# *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
**Contract Number:** H4729
**Audit ID:** 5881
**Part D Sponsor Name:** GROUP HEALTH, INC.

**Audit Guide Version:** MA-PD Sponsor Part D Audit Guide Version 2
**Auditing Element:** ZZ95
**Audit Type:** Ad-Hoc Compliance Event
**Audit Location:** Desk Review
**Date Report Issued:** 8/4/2008
**Date Report Due:** 9/18/2008
**Element Accepted Date:**
**Element Release Date:**
**Element Projected Completion Date:**

**3 Year Reporting Cycle:** 1/1/2008 - 12/31/2010
**Estimated Visit Start Date:** 7/11/2008
**Estimated Visit Start Date:** 7/11/2008
**Actual Visit Start Date:** 7/11/2008
**Actual Visit End Date:** 7/11/2008
**Part D Sponsor Response Received Date:**
**Part D Sponsor Response Due Date:** 9/18/2008
**CAP Release Date:**
**CAP Accepted Date:**

**Requirement:**

Ad-Hoc Compliance Event 1

**Deficiencies:**

This letter is a request for a corrective action plan (CAP) to address Medicare Part D contract year 2009 (CY2009) formulary development issues. During the CY2009 formulary review process, the Centers for Medicare and Medicaid Services (CMS) noticed that your organization's formulary submissions for Stage 1 and Stage 2 consistently contained high numbers of outliers in comparison to other sponsors. Examples of your organization's outliers included large numbers of two-drug requirement outliers that were generated after your organization utilized a classification system that was much too granular to allow for the required two drugs per category/class and large numbers of quantity limit outliers. CMS is especially concerned that no one reviewed the initial formulary submission prior to its transmittal to CMS to check for two drugs per category/class. In several instances, it was evident to CMS that important memos, guidance, and technical manuals had not been carefully reviewed. As a reminder, an approved formulary is a component of an approvable bid, and your organization must have an approved bid to contract for CY 2009. So far this year, CMS has had to devote an inordinate amount of our pharmacists' time and expertise to addressing your organization's formulary submission issues. Throughout the rest of this year and into 2009, CMS expects your organization will take steps to ensure that it can efficiently and accurately administer its formulary in 2009. CMS staff worked intensely with all sponsors throughout the formulary review processes for CY2006 and CY2007. However, during 2008, in preparation for the fourth year of the Part D program, CMS expects all Part D sponsors, including your organization, to have developed the expertise and resources necessary to complete the CY2009 formulary review process with minimal technical assistance from CMS.

**Corrective Action Required:**

In response to this CAP request, CMS asks that your organization submit the following to CMS: - Updated policies and procedures explaining how your organization will ensure its formularies meet CMS criteria and will be updated appropriately throughout 2009 consistent with CMS instructions. These policies and procedures should include a quality control process governing each step of formulary development and submission as well as a plan describing how your organization will be prepared to accommodate the quick tum-around times for future formulary submissions. - A discussion of the steps your organization will take to ensure it can meet the requirements for the CY201 0 formulary review process. This portion of the CAP should describe any arrangements your organization has made to ensure that it maintains adequate oversight and control over any organizations or individuals contracted with to provide formulary services on your organization' s behalf. - A plan for how your organization will ensure that the CY2009 CMS-approved formulary will be accurately reflected in marketing materials (e.g., abridged and comprehensive formularies) and processed in claims adjudication systems. CMS recognizes that your organization is affiliated with other sponsors that will receive a CAP request that mirrors this one. The sponsors may individually submit CAPs to CMS or they may submit one CAP that reflects the actions that sponsors will undertake. If a single CAP is submitted for several sponsors, a page ofthe CAP must include (a) language indicating that all sponsors signing the CAP will undertake the actions outlined in the submission and (b) signature of the sponsor's CEO, compliance officer, or both. CMS requests your organization submit the CAP by Wednesday, August 27,2008 at 5:00 p.m. In the event your organization does not successfully satisfy its CAP, CMS will consider additional compliance actions, including the imposition of intermediate sanctions. CMS also notes that your organization's failure to meet the Part D formulary submission and approval requirements during CY2009 may result in CMS electing not to renew your organization's MA-PD contract for CY201O.