

Department of Health & Human Services
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244-1850



PROGRAM COMPLAINT AND OVERSIGHT GROUP

VIA EMAIL AND FACSIMILE (787-999-7942)

September 5, 2008

Ms. Nancy Vega Ramos, MSc, HIA, MHP
President & CEO
SDM Healthcare Management, Inc.
PO Box 3078
Bayamon, P.R. 00960-3078

Re: Contract #H4009 - SDM Healthcare Management, Inc.

Dear Ms. Vega Ramos:

This letter serves to inform you that the Centers for Medicare & Medicaid Services (CMS) has decided to lift the intermediate sanctions described in our December 10, 2007 letter that prohibited SDM Healthcare Management, Inc. (SDM), under its CMS contract number H4009, from either marketing to or enrolling new Medicare beneficiaries. The sanctions were based on the findings of a CMS audit conducted in August 2007. This audit found that SDM:

- Misclassified cases as grievances when they should have been coverage determinations;
- Failed to provide Medicare beneficiaries with appeal rights if denied;
- Could not provide adequate documentation to support timely claims payment; and
- Failed to provide complete denials notices to Medicare beneficiaries.

CMS' decision to remove the intermediate sanction is based on the findings of the CMS audit in April 2008. CMS found that SDM made significant infrastructure enhancements including the implementation of a fully integrated operations management and information system. In addition, SDM made improvements to their compliance and internal control structure resulting in a new comprehensive set of procedures which are in full compliance with CMS requirements.

This audit also found that SDM:

- Implemented a 2008 Quality Improvement Program and also initiated a number of quality of care activities;

- Developed a fully functioning Compliance Department. SDM established a formal Compliance Program Manual (internal codes), Code of Ethics, a risk assessment protocol, and established the Compliance Committee;
- Developed and revised policies and procedures and trained their staff on these changes;
- Improved sales broker oversight.

Based on SDM's demonstrated improvement since August 2007 and CMS' acceptance of SDM's Corrective Action Plan (CAP) which resulted from the April 2008 audit, we have determined that the deficiencies that formed the basis for imposing the sanction in December 2007 have been corrected and that these problems are not likely to recur.

We would remind SDM that although the enrollment and marketing sanctions will be lifted, SDM should fulfill the August 2008 CAP. We will continue to closely monitor SDM's performance. CMS has the authority to impose additional sanctions or penalties if SDM does not abide by their approved CAP or if new violations occur.

If you have any questions about this determination, please contact me directly at (410) 786-2001.

Sincerely,

/s/

Brenda Tranchida
Director

cc: Ms. Abby L. Block, Director, Center for Drug and Health Plan Choice
Mr. Anthony Culotta, Medicare Enrollment and Appeals Group
Mr. Reginald G. Slaten, CMS Region II
Mr. James T. Kerr, Consortium Administrator
Ms. Teresa DeCaro, Medicare C & D Contract Administration Group
Ms. Cynthia Tudor, Medicare Drug Benefit and C & D Data Group
Mr. Peter Ashkenaz, Office of External Affairs