DEPARTMENT OF HEALTH & HUMAN SERVICES **OFFICE OF INSPECTOR GENERAL**

Office of Audit Services, Region III
Public Ledger Building, Suite 316
150 S. Independence Mall West
Philadelphia, PA 19106-3499

August 23, 2011

Report Number: A-03-11-00001

Ms. Heidi Arndt
Senior Medicare Compliance Officer
Aetna, Inc.
1425 Union Meeting Road
Blue Bell, PA 19422

Dear Ms. Arndt:

Enclosed is the U.S. Department of Health and Human Services (HHS), Office of Inspector General (OIG), final report entitled *Review of Aetna, Inc., Pharmacy Audit Recoveries for Medicare Part D Drugs Dispensed in Calendar Year 2008.* We will forward a copy of this report to the HHS action official noted below.

Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site. Accordingly, this report will be posted at http://oig.hhs.gov.

If you have any questions or comments about this report, please direct them to the HHS action official. Please refer to report number A-03-11-00001 in all correspondence.

Sincerely,

/Stephen Virbitsky/
Regional Inspector General
for Audit Services

Enclosure

HHS Action Official:

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Department of Health and Human Services

OFFICE OF INSPECTOR GENERAL

REVIEW OF AETNA, INC., PHARMACY AUDIT RECOVERIES FOR MEDICARE PART D DRUGS DISPENSED IN CALENDAR YEAR 2008

Daniel R. Levinson
Inspector General

August 2011
A-03-11-00001

Office of Inspector General

http://oig.hhs.gov

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Notices

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Section 8L of the Inspector General Act, 5 U.S.C. App., requires that OIG post its publicly available reports on the OIG Web site.

OFFICE OF AUDIT SERVICES FINDINGS AND OPINIONS

The designation of financial or management practices as questionable, a recommendation for the disallowance of costs incurred or claimed, and any other conclusions and recommendations in this report represent the findings and opinions of OAS. Authorized officials of the HHS operating divisions will make final determination on these matters.

INTRODUCTION

BACKGROUND

The Medicare Part D Program

Title I of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (Act) amended Title XVIII of the Social Security Act by establishing the Medicare Part D prescription drug benefit. Under the Part D program, which began January 1, 2006, individuals entitled to benefits under Part A or enrolled in Part B may obtain drug coverage.

To provide prescription drug benefits under Part D, the Centers for Medicare & Medicaid Services (CMS) contracts with private entities called "sponsors" that act as payers and insurers. Sponsors may offer these benefits through a standalone prescription drug plan or as part of a Part C managed care plan, known as a Medicare Advantage Prescription Drug Plan. Sponsors contract with pharmacies to dispense prescription drugs to eligible Medicare beneficiaries.

Payment, Reconciliation, and Prescription Drug Event Records

Sections 1860D-14 and 15 of the Act provide that CMS pay plans for Part D benefits through subsidies, risk sharing, and final payment determination. CMS pays the subsidies prospectively throughout the plan year. Pursuant to 42 CFR § 423.343, after the close of the plan year, CMS is responsible for reconciling the prospective payments to the sponsor's actual allowable costs to calculate final payments and risk sharing amounts. Sections 1860D-15(c)(1)(C) and (d)(2) of the Act require sponsors to submit data and information necessary for CMS to carry out the payment provisions.

In CMS's *Requirements for Submitting Prescription Drug Event Data* (April 26, 2006), CMS requires that, for every prescription filled, plans must submit a Prescription Drug Event (PDE) record to CMS. The PDE record contains prescription drug cost and payment data that enables CMS to determine the plan's actual allowable costs, make payment to plans, and otherwise administer the Part D benefit. An adjustment or deletion code in a PDE record is used for any change reported after the original PDE record was submitted. PDE records may be adjusted or deleted for a number of reasons, including when the sponsor changes the original payment to the pharmacy for any reason.

In a memorandum to sponsors dated April 9, 2009, CMS extended the deadline for calendar year 2008 PDE data to be included in reconciliation from May 31, 2009, to June 29, 2009. However, the memorandum instructed sponsors to continue submitting and correcting PDE data with financial impact after the deadline so that current data would be available to CMS for evaluation and possible consideration for future reconciliation re-opening.

Part D Sponsor Oversight Responsibilities

Section 1860D-4(c)(1)(D) of the Act requires sponsors to have in place a program to control fraud, waste, and abuse. CMS regulations (42 CFR § 423.504(b)(4)(vi)) require sponsors to have a compliance plan which includes procedures for effective internal monitoring and auditing. Chapter 9 of CMS's Part D *Prescription Drug Benefit Manual* provides additional guidance that instructs sponsors to develop a strategy to monitor and audit pharmacies and other entities involved in the delivery of the drug benefit. The guidance also states that routine and random auditing should be part of the contractual agreement with the pharmacies.

Aetna, Inc.

Aetna, Inc. (Aetna), contracts with CMS to provide Part D prescription drug plans covering over 1 million members. Aetna has over 60,000 pharmacies in its national network and conducts internal quality reviews, desk audits, and on-site audits to monitor pharmacy dispensing trends, billing irregularities, and record keeping. For its desk and on-site audits, Aetna contracts with a company specializing in pharmacy verification audits.

OBJECTIVE, SCOPE, AND METHODOLOGY

Objective

Our objective was to determine whether recoveries made by Aetna as a result of pharmacy audits were properly reported to CMS.

Scope

Our audit included Aetna's audit recoveries on Part D claims dispensed between January 1 and December 31, 2008. To identify any audit recoveries, we relied on the accuracy and completeness of the information contained in Aetna's systems. We did not perform an overall assessment of Aetna's internal control structure. Rather, we reviewed only the internal controls that pertained directly to our objective.

We performed our fieldwork during December 2010 and May 2011 at Aetna's offices in Blue Bell, Pennsylvania.

Methodology

To accomplish our objective, we:

- reviewed relevant Federal laws, regulations, and guidance;

- reviewed Aetna's policies related to monitoring and auditing pharmacies, including any applicable contracts and audit plans;

- reviewed Aetna's procedures to recoup audit recoveries from pharmacies and to report those amounts to CMS;

- interviewed key staff and discussed 3 pharmacy audit claims with recoveries to gain an understanding of Aetna's process;

- identified from Aetna's audit recovery tracking spreadsheets a sampling frame of 9,560 Medicare Part D 2008 pharmacy claims audited by Aetna or its contractor that resulted in recovery amounts greater than $0, totaling $4,370,356;

- obtained an attestation from Aetna's senior management to the completeness of the data;

- selected a simple random sample of 100 audited claims with identified recovery amounts and;

- verified for the 100 audited claims that:

    - Aetna recovered the amount from the pharmacy and

    - Aetna properly reported the recovered amount to CMS.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our conclusions based on our audit objective.

RESULTS OF REVIEW

Aetna properly reported $4.4 million in pharmacy audit recoveries to CMS by submitting adjustment and deletion PDEs as required. Aetna continued correcting 2008 PDE data and submitting corrections with financial impact after the PDE deadline as instructed in CMS's 2009 guidance. Accordingly, we are making no recommendations to Aetna.