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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: ER13
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 6/30/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Confirmation of Enrollment for Members of Employer/Union Group Receiving Employer Subsidy - The Part D sponsor must meet CMS requirements for obtaining a confirmation of the intent to enroll from any individual who attempts to enroll in the Part D plan, but whose enrollment is conditionally rejected by CMS due to a detected match indicating that the beneficiary may have existing employer or union drug coverage.

Reference:

Medicare Managed Care Manual Chapter 2

Deficiencies:

SDM does not meet this requirement. CMS reviewed 10 sample cases for confirmation of enrollment for members of an employer/union group receiving employer subsidy from a universe of 10 and found 2 cases that were not compliant. In one case, beneficiary confirmation to continue enrollment was not requested and resubmission of enrollment to CMS was not completed. In the second case, a denial notice of the enrollment was not provided to the prospective member.

Corrective Action Required:

SDM must provide evidence of the following: request of beneficiary confirmation to continue enrollment, resubmission of enrollment to CMS, and a denial notice of the enrollment to demonstrate compliance with CMS requirements.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: MR01
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 6/23/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Submission and Distribution of Marketing Materials - For "non-model" documents and for ¿model¿ documents that the Part D sponsor modifies: The Part D sponsor must certify that Medicare marketing materials use the CMS specified format and acceptable terminology, and submit them for a 45 day review period by CMS. The Part D sponsor must not distribute or make such materials available until it receives notice from CMS that CMS has approved the materials, or until 45 days have expired and the Part D sponsor has not received notice from CMS that the materials have not been approved. For "model" documents that the Part D sponsor uses without modification: The Part D sponsor must submit and certify that Medicare marketing materials use the CMS specified format and acceptable terminology, and submit them for a 10 day review period by CMS. The Part D sponsor must not distribute or make such materials available until it receives notice from CMS that CMS has approved the materials, or until 10 days have expired and the Part D sponsor has not received notice from CMS that the materials have not been approved.

Reference:

42 CFR § 423.50(a)(1), § 423.50(a)(3), MA-PD Solicitation, Medicare Marketing Guidelines for MAs, MA-PDs, PDPs, and 1876 Cost Plans

Deficiencies:

SDM does not meet this requirement. CMS reviewed the notice template that SDM's pharmacy benefit manager, Walgreens Health Initiative (WHI), submitted for enrollee notification when a request is forwarded to the IRE consistent with CMS issued model notice, Notice of Case Status. This notice template did not display the contract number (and CMS approval date if it was filed under the normal marketing review submission process) in the lower left-hand corner in accordance with CMS Marketing guidelines.

Corrective Action Required:

WHI via SDM must provide CMS with a CMS approved or accepted notice for enrollee notification when a request is forwarded to the IRE consistent with CMS issued model notice, Notice of Case Status. If WHI does not have a notice template that has been approved or accepted by CMS (i.e., a notice consistent with the CMS issued model notice, `Notice of Case Status'), then it must submit one for CMS approval through the normal marketing review submission process or through the File and Use process, and provide evidence that it has done this for the purpose of this audit. SDM must ensure that WHI has conducted training of appropriate staff on the use of this notice template and submit documentation to CMS that details the nature of this training, including: the materials used in the training, the individuals conducting the training, and the individuals being trained.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: MR06
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/28/2008
Element Release Date:
Element Projected Completion Date: 6/27/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Plan Responsibility for Persons Employed or Contracted to Perform Marketing - The Part D sponsor must meet CMS requirements for any person directly employed or contracted to market the plan to ensure that beneficiaries receive truthful and accurate information

Reference:

Medicare Marketing Guidelines for MAs, MA-PDs, PDPs, and 1876 Cost Plans

Deficiencies:

CMS reviewed the policy and procedure SDM submitted for this audit (MR08 No Engagement in Activities Which Could Mislead, Confuse, or Misrepresent) and found it to be compliant with CMS requirements. Evidence obtained during Staff Discussions, however, demonstrated that SDM is not implementing the policy and procedure in compliance with CMS requirements. Specifically, when SDM was asked to confirm the provision stating that any person directly employed or contracted to market on behalf of SDM provide a written disclosure statement to all potential enrollees prior to enrollment or at the time of enrollment, SDM stated that its marketing representatives are not disclosing to potential enrollees that they may be compensated based on enrollment. This is not compliant with CMS requirements. SDM submitted to the audit team documentation entitled Ride Along Guidelines, dated post-audit period, April 10, 2008. This documentation does not demonstrate that SDM conducts ongoing monitoring of the marketing activities of internal and external marketing representatives to confirm that marketing representatives who meet with potential enrollees complete the following: -identify the types of products the representatives will be discussing before they market the products to the enrollees, and -provide a written disclosure statement to all potential enrollees prior to enrollment or at the time of enrollment stating the person discussing plan options is either employed by or contracted with SDM. The person may be compensated based on enrollment in a plan. Additionally, SDM stated during Staff Discussions that its marketing representatives did not disclose to potential enrollees that they may be compensated based upon enrollment. CMS reviewed 10 sample contracts for individuals who perform marketing from a universe of 94. Auditors then reduced the sample size by 1, as one case was misclassified due to the representative's provisional license expiring prior to the audit period. Of the 9 samples remaining, 9 out of 9 samples did not have a compliant contract/compensation structure. Specifically, the contract/compensation structures were lacking the following provisions: -a contractual provision requiring any person employed to perform marketing on behalf of SDM provide a written disclosure statement to all potential enrollees prior to enrollment or at the time of enrollment, and -a provision stating that any marketing representative who is meeting with a potential enrollee must clearly identify the types of products that he or she will be discussing before marketing those products to the enrollee. Additionally, 1 out of 9 samples did not include a provision stating that any coordinated marketing must be done in accordance with all applicable Part D laws, CMS policies, including CMS marketing guidelines and the prohibited activities listed in MR05, and all Federal Health Care Laws (including civil monetary penalty laws).

Corrective Action Required:

SDM must conduct training of appropriate staff on policy and procedure MR08 No Engagement in Activities Which Could Mislead, Confuse, or Misrepresent, and submit documentation to CMS that details the nature of this training, including: the materials used in the training, the individuals conducting the training, and the individuals being trained. SDM must conduct ongoing monitoring of the marketing activities of internal and external marketing representatives who are meeting with potential enrollees and confirm the marketing representatives complete the following: -identify the types of products the representatives will be discussing before they market the products to the enrollees, and -provide a written disclosure statement to all potential enrollees prior to enrollment or at the time of enrollment. Once the enrollment freeze is lifted, SDM must provide documentation of these monitoring activities to CMS. SDM must include provisions within its marketing contracts/compensation structures requiring any person employed to perform marketing on behalf of SDM provide a written disclosure statement to all potential enrollees prior to or at the time of enrollment. The written disclosure statement must state the following: `The person discussing plan options with you is either employed by or contracted with SDM. The person may be compensated based on your enrollment in a plan', and provide documentation demonstrating this to CMS. Additionally, SDM must ensure that contract/compensation structures contain a provision stating that any marketing representative who is meeting with a potential enrollee must clearly identify the types of products that he or she will be discussing before marketing the products to the enrollee, and that any coordinated marketing must be conducted in accordance with all applicable Part D laws, CMS policies, including CMS marketing guidelines and the prohibited activities listed in MR05, and all Federal Health Care Laws (including civil monetary penalty laws).

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: MR10
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 6/27/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Requirements for Annual Post-Enrollment Materials - The Part D sponsor must distribute annual post-enrollment materials as required by CMS, to each enrollee in a clear, accurate, and standardized form at the time of enrollment and at least annually thereafter. This information must be provided in writing, if requested. In addition, the Part D sponsor must provide written information about its grievance and appeals procedures and the process for quality of care complaints available to the enrollee through the Quality Improvement Organization (QIO) process.

Reference:

42 CFR § 423.120(b)(7), § 423.128(a-b), § 423.128(d)(3), § 423.505(f)(3), § 423.562(a)(2), MA-PD Solicitation, Medicare Marketing Guidelines for MAs, MA-PDs, PDPs, and 1876 Cost Plans, Information for Part D Sponsors on Requirements for a Transition Process

Deficiencies:

SDM does not meet this requirement because CMS reviewed 10 samples of Initial Post-Enrollment Information from a universe of 232 and found that 8 samples were not compliant. Specifically, in 8 out of 10 samples the Annual Notice of Change was sent to enrollees untimely. Additionally, in all eight samples enrollees received materials that had not yet been approved by CMS.

Corrective Action Required:

SDM must ensure that it mails Initial Post-Enrollment Information in a timely manner in accordance with CMS timeframes. SDM must also ensure that only material that has been approved by CMS is sent to enrollees. SDM must submit documentation demonstrating this to CMS.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: PR02
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 4/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Use of SSN/HICN - The Part D sponsor must use a number other than an enrollee¿s Social Security Number (SSN) or Healthcare Insurance Claim Number (HICN) on enrollee identification cards.

Reference:

MA-PD Solicitation

Deficiencies:

SDM does not meet this requirement because CMS reviewed SDM's documentation demonstrating how SDM generates the number(s) used on member identification cards (ED01.15 Use of Alias ID) and found it was dated April 1, 2008, which is outside the audit period. SDM was unable to provide the auditors with documentation that was in effect during the audit period.

Corrective Action Required:

SDM submitted to the audit team a policy and procedure entitled `ED01.15 Use of Alias ID', dated post-audit period (April 1, 2008) that includes the required provisions. Therefore, no corrective action is required for this element.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD01
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date:
Element Projected Completion Date: 6/23/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Notices in Network Pharmacies - The Part D sponsor must arrange with its network pharmacies to post or distribute notices instructing enrollees to contact their plans to obtain a coverage determination or request an exception if they disagree with the information provided by the pharmacist.

Reference:

42 CFR § 423.562(a)(3), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Auditors visited five retail pharmacies to verify whether the 'Medicare Prescription Drug Coverage and Your Rights' pharmacy notice was posted and found that three of the five pharmacies did not have the notice posted as required by CMS. Of the three pharmacies that did not have the notice posted, auditors made inquiries of one of the pharmacists who indicated having no knowledge of such a posting requirement.

Corrective Action Required:

SDM must ensure that WHI is instructing its pharmacy network to post or distribute the 'Medicare Prescription Drug Coverage and Your Rights' notice instructing enrollees to contact their plans to obtain a coverage determination or request an exception if they disagree with the information provided by the pharmacist as required by CMS and submit documentation demonstrating this to CMS.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD03
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date:
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Timely Notification of Standard Coverage Determination - In response to a request for a standard coverage determination, the Part D sponsor must notify the enrollee (and the prescribing physician involved, as appropriate) of its determination as expeditiously as the enrollee¿s health condition requires, but no later than 72 hours after receipt of the request, or, for an exceptions request, the physician¿s supporting statement. If the coverage determination was denied and the initial notification was provided orally, the Part D sponsor must send the written notice to the enrollee within 3 calendar days of the oral notice. For favorable determinations concerning payment, the Part D sponsor must authorize payment and notify the enrollee within 72 hours after receiving the request, or, for an exceptions request, after receiving the physician's supporting statement. The Part D sponsor must also make payment (i.e., mail the payment) within 30 calendar days after receiving the request, or, for an exceptions request, after receiving the physician's supporting statement. Note: This element also applies to out-of-network (OON) paper claims submitted by beneficiaries or their appointed representatives.

Reference:

42 CFR § 423.568(a-b), § 423.568(e), MA-PD Solicitation, Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. CMS reviewed a sample of 10 requests for standard coverage determinations concerning drug benefits from a universe of 524 and found 5 out of 10 samples were noncompliant. Specifically, 5 out of 10 samples did not demonstrate that SDM provided timely notification of the coverage determination decision to the enrollee.

Corrective Action Required:

SDM must ensure that WHI, if applicable, and SDM provide notification to the enrollee, or the appointed representative, as applicable, of its coverage determination concerning drug benefit decision in a timeframe that is CMS compliant and provide documentation demonstrating this to CMS.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD06
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Decision to Accept or Deny a Request to Expedite a Coverage Determination - The Part D sponsor must promptly and correctly determine whether a complaint is a standard coverage determination or an expedited coverage determination. The Part D sponsor must have a means for issuing prompt decisions on whether to expedite a coverage determination. A Part D sponsor must expedite if it determines, based on the enrollee¿s request, or as indicated in the prescribing physician¿s request, that applying the standard timeframe for making a coverage determination may seriously jeopardize the enrollee¿s life, health, or ability to regain maximum function.

Reference:

42 CFR § 423.570(c)(3), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Specifically, sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD07
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Timely Notification Following Decision to Deny Request to Expedite a Coverage Determination - If the Part D sponsor decides not to expedite a coverage determination, it must automatically transfer the request to the standard timeframe, provide prompt oral notice to the enrollee and prescribing physician of the decision not to expedite, and provide equivalent written notice within 3 calendar days of the oral notice.

Reference:

42 CFR § 423.570(d), § 423.572(a), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD08
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Notice Requirements Following Decision Not to Expedite a Coverage Determination - If a Part D sponsor does not grant a request to expedite a coverage determination, the Part D sponsor must provide notice of the denial. The notice must provide an explanation that the Part D sponsor must process the request using the 72 hour timeframe for standard determinations, inform the enrollee of the right to file an expedited grievance, inform the enrollee of the right to resubmit a request for an expedited determination with the prescribing physician¿s support, and provide instructions about the Part D plan¿s grievance process and its timeframes.

Reference:

42 CFR § 423.570(d)(2), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Specifically, sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD09
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Timely Notification of Expedited Coverage Determination - The Part D sponsor must make its expedited coverage determination and notify the enrollee of its decision (adverse or favorable), as expeditiously as the enrollee¿s health condition requires, but no later than 24 hours after receiving the request, or, for an exceptions request, the physician¿s supporting statement. If the decision is adverse and the Part D sponsor first notifies the enrollee or prescribing physician (if appropriate) of the determination orally, the Part D sponsor must mail written confirmation to the enrollee within 3 calendar days of the oral notification.

Reference:

42 CFR § 423.570(e), § 423.572(a-b), § 423.572(d), MA-PD Solicitation, Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Specifically, sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD10
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Notice Requirements for Expedited Coverage Determinations - The notice of any expedited coverage determination must state the specific reasons for the determination in understandable language. If the determination is not completely favorable, the notice must also: (i) include information concerning the enrollee¿s right to a redetermination, (ii) describe both the standard and expedited redetermination processes, including the enrollee¿s right to request, and conditions for obtaining, an expedited redetermination, and the rest of the appeals process, and (iii) comply with any other requirements specified by CMS.

Reference:

42 CFR § 423.572(c), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Specifically, sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CD11
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date:
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Effect of Failure to Provide Timely Notice on a Standard or Expedited Coverage Determination Request - If the Part D sponsor fails to make a decision on a standard or expedited coverage determination request and provide notice of the decision within the required timeframe, the failure constitutes an adverse determination, and the Part D sponsor must forward the enrollee¿s request to the IRE within 24 hours of the expiration of the adjudication timeframe. The Part D sponsor must also inform the enrollee, within 24 hours of the expiration of the adjudication timeframe, when the case is forwarded to the IRE.

Reference:

CFR § 423.578(c)(2), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement because CMS reviewed a sample of 10 requests for standard coverage determinations concerning drug benefits from a universe of 333 and found 5 out of 10 samples were noncompliant. Specifically, in 5 out of 5 samples the decisions were untimely. However, SDM did not demonstrate that the request was forwarded to the IRE within 24 hours of the expiration of the adjudication timeframe. Additionally, SDM did not demonstrate in the 5 cases that the enrollee was notified the request was forwarded to the IRE within 24 hours of the expiration of the adjudication timeframe and that the notice to the enrollee was consistent with the CMS-issued model notice, Notice of Case Status. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

If SDM fails to notify the enrollee of its coverage determination decision in a timely manner, SDM must forward the case file to the IRE and notify the enrollee within 24 hours of the expiration of the adjudication timeframe using a notice consistent with the Notice of Case Status and provide documentation demonstrating this to CMS. SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: CE03
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 6/27/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Approval of Tiering and Non-Formulary Exceptions Requests - Following approval of a request for a tiering or a non-formulary exception, the Part D sponsor cannot require an approval for a refill or a new prescription following the initial prescription for the remainder of the plan year, provided that (i) the enrollee¿s prescribing physician continues to prescribe the drug, (ii) the drug continues to be considered safe for treating the enrollee¿s disease or medical condition, and (iii) the enrollment period has not expired. For tiering exceptions, the Part D sponsor must permit enrollees to obtain an approved non-preferred drug at the more favorable cost -sharing terms applicable to drugs in the preferred tier. For approved non-formulary exceptions, the Part D sponsor has the flexibility to determine what level of cost-sharing applies to all non-formulary drugs approved under the exceptions process, so long as the designated level is one of its existing cost-sharing tiers.

Reference:

42 CFR § 423.578(c)(3), § 423.578(c)(4)(i-ii), MA-PD Solicitation, Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement. Over 30% of the cases provided for WS-CD3, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of cases that CMS requested and is therefore inadequate for determining compliance. Specifically, sample 3 demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D contains misclassified cases. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: GV01
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/18/2008
Element Release Date: 7/18/2008
Element Projected Completion Date: 6/27/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
Estimated Visit Start Date: 4/11/2008
Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Complaint Categorization (Grievances vs. Coverage Determinations) - The Part D sponsor must promptly and correctly determine and inform the enrollee whether a complaint is subject to its grievance procedures or its coverage determination procedures.

Reference:

42 CFR § 423.564(b), Prescription Drug Benefit Manual, Chapter 18 ¿ Part D Enrollee Grievances, Coverage Determinations, and Appeals

Deficiencies:

SDM does not meet this requirement because CMS requested documentation that demonstrates that SDM has a means of informing enrollees whether their complaints are subject to grievance procedures or coverage determination procedures, and SDM was unable to provide this documentation. During Staff Discussions SDM stated that members are notified verbally with a call back by the G and A representative whether complaints are subject to grievance procedures or coverage determination procedures. However, SDM was unable to provide documentation that demonstrated this. Additionally, CMS reviewed a sample of 2 standard grievances from a universe of 2 and found that 2 out of 2 samples were not compliant. Specifically, in both samples the enrollee was not informed whether their complaint was subject to grievance procedures or coverage determination procedures. Furthermore, CMS reviewed a sample of 10 standard coverage determinations concerning benefits from a universe of 524 and found that 3 out of 10 samples were not compliant. Specifically, the 3 samples were incorrectly categorized, as they were redeterminations, not initial coverage determinations. Over 30% of samples provided for WS-CD3_D, Requests for Expedited Coverage Determinations, were misclassified. The universe provided by SDM is not representative of samples that CMS requested, and is therefore inadequate for determining compliance. Specifically, sample three demonstrated a request for an expedited coverage determination that was received by SDM outside the audit period.

Corrective Action Required:

SDM must provide documentation to CMS demonstrating that it has a means of informing enrollees whether their complaints are subject to grievance procedures or coverage determination procedures. SDM must notify the enrollee, or the appointed representative, as applicable, that a request is subject to either grievance or coverage determination procedures and submit documentation demonstrating this to CMS. SDM must correctly categorize all requests that are specific to its Part D benefit as inquiries, grievances, coverage determinations or appeals and submit documentation demonstrating this to CMS. SDM must provide CMS with an analysis and explanation of why the universe submitted for WS-CD3_D, Expedited Coverage Determinations, contained misclassified samples. Based on the analysis, SDM is to provide to CMS the root cause as well as a detailed corrective action plan.

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: 4061
Contract Number: H4009
Part D Sponsor Name: SDM HEALTHCARE MANAGEMENT, INC.

Audit Guide Version: MA-PD Sponsor Part D Audit Guide Version 2
Auditing Element: PP01
Audit Type: Ad-Hoc Compliance Event
Audit Location: Onsite
Date Report Issued: 6/13/2008
Date Report Due: 7/28/2008
Element Accepted Date: 7/29/2008
Element Release Date: 7/29/2008
Element Projected Completion Date: 7/1/2008

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 4/7/2008
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Actual Visit Start Date: 4/7/2008
Actual Visit End Date: 4/11/2008
Part D Sponsor Response Received Date: 6/30/2008
Part D Sponsor Response Due Date: 7/28/2008
CAP Release Date:
CAP Accepted Date: 7/29/2008

Requirement:

Written Policies and Procedures - The Part D sponsor must adhere to CMS guidance for adopting and maintaining current, written policies and procedures that address all applicable Part D statutes, regulations, and program requirements. These policies and procedures must articulate the specific procedures personnel should follow when performing their duties.

Reference:

42 CFR § 423.504(b)(4)(vi)(A)

Deficiencies:

SDM does not meet this requirement because CMS reviewed SDM's policies and procedures provided for the following elements: PR02, ER13, GV02, CD02, CD03, CD05, CD06, CD07, CD08, CD09, CD10, CD11, CE01, CE02, CE03, RE01, RE09 RE10, RE11 RV01, and RV03 and found that they did not include CMS-required provisions. See each element's Recommendation/Notes section for the specific provision that is missing.

Corrective Action Required:

SDM must revise its policies and procedures to include provisions as identified in each of the above listed element's Recommendation/Notes section.