
- Answer any questions and concerns

Polling Question

Is a Chevy Corvette an allowable Medicare expense on the Part D bid?

Audit Background

- Important internal control feature over Medicare Part C and Part D programs
  - Annual payments over $200 billion
- 2nd year of financial audits for PACE organizations
  - 1st year 33 audits for contract year 2013
  - 2nd year 43 audits for contract year 2014/2015

Audit Objectives (Management's Assertions)

1. Determine the accuracy of prescription drug event (PDE) and direct and indirect remuneration (DIR) data included in the Part D payment reconciliation
2. Determine the accuracy of base year experience reported on the Part D bid
3. Determine whether there are sufficient internal controls over Medicare payments for drug benefits
4. Determine whether the Plan has met solvency requirements

Types of Audit Results/Opinions

1. Unqualified – “Clean Audit” - No findings – management’s assertions are accurate. Maybe some less significant issues identified (observations)
2. Qualified – Management’s assertions are accurate except for the findings identified
3. Adverse – Management’s assertions are not accurate
4. Scope Disclaimer – Auditors can not issue an opinion on management’s assertions

Historic Financial Audit Results

Type of Opinion	CY 2006	CY 2007	CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013
Unqualified	33%	29%	32%	34%	53%	49%	57.60%	27%
Qualified	43%	55%	63%	65%	45%	51%	42%	72%
Disclaimer	16%	11%	2%	1%	0%	0%	0%	0%
Adverse	8%	5%	3%	0%	2%	0%	0.40%	1%

Audit Process: Selection & Notification

How are plans selected for audit and notified?

- CMS selects at least 1/3 of Part D entities based on certain risk factors
- Prior to the audit, plans are notified via an HPMS email of the audit (Health Plan Management System)
- Plans receive 2nd HPMS email prior to the audit stating which CPA firm is conducting the audit
- CPA firms contact plans to coordinate the audit

Audit Process: During the Audit

- Plans receive initial document request list and test samples
  - Extremely important for Plan or its Pharmacy Benefit Manager (PBM) to provide test documentation in a timely manner
  - Plans requested to sign an assertion letter

Audit Process: During the Audit (cont.)

- More documentation provided in advance – less time required on site
- Auditors conduct a site visit at PO (entrance conference) / Pharmacy Benefit Manager (PBM) site visit
- Approximately sixty days after entrance conference, an exit conference will occur to discuss any issues to date, open items, audit findings, disagreements, etc.

Audit Process: After the Audit

- Approximately 30 days after exit conference, draft report is issued to CMS
- Plans are asked to agree/disagree with findings
- Plans are asked to sign a management representation letter
- Plans are notified via HPMS email that the audit report is available for viewing/download

Audit Closeout and Corrective Action Plans (CAPS)

- Unqualified Audits
  - Audits are closed and no formal follow up action required
  - Any observations are expected to be corrected

Audit Closeout and Corrective Action Plans (CAPS) (cont.)

- Qualified Audits
  - Corrective Action Plan is required to address the findings
  - Errors should be corrected and submitted to CMS (e.g. PDE resubmission, updated DIR report)
  - Observations should be corrected
- Adverse or Scope Disclaimer
  - CMS compliance unit will contact the plan regarding corrective action – a follow-up audit may be required

Civil Money Penalties (CMP)

- Beginning in contract year 2015, any issue that impacts a beneficiary is subject to review for a CMP
- PACE organizations may be asked to conduct a beneficiary impact analysis
- Issues that impact a beneficiary are forwarded to CMS' compliance unit for review
- CMS compliance unit will contact PO regarding any beneficiary impact issues

Audit Findings

- PDE Errors
  - Duplicates and refill too soon
  - Part A or B drugs
  - Pharmacy dispensing fees

Audit Findings (cont.)

- Unallowable non-benefit expenses on bid
- True Out of Pocket Costs (TrOOP)
- Coordination of Benefits – Annual COB file
- Monitoring Pharmacy Benefit Manager (PBM)
- Drug Manufacture Rebates – Direct and Indirect Remuneration (DIR)

Points of Contact

- MAPDAudits@cms.hhs.gov
  - All general questions regarding 1/3 financial audits

- Division of Capitated Plan Audits (DCPA contacts)
  - Amando.Virata@cms.hhs.gov Auditor
  - Frank.Chartier@cms.hhs.gov Deputy Director