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United States Senate

SPECIAL COMMITTEE ON AGING

WASHINGTON, DC 20510-6400

(202) 224-5364

February 16, 2007

The Honorable Leslie Norwalk, Esq.
Acting Administrator
Centers for Medicare and Medicaid Services
200 Independence Avenue, SW
Washington, D.C. 20201

Dear Ms. Norwalk:

We are writing to call your attention to a troubling report recently released by the Department of Health and Human Services Office of Inspector General (HHS-OIG) entitled, "Prescription Drug Plan Sponsors' Compliance Plans." In this report, the OIG assessed the extent to which Medicare Part D Prescription Drug Plan (PDP) sponsors have developed compliance plans as required by the Medicare Modernization Act of 2003 (MMA) and federal regulations. As you know, these compliance plans are intended to ensure that PDP sponsors are precisely implementing the law and have strong procedures in place to prevent and detect waste, fraud and abuse.

We are concerned that the OIG found that 72 of 79 plans did not address all CMS requirements regarding the eight compliance plan elements. A 91 percent failure rate among PDP sponsors is unacceptable and we hope that CMS will take immediate corrective action. Of even greater concern is the finding that only 15 of 79 plans addressed all 11 recommendations regarding fraud detection, correction and prevention.

Given the enormous investment made by taxpayers and seniors in financing the Part D program, we call on CMS to take immediate action to address the OIG's findings. We would appreciate a written update by March 16, 2007 on the status of your efforts to bring these plans into full compliance with the law.

Should you have any questions regarding this matter, feel free to contact Cecil Swamidoss of the Democratic staff or Chris Hinkle of the Republican staff at 202-224-5364. We look forward to working with you on this very important issue.

Sincerely,



Herb Kohl
Chairman



Gordon H. Smith
Ranking Member



MAY 31 2007

Administrator
Washington, DC 20201

The Honorable Gordon H. Smith
United States Senate
Washington, DC 20510-6400

Dear Senator Smith:

Thank you for your letter regarding the OIG report entitled, "Prescription Drug Plan Sponsors' Compliance Plans." The Centers for Medicare & Medicaid Services (CMS) agree that effective compliance plans are an important tool to monitor fraud, waste, and abuse in contracted Prescription Drug Plans (PDPs).

Audits of prescription drug plans are currently underway, and we anticipate learning a great deal about PDP compliance through that process. CMS is also about to launch a Compliance Plan Best Practices Self-Assessment Tool that all PDP sponsors will be required to complete. Since the OIG analysis was conducted in 2005, we are eager to understand the progress that PDPs have made since that time. The Compliance Plan Best Practices Self-Assessment Tool will walk the PDPs through an intensive scrutiny of all aspects of their Compliance Plans, including:

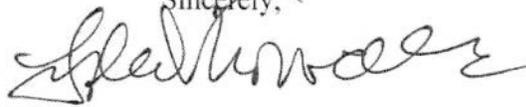
- Written Policies and Procedures;
- Compliance Officer and Committee Authorities and Responsibilities;
- Training and Education;
- Effective Lines of Communication;
- Enforcement of Standards;
- Monitoring and Auditing;
- Prompt Responses to Detected Offenses and Corrective Action Plans;
- Corrective Actions; and,
- Program to Detect, Correct, and Prevent Fraud, Waste, and Abuse and Voluntarily Self-Report Potential Fraud or Misconduct.

The Self-Assessment will cover all of the required Compliance Plan elements, as well as the best practices and recommendations described in CMS' final guidance on Fraud, Waste and Abuse. The methodology employed by the OIG in their study of this topic also drew directly from this guidance. This Self-Assessment will serve three purposes: 1) compel PDPs to scrutinize every element of their Compliance Plans in accordance with our requirements and guidelines; 2) report to CMS the extent to which best practice recommendations are being implemented so that we can provide better training, if necessary, and 3) identify Part D sponsors that are not meeting our basic requirements so that we can take appropriate corrective actions. We have had great success in the Part D program using such tools.

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Once we have completed collecting and analyzing the results of the Compliance Plan Best Practices Self-Assessment Tool, we will be happy to share the results with you, as well as any follow-up actions we intend to take.

Sincerely,

A handwritten signature in black ink, appearing to read "L. Norwalk", written in a cursive style.

Leslie V. Norwalk, Esq.
Acting Administrator