

2016 Program Audit and Enforcement Report

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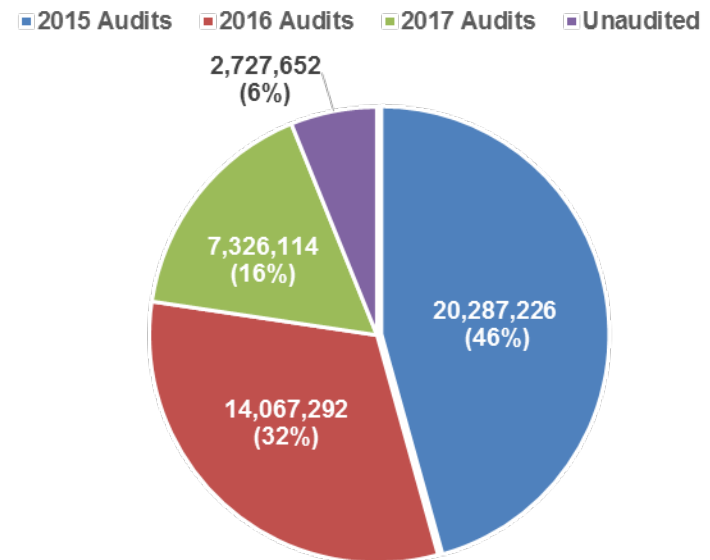
Overview

- Audit Landscape
- State-by-State Breakdown
- Audit Lifecycle
- Cross-Year Results
- 2016 Audit Scores
- 2016 Most Common Conditions
- Cross-Year ICAR Citations
- Most Common ICAR Conditions
- Enforcement Actions

Audit Landscape

- CMS began a new audit cycle in 2015
- Roughly 78% of Medicare beneficiaries were covered by our 2015 and 2016 audits
 - Around 32% of Medicare beneficiaries were covered by our 2016 audits alone

Number of Enrollees Covered by Cycle 2 Audits

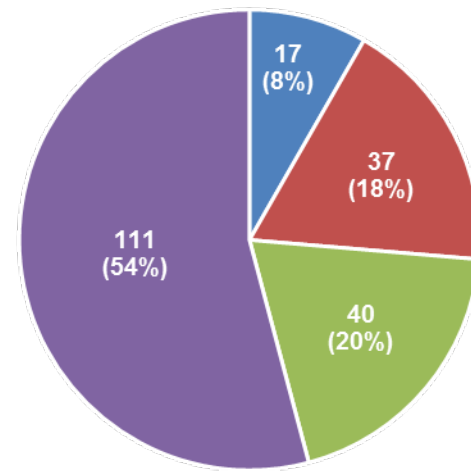


Audit Landscape (cont.)

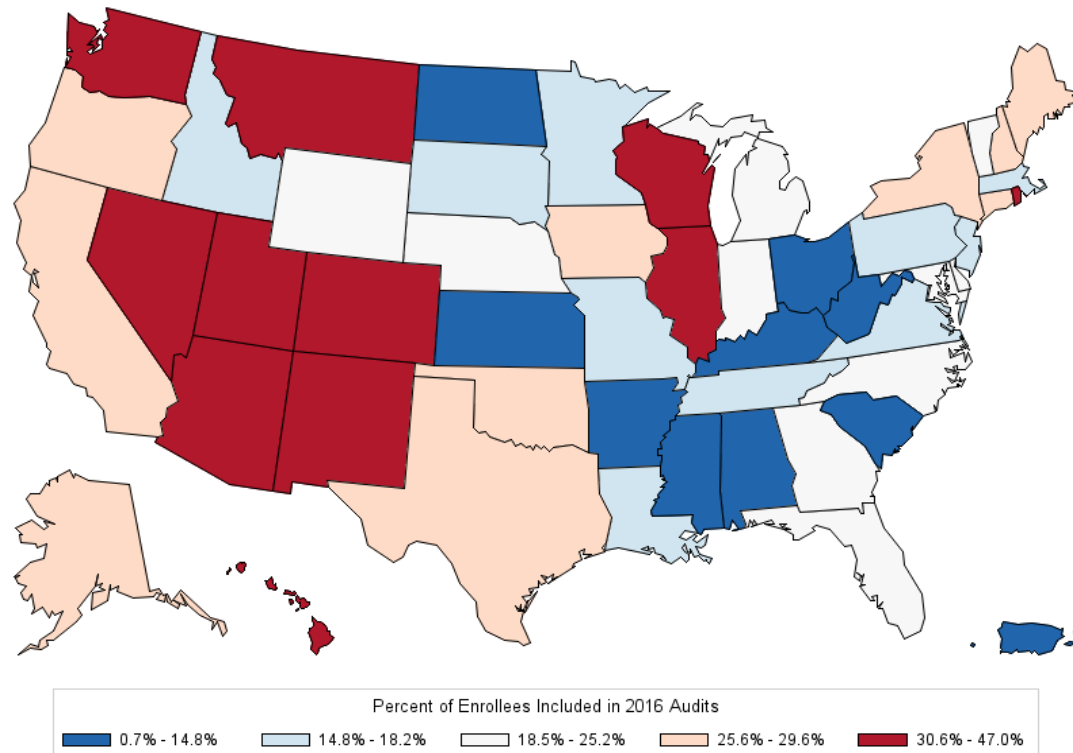
- In the first two years of cycle two, we audited 54 sponsors
- By the end of 2017, we aim to have audited 94 sponsors, or 46% of all sponsors currently operating Medicare contracts

Number of Sponsors Covered
by Cycle 2 Audits

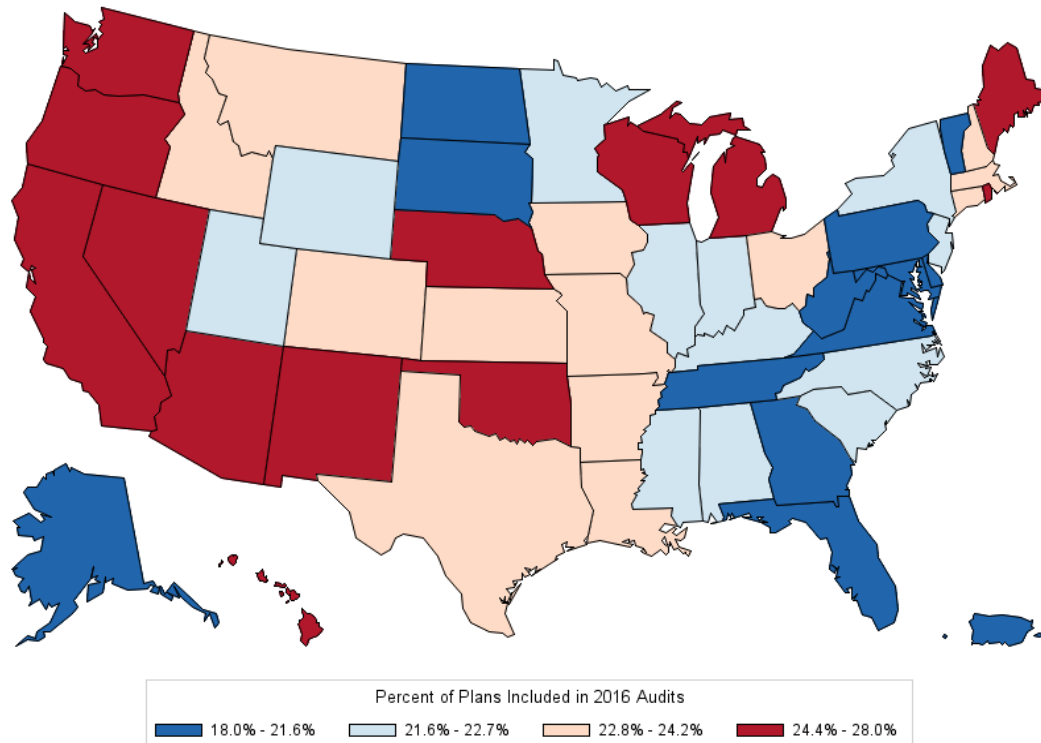
■ 2015 Audits ■ 2016 Audits ■ 2017 Audits ■ Unaudited



State-by-State Breakdown

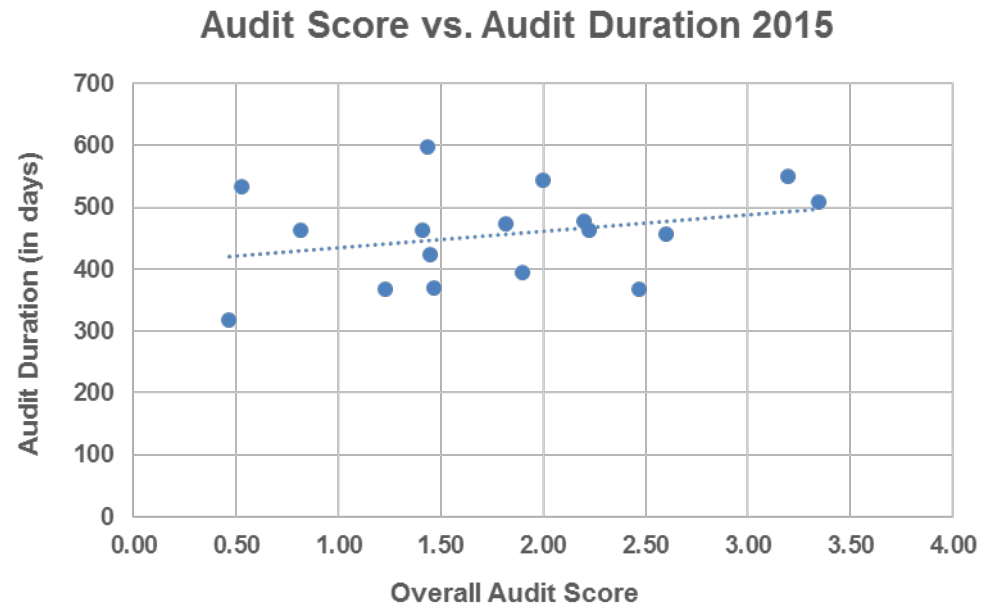


State-by-State Breakdown (cont.)



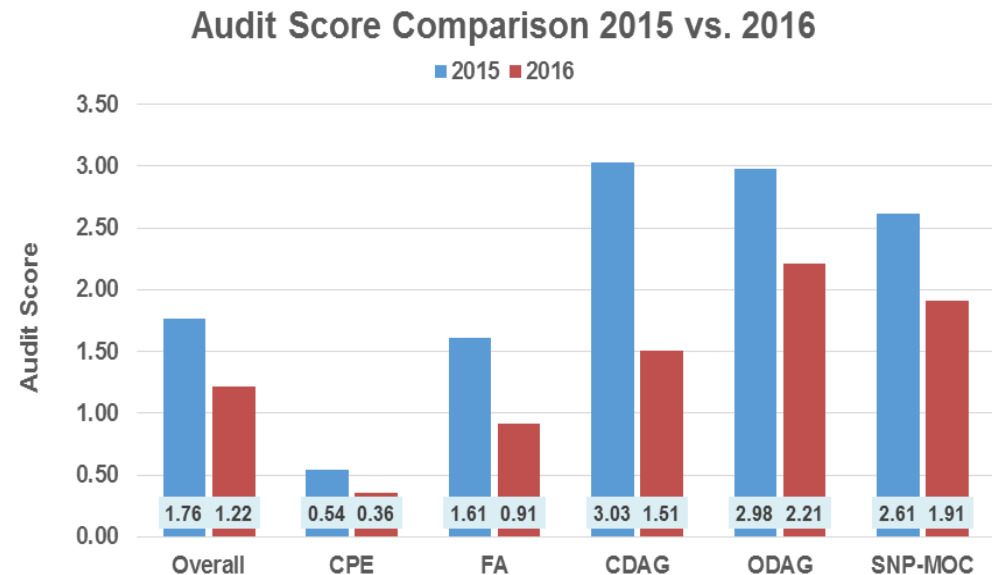
Audit Lifecycle

- Audit duration is measured as the time between the issuance of an engagement letter and audit closeout letter
- Audit duration is now largely dependent on the sponsor
- There is a positive correlation between audit score and audit duration
- We are reporting on 2015 audits because most 2016 audits have not yet closed



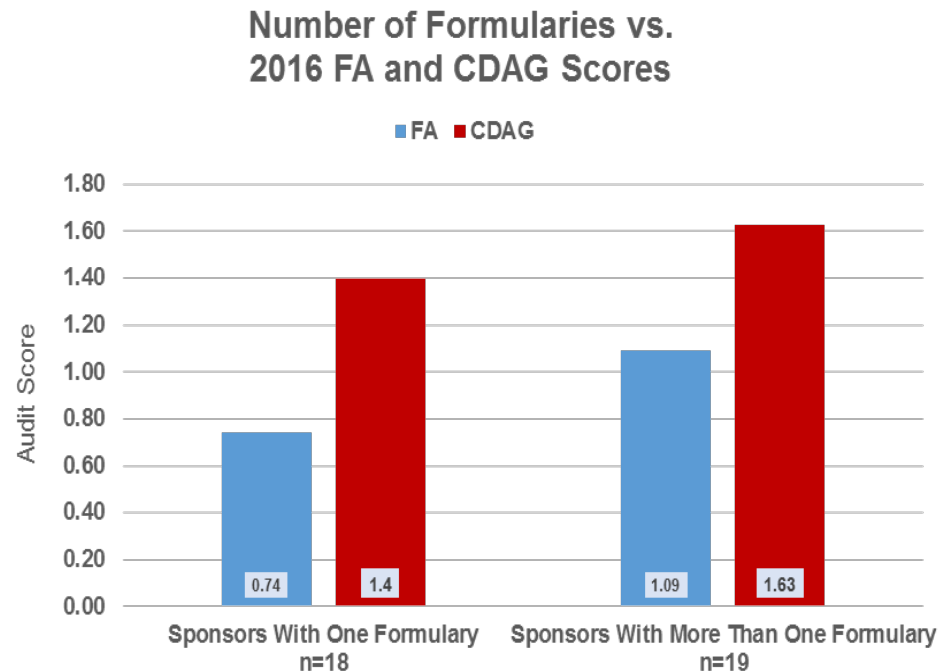
Cross-Year Results

- Audit scores fell markedly in all program areas
- The largest percentage decreases were in FA and CDAG
- These results are partly attributable to changes in the definitions of ICARs, CARs and observations



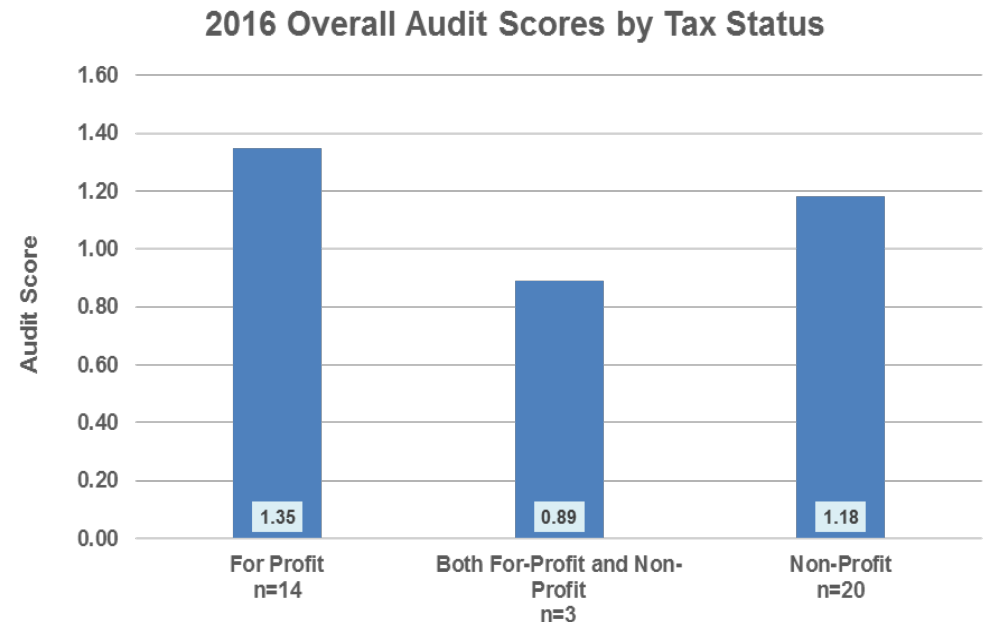
Audit Scores by Formulary Count

- New analysis for 2016
- There is a positive correlation between the number of unique formularies utilized by sponsors and their FA and CDAG scores
- The correlation is stronger in FA than in CDAG



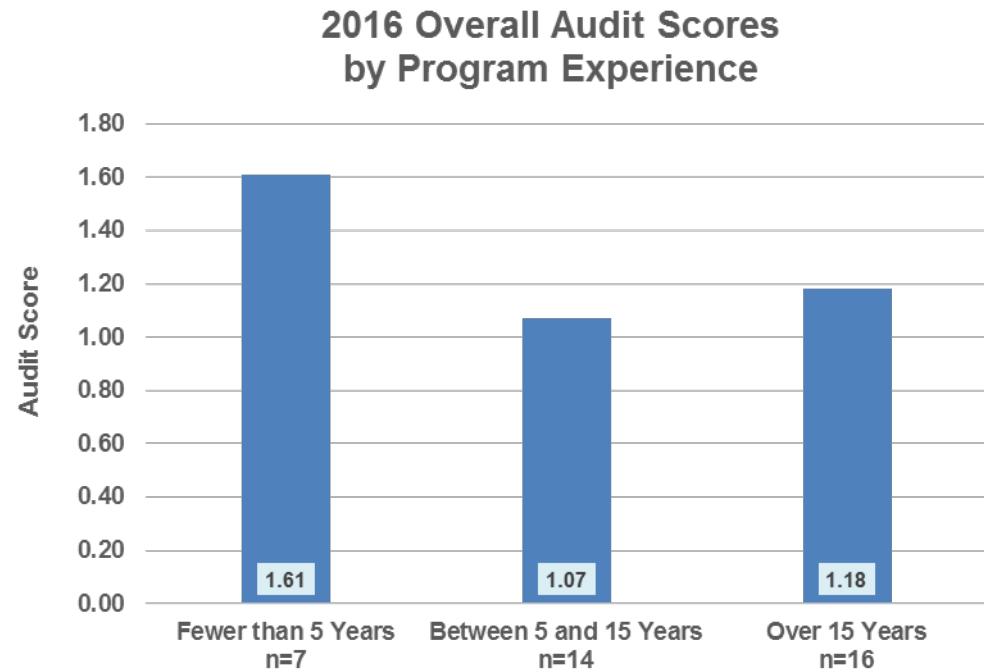
Audit Scores by Tax Status

- Tax status is determined at the contract level
- Mixed sponsors have the best average overall audit score
- Non-profit sponsors fared the best in 2013, 2014 and 2015



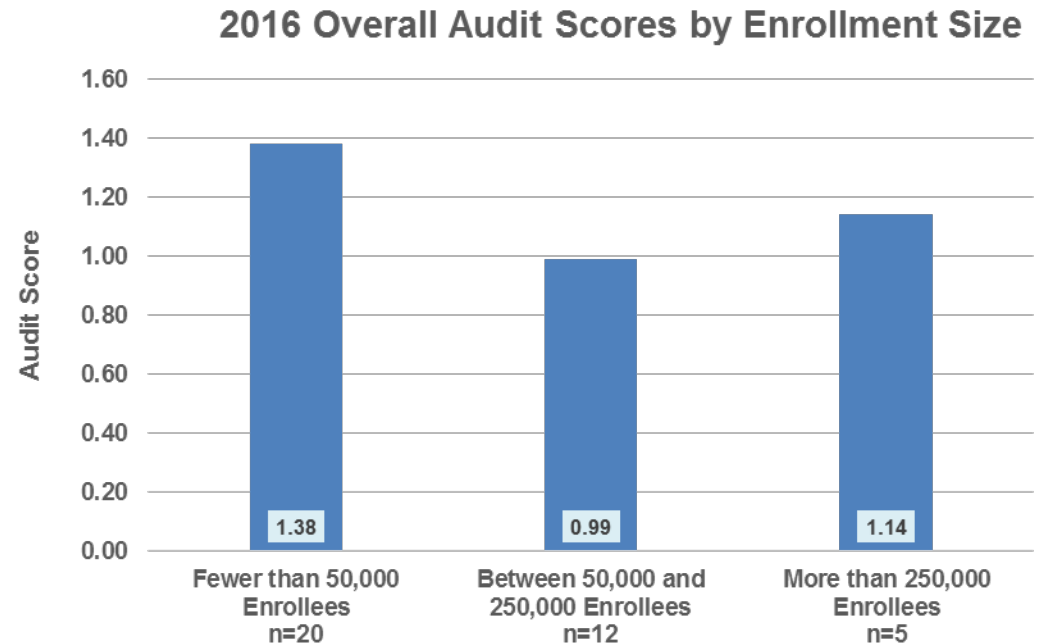
Audit Scores by Program Experience

- Program experience is based on the earliest effective contract of each sponsor
- Sponsors with fewer than 5 years of experience fared somewhat worse than their more experienced counterparts
- More experienced sponsors also fared somewhat better in 2015 than did less experienced sponsors



Audit Scores by Enrollment Size

- The three enrollment size groups mirror those used to determine the review periods for CDAG and ODAG
- As in 2015, there is no discernible relationship between audit results and enrollment size



Most Common Conditions

Condition Language	Citation Frequency 2011- Present	Related Program Area
Sponsor failed to properly administer the CMS transition policy.	7 out of 7	FA
Sponsor improperly effectuated prior authorizations or exception requests.	7 out of 7	FA
Sponsor failed to properly administer its CMS-approved formulary by applying unapproved quantity limits.	7 out of 7	FA
Sponsor failed to properly administer its CMS-approved formulary by applying unapproved utilization management practices.	6 out of 7	FA
Denial letters did not include adequate rationales, contained incorrect/incomplete information specific to denials, or were written in a manner not easily understandable to enrollees.	7 out of 7	CDAG
Sponsor misclassified coverage determination or redetermination requests as grievances and/or customer service inquiries.	6 out of 7	CDAG
Sponsor did not demonstrate sufficient outreach to prescribers or beneficiaries to obtain additional information necessary to make appropriate clinical decisions.	7 out of 7	CDAG

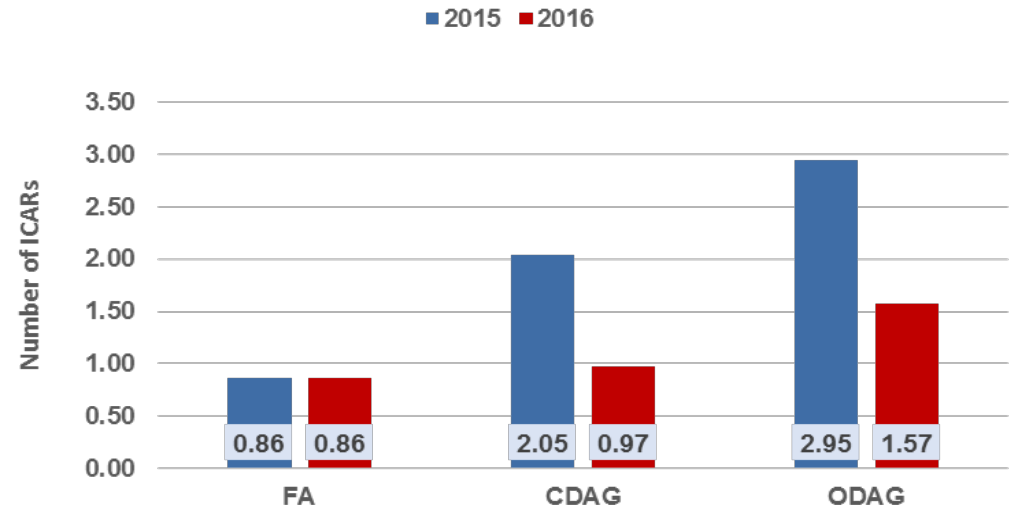
Most Common Conditions (cont.)

Condition Language	Citation Frequency 2011-Present	Related Program Area
Denial letters did not include adequate rationales, contained incorrect/incomplete information specific to denials or were written in a manner not easily understandable to enrollees.	6 out of 6	ODAG
Sponsor did not notify enrollees, and providers if the providers requested the services, of its decisions within 72 hours of receipt of expedited organization determination requests.	5 out of 6	ODAG
Sponsor did not demonstrate sufficient outreach to providers or to enrollees to obtain additional information necessary to make appropriate clinical decisions.	6 out of 6	ODAG
Sponsor did not administer comprehensive annual reassessments within 12 months of the last annual health risk assessments (HRAs).	3 out of 4	SNP-MOC
Individualized care plans (ICPs) did not address issues identified in health risk assessments (HRA).	3 out of 4	SNP-MOC

Cross-Year ICAR Citations

- New analysis for 2016
- ODAG had the highest average number of ICARs cited per audit in 2016 followed by CDAG and then closely by FA
- In FA, the average number of ICARs stayed the same across both years, whereas in CDAG and ODAG there was a large decrease

Average Number of ICARs per Audit
2015 vs. 2016



Most Common ICAR Conditions

- New analysis for 2016
- This list includes ICAR citations from 2015 and 2016
- The Program Audit and Enforcement Report has a top-10 list
- Of the 10 conditions in that list, 5 were in ODAG, 2 were in CDAG, and 3 were in FA

Condition Language	Related Program Area	Number of ICAR Citations
Sponsor did not appropriately auto-forward coverage determinations and/or redeterminations (standard and/or expedited) to the Independent Review Entity (IRE) for review and disposition within the CMS required timeframe.	CDAG	21
Sponsor misclassified coverage determination or redetermination requests as grievances and/or customer service inquiries.	CDAG	19
Sponsor improperly effectuated prior authorizations or exception requests.	FA	18
Sponsor did not notify beneficiaries, and providers if the provider requested the services, of its decisions within 72 hours of receipt of expedited organization determination requests.	ODAG	10
Sponsor failed to properly administer its CMS-approved formulary by applying unapproved prior authorization edits.	FA	8
Sponsor did not notify enrollees, and providers if the provider requested the service, of its decisions within 14 calendar days of receipt of standard organization determination requests.	ODAG	8

Enforcement Actions

- Thirty-seven sponsors were audited in 2016
- Seventeen audits resulted in the imposition of a civil money penalty (CMP)
 - The CMPs imposed as a result of 2016 audit violations totaled just under \$7.3 million
- There were no intermediate sanctions imposed as a result of our 2016 program audits

Questions?

- Please send any outstanding questions to:
part_c_part_d_audit@cms.hhs.gov