

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

May 1, 2026

Mr. Alexander Uhm
Vice President, Medicare
California Physicians' Service
3840 Kilroy Airport Rd.
Long Beach, CA 90806

Re: Notice of Imposition of Civil Money Penalty for Medicare Advantage-Prescription Drug and Prescription Drug Plan Contract Numbers: H0504, H5928, and S2468

Dear Mr. Uhm:

Pursuant to 42 C.F.R. §§ 422.752(c)(1), 422.760(c), 423.752(c)(1), and 423.760(c), the Centers for Medicare & Medicaid Services (CMS) is providing notice to California Physicians' Service (California Physicians), that CMS has made a determination to impose a civil money penalty (CMP) in the amount of **\$10,988** for Medicare Advantage-Prescription Drug (MA-PD) and Prescription Drug Plan (PDP) Contract Numbers H0504, H5928, and S2468.

An MA-PD and PDP organization's¹ primary responsibility is to provide Medicare enrollees with medical services and prescription drug benefits in accordance with Medicare requirements. CMS has determined that California Physicians failed to meet that responsibility.

Summary of Noncompliance

In 2024, CMS conducted an audit of California Physicians' 2022 Medicare financial information. In a financial audit report issued on August 28, 2024, CMS auditors reported that California Physicians failed to comply with Medicare requirements related to Part D coordination of benefits and low-income subsidy (LIS) in violation of 42 C.F.R. Part 423, Subparts J and P. More specifically, auditors found that in 2022, California Physicians failed to reprocess prescription drug claims in accordance with enrollee's LIS levels within 45 days of receiving complete information regarding the enrollee's LIS status. California Physicians' failure to comply with Part D requirements adversely affected (or had the substantial likelihood of adversely affecting) enrollees because they may have experienced increased out-of-pocket costs.

¹ Referenced collectively as "plan sponsor".

Part D Coordination of Benefits and Low-Income Subsidy (LIS) Requirements

42 C.F.R. §§ 423.466(a) and 423.800(b)-(e)

Medicare Part D Prescription Drug Program requirements apply to stand-alone Prescription Drug Plan sponsors, Medicare Cost Plans, and Medicare Advantage organizations that offer Part D prescription drug benefits. Sponsors that offer these plans are required to enter into agreements with CMS by which the sponsors agree to comply with a number of statutory, regulatory, and sub-regulatory requirements.

Pursuant to 42 C.F.R. § 423.800, CMS notifies the sponsor offering the Part D plan of an individual's eligibility for a subsidy and the amount of the subsidy. Pursuant to § 423.800(b)-(e), a sponsor must process prescription drug claims in accordance with the LIS enrollee's subsidy amount to ensure that the LIS enrollee is charged appropriate cost sharing for Part D drugs. In addition, pursuant to § 423.466(a), whenever a sponsor receives information that necessitates a retroactive claims adjustment, the sponsor must process the adjustment and issue refunds or recovery notices within 45 days of the sponsor's receipt of complete information regarding claims adjustment.

Violation Related to Part D Coordination of Benefits and Low-Income Subsidy (LIS) Requirements

CMS determined that California Physicians failed to comply with Part D coordination of benefits and LIS requirements by failing to process retroactive adjustments to cost sharing for LIS individuals and issue any resulting refunds within 45 days of the receipt of complete information regarding the claims adjustment. More specifically, when CMS notified California Physicians of retroactive changes to enrollees' LIS levels, California Physicians' claims processing system failed to automatically reverse and reprocess affected claims under the correct eligibility parameters. As a result, enrollees were overcharged for Part D drugs. California Physicians' failure to comply with LIS requirements violates 42 C.F.R. §§ 423.466(a) and 423.800(e).

Basis for Civil Money Penalty

Pursuant to 42 C.F.R. §§ 422.752(c)(1)(i) and 423.752(c)(1)(i), CMS may impose a CMP for any determination made under 42 C.F.R. §§ 422.510(a)(1) and 423.509(a)(1). Specifically, CMS may issue a CMP if a MA-PD and PDP have failed substantially to carry out its contract. Pursuant to 42 C.F.R. §§ 422.760(b)(2) and 423.760(b)(2), a penalty may be imposed for each enrollee directly adversely affected (or with the substantial likelihood of being adversely affected) by the deficiency.

CMS has determined that California Physicians failed substantially to carry out the terms of its contract (42 C.F.R. § 423.509(a)(1)) by substantially failing to comply with requirements at 42 C.F.R. Part 423, Subparts J and P. California Physicians' violations of Part D requirements directly adversely affected (or had the substantial likelihood of adversely affecting) enrollees and warrant the imposition of a CMP.

Right to Request a Hearing

California Physicians may request a hearing to appeal CMS's determination in accordance with the procedures outlined in 42 C.F.R. Parts 422 and 423, Subpart T. California Physicians must send a request for a hearing to the Departmental Appeals Board (DAB) office listed below by July 1, 2026². The request for hearing must identify the specific issues and the findings of fact and conclusions of law with which California Physicians disagrees. California Physicians must also specify the basis for each contention that the finding or conclusion of law is incorrect.

The request should be filed through the DAB E-File System (<https://dab.efile.hhs.gov>) unless the party is not able to file the documents electronically. If a party is unable to use DAB E-File, it must send appeal-related documents to the Civil Remedies Division using a postal or commercial delivery service at the following address:

Civil Remedies Division
Department of Health and Human Services
Departmental Appeals Board
Medicare Appeals Council, MS 6132
330 Independence Ave., S.W.
Cohen Building Room G-644
Washington, D.C. 20201

Please see https://dab.efile.hhs.gov/appeals/to_crd_instructions for additional guidance on filing the appeal.

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

If California Physicians does not request an appeal in the manner and timeframe described above, the initial determination by CMS to impose a CMP will become final and due on July 2, 2026. California Physicians may choose to have the penalty deducted from its monthly payment or transfer the funds electronically. To notify CMS of your intent to make payment and for instructions on how to make payment, please call or email the enforcement contact provided in the email notification.

² Pursuant to 42 C.F.R. §§ 422.1020(a)(2) and 423.1020(a)(2), the plan sponsor must file an appeal within 60 calendar days of receiving the CMP notice.

Impact of CMP

Further failures by California Physicians to provide its enrollees with Medicare benefits in accordance with CMS requirements may result in CMS imposing additional remedies available under law, including contract termination, intermediate sanctions, penalties, or other enforcement actions as described in 42 C.F.R. Parts 422 and 423, Subparts K and O.

If California Physicians 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: Ashley Hashem, CMS/ OPOLE
Verna Hicks, CMS/OPOLE
Jose Hernandez, CMS/OPOLE
Kevin Stansbury, CMS/CM/MOEG/DCE