

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



**CENTER FOR MEDICARE**

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January 17, 2025

**Warning Letter**

Contract ID: H5433

Parent Organization Name: Orange County Health Authority

Legal Entity Name: ORANGE COUNTY HEALTH AUTHORITY

Annie Phillips  
Medicare Compliance Officer  
505 City Parkway West  
Orange, CA 92868

VIA EMAIL: [medicarecomplianceofficer@caloptima.org](mailto:medicarecomplianceofficer@caloptima.org)

**RE: Failure to Comply with CMS CY 2025 Bid Instructions**

Dear Annie Phillips:

The Centers for Medicare & Medicaid Services (CMS) is issuing a warning letter to ORANGE COUNTY HEALTH AUTHORITY, which operates Medicare Part D Contract ID H5433, because it failed to comply with one or more of the contract year (CY) 2025 Part D bid submission requirements. Your organization is receiving a warning letter because you had multiple compliance failures for CY 2025, as outlined below.

Part D program regulations at 42 C.F.R. § 423.265(c) state that each potential Part D sponsor must submit bids (and supplemental information specified by CMS) that reflect the features (e.g., premium amount, cost sharing) and projected cost estimates of each benefit package it expects to offer. For CY 2025, sponsors provided their bid information through three different submissions: a proposed formulary, a Bid Pricing Tool (BPT), and a Plan Benefit Package (PBP) submitted together by the statutory June 3, 2024 deadline. In general, the PBP describes the structure of a proposed benefit package (e.g., co-pay amounts, deductibles) while the BPT describes the underlying basis used to calculate the price of the benefit package. The information in all three of these submissions must combine to reflect a consistent benefit package. Additionally, pursuant to 42 C.F.R. § 423.505(k)(4), the sponsor's CEO or CFO must submit a certification (referred to as the "benefit certification") that the information provided in each bid is accurate, complete, and truthful.

Organizations are responsible for ensuring that complete and accurate CY 2025 bids were submitted by the June 3, 2024 deadline, and for following CMS bidding procedures. Yet, the Part D portion of H5433's initial bid failed to constitute a complete and accurate bid submission. These deficiencies were revealed by the following:

**The insulin tiers noted in the PBP did not match the insulin tiers noted on the formulary.**

**The sponsor needed to update its formulary exception tier to Tier 1, which includes Part D and Excluded Drugs. Tier 2 then needed to be updated to include 'Part D Drugs only' in order to submit an accurate Excluded Drug file.**

The need for CMS to work with your organization to correct its CY 2025 bid indicates that it failed to comply with Part D regulatory requirements and follow CMS bid instructions.

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 deems this instance of non-compliance a Part D issue. CMS notes that we are issuing this compliance notice based on information that we obtained from the sponsor's own self-disclosure and sources other than the sponsor's self-disclosure.

For questions regarding your bid submission, please contact the Part D Benefits mailbox at [PartDBenefits@cms.hhs.gov](mailto:PartDBenefits@cms.hhs.gov). If you have any questions about the compliance implications of this notice, please contact Christine Hill at [Christine.Hill@cms.hhs.gov](mailto:Christine.Hill@cms.hhs.gov) and copy your account manager.

Sincerely,

A handwritten signature in cursive script, appearing to read "Linda Anders".

Linda Anders, Division Director  
Division of Benefit Purchasing and Monitoring  
Medicare Drug Benefit and C&D Data Group

CC via email:

Kaihe Akahane, CMS  
Arianne Spaccarelli, CMS  
Christine Hill, CMS

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