

# FDR Compliance Newsletter

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## Code of Conduct

Mercy Care Advantage is committed to standards of conduct and compliance policies and procedures that reflect our commitment to conduct business based on the highest ethical standards and in strict compliance with applicable federal and state laws and regulations.

Our Code of Conduct has recently been updated. The Code of Conduct is intended to help resolve ethical and compliance issues by providing the information, tools, and resources necessary to make good decisions. It also includes information on how to report issues or concerns. We encourage you to review it. You can always find our [Code of Conduct online](#).

## Annual MCA FDR Compliance Attestation

Contracted FDRs are expected to have a Compliance Program and compliance policies implemented and must conduct applicable training for employees at time of hire and annually thereafter. The annual MCA FDR Compliance Packet is provided to contracted FDRs via electronic delivery at the time of contracting and annually thereafter. FDRs contracted for the Mercy Care Advantage (MCA) line of business are required to complete and return a signed attestation confirming their organizations compliance with the provisions outlined in the FDR Compliance Packet. **The MCA 2026 attestation packet will be issued early Spring 2026.**

## 2026 Program audit updates

CMS recently announced updates that will impact 2026 Medicare Part C and Part D Program Audits. These updates include removal of audit scoring, redefining condition classifications, and introducing a Compliance Program Effectiveness (CPE) pilot.

### Audit Protocols

CMS will continue to use the Final Audit Protocols for the Medicare Part C and Part D Program Audits and Industry-Wide Part C Timeliness Monitoring Project (CMS-10717) for the 2026 audit year. The protocols and supporting materials remain available on the CMS Program Audit [website](#).

### Audit Scoring and Redefining Condition Classifications

CMS will no longer assign point values to audit findings as they determined that audit scoring did not fully reflect overall performance. They are also redefining condition classifications and removing the Immediate Corrective Action Required (ICAR) and Observation Requiring Corrective Action (ORCA) classifications.

The following condition types will apply when noncompliance is identified:

- **Observation:** A finding that does not require a corrective action plan. Plan sponsors are encouraged to monitor these findings to maintain compliance.
- **Corrective Action Required (CAR):** A finding that requires action to strengthen controls, prevent future issues, or address enrollee impact.
- **Invalid Data Submission (IDS):** A finding used when a plan sponsor does not provide complete or accurate data or documentation.

### Evaluating Compliance Program Effectiveness

CMS will be piloting a new approach to evaluating CPE by integrating compliance discussions into the operational audits. During audit fieldwork, CMS will discuss how compliance practices support daily operations, identify root causes of issues, and prevent problems from happening again. Information from the Compliance Oversight Activities universe will continue to support this evaluation. This approach focuses on how the compliance program helps prevent, detect, and correct noncompliance related to audited areas.

### Quarterly Compliance Calls

CMS will begin hosting quarterly educational compliance calls with industry compliance officers. These calls will focus on topics related to audit-related issues and will provide an opportunity to discuss best practices and compliance expectations.

### Independent Validation Audit Requirements

Simple corrections will not require a validation audit. CMS will confirm these through a webinar or documentation review after the corrective action plan is implemented. Complex findings will still need full validation audits and will be flagged in the audit report. Sponsors with more than five such findings must hire an independent auditor. This change reduces the need for independent auditors and limits audits to findings that require testing.

### General Audit Updates

- Engagement letters to be sent **February through August 2026**.
- Audit fieldwork will continue to take place over a two-week period.
- Part C audits will continue reviewing utilization management requirements to ensure timely access to medically necessary services.
- CMS will continue suspending collection of certain Formulary Administration and Prescription Drug Event data tables.