



KERN HEALTH SYSTEMS POLICY AND PROCEDURES			
<b>Policy Title</b>	Medicare Agent/Broker Compensation	<b>Policy #</b>	25.02-P
<b>Policy Owner</b>	Delegation and Oversight	<b>Original Effective Date</b>	10/1/2025
<b>Revision Effective Date</b>		<b>Approval Date</b>	2/9/2026
<b>Line of Business</b>	<input type="checkbox"/> Medi-Cal <input checked="" type="checkbox"/> Medicare <input type="checkbox"/> Corporate		

## I. PURPOSE

The purpose of this policy is to ensure that Kern Health Systems (KHS) is in compliance with regulations governing the compensation of its sales agents or contracted brokers in relation to enrollment of Medicare beneficiaries, bonuses or referrals, and that such compensation of its sales agents or brokers in consideration of applicable laws, regulations, and other program requirements as required by the Centers for Medicare and Medicaid Services (CMS).

## II. POLICY

- A. KHS' policy regarding compensation of its sales agents or brokers shall ensure consistent application of compensation for sales agents or brokers based on enrollments into Medicare-related plans. Compensation may include amounts for initial enrollments or renewals as described below. It is the policy of KHS to compensate its sales agents or brokers in accordance with CMS guidelines. Furthermore, it is the policy of KHS that compensation of sales agents or brokers shall continue or cease per applicable state laws, regulations, and CMS guidance as appropriate based on factors such as the sales agent's or broker's eligibility for compensation, performance, and their active or termination status as outlined in the procedures below.

## III. DEFINITIONS

Term	Definitions
Agents/Brokers/Licensed Agent	As referenced in this policy and procedure, the term agent(s) refers to all individuals (employed by or external to KHS), who are properly licensed, certified and appointed to solicit and/or sell KHS Medicare-related products.

<b>Term</b>	<b>Definitions</b>
Compensation	Compensation includes monetary or non-monetary remuneration of any kind relating to the sale or renewal of a policy including, but not limited to, commissions, bonuses, gifts, prizes, awards, and referral/finder's fees
Initial Compensation	Initial compensation is paid at or below the fair market value (FMV) cut-off amounts published by CMS annually.
Non-compliance	Failure to comply with CSM regulations, laws, and contractual obligations
Ready to Sell	Described a sales agent or broker who is licensed, certified, and appointed by the plan as required, in order to compliantly and legally represent, market and/or sell Medicare-related health plans for KHS.

#### **IV. PROCEDURES**

##### **A. COMPENSATION ELIGIBILITY**

1. KHS will pay at or below Fair Market Value for initial commission, renewals, and override payment set by CMS for contract year. KHS shall ensure its sales agents and brokers are eligible for compensation in relation to enrollments by confirming their Ready to Sell (RTS) status prior to compensation being issued and prior to the sell of any KHS Medicare product.
  - a. Ready to Sell
    - i. Insurance License is current and in good standing with the Department of Insurance
    - ii. AHIP Certificate for upcoming enrollment year
    - iii. Current Errors and Omissions Policy (internal sales agents are covered under KHS policy)
    - iv. Complete Kern Family Health Care Medicare (HMO D-SNP) Annual Certification

##### **B. GENERAL RULES REGARDING COMPENSATION**

1. Plans/Part D Sponsors may not pay compensation to sales agents or brokers that do not meet state licensure/appointment requirements or those that have been terminated for cause.
2. When a Plan/Part D Sponsor and/or a contracted independent sales agent or broker terminates a sales agent or broker contract, any future payment of existing business will be governed by the terms of the contract, subject to the limits in the regulation.
3. KHS will determine their payment schedule. Payments will be made during the year of the beneficiary's enrollment.

##### **C. TERMINATION OF COMPENSATION**

1. KHS shall terminate the sales agent or broker compensation under the following circumstances and any others as deemed appropriate by KHS

- a. Plans/Part D Sponsors must report the termination of any sales agent or brokers to the State (adhering to state requirements for reporting terminations to the state) and the reasons for the termination if State law requires the reasons to be reported.
- b. If a Plan/Part D Sponsor discovers an enrollment application was submitted by an unlicensed sales agent or broker, the Plan/Part D Sponsor must immediately terminate the sales agent or broker and report this action to the state where the application was submitted. Additionally, Plans/Part D Sponsors must notify any beneficiaries who were enrolled by unqualified sales agent or brokers (e.g., unlicensed, not appointed, or has not completed the annual training/testing) and advise those beneficiaries of the sales agent or brokers status.

#### **D. REFERRAL/FINDER'S FEES**

1. KHS' payment for referrals (or finder's fees) are subject to CMS requirements. KHS shall adhere to CMS requirements for payment of referrals as follows:
  - a. Referral Fee Limitations: Payments may be made to individuals for the referral (including a recommendation, provision, or other means of referring beneficiaries) to a sales agent, broker, or other entity for potential enrollment into a plan. Referral fees shall not exceed the limits set forth by CMS which are limited to \$100 compensation for a single lead for MA and MA-PD plan types, and \$25 for a single lead for PDP plan types.
  - b. The total referral/finder fee paid for a single lead/beneficiary cannot exceed these amounts, regardless of how many agents are involved in selling/marketing to that beneficiary.
  - c. Referrals determined to have originated from unqualified leads, or as a result of unsolicited contact, may not be compensated.

#### **E. PROHIBITED COMPENSATION ACTIVITIES**

1. KHS shall ensure any sales agents or broker pursuing compensation directly from beneficiaries will be investigated and subject to disciplinary actions up to and including termination of contract as determined through the investigations process.

#### **F. COMPENSATION RECOVERY OR CHARGE BACKS**

1. **Rapid Disenrollment:** Rapid Disenrollment is the voluntary disenrollment of a member from an MA/PDP plan within the first 3-calendar months after their initial enrollment effective date. When rapid disenrollment compensation recovery applies, KHS will recover the entire compensation per regulations found in Title 42 Chapter IV Subchapter B CFR 422.2274(d)(5)(ii).

#### **G. AUDITING AND MONITORING OF COMPENSATION**

1. KHS will ensure compensation to its sales agents or brokers is recorded, monitored, and audited.

#### **V. ATTACHMENTS**

Attachment A:	N/A
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#### **VI. REFERENCES**

Reference Type	Specific Reference
Regulatory	§ 422.2274 Agent, broker, and other third-party requirements.

Regulatory	Medicare Communications and Marketing Guidelines (MCMG) Agent/Broker Requirements section
Regulatory	Title 42 Chapter IV Subchapter B CFR 422.2274(d)(5)(ii)

## H. REVISION HISTORY

Action	Date	Brief Description of Updates	Author
Effective	01/01/2026	New Policy created to comply with D-SNP	M.M. Delegation and Oversight

## I. APPROVALS

Committees   Board (if applicable)	Date Reviewed	Date Approved
Choose an item.		