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: S8067
Audit ID: 1381
Part D Sponsor Name: AVALON INSURANCE COMPANY

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: 8/7/2007
Date Report Due: 9/21/2007
Element Accepted Date: 10/24/2007
Element Release Date: 10/24/2007
Element Projected Completion Date:

3 Year Reporting Cycle: 1/1/2006 - 12/31/2008
Estimated Visit Start Date: 11/9/2006
Estimated Visit Start Date: 8/8/2007
Actual Visit Start Date: 11/9/2006
Actual Visit End Date:
Part D Sponsor Response Received Date:
Part D Sponsor Response Due Date: 9/21/2007
CAP Release Date: 10/24/2007
CAP Accepted Date: 10/24/2007

Requirement:

Ad-Hoc Compliance Event 1

Deficiencies:

Enrollment of ineligible individuals into employer group plans.

Corrective Action Required:

This letter is a request by the Centers for Medicare and Medicaid Services (CMS) for a plan for corrective action by Avalon Insurance Company (Avalon) to address two Medicare Part D compliance issues for Prescription Drug Plan (PDP) Sponsor contract S#8067. The first issue is improper enrollment of actively-employed beneficiaries into an employer group/union-only (800 series) plan, and the second issue is failure to submit payment certifications to CMS in a timely manner. I. Improper Enrollment On July 5, 2006, Avalon notified CMS via email that it may have enrolled actively employed beneficiaries into an employer group/union -only plan. On September 19, 2006, Avalon confirmed it had 1,413 actively employed members in Group SecureRx. Pursuant to CMS guidance Additional Part D Waive Guidance for Employer/Union Retiree Coverage April 6, 2005, available at www.cms.hhs.gov/EmpGrpWaivers/Downloads/PartDEmpUnionWaiverGuidance040605Revl.pdf, an employer or union-sponsored PDP may only be offered to retirees. Additionally, the Employer/Union-Only Group Part D Addendum to Avalon's 2006 S8067 contract expressly states in Article II, Section A. 1., PDP Sponsor agrees to restrict enrollment in an employer/union-only group PDP to those eligible individuals eligible for the employer's/union's employment-based retiree prescription drug coverage (emphasis added). CMS is analyzing several options for how to move the actively-employed beneficiaries into an eligible Part D plan, and CMS will continue to work with Avalon to develop a viable solution for these beneficiaries. Going forward, to ensure that Avalon conducts 800 series plan waivers properly, CMS requests that Avalon provide its policies and procedures for ensuring the limitation of enrollment into S#8067, plan 801, strictly to retirees. CMS expects Avalon to continue to update Linda Gousis, Avalon's PDP Account Manager, with the number of actively-employed beneficiaries enrolled in the plan until all beneficiary enrollment surveys are returned. Linda can be reached via email at linda.gousiscms.hhs.gov or via phone at (410) 312-5272. II. Certification of Enrollment and Payment Information As of October 26, 2006, CMS records (maintained by its contractor, IntegriGuard) indicate that Avalon failed to submit required certifications for contract S#8067 for July, August, and September 2006 enrollment and payment data. Also, all certifications for 2006 data have been submitted late. Pursuant to 42 CFR §423.505(k)(2), Part D Sponsors must submit a Certification of Enrollment and Payment Information to CMS as a condition for receiving monthly payment. On March 30, 2006 CMS released a guidance memo through the Health Plan Management System (HPMS) entitled Certification of Monthly Enrollment and Payment Data, which requests PDPs to complete a certification and submit it each month. The certification for each month's data is due to CMS within 45 days of the date the reports for that month's data become available. In the future, CMS expects Avalon to submit certifications in a timely manner. III. Corrective Action CMS requests that Avalon Insurance Company submit (1) policies and procedures for ensuring proper employer/union-only group PDP enrollment, and (2) policies and procedures for ensuring certifications of enrollment and payment information are submitted timely. Please submit materials by December 15, 2006 at 5:00 p.m. to: Scott Nelson Medicare Drug Benefit Group Centers for Medicare and Medicaid Services 7500 Security Blvd., Mail Stop C 1-26-12 Baltimore, MD 21244-1850 If you have any questions, please contact Scott Nelson at (410) 786-1038. Sincerely, Cynthia G. Tudor, Ph.D. Director Medicare Drug Benefit Group