

September 17, 2015

Gay Ann Williams Vice President, Plan Administrator
Health Net Access
1230 W. Washington Street
Tempe, AZ 85281

James Woys Chief Financial & Operating Officer
Health Net Inc.
21650 Oxnard Street
Woodland Hills, CA 91367

SUBJECT: Compliance Action – Sanction - Claims Payment

Dear Ms. Williams and Mr. Woys:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM) has determined that Health Net Access (HNA) is in violation of contract YH14-0001 for Acute Care services for contract year ending 2015. As outlined in Section D, Paragraph 72 (Sanctions) of the Acute Care Contract, Health Net Access is hereby subject to compliance action as outlined below:

On July 23, 2015 AHCCCS issued a Notice to Cure to HNA for failing to develop and maintain claims processes and systems that ensure the accurate analysis and reporting of data as well as the accurate collection and processing of claims. Specifically, during the July 2015 Focused Operational Review (OR), AHCCCS identified that HNA made numerous erroneous claims payments other than to the provider of service. AHCCCS then required HNA to immediately remedy the system configuration to prevent future erroneous payments.

As a result of this Notice to Cure and subsequent data and information provided by HNA, AHCCCS has determined the following:

- HNA identified the issue on March 11, 2015 through a provider contact to its call center. Shortly after discovery HNA took steps to address the issue via reminders to staff and internal training. However, HNA's actions did not prove effective.
- HNA failed to report to AHCCCS the erroneous payments and the scope of the issue.
- AHCCCS discovered the erroneous claims payments through the Operational Review and discussion with HNA on July 2, 2015.
- HNA failed to address the root cause for the erroneous claim payments until required to do so as a result of the July 23, 2015 Notice to Cure.
- Erroneous claims payments made other than to the provider of service were issued up to July 23, 2015.
- HNA submitted 1604 encounters to AHCCCS from December 16, 2013 to July 23, 2015 containing incorrect information for provider payments as a result of its deficient system configuration.

AHCCCS will continue to review the status of this matter and will monitor HNA compliance to ensure that the system deficiencies have been resolved. AHCCCS reserves the right to impose additional corrective actions based upon these efforts.

As a result of HNA's failure to develop and maintain claims processes and systems that ensure the accurate collection and processing of claims and the accurate analysis and reporting of data; HNA's failure to accurately process and issue claims payment; HNA's failure to correct the improper system configuration, and its failure to notify AHCCCS of the erroneous claims payments and system issue, AHCCCS is issuing the following monetary sanction:

- Failure to accurately process and issue claims payments, failure to notify AHCCCS of the erroneous payments, and failure to promptly implement a system remediation to address the claims payment issues at the time of identification
 - \$100,000.00
- Submission of 1604 incorrect encounters to AHCCCS
 - \$24,060.00 - \$15 penalty for each incorrect encounter
- **Total Monetary Sanction – \$124,060**

The total sanction of **\$124,060** will be withheld from a future capitation payment.

If HNA 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 and Legal Service 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 basis for the dispute as well as relief requested.

If you have any questions regarding this letter, you may contact Virginia Rountree, Operations Administrator, at 602-417-4122 or Virginia.rountree@azahcccs.gov.

Sincerely,



Meggan Harley

Procurement and Contracts Manager

Cc:

Susan Gilkey, Director, Regulatory Compliance & Reporting, Health Net Access
Shelli Silver, Assistant Director, DHCM
Virginia Rountree, Interim Assistant Director, DHCM
Christina Quast, Interim Operations Manager, DHCM
Jay Dunkleberger, Operations Compliance Officer, DHCM
Lori Petre, Data Analysis and Research Manager, DHCM