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TO: All Current and Prospective Medicare Advantage, Prescription Drug Plan, Section 1876 Cost, and Medicare-Medicaid Plan Organizations

FROM: John A. Scott
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SUBJECT: 2025 Program Audit Updates

The Centers for Medicare and Medicaid Services (CMS) has several announcements in this memorandum related to its 2025 program audits.

2025 Program Audits

CMS will continue using the Final Audit Protocols for the Medicare Part C and Part D Program Audits and Industry-Wide Part C Timeliness Monitoring Project (CMS-10717) and 2022 MMP Audit Protocols and Data Requests to conduct 2025 program audits. Collectively, these protocols and supporting data collection instruments are available for download on the program audit website located at: <https://www.cms.gov/Medicare/Compliance-and-Audits/Part-C-and-Part-D-Compliance-and-Audits/ProgramAudits.html>. The Program Audit Process Overview document, also on the website, provides stakeholders with information about what to expect during a program audit.

Updates to the 2025 program audits include:

- CMS will send scheduled program audit engagement letters to sponsoring organizations starting in April through July 2025.
- To reduce burden and promote efficiency, CMS consolidated audit field work into two weeks. The operational program areas will be reviewed in the first week, followed by the Compliance Program Effectiveness (CPE) review in the second week.
- In response to stakeholder feedback, CMS updated its root cause and impact analysis process to afford sponsoring organizations an opportunity to explain how the scope of any identified noncompliance fits into their overall operations.
- All audits involving Part C will continue assessing compliance with the coverage and utilization management (UM) requirements finalized in CMS-4201-F to ensure Medicare Advantage beneficiaries can access medically necessary services without excessive burden or delays.
- CMS is still suspending collection of *FA Table 3: Prescription Drug Event (PDE)*, *CDAG Table 7: Comprehensive Addiction and Recovery Act (CARA) At-Risk*

Determination (AR) and ODAG Table 6: Dual Special Needs Plan – Applicable Integrated Plan Reductions, Suspensions, and Terminations (AIP).

- As a reminder, CMS generally requires sponsoring organizations to hire an independent auditor when there are more than 5 conditions unrelated to the CPE review that must be tested during the validation audit.
 - Once a sponsoring organization meets or exceeds the threshold and an independent audit is required, all findings identified during the program audit must be validated by the independent auditor¹.
 - Likewise, if the sponsoring organization's audit results are below the threshold, CMS will conduct the validation of all findings.

Additional Resources

To promote transparency and education around program audits, the following resources are also available on our website:

- User Group Resource Document – Compiles stakeholder questions and answers related to the current protocols.
- Audit Submission Checklist – Outlines the timeframes for universe data requests and provides a template for organizations to prepare for audits.
- Formulary Administration (FA) Validation Work Plan Training for Medicare Advantage and Prescription Drug Plans – Provides technical assistance and tips for developing the FA sampling and targeting approach when a sponsoring organization is required to hire an independent validation auditor.

Should stakeholders still have questions related to program audits, inquiries can be sent to the program audit mailbox at part_c_part_d_audit@cms.hhs.gov.

¹ FA conditions classified as an *Observation Requiring Corrective Action (ORCA)* are included in the number of conditions that would require an independent auditor; however, FA ORCAs will be addressed by the CMS Account Manager when an independent auditor is required.