

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



MEDICARE PARTS C AND D OVERSIGHT AND ENFORCEMENT GROUP

June 16, 2014

E-MAIL: rboals@azblue.com

Mr. Richard Boals
President & Chief Executive Officer
Blue Cross and Blue Shield of Arizona, Inc.
2444 W. Las Palmaritas Drive
Mailstop C500
Phoenix, AZ 85021

Re: 2013 Audit Close-Out Notice for All Medicare Advantage and Prescription Drug Plans
Contract: S6506

Dear Mr. Boals:

On December 19, 2013, the Centers for Medicare & Medicaid Services (CMS) issued the final audit report to your organization for the above-referenced Medicare Advantage and/or Prescription Drug Plan contracts. The audit evaluated your organization's compliance with CMS requirements in the following areas:

1. Part D Formulary and Benefit Administration
2. Part D Coverage Determinations, Appeals and Grievances
3. Part D Compliance Program Effectiveness
4. Outbound Enrollment Verification

Your organization was afforded 90 calendar days from the report date to provide data and documents to CMS to demonstrate and attest that all of the deficiencies in the audit report were sufficiently corrected and not likely to recur. CMS reviewed your evidence of correction submission and also conducted a review to validate the implementation of required corrective actions and immediate corrective actions.

This notice is to inform you that based on the evidence provided by your organization and the validations conducted, you have corrected all conditions except:

The following condition still remains from the audit report:

1. **Part D Coverage Determinations, Appeals and Grievances, Effectuation Timeliness, Condition iii.:** Sponsor failed to properly oversee their delegated entity regarding guidance in 42 CFR Part 423 Subpart M - Grievances, Coverage Determinations, Redeterminations, and Reconsiderations.

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The following observations were identified during the validation:

1. **Part D Coverage Determinations, Appeals and Grievances, Effectuation Timeliness:** Sponsor does not maintain timely communications with their pharmacy benefits manager (PBM) when issues are identified related to the PBM's performance of coverage determinations and redeterminations.
2. **Part D Coverage Determinations, Appeals and Grievances, Appropriateness of Clinical Decision-Making:** Sponsor includes denial letter language in their fax requests for additional information from prescribers needed to complete coverage determinations, which can mislead prescribers to believe that the requests have been denied.
3. **Part D Coverage Determinations, Appeals and Grievances, Appropriateness of Clinical Decision-Making:** Sponsor's denial letter for a drug with a prior authorization (PA) requirement only listed one formulary alternative in the same therapeutic class when there were other formulary alternatives that would have satisfied the PA requirement.
4. **Part D Coverage Determinations, Appeals and Grievances, Appropriateness of Clinical Decision-Making:** Sponsor's Medical Director has not yet performed the monitoring of adverse determinations for the first quarter of 2014 even though issues were identified with the completion of coverage determinations and redeterminations during that time period.

Your validation provided CMS with a reasonable assurance you are in compliance with program requirements tested during the audit. However, CMS will require heightened monitoring of the conditions and/or observations noted above to ensure Sponsor continues to implement effective correction. Your Account Manager will contact you to address these issues.

CMS is closing your audit.

CMS considers your compliance program's effectiveness to be essential in preventing, detecting and responding to potential non-compliance and fraud, waste, and abuse. Therefore, CMS expects your organization to continue monitoring the effectiveness of the corrective actions you have implemented and to continue to measure and improve the effectiveness of your compliance program. In addition, your Account Manager will continue to monitor and oversee your operations and compliance program to ensure that your organization is in compliance with all CMS requirements.

If you have any questions concerning this notice, please contact Ms. Jennifer Bates at 410-786-6358 or via email at Jennifer.Bates@cms.hhs.gov.

Sincerely,

Mr. Richard Boals

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Tawanda Holmes

Director, Division of Audit Operations

Medicare Parts C and D Oversight and Enforcement Group