

June 17, 2022

Minnie Andrade
Chief Financial Officer
Molina Complete Care
4801 E. Washington Street, Suite 225
Phoenix, Arizona 85034

RE: Compliance Action – Sanction: Molina Complete Care – ACC Contract

Dear Ms. Andrade:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM) has determined that Molina Complete Care (MCC) is in violation of its AHCCCS Complete Care (ACC) Contract YH19-0001-07, Section D, Paragraph 63, Periodic Reporting Requirements. As outlined in Section D, Paragraphs 63 and 68 of the ACC Contract, MCC 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 Molina ensure timely and accurate financial reporting. Complete, accurate, and timely financial reporting is critical for AHCCCS to develop actuarially sound capitation rates, to evaluate health plan performance, to ensure health plan solvency, and to calculate and process reconciliations.

Section D, Paragraph 63, Periodic Reporting Requirements of the ACC Contract provides:

Under the terms and conditions of its CMS grant award, AHCCCS requires periodic reports, encounter data and other information from the Contractor. The submission of late, inaccurate, or otherwise incomplete reports shall constitute failure to report subject to the penalty provisions specified in Section D, Paragraph 68, Administrative Actions.

Standards applied for determining adequacy of required reports are as follows [42 CFR 438.242(b)(2)]:

- 1. Timeliness: Reports or other required data shall be received on or before scheduled due dates.*
- 2. Accuracy: Reports or other required data shall be prepared in strict conformity with appropriate authoritative sources and/or AHCCCS defined standards.*
- 3. Completeness: All required information shall be fully disclosed in a manner that is both responsive and pertinent to report intent with no material omissions.*

AHCCCS Financial Reporting Guide (FRG), Certification Statement:

The purpose of the certification statement is to attest that the information submitted in the reports is current, complete, and accurate. The statement should include the Contractor name, quarter ended, preparer information, and Chief Executive Officer and Chief Financial Officer signatures, written or electronic.

Background:

For CYE 2019 through the first quarter of CYE 2022, Molina submitted to AHCCCS eleven consecutive financial statement reports which were inaccurate and/or incomplete and which failed to conform to the Financial Reporting Guide requirements. These reports necessitated correction of data and resubmission of the reports to AHCCCS. The following table indicates the specific quarters in which inaccurate and incomplete reports were submitted, the date Molina was notified of the deficiencies, and the section of the Financial Reporting Guide which specified the requirements to be followed.

Quarter	Date Notified	Financial Report Guide Requirement
12/31/2019	4/17/2020	3.06 Footnote Disclosure Requirements 4.19 Medical Loss Ratio Report
12/31/2019 Draft Audit	4/24/2020	4.17 Audited Financial Statements and Annual Reconciliation
3/31/2020	8/24/2020	3.06 Footnote Disclosure Requirements 4.01 Financial Viability 4.03 Receivables/Payables Report 4.19 Medical Loss Ratio Report
6/30/2020	12/1/2020	3.03 Financial Statement Reporting Template Audit Report 3.06 Footnote Disclosure Requirements 4.03 Receivables/Payables Report 4.19 Medical Loss Ratio Report
9/30/2020	1/5/2021	3.03 Financial Statement Reporting Template Audit Report 4.03 Receivables/Payables Report
12/31/2020	4/1/2021	3.06 Footnote Disclosure Requirements 4.01 Financial Viability 4.12 Prior Contract Year Adjustment Schedules
12/31/2020 Draft Audit	5/20/2021	4.17 Audited Financial Statements and Annual Reconciliation 5.05 Community Reinvestment
3/31/2021	8/26/2021	3.06 Footnote Disclosure Requirements 4.01 Financial Viability 4.07 Lag Report for Medical Claims Payable. 4.10 Sub-capitated/Block Expenses Report
6/30/2021	10/19/2021	3.04 Balance Sheet (Statement of Net Assets - Governmental Entities) 3.06 Footnote Disclosure Requirements 4.01 Financial Viability 4.05 Other Liabilities Report 4.06 Alternative Payment Model Performance Based Payment Payable to Providers Report 4.07 Lag Report for Medical Claims Payable. 4.10 Sub-capitated/Block Expenses Report
9/30/2021	3/3/2022	3.04 Balance Sheet (Statement of Net Assets - Governmental Entities) 3.06 Footnote Disclosure Requirements 4.07 Lag Report for Medical Claims Payable 4.12 Prior Contract Year Adjustment Schedules
12/31/2021	3/18/2022	3.04 Balance Sheet (Statement of Net Assets - Governmental Entities) 3.05 Statement of Revenues and Expenses 3.06 Footnote Disclosure Requirements

In the AHCCCS August 24, 2020, financial reporting acknowledgement letter for the quarter-ended March 31, 2020, AHCCCS stated that if immediate improvement in financial reporting did not occur, Molina would be required to meet with AHCCCS for technical assistance.

Subsequently, in the AHCCCS December 1, 2020 financial reporting acknowledgement letter for the quarter-ended June 30, 2020, AHCCCS required Molina to meet with AHCCCS for technical assistance. The AHCCCS communication further informed MCC that without improvement in financial reporting accuracy, they may be subject to monthly reporting submissions to AHCCCS until such time that three (3) consecutive months of compliance with financial reporting requirements are demonstrated. The December 1, 2020 AHCCCS correspondence also noted the possible imposition of a monetary penalty.

The technical assistance meeting between AHCCCS and the Molina Chief Financial Officer, Joan Noddings, and the former Molina Finance Manager, Nick Athanasopoulos, was scheduled for November 24, 2020. However, Molina's Finance Manager left his position before the technical assistance was to take place. AHCCCS agreed to postpone the technical assistance meeting until Molina found a suitable replacement.

The first technical assistance meeting occurred between AHCCCS and Molina Chief Financial Officer, Joan Noddings, and the new Molina Finance Manager, Tiffany Flora on July 13, 2021. The December 31, 2020 audit was discussed in detail. Molina was required to submit multiple revisions in order for AHCCCS to successfully complete the review of the audit. In the two quarters that followed, the reporting errors continued with one of the quarters experiencing more than 10 errors. A second technical assistance meeting on November 8, 2021, occurred with both the Chief Financial Officer, Joan Noddings, and the Molina Finance Manager, Tiffany Flora. During the technical assistance meeting, the AHCCCS Financial Consultant, Kenneth Hoser, and AHCCCS Finance Manager, Pam Sullivan, provided guidance on the AHCCCS Financial Reporting Guide requirements and explained the importance of conforming to the standards specified in contract. AHCCCS also discussed the critical importance of a thorough review process by the health plan as the Chief Financial Officer signs and attests to the completeness and accuracy of the financial reporting package.

Following the technical assistance meetings, the financial reporting package submitted by Molina for the quarter-ended December 31, 2021, did not exhibit notable improvement in financial reporting accuracy as noted in the table above. The continued inaccuracy causes concern as this information is shared with the AHCCCS actuarial staff and AHCCCS Senior management through various reporting mechanisms. Molina routinely has had errors on equity not rolling forward correctly from the previous quarter on the balance sheet and inaccuracies in completing the sub-capitated expense schedule and lag report. There have also been instances of footnote disclosures and supplemental schedules not containing the appropriate required detail.

Regulatory Action

Molina Complete Care is hereby subject to a monetary sanction for its failure to provide accurate and complete financial reporting for the time period of December 2019 to present. Due to the Contractor's continuing failure to comply with AHCCCS contractual and policy requirements described above, AHCCCS is imposing a **\$10,000** monetary sanction. The total sanction amount will be withheld from future capitation payments.

Additionally, beginning immediately, Molina is required to submit monthly financial statements as outlined in the AHCCCS Financial Reporting Guide (FRG), Effective Dates and Reporting Time Frames, “*Monthly reporting, when required, is due within 30 days of each month end, using either the Contractor’s internal financial statement format or the AHCCCS Reporting Guide format as determined by AHCCCS.*”


If Molina disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration 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 801 E. Jefferson Street, Phoenix, Arizona 85034, no later than 60 days from the date of this letter. The dispute shall specify the legal and factual basis for the dispute as well as the relief requested.

Future Performance

If Molina fails to demonstrate significant improvement in meeting the stated requirements related to financial reporting for the quarter ended June 30, 2022, Molina will be required to continue to submit monthly financial statements until such time that no corrections by AHCCCS are required for a full quarter of financial statements. Failure by Molina to submit timely, accurate and complete financial reporting may result in imposition of additional sanctions.

Should Molina have any questions regarding this correspondence, please contact Maureen Sharp at Maureen.Sharp@azahcccs.gov.

Sincerely,


[Meggan LaPorte \(Jun 17, 2022 09:04 PDT\)](#)

Meggan LaPorte CPPO, MSW
Chief Procurement Officer

Cc:

Maureen Sharp, AHCCCS
Cynthia Layne, AHCCCS
Michelle Holmes, AHCCCS
Joan Noddings, Molina

Christina Quast, AHCCCS
Pamela Sullivan, AHCCCS
Dawn Sica, AHCCCS
Brian Lund, Molina