

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**

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**October 3, 2014**

E-MAIL: [Cathy.Campbell@blueshieldca.com](mailto:Cathy.Campbell@blueshieldca.com)

Catherine Campbell  
Vice President, Senior Markets  
California Physicians' Service  
6300 Canoga Avenue  
Woodland Hills, CA 91367

Re: 2013 Audit Close-Out Notice for Medicare Advantage and Prescription Drug Plans  
Contracts: H0504, S2468

Dear Ms. Campbell:

On January 24, 2014, 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. This audit report 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 C Organization Determinations, Appeals, Grievances, and Dismissals
4. Parts C and D Compliance Program Effectiveness
5. Parts C and Part D Outbound Enrollment Verification Calls (OEV)

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.

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

**The following condition still remains from the final audit report:**

1. **Part C Organization Determinations, Appeals, Grievances and Dismissals, Appropriateness of Clinical Decision-Making (CDM), Condition ii** - Sponsor failed to provide timely written denial letters for standard or expedited organization determination requests. This condition was not validated as corrected, as notification untimeliness was found in 74 of 1,560 organization

Ms. Catherine Campbell

October 3, 2014

Page 2 of 3

determination cases in the CDM universe, with untimeliness ranging from 1 to 153 days past the expiration of the applicable notification timeframe. In addition, there were 82 instances in the CDM universe in which the beneficiary received no denial notification.

**The following observations were noted during the validation:**

- 1. Parts C & D Compliance Program Effectiveness, Sponsor Accountability and Oversight of First Tier, Downstream and Related Entities (FDRs)** - Sponsor now requires that all FDRs attest to completing appropriate FWA training requirements. However, the attestation includes the option for FDRs to utilize their own training materials. CMS recommends that Sponsor correct verbiage within the attestation to require FDRs to utilize CMS approved methods of FWA training.
- 2. Parts C & D Compliance Program Effectiveness, Sponsor Accountability and Oversight of First Tier, Downstream and Related Entities (FDRs)** - Sponsor developed a strategy to monitor FDRs; however, the strategy only includes monitoring of Independent Practice Associations (IPAs) and Medical Groups. CMS recommends that Sponsor expand its monitoring strategy to incorporate all downstream entities to ensure FDRs are monitored effectively for compliance with CMS requirements.

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 Milonda Mitchell at 410-786-1644 or via email at [Milonda.Mitchell@cms.hhs.gov](mailto:Milonda.Mitchell@cms.hhs.gov).

Sincerely,

/s/

Tawanda Holmes  
Director, Division of Audit Operations  
Medicare Parts C and D Oversight and Enforcement Group

**Ms. Catherine Campbell**

**October 3, 2014**

Page 3 of 3