

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

August 15, 2014

E-MAIL: Michael.Cropp@independenthealth.com

Dr. Michael Cropp
Chief Executive Officer
Independent Health Association Inc.
511 Farber Lakes Drive
Buffalo, NY 14221

Re: 2013 Audit Close-Out Notice for Medicare Advantage and Prescription Drug Plans
Contracts: H3344 & H3362

Dear Dr. Cropp:

On November 13, 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. 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, and Grievances
4. Parts C & D Compliance Program Effectiveness
5. Part 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 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. However, the following observation was noted:

- 1. Part D Coverage Determinations, Appeals and Grievances, Appropriateness of Clinical Decision-Making, Condition i:** Sponsor failed to properly administer its CMS-approved formulary by applying unapproved utilization management practices. There was an additional root cause identified during the Formulary Administration ICAR Validation which was included in the validation of this condition from Sponsor's program audit, relative to rejections for drugs

Michael Cropp

August 15, 2014

Page 2 of 3

in their smallest commercially available package size when the calculated days' supply being submitted exceeded the plan benefit structure. While Sponsor was able to demonstrate a correction for the most commonly seen products experiencing this issue, the validation also demonstrated that there is still a continued correction in process through October 31, 2014.

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 Jennifer Bates at 410-786-6358 or via email at Jennifer.Bates@cms.hhs.gov.

Sincerely,

/s/

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

Michael Cropp
August 15, 2014
Page 3 of 3