Centers for Medicare & Medicaid Services

MARKETING SURVEILLANCE

INDUSTRY SUMMARY REPORT

Contract Year 2010

Annual Election Period (AEP)

Report Date: March 4, 2010

Introduction

The Medicare Improvements for Patients and Providers Act of 2008 (MIPPA), enacted in July 2008, made a number of changes to the Medicare Advantage Organization (MAO) and Prescription Drug Plan (PDP) programs. Subsequently, the Centers for Medicare & Medicaid Services (CMS) issued final regulations and program guidance designed to protect Medicare beneficiaries from deceptive or high-pressure marketing tactics by private insurance companies and their agents, brokers or plan representatives. In an effort to ensure compliance with these new marketing requirements and prohibitions, CMS initiated a comprehensive surveillance program that commenced during the contract year (CY) 2009 annual enrollment period (AEP).

- For contract year (CY) 2010, CMS is continuing its surveillance strategy incorporating various initiatives to monitor for marketing compliance, including:
- Secret Shopping of Public Sales Events – to assess compliance with marketing requirements at public sales presentations
- Staged Appointment Secret Shopping – to assess compliance with marketing requirements at one-on-one settings with marketing agents and plan representatives
- Secret Shopping of Call Centers -- to assess the accuracy of information provided by customer services representatives to potential enrollees related to non-renewal activity
- Clipping Service – to assess whether marketing events have been reported to CMS and to examine marketing advertisements for inappropriate or misleading language around non-renewal activity.
- Marketing Website Review – to verify that required marketing identification numbers and approval dates are present on each website and that required links are active

CY2010 activities encompass the Annual Election Period (October 1, 2009 – December 31, 2009) and the Open Enrollment Period (January 1, 2010 – March 31, 2010). CMS' surveillance strategy is conducted at the parent organization (herein, "organization") level, which assesses the performance for contract numbers and legal entities that are owned and operated by a single organization.

This report provides a high level summary of CMS' CY2010 AEP surveillance strategy, including its communication and outreach approach as well as key outcomes of the surveillance activities listed above.

Communication and Outreach

CMS CY2010 marketing surveillance strategy included a comprehensive communication plan that started during the CY2009 surveillance season. The key themes for the CY2010 surveillance season were collaboration and transparency.

CMS continued outreach and collaboration with our partners, including the state Departments of Insurance (DOIs), the State Health Insurance Programs (SHIPs), and the National Medicare Educational Program (NMEP) to ensure that CMS could proactively and effectively prevent, detect and address organization plan representative marketing issues.

Transparency was a critical component to CMS' communication with MAOs and PDPs. CMS communicated to organizations through Health Plan Management System (HPMS) memoranda,

presentations to the industry, and direct communications with organizations' compliance officers, that CMS would actively monitor their agent performance and was prepared to impose "real time" compliance actions where the deficiencies warranted such action.

Some of the key communication and outreach events CMS undertook to communicate its surveillance strategy to promote collaboration, or to share results with key stakeholders included:

- Industry conference held at CMS Central Office to roll out the CY2010 Marketing Surveillance strategy on October 19, 2009
- The CMS Surveillance Team presented to the SHIPS on National Partners Calls regarding CMS' CY2010 surveillance strategy and discussed ways that CMS can further collaborate and share information on surveillance activities
- The CMS Surveillance Team conducted secret shopping training in mid-November 2009 for the state Department of Insurance (DOI) liaisons across the country.
- The Regional Office Surveillance Coordinators conducted an outreach campaign to the Agent Trade Associations, which started on November 13, 2009. Each Region was tasked to contact at least two trade associations in each state to request the dissemination of information regarding Medicare marketing practices. This effort yielded 88 contacts representing 48 of the 50 states and reached just over 136,000 agent trade association members.
- The Regional Office Surveillance Coordinators placed calls to marketing event contacts within each organization to create a "buzz" at the organization by alerting them that a CMS representative might be present at one of their events. This activity will continue until March 2010.
- In late September CMS sent self assessments to parent organizations with the highest numbers of enrollees affected by non-renewals. The assessments required organizations to respond to questions designed to tell us whether they would be ready to meet non-renewal requirements.
- Prior to the start of the CY2010 marketing season, CMS Account Managers and their Branch Managers and Associate Regional Administrators conducted outreach calls to organizations with large enrollments reminding them of CMS's expectation to adhere to MIPAA rules and regulations. A script was utilized to ensure that a consistent message was delivered in a timely manner.

CMS Surveillance Console

In CY 2010, CMS developed a secure, online database called the CMS Surveillance Console (herein "Console") to manage all surveillance activities. CMS uses the Console to:

- Store all surveillance results gathered from each surveillance activity
- Generate notifications to organizations of deficiencies for their review and investigation
- Review and validate surveillance findings based on the organizations' responses to their deficiencies
- Generate compliance letters to report areas of non-compliance to organizations
- Generate reports representing activity results by Parent Organization

I. Organization Access to the Console

Organizations were required to submit requests for access through CMS' Surveillance Team. All organizations were encouraged to have at least two users to ensure timeliness in responding to CMS deficiencies and compliance notifications. Over 90% of organizations have at least two registered users. Consequently, the industry has been exceptionally responsive to the three-day timeframe for

responding to marketing surveillance deficiencies.   The remaining 10% of organization have elected to have at least one registered user.

II. CMS Access to the Console

CMS account managers have access to all surveillance data affiliated with their assigned accounts.   CMS management has access to various surveillance reports, so that results for various organizations can be obtained, on an as needed basis.   Finally, CMS's surveillance team members have access to the console to review deficiencies, analyze organization responses to deficiencies, and take appropriate compliance actions.

Risk Assessment Analysis

The CMS Surveillance Team developed a risk assessment methodology to determine the number and frequency of secret shops for organizations during the CY2010 AEP.   The analysis was based on objective criteria and data sources available to CMS, as defined below in Table 1. The risk score was used solely as a means for initially determining the appropriate number of secret shops.   Organizations with high risk scores received a higher initial number of secret shops by CMS contractors and Regional Office staff.   As the AEP progressed, the shopping allocation was modified to accommodate for performance during the AEP.   This strategy allowed CMS to allocate resources and contractor dollars more effectively.

The risk assessment analysis utilized nine categories to assess an organization's marketing surveillance risk score. CMS assigned weight factors to each category.

Table 1: CMS Risk Assessment Analysis Categories

Category	Description
Secret Shopping Performance (CY2009)	Organizations with deficiencies in secret shopping that resulted in compliance actions in CY2009.
Enforcement actions supported by surveillance results (CY2009)	Organizations with serious deficiencies discovered during surveillance that contributed to enforcement actions (e.g., marketing and/or enrollment freeze).
Clipping Service (unreported marketing events in CY2009)	Organizations that were discovered with unreported marketing events in CY2009 that resulted in compliance actions.
MIPPA Assessment Tool (CY2009)	Organizations that self-reported deficiencies with the implementation of certain MIPPA or marketing requirements through the MIPPA online assessment tool.
Marketing Misrepresentation CTM Outlier (late 2008 data)	Organizations that were outliers and received compliance notifications for high rates of marketing misrepresentation complaints in the Complaints Tracking Module (CTM) from September – November 2008.
Marketing Misrepresentation CTM Outlier (2009 data)	Organizations that were outliers for marketing misrepresentation compliance in the CTM from January - July 2009.
Organization Size	Organizations received risk points based on size—i.e., larger organization were attributed a larger risk score. Enrollment figures were based on the total MAO and PDP enrollments for all contracts

	offered by that organization.
Compliance Activity Module (CAM) Analysis for marketing compliance issues (CY2009)	Organizations that received compliance level notices for marketing operational issues (other than surveillance) during 2009.
New Organizations for CY2010	Organizations that entered into contracts with CMS effective January 1, 2010.

The categories above were assigned weights and organizations were assigned into one of three risk bands - "high", "medium" and "low" risk, depending upon on the total score for that organization. Once the risk bands were assigned, CMS conducted secret shopping for those organizations during pre-defined monthly intervals (or "clusters").   CMS then assessed performance for these organizations following the conclusion of that monthly interval and took the appropriate level of compliance action, based on the Progressive Compliance Model (see below).

Compliance Process: The Progressive Compliance Model

For each surveillance activity, each organization's performance was analyzed for potential compliance action on regular intervals, called "clusters".   CMS assessed numerous factors in determining the appropriate compliance action including: total number of deficiencies discovered; performance percentage (e.g., percentage of shopping events with deficiencies); level of severity of the discovered deficiencies; and whether CMS issued previous compliance notification(s) for the surveillance activity.

Compliance decisions were made by a Surveillance Compliance Team, which was made up of a cross-component team of staff and management from the following CMS Publics: Medicare Drug and Health Plan Contract Administration Public (MCAG), Medicare Drug and Benefit and C & D Data Public (MDBG), Program Compliance and Oversight Public (PCOG), and the CMS Regional Offices.

I. The Progressive Compliance Model

The compliance actions available to CMS are as follows (in increasing level of severity):

- Technical Assistance Letter (not considered formal compliance action)
- Notice of Non-Compliance
- Warning Letter
- Ad-hoc Corrective Action Plan (CAP)
- Enforcement Action

Secret Shopping of Public Sales Events

I. Background

CMS utilized the services of two contractors as well as support from the CMS Regional Offices to conduct secret shopping.   All shoppers used the CMS Consolidated Secret Shopping Tool to evaluate each marketing event and the representative/agent compliance with CMS requirements. The CMS Consolidated Secret Shopping Tool focuses on CMS marketing requirements whereby failure to meet

could have the potential of beneficiary harm. When a representative/agent fails to meet a requirement, the shopper document provides details supporting their findings.

CMS secret shops were conducted in 48 of the 50 States (excluding Alaska and Wyoming due to the limited number of marketing events available), as well as Puerto Rico. CMS identified 55 counties from across the country that had large number of beneficiaries affected by organizations not renewing their contracts for CY2010. These "non-renewal counties" were targeted for secret shopping to ensure that inappropriate marketing practices were not occurring in these areas with high rates of potential enrollment movement.

II. Results

The table below is a summary of the performance of organizations in marketing event secret shopping during the AEP (October 1 – December 31, 2009)

Table 2: Overall Public Sales Event Secret Shopping Results: Secret Shops by Risk Category

Report Item	Organization Risk Category			TOTAL - All categories
	High	Moderate	Low	
# of organizations shopped	34	51	51	**136**
# of shopping events conducted	473	228	157	**858**
% of deficient events	44.0%	47.8%	34.4%	**43.2%**

CMS conducted 858 secret shops of 136 organizations during the AEP. CMS' secret shopping encompassed marketing events conducted by MAOs and PDPs. CMS observed a significant decrease in the number of public sales events held by organizations in CY2010 as compared to CY2009. Many organizations did not conduct *any* formal public sales events or conducted only informal marketing events.

III. Most Common Public Sales Event Secret Shopping Deficiencies

The most common deficiencies reported for public sales events during the AEP were related to accuracy/completeness of drug coverage information. Deficiencies in this category were related to communicating correct information about the coverage gap, prescription pricing, and how to locate information on prescription drug coverage.

Another frequent deficiency identified was to require a beneficiary to provide contact information in order to attend a public sales event. In the past, a number of marketing misrepresentation claims have been based on incidents in which agents have used contact information to enroll beneficiaries into plans without their permission. The exchange of contact information as a prerequisite to attending a marketing event is prohibited.

CMS restricts organizations from making unsubstantiated, absolute statements regarding any of their product offerings-- such as the plan is "the best", "the highest-rated"—as stated in the Medicare Marketing guidelines and accounted for a significant number of deficiencies identified.

 Event "no shows" accounted for a considerable number of deficiencies. This deficiency was cited when CMS secret shoppers attended events that had been submitted in the HPMS marketing events module

by organizations as confirmed events. CMS had provided clear guidance on the process for entering and cancelling events in the HPMS marketing events module.

Table 3: Public Sales Events – Top 6 Deficiencies

Deficiency	Count
Drug coverage related deficiencies	155
Event no shows	115
Requiring beneficiary to provide contact information	69
Making unsubstantiated, absolute statements about the organization such as the plan is "the best", "the highest-rated"	54
Not identifying product type at the beginning of the presentation*	49
Not explaining disenrollment of SNP members who are no longer eligible	25

* New requirement for CY2010

IV. CMS Actions Taken

CMS issued 152 letters to 105 organizations with deficiencies at public sales events during CY2010 AEP marketing period. As indicated earlier, letters were issued monthly based on performance. Organizations with performance issues in multiple months received multiple notifications. These notices ranged from Technical Assistance Letters to formal compliance actions, such as Notices of Non-Compliance, Warning Letters and requests for Ad-hoc Corrective Action Plans. The Table 4 presents the numbers of letters issued by CMS on a monthly basis through the AEP.

Table 4: Letters Sent to Organizations Regarding Deficiencies

Action Taken	October	November	December*	Total
Technical Assistance Letters**	35	44	6	85
Notice of Noncompliance	13	31	10	54
Warning Letter	2	3	6	11
Ad-hoc CAP	0	1	1	2
Total Letters Issued	50	79	23	152

* In December, CMS conducted secret shopping only for those organizations in the high-risk category or that had performance issues in previous months
**Technical Assistance Letters are not considered formal compliance action, but utilized by CMS for organizations that generally performed well, but had a low volume of less severe deficiencies.

V. Organizations' Response to Letters

In the fall of 2009, CMS' surveillance program was more visible and comprehensive, and organizations appear to have taken stricter measures to ensure more effective oversight of the behavior of their organizations' agents/representatives—particularly as CMS moved further into the AEP marketing season. Non-compliant organizations agreed to take steps to bring agents and representatives into compliance by instituting corrective measures including:

- Improving internal training programs.
- Creating dedicated marketing agent investigative teams or departments to research and responding to allegations of inappropriate marketing practices by agents, brokers, and plan representatives.

- Taking immediate action against organization representatives and agents with findings (ranging from placing the agent on a "watch list" to termination, dependent on the nature and volume of the alleged marketing violations).
- Utilizing training videos at events for providing clear and consistent information to beneficiaries about more complex Medicare program areas.
- Engaging third party vendors to conduct secret shopping of sales events and customer service call centers to measure compliance.
- Implementation of ride-along programs. Some organizations have reported conducting this on a random basis, while others assign a ride-along to agents or plan representatives requiring further observation (e.g., new employees or those with allegations of potential marketing violations).
- Development of approved scripts, talking points, and question and answer documents that have cleared compliance and legal team reviews.
- Instituting comprehensive enrollment verification programs to follow-up with beneficiaries that attended sales events and ensure that marketing misrepresentation did not occur.

Overall, CMS has observed a significant improvement in organizations' performance *following receipt of a CMS surveillance notification of deficiencies* (whether a technical assistance letter or formal compliance action). The improvement was particularly substantial for the moderate and low risk organizations. The Table 5 below presents a month-to-month (October to December) comparison of the performance for organizations that initially received a CMS notification letter in October for secret shopping of marketing events. This shows that despite various challenges and obstacles inherent in monitoring and controlling the behavior of marketing agents and brokers, organizations have demonstrated success in improving performance, by strengthening internal controls, improving training programs, and increasing oversight and monitoring efforts. CMS believes that these results are encouraging, and is confident that all organizations can continue to improve performance.

Table 5: Organization Performance Improvement after Receipt of a Compliance Letter

Organizations (by Risk Type)	October Performance (% of deficient events)	November Performance (% of deficient events)	December Performance (% of deficient events)
High Risk	55.1%	39.6%	42.6%
Moderate Risk	74.1%	38.8%	None shopped
Low Risk	92.8%	16.7%	None shopped
Average (For all organization)	62.1%	36.9%	42.6%

Staged Appointment Secret Shopping

I. Background

Staged appointment secret shopping is a new surveillance activity piloted in CY2010. This activity mirrors the public sales event secret shopping but, instead of a public event, the secret shopping is a personal one on one encounter. The exchange may occur in a private home or a public venue such as a restaurant or a library. The secret shopper poses as an interested beneficiary or a relative of a potential enrollee. The secret shopper asks the agent a number of questions pertaining to the organization's

offerings and completes a secret shopping tool after the encounter which captures the agent's compliance with CMS marketing rules and regulations.

II. Results

The staged appointment activity began in December 2009 and will run through mid-March 2010. CMS is piloting this activity in two phases. The results from phase one will be shared with organizations to provide feedback and observations of performance. CMS recognized during phase one that the completed shopping tools contained personal identifying information and, in some cases, the home addresses for the shoppers, which would not be appropriate to share with organizations. Since organizations would not be afforded an opportunity to research and respond to the specific deficiencies fully without all of the specific details of the shopping event, CMS decided to provide a high level performance report to the phase one organizations. This report will provide them an opportunity to correct issues and implement changes that will bring them into compliance with CMS marketing rules and regulations. Phase two of staged appointment shops, which will occur during the open enrollment period (OEP) from January 1 through March 31, will not use the true identifying information of the secret shoppers. Where violations have been confirmed, they will be counted as formal deficiencies and subject to compliance action. Summary results of this activity will be shared in the Final Marketing Surveillance Report CY2010 to be released later this year.

Secret Shopping of Customer Service Call Centers for Non-Renewal Information

I. Background

This surveillance activity was implemented as a pilot project for CY2010. CMS completed secret shopper calls to the call centers of organizations having high numbers of beneficiaries impacted by non-renewals. These calls were conducted by CMS Central Office and Regional Office staff. The callers asked questions that were intended to assess whether the customer service representatives (CSRs) fully and accurately addressed beneficiary rights and choices regarding non-renewal. Currently, CMS does not provide *formal guidance* that details specific requirements on the type of information that must be provided by CSRs in response to non-renewal questions. This activity served to provide CMS feedback about the depth and accuracy of CSR response to non-renewal situations. Specifically callers sought:

- Whether the CSRs clearly informed beneficiaries about their available options.
- Whether the CSRs provided basic information about what will happen to their prescription drug coverage (if applicable).
- Whether the CSRs provided clear information about how long coverage in their current health plan will last.

CMS discovered numerous gaps and inaccuracies in the information provided by CSRs, as described in section II. below. CMS will utilize the results of this activity to develop guidance prior to the CY2011 AEP to ensure that beneficiaries receive complete information related to non-renewals.

II. Results

CMS secret shoppers completed 67 calls to the call centers of 19 non-renewing organizations with the most beneficiaries impacted by non-renewals. Calls were limited to three or four per organization to

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minimize burden. These calls targeted organizations in the 55 counties identified by CMS as being most vulnerable due to the large number of beneficiaries affected by non-renewing organizations. Callers asked four basic questions during each of the 67 calls, which addressed beneficiary rights, choices, and necessary actions.

Below are the five most common incomplete or inaccurate responses:

- When asked if people have to do anything to make sure they are still covered by a plan, the CSR did not provide the date by which beneficiaries must choose another health/drug plan
- CSR said the beneficiary has until December 31, 2009 to choose another health/drug plan, but they actually have until January 31, 2010
- The CSR only discussed the organization's own options, not the fact that beneficiaries can choose coverage through other organizations or original Medicare (with or without Medigap)
- When asked what happens if the beneficiary did not choose a prescription drug plan, the CSR did not provide date by which beneficiaries must choose a new plan
- The CSR said if you do not choose a Part D plan, Medicare will choose one for you

CMS chose not to take formal compliance action against organizations that only had deficiencies related to incomplete information.   The results of those calls were shared with the impacted organizations through their account managers to implement any appropriate corrective action.

However, in cases where organizations provided inaccurate information, CMS issued technical assistance letters to ensure appropriate steps would be taken (e.g., training of specific representatives or revised scripts for CSRs).   In total, ten technical assistance letters were issued for performance deficiencies discovered in the AEP.

Clipping Service for Unreported Marketing Events and Inappropriate Non-Renewal Marketing

I. Background

Through the use of a clipping service vendor, CMS conducted searches for advertisements that contain information on a Medicare organization's marketing events.   CMS' clipping service vendor reviewed daily and weekly print publications in U.S. domestic markets nationwide, including advertisements from English, Spanish, and Chinese publications.   CMS' clipping service contractor clipped and conducted reviews for 3,156 unique events (derived from 384 Medicare advertisements) from October– December 2009. A total of 56 organizations were reviewed.

II. Results

The first aspect of the review encompassed examining advertisements to determine whether sales events were submitted to CMS, as required by CMS' marketing guidelines.   Through review of advertisements submitted by 56 organizations, CMS discovered the following:

- 45 organizations submitted 100% of the clipped marketing events accurately and timely into the HPMS system.

- 7 organizations submitted 90% - 99% of the clipped marketing events accurately and timely into the HPMS system. These organizations received a technical assistance letter.
- 4 organizations submitted 56% - 89% of the clipped marketing events accurately and timely into the HPMS system. These organizations received a notice of non-compliance.

The clipping service also scanned these media to find any instances of inappropriate marketing in areas highly impacted by non-renewing organizations. Specifically, this activity was designed to identify Medicare advertisements publicized in non-renewal counties that convey inaccurate information or use inappropriate language or scare tactics to enroll beneficiaries. Of the 387 advertisements reviewed to date, the clipping service contractor identified only two advertisements targeting a non-renewal market and both were compliant.

Marketing Website Review

I. Background

A new activity for CY2010 is the review of organizations' websites to ensure compliance. The purpose of this activity is to verify that the required marketing ID and approval date are present on each website and that required links are active. The websites reviewed were the URL addresses which organizations provided to CMS via the HPMS module.   All 209 organizations' websites were reviewed for this activity.

II. Results

CMS discovered numerous instances of non-compliance in this area.   Table 6 below lists the most common website deficiencies.

Table 6: Top 6 Website Deficiencies

Deficiency	Count
Administrative Deficiencies	
CMS website marketing ID approval missing	67
Approval date not included with the marketing ID	61
Deficiencies with Beneficiary Impact	
LIS Premium Summary Chart missing	59
Enrollment Instructions & Forms missing	29
Organizations Exceptions & Appeals Process missing	28
Summary of Benefits missing	14

CMS issued 109 letters for website deficiencies. Of these, CMS issued 96 technical assistance letters to organizations with low numbers of website deficiencies considered to be less serious (e.g., "Approval date not included with the marketing ID). CMS issued 13 notices of non-compliance to organizations with high numbers of website deficiencies, or those deficiencies that impact beneficiaries (e.g., summary of benefits).

Overall Surveillance Summary

CMS tracked the performance of all contracted organizations across numerous surveillance activities including: secret shopping of public sales events and individual appointments, with a special focus on non-renewal counties; secret shopping of customer service call centers for non-renewing organizations; marketing website review; and clipping analysis for unreported marketing events and marketing content for advertisements published in non-renewing markets.

Overall, CMS has observed that there has been a sustained decrease in the number of serious marketing violations during the CY2010 AEP, which continues the improved performance CMS observed during CY2009 surveillance activities. However, CMS has noted that there is still room for improvement in the following marketing areas:

- Sales Events:
  o Providing clear and accurate information to Medicare beneficiaries at marketing sales events and individual appointments related to drug coverage information.
  o Eliminating any type of pressure tactics which require Medicare beneficiaries to provide their contact or personal information at marketing sales events.
  o Ensuring that guidelines are followed related to cancelled marketing events, to minimize inconvenience to Medicare beneficiaries

- Call Centers:
  o Improving training for customer service representatives to provide clear, accurate, and complete information to beneficiaries in non-renewing plans.

- Websites:
  o Improving adherence to marketing website requirements to ensure that marketing approval ID numbers are present and that links to required documents are present and active.

CMS's surveillance program was more visible and comprehensive for CY2010 and organizations appear to have taken stricter measures to ensure more effective oversight of the behavior of their agents and brokers. Organizations were exceptionally responsive to CMS' requests to respond to allegations of deficiencies within three business days through CMS' new surveillance console.

CMS has received feedback from organizations that they have implemented numerous measures to ensure compliance with marketing event presentations including: standardizing training packages; implementing more effective controls to track agent/broker licensing information; utilizing third party vendors to conduct internal secret shopping; taking immediate action against agents/brokers with findings; using enrollment verification programs to follow-up with beneficiaries that attended sales events and ensure that marketing misrepresentation did not occur; and utilizing training videos at events to provide clear and consistent information about more complex Medicare program areas (e.g., information related to the Private Fee for Service (PFFS) rules concerning provider access).

CMS issued 282 surveillance letters during the AEP across the various surveillance activities described earlier in this report. Of these, 211 were technical assistance letters sent to organizations that performed generally well, but had low numbers of less serious marketing violations. The purpose of

technical assistance letters was to underscore that *any* level of marketing violations would be documented and communicated to organizations so that deficiencies could be detected early and remedied.   CMS issued 71 formal compliance letters, ranging from notices of non-compliance to requests for Corrective Action Plans.

The issuance of compliance letters is significant because it contributes to CMS' overall assessment of an organization's past performance. Each year, CMS conducts an analysis of an organization's prior year performance and uses compliance letters, along with other indicators, to deny applications for initial contracts and service area expansions on the basis of past non-compliance. CMS believes that these surveillance activities encourage all contracted organizations to improve their internal compliance procedures to enhance their overall performance.

Questions on this report can be directed to Serrick McNeill at Serrick.McNeill@cms.hhs.gov