



CMS 2010 MEDICARE ADVANTAGE & PRESCRIPTION DRUG PLAN SPRING CONFERENCE

Sheraton Baltimore City Hotel, April 20-21, 2010

Verbatim Transcript

Financial Audits of Medicare Advantage Organizations (MAOs) and
Prescription Drug Plans (PDPs)

Part 1

MY NAME IS TANETTE DOWNS,
AND I AM THE DIVISION DIRECTOR

OF THE DIVISION
OF CAPITATED PLAN AUDITS

WITHIN CMS'S OFFICE
OF FINANCIAL MANAGEMENT.

MY DIVISION'S PRIMARY
RESPONSIBILITIES ARE

TO REVIEW AND PERFORM
THE FINANCIAL AUDITS

OF THE COST REPORTS SUBMITTED

BY MEDICARE MANAGED
CARED ORGANIZATIONS

AND CONDUCT
THE FINANCIAL AUDITS

OF THE MEDICARE
ADVANTAGE ORGANIZATIONS

AND PRESCRIPTION DRUG PLANS.

I WILL ATTEMPT TO MAKE
MY PRESENTATION CONCISE THIS MORNING

SO YOU ALL WILL HAVE
AN OPPORTUNITY TO ASK QUESTIONS AT THE END OF OUR PRESENTATION.

I WILL ADDRESS
THE FOLLOWING TOPICS DURING MY PRESENTATION:

THE PURPOSE OF CONDUCTING
THE FINANCIAL AUDITS, THE AUDIT PROCESS,

A SUMMARY OF THE NUMBER

OF AUDITS CONDUCTED TO DATE,
THE MAJOR AUDIT AREAS,
THE TYPES OF FINDINGS
WE HAVE BEEN SEEING,
PROVIDE HELPFUL AUDIT TIPS,
AND JUST TOUCH
ON THE NEXT STEPS FOR CMS
AS IT RELATES
TO THE FINANCIAL AUDIT.

EACH YEAR,
I GET THE PRIVILEGE

OF SENDING OUT AUDIT
NOTIFICATION LETTERS

TO ONE-THIRD OF THE MEDICARE
ADVANTAGE ORGANIZATIONS

AND PRESCRIPTION DRUG PLANS.

SOME OF YOU MAY THINK
THAT I ENJOY DOING THIS,

BUT THAT'S NOT IT AT ALL.

SECTION 1857 (d)(1)

AND SECTION 1860 D-12 (b)(3)(c)

OF THE SOCIAL SECURITY ACT
REQUIRES THE SECRETARY

TO AUDIT AT LEAST ONE-THIRD

OF THE MEDICARE
ADVANTAGE ORGANIZATIONS

AND PRESCRIPTION DRUG PLANS.

ADDITIONALLY, THE CODE
OF FEDERAL REGULATIONS

PROVIDE FURTHER
REGULATORY GUIDANCE

ON WHAT THE FINANCIAL AUDIT
SHOULD CONSIST OF.

SPECIFICALLY,
42 CFR 422.503 STATES

THAT CMS AUDITS THE
FINANCIAL RECORDS OF AT LEAST

ONE-THIRD OF THE MEDICARE
ADVANTAGE ORGANIZATIONS

THAT OFFER M.A. PLANS
INCLUDING DATA RELATING

TO MEDICARE UTILIZATION, COSTS,
AND COMPUTATION OF THE BID.

AND...

FURTHER, THE GENERAL
ACCOUNTABILITY OFFICE

HAS OVERSIGHT OF
THE ONE-THIRD AUDIT PROCESS.

AND LIKE MAOs AND PDPs,
CMS IS AUDITED, TOO.

NOT ONLY IS CMS AUDITED
BY THE GAO,

WE'RE ALSO AUDITED
BY HHS'S OFFICE OF INSPECTOR GENERAL,

AND AS A MATTER OF FACT,
WE'RE CURRENTLY UNDERGOING AN AUDIT

OF THE ONE-THIRD FINANCIAL
AUDIT PROCESS NOW.

CMS'S OFFICE
OF FINANCIAL MANAGEMENT HAS A RESPONSIBILITY

OR HAS HAD THE RESPONSIBILITY
FOR CONDUCTING THESE FINANCIAL AUDITS SINCE 2006.

SINCE THEN, WE'VE
MADE NUMEROUS CHANGES TO THE AUDIT PROTOCOL.

THE MOST NOTABLE CHANGE
IS GOING FROM HAVING OUR CONTRACTOR AUDITORS

PERFORM AGREED-UPON
PROCEDURES REVIEWS TO NOW HAVING THEM

PROVIDE EXAMINATION OPINIONS

ON MANAGEMENT'S ASSERTIONS.

NEXT, I'LL TALK

ABOUT THE AUDIT PROCESS.

I KNOW MOST OF YOU WANT TO KNOW,

"HOW DO I GET SELECTED

FOR MAO AND PDP AUDITS?"

WELL, THE FIRST PART

OF THE AUDIT PROCESS

WOULD BE FOR US TO DETERMINE

HOW MANY ORGANIZATIONS

WE'RE GOING TO AUDIT

AND WHICH OF THOSE ORGANIZATIONS

WE'RE AUDITING.

FOR THE MOST PART,

THE AUDITS HAVE BEEN SELECTED

RANDOMLY FOR 2006 THROUGH 2008.

SOME ORGANIZATIONS

HAVE BEEN TARGETED,
AND IT COULD BE

WE'VE RECEIVED RECOMMENDATIONS
FROM OTHER COMPONENTS WITHIN CMS.

SINCE WE CURRENTLY ONLY AUDIT
ONE PLAN PER CONTRACT,

WE TRY TO MAKE AN EFFORT
TO AUDIT THE PLAN

WITH THE LARGEST ENROLLMENT
OR LARGEST PAYMENT.

OUR GOAL WAS TO TRY
TO AUDIT AT LEAST

ALL OF THE ORGANIZATIONS
WITHIN A 3-YEAR PERIOD.

HOWEVER, THAT DOES NOT
PRECLUDE CMS FROM AUDITING YOUR ORGANIZATION

MORE THAN ONCE
IN THAT 3-YEAR CYCLE.

AND THEN, ONCE THE ORGANIZATIONS
HAVE BEEN SELECTED,

THAT'S WHEN YOU ALL GET
YOUR NOTIFICATION LETTERS.

THE NEXT STEP OF THE PROCESS
WOULD BE TO AWARD THE CONTRACT
TO THE CPA FIRMS.

AND OVER THE LAST FEW YEARS,
WE'VE HAD ABOUT 5 DIFFERENT
FIRMS PERFORM THIS WORK FOR US.
ONCE WE'VE AWARDED THE CONTRACT,
WE OBTAIN PDE DATA FROM CMS'S
OFFICE OF INFORMATION SERVICES
SINCE ALL OF THE AUDITS HAVE
A PART D COMPONENT.

THE SAMPLE SIZES FOR THE TESTING
IS DETERMINED BY THE CPA FIRM.

NOW, CMS DOES PROVIDE

A MINIMUM LEVEL OF SAMPLES
THE AUDITOR SHOULD CONDUCT,

BUT PLEASE KEEP IN MIND,
SINCE THESE AUDITORS ARE PROVIDING AUDIT OPINIONS,

IT'S UP TO THEM TO DETERMINE
THE SAMPLE SIZE OF WHAT THEY FEEL COMFORTABLE WITH

TO BE ABLE
TO PROVIDE US OPINION.

THE NEXT STEP IN THE PROCESS IS

THAT THE CONTRACTORS

CONTACT THE PLANS,

THEY SCHEDULE FIELD VISITS,

REQUEST NECESSARY

AUDIT DOCUMENTS,

AND CONDUCT

AN ENTRANCE CONFERENCE.

WE HAVE ASKED OUR CONTRACTORS
TO BE AS FLEXIBLE AS POSSIBLE,

SO IF YOU GET A CALL OR RECEIVE
SOME TYPE OF NOTIFICATION FROM OUR CONTRACTOR

AND THE DATE DOESN'T WORK
FOR YOU, WE'VE INSTRUCTED THEM

TO TRY TO BE FLEXIBLE
AND WORK THAT OUT.

HOWEVER, PLEASE KEEP IN MIND
THAT THEY DO HAVE CONTRACTS TO GO BY,

AND MOST OF THE CONTRACTS
ARE FOR A ONE-YEAR PERIOD,

SO THEY CAN'T REALLY EXTEND
THE PERIOD OF PERFORMANCE MUCH LONGER THAN THAT.

IT TAKES OUR CONTRACTORS

APPROXIMATELY 4 TO 5 MONTHS

TO COMPLETE AN AUDIT,

AND A LOT OF THE TIME AND

THE PROCESS IS DUE TO WAIT TIME

TO RECEIVE DOCUMENTS FROM

THE PLANS, PBMs, OR PHARMACIES.

SO WE HOPE TO BE ABLE TO CUT

SOME OF THAT DOWN
WITH SOME OF THE TIPS

THAT I'M GOING TO PROVIDE
YOU ALL WITH TODAY.

AFTER THE AUDIT IS COMPLETE,

THE CONTRACTORS DRAFT
THE AUDIT FINDINGS

AND HOLD AN EXIT CONFERENCE
WITH THE MEDICARE ADVANTAGE ORGANIZATIONS

OR PRESCRIPTION DRUG PLANS.

NORMALLY, WE TRY TO MAKE SURE
THAT THERE IS CMS REPRESENTATION AVAILABLE BY TELEPHONE

TO RESPOND TO ANY QUESTIONS
OR INQUIRIES THAT YOU ALL MAY HAVE.

THE DRAFT REPORT IS ISSUED
TO MY DIVISION FOR REVIEW AND APPROVAL,

AND WE DO REVIEW
THE REPORTS TO MAKE SURE THE INFORMATION IS ACCURATE

BEFORE WE SEND IT OUT
TO YOU ALL, AND WE ALSO NOTIFY OTHER CMS COMPONENTS

OF THE AUDIT FINDINGS
ONCE WE RECEIVE THE FINAL REPORT.

WHEN YOU ALL ARE
GETTING AUDITED,

I RECOGNIZE THAT
A LOT OF FOLKS GET CAUGHT UP IN WHETHER SOMETHING IS REPORTED

AS AN OBSERVATION
OR AS A FINDING.

THE ONLY REAL DIFFERENCE
BETWEEN AN OBSERVATION AND A FINDING

IS THE CPA FIRM'S
MATERIALITY THRESHOLD,

SO THE CPA FIRMS SET
THEIR OWN MATERIALITY THRESHOLD.

THEY DO RUN THAT BY US, BUT
IF IT EXCEEDS THEIR THRESHOLD, IT'S GOING TO BE A FINDING.

IF IT DOESN'T AND IT'S

SOMETHING THAT THEY FEEL THEY NEED TO REPORT,

IT MAY SHOW UP
AS AN OBSERVATION.

HOWEVER, CMS STILL HAS
THE RIGHT TO DETERMINE WHAT ACTION, IF ANY,

WE'RE GOING TO TAKE ON
A FINDING OR AN OBSERVATION.

AND MICHELLE TURANO
WILL GO INTO MORE DETAIL ABOUT CMS'S FOLLOW-UP ACTION

DURING HER PART
OF THIS PRESENTATION.

ALL RIGHT.
THE SUMMARY OF AUDITS.

ONE-THIRD OF THE MEDICARE
ADVANTAGE ORGANIZATIONS

AND PDPs ARE AUDITED
EACH YEAR,

AND JUST TO GIVE YOU
SOME STATISTICS,

IN 2006, THERE WAS A TOTAL
OF 169 PLANS AUDITED;

2007, 200 PLANS; AND 2008,

WHICH WE HAVE NOT STARTED
THOSE AUDITS YET,

WE WILL BE AUDITING
236 ORGANIZATIONS.

NOW, OSM FIRST STARTED
PERFORMING AUDITS IN 2007.

TO DATE, WE HAVE COMPLETED ALL
OF THE 2006 AUDITS,

AND WE ARE IN THE PROCESS
OF WRAPPING UP THE 2007 AUDITS.

WE HOPE TO HAVE THOSE AUDITS
WRAPPED UP BY THE END OF MAY,

BEGINNING OF JUNE.

AND WE ARE IN THE PROCESS
OF AWARDING CONTRACTS

TO CONDUCT THE 2008 AUDITS,

AND WE HOPE TO HAVE
THOSE CONTRACTS AWARDED

BY THE END OF MAY.

ONE THING THAT WE'VE CHANGED
WITH THE CONTRACT PROCESS IS THAT, IN THE PAST,

WE'VE CONTRACTED ANNUALLY
TO PERFORM THESE AUDITS.

HOWEVER, GOING FORWARD,
WE'RE LOOKING TO AWARD CONTRACTS TO A GROUP OF CONTRACTORS

WITH 4 OPTION YEARS
SO WE'RE ABLE TO BE ABLE TO GET OUT EARLIER.

SO, AS A RESULT OF THIS NEW
CONTRACTING PROCESS,

I'M SURE MOST OF YOU
WILL BE DELIGHTED TO KNOW

THAT WE SHOULD BEGIN
THE 2009 AUDITS IN OCTOBER.

AND I JUST WANT TO POINT OUT,
ALSO, THAT THERE'S ALWAYS GOING TO BE A LAG

ON WHEN THE AUDITS
ARE CONDUCTED.

AS YOU CAN SEE, WE HAVEN'T
EVEN STARTED THE 2008 AUDITS.

NOT ONLY IS IT BECAUSE WE HAVE
TO AWARD THE CONTRACTS,

BUT ALSO BECAUSE
WE WAIT UNTIL THE PART D RECONCILIATIONS ARE COMPLETED

BEFORE WE SEND OUR AUDITORS
OUT IN THE FIELD.

Part 2

THE MAJOR AUDIT AREAS.

WE'VE RECEIVED REQUESTS

FROM OUR MAOs AND PDEs

FOR OUR AUDIT PROTOCOLS.

NOW, WE DO NOT SHARE THAT

INFORMATION, BUT I WILL PROVIDE

YOU WITH THE MAJOR AUDIT AREAS

THAT WE REVIEW DURING

THE FINANCIAL AUDIT.

THE FIRST AREA IS THE PART D

COSTS AND PAYMENTS, AND IN

THAT SECTION OF THE AUDIT,

WE'RE LOOKING AT YOUR CONTROLS

OVER DRUG PAYMENTS.

THIS INCLUDES TROOP CALCULATION,

DIR/REBATES, SECONDARY PAYER,

IF THERE ARE ANY DUPLICATES,

AND ALSO PRESCRIPTION DRUG

EVENT TRANSACTIONS.

THE NEXT SECTION IS

THE DIRECT MEDICAL COSTS.

AGAIN, WE'RE LOOKING AT YOUR

INTERNAL CONTROLS OVER PAYMENT

OF MEDICAL SERVICE CLAIMS--

SECONDARY PAYER SITUATION,

DUPLICATES; WE ALSO TAKE A LOOK

AT YOUR CONTRACTS.

WE WANT TO MAKE SURE THAT WHAT

YOU'RE ACTUALLY CONTRACTING FOR

IS WHAT YOU'RE PAYING AND THAT'S
WHAT YOU'RE RECORDING

IN YOUR BASE PERIOD
OF YOUR BID.

IN THE NON-BENEFIT EXPENSE

SECTION, WE LOOK AT ANY

QUESTIONABLE OR IMPROPERLY

CLASSIFIED EXPENSES.

THIS INCLUDES THE GOODWILL

AMORTIZATION, INCOME TAXES,

AND IF THERE ARE ANY

LOBBYING EXPENSES.

RELATED PARTY TRANSACTIONS.

IN THE RELATED PARTY TRANSACTION

SECTION, WE'RE LOOKING AT

IF RELATED PARTY TRANSACTIONS

ARE REPORTED AND CONDUCTED

AT FAIR MARKET VALUE AND

THEY'RE NOT EXCESSIVE.

WE WANT TO MAKE SURE

THAT THE GOVERNMENT IS GETTING THE BENEFIT

OF THE CONTRACTS YOU HAVE

WITH YOUR RELATED PARTIES.

AND THE FINAL AREA IS

THE SOLVENCY.

WE WANT TO ENSURE THAT

YOUR ORGANIZATIONS ARE ABLE
TO BEAR LOSSES AND THAT
OUR BENEFICIARIES WILL BE ABLE
TO RECEIVE THE BENEFITS
ON AN ONGOING BASIS.

NEXT I'LL TALK
ABOUT SOME OF THE FINDINGS WE'VE BEEN SEEING TO DATE.

IN THE PART D DIR AREA,
NOW WE'VE SEEN OVERSTATED DIR,
UNDERSTATED DIR,
LACK OF VERIFICATION
OF DIR ACCURACY REPORTED BY PBM.

SOME...SPONSORS REPORTED
DIR AMOUNTS TO CMS,
HOWEVER, WHEN OUR AUDITORS GOT
OUT THERE, THEY WERE UNABLE
TO SUPPORT THE INFORMATION
THAT WAS REPORTED TO CMS.

IN THE PART D COSTS AND PAYMENTS
AREA, WE'VE SEEN LACK
OF DOCUMENTATION TO SUPPORT PDE
TRANSACTIONS, MISSING EOBs,
PAYMENT FOR NON-COVERED DRUGS,
PAYMENT FOR PART D DRUGS,
INCORRECT DETERMINATION
OF BENEFICIARIES' LIABILITY,
AND JUST A LACK OF POLICIES
AND PROCEDURES SURROUNDING YOUR

WHOLE PART D COSTS AND PAYMENTS .

ANOTHER AREA WE'VE SEEN
AND WE ARE REVIEWING IS

HOW SPONSORS COLLECT
LATE ENROLLMENT PENALTIES

AND HOW YOU CALCULATE
THE UNCOVERED MONTHS .

WE'VE ALSO HAD SOME FINDINGS
RELATED TO THOSE AREAS AS WELL .

IN THE PART D TROOP AREA ,

WE'VE HAD A FINDING
FOR A PART D TROOP

IN JUST ABOUT ALL OF THE AUDITS
THAT WE'VE HAD CONDUCTED .

AND PRETTY MUCH THE TRANSFERRING
AND CALCULATING BALANCES ,

OR TROOP BALANCES
WHEN TRANSFERRING BENEFICIARIES

FROM PLAN TO PLAN ,

THERE'S A LACK OF SUPPORTING
DOCUMENTATION IN THIS AREA

AND SOME ORGANIZATIONS HAVE
MULTIPLE TROOP ACCUMULATORS ,

WHICH MADE IT DIFFICULT
TO REPORT TROOP COSTS ACCURATELY .

IN THE DIRECT MEDICAL COST AREA ,
AGAIN WE'VE SEEN A LACK

OF INTERNAL CONTROLS OVER
THE MEDICAL SERVICE PAYMENTS ,

DUPLICATE PAYMENTS , THE LACK
OF COORDINATION OF BENEFITS

WHEN MEDICARE SHOULD BE
PAYING A SECONDARY ,

FAILURE TO IDENTIFY
CO-PAYMENT RESPONSIBILITY

OF THE BENEFICIARY,

AND LACK OF ADEQUATE POLICIES
AND PROCEDURES.

AND THEN, IN THE NON-BENEFIT
EXPENSE AREA--

I TOUCHED ON A LITTLE
OF THIS EARLIER--

IT'S JUST THE QUESTIONABLE
ADMINISTRATIVE EXPENSES

INCLUDED IN THE BID,
AND SOME OF THESE ITEMS

HAVE BEEN EXPLICITLY EXCLUDED
IN THE BID INSTRUCTIONS;

HOWEVER, WE'RE STILL FINDING SOME
OF THEM IN YOUR BIDS.

NOW, CONTRARY TO YOUR BELIEF,

CMS WOULD LIKE FOR EVERYONE
TO HAVE A SMOOTH AUDIT,

SO I'M GOING TO SHARE SOME
HELPFUL AUDIT TIPS.

WHEN WE SEND OUT THE AUDIT

NOTIFICATION LETTERS, WE ASK

THAT YOU ALL PROVIDE US WITH

YOUR AUDIT CONTACT INFORMATION,

AS WELL AS THE LOCATION

OF THE FINANCIAL RECORDS.

WE NEED THIS INFORMATION

SO WE'LL KNOW WHAT TO PROVIDE

TO OUR CONTRACTORS SO THEY

CAN BID APPROPRIATELY

ON THE FINANCIAL AUDIT.

SO IN HPMS ,

YOU MAY HAVE THE RECORDS
ARE LOCATED IN ONE AREA.

THEN WE AWARD THE CONTRACTS,
AND THE AUDITORS MAY END UP GOING SOMEWHERE ELSE ,

SO IT IS VERY IMPORTANT
THAT WHEN WE SEND THOSE LETTERS OUT TO YOU AND ASK FOR YOU ALL

TO PROVIDE US THAT INFORMATION
THAT YOU SEND IT BACK TO US TIMELY.

NOW WE USE HPMS TO OBTAIN
OUR INFORMATION,

AND SOMETIMES WE FIND OUT
THAT THE HPMS INFORMATION HAS NOT BEEN UPDATED,

SO JUST MAKE SURE
YOU KEEP YOUR AUDIT CONTACT,

COORDINATOR INFORMATION UPDATED
AS BEST AS POSSIBLE.

ONE OF THE MOST HELPFUL AUDIT
TIPS THAT I CAN PROVIDE FOR YOU
IS TO MAINTAIN
SUPPORTING DOCUMENTATION.

WE'VE SEEN THAT IN A LOT OF
AUDITS WHERE YOU JUST DON'T HAVE
THE SUPPORTING DOCUMENTATION
WHEN WE GET OUT THERE
TO PERFORM THESE AUDITS.

SO PLEASE KEEP COPIES
OF INTERNAL AND INDEPENDENT
AUDIT REPORTS ,
YOUR SAS 70 AUDIT REPORTS ,
ANY FINANCIAL RECORDS

SUPPORTING THE BID
OR THE FINANCIAL TRANSACTIONS
ASSOCIATED WITH THE PART C
AND D PROGRAMS, CLAIMS DATA USED
TO REPORT BASE YEAR EXPERIENCE
ON BIDS,
YOUR SUPPORTING DOCUMENTATION
FOR NON-BENEFIT EXPENSES
REPORTED ON THE BIDS,
PRESCRIPTIONS--I UNDERSTAND SOME
OF YOU HAVE TO REQUEST THAT
INFORMATION FROM THE PHARMACIES
OR THE PBMs--EOBs,
ENROLLMENT FORMS,
YOUR ADMINISTRATIVE SERVICE
AGREEMENTS, AND JUST ANY
SUPPORTING DOCUMENTATION
FOR RELATED PARTY TRANSACTIONS.
AND IT'S ALSO IMPORTANT
TO POINT OUT THAT YOU ALL ARE REQUIRED
TO MAINTAIN
SUPPORTING DOCUMENTATION FOR AT LEAST TEN YEARS.
ANOTHER IMPORTANT PIECE OF
INFORMATION THAT I CAN PROVIDE
TO YOU IF YOU'RE SELECTED
FOR AUDIT IS
TO IMMEDIATELY REQUEST SAMPLES
FROM PBMs AND PHARMACIES.
THAT'S THE BIGGEST LAG IN
THE WHOLE AUDIT PROCESS.

THAT'S A LESSON LEARNED
FOR US, TOO.

WHEN WE AWARD OUR CONTRACTORS,
WE PROVIDE OUR CONTRACTORS

WITH THE PDE DATA AND
THAT'S THE FIRST THING WE TELL OUR CONTRACTOR AUDITORS TO DO.

PLEASE SEND YOUR SAMPLES
OUT EARLY SO THE MAOs AND PDPs CAN GO AHEAD

AND REQUEST THESE SAMPLES
FROM THEIR PBMs.

AND ALSO, WHEN THE SAMPLE SIZES
ARE DETERMINED,

PRETTY MUCH THEY'RE BASED
ON THE AUDITORS THAT WE CONTRACT WITH,

WHATEVER THEY FEEL
COMFORTABLE WITH.

SO YOU MAY HAVE ONE CONTRACTOR
REQUEST 200 SAMPLES

AND YOU MAY HAVE
ANOTHER CONTRACTOR REQUEST 500 SAMPLES.

PLEASE KEEP IN MIND THAT
WE DO REQUIRE THE AUDIT FIRMS TO PROVIDE US WITH AUDIT OPINIONS,

SO THEIR NAMES ARE GOING ON THE
DOTTED LINE AND THEY'RE GOING TO DO WHATEVER THEY FEEL NECESSARY

TO BE ABLE TO PROVIDE
THEIR OPINION.

ANOTHER HINT IS TO SIGN
THE ASSERTION LETTER

AT THE BEGINNING
OF THE ENGAGEMENT.

ALL TOO OFTEN, WE GET
TO THE END OF THE AUDIT,

WE'RE READY TO ISSUE
A FINAL REPORT,

AND WE FIND OUT THAT
THE ASSERTION LETTERS

ARE STILL BEING ROTATED THROUGH
THE INTERNAL AUDIT PROCESS

OF THE MAO OR PDP.

SO ONCE YOU GET THE ASSERTION
LETTER FROM THE CPA FIRM,

PLEASE HAVE YOUR MANAGEMENT
SIGN THE LETTER

AND GET IT BACK TO THE CPA FIRM
AS SOON AS POSSIBLE,

AS THIS WILL CUT DOWN
ON THE AMOUNT OF TIME THAT IT TAKES TO ISSUE A FINAL REPORT.

AND WE ALSO NEED TO MAKE SURE
YOU RESPOND TIMELY

TO AUDIT REQUESTS.

WE'VE HAD SITUATIONS WHERE WE'VE
ESTABLISHED A DEADLINE,

AND THEN 3 WEEKS LATER,
WE'VE HAD TO ESTABLISH ANOTHER DEADLINE.

THE LAST RESORT WOULD BE
FOR THE AUDITORS TO GET CMS INVOLVED,

AND WE REALLY DON'T LIKE GETTING
INVOLVED IN THIS PROCESS.

SO WE HOPE THAT YOU ALL CAN
WORK IT OUT WITH YOUR AUDITORS,

BUT WE NEED FOR YOU ALL TO BE
AS TIMELY AS POSSIBLE

TO OUR AUDITORS' REQUESTS.

AND IF THERE'S AN ISSUE,
JUST PROVIDE FEEDBACK TO CMS

ON THE AUDIT PROCESS.

LET US KNOW
IF SOMETHING'S GOING ON

AND WE'LL INTERVENE
IF NECESSARY.

NOW I'LL TALK ABOUT NEXT STEPS.

AS I INDICATED PREVIOUSLY,

WE EXPECT TO HAVE THE AUDITS
FOR THE 2008 FINANCIAL AUDITS AWARDED BY THE END OF MAY.

SO YOU SHOULD EXPECT TO BE
CONTACTED BY ONE OF THE FIRMS

WHO WAS AWARDED THIS WORK
SHORTLY THEREAFTER.

WHAT WE ALSO DID,
WE WANTED TO HEAR BACK

FROM SOME OF THE ORGANIZATIONS
THAT HAVE BEEN AUDITED,

SO WE SENT OUT A DOCUMENT
TO ORGANIZATIONS WHO WERE AUDITED

FOR THE FIRST HALF
OF THE 2006 AUDIT.

AND WE GOT SOME FEEDBACK
FROM YOU ALL BECAUSE WE DO WANT TO IMPROVE OUR PROCESS.

AND WHAT WE FOUND OUT
IS OVERALL, 74% OF THE PLANS THAT RESPONDED

INDICATED THAT THE AUDIT WAS
AN EFFICIENT PROCESS.

SOME PLANS RECOMMENDED THAT--
THEY RECEIVED THE NOTIFICATION LETTER, THE FIELDWORK,

AND THEN THEY HAD TO WAIT
A LONG TIME BEFORE THEY ACTUALLY GOT A FINAL REPORT FROM US,

SO THEY ASKED IF WE COULD
SHORTEN THAT TIME.

THE SPONSORS ALSO INDICATED
THAT THE AUDIT WAS HELPFUL TO THEM IN SOME AREAS.

SOME OF THE AREAS INCLUDE DIR.

AS A RESULT OF THE AUDIT,

THE MAOs AND PDPs NOW
HAVE BETTER MONITORING OVER THEIR PBMs,

DEVELOPING PROCESSES
AND PROCEDURES OVER THE PBMs,

THEIR REBATE AUDITS,
AND MAINTAINING THE SUPPORT FOR THE FINANCIAL AUDITS,

THEM LOOKING MORE CLOSELY
AT THEIR NON-BENEFIT EXPENSES,

AND ENSURING THAT THEIR TROOP
CALCULATORS PROPERLY CALCULATE ENROLLEES' TROOP BALANCES.

ALL OF THE RESPONDENTS STATED
THAT OUR AUDITORS WERE PROFESSIONAL,

SO WE LIKE TO HEAR
INFORMATION LIKE THAT,

AND THAT THERE ARE SOME NOT
SO POSITIVE THINGS THAT YOU ALL HAVE TO SAY ABOUT OUR AUDITORS.

WE LIKE TO KNOW ABOUT THAT,
TOO, BECAUSE WE WANT TO MAKE SURE, AS I SAID,

THAT THIS IS A GOOD PROCESS
FOR NOT ONLY YOU, BUT FOR THE AUDITORS AND CMS AS WELL.

ONCE WE WRAP UP THE 2007 AUDITS,

WE'RE GOING TO SEND OUT
ANOTHER AUDIT,

LESSONS LEARNED LETTER
FOR MAOs AND PDPs

TO PROVIDE FEEDBACK TO US
ON THAT PROCESS AS WELL.

AS I SAID, WE PLAN
ON USING THIS FEEDBACK

TO PROVIDE
CONTINUOUS IMPROVEMENT IN OUR AUDIT PROCESS.

WE'RE ALSO GOING TO HOLD
A LESSONS LEARNED WITH OUR CPA FIRMS.

WE WANT TO KNOW
WHAT WORKED FOR THEM, WHAT DIDN'T WORK FOR THEM,

AND HOW WE CAN IMPROVE
OUR PROCESS.

Part 3

I'M MICHELLE TURANO.
I AM THE DEPUTY DIRECTOR

IN THE PROGRAM COMPLIANCE
& OVERSIGHT GROUP WITHIN CPC.

I'M GOING TO TALK TODAY
ABOUT HOW MY GROUP WORKS

WITH TANETTE AND HER STAFF
IN OFM TO COORDINATE

ON THE FINDINGS THAT RESULT FROM
THE ONE-THIRD FINANCIAL AUDITS.

BUT FIRST I WANT TO GIVE YOU
A LITTLE CONTEXT

ABOUT WHAT MY GROUP DOES

AND HOW WE HAVE BEEN INTERACTING
WITH YOU IN THE PAST.

WE HAVE TWO MAJOR FUNCTIONS,

AND YOU HEARD FROM
MY TWO COLLEAGUES YESTERDAY--

LIZ CEPERO
AND JENNIFER SMITH--

ABOUT COMPLIANCE PLAN
ENFORCEMENT ACTIVITIES.

OUR ENFORCEMENT AREA,
FOR BETTER OR WORSE,

HAS BEEN SLIGHTLY
MORE WELL-KNOWN LATELY

FOR OUR RECENT ACTIVITIES,
INCLUDING THINGS

LIKE IMPOSING MARKETING
AND ENROLLMENT SANCTIONS,

LEVYING CMPs,
AND TERMINATING CONTRACTS.

AS SHE SAID, IT'S NEVER
A GOOD IDEA WHEN YOU HEAR

FROM THE PROGRAM COMPLIANCE
AND OVERSIGHT GROUP.

OUR OTHER DIVISION,
ON THE OTHER HAND, WHERE THIS ACTIVITY RESTS,

IS IN THE DIVISION OF COMPLIANCE
POLICY AND OPERATIONS,

WHICH REALLY SORT OF OVERSEES
AND COORDINATES

ALL THINGS RELATED TO AUDITS
FOR C AND D SPONSORS.

AS TANETTE MENTIONED,
SHE HAD THE PLEASURE

OF SENDING OUT
AUDIT NOTIFICATION LETTERS

FOR THE ONE-THIRD AUDITS.

COMING VERY SHORTLY, I WILL HAVE
THE DISTINCT PLEASURE

OF SENDING OUT NOTIFICATION
LETTERS WITH CORRECTIVE ACTION

AND ENFORCEMENT ACTIVITIES
ASSOCIATED WITH THE FINDINGS,

SO I'M NOT SURE WHICH IS WORSE.

SO, AS I SAID, ONE OF OUR

DIVISIONS WITHIN OUR GROUP IS

RESPONSIBLE FOR ALL THINGS AUDIT

OR COORDINATING ALL THINGS AUDIT

RELATED TO AUDITS

OF C AND D SPONSORS.

AUDITING REALLY IS JUST

ONE ACTIVITY THAT CMS USES

FOR OVERSIGHT OF PLAN SPONSORS,

INCLUDING ACCOUNT MONITORING

AND DATA ANALYSIS.

SOME OF THE VARIOUS TYPES

OF AUDITS THAT YOU MIGHT BE

SUBJECTED TO WOULD BE

THE ROUTINE PERFORMANCE AUDITS

THAT CMS CONDUCTS,

USUALLY IN CONJUNCTION

WITH YOUR REGIONAL OFFICE.

READINESS AUDITS, WHICH

MOST RECENTLY HAVE BEEN

FOR PLANS WHO ARE NEW TO

RECEIVING AUTO OR RE-ASSIGNEES.

PACE PROGRAM AUDITS,

COMPLIANCE PLAN AUDITS--

THAT YOU HEARD ABOUT YESTERDAY

FROM LIZ AND JEN--

AND THEN LONG-TERM CARE PHARMACY

AUDITS, PHARMACY ACCESS AUDITS,

AND THE RISK ADJUSTMENT,

DATA VALIDATION AUDITS.

THOSE 7 AUDIT TYPES ARE ALL

CONDUCTED WITHIN OUR CENTER,

THE CENTER FOR DRUG

AND HEALTH PLAN CHOICE.

OTHER AUDITS YOU MIGHT BE

SUBJECTED TO WOULD BE THE OACT

BID AUDIT, THE ONE-THIRD

FINANCIAL AUDIT FROM OFM, OR
A PROGRAM INTEGRITY BENEFIT
INTEGRITY AUDIT.
SO WE'VE COVERED, I THINK,
10 DIFFERENT TYPES OF AUDITS
THAT ONE MIGHT BE SUBJECTED TO.
THAT, OF COURSE, DOES NOT
INCLUDE THE POSSIBILITY THAT OIG
OR GAO MIGHT SHOW UP
AT YOUR FRONT DOOR,
BUT JUST KEEP IN MIND,
PARTICULARLY AROUND ONE-THIRD
FINANCIAL AUDITS,
AS TANETTE MENTIONED,
OIG IS STUDYING CMS RIGHT NOW
TO SEE WHAT WE'RE DOING AND
HOW EFFICIENT AND PROACTIVE
WE'VE BEEN ON ONE-THIRD
FINANCIAL AUDITS.
SO I THINK IT'S SAFE TO ASSUME
THAT IF OIG AND GAO ARE LOOKING
TO US, TO BE MAYBE A LITTLE MORE
ACTIVE IN THIS AREA.
YOU CAN ASSUME THAT YOU'LL BE
HEARING FROM US IN THIS AREA.
CPC HOLDS THE CONTRACT.
WE'RE THE ENTITY WITHIN CMS

THAT SIGNS THE CONTRACT
WITH YOUR ORGANIZATIONS,
SO IT'S OUR JOB, REALLY,
TO TAKE THE FINDINGS FROM ALL OF
THESE TYPES OF AUDITS, INCLUDING
THE ONE-THIRD FINANCIAL AUDITS,
GIVE YOU FEEDBACK, AND WORK
WITH YOU TO MAKE SURE THAT
THE FINDINGS AND DEFICIENCIES
FROM THE AUDITS ARE CORRECTED.

SO PARTICULARLY AROUND
THE ONE-THIRD FINANCIAL AUDITS,
WE PLAY A COUPLE OF ROLES.

NUMBER ONE, WE SORT OF SERVE
AS A CLEARINGHOUSE

TO TAKE THE INFORMATION
PROVIDED FROM OFM

TO WORK WITH OUR
SUBJECT MATTER EXPERTS

FROM THE VARIOUS GROUPS
WITHIN CPC--

SO FROM THE PAYMENT GROUP
OR THE DRUG BENEFIT GROUP--

AND TO DETERMINE, FOR EXAMPLE,
THE SIGNIFICANCE
OF CERTAIN FINDINGS.

SOME OF THEM THAT MIGHT
RESULT FROM THE AUDIT

ARE AT SUCH A LOW LEVEL
THAT CMS WOULD NOT REQUIRE YOU

TO TAKE AN ACTION.

SOME OF THEM, FRANKLY,

HAVE BEEN OVERTAKEN BY EVENTS

IN THE PROGRAM AND THEY'RE
REALLY NO LONGER RELEVANT.

WE ALSO WORK WITH OUR COLLEAGUES

TO DETERMINE LEVELS
OF MATERIALITY FOR FINDINGS

OR TO DETERMINE NECESSARY
CORRECTIVE ACTION.

WE ALSO THEN WORK WITH

THE OFFICE OF THE ACTUARY

ON FINDINGS THAT

CAN IMPACT THE BID.

AND I'LL SAY A LITTLE BIT MORE

ABOUT THAT LATER.

ALL OF THOSE THINGS SORT OF

HAPPEN BEHIND THE SCENES.

THERE WE GO.

THE FIRST TIME THAT YOU WOULD

HEAR FROM CPC WITH REGARD

TO A ONE-THIRD FINANCIAL AUDIT,

HOWEVER, IS AFTER THE AUDIT'S

BEEN CONDUCTED.

AFTER YOU'VE RECEIVED YOUR

REPORT, YOU'LL HEAR FROM CPC--

ME--WITH THE FINDINGS

AND CORRECTIVE ACTION.

SO THE PROCESS THAT WILL

PLAY OUT, AS TANETTE DESCRIBED

THE FIRST HALF OF THE PROCESS,

YOU'LL GET CONTACTED
BY TANETTE'S OFFICE, YOU'LL BE
CONTACTED BY THE AUDIT FIRM,
THE AUDIT WILL BE CONDUCTED,
YOU'LL GET A FINAL REPORT
AND A LETTER FROM OFM.
SOME TIME LATER, YOU'LL GET
A LETTER FROM CPC DESCRIBING--
SORT OF ADDING SOME LEVEL
OF ANALYSIS AND DETERMINATION
OF THE FINDINGS, IDENTIFYING
WHAT WE BELIEVE IS WHAT IS
SIGNIFICANT AND WHAT IS NOT,
AND THEN ASKING FOR
CORRECTIVE ACTION.
THIS COULD INCLUDE--IN ONLY
THE WORST CASES, WE HOPE--
AN ENFORCEMENT ACTION RELATED
IF THE CORRECTIVE ACTION OR IF
THE SIGNIFICANCE OF THE FINDING
IS SO EGREGIOUS THAT WE FEEL
LIKE IT RISES TO THAT LEVEL.
ADVERSE AND DISCLAIMER OPINIONS
ARE SOMETHING THAT WE'RE PAYING
PARTICULAR ATTENTION TO,
AND I'LL SAY MORE ABOUT THAT
IN JUST ONE MINUTE.

STARTING IN 2008, THE AUDITORS
ARE ACTUALLY ISSUING OPINIONS.
IT'S A DIFFERENCE OF PROTOCOL
THAT THEY'RE USING THIS YEAR
FROM WHAT THEY HAD USED
FOR THE '06 AND '07 AUDITS.
SO THERE ARE 4 TYPES OF AUDIT
OPINIONS THAT YOU COULD RECEIVE.
THE FIRST IS CALLED UNQUALIFIED,
AND THIS IS ACTUALLY GOOD NEWS.
IT INDICATES THAT THE FINANCIAL
STATEMENTS OF YOUR ORGANIZATION
ARE FAIRLY PRESENTED
IN ALL MATERIAL ASPECTS
AND THIS IS A CLEAN OPINION.
SO THE COROLLARY TO
A CMS PROGRAM AUDIT IS
THE ELEMENT IS MET,
YOU'VE PASSED THE AUDIT.
A QUALIFIED AUDIT OPINION
IS THAT INDICATES THAT
THE FINANCIAL DATA IS FAIRLY
PRESENTED WITH CERTAIN
EXCEPTIONS, SO SORT OF
A "MET WITH NOTE" OPINION.
NOW WE'RE GETTING INTO THE
SLIGHTLY LESS POSITIVE AREAS.

AN ADVERSE OPINION INDICATES THAT
THE FINANCIAL STATEMENTS

OF YOUR ORGANIZATION ARE NOT
FAIRLY PRESENTED

OR ARE MATERIALLY MISSTATED.

THIS IS BAD NEWS.

EQUALLY BAD WOULD BE
A DISCLAIMED AUDIT OPINION.

THIS MEANS THAT THE AUDITOR
COULD NOT FORM

AND CONSEQUENTLY REFUSES
TO PRESENT AN AUDIT OPINION.

IN OTHER WORDS,
THEY WERE UNABLE--

THERE'S NO EVIDENCE TO VALIDATE
OR SUPPORT PAYMENT

THAT YOUR ORGANIZATION
RECEIVED FROM CMS

RELATED TO ANY OF
THE TRANSACTIONS.

SOME WITHIN OUR ORGANIZATION MIGHT
SUGGEST THAT A FINDING

SUCH AS THIS COULD MEAN
THAT CMS COULD RECOUP PAYMENT

RELATED TO THOSE TRANSACTIONS
IF YOU HAVE NO EVIDENCE

TO SUPPORT YOUR RECEIPT
OF THAT PAYMENT.

I THINK THAT ISSUE IS STILL UP
FOR DEBATE RIGHT NOW,

BUT I THINK THAT GIVES YOU
AN INDICATION

OF HOW SERIOUSLY WE'RE
TAKING THESE FINDINGS,

PARTICULARLY AROUND DISCLAIM

AND ADVERSE OPINIONS.

AND AS TANETTE INDICATED,

LACK OF DOCUMENTATION
HAS REALLY BEEN AN ISSUE,

AND I THINK CMS
WILL BE RESPONDING

IN A VERY SIGNIFICANT WAY.

Part 4

SO LIKE I SAID,
YOUR ORGANIZATION DOES NOT WANT

AN ADVERSE
OR DISCLAIMED OPINION.

THUS FAR, THE FINAL REPORTS
THAT WE'VE RECEIVED,

THERE HAVE BEEN
12 DISCLAIMED OPINIONS

AND 5 ADVERSE REPORTS.

CMS DOES HAVE THE AUTHORITY
TO IMPOSE SANCTIONS

OR TERMINATE A CONTRACT
WITH THE GOVERNMENT

IF THE IMPACT OF THESE FINDINGS
IS SIGNIFICANTLY EGREGIOUS.

LIKE I SAID, THERE ARE SOME
WITHIN CMS THAT BELIEVE

THAT IF YOU CAN'T VALIDATE
OR SUBSTANTIATE PAYMENT

RECEIVED BY THE GOVERNMENT
OR HAVE THE DOCUMENTATION

TO SUPPORT THAT PAYMENT, WE
SHOULD MOVE TO RECOUP PAYMENT.

THAT'S NOT A SITUATION
ANYBODY WANTS TO BE IN.

SO HOW TO PREVENT

AN ADVERSE OPINION.

MAINTAIN YOUR DOCUMENTATION
AND SUPPORTING EVIDENCE.

NOT ONLY IS THIS A GOOD IDEA,
IT IS THE LAW.

IMPLEMENT INTERNAL CONTROLS.

FROM WHAT I CAN TELL
FROM THE REPORTS THAT

WE'VE ANALYZED IN CPC THUS FAR,

I THINK ALMOST EVERY FINDING
CAN BE TRACKED BACK

TO AN OVERALL LACK
OF INTERNAL CONTROLS.

THIS IS SOMETHING THAT I THINK
JEN AND LIZ HIGHLIGHTED

YESTERDAY WHEN IT COMES--
PARTICULARLY AROUND

COMPLIANCE PLAN AUDITS,
BUT THIS IS AN AREA

THAT CPC, PARTICULARLY MY GROUP,
IS GONNA BE FOCUSING ON.

SORT OF FLIPPING
TO THE OTHER HAT

WITHIN OUR ORGANIZATION NOW,

BUT WHEN WE'RE COMING OUT
TO DO PROGRAM AUDITS

AND COMPLIANCE PLAN AUDITS,
NOT ONLY ARE WE REALLY

GOING TO BE LOOKING
AT THE OPERATIONAL FUNCTION ITSELF--

SO FOR EXAMPLE, ENROLLMENT
OR APPEALS AND GRIEVANCES,

BUT WE ALSO WANT TO MAKE SURE
THAT YOUR ORGANIZATION

HAS INTERNAL CONTROLS IN PLACE

SUCH THAT YOU CAN IDENTIFY

PROBLEMS OR ISSUES
BEFORE WE HAVE TO.

AND THAT'S ALL PART
OF AN EFFECTIVE--

AN OVERALL COMPLIANCE PLAN
OR COMPLIANCE PROGRAM

IS THAT YOUR ENTITY HAS
THE ABILITY TO PREVENT,

DETECT, AND RESPOND TO ISSUES
BEFORE THEY RISE

TO THE LEVEL THAT CMS
HAS TO INTERVENE.

FINALLY, THE LAST TIP,
AS TANETTE MENTIONED,

IS PLEASE COOPERATE
WITH THE AUDITORS.

I'M GONNA SOUND LIKE
A BROKEN RECORD HERE

FOR ONE SECOND,
BUT THIS IS IN STATUTE,

IT IS IN REGULATION,
AND IT IS THE LAW.

PLEASE MAINTAIN YOUR RECORDS

RELATED TO PART "D"
TRANSACTIONS.

422.504 (D), 423.505 (D)(1),
THE REGULATION STATES,

"PART D PLANS MUST MAINTAIN
FOR 10 YEARS

"RECORDS, DOCUMENTS,
AND OTHER EVIDENCE

"OF ACCOUNTING PROCEDURES
AND PRACTICE

"SO THAT YOU CAN ACCOMMODATE
PERIODIC AUDITING

OF THE FINANCIAL RECORDS
OF YOUR ORGANIZATION."

IF THE AUDITORS CANNOT
FORM AN OPINION

BECAUSE YOUR ORGANIZATION
CANNOT DOCUMENT

TRANSACTIONS WITH CMS,

THIS IS NOT GOING TO BE
A GOOD OUTCOME.

I'M GONNA PUT ON A NEW HAT
FOR ONE SECOND

BECAUSE THE THIRD ENTITY
THAT WE WORK WITH

WHEN IT COMES TO
THE ONE THIRD FINANCIAL AUDITS

IS THE OFFICE OF THE ACTUARY,
AND I AM NOT AN ACTUARY.

I WILL NOT PRETEND TO BE ONE.

HOWEVER, I THINK THE INFORMATION
THAT I'VE BEEN ASKED TO SHARE

ON THEIR BEHALF IS
PRETTY STRAIGHTFORWARD.

THE OFFICE OF THE ACTUARY
DOESN'T--YOU MIGHT NOT

DEAL WITH THEM TOO OFTEN EXCEPT
DURING YOUR BID DESK REVIEW,

BUT THEY REALLY HAVE
THE SAME ROLE THAT WE DO

WHEN IT COMES TO WORKING
WITH OFM,

WHICH IS THAT THEY TAKE FINDINGS

FROM THE ONE THIRD
FINANCIAL AUDIT,

TAKE THEM INTO ACCOUNT,
AND THEY'RE ONLY EXAMINING

THOSE FINDINGS

THAT IMPACT YOUR BID.

SO FOR AN AUDIT REPORT

THAT MAY HAVE BEEN

RECEIVED RECENTLY,

THE OFFICE OF THE ACTUARY

WOULD ANALYZE THE FINDINGS

SPECIFIC TO YOUR ORGANIZATION,

INCORPORATE THAT

INTO THE BID DESK REVIEW

OF YOUR ENTITY,

AND WORK TO MAKE SURE

THAT ANY ISSUES IDENTIFIED

RELATING TO THE BID

ARE WORKED OUT AND RESOLVED

BEFORE THE BID IS ACCEPTED.

SO AGAIN, IT'S REALLY

THE SAME CONCEPT

THAT I DESCRIBED

THAT WE'RE USING,

BUT OACT IS ACTUALLY TAKING

THE INFORMATION

AND USING IT IN A MUCH MORE

REAL-TIME WAY.

SO THE BID DESK REVIEWS

THAT ARE GONNA BE HAPPENING

OVER THE SUMMER WILL BE TAKING

INTO ACCOUNT THE FINDINGS

OF ALL THE AUDITS FRANKLY

THAT HAVE HAPPENED TO DATE

AND MAKING SURE THAT THOSE

ISSUES ARE RESOLVED

BEFORE YOUR BID IS ACCEPTED.

IT'S A PROCESS SIMILAR

TO WHAT WE'RE DOING HERE IN CPC,

AND THE LAST NOTE
I WANT TO MAKE IS THAT

YOU MAY HEAR FROM CMS--
FROM TWO COMPONENTS

WITHIN CMS RELATED
TO A SIMILAR FINDING.

SO FOR EXAMPLE,
NONBENEFIT EXPENSE.

IF DURING THE AUDIT IT'S
DISCOVERED THAT YOU HAD--

OH, I DON'T KNOW--
POLITICAL CONTRIBUTIONS

CALCULATED INTO YOUR BID,
OR A CORPORATE SKYBOX

OVER AT CAMDEN YARDS IS
CALCULATED INTO THE BID,

IF THAT'S IDENTIFIED,
NUMBER ONE, YOU WOULD HEAR

FROM THE OFFICE OF THE ACTUARY
TO MAKE SURE THAT

THAT IS EXCLUDED FROM THE BID

THAT WOULD BE REVIEWED
OVER THE SUMMER,

BUT NUMBER TWO, SADLY,
YOU MAY ALSO HERE

FROM THE COMPLIANCE ARM OF CMS
IF IT'S DETERMINED THAT

THERE IS CORRECTIVE ACTION
REQUIRED RELATED

TO THAT ACTIVITY.

SO WITH ALL OF THAT GOOD NEWS,
I THINK TANETTE AND I

ARE AVAILABLE TO TAKE QUESTIONS.

THANK YOU VERY MUCH.

UH, MICHELLE, MARK JOFFE.

ONE QUICK QUESTION.

WHEN YOU TALKED ABOUT
THE QUALIFIED OPINIONS

FROM YOUR AUDITORS
AND YOU CONVEYED THE POSSIBILITY

OF CORRECTIVE ACTION
AS A RESULT,

I AM SORT OF DISCERNING
BY INFERENCE THAT

YOUR OFFICE IS NOT
INTENDING TO ACTUALLY TRY TO RECOUP FUNDS

IN THOSE CIRCUMSTANCES.

FOR EXAMPLE, THERE MIGHT BE
A DIR DISCREPANCY.

SO AM I READING
YOU CORRECTLY?

WELL, I THINK--YOU CAN HEAR ME?

I THINK IT DEPENDS
ON THE LEVEL OF IMPACT.

I'LL GIVE YOU AN EXAMPLE.

THERE HAVE BEEN REPORTS
RECEIVED WHERE WE DISCOVER

THAT WHATEVER MISCALCULATION
THAT HAS BEEN--THAT HAS OCCURRED

HAS RESULTED IN A \$45.17 IMPACT
TO THE ENTITY.

I CAN TELL YOU CMS
IS NOT GONNA GO OUT

AND TRY TO COLLECT \$45.17.

SO THERE IS A LEVEL
OF MATERIALITY,

THERE IS A THRESHOLD
THAT--THAT HAS TO BE MET

THAT WE BELIEVE IS REASONABLE.

ON THE OTHER HAND,
IF THE AUDIT SUGGESTS--

AND I'M SORT OF TURNING TO
TANETTE BECAUSE IT WOULD BE OFM

THAT WOULD GO OUT AND DEMAND
RECOUPMENT OF FUNDS--

IF THE LEVEL OF IMPACT
IS SO SIGNIFICANT--

AND FOR EXAMPLE,
THOSE DISCLAIMED OPINIONS,

WHERE WE COULD BE TALKING
ABOUT BILLIONS OF DOLLARS--

CMS WOULD BE
IN A VERY DIFFERENT POSITION.

SO IT SORT OF DEPENDS
ON HOW BAD THE SITUATION IS.

OK. BUT IF IT'S
A QUALIFIED--

QUALIFIED AND UNQUALIFIED
ARE SORT OF ABOVE THE BOARD,

AND I WOULD SUGGEST THAT--
WELL, I WOULD HOPE

THAT THERE WOULDN'T BE
A QUALIFIED OR UN--

I MEAN, A QUALIFIED
OPINION ANYWAY

THAT WOULDN'T RESULT
IN MILLIONS OF DOLLARS OF POSSIBLE RECOUPMENT.

SO IN THOSE INSTANCES, NO,
I DON'T THINK CMS

IS GONNA COME OUT AND TRY
TO RECOUP ANY FUNDS.

IT WOULD BE THE SORT OF
LOWER END--

THE TWO OTHER TYPES
OF AUDIT OPINIONS

THAT WOULD PROBABLY
HAVE THAT IMPACT.

Tanette: WELL, LET
ME JUST ADD THAT--

TO KIND OF PIGGYBACK
ON WHAT MICHELLE WAS SAYING,

YES, IN THE INSTANCES
OF DISQUALIFIED OR ADVERSE OPINIONS,

THOSE ARE
THE MOST SEVERE.

HOWEVER, THERE MAY BE
INSTANCES WHERE AN ISSUE--

WHERE AN ORGANIZATION
HAS A QUALIFIED OPINION

AND IT COULD
BE SIGNIFICANT.

SO CMS DOES RESERVE
ITS RIGHT TO GO

AFTER THOSE
ORGANIZATIONS, AS WELL.