



MEDICARE DRUG & HEALTH PLAN CONTRACT ADMINISTRATION GROUP

DATE: April 3, 2012

TO: All PACE Organizations

FROM: Danielle R. Moon, J.D., M.P.A.
Director

SUBJECT: Financial Audits of PACE Organizations

This memo is to notify your organization that the Centers for Medicare & Medicaid Services (CMS) will begin including Program of All-Inclusive Care for the Elderly (PACE) organizations in our one-third financial audit process.

Section 1860D-12(b)(3)(C) of the Social Security Act and 42 CFR § 423.504(d)(1) require CMS to annually audit the financial records of at least one-third of Part D sponsors offering Part D plans. A Part D sponsor, as defined by 42 CFR §423.4, is “a [prescription drug plan (PDP)] sponsor, [Medicare Advantage (MA)] organization offering a MA-PD plan, a PACE organization offering a PACE plan including qualified prescription drug coverage, and a cost plan offering qualified prescription drug coverage.”

CMS had initially waived this audit requirement for PACE organizations because we believed that the one-third financial audit provisions duplicated PACE program audit requirements. However, we have since discovered these audits are not duplicative, and believe that we should begin to include PACE organizations in our one-third financial audits in order to ensure full compliance with the Medicare statute. We realize that not all of the components of the one-third audits are applicable to PACE organizations and intend to customize the current audit protocols to account for differences between PACE organizations and other Part D sponsors. We will be reaching out to PACE organizations, through the National PACE Association, for more information so that we can begin to develop specific audit protocols for PACE organizations.

We will work jointly in this endeavor with CMS’ Office of Financial Management (OFM), which is responsible for the overall management of the one-third financial audit process. We expect to begin including PACE organizations in our one-third audits of contract year (CY) 2013, which are tentatively scheduled to begin near the end of 2014. Please note that any base year entries on 2013 bids may relate to prior years (i.e., 2011). Therefore, it is highly important to maintain your prior year’s information for audit purposes.

If you have any questions regarding this memo, please contact Jack Healey at Jackie.Healey@cms.hhs.gov or 410-786-3683.