

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



MEDICARE DRUG BENEFIT AND C & D DATA GROUP

CORRECTIVE ACTION PLAN REQUEST

May 19, 2017

Contract ID: H4931

Theresa Dorazio
Medicare Compliance Officer
University Care Advantage, Inc.
2701 E. Elvira Road
Tucson, Arizona 85756

VIA EMAIL: Theresa.Dorazio@bannerhealth.com

RE: Actuarial Compliance Issues

Dear Ms. Dorazio,

The Centers for Medicare & Medicaid Services (CMS) is issuing a request for University Care Advantage, Inc., ("University"), which operates the Medicare Advantage Prescription Drug Plan (MA-PD) contract identified above, to develop and implement a corrective action plan (CAP), because it did not make complete 2017 Medicare Advantage and/or Part D bid submissions, as the organization failed to provide required documentation related to the actuarial valuation of its bids.

Pursuant to 42 CFR §§ 422.254 and 423.265, each potential MA and Part D sponsor must submit a bid and supplemental information in a format to be specified by CMS for each MA and Part D plan it offers. Specifically, the regulations each state (§§422.254(b)(5) and 423.265(c)(3)) that the bid must be prepared in accordance with CMS actuarial guidelines based on generally accepted actuarial principles. A qualified actuary must certify the plan's actuarial valuation (which may be prepared by others under his or her direction or review), and must be a member of the American Academy of Actuaries to be deemed qualified. Applicants may use qualified actuaries from outside their organization to prepare their bids.

As stated in CMS' CY2017 Instructions for Completing the Medicare Advantage Bid Pricing Tool (issued on April 8, 2016 through the Health Plan Management System), MA and Part D bids are comprised of two basic components, the plan benefit package (or, PBP - a set of benefits for a defined Medicare Advantage or PDP service area) and BPT (a financial proposal for the health or prescription drug plan that a sponsor intends to offer Medicare beneficiaries in a format required by CMS). The bid instructions (at page 47 of the MA instructions and page 27 of the

Part D instructions) also direct organizations to submit supporting documentation that substantiates the information provided in their bid pricing tools (BPTs) that the CMS Office of the Actuary (OACT) uses to review the BPT to make sure that it conforms to actuarial standards. Additionally, the 2017 Call Letter (released on April 4, 2016, via HPMS) stated at p. 109 that substantiation (i.e., supporting documentation for bid pricing) is among the elements required to constitute a complete CY 2018 bid submission. 42 C.F.R. §§422.254(c)(5) and 423.265(d)(6).

CMS has determined that University's 2017 bids, submitted on June 6, 2016, were out of compliance with the requirements for a complete bid submission. Specifically, University failed to submit any substantiation files with its initial bid submission to support its actuarial assumptions made in its BPT.

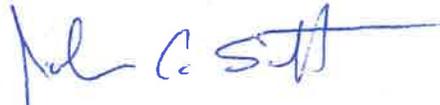
The above-mentioned bid deficiencies are of particular concern to CMS given that University had similar deficiencies in its CY2016 bid, submitted on June 1, 2015. University's repeated inability to submit complete and accurate bids is indicative of a systemic problem with the administration and management of its bid submission processes. Should University make, for the third consecutive year, the fundamental error described in this letter in its upcoming CY2018 bid submission, CMS may decline to afford University the opportunity to correct its submission, as stated in the CY 2018 Call Letter, which in turn could prevent CMS from approving its bid.

CMS requests that your organization take corrective action to come into compliance. The first opportunity for University to demonstrate that it has taken the necessary corrective action will be the CY2018 bid cycle. CMS will review University's CY2018 bid submission to determine whether the necessary steps have been successfully implemented.

Please be aware that this letter will be included in the record of your organization's past Medicare contract performance, which CMS will consider as part of our review of any application for new or expanded Medicare contracts your organization may submit. This letter is considered a Part C and D issue without beneficiary impact for past performance purposes. CMS notes that we are issuing this compliance notice based exclusively on information that we obtained from sources other than the sponsor's own self-disclosure.

If you have any questions, please contact Michael Neuman at (410) 786-7069 or email Michael.Neuman@cms.hhs.gov.

Sincerely,



John Scott
Acting Deputy Director
Medicare Drug Benefit C & D Data Group

CC via email:

Linda Anders, CMS
Scott Nelson, CMS
Yolanda Li, CMS