



# **2018 Programs of All-Inclusive Care for the Elderly (PACE) Audit Process Overview**

Medicare Parts C and D  
Oversight and Enforcement Group

Division of Analysis, Policy and Strategy

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## Table of Contents

<b>I.</b>	<b>Executive Summary – 2018 PACE Audit Process Timeline</b> .....	3
<b>II.</b>	<b>Background</b> .....	4
<b>III.</b>	<b>Summary of Audit Phases</b> .....	4
	1. <i>Audit Engagement and Universe Submission</i> .....	4
	2. <i>Audit Field Work</i> .....	5
	3. <i>Audit Reporting</i> .....	5
	4. <i>Audit Monitoring and Close Out</i> .....	6

# I. Executive Summary – 2018 PACE Audit Process Timeline

Audit Engagement and  
Universe Submission  
Weeks 1 - 6

- **Engagement Letter** - CMS notification to PACE Organizations of audit selection; identification of audit scope and logistics; and instructions for PACE Organizations audit document submissions
- **Universe Submission** – PACE Organization submission of requested universes to CMS
- **Audit Sample Selection** – CMS selects samples of cases to be tested during field work

Audit Field  
Work  
Weeks 7 - 8

- **Entrance Conference** - Discussion of CMS audit objectives and expectations; PACE Organization voluntary presentation on organization
- **Week 1 Webinar/ Desk Review** - CMS testing of sample cases systems via desk review of samples cases or live webinar review with the PACE Organization
- **Week 2 Onsite Audit** – CMS testing of remaining audit elements; PACE Organization submission of supplemental documentation (screenshots, etc.); CMS documentation analysis
- **Exit Conference** - CMS review and discussion of preliminary conditions with PACE Organization

Audit Reporting  
Weeks 9 - 21

- **Notification of Immediate Corrective Action Required (ICAR) conditions (as applicable)** - CMS notification to PACE Organization of any conditions requiring immediate corrective action; PACE Organization ICAR Corrective Action Plan (CAP) submission within 3 business days
- **Draft Report Issuance** - Inclusive of condition classification and audit score to PACE Organization approximately 60 calendar days after exit conference
- **PACE Organization Response to Draft Report** – PACE Organization submission of comments to draft report within 10 business days of draft report receipt
- **Final Report Issuance** - With CMS responses to PACE Organization’s comments and updated audit score (*if applicable*). Target issuance within 15 days after receipt of PACE Organization comments to draft report

Audit Monitoring  
and Close Out  
Weeks 22 - 48

- **PACE Organization CAP Submission** – PACE Organization submission of CAP within 30 calendar days of final report issuance
- **CMS Review and Acceptance of CAP** - CMS performance of CAP reasonableness review and notification to PACE Organization of acceptance or need for revision
- **CAP Monitoring Period** – CMS monitors the PACE Organization to ensure implementation of the accepted CAP
- **Audit Close Out** - CMS evaluation of CAP implementation to determine if conditions are corrected; if so, CMS issuance of an audit close out letter to PACE Organization

## II. Background

The Medicare Parts C and D Oversight and Enforcement Group (MOEG) is the Group within the Centers for Medicare & Medicaid Services (CMS) responsible for creating and administering the federal audit strategy for the Programs of All-Inclusive Care for the Elderly (PACE) audits. MOEG oversees, coordinates, and conducts the audits of all PACE Organizations (POs). These audits measure a PO's compliance with the terms of its contract with CMS, in particular, the regulatory requirements associated with access to services, drugs, and other protections required by Medicare.

This document outlines the audit process for 2018. CMS generally sends engagement letters to initiate audits beginning January 2018 through September 2018. Engagement letters for unscheduled audits may be sent at any time throughout the year.

## III. Summary of Audit Phases

The PACE audit consists of four phases:

- 1) Audit Engagement and Universe Submission
- 2) Audit Field work
- 3) Audit Reporting
- 4) Audit CAP Monitoring and Close Out

The sections below describe important milestones in each phase of the audit.

### **Audit Engagement and Universe Submission (Weeks 1-6)**

**Engagement Letter** – CMS sends an audit engagement letter via the Health Plan Management System (HPMS). The engagement letter contains instructions for downloading important audit documents from HPMS.

**Engagement Letter Follow-Up Call** – **Within two business days from the date of the engagement letter**, the CMS audit team conducts a follow-up call with the PO. The purpose of this call is to provide an opportunity for the PO to ask questions about the engagement letter and audit process, as well as for CMS to emphasize important information within the engagement letter and outline next steps in the audit process.

**Universes Submissions Due to CMS** – **Within 30 calendar days from the date of the engagement letter date**, the PO must submit all requested universes to CMS following the instructions in the engagement letter.

**Audit Sample Selection** – CMS selects samples from the submitted universes to test during audit field work. CMS informs the PO of the sample selections via HPMS upload one business day before field work begins.

**Coordination of Audit Field work Schedule** – The audit team coordinates with the PO to schedule the field work phase of the audit, including what elements will be reviewed via desk review and the elements that will be reviewed onsite. In addition, CMS aims to adhere to the PO’s normal business hours, but may request alternative hours depending on the progress of audit field work.

### **Audit Field Work (Weeks 7-8)**

**Entrance Conference** – Audit field work begins with an entrance conference held on the morning of the first day of field work. The audit lead will lead the meeting, review the schedule, and discuss expectations for the week. The PO will also have an opportunity to make a presentation about its organization.

**Webinar/ Desk Reviews** – The first week of audit is conducted via webinar or desk review and will normally conclude by the end of week 7. During webinar/ desk review audits, the audit team will evaluate sample cases offsite to determine whether the case is compliant or non-compliant. If the review is conducted via webinar the PO must upload requested screenshots and other supporting documentation to HPMS for non-compliant cases. The classification and scoring of audit conditions is determined after receipt and review of all audit documentation by the audit team. This is discussed in more detail in the Audit Reporting section.

**Onsite Audit** – The CMS audit team conducts an in-person audit of the PO over a period of 4 to 5 days to review any elements not conducted during week one. This occurs during week 8, which is the last and final week of scheduled field work.

**Exit Conference** – The final day of field work concludes with an exit conference (conducted onsite if possible). The audit team will walk through the preliminary conditions of non-compliance with the PO and discuss any other outstanding requests for information. During the exit conference, the PO can ask questions about the findings and provide any follow-up information as appropriate.

### **Audit Reporting (Weeks 9-21)**

**Notification of Immediate Corrective Action Required (ICAR) conditions** – Upon receipt of all audit documentation, the audit team will meet with PACE Audit Consistency Team (PACT). The PACT serves as the subject matter experts on PACE and audit policy and ensures consistency in classification of audit conditions across all audits. The PACT will assist the audit teams with the classification of conditions according to the following definitions:

**Immediate Corrective Action Required (ICAR)** - If CMS identifies systemic deficiencies during an audit so severe that they require immediate correction, the PO is cited an ICAR. Identified issues of this nature would be limited to situations where the condition resulted in a participant’s lack of access to medications and/or services, or posed an immediate threat to participant health and safety. The ICAR counts as 2 points in the audit scoring methodology.

**Corrective Action Required (CAR)** – If CMS identifies systemic conditions during an audit that must be corrected, but the correction can wait until the audit report is issued, the PO is cited a CAR. While these issues may affect participants, they are not of such a severe nature that participants’ immediate health and safety is affected. Generally, CARs involve deficiencies with respect to non-existent or inadequate policies and procedures, systems, internal controls, training, operations, or staffing. The CAR counts as 1 point in the audit scoring methodology.

**Observations**—If CMS identifies cases of non-compliance that are not systemic, or represent an anomaly or “one-off” issue, the PO is cited an observation. Observations do not count as points in the audit scoring methodology.

Once ICAR conditions are identified, the PO will be notified and immediate corrective action must be taken to stop or prevent the non-compliance from recurring. POs are required to submit Corrective Action Plans (CAPs) describing the actions taken to stop the non-compliance within three business days of being informed of the ICAR condition.

**Draft Audit Report Preparation and Issuance to PO** – CMS prepares a draft audit report (inclusive of condition classification and an audit score) with a target for issuance of 60 calendar days from the date of the final exit conference. The PO has 10 business days to respond to the draft audit report with comments to CMS. CMS takes into consideration and responds to any comments the PO has in regard to the draft audit report, and determines if the comments warrant a change to the final report.

**Issuance of the Final Audit Report and Scoring** – CMS aims to issue the final audit report within 15 days from receipt of the PO’s comments to the draft audit report. The final report contains the final audit score and classification of conditions noted during the audit.

**Referral for Enforcement Action** – At any point during the course of the audit, the conditions noted in the audit may be referred to the Division of Compliance Enforcement (DCE) for an independent evaluation of whether an enforcement action of Civil Money Penalties, sanctions, or contract termination is warranted.

### **Audit Monitoring and Close Out**

**Submission of Non-ICAR Corrective Action Plans (CAPs)** – POs have 30 calendar days from the issuance of the final audit report to submit CAPs associated with CAR conditions. Normally, observations do not require a CAP; however, CMS does reserve the right to request CAPs for observations and will explicitly request this in the report when required.

Upon receipt of the CAPs, CMS performs a reasonableness review and notifies the PO of either CAP acceptance or the need for additional information. CMS continues the reasonableness review process until it deems all CAPs acceptable.

**CAP Monitoring Period**—CMS requires that POs demonstrate correction of conditions noted in the final audit report by undergoing a period of monitoring to ensure appropriate implementation of CAPs.

**Audit Close Out**– If CMS monitoring demonstrates substantial correction of conditions has occurred, CMS will close the audit and send an audit close out letter to the PO.