

## GOVERNMENT PROGRAMS COMPLIANCE POLICY

<b>Title: Routine Monitoring and Auditing of Government Programs</b>				<b>Policy No:007</b>	
<b>Effective Date: 4/21/11</b>					
<b>Policy Applies to the Following Products with an "X":</b>					
X	Medicare Part D	X	Medicare Advantage and Part D	X	Medicare Medicaid Plan (MMP)
<b>Owners:</b>					
Kim Green		Government Programs Compliance Officer		Government Programs Compliance	
<b>Approved:</b>					
HCSC Board of Directors					
<b>Purpose</b>					
The purpose of this policy is to comply with the Centers for Medicare & Medicaid Services (CMS) guidelines related to routine monitoring and auditing of government programs, first tier, downstream, and related entities (FDRs).					
<b>Scope</b>					
This policy applies to HCSC employees who are involved in administration or delivery of the Government Programs referenced above, including the chief executive and senior administrators, managers, governing body members and FDRs.					
<b>Policy</b>					
<p>HCSC is committed to complying with all CMS guidelines and state Medicaid requirements, including but not limited to those specific to establishing and implementing an effective system for routine monitoring, auditing, and identification of compliance risks.</p> <p>Accordingly, this policy establishes an effective system for internal monitoring and auditing and, as appropriate, external audits, of:</p> <ul style="list-style-type: none"> <li>• HCSC's compliance with CMS guidelines,</li> <li>• First Tier, Downstream and Related Entities' (FDRs) compliance with CMS guidelines, and</li> <li>• Overall effectiveness of the Government Programs Compliance (GPC) program.</li> </ul> <p>This policy and system meet the following requirements:</p> <ul style="list-style-type: none"> <li>• Routine monitoring performed by business areas as part of normal operations.</li> <li>• Targeted monitoring activities performed by GPC to test specific, identified risks of non-compliance.</li> <li>• Audits performed by Audit Services</li> </ul> <p><u>Identification of Compliance Risks</u></p> <p>GPC conducts a formal baseline assessment of HCSC's major compliance and fraud, waste and abuse (FWA) risk areas ("Risk Assessment"). The Risk Assessment considers all Medicare and MMP business operational areas, and each operational area is assessed for the types and levels of risk the area presents to the Medicare program and to the Government Contract Holders. See Policy 006, entitled "<b>System to Identify Medicare Compliance Risks</b>" for additional detail regarding conducting the Risk Assessment. The results of the Risk Assessment inform the development of the monitoring and audit work plans described below. GPC coordinates with Audit Services, and other stakeholders to develop monitoring and auditing work plans that include schedules of all planned monitoring and auditing activities for the calendar year. The most significant risks identified in the risk assessment are scheduled in the annual monitoring and/or auditing work plans.</p> <p><u>Routine Monitoring Activities and Auditing</u></p> <p>HCSC undertakes Routine Monitoring Activities and Auditing to test and confirm compliance with Medicare regulations, sub-regulatory guidance, contractual agreements and applicable federal and state laws, as well as policies and procedures to protect against Medicare program noncompliance and potential FWA.</p>					

Routine Monitoring Activities of core CMS requirements are formally documented and reported through the Regulatory Oversight Monitoring (ROM) process managed by the Delivery, Performance and Integrity Department.

Audit Services, in conjunction with, and at the direction of the Government Programs Compliance Officer ("GPCO"), develops an Annual Audit Work Plan for audits of Medicare, MMP and Medicaid processes.

GPC supplements Routine Monitoring in ROM and audits by performing Targeted Monitoring Activities that are defined and described in GPC Procedures. Targeted Monitoring Activities are ad hoc activities performed by GPC as needed to test specific, identified risks of non-compliance. GPC develops an annual Targeted Monitoring Work Plan, which it may amend throughout the year in response to changed circumstances or emerging risks.

GPC monitors significant federal and state disasters and public health emergency declarations. Adjustments are made, as necessary, to the compliance program monitoring activities.

GPC and Audit Services have procedures for responding to monitoring and auditing results. Those procedures include follow-up reviews of areas found to be non-compliant to determine if the corrective actions implemented have fully addressed the underlying problems. The GPCO leads or oversees formal Corrective Actions.

The GPCO, assisted by the GPC staff and/or the Compliance Committee(s) if desired, coordinates, oversees and/or executes all the Monitoring and Auditing Activities.

The GPCO or his/her designee regularly provides updates regarding the results of the Monitoring and Auditing Activities to the Government Programs Compliance Committee, the Corporate Compliance Committee, CEO, senior leadership, and to the governing bodies.

In situations where the Delivery, Performance and Integrity Department (DPI) has specific responsibilities related to CMS Compliance Program Requirements (such as reviewing and overseeing the implementation of new regulations and guidance, FDR Oversight, Policies & Procedures, etc.), GPC and Audit Services may include in the Monitoring or Auditing Work Plans activities designed to ensure that these activities are performed effectively and in accordance with CMS Compliance Program requirements.

#### Annual Auditing of the Compliance Program

HCSC senior leadership, the Chief Ethics and Compliance Officer, and the Corporate Compliance Committee ensure the implementation of an audit function appropriate to the sponsor's size, scope, known risks and structure. HCSC, on at least an annual basis, audits the effectiveness of the compliance program and shares the results with the governing body. The GPCO and the VP of Audit Services ensure the audit function incorporates CMS operational requirements. In addition, the GPCO will ensure the audit function is independent of, and has appropriate access to, the personnel, information, records and operational areas under review.

#### Routine Monitoring and Auditing of FDRs

GPC will coordinate with the Audit Services department and other stakeholders to ensure that the monitoring and auditing work plans address functions performed by FDRs.

It is HCSC's policy to ensure that any function delegated to an FDR is performed in accordance with all applicable laws and regulations. This includes functions performed by entities considered "downstream" to HCSC. In accordance with requirements, HCSC uses the FDR risk assessment process to rank the entities from highest to lowest risk for purposes of focusing monitoring and auditing efforts.

GPC coordinates with DPI and Audit Services to ensure a reasonable number of FDRs are monitored and audited on an ongoing basis. At a minimum, these audit and monitoring efforts will include an assessment of compliance program requirements and key operational requirements.

The FDR monitoring and auditing work plans will include processes for responding to all monitoring and auditing results and for conducting follow-up reviews of areas found to be non-compliant to determine if the corrective actions implemented have fully addressed the underlying problems. At a minimum, all corrective actions will be overseen by the GPCO.

#### Tracking and Documenting Compliance and Compliance Program Effectiveness

GPC coordinates with Audit Services and DPI to ensure the results of routine monitoring and internal audits, including any potential fraud, waste or abuse, are tracked and disseminated on a regular basis.

#### **Definitions**

**Audit:** a formal review of compliance with a particular set of standards (e.g., policies and procedures, laws and regulations) used as base measures.

**CMS:** Center for Medicare & Medicaid Services.

**Downstream Entity:** any party that enters into a written arrangement, acceptable to CMS, with persons or entities involved with the MA benefit or Part D benefit, below the level of the arrangement between an MAO or applicant or a Part D plan sponsor or applicant and a first-tier entity. These written arrangements continue down to the level of the ultimate provider of both health and administrative services. (42 C.F.R. §, 423.501).

**FDR:** First Tier, Downstream or Related Entity.

**First Tier Entity:** any party that enters into a written arrangement, acceptable to CMS, with an MAO or Part D plan sponsor or applicant to provide administrative services or health care services to a Medicare eligible individual under the MA program or Part D program. (42 C.F.R. § 423.501).

**Governing Body:** that group of individuals at the highest level of governance of the sponsor, such as the Board of Directors or the Board of Trustees, who formulate policy and direct and control the Government Contract Holder in the best interest of the organization and its enrollees. Governing body does not include C-level management such as the Chief Executive Officer, Chief Operations Officer, Chief Financial Officer, etc., unless persons in those management positions also serve as directors or trustees or otherwise at the highest level of governance of the sponsor.

**Government Contracts Holders:** Health Care Service Corporation, a Mutual Legal Reserve Company ("HCSC") and the following entities: HCSC Insurance Services Company, a wholly-owned subsidiary of HCSC ("HISC"); GHS Health Maintenance Organization, Inc. d/b/a BlueLincs HMO a wholly-owned subsidiary of HCSC ("BlueLincs HMO"); GHS Insurance Company (formerly known as GHS Property and Casualty Insurance Company), a wholly-owned subsidiary of HCSC ("GHS"); Illinois Blue Cross Blue Shield Insurance Company, a wholly-owned subsidiary of HCSC ("IBCBSIC") or any other HCSC subsidiary or affiliate that holds a Government Programs contract. HCSC, HISC, BlueLincs HMO, GHS and IBCBSIC are each referred to as a "Government Contract Holder" and collectively as "Government Contract Holders."

**GPCO:** Government Programs Compliance Officer.

**Monitoring Activities:** regular reviews performed as part of normal operations to confirm ongoing compliance and to ensure that corrective actions are undertaken and effective.

**Regulatory Oversight Monitoring:** Internal controls within Government and Consumer Solutions designed to:

- Provide transparency into monitoring processes
- Prepare for CMS and state Medicaid audits by ensuring GPD operates in compliance with Federal and State rules, regulations, and government contracts
- Prevent, detect, and effectively correct potential compliance issues
- Provide documented evidence and reporting on outcomes of oversight activities

Artifacts include control matrices for specified business processes with defined monitoring activities, results of the monitoring activities and scorecards for reporting those results.

**Related Entity:** any entity that is related to an MAO or Part D sponsor by common ownership or control and:

- performs some of the MAO or Part D plan sponsor’s management functions under contract or delegation,
- furnishes services to Medicare enrollees under an oral or written agreement, or
- leases real property or sells materials to the MAO or Part D plan sponsor at a cost of more than \$2,500 during a contract period (42 C.F.R. §423.501).

**Routine Monitoring:** Monitoring Activities documented and reported through the System of Controls.

**Targeted Monitoring:** ad hoc monitoring activities performed by GPC to test specific, identified risks of non-compliance.

**Governing Authorities**

42 C.F.R. §§ 422.503(b)(4)(vi)(F)  
 42 C.F.R. §§ 423.504(b)(4)(vi)(F).

Chapter 9 of the Prescription Drug Benefit Manual

Chapter 21 of the Medicare Managed Care Manual

Government Programs Policy 006: System to Identify Medicare Compliance Risks

Government Programs Policy 009: Identifying Excluded Individuals and Entities

Government Programs Policy 010: Government Programs FWA policy  
 FWA Program

Corporate Policy 3.01 Audit and Performance Services.

United States Department of Health and Human Services Centers for Medicare & Medicaid Services Contract in Partnership with State of Illinois Department of Healthcare and Family Services and Health Care Service Corporation (Illinois Medicare Medicaid Alignment Initiative Contract)

Review Date	Board Ratification Date	Author	Description of Changes
08/27/2020	12/08/2020	Angela Broadway	Added Delivery, Performance and Integrity department, where applicable, updated Government Contracts Holders to include new subsidiary IBCBSIC and added verbiage for state and federal disasters or public health emergencies.
07/03/2019	12/03/2019	Kim Tulsky	Added section headings. Minor grammatical corrections.
8/6/18	12/04/2018	Kim Tulsky	Edits to reflect change from GPD. Removal of references to Medicaid and other minor edits.
06/05/2017	12/05/2017	Kim Tulsky	Minor grammatical, update name of IL Medicaid Plans and wording changes.
08/29/16	12/06/2016	Kim Tulsky	Revised to reflect the Routine Monitoring Activity documented in the System of Controls and the respective roles of GPC, GPD and Audit Services.
08/28//2015	12/08/2015	Kim Tulsky Ren Herr	Annual Update, Minor Revisions

06/24/2014	12/09/2014	Andrew Massura	Annual Update, Minor Revisions
04/14/2014	5/06/2014	Andrew Massura	Policy language extracted and updated from the 2/26/2013 approved Policy and Procedure. Government Programs Compliance (GPC) will now be maintaining a separate policy and a separate procedure on each government requirement.
01/23/2013	02/26/2013	Dennis Klopfle	Reflect consolidation of Medicare and Government Programs Compliance Program into the HCSC Compliance Program and other minor changes. Changed "subsidiary" reference to "Government Contract Holders (as defined in the Health Care Service Corporation Corporate Integrity & Compliance Program Government Programs Section)."
02/02/2012	02/20/2012	Ren Herr	Modified to reflect HCSC ownership and to include application to MA-PD.
10/14/2011	11/07/2011	Charles Pickett	Reviewed and revised to include comments from Legal.
03/29/2011	04/21/11	Ren Herr	Developed to specifically address Medicare Part D.