HFS
Illinois Department of
Healthcare and Family Services

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August 14, 2026

Cristal Gary, Plan President & CEO
Meridian Health Plan Inc.
1333 Burr Ridge Parkway, Suite 500
Burr Ridge, IL 60527

RE: Meridian Health Plan Sanction Notice and Corrective Action Plan for Noncompliance with the Contract for Furnishing Health Services by a Managed Care Organization (2018-24-001)

Dear Ms. Gary:

This letter serves as notice to Meridian Health Plan, Inc. ("Meridian") of sanctions pursuant to the HealthChoice Illinois (HCI) Contract for Furnishing Health Services by a Managed Care Organization ("Contract") between the Department of Healthcare and Family Services ("Department") and Meridian (2018-24-001) for multiple Contract failures related to two Home and Community Based Services ("HCBS") Waivers: Persons with Disabilities and Persons who are Elderly.[1] This letter also serves as formal notification to Meridian of a required Corrective Action Plan ("CAP"), effective immediately, to remediate identified areas of non-compliance with the Contract.

Contract Failures

Pursuant to *Article VII, Section 7.16.18, Other Failures*[2], Meridian is sanctioned $200,000 ($25,000, for every waiver enrollee affected, with a total of at least eight enrollees being identified to date), for substantial noncompliance with *Section 1.1.135* and *Section 5.15.2* of the Contract with respect to Quality Assurance Program ("QAP") negotiated risk and Individual Plan of Care ("IPoC") requirements, respectively.

> **Section 1.1.135 Negotiated Risk.** Negotiated Risk means the process by which an Enrollee, or the Enrollee's representative, may negotiate and document with

[1] The Department is continuing to monitor all areas of noncompliance cited in this letter, and may impose additional sanctions if further violations are identified and confirmed.

[2] Other failures. If the Department determines that Contractor is in substantial noncompliance with any material terms of this Contract, or any State or federal laws affecting Contractor's conduct under this Contract, that are not specifically enunciated in this article VII but for which the Department reasonably determines imposing a performance penalty or other sanction is warranted, the Department, may:
7.16.18.1 impose a performance penalty of US $20,000 to US $50,000;
7.16.18.2 impose an enrollment hold on Contractor; or
7.16.18.3 impose both.

Providers what risks each is willing to assume in the provision of Medically Necessary Covered Services and in the Enrollee's living environment, and by which the Enrollee is informed of the risks of these decisions and of the potential consequences of assuming these risks.

Section 5.15.2. Contractor shall identify and evaluate risks associated with the Enrollee's care. Factors considered include the potential for deterioration of the Enrollee's health status; the Enrollee's ability to comprehend risk; caregiver qualifications; appropriateness of the residence for the Enrollee; and behavioral or other compliance risks. Contractor shall incorporate the results of the assessment of risks into the IPoC. IPoCs that include Negotiated Risks shall be submitted to Contractor's medical director for review. Negotiated Risks shall not allow or create risks for other Residents in a group setting.

During the Department's external quality review organization's ("EQRO") Focused Enrollee Review (April 2026) and Quarterly HCBS Waiver Record Review (May 2026), Meridian failed to demonstrate that enrollees and/or their authorized representatives were informed of the risks of assuming the provision of the denied or reduced HCBS services. The EQRO found no documentation of an IPoC and/or person-centered service plan to support the reduction in service hours or the transition of those hours to unpaid (informal/natural) supports.

Pursuant to *Article VII, Section 7.16.18, Other Failures*, Meridian is sanctioned $200,000 ($25,000, for every waiver enrollee affected, with a total of eight enrollees being identified to date) for substantial noncompliance with *Section 5.15.1.5.1.2 of the Contract* regarding the IPoC and/or person-centered service plan content requirements.

Section 5.15.1.5.1.2. Each person-centered service plan must be written in a manner that is understandable to the Enrollee and include:

(1) documentation that the setting in which the Enrollee resides is chosen by the Enrollee, is integrated into and supports access to the community, and meets, when applicable, the HCBS Settings rule requirements at 42 CFR 441.301(c)(4)-(5);
(2) the Enrollee's strengths and preferences;
(3) the clinical and support needs identified through the Determination of Need;
(4) person-centered goals and desired outcomes;
(5) paid and unpaid services and supports that will assist Enrollee to achieve identified goals, the Providers of those services and supports, including those self-directed by the Enrollee;
(6) identified risk factors and strategies, including back-up plans, to minimize potential undesirable outcomes associated with those risks; and
(7) the individual or entity responsible for monitoring the service plan.

Findings from the Focused Enrollee Review (April 2026) and Quarterly HCBS Waiver Record Review (May 2026) conducted by the EQRO show that Meridian had limited

documentation in the enrollees' IPoCs and or person-center service plan of identified informal (unpaid) supports or how these supports would be used to assist with activities of daily living (ADL) and instrumental activities of daily living (IADL).

Pursuant to *Article VII, Section 7.16.18, Other Failures* of the Contract, Meridian is sanctioned $200,000 ($25,000 for every Waiver enrollee affected, with a total of eight enrollees identified to date) for substantial noncompliance with *Section 5.15.1.5.1.4* of the Contract regarding the IPoC and person-centered service plan reassessments.

> **Section 5.15.1.5.1.4.** Contractor shall ensure that an Enrollee's person-centered service plan is reviewed and revised upon reassessment of functional need at least every twelve (12) months, when an Enrollee's circumstances or needs change significantly, or at the Enrollee's request (emphasis added).

Findings from the Focused Enrollee Review (April 2026) and Quarterly HCBS Waiver Record Review (May 2026) of Meridian conducted by the Department's EQRO show that enrollees with reductions in HCBS service hours did not have documentation by Meridian of a change in enrollee needs that would necessitate a reduction in service hours.

Pursuant to *Article VII, Section 7.16.18, Other Failures* of the Contract, Meridian is sanctioned $200,000 ($25,000, for every waiver enrollee affected, with a total of eight enrollees being identified to date) for substantial noncompliance with *Section 5.19.7* of the Contract.

> **Section 5.19.7. Authorization of Services.** Contractor shall have in place and follow written policies and procedures when processing requests for initial and continuing authorizations of Covered Services. Such policies and procedures shall provide for consistent application of review criteria for authorization decisions by a healthcare professional or professionals with expertise in addressing the Enrollee's medical, Behavioral Health, or LTSS needs. Contractor shall consult with the Provider requesting such authorization when appropriate and provided that LTSS authorizations are based on the Enrollee's current needs assessment and Person-centered service plan. If Contractor declines to authorize Covered Services that are requested by a Provider or authorizes one or more services in an amount, scope, or duration that is less than that requested, Contractor shall notify the Provider orally or in writing and shall furnish the Enrollee with written notice of such decision. Such notice shall meet the requirements set forth in 42 CFR §438.404.

After reviewing Meridian's Notice of Adverse Benefit Determination ("NOABD") letters, the Department found that the letters did not clearly identify which HCBS services were being reduced or denied.

Pursuant to *Article VII, Section 7.16.18, Other Failures* of the Contract, Meridian is sanctioned $200,000 ($25,000, for every waiver enrollee affected, with a total of eight

enrollees being identified to date) for substantial noncompliance with *Section 5.30* of the Contract and *42 CFR 438.416.*

> **Section 5.30. Enrollee Grievance and Appeal System.** Contractor shall have a formally structured Grievance and Appeal system that is compliant with Sections 45 of the Managed Care Reform and Patient Rights Act, 215 ILCS 134, and 42 CFR §431 Subpart E and §438 Subpart F to handle all Grievances and Appeals subject to the provisions of such Sections of the Act and regulations.

> **§ 438.416 Recordkeeping Requirements.**
> (a) The State must require MCOs, PIHPs, and PAHPs to maintain records of grievances and appeals and must review the information as part of its ongoing monitoring procedures, as well as for updates and revisions to the State quality strategy.
> (b) The record of each grievance or appeal must contain, at a minimum, all of the following information:
> (1) A general description of the reason for the appeal or grievance.
> (2) The date received.
> (3) The date of each review or, if applicable, review meeting.
> (4) Resolution at each level of the appeal or grievance, if applicable.
> (5) Date of resolution at each level, if applicable.
> (6) Name of the covered person for whom the appeal or grievance was filed.
> (c) The record must be accurately maintained in a manner accessible to the state and available upon request to CMS.

During the May 2026 HCBS Waiver Record Review, the EQRO found that Meridian failed to document required supervisory reviews when enrollees verbally disagreed with proposed reductions in service hours and related IPoC changes. Although per Meridian staff, Meridian policy mandates escalation of such disagreements to a supervisor for determination, the reviewed files contained no documentation of the supervisory review, the decision made, or any internal review activity.

This omission prevents the State from verifying whether required steps occurred and constitutes a direct violation of 42 CFR 438.416, which requires accurate, complete, and accessible records of all grievances, appeals, and each level of review—regardless of whether the disagreement is verbal or written.

Pursuant to *Article VII, Section 7.16.18, Other Failures* of the Contract, Meridian is sanctioned $150,000 ($25,000 for every HCBS Waiver enrollee affected by the failure, with a total of six enrollees being identified to date) for substantial noncompliance with *Section 9.1.25* of the Contract:

> **Section 9.1.25 Performance of services and duties.** Contractor shall perform all services and other duties as set forth in this Contract in accordance with, and subject to, applicable Administrative Rules and Department policies including rules and regulations that may be issued or promulgated from time to time during

> the term of this Contract. Contractor shall be provided copies of such upon Contractor's written request (emphasis added).

Meridian materially breached this Contract provision by issuing Appeal Decision Notices to six HCBS Waiver enrollees that incorrectly cited the Fee-for-Service Service Cost Maximum (SCM) and the enrollees' Determination of Need (DON) scores as part of the basis for denying their appeals of reduced service hours—contrary to Department-issued Managed Care Organization (MCO) policies. MCO Policy 029 expressly states that the SCM shall not serve as a barrier to necessary and appropriate services for managed care HCBS Waiver enrollees who require supports to avoid institutionalization. MCO Policy 044 further clarifies that MCO case managers may authorize services above the SCM documented in the DON, which is established by the HCBS Waiver operating agency, without obtaining a new DON score.

Pursuant to *Article VII, Section 7.16.18, Other Failures*, Meridian is sanctioned $200,000 ($25,000, for every waiver enrollee affected, with a total of eight enrollees being identified to date) for substantial noncompliance with *Attachment XVI, Section 1.3.1* of the Contract.

> **Attachment XVI. Section 1.3.1. Training Requirements of Certain Care Coordinators.** Care Coordinators for HCBS Waiver Enrollees shall receive a minimum of twenty (20) hours in-service training initially and annually. For partial years of employment, training shall be prorated to equal one-and–a-half (1.5) hours for each full month of employment. Care Coordinators must be trained on topics specific to the type of HCBS Waiver Enrollee they are serving.

During the EQRO's Focused Enrollee Review (April 2026) it was discovered that Meridian's training materials were inconsistent with the Department's policy to exceed the SCM when necessary and appropriate to ensure enrollees can remain safely in the community/home setting. Meridian's training materials require that case managers to submit the IPoC/SP to a manager when it exceeds 100 percent of the SCM; however, the file reviews showed no evidence of compliance with this requirement. This suggests that case managers may not have been adequately trained on the policy.

Monetary Sanctions

Pursuant to *Article VII, Section 7.16, Sanctions* of the Contract, the Department shall disallow Meridian the opportunity to cure the areas of non-compliance identified in this letter prior to issuance of sanctions, which the Department has determined to be egregious, persistent, and incapable of being cured retroactively. **Thus, Meridian is sanctioned a total of $1,350,000 by the Department.** The Department is continuing to monitor all areas of noncompliance cited in this letter and may impose additional sanctions if further violations are identified and confirmed.

> **Section 7.16 Sanctions.** The Department may impose civil money penalties, late fees, performance penalties (collectively, "monetary sanction"), and other sanctions, on Contractor for Contractor's failure to substantially comply with the

terms of this Contract…The Department may disallow an opportunity to cure when noncompliance is willful, egregious, persistent, part of a pattern of noncompliance, or incapable of being cured, or when a cure is otherwise not allowed under this Contract.

In response to this sanctions notice, Meridian must issue an electronic payment to the Department, by either ACH or Wire Transfer, no later than Monday, September 11, 2026. The electronic payment shall be for the full sanctions amount, $1,350,000, and include the following fields for payment identification and tracking purposes by the Department:

ORIG CO NAME: Meridian Health Plan Inc
ORIG ID: XXXXXXXXX
ENTRY DESCR: this is to be left blank
ENTRY CLASS: *CCD*
TRACE NO: *Bank Information*
ENTRY DATE: *yymmdd*
IND ID NO: *Bank Information*
IND NAME: Meridian Health Plan Inc
REMARK: Meridian HCBS July 26
ORIG BANK: *Bank Name*

**The information highlighted in yellow is specific to the Department and payment detail requirements and shall not be changed or modified.*

Additional Concerns

Beyond the aforementioned areas of non-compliance, the Department has confirmation of at least 65 State Fair Hearing ("SFH") cases that relate exclusively to Meridian's reduction of HCBS waiver service hours and Meridian's denials of the associated enrollee appeals. Of these, 47 involve Persons with Disabilities waiver enrollees and 18 involve Persons who are Elderly waiver enrollees. All of these cases are currently pending an SFH hearing or SFH determination, and additional SFH cases involving Meridian's service hour reductions continue to be added to both the Department's SFH docket and the Illinois Department of Human Services' SFH docket.

In addition to these pending matters, the Department has verified that the majority of 2026 SFH decisions that specifically involved Meridian's service-hour reduction appeals have resulted in reversals. In 2026, 17 of 27 (63 percent) SFH decisions for HCBS Persons with Disabilities waiver cases were reversed, meaning the State overturned Meridian's appeal denials and ruled in favor of the enrollee. For 2026 HCBS Persons who are Elderly waiver cases involving Meridian's service-hour reductions, 11 of 16 (70 percent) were reversed. This substantial reversal rate indicates that Meridian's determinations in these SFH cases were not aligned with contractual and regulatory requirements. Considered with the number of SFH cases involving Meridian's reductions in service hours still awaiting review, these outcomes reflect ongoing and significant issues in Meridian's processes for reducing HCBS waiver service hours.

As corroborating evidence, the Department has also received reports from family members of Meridian enrollees whose complex medical conditions have not changed yet were informed by Meridian case managers of abrupt reduction in service hours. In these cases, the enrollee or authorized representative disputed the reductions and pursued the appeal process. In addition, the Department received reports from a Meridian staff person describing what they characterized as a recent significant operational shift in which Meridian management allegedly implemented directives intended to lower the maximum number of service hours for waiver enrollees. According to these reports, this shift impacted care coordinators statewide and allegedly increased upper management's involvement in decisions previously made by care coordinators.

When considered alongside the high reversal rates in SFH cases exclusively involving Meridian's service hour reductions, the significant number of pending SFH waiver cases involving Meridian service-hour reductions, and the documented violations noted above, these reports collectively raise serious concerns and substantial questions regarding Meridian's compliance with applicable requirements and the adequacy of its current processes for determining appropriate HCBS waiver service levels.

Enrollment Hold

Pursuant to *Article VII, Section 7.16, Sanctions* of the Contract, **the Department** is also **imposing an enrollment hold on Meridian, effective August 22, 2026.** This enrollment hold includes suspension of enrollment via automatic assignment and all new enrollment of Potential Enrollees.

> **Section 7.16 Sanctions.** Where a sanction references an enrollment hold, at the discretion of the Department this may be either one or both of the following:
>
> 7.16.1.1 a suspension of enrollment by automatic assignment for Potential Enrollees; or
>
> 7.16.1.2 a suspension of enrollment for Potential Enrollees.

Given the seriousness of all matters outlined above, the Department directs Meridian to fully remediate all identified areas of noncompliance, in accordance with the CAP discussed below. The enrollment hold will remain in place until the Department, in consultation with its EQRO, determines that all deficiencies have been completely resolved. This determination will depend on Meridian's corrective actions and may require maintaining the hold into the calendar year 2027.

Corrective Action Plan

This letter also serves as notice of the attached CAP, developed by the Department in coordination with its EQRO, for Meridian's immediate implementation. The CAP is based on the failures outlined above and describes the actions Meridian must complete to remediate identified areas of non-compliance, pursuant to the Contract.

The Department will closely monitor Meridian's implementation of the CAP. Pursuant to *Article VII, Section 7.16.9, Failure to Demonstrate Improvement in Areas of Deficiencies* of the Contract, should Meridian fail to satisfactorily complete the required

actions within the timeframes identified in the CAP, the Department may impose a performance penalty in the amount of $50,000 for each separate violation for every 30-day period thereafter, without notice. The Department may also impose a revised or additional CAP to ensure efficient and complete mitigation of the violations identified in the CAP. In the event the Department issues a second CAP to Meridian, and that CAP is not completed to the Department's satisfaction, the Department may declare a material Breach, which could result in termination of the Contract.

Please direct any questions regarding this sanction letter and CAP to Meridian's designated Account Manager.

Sincerely,

Helena Lefkow
Deputy Administrator for Managed Care Performance
Division of Medical Programs

att: Meridian Corrective Action Plan (08/14/2026)

cc: Elizabeth M. Whitehorn, Director
Laura Phelan, Administrator, Division of Medical Programs (DMP)
Keshonna Lones, Chief, Bureau of Managed Care (BMC), DMP
Matthew Seliger, Assistant General Counsel, Office of General Counsel
Jessica Pickens, MCO Program Performance Compliance Manager, BMC, DMP
Stephanie Hunter, Account Manager, BMC, DMP