

June 12, 2015

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

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

**SUBJECT: Compliance Action – Notice to Cure – GMH/SA Readiness**

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) has failed to demonstrate and provide evidence of implementation of necessary readiness activities in order to provide General Mental Health and Substance Abuse Services (GMA/SA) to dually eligible members effective October 1, 2015 as provided in its YH14-0001 contract for Acute Care services year ending 2015. Therefore, AHCCCS is issuing the following compliance action:

### *Notice to Cure*

HNA has been engaged with AHCCCS since January 2014 in overall discussions for the integration of GMH/SA services for dually eligible members to be provided by Acute Care Contractors effective 10/01/2015 as provided contract. Additionally, HNA has participated regularly in the monthly Contractor readiness implementation meetings that began in March 2015. However, HNA has failed to demonstrate and provide evidence of implementation of necessary readiness activities as evidence by its readiness presentation on May 28, 2015 and subsequent Readiness Dashboard submission on June 1, 2015.

Each Acute Care Contractor was required to provide a presentation to AHCCCS staff and Executive Leadership outlining its readiness activities and implementation progress. Agenda items were provided with the expectation that a comprehensive update of each item would be provided. HNA failed to provide an adequate status report of each required item and its overall readiness as provided in its presentation and outlined below:

- **Network**
  - HNA is utilizing Managed Health Network (MHN), a wholly owned subsidiary of Health Net Inc., to conduct its contracting activities. MHN did not have an understanding of the landscape of Behavioral Health providers in Maricopa County providing Medicaid services and associated rate considerations.
  - HNA/MHN indicated that it had not obtained contracts with three organizations due to rates and there were no further negotiations conducted. These three providers are important providers representing significant member utilization by HNA member population, with at least two of the providers in the top six overall.
  - Contracting activities are being conducted long distance from California and Texas.

- **Staffing** – In its initial readiness submission, HNA indicated that it was hiring 30 new staff for this integration. In the presentation discussion HNA was unclear and unable to provide an overall staffing plan with the types and exact numbers of new positions to be added.
  - Medical Management –The presentation and initial discussion indicated that two new Arizona-licensed BH Case Managers would be hired. However, when clarifying questions were asked, HNA indicated that the two additional Case Mangers were actually shifting within the division.
  - Provider Network – There is no local presence to meet with providers and conduct contract and rate negotiations. Although two new FTEs are being added in network management at MHN for this integration, there is no plan for those positions to be located in Arizona.
  - Claims – HNA could not provide an accurate total number of new staff that has been hired.
  
- **Data Transfers – AHCCCS historical data – DEF Files**
  - HNA failed to provide substantive information regarding the use of the 3 year historical data, Blind Spot data and DEF Files.
  - DEF File – Incorporation of the DEF file data was explained as: developing an ACCESS data base to distribute the DEF data internally and to have Case Managers manually enter data into the HNA system on a case by case. The explanation of how the DEF file data will be received was not clear and appears to be an inefficient method utilizing manual processes.
  - Case Management - The description of data requirements identified by Case Management was inadequate.
  
- **High Risk Populations**
  - The presentation included points regarding a seamless integration of behavioral and physical health services and use of the AHCCCS defined high risk criteria to ensure a smooth transition and continuity of care for this population. However, HNA failed to discuss its specific strategies for these existing AHCCCS requirements.
  
- **Provider – Member Communication**
  - Tentative/target dates and the number of planned provider communications were not provided.
  - There was no discussion of staff training.

In addition, HNA’s 06/01/2015 **Implementation Status Update Dashboard** submission failed to indicate that HNA has an understanding of and is adequately addressing readiness items as evidenced by its responses to readiness elements as follows:

- **Network Development**
  - Network Challenges – Although at the 5/28/2015 presentation discussion AHCCCS clearly indicated its concern over HNA’s lack of contracting and negotiations with important top providers and provided additional information regarding capitation payments and rates, HNA’s submission note states “*As reported to AHCCCS on 5/28, 3 organizations have declined to contract due to their contracted rates with [redacted] being higher: [provider names redacted]*” HNA provided no comment or update regarding this contracting concern.
  - The Table of Top Billers must be corrected to reflect 56 total providers appropriate for contracting for bi weeks 05/01 and 05/15 as indicted in the submission explanation.

- HNA revised the Top Biller Table and provided the following note: “*HNA/MHN has modified this section for ease of review. Please let us know if there are any concerns with the format below.*” The original Table template is to be utilized as provided for consistency and ease of review by AHCCCS as all Contractors are utilizing the same Table for reporting.
- **System Enhancements**
  - No information is provided discussing system enhancements. However, the response for “Testing begin Date” states – “*Yet to be determined.*” It is concerning that HNA has not provided any information regarding this critical readiness element.
- **Data Transfer**
  - AHCCCS requested Contractors to indicate the date they will be prepared to accept the DEF format. – HNA has not provided this information in its submission.
  - Dates for receipt of Data files that have been transferred are incomplete.
- **Community and Provider Outreach/ Engagement**
  - The Dashboard requests a list of all planned activities – HNA response states, “*Not yet determined.*” It appears that HNA has not developed a plan for community and provider outreach.
- **Policy/ Procedure Development**
  - HNA has provided an extensive, seemingly, all inclusive list of policies. Health Net did not identify why all listed policies will require updating based on this implementation. HNA has not provided any clarification under the section of “add any clarifying comments” for this list of policies.
- **High Risk Items/Identified Risk Areas**
  - HNA failed to address if it has or has not identified any areas of high risk related to the implementation nor did it provide any comments for this required element.

HNA has failed to demonstrate an understanding of and commitment to this transition as well as to serving the Arizona Medicaid market. AHCCCS is gravely concerned about HNA’s ability to successfully meet readiness requirements and more importantly to provide this benefit and serve this significantly important population.

HNA must immediately take steps to address and meet readiness elements and ensure AHCCCS of its understanding and ability to implement this integration. HNA must meet the following requirements:

- Provide a **Corrective Action Plan by COB Friday June 19, 2015** to Jay Dunkleberger at [Jay.Dunkleberger@azahcccs.gov](mailto:Jay.Dunkleberger@azahcccs.gov) outlining how HNA will address each readiness element and the concerns outlined in this *Notice to Cure*. The CAP must include planned intervention/actions and dates, and designated HNA staff responsible for ensuring each intervention is completed.
- Provide comprehensive and detailed Readiness Reports and Dashboards in accordance with the established submission schedule for this implementation that indicate progress towards being ready for the October 1, 2015 implementation.
- Provide a presentation to AHCCCS on a monthly basis from June through October 2015, as outlined in the schedule and agenda below, provide a comprehensive and detailed review of HNA’s readiness status and progress in meeting these requirements and demonstrate the ability to engage in knowledgeable and substantive discussion regarding these readiness elements and overall implementation.

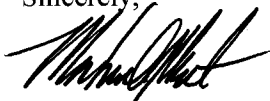
- Meeting Agenda
  - Network Development and Contracting
  - Staffing
  - Data Transfers and Utilization
  - High Risk Members
  - Member/Provider/Staff Communications/Education
  - Identification of High Risk Items/AreasAny additional items will be provided in advance of the meeting.
  
- Meeting Schedule
  - Monday June 29, 2015 – 2:00 pm – 3:00 pm
  - Tuesday July 21, 2015 12 noon – 1:00 pm
  - Monday August 31, 2015 1:00 pm – 2:00 pm
  - Tuesday September 29, 2015 2:00 pm – 3:00 pm
  - Friday October 30, 2015 – 3:00 pm – 4:00 pmAHCCCS will forward an invite for each meeting.

AHCCCS is available to provide additional and one to one technical assistance, upon request, to ensure HNA's ability to implement and provide this benefit.

This *Notice to Cure* is the fifth action in a series of regulatory actions imposed by AHCCCS due to HNA's failure to consistently demonstrate compliance in meeting the requirements of its contract. Failure to correct the deficiencies as outlined in this letter may result in additional compliance actions, pursuant to Acute Care Contract Section D, Paragraph 72, up to and including additional sanctions and/or further restriction on member enrollment to include choice.

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

Sincerely,



Michael Veit  
Chief Procurement Officer

Cc:

Susan Gilkey, Director, Regulatory Compliance & Reporting, Health Net Access  
Shelli Silver, Assistant Director, DHCM  
Virginia Rountree, Interim Assistant Director, DHCM  
Kijuana Wright, Program Development Officer, DHCM  
Kim Elliott, Clinical Quality Management Administrator, DHCM  
Debbie Reichow, Medical Management Manager, DHCM  
Christina Quast, Interim Operations Manager, DHCM  
Jay Dunkleberger, Operations Compliance Officer, DHCM