

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Beneficiary Choices
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PLAN OVERSIGHT & ACCOUNTABILITY GROUP

DATE: November 20, 2006

TO: Prescription Drug Plan (PDP) and Medicare Advantage Prescription Drug Plan (MA-PD) Sponsors

FROM: Cynthia E. Moreno /s/
Director

SUBJECT: Final MA-PD and PDP Part D Audit Guides for Part D Program Audits

The Centers for Medicare & Medicaid Services (CMS) is preparing to begin regularly scheduled desk and onsite program audits of Part D sponsors to assess their compliance with the Part D regulations found at 42 CFR 423 and other appropriate CMS standards. These audits will encompass randomized chapters of the final versions of the “Medicare Advantage Prescription Drug Plan Sponsors Part D Audit Guide” and the “Prescription Drug Plan Sponsors Part D Audit Guide.” These guides can be downloaded at the following website address: http://www.cms.hhs.gov/PrescriptionDrugCovContra/08_RxContracting_ReportingOversight.asp#TopOfPage. As indicated in the May 9, 2006 memo “Part D Audit Guide – Response to Industry Comments,” we are hereby providing industry with general guidance regarding the Part D audit process provided below.

Audit Contractor: CMS has entered a contract with Advanced Pharmacy Concepts / Booz Allen Hamilton (APC/BAH) to assist the Agency with its Medicare managed care audit work. This contractor will assist CMS in a variety of ways—including conducting comprehensive audits, conducting focused audits, and by providing staff assistance to CMS audit teams.

Audit Scheduling: Approximately 9 weeks prior to each scheduled audit, CMS will contact the Part D sponsor to determine an acceptable date for the audit and to discuss audit logistics. This call will be followed by written notification 3 weeks later, which will (1) inform the Sponsor of the Audit Guide chapter(s) that the audit will cover and (2) include the initial request for documentation. We expect many of the Part D audits to be conducted as desk audits (not at the Sponsors’ site), with the entrance conference, interviews, and exit conference to be held via conference call. We estimate that desk audits, from the date of the entrance conference to the date of the exit conference, will take no more than one month to complete. Onsite audits usually last no more than one week. Sponsors are expected to have key staff responsible for compliance and operations in the area(s) selected for audit available during that time.