



Medicare Compliance & Operations Summit 2007


Structuring Seamless Internal Auditing Procedures

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The Role of Internal Audit in Medicare Programs

- Plan sponsors have affirmatively attested that they are actively auditing the administration of their Medicare Advantage and Part D programs, to the standards set forth in regulations, compliance guidance, as well as Chapter 9 Fraud, Waste and Abuse guidelines
- Internal Audit can play an integral part in these functions. Integration with Special Investigations/Fraud Units, pharmacy and compliance departments is vital in order to effectively demonstrate required controls
- Failure to do so could subject the plan to heightened scrutiny, Medicare sanctions and ultimately Corporate Integrity Agreements

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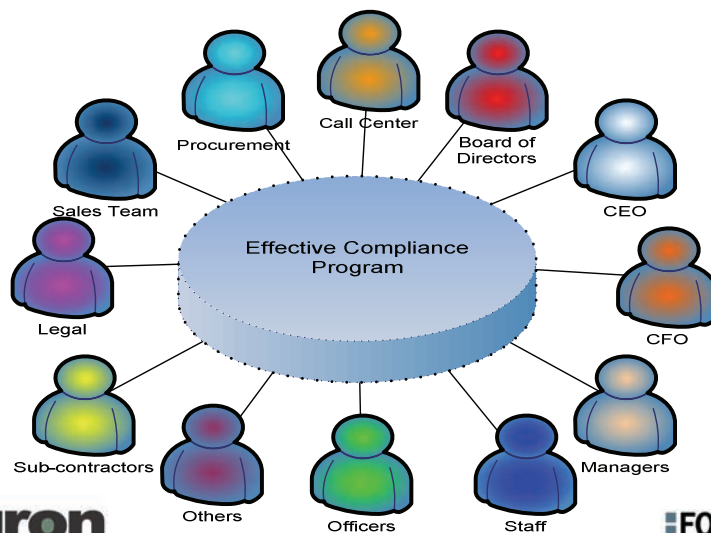
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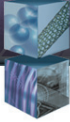
Effective Internal Auditing Programs

- How do you get buy-in?
- The \$64,000 question
- Step One:
 - A Strong Compliance Program



Buy-in from EVERYONE





Medicare Compliance Program and FWA Requirements

- Medicare plan sponsors have attested to and must have a comprehensive compliance program based on the seven elements of the Federal Sentencing Guidelines (FSG)
- In addition, plans must have a comprehensive program to detect, correct, and prevent Fraud, Waste, and Abuse (FWA) based upon Chapter 9 of the Prescription Drug Benefit Manual, also known as the “8th Element” to the compliance plan
- The FWA program may be either
 - Separate and distinct from the compliance program, or
 - Integrated into the current compliance program

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Medicare Compliance Program and FWA Requirements (cont'd)

- A vital part of the FWA guidance is the expectation that plan sponsors will perform robust auditing and monitoring of their Part D program including review of first tier and downstream entities
- Internal Audit departments should also consider performing a review of the FWA program itself against Chapter 9 requirements

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Essential Elements of a Medicare Compliance Plan

As stated in 42 CFR §423.504(b)(4)(vi), the eight elements plan sponsors have attested to and must have are:

1. Written Policies and Procedures;
2. Designated Compliance Officer and Compliance Committee;
3. Effective Training and Education;
4. Effective Lines of Communication;
5. Enforcement of Standards through Well-publicized disciplinary guidelines;
6. **Procedures for Effective Internal Auditing and Monitoring;**
7. Procedures for Ensuring Prompt Response to Detected Offenses; and
8. A Comprehensive Fraud, Waste and Abuse Plan.



Overview of Internal Audits

- Program Effectiveness
- Compliance “Reviews”
- Outline Audit Procedures
- Staff Training



Decision Factors for Internal Audits

- Risk assessment and baseline audit prioritization
- Deficiencies in recent surveys or complaint investigations
- Medicare Audit History
- Competency and longevity of Staff
- Level of corroboration & collaboration



Risk Assessment and Internal Audit Planning

- Chapter 9, along with past Medicare compliance guidance, speaks to the importance of conducting a comprehensive risk assessment as a baseline to determine the Medicare audits for the year
- The audit plans will need to be specific to MA and Part D risk areas
- Plans should consider having an internal audit of Medicare compliance's basic program elements as well as audits of identified risk areas. This type of audit is similar to past CIA compliance audits





Risk Assessment and Internal Audit Planning

- Another key issue for all Medicare audits is the flow of the audit reports. CMS will want to see documentation that findings and recommendations were reported to the Medicare Compliance Officer and Compliance Committee in a timely manner
- Further, CMS will want to see that internal audit was involved in verifying whether any corrective actions related to past audit findings were actually taken
- Medicare Compliance and Internal Audit must work in concert to insure that audits are completed and documented

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Audit Considerations

- Consider review of areas previously found non-compliant to determine if the corrective actions taken have fully addressed the underlying problem
- Utilize objective, independent auditors that are knowledgeable of the Medicare program requirements and have access to existing audit resources, relevant personnel, and relevant areas of operation; and
- Development of a monitoring and oversight plan that addresses fraud and abuse potentially perpetrated by Medicare program delegates

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Possible Medicare and Part D Risk Areas

- Failure to provide medically necessary services;
- Marketing schemes;
- Delegation oversight (i.e. PBM's);
- Payments for excluded drugs;
- Multiple billing;
- Non-compendium payments;
- Inappropriate formulary decisions;
- Inappropriate enrollment/disenrollment;
- Incorrect appeals processing;

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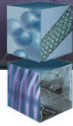
Possible Medicare and Part D Risk Areas (cont'd)

- Adverse selection;
- Delinquent reimbursements;
- Duplicative or excessive premiums;
- Inaccurate COB or eligibility;
- Inaccurate TrOOP calculation;
- Failure to disclose or misrepresentation of rebates, discounts, and price concessions;
- Bait and switch pricing; and
- Manipulation of low income subsidy enrollees

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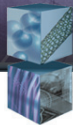
Sample Risk Area: Marketing and Sales



- Internal audit departments must audit and monitor the marketing and sales of a plan's Medicare products and must be able to identify and correct such forbidden practices such as:
 - Door-to-door solicitations
 - Unsolicited outgoing phone calls
 - Inappropriate inducements provided to prospective enrollees.



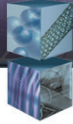
Sample Risk Area: Marketing and Sales (cont'd)



- Some tactics to audit these activities include:
 - Review of enrollee or prospect complaints of inappropriate sales tactics
 - “Secret shopper” participation at sales presentations and phone solicitations
 - Continuing training programs on the requirements for sales and marketing of Medicare products



Sample Risk Area: Delegated PBMs

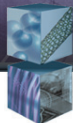


Internal audit departments can commission the following types of PBM reviews:

- **Claims Processing Review**
 - Electronic reviews are performed to “re-price” claims history and ensure that the PBM is applying the correct drug unit pricing; and
 - Detailed testing audits of a random sample of claims to ensure proper handling of COB, dispensing fees, formulary compliance, fraudulent claims, etc.

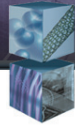


Sample Risk Area: Delegated PBMs (cont'd)



- **Formulary Rebates**
 - Measure the ability of a PBM to obtain and recover rebate amounts from manufacturers and pass the appropriate portion back to the plan



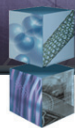


Types of Internal Audits

- Specific risk area reviews
- Transactional Testing:
 - Random Sample Selection
 - Sample Size
 - Extrapolation
- Overall assessment of compliance program
- Review of previous program deficiencies

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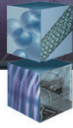


Auditing Goals

- Verify policy and procedure implementation
- Confirm information generated for CMS reporting
- Validate continuing compliance with CMS requirements
- Recommend or verify compliance with corrective actions

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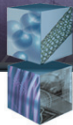


Questions



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