

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Medicare  
7500 Security Boulevard, Mail Stop C1-22-06  
Baltimore, Maryland 21244-1850



## **PROGRAM COMPLIANCE AND OVERSIGHT GROUP**

July 8, 2011

**VIA FEDERAL EXPRESS DELIVERY**  
**EMAIL (rfahlman@arcadianhealth.com)**  
**AND FACSIMILE: (510-817-1852)**

Mr. Robert Fahlman  
Chairman and CEO  
Arcadian Management Services, Inc.  
500 12th Street, Suite 350  
Oakland, CA 94607  
Phone: 510-817-1801

Re: Notice of Release of Intermediate Sanctions (Suspension of Marketing and Enrollment) For  
All Medicare Advantage-Prescription Drug Contract Numbers: H0320, H2899, H3533,  
H4125, H4529, H5416, H5578, H5619, H5700, H5783, and H7179

Dear Mr. Fahlman:

On November 19, 2010, the Centers for Medicare & Medicaid Services (CMS) imposed intermediate sanctions on Arcadian Management Services, Inc. (Arcadian), thereby suspending Arcadian's marketing and enrollment activities for all Arcadian Medicare Advantage-Prescription Drug Plan contracts (effective December 5, 2010). CMS' decision was based on Arcadian's longstanding pattern of prohibited marketing practices targeted to highly vulnerable populations in violation of federal law, CMS guidelines and Arcadian's contractual responsibilities to CMS.

On May 10, 2011, CMS received your attestation that Arcadian's deficiencies had been corrected and were not likely to recur. Based on this attestation, CMS began extensive sanction validation exercises to determine whether Arcadian had corrected its deficiencies and they were not likely to recur. On June 30, 2011, as part of sanction validation, CMS conducted targeted in-person exercises at its Baltimore, Maryland Headquarters. The targeted exercises included remotely accessing Arcadian's data systems and records to determine compliance with CMS requirements.

Mr. Robert Fahlman

July 8, 2011

Page 2 of 2

Based on these exercises as well as additional information and assurances provided by Arcadian, CMS has determined that Arcadian has demonstrated sufficient progress in correcting its deficiencies to merit lifting the imposed marketing and enrollment sanctions. Therefore, effective immediately, CMS is releasing the sanctions and Arcadian may begin marketing to beneficiaries. Additionally, Arcadian may begin **enrolling** beneficiaries with effective dates beginning August 1, 2011.

CMS will continue to closely monitor all operational areas and Arcadian will continue to be subject to targeted monitoring and heightened surveillance and oversight. In addition, CMS will periodically ask Arcadian for specific data to provide CMS with assurance that Arcadian continues to successfully adhere to CMS' program requirements. CMS expects Arcadian to work directly with its Regional Office Account Manager to provide any information requested by CMS and to ensure appropriate reporting to CMS of any new issues identified by Arcadian.

Please note that any future failures by Arcadian to comply with any CMS requirements may subject Arcadian to other applicable remedies available under law, including the imposition of intermediate sanctions, civil money penalties and/or contract termination or non-renewal as described in 42 C.F.R. Parts 422 and 423, Subparts K and O. If you have any questions about this notice, please contact Trish Axt at (410) 786-0095 (trish.axt@cms.hhs.gov).

Sincerely,

/s/

Brenda J. Tranchida

Director

Program Compliance and Oversight Group

cc: Mr. Jonathan Blum, CMS/CM  
Mr. Timothy Love, CMS/CM  
Ms. Cynthia Tudor, CMS/CM/MDBG  
Mr. Anthony Culotta, CMS/CM/MEAG  
Ms. Danielle Moon, CMS/CM/MCAG  
Mr. Brian Cook, CMS/OC  
Mr. Greg Jones, CMS/OL  
Mr. James T. Kerr, CMS/CMHPO  
Mr. Paul Collura, CMS/CMHPO  
Ms. Julie Kennedy, CMS/CMHPO/Region VI  
Mr. Arthur Pagan, CMS/CMHPO/Region VI  
Ms. Pamela Conroy, CMS/CMHPO/Region VI  
Ms. Carol Bennett, DHHS/OGC  
Ms. Julie Burns, DHHS/OGC