



## **One-Third Financial Audits Overview**

*Frank Chartier, CMS*

Kristen Renkes: Okay. And now to provide an overview of the OSA and Corrective Action Plan processes, the best practices for audited plans to enhance the audit experience, please welcome Frank Chartier – Chartier. Sorry.

Frank Chartier: Hello, hello. Frank Chartier here. So, just to give you a little bio background, I have been with CMS for about 12 years. Been in and out of OFM, but I've been mainly dealing with the Parts C and D for my entire life here at CMS, so I just want to give that to you. I know you're probably excited to hear from an auditor. And I know some of you have already read the presentation so you've already gotten my jokes ahead of time. I appreciate everyone on teleconference to let me know if you're laughing.

So, I'm going to go over the – the Agenda here, but I'm – I'm not going to read off the slides. I'd much rather have this be kind of a communication. So, I might just point to some key points on the slides and then just talk about it with you, and I know you'll probably have questions at the end or I'll be back at 3:00 for the question-and-answer period, so if you want to hold off on questions to that point.

So, I went too fast. Hey, okay.

So the Agenda. So we're going to go over OFM's vision and mission. It's also going to include the – oh, hey, Avi. The CM – my whole team's here. This is great support. So go over the CM's kind of vision, mission, and OFM, and kind of get an understanding of why that's here. It kind of feels like I'm starting a book report because we're starting off the mission,

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vision for the one-third financial audits, but I think it's key to kind of zero in on why we're actually here and why I'm presenting to you.

So, then we're going to go over kind of the one-third financial audit, the contractor responsibilities, the plan assertions and the audit opinions. Some results, which I'm sure you guys are interested in.

And then the Corrective Action Plan. And then do kind of a lessons learned, best practice.

So let's start things off.

So, CMS's vision and mission statement. I just wanted to point out that the reason this is in the – the presentation is because it kind of stipulates CMS is committed to strengthening and modernizing the nation – nation's healthcare system. That's what we're all here for. We're all here for improving that as – as a team.

And then to segue as a team, OFM's vision statement. The reason that is up there isn't because I believe – which I completely believe I have a strong, dedicated, talented workforce staff that works with us. But the first word is collaborative. And that means open dialogue. That means you, the plans, and us, the CMS auditing agency, are in communication together. I think in the past we've had some barriers or at least there's been some perceived barriers between the auditing entity and CMS. I'm here to destroy those barriers. Or at least give you an email address that goes to someone that will answer your question. That was (inaudible). That was a good one.

Okay, so, per statute, CMS is kind of required to audit the one-third of the MAOs, PDPs. That second bullet is kind of what I want to speak to. I know it says with expert knowledge from the auditors. I know we've received complaints from some of the MA/PDs that – that they dealt with staff from the auditing firm that wasn't as knowledgeable as – as you were. You know, take it with a grain of salt. We have, you know, five audit firms with each one having 12 years' experience since 2006 performing this. You might be dealing with one of their lower-level staff. Well, they,

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you know, the Part D program is huge, and you probably have teams of people working to make sure you're, you know, kind of making sure that you're in the rules and regulations and following the manuals, whereas my staff is about four subject matter experts and then we contract out with these firms that do have expert knowledge. I am here to tell you they do. Just continue to speak with your audit team and get to a manager, get to a program director, if you're unhappy with the initial reaction or the data request. There is a reason behind it. It's not just because someone is asking for something that they don't know what they're asking about.

I also wanted to bring up that this is the time for kind of like probably our audit selection process. So, when we're determining who we audit, it basically is a methodology that's ever evolving and changing. It's not something I can quite share with you, but I do want to say that, you know, I've been involved in some of the industry conversations. I think we've been trying to break down some barriers and get some understanding, both, I guess, between both parties. And I hope that CM continues to invite me to those discussions. I think I usually monopolize a lot of that because there are so many questions from the industry, which means we kind of need to improve our communication between each other.

Let me also say – oh, also this is a key hint right now at this point to make sure HPMS is updated with the most current information that you have. A lot of our audit selection deals with the information that's within the HPMS system, so we prefer or would like that all the information that is utilized in our audit selection is actuals so that we can know where to go, and who your PBM is, and who your point of contact is for the CEO/CFO. So, update that.

So, for the plans that have been through a One-Third Financial Audit, how fun are they? Now this is great, because I got to control the answers. I do want to – oh, I'll give you time to answer. This is audit humor. Nobody thinks they're very fun. We've got some – okay. Ultimate in fun. I'm waiting. Okay, extremely fun. Okay. I – I would like to acknowledge that this is not anonymous. This went directly to our audit methodology, and

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anyone who chose A or B, you are now on our short list. We will accept C or D.

I appreciate it. That's just to see if you guys are awake.

And here you guys thought it was going to be a boring presentation.

Okay. So, contractor responsibilities. Let's discuss this.

I think there's a misconception that CMS is somehow involved or, you know, acts in a capacity that just – that these contractors are an extension of us, or an arm of us. That is incorrect. While they are our partners, they are offering their independent opinion on the materiality or – and so they are the ones that control the kind of materiality of the findings. We do have or provide some guidance related to the sample selection. The reason that is, is because, if you think of financial audit, we get some input that says, you know, why are you looking at this? This would – even if we – everything in it were immaterial, it would still be immaterial in the whole scope of our financials. I'll tell you why. Because as the – as the Agency, we are really out for protecting the beneficiary and the program. And some of those financials have an impact on the beneficiary. And while it wouldn't raise to the level of materiality for the audit per se, it is information that CMS needs to know that the program is the best program it can be and that we're protecting the beneficiary as the best amount we could possible protect them to. And improve and evolve our audit procedures based around that conception – that conception.

So, we do provide support, and that's sometimes when you bring something to our attention. We don't know everything, and we have CM, and OAC, and a whole bunch of other parties that we communicate with when there is a question that arises, so we offer SME support to our contractors when there is an area of gray that we can't really discuss or we can't answer right on the phone. So, I just wanted you guys to know that it's – it's a whole team here at CMS. You're not just dealing with the audit contractors. You're dealing with the audit contractors, OFM, CM,

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OAC, and anyone else that we need to bring into the conversation to get those gray areas sorted out.

So, the next one is – oh, sorry, I was behind one. Someone should have shouted. Okay. So, what is this? This is – these are the opinions that the management assertion is over. I'm basically giving you the – like, if I was a professor, this is what the midterm is on. These are the four areas where we are going to look at. PDE, DIR. Making sure they're fairly stated. The base year experience is fairly stated. That you have the internal controls to – to make payments over cash disbursements and benefits for provided. And that you're solvent. So, this is the area that we operate in. And just for your edification, the – this is kind of like a forewarning of what we're going to be looking at. And I'll get further into what kind of specific findings are important or what we're seeing. Which is kind of like the answer to all the questions. So hopefully it's very helpful to you.

Okay. This is just – this is a question. Everyone. I see everyone kind of – I have very easy questions. Almost everyone passes except for that A and B the first time.

(Inaudible.)

Okay. So those of you on teleconference, if you looked at someone and kind of went wink, wink, nudge, nudge, said this is a trick question, you're partially correct. So – oh. That's – that's, okay.

So, we do audit 1876 and 1833 cost plans, but we offer and we audit the Part D bid of those organizations. But we do not, under the One-Third Financial Audit, audit the 1833s or the 1876 cost plans.

However, we are the division that does audit them, so if you have questions on that, I can answer those as well.

We're going to get into just the opinions, so you really want the – the unqualified, then qualified, then disclaimed, then adverse. If you have any

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questions on that, you can let me know, but that's kind of setting up the next few slides for our results.

So, this is from 2016. We just got the results for 2017, so they're the next slide. But I wanted to show you that there were 207 – 207 entities audited. And that we had 26% of unqualified opinions. If you saw the history every year of kind of the percentages, we have been improving throughout the years. I think we've been growing as – as a – a community of – because I don't think it's just our audits that are improving the unqualified opinion. I think it's you guys's internal controls improving, I think it's CM's program oversight. But I do like to think that we got a little bit of that – the purpose of the increase is due to our audits. And that's kind of what we hold our hats to.

So it's a team effort. And as you see, we did 218 audits in contract year 2007. And in 2018, we're going to be doing around 185, 186. So why the drastic decrease, you ask. Yay! We'll be auditing less entities, so I think that's a huge industry burdening – less burdensome to the industry.

So, like I said, our audit methodology of choosing the universe of plans that we audit is ever evolving and improving. And we've taken some industry feedback, and incorporated some of that and our own internal improved procedures over determining who to audit, and we've been able to kind of take that down about 30 – 30 entities less this – this next year than the previous years, which I think is, for the industry, you guys should know that we're working with you to reduce the burden as much as possible.

You'll also notice – oh, I don't want to jump – you'll also notice, well, nationwide, so you probably won't notice it, but we're not – we're trying not to hit you with an audit every single year, and we're trying to kind of organize it in a way that if we've been to your entity, we are going to go one or two years before going back to your entity. Now, there's been a consolidation in the market, there's been some larger players growing, so it is almost impossible to state that across the board that if we've been to you this year we will skip you next year. So it's – but we are trying to organize it and structure it so it's a little bit less burdensome on you, the

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entities that we're auditing, that maybe once every two, every three years is what our goal is, try to get to you every third year. And we're structuring how we audit to meet that goal. Understand that it probably can't be done, but we're trying to help you guys out.

So, the audit timeline. I got this as a question, so I just thought I'd share it with you. The – big disclaimer on this. This changes because we're not in total control of this – this whole, entire operation. So, as most of you probably know, our contractors, we have the whole behind-the-scenes dealing with our Office of Grant Management. So our contracting firm, or arm of the Agency, has strict kind of deadlines that we have to meet, but they move and they change. And we can't get our contractors to get the information to award the contracts. So this is disclaimed that this is the ideal sense of when we would be out there, when we would be awarding the contracts. But don't take this for – for anything beyond it's just kind of a general guideline.

Okay, so these are the answers to your questions. I'm sure you're all enthralled to have the answers to the midterm are right here.

Pervasive findings that we see in the industry. If you've been audited and you don't have any of these findings, and you had an unqualified opinion, good for you. If you guys were wondering well what are you seeing out there in the industry? These are the types of findings. I'm not going to go over every single one of them, but I thought I would just kind of share them with you. Like the Part D costs and payments, non-benefit expenses, Part D DIR, direct medical. It's great because I get to skip some of these slides.

But basically this is like the CliffsNotes version of – of what you should be interested in – in taking back to your entity and saying this is what they're seeing, let's make sure we have some controls over it.

Okay. So the – the extra fun part. This past December, my division, the responsibility for the CAP process shifted to – from CM to OFM. With that, the transition to you guys should have been seamless. We had the same contracting entity, the same procedures. The – the only change was the



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name, from your perspective. But I will state that now that OFM is in charge of the CAP Closeout process, we will be looking at the procedures and then trying to enhance them, streamline them. We may make them a little bit – we're going – they're going to be evolving just like the whole, entire audit process. So with that in mind, we will try to communicate those changes with you, with the industry, as much as we can. But, bear with us. We're probably going to keep it and maintain it, to some extent, normal for the next one-to-two years, so if you're being audited this year, I wouldn't expect too many changes to occur.

Okay. So we're going to go into the expectations of the plan. When submitting the CAP, I will make your life completely easy by saying follow the template. There's a template that's provided to the plan when you're trying to answer the Corrective Action Plan CAP. The most important is the communication aspect of fixing the finding. As articulate as you can be, and I'll give an example. We fixed this problem with updating our procedures, is completely different from, we've updated our procedures. Here are the procedures we are now performing. These are the changes that we've made. And we've implemented them showing improvement in this area and here's some support or here's the procedures that we've updated. It's a lot different. So, the more specific you can get to the actual finding, the root cause, whatever you can supply, I would give more information than less for us to review because it really limits the amount of back-and-forth that we go because we're not going to just take, we fixed it, thanks, as an answer. So.

Let's see. Let's get to the – I think – am I going too fast? Looks good. No. Okay.

Oh. Lessons learned. Best practice. Okay.

So, kind of the theme for my discussion has been open communication. Removing the veil. So, what does that mean to the industry? Because I do understand you don't want to, you know, continually send emails to me or my staff, so I'm – I'm pretty sure most of you would like to work through any issues that you have with the contractors.



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Communication is key with the contractors. If you call me or my staff, the first thing we're going to do is call the contractors and get their side of the story. So, best practice is to just – when the contractors ask for details, provide the details. If you want kind of a – a chart of when to contact CMS and when to go through the contractors, I would say anytime, on a professional level, you feel uncomfortable going to the contractor, if you're meeting resistance, if you feel you're not being fairly, I guess, stated or responded to, that's when you kind of break that seal and go the CMS con – or the CMS auditor. We are there at your entrance conference. We are there at your exit conference. We have direct access – or you have direct access to us. If you feel the need to contact us, please do. I feel like because you're being audited you – you don't want to raise attention, or you don't want to come to us with questions. On industry calls that I've been at, a lot of the consternation or the issues have been over the lack of feeling comfortable coming forward with something. And we want to kind of lessen that. We – we would like to hear your opinion.

So what does that mean? We're going to try to start including surveys or feedback loops from you. And in that survey, in that feedback loop, and I think we've had it in the past. Some years we've been able to do it, some years we haven't just due to resources. But your feedback on the entire process is important. So, if you're having a problem with the contractor, if you don't understand why something is being requested from you, if the answers that the contractor is giving you are – cause more questions or you'd just like to hear it from CMS, I want to let you know that if it's a sample poll, if it's a data request, odds are every single entity is getting the exact same data request. Our auditors do have, because they are providing their own independent opinions, they do have the ability to expand the scope of their audits. So that means not every audit is the same. So if you had an audit three years ago, you might have a completely different data request for this current audit. And odds are everyone is getting the same request. But they do have the ability, once they assess the risk of each plan, to change and augment their - their protocols and processes and their procedures to investigate where they

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feel necessary to provide their opinion because it's an unbiased, independent opinion on that company. And that's what CMS relies on.

So, getting back to – to the communication. We prefer you deal with any issues with the audit contracting firms. If you feel you need to contact us, please contact us. We are available, and we are free, almost all the time. So, I'll – I'm sure I'll get questions on that, but I wanted you guys to know that we – we are trying to make ourselves more available, and if it doesn't seem that way, let me know that I'm – I should have been somewhere, I should have had a discussion or been on a conference, because I was trying to get more included.

So, final poll.

So this was a great poll. And the reason this was a great poll, and it's kind of completely different from my first fun poll, is that you want to reach the right people when you have a question. And I get tons of questions on everything but the One-Third Financial Audit. And then your questions go to the regional office, or they go to CM somewhere in – in the Plan Payment Group or something, and you don't know where to go. So we try to provide our contact information and our email address at the – and you don't even have to read the paper first. Just look at the very bottom of the page of whatever was sent to you. That's where you can contact us. We have a completely different email address than – than the program audits or anyone else within CM or CMS. So, I highly stress that in any communication from myself or my team, that is where the – you look at the bottom and email that address and you'll get – you'll get a response within days – hours, days, almost immediately because we continually look at that email address.

So that would be false. It is different. Or how is it phrased? Yes.

Okay. So, just to let you know, I offered my own email in here, but the CTEO team took it out, so I can't take – but I threw them under the bus. But, so, this is where you would contact us.

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And at this point, I'm not sure, do we – do we have any questions? If you don't have any questions now, maybe I don't have to come later today. Maybe the team knows. Yes? No questions. Okay.

(Inaudible).

Yep. Don't worry about it. I'll just do it.

So, this is great. I thought you guys were going to ask a ton of questions. Maybe I just did an amazing job.

So, some of the submitted questions that I kind of answered before this, I guess, presentation.

We have found that CPA firms that OFM selects for audits generally employ staff unfamiliar with the Part D program, requiring significant time on the Part D – part of the plan to explain how Part D works.

So, I do want to reiterate, each audit firm has 12-years' experience. And they operate many teams. And they have to hire staff to do that. And the Part D plan is ever evolving and extremely – there's a lot going on. So we can't be perfect. Maybe one person doesn't know as much as you do. I – I get that. But we are a team, and it is an audit team. It is an audit firm with tons of experience. So, if you're asking a question or explaining how Part D works, I give you two responses.

First response is to take it back and let us know that you're frustrated or there's a concern with one of the audit firms. Because we do want to hear that, and it probably will be included on a survey.

The second thing is, try to work with that employee, that staff member, and ask for any manager – manager. If they're trying to explain how Part D works, maybe it's just that section that they are asking, you know, on. They might have a directive to say, hey, make sure you're looking into this sample, and you're probably like, why are they looking at this sample? This has nothing to do with our bid. This has nothing to do with our PDEs. And asking that person who's just out there asking you for a

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sample. So, work with whoever you feel is not as well versed in the Part D.

But, also, we do, CMS being we, we do want to know when you're having troubles with contractors. And we do hear you. And you are frustrated sometimes. But we want to assure you that each firm has 12-years' experience and almost the exact same faces are on the same staff training those people that are auditing you. So if that gives you any help in understanding that.

Second question. So, great question. Some – some OFM audits are duplicative or unnecessary. I like how that question is kind of letting us know it's unnecessary, but we'll move beyond that. Can CMS consider reducing the scope of audits?

So, this is something I think I had in my presentation but I didn't discuss. I think our One-Third Financial Audits are completely the most amenable audits that CMS kind of offers. For one thing, not answering this question, but if there's a conflict, because we know there's tons of audits, so there's a bunch of audits that are going on at your entity. If you communicate that to our auditors, our auditors are instructed to work with you. if not, I believe they proactively say, which dates work best for you? I understand with the other audits they're a little bit more – you don't have much flexibility in determining when those occur. That is not the same as our audits. We do adhere to a strict deadline. There are deliverables that are expected. But we are auditing so many firms, we can switch you guys around. We can work with you and kind of manipulate their schedule and their field work in accordance with what works best with you if you're dealing with a bunch of audits. So, just know that the One-Third Financial audits, we will work with you to reschedule. But it has to be within the certain deadlines for our – for our audit firms to complete their deliverables schedule.

So, that doesn't really answer the question, but they – we are working with the industry to identify where there are duplicative and research and

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kind of see where we can improve that. So, the duplicative part, I'll see. Unnecessary takes a shot. I kind of, you know, that's all right.

The scope of the audits. I wanted to kind of let you guys know, or state, that the scope of the audits I think I hit on. There are segments that may be immaterial when looking at your entity as a whole, and your financials as a whole. Again, some of the data requests are specifically due to CMS wanting some level of oversight to – to make sure the beneficiaries are protected and the program is operating the way it should. So, we are looking, and we have every year, evaluated the audit protocols. And I think you'll see this year is going to be different from last. And this year is probably going to be completely different from next year. But, there was an increase in burden on the plans, specifically the medical record request to support PDEs. That's been removed this year from the audit.

We like assessing the risk of the program, identifying where we can improve, and making those improvements if it makes sense to the betterment of the program. So that – that's kind of the audit scope, I think, that you're hinting to.

So. Okay. Yes, question?

Christina Rockwell: Hi there. I'm Christina Rockwell with Anthem. Thank you so much for giving that update on the future planned audit volume. We really appreciate that.

My question is, what is the timing for the 2018 notices that plans can expect?

Frank Chartier: So, we were – and that's – yeah. So we were extremely delayed due to our contracting issues this year. We didn't get a lot of the notifications out for this year. I'm not sure if that's the exact same contracting year that you're discussing, but if you're going to be audited for from September/October of this year to September/October of next year in 2020, those notifications have been sent out. However, we have had systematic issues that we're identifying and fixing. So, it was delayed because usually we get them out in August/September timeframe, and

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this year we didn't even get the contract awarded until the very end of September so we didn't even have that prepared. So, we are delayed this year, and they should be either – a lot of them, I think, went out. But we did identify a systematic issue that we're going to look into and re-send, if possible or needed. But if you are reached out to by an audit firm, chances are you were selected by – for – by an audit. And you didn't get the prepopulated kind of HPMS memo from me. So.

Christina Rockwell: Thank you.

Frank Chartier: That's it? That's great. I think I'm done, okay? Okay. Thank you.

Kristen Renkes: Sorry, I'm too far.

All right, so to evaluate session four, please text A to 22333 or go to [pollev.com/cms2019fall](https://pollev.com/cms2019fall).