

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**

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February 24, 2022

Ms. Lina Saadzoï  
Chief Executive Officer  
California Physicians' Service  
601 12<sup>th</sup> Street  
Oakland, CA 94607

Re: Notice of Imposition of Civil Money Penalty for Medicare Advantage-Prescription Drug  
Contract Number: H5928

Dear Ms. Saadzoï:

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 (CPS), that CMS has made a determination to impose a civil money penalty (CMP) in the amount of **\$40,282** for Medicare Advantage-Prescription Drug (MA-PD) Contract Number H5928.

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

**Summary of Noncompliance**

In 2020, CMS conducted an audit of CPS's 2018 Medicare financial information. In a financial audit report issued on November 17, 2020, CMS auditors reported that CPS failed to comply with Medicare requirements related to Part D premium amounts in violation of 42 C.F.R. Part 423, Subpart F. More specifically, auditors found that in 2018 CPS failed to comply with Part D premium requirements by billing and collecting incorrect Part D premium amounts from enrollees. CPS's failure adversely affected (or had the substantial likelihood of adversely affecting) enrollees because they may have experienced increased out-of-pocket costs.

**Part D Premium Requirements**

*(42 CFR §§ 423.752(a)(2) and 423.293)*

Pursuant to 42 C.F.R. § 423.293(a), an MA-PD must charge enrollees a consolidated monthly Part D premium equal to the sum of the Part D monthly premium for basic prescription drug

coverage (if any) and the premium for supplemental coverage (if any and if the beneficiary has enrolled in such supplemental coverage). MA-PD organizations must not impose on enrollees, premiums in excess of the monthly basic and supplemental beneficiary premiums permitted under § 423.293. In addition, pursuant to 423.293(f) an MA-PD must not bill an enrollee for a premium payment period if the enrollee has had the premium for that period withheld from his or her Social Security, Railroad Retirement Board or Office of Personnel Management check.

### **Violations Related to Part D Premiums**

CMS determined that CPS failed to comply with Part D premium requirements by billing and collecting incorrect Part D premium amounts when the members were either a Low Income Subsidy (LICS) beneficiary, no longer enrolled in CPS, or had elected Social Security Administration (SSA) deductions. This issue occurred because CPS did not have sufficient billing or accounts receivable systems in place for premiums during CY 2018. As a result, CPS made a number of mistakes with issuing correct premium bills and collecting correct premium amounts which caused enrollees to incur inappropriate expenses.

### **Basis for Civil Money Penalty**

Pursuant to § 423.752(c)(1)(ii), CMS may impose a CMP for any of the bases listed under § 423.752(a). Specifically, CMS may issue a CMP if a Medicare Advantage-Prescription Drug sponsor (MA-PD) imposes on Part D plan enrollees, premiums in excess of the monthly basic and supplemental beneficiary premiums permitted under section 1860D-1 et seq. of the Act and subpart F of part 423.

CMS has determined that CPS failed to comply with Part D premium requirements by billing and collecting incorrect Part D premium amounts from enrollees (42 C.F.R. § 423.752(a)(2)).

### **Right to Request a Hearing**

CPS 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. CPS must send a request for a hearing to the Departmental Appeals Board (DAB) office listed below by April 26, 2022. The request for hearing must identify the specific issues and the findings of fact and conclusions of law with which CPS disagrees. CPS 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](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 sent 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](mailto:kevin.stansbury@cms.hhs.gov)

If CPS 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 April 27, 2022. CPS may choose to have the penalty deducted from its monthly payment, transfer the funds electronically, or mail a check to CMS. 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.

### **Impact of CMP**

Further failures by CPS 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 CPS 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/CMS/MOEG/DCE  
Brenda Suiter, CMS/ OPOLE  
Ayana Busby-Jackson, CMS/OPOLE  
Charlie Chaleunsky, CMS/OPOLE