CMS Part D Audit Report

Auditing Results (Public Website Version)

Date Report Generated: 9/30/2008

Contract Number: All, Chapter: All, Element: All, Finding: Not Met, Auditor: All

Findings: Not Met
Audit ID: 2421
Contract Number: S5775
Part D Sponsor Name: PHARMACY INSURANCE CORPORATION OF AMERICA

Audit Guide Version: PDP Sponsor Part D Audit Guide Version 1
Auditing Element: ZZ95
Audit Type: Ad-Hoc Compliance Event
Audit Location: Desk Review
Date Report Issued: 9/5/2007
Date Report Due: 10/20/2007
Element Accepted Date:
Element Release Date:
Element Projected Completion Date:

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 7/13/2007
Estimated Visit Start Date: 12/31/2007
Actual Visit Start Date: 7/13/2007
Actual Visit End Date:
Part D Sponsor Response Received Date:
Part D Sponsor Response Due Date: 10/20/2007
CAP Release Date:
CAP Accepted Date:

Requirement:

Ad-Hoc Compliance Event 1

Deficiencies:

Late Financial Reporting

Corrective Action Required:

PICA has failed to adequately submit complete financial information in a timely manner on several occasions. In a January 9, 2007 letter, CMS noted that PICA submitted its 2006 third quarter financial statements on December 7, 2006, more than three weeks after the November 14, 2006 due date for this documentation. PICA's failure to submit timely complete financial documentation to CMS has continued in 2007. Section XIII of the Medicare Part D Reporting Requirements for Contract Year 2007 (hereinafter referred to as Reporting Requirements), provides clear guidance on the requirements and due dates for financial documents that Part D sponsors are required to submit to CMS. For PICA's annual submission which, as stated in the Reporting Requirements, was due on April 30, 2007, PICA failed to submit the required actuarial opinion as well as the management letter. PICA also failed to submit both the insolvency deposit and the funding for projected losses documentation which were due on May 15, 2007 as part of PICA's quarterly financial documentation. Pursuant to 42 CFR §423.420, PDP sponsors not licensed by a State and for which a waiver application has been approved by CMS must maintain financial solvency and capital adequacy in accordance with the standards established by CMS. As stated in Appendix X of the Medicare Prescription Drug Benefit Solicitation for Applications from Prescription Drug Plans January 21, 2005 (as revised on March 9, 2005), PDP sponsors must show evidence of a minimum net worth of $1.5 million. PICA demonstrated that it met these requirements as part of its initial application to qualify for a 2006 PDP sponsor contract, and must, according to the Medicare Part D Reporting Requirements, provide quarterly financial statements to CMS demonstrating continued compliance with the standard. Since PICA is not currently licensed as a risk bearing entity by any state or territory, CMS is the sole regulatory agency responsible for ensuring that PICA has the financial wherewithal to bear the risk associated with operating a Part D plan. As a result, CMS must continuously assess whether PICA meets all financial requirements under its PDP sponsor contract. Also, because a PDP sponsor's financial solvency has such a direct impact on its ability to provide its enrollees uninterrupted access to their Part D benefits, CMS has a particularly strong obligation to enforce its solvency requirements for unlicensed PDP sponsors. PICA's failure to submit the required financial information in a timely manner impedes CMS' ability to assess whether PICA continues to maintain adequate financial solvency. Consequently, CMS is requesting that PICA submit for CMS approval a CAP detailing the manner in which PICA will ensure that future financial documentation is submitted completely and on time. The CAP should include a discussion of the individuals in the PICA organization responsible for developing and compiling the financial information, the management structure adopted to ensure the accurate and timely production of that information, and the internal timelines adopted to ensure the timely production of all financial information required pursuant PICA's PDP sponsor contract. If PICA fails to submit an adequate CAP, is late in submitting future financial documentation, or submits inadequate financial documentation in the future, CMS may pursue a termination of PICA's PDP sponsor contract pursuant to 42 CFR §423.509 or the imposition of intermediate sanctions (e.g., suspension of marketing and enrollment activities) pursuant to 42 CFR §423.752(b). CMS requests that PICA submit the requested CAP by July 30, 2007.