

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



MEDICARE PARTS C AND D OVERSIGHT AND ENFORCEMENT GROUP

December 17, 2025

Mr. Michael Bailey
Chief Executive Officer
American Health Plan of Texas, Inc.
201 Jordan Road, Suite 200
Franklin, TN 37067

Re: Notice of Termination for Medicare Advantage-Prescription Drug Contract Number:
H6891

Dear Mr. Bailey:

The Centers for Medicare & Medicaid Services (CMS) hereby notifies you of its decision to terminate (effective 11:59:59 P.M. Eastern Standard Time (EST) December 31, 2026) American Health Plan of Texas, Inc. (American Health Plan of Texas) Medicare Advantage-Prescription Drug (MA-PD)¹ contract H6891 pursuant to Sections 1857(c)(2) and 1860D-12(b)(3)(B) of the Social Security Act and 42 C.F.R. §§ 422.510(a)(4)(ix) and 423.509(a)(4)(x).

The basis for this action is that CMS has determined that American Health Plan of Texas has substantially failed to carry out its contract with CMS by failing to achieve a Part D summary Star Rating of at least three stars in three consecutive Star Rating periods for contract H6891.

Summary of Noncompliance

H6891 is an MA-PD contract that has been in operation since January 1, 2021. Medicare regulations at 42 CFR §§ 422.504(a)(17) and 423.505(b)(26) require MA-PD contracts to maintain Part C and Part D summary plan rating scores of at least three stars. H6891 has had three consecutive years of low Part D summary Star Ratings as of the 2026 Star Ratings released in October 2025, in violation of 423.505(b)(26) and Art. II.D.3 of the Addendum to Medicare Managed Care Contract for the Operation of a Voluntary Medicare Prescription Drug Plan. Therefore, American Health Plan of Texas has failed substantially to carry out the terms of its contract and CMS has made the determination to terminate contract H6891 at the end of 2026.

¹ MA-PD refers to a Medicare Advantage organization that offers a qualified prescription drug plan. The MA-PD is subject to the same Part D requirements at 42 C.F.R. Part 423 as a stand-alone Part D plan sponsor. 42 C.F.R. § 423.458(a).

Parts C and D Star Rating Requirements

Since 2007, CMS has developed and published annual performance ratings for stand-alone Medicare prescription drug plan (PDP) contracts. In 2008, CMS began issuing ratings for Medicare Advantage (MA) contracts as well. The ratings are based on measures that address a range of health and drug plan performance categories, including access to care, access to prescription medications, and communication with members. The scores in each performance category are based on data reported by MA-PDs, member satisfaction, and monitoring conducted by CMS and its contractors. MA-PD contracts receive a rating for each performance measure, a summary rating each for Part C and Part D, as well as overall ratings. These ratings are called Star Ratings.²

The performance measures used to calculate a contract's Part C and Part D summary Star Ratings reflect an MA-PD's contract performance across multiple Medicare program requirements. A contracting organization's administrative and management arrangements necessarily have a direct impact on its performance of a similarly broad range of program requirements.³ Therefore, CMS considers a low Part C or Part D summary Star Rating to be evidence that the MA-PD has insufficient administrative and management arrangements to meet its obligations as an MA-PD plan sponsor.

Based on that determination, CMS established the Medicare requirement that all contracts maintain Part C and Part D summary plan rating scores, as applicable, of at least three stars. *See* 42 C.F.R. §§ 422.504(a)(17) and 423.505(b)(26). In addition, CMS may terminate an MA-PD contract if it achieves a Part C summary plan rating of less than three stars for three consecutive contract years (*see* 42 C.F.R. § 422.510(a)(4)(xi)), or a Part D summary plan rating of less than three stars for three consecutive contract years (*see* 42 C.F.R. § 423.509(a)(4)(x)).

CMS has also promulgated regulations that state that CMS may terminate an MA-PD contract if the organization has substantially failed to comply with the regulatory requirements contained in Part 422 or Part 423 or both (*see* 42 C.F.R. § 422.510(a)(4)(ix)). CMS has stated that "organizations that offer both Part C and Part D benefits must fully meet the requirements of each program independently". 77 FR 22109. CMS reiterated this position in the 2015 Call Letter, stating that "CMS will terminate MA-PD contracts that scored [a] Part D summary rating of less than three stars in each of the most recent three consecutive rating periods . . . regardless of their Part C summary ratings during the same period."

Violation Related to Part D Summary Star Ratings

CMS has determined that American Health Plan of Texas's contract H6891 failed to comply with Part D Star Ratings requirements by failing to achieve a Part D summary Star Rating of at

² *See* 42 C.F.R. §§ 422.160-.166 and 423.180-.186 for details on the calculation of Star Ratings.

³ Medicare regulations at 42 C.F.R. §§ 422.503(b)(4)(ii) and 423.504(b)(4)(ii) require MA-PD organizations to have administrative and management arrangements satisfactory to CMS, including personnel and systems sufficient for the organization to market and administer benefit plans and conduct utilization management and quality assurance activities consistent with Medicare requirements.

least three stars for three consecutive years in violation of 42 C.F.R. § 423.505(b)(26) and Art. II.D.3 of the Addendum to Medicare Managed Care Contract for the Operation of a Voluntary Medicare Prescription Drug Plan, and so CMS may terminate the contract. 42 C.F.R. §§ 422.510(a)(4)(ix), 423.509(a)(4)(x). Specifically, the three consecutive annual Part D Star Ratings for contract H6891 are as follows:

- 2024 Part D Summary Star Rating of 2.5
- 2025 Part D Summary Star Rating of 2.5
- 2026 Part D Summary Star Rating of 2.5

American Health Plan of Texas was informed of its Part D summary Star Ratings for 2024, 2025, and 2026 on October 13, 2023, October 10, 2024, and October 09, 2025, respectively.⁴

Basis for Termination

Pursuant to 42 C.F.R. § 423.509(a)(4)(x), CMS may terminate a Part D plan sponsor's contract if it "achieves a Part D summary plan rating of less than 3 stars for 3 consecutive contract years."⁵ In addition, pursuant to 42 C.F.R. § 422.510(a)(4)(ix), CMS may terminate an MA-PD's contract if it substantially "failed to comply with the regulatory requirements contained in [Part 422] or Part 423 or both." CMS has determined that American Health Plan of Texas's contract H6891 substantially failed to comply with the Part D Star Ratings requirements by failing to achieve a Part D summary Star Rating of at least three stars for three consecutive years. This is in violation of 42 C.F.R. § 423.505(b)(26) and Art. II.D.3 of the Prescription Drug Plan Contract, and CMS will terminate the contract. 42 C.F.R. §§ 422.510(a)(4)(ix), 423.509(a)(4)(x).

Procedural Requirements for Termination

Under 42 C.F.R. §§ 422.510(c)(1)(i) and 423.509(c)(1)(i), before providing a notice of intent to terminate the contract, CMS provides the MA-PD plan sponsor with notice specifying the MA-PD plan sponsor's deficiencies and a reasonable opportunity of at least 30 calendar days to develop and implement a corrective action plan to correct the deficiencies.

American Health Plan of Texas has been on notice of the need to improve its Part D summary Star Ratings performance since the issuance of the 2024 Star Ratings on October 13, 2023. Each year CMS provides MA-PDs with two preview periods before Star Ratings become public (*see* 42 C.F.R. §§ 422.166(h)(2) and 423.186(h)(2)). During the preview periods, American Health Plan of Texas had the opportunity to review preliminary calculations and seek corrections, if necessary, to the underlying data and calculations before the Star Ratings became public. In addition, American Health Plan of Texas received a corrective action notice on December 28,

⁴ Part D summary Star Ratings data for 2024, 2025, and 2026 is publicly available at <https://www.cms.gov/medicare/health-drug-plans/part-c-d-performance-data> by navigating to "2024 Star Ratings Data Tables", "2025 Star Ratings Data Tables", and "2026 Star Ratings Data Tables."

⁵ Pursuant to 42 C.F.R. § 423.4, the definition of "Part D sponsor" includes "a PDP sponsor, MA organization offering a MA-PD plan, a PACE organization offering a PACE plan including qualifying prescription drug coverage, and a cost plan offering qualified prescription drug coverage."

2023, for its 2024 Star Ratings, and on January 17, 2025, for its 2025 Star Ratings. The corrective action notices informed American Health Plan of Texas of its Star Ratings, requested that American Health Plan of Texas develop and implement a corrective action plan to improve its operations for the areas that resulted in a low Star Rating, and put American Health Plan of Texas on notice that its contract would be eligible for termination if it received a Part D Summary Star Rating of below three stars for three (3) consecutive years.

Therefore, in accordance with 42 C.F.R. §§ 422.510(c) and 423.509(c), American Health Plan of Texas was provided notice of its insufficient Part D summary Star Ratings and was afforded reasonable opportunities to correct this deficiency by improving its Star Rating performance, which it failed to do.

Parallel Marketing and Enrollment Sanctions Following a Contract Termination

In accordance with 42 C.F.R. §§ 422.510(e) and 423.509(f), if CMS makes a determination to terminate a MA organization's contract under §§ 422.510(a) or 423.509(a), CMS also imposes intermediate sanctions. Therefore, CMS is imposing intermediate sanctions on contract H6891 following the contract termination under §§ 422.510(a) and 423.509(a). The intermediate sanctions will consist of the suspension of enrollment of Medicare beneficiaries into American Health Plan of Texas's contract H6891 (42 C.F.R. §§ 422.750(a)(1) and 423.750(a)(1)), and the suspension of all marketing activities for this contract to Medicare beneficiaries (42 C.F.R. § 422.750(a)(3) and 423.750(a)(3)). The intermediate sanctions will be effective 15 calendar days from the date of receipt of this notice, on January 2, 2026. The sanction remains in effect until the effective date of the termination, or if the termination decision is overturned on appeal, when a final decision is made by the hearing officer or Administrator. CMS will provide American Health Plan of Texas with detailed instructions regarding the enrollment and marketing suspensions in a separate communication.

Right to Request Hearings for Termination

American Health Plan of Texas may request a hearing before a CMS hearing officer in accordance with the procedures outlined in 42 C.F.R. Subpart N of Parts 422 and 423. Pursuant to 42 C.F.R. §§ 422.662 and 423.651, your written request for a hearing must be filed within 15 calendar days after the receipt of this determination, or by January 2, 2026. American Health Plan of Texas has the right to appeal the intermediate sanctions in the same proceeding as the termination appeal, however a request for a hearing does not delay the date specified by CMS when the sanction becomes effective.

The request for a hearing must be sent to CMS electronically to the CMS Office of Hearings (OH). OH utilizes an electronic filing and case management system, the Office of Hearings Case and Document Management System ("OH CDMS").

American Health Plan of Texas should complete the one-time OH CDMS registration process as soon as possible after receiving this notification, even if an organization is unsure whether it will appeal its determination. After the registration process is complete, the organization must then file its request for a hearing within the time frame set forth above.

Registration information (including how to add an outside representative/law firm to participate in the appeal), filing instructions and general information may be found on the OH webpage at <https://www.cms.gov/medicare/regulations-guidance/cms-hearing-officer/hearing-officer-electronic-filing>. Follow the OH CDMS External Registration Manual for step-by-step instructions regarding registration and the OH CDMS Hearing Officer User Manual for appeal filing instructions.⁶

A copy of the hearing request should also be emailed to CMS at the following address:

Kevin Stansbury
Director, Division of Compliance Enforcement
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244
Mail Stop: C1-22-06
Email: kevin.stansbury@cms.hhs.gov

CMS will consider the date the Office of Hearings receives the request via the CDMS as the date of receipt of the request. The request for a hearing must include the name, fax number, and e-mail address of the contact within American Health Plan of Texas (or an attorney who has a letter of authorization to represent the organization) with whom CMS should communicate regarding the hearing request.

If American Health Plan of Texas has any questions about this notice, please call or email the enforcement contact provided in the email notification.

Sincerely,

/s/

John A. Scott
Director
Medicare Parts C and D Oversight and Enforcement Group

cc: Kevin Stansbury, CMS/MOEG/DCE
Vanessa Duran, CMS/MDBG
Mark Newsom, CMS/MDBG
Linda Anders, CMS/MDBG
Michael Neuman, CMS/MDBG
Arianne Spaccarelli, CMS/MDBG
Elizabeth Goldstein, CMS/ MDBG
Shruti Rajan, CMS/MCAG
Julie Uebersax, CMS/MCAG

⁶ If technical assistance is required, please contact the OH CDMS Help Desk at 1-833-783-8255 or by email at helpdesk_ohcdms@cms.hhs.gov. The hours of operation are Monday–Friday (excluding federal holidays) from 7:00 a.m. to 8:00 p.m. Eastern Time.

Ashley Hashem, CMS/OPOLE
Verna Hicks, CMS/OPOLE
Scott Spilky, CMS/OPOLE