

Medicare Prescription Drug Part D Compliance Conference



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Internal Auditing For Medicare Part D

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The Medicare Part D Prescription Drug Program

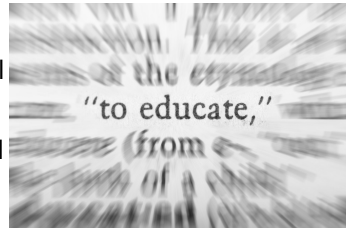
- CMS launched the program on January 1, 2006
- The program is now three years old
- The newness of the program cannot be used as an excuse for why the program is not being administered as intended
- Sponsors have a greater level of accountability, including performance and oversight over delegated entities
- You must know your environment.

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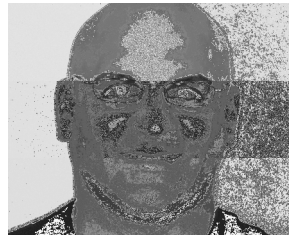
The Medicare Part D Prescription Drug Program (cont.)

- CMS has published volumes of information about Part D requirements:
 - The Prescription Drug Benefit Manual published April 25, 2006
 - Chapter 9 – Part D program to Control Fraud, Waste and Abuse consists of:
 - 8 sections
 - 58 sub-sections
 - 2 exhibits
 - 1 Appendix
- The most recent version of the corresponding Audit Guide contains 87 pages and 116 audit elements



Realities

- Medicare Part D is a large complex program
- Organizations allocate a finite number of resources to audit the program. For example:
 - CareFirst BCBS has the following staff:
 - 1 Medicare Compliance Officer
 - 1 Assistant Medicare Compliance Officer
 - 1 Special Investigator
 - 1 Internal Auditor
 - Other resources are available as needed
 - BCBS of NC has the following staff:
 - 3 Internal Auditors
 - 2 quasi-Compliance professionals
- The length of one work week is 40 hours per employee
- Limited staff and limited hours = limited time to audit the program



Overcoming Reality

- Collaboration is the key
 - Senior Management
 - Medicare Compliance Office
 - Internal Audit
- Opportunity to come together to discuss the following:
 - Organization challenges (inside and outside of Medicare Part D)
 - Available resources the organization can devote to mitigate the identified challenges
 - Management's feelings about the Part D program
 - The Compliance Office's feelings about the Part D program



Risk Assessments

- Risk Assessments should be performed at the business unit level. After three years, each business unit should be knowledgeable about its responsibility within the Prescription Drug program
- Use CMS' Medicare Prescription Drug Benefit Manual as a tool
 - Disburse the chapters among internal and external business units (first-tier/down-stream entities)
 - Require each business unit to assess their compliance with the requirements outlined in the Manual
 - Inform each business unit that if they believe they are compliant with the CMS requirements, they must compile documentation to support their assertion

Identifying High Risk Areas

- Honest self-assessments will identify “trouble spots”
- Gives each business unit an opportunity to self-identify unique high risk areas
- Provides honest feedback to the organization
 - What is the root cause of the problem?
 - What is currently being done to address the problem
- CMS and other enforcement agencies have identified general high risk areas
- Match

Validating the Risks and Executing A Plan

- Assess the assessments
 - Set a deadline for each business unit to return their self-assessments
 - Encourage them to be completely honest (redundant by necessary)
 - Review each unit’s assessment and note the self-confessed problems
 - Rate the issues in order of importance
- The Medicare Compliance Office should also perform an overall assessment
 - Compliance Office is aware of day-to-day challenges
 - Order of importance may differ
- Senior Management assesses the program
 - Identify weaknesses
 - Identify strengths
 - Rank the weaknesses in order of importance

It's All About The Tone At The Top

- Senior Management has to be responsible for determining the order of importance of the weaknesses
- Senior Management has primary responsibility for the overall operation of the business
- Senior Management's decisions and actions sets the tone at the top
- This what the Commission of Sponsoring Organizations (COSO) refers to as the *CONTROL ENVIRONMENT*.
- The control environment is the foundation upon which everything else is built.
- If senior management does not assess risks in accordance with the business' mission or they convey that the program is not important, the entire program can fail.



The Control Environment In Detail

- The Control Environment is simply the Tone at the Top
- Senior Management must communicate its support of the program
 - Lower level management must buy into the program
 - The organization should have controls in place to ensure the program operates as intended
 - Policies and procedures
 - Workflows
 - Assignment of duties
 - Rules and regulations
 - All of these controls should be clearly communicated to the organization's employees.

Buyer Beware

- All of the policies and procedures...
- All of the workflows...
- All of the regulations...
- ...are no good if Senior Management does not communicate to the team that the organization is committed to following them.
- If the Control Environment is sound, Internal Audit can...
 - Perform a risk assessment
 - Review the organization's control activities
 - Communicate the review results to the appropriate personnel
 - Monitor the mitigating controls that have been instituted to offset risks.
- In effect, you start at the bottom of the cube with the control environment and you work your way up to the top.

Items of Consideration

- Senior Management determines the acceptable level of risk
- No business operation is ever 100% risk free
 - Too many regulations
 - Too many procedures
 - Too many people
- Internal Audit reviews each business unit's internal controls to ensure it is performing its job within Senior Management's acceptable level
- Providing this assurance service requires knowledge of certain criteria:
 - To what extent is the business unit involved in the Program (i.e., they touch every transaction vs. they review high-level appeals)
 - What experience do the individuals within the business unit possess (i.e., are they long-term employees or did they just start three months ago)
 - How explicit are the business unit's procedures (i.e., could a new employee perform his or her job duties simply by reviewing the procedures or is further explanation required)

The Difference Between Internal Audit and Compliance

- Internal Audit reviews internal controls
 - What is the organization doing to ensure proper controls are in place?
 - If there is a problem, what mitigating controls are put in place?
 - Who is managing the overall program?
 - Does senior management convey what it expects out of the program?
- Compliance is all about the rules and regulations
 - What does CMS require us to do?
 - Are we doing what we are required to do?
- Internal Audit looks at the big picture, including what management's message is.
- Compliance looks at a smaller picture, wondering what the organization is doing to stay compliant with the regulations.
- Collaboration between the two lessens the risk of missing an important issue.

Decision-Making Time

- In deciding what business units (including first-tier and downstream entities) should be included in the audit plan, several criteria should be considered:
 - Include business units in your audit plan that present a high level of risk or are assessed as high priority.
 - The size and reach of the business unit will determine how you perform your testing
 - A large business unit who touches a large number of transactions will require a larger sample size
 - Business units touching fewer transactions or those whose scope is limited will require smaller samples
 - Compliance Office resource availability
 - Assistance from the Compliance Office provides an additional level of knowledge and ensures the right risks are audited
 - More personnel usually results in shorter testing periods
 - Internal Audit resource availability

Scheduling Part D Audits

- Several factors should be taken into account when scheduling Part D audits:
 - How does CMS feel about the issue
 - How many business units scored a high risk (if CMS conducts an audit today)
 - How high is high
 - Is the risk easily mitigated or will it require more resources
 - Where is the auditee (internal or external)
 - Internal performance audits tend to deal with internal systems
 - Contract performance audits entail collaboration across departments and contractors including the contractor's systems
 - Attention and resources need to be expended to address these issues
 - The number of resources Internal Audit has at its disposal to conduct Part D audits
 - The number of Part D audits Senior Management considers to be acceptable
 - How Part D audits fit into the organization's overall audit plan

Completing The Audits

- Use the resources at your disposal such as CMS' Medicare Prescription Drug Benefit Manual
- Provide the business unit with adequate advance notice
 - Try to give 30-day advance notice
 - Avoid surprise audits, if possible
- Provide the business unit with a Provided by Client (PBC) List
 - Indicate the documents you will be auditing
 - Indicate the population you will be auditing
- Trade their time for your time
 - The more organized the documents are, the less intrusive you need to be
 - Complete documentation facilitates quicker fieldwork
- Communicate with the business unit
 - All findings should be communicated verbally and in writing
 - Let them know what they are doing well

Reporting Findings

- MOST IMPORTANT – ALWAYS make sure you have documentation to support your written findings
- Discuss your findings with the business unit manager and allow him or her a chance to produce evidence mitigating the finding
- If the finding stands, present the finding in writing to the business unit manager
- Secure a response from the manager indicating the action plan to be employed to mitigate the finding
- Review the manager's response to ensure the actions can be employed within the established timeframe.
- Complete a written report to Senior Management indicating all findings and management's plan to mitigate them.

Follow Up

- Internal auditing should not stop at the conclusion of the initial audit or the issuance of the report (unless the audit yields no findings)
- Follow-up is important
 - Initial follow-up should occur at management's expected mitigation date
 - If you have time to perform an annual review, do it
 - It may be necessary to re-prioritize
 - Most importantly:
 - High Risk
 - Multiple Findings
 - Problems with Mitigation
 - = More Frequent Follow-up

Back To The Beginning

- The newness of the program cannot be used as an excuse for why the program is not being administered as intended
- At a minimum
 - Internal Audit should allocate some resources to Medicare Part D
 - Internal Audit should include Medicare Part D audits in the annual audit plan
 - Senior Management, Compliance and Internal Audit should review the Medicare Part D Program annually to determine high risk areas
- A robust internal audit program within Medicare Part D may be used as a good defense against penalties and sanctions CMS could impose
- You never get a second chance to make a good first impression

QUESTIONS

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