



March 20, 2008

Mr. Mark El-Tawil  
President, Health Net Senior Products Division  
Health Net Life Insurance Company  
Mail Stop CA-175-02-02  
10540 White Rock Road, Suite 280  
Rancho Cordova, CA 95670

Subject: Prescription Drug Contract Number S5678

Dear Mr. El-Tawil:

This letter serves to inform you that the Centers for Medicare & Medicaid Services (CMS) has decided to lift the intermediate sanctions described in our January 16, 2008 letter that prohibited Health Net Life Insurance Company, under its CMS contract number S5678, to either market or enroll new Medicare beneficiaries. The basis for the previous sanctions consisted of enrollment errors, high beneficiary complaints, erroneous notices sent to Medicare enrollees and missing 4Rx data. Based on CMS' acceptance of Health Net's Corrective Action Plan (CAP) and Health Net's demonstrated improvement, we have determined under Federal Regulations at 42 C.F.R. §423.756(d)(3) that Health Net has sufficiently corrected the systemic problems at this time and that these problems are not likely to recur under the CAP. We would remind Health Net that although the enrollment and marketing sanctions will be lifted, the CAP will stay in place until the plan can demonstrate that it continues to fulfill the requirements in the CAP over a two-month period.

CMS' decision to remove the intermediate sanction is based on the following corrective actions and commitments made by Health Net:

**Enrollment Errors**

- The enrollments over 10 days are now at zero.
- Health Net has increased its management and oversight of InStil (the enrollment subcontractor), including on-site visits, updated policies and procedures, and re-training of sales staff to ensure timely submission of enrollment applications.
- Health Net will hold daily, weekly, and monthly meetings at appropriate management levels with InStil representatives.

- Health Net will perform quarterly audits of its enrollment operations using CMS guidelines.

### **Marketing Material Errors**

- Health Net will implement stronger controls on the production of beneficiary materials, including password-encrypting all pricing information so that it cannot be changed by the printing vendor.
- Health Net has already provided notices of incorrect premiums and begun providing refunds to beneficiaries who paid \$38.00 instead of the approved \$30.80 monthly premium.
- Health Net staff has been retrained on proof-reading policies and procedures.

### **Oversight and Management of Subcontractors**

InStil (enrollment subcontractor):

- InStil provides twice-daily status reports to Health Net. Health Net validates these reports.
- Health Net conducts on-site audits of InStil operations and daily, weekly, and monthly management meeting at different levels of each organization.

Caremark (PBM subcontractor):

- Health Net reviewed Caremark policies and procedures.
- Senior Health Net staff continues to meet weekly with Caremark management.

CMS will continue to closely monitor Health Net's performance under its CAP. CMS has the authority to impose additional sanctions or penalties if Health Net does not successfully implement their approved Corrective Action Plan or if new violations occur.

If you have any questions, please contact Ms. Cynthia Moreno at 410-786-1164.

Sincerely,



Abby L. Block  
Director

CC:

Ms. Cynthia Tudor, CMS  
Mr. James Kerr, CMS Consortium Administrator  
Ms. Carol Bennett, DHHS, OGC  
Ms. Nancy Brown DHHS/OIG/OCIG