

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Drug and Health Plan Choice
7500 Security Boulevard, Mail Stop C4-23-07
Baltimore, Maryland 21244-1850



September 9, 2009

VIA:
FEDERAL EXPRESS DELIVERY
EMAIL (krista.bowers@wellpoint.com)
AND FACSIMILE (805-557-6823)

Ms. Krista Bowers
SVP and President, Senior Business & Consumer Marketing
WellPoint, Inc.
1 WellPoint Way
Maildrop: CAT202-B002
Thousand Oaks, CA 91362-3893
Phone: (805) 557-6026

Re: Release of Intermediate Sanctions (Suspension of Enrollment and Marketing)

Dear Ms. Bowers:

On January 12, 2009, the Centers for Medicare & Medicaid Services (CMS) imposed intermediate sanctions on WellPoint, Inc. (WellPoint), thereby suspending WellPoint's marketing and enrollment activities for all WellPoint contracts. CMS' decision was based on WellPoint's serious deficiencies in the following operational areas, including, but not limited to: enrollment, administration of the Low Income Subsidy (LIS) benefit, charging of enrollee premiums and cost-sharing, marketing, appeals and grievances, and prompt payment of claims.

At this time, based on consideration of CMS' review of documentation and information provided by WellPoint, CMS' validation activities and additional assurances provided by WellPoint, CMS has determined that WellPoint has made sufficient progress in correcting its deficiencies to merit lifting the marketing and enrollment sanctions. Effective October 1, 2009, WellPoint may begin marketing. WellPoint may begin enrolling beneficiaries on November 15, 2009 for the **2010 contract year**. WellPoint is not permitted to accept any enrollments with effective dates prior to January 1, 2010. CMS will be closely monitoring and overseeing WellPoint's activities in all operational

areas. In addition, CMS will be periodically asking WellPoint for specific data to provide CMS with assurance that the deficiencies that were the basis for CMS' decision to impose intermediate sanctions do not recur.

Appeals and Grievances and Communications CAPS

CMS notes that a recent CMS audit identified some continuing deficiencies in WellPoint's appeals and grievances processes. WellPoint, therefore, will remain under its existing Corrective Action Plan (CAP) for its appeals and grievances processes. In addition to the appeals and grievance CAP, WellPoint will remain under its existing Communications CAP which requires WellPoint to disclose to CMS any new significant compliance issues. WellPoint should continue to work with its Account Managers to provide the information required by these two CAPs.

LIS Reassignees and Monthly Auto Enrollments

Although we are lifting the sanctions, CMS has remaining concerns about whether WellPoint's systems have the capacity to accept the high volume of enrollments associated with auto-enrollment or reassignment of low-income subsidy (LIS) enrollees. Therefore, in light of WellPoint's previous serious deficiencies in the area of processing enrollments, CMS has determined that WellPoint plans will not be included among the prescription drug plans (PDPs) into which LIS eligible beneficiaries who do not make a 2010 Part D plan choice will be randomly assigned if they would be required to pay a premium in 2010 under their current plan. Additionally, until CMS has the opportunity, as a result of the lifting of these sanctions, to verify that WellPoint now has sufficient capacity to effectively process a large number of enrollments (i.e., successfully process new enrollees for the 2010 contract year without serious deficiencies), CMS has determined that WellPoint plans do not currently qualify as an "available" plan for purposes of the auto-enrollment process for full benefit dual eligibles required under section 1860D-1(b)(1)(C) of the Social Security Act. As a result, until further notice, WellPoint will not receive any LIS eligible individuals unless those individuals affirmatively choose to enroll in a WellPoint plan for 2010.

Although WellPoint has assured CMS that its widespread systems and operational deficiencies have been corrected, CMS needs to monitor WellPoint as it engages in marketing and enrollment for the 2010 plan year before CMS concludes that it is appropriate to entrust the most vulnerable enrollees to WellPoint. As previously mentioned, CMS is continuing to closely monitor your organization. If WellPoint continues to demonstrate to CMS that its deficiencies do not recur, CMS will reevaluate WellPoint's availability for CMS-initiated enrollment of LIS beneficiaries and may change WellPoint's availability status at a later date. CMS' evaluation activities may include, but are not limited to, WellPoint's ability to meet CMS LIS key indicators, such as LIS match rates and successful performance during a CMS audit of enrollments which will include processing changes in LIS levels which are used to determine premium and cost-sharing amounts.

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Please feel free to contact me at (410) 786-2001 if you have any questions relating to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "B. Tranchida". The signature is fluid and cursive, with the first letter of the first name being a large, stylized 'B'.

Brenda J. Tranchida
Director
Program Compliance and Oversight Group

cc: Mr. Timothy Hill, CMS/CPC
Ms. Carol Bennett, DHHS/OS/OGC
Mr. James Kerr, CMS/OA/CMHPO
Ms. Candace Arnold, CMS/CMHPO/Region V
Ms. Nancy Brown, DHHS/OIG/OCIG
Mr. Peter Ashkenaz, CMS/OEA
Ms. Laura McWright, CMS/OL
Ms. Kimberly Brandt, CMS/OFM/PI
Ms. Cynthia Tudor, CMS/CPC/MDBG
Ms. Teresa DeCaro, CMS/CPC/MCAG
Mr. Anthony Culotta, CMS/CPC/MEAG
Mr. Thomas Hutchinson, CMS/CPC/MPPG