

January 25, 2019

James Stover
Chief Executive Officer
Arizona Complete Health-Complete Care Plan
333 E. Wetmore Rd., Suite 600
Tucson, AZ 85705-1090

RE: Compliance Action – Sanction

Dear Mr. Stover:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM) has determined that Arizona Complete Health-Complete Care Plan (AzCH-CCP) is in violation of its AHCCCS Complete Care (ACC) Contract YH19-0001-04 Section D, Paragraph 37, Claims Payment/Health Information System and AzCH-CCP's Non-Title XIX/XXI Contract YH17-0003-01 Section 17.6 and 17.7. As outlined in Section D Paragraph 68, Administrative Actions of the ACC Contract and Section 19.7, Administrative Actions, AzCH-CCP's Non-Title XIX/XXI Contract, AzCH-CCP is hereby subject to compliance action as delineated below.

As a Contractor responsible for comprehensive coverage of the health care needs of a diverse member population with varied complex health conditions, it is essential that AzCH-CCP ensure timely and accurate claims reimbursement to providers of care and services to members as mandated by federal and state provisions, including AHCCCS contractual and policy requirements.

Section D, Paragraph 37, Claims Payment/Health Information System of the ACC Contract provides:

The Contractor shall develop and maintain claims processes and systems that ensure the accurate collection and processing of claims, analysis, integration, and reporting of data.

...

General Claims Processing Requirements:

...

The Contractor's claims payment system must be able to assess and/or apply data related edits including but not limited to:

- 1. Benefit Package Variations,*
- 2. Timeliness Standards,*
- 3. Data Accuracy,*
- 4. Adherence to AHCCCS Policy,*
- 5. Provider Qualifications,*
- 6. Member Eligibility and Enrollment, and*
- 7. Over-Utilization Standards.*

Additionally, unless a subcontract specifies otherwise, the Contractor shall ensure that for each form type (Dental/Professional/Institutional), 95% of all clean claims are adjudicated within 30 days of receipt of the clean claim and 99% are adjudicated within 60 days of receipt of the clean claim.

...

Claims System Audits: The Contractor shall develop and implement an internal ongoing claims audit function that will include, at a minimum, the following:

- 1. Verification that provider Contracts are loaded correctly, and*
- 2. Accuracy of payments against provider Contract terms.*

AHCCCS Contractor Operations Manual (ACOM) Policy 203, Claims processing provides:

B. Timeliness of Claim submission

Unless a subcontract specifies otherwise, Contractors shall ensure that for each form type (Dental/Professional/Institutional) 95% of all Clean Claims are adjudicated within 30 days of receipt of the Clean Claim and 99% are adjudicated within 60 days of receipt of the Clean Claim.

...

D. Interest Payments

In the absence of a subcontract specifying other late payment terms, a Contractor is required to pay interest on late payments as specified below:

...

For non-hospital Clean Claims, a Contractor is required to pay interest on payments made after 45 days of receipt of the Clean Claim. Interest shall be paid at the rate of 10% per annum (prorated daily) from the 46th day until the date of payment

Federal Regulation 42 CFR § 447.46, Timely claims payment by MCOs provides:

(c) Contract requirements.

(1) Basic rule. A contract with an MCO must provide that the organization will meet the requirements of 447.45(d)(2) and (d)(3), and abide by the specifications of 447.45(d)(5) and (d)(6).

(2) Exception. The MCO and its providers may, by mutual agreement, establish an alternative payment schedule.

(3) Alternative schedule. Any alternative schedule must be stipulated in the contract.

Federal Regulation 42 CFR § 447.45, Timely claims payment provides:

(d) Timely processing of claims.

(2) The agency must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt.

(3) The agency must pay 99 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 90 days of the date of receipt.

In preparation for implementation of its integrated AHCCCS Complete Care (ACC) Contract, AzCH-CCP elected to migrate its physical health service providers, primarily in its Health Net Access (HNA) plan, and its behavioral health services providers, primarily those participating in its Cenpatico Integrated Care (CIC) plan, into a single provider network database. Accordingly, AzCH-CCP planned completion of the single network database to be effective October 1, 2018, whereby claims payments through this initiative would be effective October 1, 2018. The implementation of this change to the single network database went into effect on October 1, 2018, coinciding with the statewide AHCCCS Complete Care Contract implementation date.

AzCH-CCP participated in monthly ACC Readiness meetings from June 2018 through September 2018 regarding its ACC Contract implementation effective October 1, 2018. During these Readiness meetings, AzCH-CCP was required to provide updates to AHCCCS with respect to identified operational risks, barriers and/or concerns with potential adverse impacts to operations for the October 1, 2018 ACC implementation. AzCH-CCP failed to identify any concerns or risks with respect to the integration of its provider database or the loading of provider contracts into its claims payment systems during these meetings.

Subsequent to AzCH-CCP's migration of its provider network into the single database, AHCCCS has received numerous complaints from providers regarding the lack of reimbursement for covered services provided to members. AzCH-CCP's failure to make timely and adequate claims payments to providers consistent with state and federal requirements has resulted in significant adverse impacts to providers of critical services.

On December 28, 2018, AzCH-CCP submitted a self-imposed corrective action plan (CAP) to AHCCCS. The CAP focuses on three main issues: provider contracts, provider loads, and claims payment. In the migration of providers under the single database, many CIC providers required a new pay class, which did not properly migrate for all resulting in delayed payments to providers. As of the most recent January 18, 2019 status update provided by AzCH-CCP:

- 1968 providers were identified as having been affected by the incorrect migration of the pay class. 1673, or 85%, have been corrected, and 295 are still pending corrections.
- Of the 1673 providers whose pay class has been corrected, 92% of claims have been identified and submitted for adjustments through claims projects.
 - Total impacted claims number and values are still pending until all pay class corrections have been made.
- 83 new provider contracts are pending to load into the system.
- \$868,000 in total estimated liability of Non-Title XIX claims denied in error, as a result of missing services in provider benefit packages, impacting 29,000 claims and 12 providers.

A review of AzCH-CCP's monthly Claims Dashboard, submitted on January 15, 2019, reflecting data through December 2018, underscores the Contractor's failure to comply with the mandated percent of claims that must be processed within 30 days. The ACC Contract and policy require that a minimum of 95% of claims be paid within 30 days. AzCH-CCP reported that 86.6% of claims were paid within the required 30 days. Though the database migration was not identified in the Claims Dashboard Cover Letter summary, it is evident that issues associated with the

migration of providers to the single database adversely impacted AzCH-CCP's ability to meet performance standards. As a result of its strategic decision to implement the single provider network database, it was imperative that AzCH-CCP perform thorough and ongoing quality audits and testing of the migration to ensure its successful operation and compliance with all AHCCCS requirements, including but not limited to accurate and timely claims payment. AzCH-CCP failed to do so.

Sanction

AzCH-CCP is hereby subject to a monetary sanction for its failure to successfully implement the provider network database it elected to pursue for its provider network systems, resulting in non-compliance with critical provisions and safeguards for provider claims payment standards. AzCH-CCP's failure to ensure performance consistent with AHCCCS requirements also resulted in adverse impacts to the Contractor's relationship with providers, widespread disruption to provider payments, and undue hardship to providers which could have been avoided with adequate planning, management, and oversight. Having elected to migrate its provider networks to a single network database, and having elected to complete the process to coincide with the ACC implementation date, it was incumbent upon AzCH-CCP to ensure its performance satisfied the aforementioned requirements when it became operational on October 1, 2018. Thorough and ongoing testing and auditing by AzCH-CCP to ensure compliance with AHCCCS standards failed to take place. AHCCCS acknowledges AzCH-CCP's transparency and submission of a self-imposed CAP. However, AzCH-CCP's failure to successfully implement this project is of a particularly critical nature in light of its implementation on the effective date of the Arizona Complete Care Contract. As a result, AzCH-CCP's inability to effectively process and issue timely and accurate claims payments coincides with the Medicaid integrated delivery system implementation. Due to the failures described above, AHCCCS is imposing a **\$125,000** monetary sanction. The total sanction amount will be withheld from future capitation payments.

Future Performance

AzCH-CCP is required to submit ongoing detailed updates of its CAP, outlining the specific activities that are being taken to resolve the issues resulting from implementation of the integrated single provider network database, including but not limited to, data related to number of impacted providers, paid and outstanding claims volume and values, and any claims adjustments made. In addition to the ongoing CAP updates, AzCH-CCP shall submit a summary of the findings of the Corporate Audit that it has scheduled for the week of 2/4/2019, within two weeks of the audit completion. All CAP updates are to be **submitted weekly on Friday by COB** to the Contractor's assigned Operations Compliance Officer, Lola Davis. AzCH-CCP is required to ensure that all outstanding system deficiencies are resolved, including all related claims payments and adjustments, no later than **April 30, 2019**.

Further, AzCH-CCP must demonstrate sustained compliance with contractual claims payment requirements prior to release of this Administrative Action. AHCCCS will continue to closely monitor AzCH-CCP ongoing performance and compliance, including but not limited to provider claims payment satisfaction. Failure to correct the deficiencies outlined in this notice as well as identification of other contractual noncompliance shall result in additional Administrative

Actions, as outlined in the ACC Contract Section D, Paragraph 68, Administrative Actions, including but not limited to further Sanctions and/or a cap on enrollment.

If AzCH-CCP disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration by using the process outlined in A.A.C. R9-34-401 et. seq. The dispute must be filed in writing and must be received by the AHCCCS Administration, Office of Administrative Legal Services at 701 E. Jefferson, Phoenix Az 85034, no later than 60 days from the date of this letter. The dispute shall specify the legal and factual bases for the dispute as well as the relief requested.

Should AzCH-CCP have any questions regarding this correspondence, please contact Virginia Rountree at Virginia.Rountree@azahcccs.gov or (602) 417-4122.

Sincerely,

A handwritten signature in cursive script, appearing to read "Megan LaPorte".

Meggan LaPorte CPPO, MSW
Chief Procurement Officer

Cc: Virginia Rountree, AHCCCS
Shelli Silver, AHCCCS
Christina Quast, AHCCCS
Michelle Holmes, AHCCCS
Lola Davis, AHCCCS
Rodd Mas, AzCH-CCP
Susan Gilkey, AzCH-CCP