

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



CENTER FOR MEDICARE

June 24, 2025

WARNING LETTER

Contract ID: H0302, H5140, H6936

Parent Organization Name: Blue Cross Blue Shield of Arizona

Legal Entity: BLUE CROSS AND BLUE SHIELD ARIZONA, INC., MEDISUN, INC.

Veronica Moore
Medicare Compliance Officer
8220 N 23rd Ave.
Phoenix, AZ 85021

VIA EMAIL: veronica.moore@azblue.com

RE: Failure to Charge Correct Enrollee Cost Sharing for Part B Rebutable Drugs

Dear Veronica Moore:

The Centers for Medicare & Medicaid Services (CMS) is issuing this warning letter to the legal entities listed above, which operate the Medicare Advantage Prescription Drug Plan (MA-PD) Contract IDs H0302, H5140, and H6936, regarding your organization's failure to charge your enrollees cost sharing for Part B rebatable drugs in accordance with CMS-adjusted cost sharing requirements. We are issuing a warning letter because this failure to comply with CMS requirements has occurred on more than one occasion without correction. Notably, on September 15, 2021, and October 24, 2024, CMS issued a notice of non-compliance and a warning letter, respectively, for similar compliance issues.

Pursuant to 42 C.F.R. § 422.100(j)(1)(i), in-network cost sharing established by an MA organization for basic benefits (including Part B drugs) may not exceed the cost sharing required under original Medicare. In addition, for Part B drugs deemed rebatable drugs, the cost sharing required under original Medicare, as a result of changes included in the Inflation Reduction Act (IRA), reflects inflation-adjusted beneficiary coinsurance amounts as calculated following the rules at § 427.201(b).

CMS issued the November 7, 2022, HPMS memorandum, "Inflation Reduction Act Changes to Cost Sharing for Part B Drugs for Contract Year 2023 Medicare Advantage and Section 1876 Cost Plans" to clarify how MA organizations may stay compliant with § 422.100(j)(1)(i) by stating that, "Beginning April 1, 2023, the MA enrollee cost sharing for a Part B rebatable drug must not exceed the coinsurance amount of the original Medicare adjusted beneficiary coinsurance for that Part B rebatable drug." Your organization is out of compliance with these Part C requirements because your organization did not adjudicate Part B rebatable drug claims at the point of service according to CMS-adjusted cost sharing requirements for over a year.

On October 30, 2024, your organization disclosed to CMS that a staff member at your organization failed to update the Part B rebatable drugs file in your system from July 1, 2023, to July 23, 2024. You reported that you discovered the issue while reviewing your fee schedule upload process on July 18, 2024. You noted that a root cause analysis performed by your organization revealed that your organization failed to establish a process for quarterly updates to your Part B rebatable drugs file, to provide adequate staff training, and to implement internal controls. This failure resulted in 314 enrollees being overcharged cost sharing for drugs on the Part B rebatable drugs list. You reported that enrollees were overcharged an average of \$10.77, with the highest overcharge being \$290.30. Additionally, 4 enrollees paid higher cost sharing for a protected class drug.

As the initial step of your remediation plan, your organization reported to CMS that on July 24, 2024, you suspended all Part B drug claims processing until a systems update could be implemented. You reported that your organization updated the Part B rebatable drugs file in your system; reprocessed all Part B drugs claims received from July 1, 2023, through July 23, 2024; and then processed the pending Part B drugs claims received from July 24, 2024, through September 19, 2024. Other reported remediation steps taken included updating the fee schedule, updating codes and cost sharing for Part B rebatable drugs, and conducting enrollee impact analysis.

In addition, your organization reported that you required impacted providers to issue refunds to impacted enrollees for the overcharged cost sharing. You reported that, to confirm the enrollees' information and refund amounts and to verify that providers issued refunds to enrollees, your organization completed telephonic outreach to impacted enrollees on November 22, 2024, and electronic outreach to impacted providers on December 6, 2024. You reported that all impacted enrollees were satisfied with the resolution and that, since the providers could refund the overpaid amount either as credit for a future visit or a monetary refund, your organization would not be tracking the enrollee refunds. To prevent this issue from reoccurring, your organization informed CMS that you updated your policies and procedures to include a quarterly update of the Part B rebatable drugs file and implemented internal quality review for updates to your system.

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. CMS determines this instance of non-compliance a Part C issue. CMS considers your organization's efforts in self-reporting information concerning the non-compliant activity as a mitigating factor in determining the severity of this notice.

CMS may consider taking additional compliance actions, including a formal request for a corrective action plan (CAP), or taking enforcement actions in the form of the imposition of intermediate sanctions (e.g., the suspension of marketing and enrollment activities) or civil money penalties if these problems continue without full remediation.

If you have any questions about this notice, please contact your CMS Account Manager Albert Licup at: (312) 353-9847, or Albert.Licup@cms.hhs.gov.

Sincerely,



Jeremy C. Willard, Director
Division of Surveillance, Compliance & Marketing
Medicare Drug & Health Plan Contract Administration Group

Centers for Medicare and Medicaid Services

CC via email:

Yolanda Li, Albert Licup, CMS

Christine Reinhard, CMS Baltimore