

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



CENTER FOR MEDICARE

May 31, 2012

Robert Fahlman
Chairman and CEO
ARCADIAN HEALTH PLAN OF NORTH CAROLINA INC
500 12th Street
Suite 350
Oakland, CA 94607

Contract ID: H2899

Delivered via email to Robert Fahlman at rfahlman@arcadianhealth.com

Dear Mr. Fahlman:

On March 26, 2012, ARCADIAN HEALTH PLAN OF NORTH CAROLINA INC received a notice from the Centers for Medicare & Medicaid Services (CMS) concerning its plan rating performance. This letter is a follow-up to that notice to provide information related to CMS' request that your organization submit a corrective action plan (CAP) for our review and approval.

As CMS noted in the March 26th letter, your organization has failed to achieve a Part C or D summary rating of at least three stars for at least three consecutive years. CMS advised your organization to develop and implement a CAP aimed at raising its summary plan rating scores to at least three stars. CMS also requested that your organization submit the CAP to us for review and approval.

Your organization should submit its CAP by Friday, June 29, 2012 to 3StarCAP@cms.hhs.gov. The CAP should describe for each measure (or group of clinically related measures) for which your organization is rated below three stars 1) the root cause analysis to be conducted, 2) a description of the evidence-based clinical intervention to be undertaken to improve performance, and 3) a process for measuring performance after the intervention. Some questions you may wish to consider in preparing your response may include, but should not be limited to:

Root Cause Analysis:

- What are you and will you do to address these low performing elements?
- Have you seen any progress in the last six months?
- What is your analysis of the problem for each element?

- What are the barriers to improvement?

Planned Intervention:

- What interventions will you use to address each low performing element?
- How will you overcome the barriers listed above?

Measurement Process:

- What is your current baseline for each low performing element?
- What is your re-measurement timeline?
- What is your goal for each element?
- In what timeframe do you estimate that sufficient improvement will be realized?

Given the urgency of your organization's need to improve its plan ratings, CMS expects that the CAP submission will include a description of efforts to be undertaken within the next six months to produce evidence of improved performance during the 2013 data collection year. Also, as continued low plan ratings increase your organization's risk of contract termination, the CAP should reflect an aggressive timeframe for the achievement of at least a 3-star summary plan rating. Your organization should plan to provide CMS with an interim report on the progress of its CAP implementation by November 1, 2012.

There is no prescribed format for the CAP submission. It should clearly and concisely describe the underlying causes of your organization's poor plan rating performance and its plans for eliminating them. The CAP should include each identified issue and a specific timeframe for implementation and completion. If your organization is a subsidiary to a parent corporation that holds other low-performing contracts for which CMS requested a CAP, the parent corporation may develop and submit a single CAP that discusses its plans for all of its subsidiary contracts, as long as it explicitly identifies the contracts and measures that each proposed CAP element is designed to address.

CMS expects that your organization will dedicate the clinical resources (internal or external to the organization) necessary to develop and implement the CAP swiftly. We also advise that your organization may want to consider engaging its Quality Improvement Organization (QIO) for assistance.

CMS staff, including clinical personnel, will review your organization's CAP to determine whether it is likely to improve its plan rating performance. We expect our review to take no longer than 60 days after we receive the CAP. During that time, we may reach out to your organization to discuss and provide guidance on the proposal.

CMS notes that we are providing a review of your organization's CAP as a form of technical assistance. Our approval is not a guarantee that implementation of the CAP will result in improved plan rating scores. Your organization is solely responsible for the success of its efforts and CMS will hold it entirely accountable for its future plan rating performance. CMS also advises that throughout the CAP process we retain our statutory and regulatory authority to terminate your organization's Medicare contract should we determine that the organization is not

making sufficient progress on its CAP or is otherwise failing substantially to comply with Part C or D program requirements.

If you have any questions about the CAP process, please contact Dawn Finnell at 303-844-2642 or Dawn.Finnell@cms.hhs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle R. Moon". The signature is fluid and cursive, with a long horizontal stroke at the end.

Danielle R. Moon, J.D., M.P.A.

Director

Medicare Drug & Health Plan Contract Administration Group

CC:

Scott Nelson, CMS

PAMELA CONROY, CMS