

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



## **CENTER FOR MEDICARE**

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### **CORRECTIVE ACTION PLAN REQUEST**

February 29, 2012

Contract ID: H0564, H1517, H1607, H1849, H2836, H2997, H3342, H3370, H3655, H4036, H4909, H5422, H5529, H5530, H5679, H5854, H8552, H9947, R5941

Edward L. Stubbers  
Medicare Compliance Officer  
WellPoint, Inc.  
4241 Irwin Simpson Road  
Mason, Ohio 45040

*Delivered via email to Edwin L. Stubbers at SrBusComplOfficer@wellpoint.com*

### **RE: Actuarial Compliance Issues**

Dear Mr. Stubbers,

The Centers for Medicare & Medicaid Services (CMS) is issuing a request for a Corrective Action Plan (CAP) to H0564, H1517, H1607, H1849, H2836, H2997, H3342, H3370, H3655, H4036, H4909, H5422, H5529, H5530, H5679, H5854, H8552, H9947, R5941 (hereinafter WellPoint Inc.) because your organization failed to meet one or more actuarial standards in submitting its 2012 Medicare Advantage and/or Part D bids. The actuarial standards were clearly set forth in the 2012 Instructions for Completing the Medicare Advantage Bid Pricing Tool and the 2012 Instructions for Completing the Prescription Drug Plan Bid Pricing Tool issued by CMS on April 8, 2011 through the Health Plan Management System (HPMS).

Pursuant to 42 CFR §422.254(b) and §423.265(c), each potential Medicare Advantage (MA) and Part D sponsor must submit a bid and supplemental information in a format to be specified by CMS for each MA and Part D plan it offers. Specifically, the regulation states that the bid must be prepared in accordance with CMS actuarial guidelines based on generally accepted actuarial principles. A qualified actuary must certify the plan's actuarial valuation (which may be prepared

by others under his or her direction or review), and must be a member of the American Academy of Actuaries to be deemed qualified. Applicants may use qualified outside actuaries to prepare their bids.

CMS has determined that WellPoint, Inc.'s 2012 bid submissions were not prepared in compliance with CMS' instructions to sponsors related to actuarial requirements. WellPoint, Inc.'s bids failed to include the following:

- A business plan to be provided with the initial submission or with updated gain/loss margin resubmission for negative margin as required (Pages 88-89 of the MA bid instructions).
- The identification of three persons as MA plan bid contact, MA certifying actuary, and additional MA BPT actuarial contact (Page 77 of the MA bid instructions).
- Detailed support for the development of projected risk scores (Worksheet 5) (Page 89 of the MA bid instructions).
- Appropriately projected base period experience data on Worksheet 1 for a fully credible plan. Sponsor utilized a manual rate in Worksheet 2 that did not assign an appropriate level of credibility to the projection (Page 8 of the MA bid instructions).
- Application of appropriate projection factors to adjust projection results for capitated services. Sponsor used additive adjustments in Worksheet 1 instead. (Page 44 of the MA bid instructions).
- Supporting documentation that may be easily understood by CMS reviewers and includes the following - Excel spreadsheets with working formulas, rather than PDF files (Page 85 of the MA bid instructions).
- Documentation provided with the initial bid submission on development and basis of projection factors (Pages 89-90 of the MA bid instructions).
- Documentation provided with the initial bid submission for development of projection factors for manual rates (Page 90 of the MA bid instructions).
- Numerical support for the development of the non-benefit expense (Page 88 of the MA bid instructions).

CMS also notes that the deficiencies described above indicate that WellPoint, Inc. did not adhere to the following general guidance from the 2012 Instructions for Completing the Medicare Advantage Bid Pricing Tool:

- In preparing supporting documentation, the actuary must consider ASOP No. 41, Actuarial Communications. In accordance with Section 3.3.3, Actuarial Report, "the materials provided must be written with sufficient clarity that another actuary qualified in the same practice area could make an objective appraisal of the reasonableness of the actuary's work." (Page 82 of the MA bid instructions)
- The bid development process should provide for adequate peer review designed to avoid bid submission errors (Industry Training, Quality Initiatives, for 2012 Slides 6 and 9).

CMS is particularly concerned with WellPoint Inc.'s repeated failure to comply with the above-mentioned actuarial requirements. Some of the same actuarial issues that CMS discussed in a

conference call with WellPoint, Inc. shortly after the 2011 bid cycle have resurfaced in 2012. It is imperative that these mistakes be corrected for the 2013 bid cycle.

CMS requests that your organization develop a plan for taking corrective action to come into compliance with the actuarial requirements associated with Part C and D bids. We will determine whether WellPoint, Inc. has successfully completed its CAP by monitoring its performance during the contract year 2013 bid review cycle.

We appreciate your prompt attention to this matter. In the event your organization does not successfully complete its CAP, CMS will consider additional compliance and enforcement actions, including imposition of intermediate sanctions (*e.g.*, the suspension of marketing and enrollment activities).

If you have any questions, please contact Michael Neuman at (410) 786-7069 or email [Michael.Neuman@cms.hhs.gov](mailto:Michael.Neuman@cms.hhs.gov).

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Tudor', with a stylized, cursive script.

Cynthia G. Tudor, Ph.D.  
Director  
Medicare Drug Benefit and C & D Data Group

CC: Barbara Martin CMS  
Pamela Nicholson, CMS