

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



CENTER FOR MEDICARE

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To: Medicare Advantage Organizations and Prescription Drug Plan Sponsors

From: Gerard J. Mulcahy, Director
Medicare Parts C & D Oversight and Enforcement Group (MOEG)

Subject: Clarification of 2013 Program Audit “Condition”

In the May 17, 2013 Health Plan Management System (HPMS) memorandum titled “*Final Program Audit Scoring Methodology*”, CMS defined a condition as a finding resulting in an audit Recommendation, Corrective Action Required (CAR), or an Immediate Corrective Action Required (ICAR)¹. Since the number of conditions cited impacts a plan sponsor’s audit score, CMS received additional requests for clarification of this definition. Specifically, sponsors have argued that if multiple conditions found during an audit were the result of one root cause, then they should not be cited for each separate condition, but cited only once, based on the one cause. The purpose of this memorandum is to further clarify the definition of a condition found during a program audit and its use in calculating a sponsor’s audit score.

Definition of a “Condition”

A determination that a condition is an audit finding is dependent on whether there was a material non-compliance with program requirements. The determination that a condition is a CAR or an ICAR is dependent on the level of potential beneficiary harm, and the level of potential beneficiary harm may be dependent on the cause(s) of the condition.

Applying a “Condition” to the Scoring Methodology

The number of conditions cited during an audit is indicative of the different ways in which a plan violated program requirements. CMS believes that every time a different aspect of a program requirement is violated, the violation should be counted toward a plan sponsor’s audit score, regardless of the number of causes of those violations. Alternatively, if a program requirement is violated the same way multiple times in a sample, CMS counts that as only one condition. Therefore, a single audit finding due to various causes is considered one condition. Conversely, a

¹ As explained in the above referenced HPMS memorandum, in 2013 and beyond, CMS is no longer including a “Recommendation” with a condition. Alternatively, conditions will either be accompanied by a “Corrective Action Required” or Immediate Corrective Action Required”. Accordingly, for audits conducted in 2013 and beyond, a condition is defined as a finding resulting in an audit “Corrective Action Required (CAR)”, or “Immediate Corrective Action Required (ICAR)”.

single cause may produce several audit findings, which would result in multiple conditions. This approach ensures that our audit scoring captures the number of ways in which a plan sponsor's non-compliance has the potential to impact our beneficiaries.

In addition, as CMS clarified in the audit scoring methodology, the number of samples passed or failed is no longer considered in calculating a sponsor's audit score, only the number of conditions and the severity of those conditions are factored into the audit score. If CMS were to not count the number of conditions that occur, but only the number of causes, this would dilute audit scores and increase the likelihood of a plan with very few instances of non-compliance and a plan with numerous instances of non-compliance receiving similar audit scores.

For example, if a plan sponsor had a programming error (one cause) that resulted in the application of unapproved prior authorization edits (one condition) and another sponsor had a programming error (one cause) that lead to a wide-spread failure to administer its formulary or properly execute coverage determinations and appeals (multiple conditions), these two sponsors would receive the same audit score. CMS does not believe that a scoring methodology based on the number of causes is a logical or equitable approach to scoring sponsors' performance, nor is it consistent with our goal to protect Medicare beneficiaries. Therefore, CMS will continue to count conditions and the severity of those conditions in calculating a sponsor's audit score.

CMS values sponsors' feedback. If you have further questions, please feel free to send those questions to [part c part d audit@cms.hhs.gov](mailto:part_c_part_d_audit@cms.hhs.gov).