



CENTER FOR MEDICARE

CORRECTIVE ACTION PLAN (CAP) REQUEST

April 29, 2019

Contract ID: S4607

Parent Organization Name: Magellan Health, Inc.

Legal Entity Name: MERIT HEALTH INSURANCE COMPANY

Wanda Robinson
15880 N Greenway Hayden Loop
Suite A130
Scottsdale, AZ 85260

VIA EMAIL: WYRobinson@magellanhealth.com

RE: Failure to Meet Administrative and Management Requirements

Dear Wanda Robinson:

The Centers for Medicare & Medicaid Services (CMS) is issuing this compliance notice to MERIT HEALTH INSURANCE COMPANY, which operates contract S4607, concerning its failure, as indicated by its most recent low star rating, to meet the administrative and management requirements that apply to Medicare Advantage organizations (MAOs) and stand-alone Medicare Prescription Drug Plan (PDP) sponsors. In particular, your organization's score(s) established it as a poor performer, and CMS is requesting that your organization develop and implement a corrective action plan designed to ensure that it will achieve at least an "average" star rating.

Medicare regulations at 42 C.F.R. § 422.503(b)(4)(ii) and §423.504(b)(4)(ii) require MAOs and PDP sponsors, respectively, 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. The performance measures used to calculate an organization's Part C or D Summary Star Rating reflect a sponsor'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. Therefore, CMS considers a low Part C or D Summary Star Rating to be evidence that the sponsor has in place insufficient administrative and management arrangements to meet its obligations as a Medicare plan sponsor. Based on that determination, CMS has established for MAOs and PDP sponsors the contract requirement that these organizations maintain Part C or Part D summary plan rating scores of at least three stars. 42 C.F.R. §§422.504(a)(18) and 423.505(b)(25).

In October 2018, CMS released the CY 2019 Part C and D star ratings on the Medicare Plan Finder tool on www.medicare.gov. CMS assigned sponsors separate Summary Star Ratings for their Part C and Part D operations. Most MAOs were assigned both C and D Summary Star Ratings. PDP sponsors received only a Part D Summary Star Rating as did a number of MAOs for which CMS could not calculate a Part C rating. Your organization received the following Summary Star Rating(s):

Part D - 1.5

Be advised that CMS treats Summary Star Ratings of below 3 stars for Part C operations and for Part D operations as two separate compliance issues even though they may be discussed in a single letter. For sponsors with low star ratings for both Part C and D operations, CMS will document the issues in our records as two separate CAP requests.

CMS advises your organization to take steps to improve its operations in the areas identified above and bring its Summary Star Rating(s) to a level that indicates at least average contract performance, compliant with Medicare requirements. **CMS is not requiring a CAP submission from your organization.** CMS will simply look at your organization's star rating performance in the coming year to determine whether you took the necessary corrective action to achieve at least a three-star summary star rating. **Please be advised that CMS will contact your organization to discuss your score.**

Section 17001(b) of the 21st Century Cures Act, enacted in December 2016, prohibited CMS from terminating MA organization contracts based on low Star Ratings through December 31, 2018. With the expiration of this prohibition, CMS announced in a February 6, 2019, Health Plan Management System (HPMS) memorandum that the next contracts eligible for termination would be those with low CY 2020, 2021, and 2022 Star Ratings. Please note that this corrective action plan request is related to the CY 2019 Star Ratings, which will not be counted toward qualification for termination.

If you have any questions about this notice, please contact Scott Nelson at Scott.Nelson2@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Amy', with a long horizontal flourish extending to the right.

Amy Larrick Chavez-Valdez, Director

Medicare Drug Benefit and C&D Data Group

CC via email:

Elizabeth Smith, CMS

Scott Nelson, CMS