

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



MEDICARE PARTS C AND D OVERSIGHT AND ENFORCEMENT GROUP

November 2, 2023

Ms. Lisa Erickson
Interim President and Chief Financial Officer
Medica Holding Company
401 Carlson Parkway
Minnetonka, MN 55305

Re: Notice of Imposition of Civil Money Penalty for Medicare Advantage-Prescription Drug
Contract Numbers: H3632, H6154, and H8889

Dear Ms. Erickson:

Pursuant to 42 C.F.R. §§ 422.752(c)(1), 422.760(c), 423.752(c)(1), and 423.760(c), the Centers for Medicare & Medicaid Services (CMS) is providing notice to Medica Holding Company (Medica) that CMS has made a determination to impose a civil money penalty (CMP) in the amount of **\$62,060** for Medicare Advantage-Prescription Drug (MA-PD) Contract Numbers H3632, H6154, and H8889.

An MA-PD organization's¹ primary responsibility is to provide Medicare enrollees with medical services and prescription drug benefits in accordance with Medicare requirements. CMS has determined that Medica failed to meet that responsibility.

Summary of Noncompliance

In 2022, CMS conducted an audit of Medica's 2020 Medicare financial information. In a financial audit report issued on August 23, 2022, CMS auditors reported that Medica failed to comply with Medicare requirements related to Part C cost sharing in violation of 42 C.F.R. Part 422, Subpart F. More specifically, auditors found that in 2020, Medica overcharged enrollees for Part C medical services. Medica's failures adversely affected (or had the substantial likelihood of adversely affecting) enrollees because they may have experienced increased out-of-pocket costs.

Part C Cost Sharing Requirements (42 C.F.R. §§ 422.111(b), 422.254, and 422.270; and Chapter 4, Section 50 of the Medicare Managed Care Manual (IOM Pub. 100-16))

Every year, a plan sponsor must submit to CMS an aggregate monthly bid amount which must include a description of deductibles, coinsurance, and copayments applicable under the plan and

¹ Referenced collectively as "plan sponsor".

the actuarial value of the deductibles, coinsurance, and copayments. When the bid is approved by CMS the plan sponsor must provide to each enrollee a description of the benefits offered under a plan, including the applicable cost sharing for the benefits (see 42 C.F.R. § 422.111(b)). The plan sponsor must not charge an enrollee a different amount from what was approved in the bid and disclosed to the enrollee for that benefit. Pursuant to 42 C.F.R. § 422.270(b), if the plan sponsor charges amounts in excess of the agreed upon cost sharing, then the plan sponsor must agree to refund all amounts incorrectly collected from its Medicare enrollees.

Violation Related to Part C Cost Sharing Requirements

CMS determined that Medica failed to comply with cost sharing requirements by charging incorrect cost sharing amounts. More specifically, Medica's claims processing system caused certain claims, for services such as knee surgery and hip surgery, to process incorrectly unless a claims processor implemented a manual workaround. These claims were submitted with multiple line items for different services (e.g., anesthesia) and Medica's system inappropriately paid providers for more claim lines than it should have paid. This caused Medica to overpay the provider and in turn, this resulted in enrollees being overcharged for their cost sharing. Medica did not ensure that refunds were provided to enrollees who were overcharged until after the financial audit. This failure violates 42 C.F.R. § 422.270(b).

Basis for Civil Money Penalty

Pursuant to § 422.752(c)(1)(ii), CMS may impose a CMP for any determination made under 42 C.F.R. § 422.510(a)(1). Specifically, CMS may issue a CMP if a MA-PD has failed substantially to follow Medicare requirements according to its contract. Pursuant to § 422.760(b)(2), a penalty may be imposed for each enrollee directly adversely affected (or with the substantial likelihood of being adversely affecting) by the deficiency.

CMS has determined that Medica failed substantially to carry out the terms of its contract (42 C.F.R. § 422.510(a)(1)) by substantially failing to comply with requirements at 42 C.F.R. Part 422, Subpart F. Medica's violations of Part C requirements directly adversely affected (or had the substantial likelihood of adversely affecting) enrollees.

Right to Request a Hearing

Medica may request a hearing to appeal CMS's determination in accordance with the procedures outlined in 42 C.F.R. Parts 422 and 423, Subpart T. Medica must send a request for a hearing to the Departmental Appeals Board (DAB) office listed below by January 2, 2024.² The request for hearing must identify the specific issues and the findings of fact and conclusions of law with which Medica disagrees. Medica must also specify the basis for each contention that the finding or conclusion of law is incorrect.

² Pursuant to 42 C.F.R. §§ 422.1020(a)(2) and 423.1020(a)(2), the plan sponsor must file an appeal within 60 calendar days of receiving the CMP notice.

The request should be filed through the DAB E-File System (<https://dab.efile.hhs.gov>) unless the party is not able to file the documents electronically. If a party is unable to use DAB E-File, it must send appeal-related documents to the Civil Remedies Division using a postal or commercial delivery service at the following address:

Civil Remedies Division
Department of Health and Human Services
Departmental Appeals Board
Medicare Appeals Council, MS 6132
330 Independence Ave., S.W.
Cohen Building Room G-644
Washington, D.C. 20201

Please see https://dab.efile.hhs.gov/appeals/to_crd_instructions for additional guidance on filing the appeal.

A copy of the hearing request should also be emailed to CMS at the following address:

Kevin Stansbury
Director, Division of Compliance Enforcement
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, MD 21244
Mail Stop: C1-22-06
Email: kevin.stansbury@cms.hhs.gov

If Medica does not request an appeal in the manner and timeframe described above, the initial determination by CMS to impose a CMP will become final and due on January 3, 2024. Medica may choose to have the penalty deducted from its monthly payment, transfer the funds electronically, or mail a check to CMS. To notify CMS of your intent to make payment and for instructions on how to make payment, please call or email the enforcement contact provided in the email notification.

Impact of CMP

Further failures by Medica to provide its enrollees with Medicare benefits in accordance with CMS requirements may result in CMS imposing additional remedies available under law, including contract termination, intermediate sanctions, penalties, or other enforcement actions as described in 42 C.F.R. Parts 422 and 423, Subparts K and O.

If Medica has any questions about this notice, please call or email the enforcement contact provided in the email notification.

Sincerely,

/s/

John A. Scott
Director
Medicare Parts C and D Oversight and Enforcement Group

cc: Megan Mason, CMS/OPOLE
Raymond Swisher, CMS/OPOLE
Joseph Sanchez, CMS/OPOLE
Scott Spilky, CMS/OPOLE
Kevin Stansbury, CMS/CM/MOEG/DCE