



One-Third Financial Audits Overview

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Agenda

- OFM's Vision and Mission
- Overview of One-Third Financial Audits (OFA)
 - Contractor Responsibility
 - Plan Assertion/Report Opinions
 - OFA Results
- Corrective Action Plan (CAP) Closeout
- Lessons Learned/Best Practices



Mission & Vision Statements

- CMS Mission Statement:

- *An effective standard of public funds, CMS is committed to strengthening and modernizing the nation's health care system to provide access to high quality care and improved health at lower cost.*

- OFM Vision Statement:

- *A collaborative, dedicated, and talented workforce delivering excellent financial management services to our stakeholders, ensuring the effective stewardship of public funds.*



Overview of One-Third Financial Audits

- Per statute, CMS is required to audit one-third
 - Medicare Advantage Organizations (MAOs)
 - Prescription Drug Plans (PDPs)
 - Program of All-Inclusive Care for the Elderly (PACE)
- CMS contracts with independent CPA firms with expert knowledge on the programs to perform the audits



Polling Question

For Plans that have been through a OFA, how fun are they?

- A. Very fun
- B. Extremely fun
- C. Ultimate in fun
- D. All of the above



Contractor's Responsibilities

- Contractors use a Uniform Examination Program, at a minimum, to opine on management's assertion
 - Contractors are allowed to test audit areas not identified in the Uniform Examination Program (expand scope)
- CMS provides SME support throughout the audit, but takes a hands off approach to Contractor opinions



Contractor's Responsibilities (cont.)

- CMS does not strictly stipulate materiality related to finding/observation but we do provide guidance and materiality related to sample selection
- Contractors are required to stick to a strict deliverable deadlines to meet contractual responsibilities



Management's Assertion

- Contractors express an opinion on management's assertion that:
 - Prescription Drug Event (PDE) and Direct and Indirect Remuneration (DIR) data is fairly stated and in accordance to CMS regulations
 - Base year experience reported on the bids is fairly stated in accordance to CMS regulations and Bid Pricing Tool instructions
 - Plan has sufficient internal controls over disbursements for medical and drug benefit services provided to Medicare beneficiaries
 - Plan has met the solvency requirements as set forth by CMS and applicable State requirements



Summary of Opinions

Unqualified

- “clean” opinion
- does not identify any material issues

Qualified

- material issues found
- issue is not pervasive

Disclaimed

- auditor cannot express opinion

Adverse

- pervasive material misstatement found



Polling Question

What entities are not audited under the One-third Financial Audits?

- A. Medicare Advantage Organizations
- B. Prescription Drug Plans
- C. Program of All-Inclusive Care for the Elderly
- D. 1833/1876 Cost Plans



Audit Results (Opinions)

CY 2016

Type of Opinion	Number of Plans	Percent
Unqualified	54	26.09%
Qualified	149	71.98%
Adverse	3	1.93%
Total:	207	100%



Audit Results (Opinions)

CY 2017

Type of Opinion	Number of Plans	Percent
Unqualified	74	33.94%
Qualified	141	64.68%
Adverse	3	1.38%
Total:	218	100%



Audit Timeline Example

CY18 Audit Timeline

June 2019

CY20 bids are submitted (CY20 bids include CY18 base year data)
CY18 Final PDE and DIR data is due for Part D Reconciliation

**August 2019 –
October 2019**

One-third of MAOs and PDPs are notified of the upcoming CY18 audit

**September
2019 –
December 2019**

Auditors begin the planning phase of the audit (i.e. entrance conferences)



Audit Timeline Example (cont.)

CY18 Audit Timeline	
January 2020 – July 2020	Auditors perform fieldwork of the audit and conduct exit conferences at the completion of all audits
May 2020 – December 2020	Plans submit Corrective Action Plans (CAPs) to resolve audit findings Plans resubmit PDE and DIR data to correct audit findings and observations
May 2020 – April 2021	OFM reviews CAPs for adequacy and closes audits



Areas of Findings

- **Part D Costs and Payment**
 - Incorrect dispensing fees and quantities
 - Paying primary when it should be secondary
 - PDE (claim) errors (drug pricing)
 - Duplicate PDEs
 - Lack of supporting documentation
 - EOB errors
 - Late plan-to-plan payments
- **Non Benefit Expense**
 - Un-allowed/questionable amounts in bids
 - Lack of support



Areas of Findings (cont.)

- **Part D Direct and Indirect Remuneration (DIR)**
 - Under and overstated DIR
 - Lack of supporting documentation
- **Direct Medical**
 - Base year experience is misstated
 - Paying primary when should be secondary



Areas of Findings (cont.)

- **Part D TrOOP (True Out of Pocket Costs)**
 - Errors in calculating/transferring TrOOP
- **Related Party**
 - Plan failed to disclose related party transactions
- **Solvency**
 - Plan did not meet solvency/capital requirements



CAP Closeout

- In December 2018, the responsibility of the CAP Closeout process transferred from the Centers for Medicare to OFM Division of Financial Audit and Resolution (DFAR)
- CAP Closeout process is still being performed by Myers and Stauffer; transition was seamless to Plans



CAP Closeout (cont.)

- **Expectations for Plans:**

- Timeliness of CAP submission
 - 90 days from the final report accept date
- Completion of the OFA CAP template should come directly from the submitted final audit report and the exact report language
- Sufficient root cause of findings identified
- How Plan will remedy findings identified in report
- Specific timeframes for CAP implementation



Lessons Learned/Best Practices

- Communication is key; follow auditor requests for information and ask for clarifications, if needed
 - Details of submission requests are extremely important
- Support all amounts specifically requested
 - Narrative detail of the support may be necessary
 - Validation and document retention is important
- Work through issues with audit contractor first
 - Plans can contact CMS servicing auditor for professional issues/feedback/questions
- Identify and communicate issues with fieldwork dates
- Identify the proper people to have as subject matter contacts for the audit contractors



Polling Question

CMS Program Audits and OFMs One-Third Financial Audits share a contact email address.

- a. True
- b. False



OFA Contact

OFA emails should be sent to:
MAPDAudits@cms.hhs.gov



Questions?

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