

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



**MEDICARE DRUG BENEFIT AND C & D DATA GROUP**

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December 8, 2015

Contract ID: H3815

Ms. Grace Toy  
Director Compliance, Health Plan Compliance Officer  
ALIGNMENT HEALTH PLAN  
1100 W. Town and Country Road #300

Orange, CA

**CORRECTIVE ACTION PLAN (CAP) REQUEST**

*Delivered via email to Ms. Grace Toy at [GToy@ahcusa.com](mailto:GToy@ahcusa.com)*

Dear Ms. Grace Toy:

The Centers for Medicare & Medicaid Services (CMS) is issuing this compliance notice to ALIGNMENT HEALTH PLAN concerning its failure, as indicated by its most recent low star rating, to meet the administrative and management requirements that apply to Medicare Advantage organizations (MAOs) and stand-alone Medicare Prescription Drug Plan (PDP) sponsors. In particular, your organization's score(s) established it as a poor performer, and CMS is requesting that your organization develop and implement a corrective action plan designed to ensure that it will achieve at least an "average" star rating.

Medicare regulations at 42 C.F.R. § 422.503(b)(4)(ii) and §423.504(b)(4)(ii) require MAOs and PDP sponsors, respectively, to have administrative and management arrangements satisfactory to CMS, including personnel and systems sufficient for the organization to market and administer benefit plans and conduct utilization management and quality assurance activities consistent with Medicare requirements. The performance measures used to calculate an organization's Part C or D Summary Star Rating reflect a sponsor's contract performance across multiple Medicare program requirements. A contracting organization's administrative and management arrangements necessarily have a direct impact on its performance of a similarly broad range of program requirements. Therefore, CMS considers a low Part C or D Summary Star Rating to be evidence that the sponsor has in place insufficient administrative and management arrangements to meet its obligations as a Medicare plan sponsor.

CMS has previously informed Part C and D contracting organizations that we consider a rating below three stars to be out of compliance with these obligations under the Medicare program. For example, in the preamble to our notice of proposed rulemaking published in the Federal Register on October 22, 2009, we stated that, "organizations and sponsors with less than 'good' ratings should expect to be the

subject of our monitoring and compliance actions.” Also, in the CY 2012 Call Letter, CMS stated that we would issue compliance notices each year to those organizations that received less than three stars and that those who received such a rating for three consecutive years should expect to have their contract performance closely evaluated by CMS to determine whether we should terminate the organization’s Medicare contract. Finally, in April 2012, CMS issued regulations that establish both the maintenance of at least three-star plan ratings as a Medicare program participation requirement and the failure to achieve a three-star rating for three consecutive years as a basis for contract termination. CMS will apply this termination authority to contracts that meet the provision’s criteria with the release of the CY 2017 ratings in the fall of 2016.

In October 2015, CMS released the CY 2016 Part C and D star ratings on the Medicare Plan Finder tool on [www.medicare.gov](http://www.medicare.gov). CMS assigned sponsors separate Summary Star Ratings for their Part C and Part D operations. Most MAOs were assigned both C and D Summary Star Ratings. PDP sponsors received only a Part D Summary Star Rating as did a number of MAOs for which CMS could not calculate a Part C rating. Your organization received the following Summary Star Rating(s):

- Part D 2.5 Stars

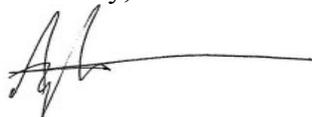
Be advised that CMS treats Summary Star Ratings of below 3 stars for Part C operations and for Part D operations as two separate compliance issues even though they may be discussed in a single letter. For sponsors with low star ratings for both Part C and D operations, CMS will document the issues in our records as two separate CAP requests.

CMS advises your organization to take steps to improve its operations in the areas identified above and bring its Summary Star Rating(s) to a level that indicates at least average contract performance, compliant with Medicare requirements. Should your organization fail for three straight years to achieve at least a three-star rating, CMS may initiate action to terminate its Medicare contract.

**CMS is not requiring a CAP submission from your organization.** CMS will simply look at your organization’s star rating performance in the coming year to determine whether you took the necessary corrective action to achieve at least a three-star summary star rating.

If you have any questions about this notice, please contact **Scott Nelson** at [Scott.Nelson2@cms.hhs.gov](mailto:Scott.Nelson2@cms.hhs.gov).

Sincerely,



Amy K. Larrick  
Acting Director  
Medicare Drug Benefit and C & D Data Group

CC:

Scott Nelson, CMS  
JANICE SNYDER, CMS