

July 23, 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 – 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. Therefore, AHCCCS is issuing the following compliance action:

Notice to Cure

Health Net Access has failed to comply with Claims Payment standards as required in the Acute Contract Section D Paragraph 38, Claims Payment/Health Information System: *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.*

During the recent July 2015 Focused Operational Review (OR), AHCCCS identified, as a part of its audit of the Claim and Information System (CIS) standard, that HNA made erroneous claims payments other than to the provider of service. HNA staff indicated that the system issue causing the erroneous claims payments was identified in March of 2015. However, the configuration of the claims system requiring the use of a manual edit has existed since October of 2013. The application of this system configuration for payment of provider claims for AHCCCS services is a critical system flaw resulting in erroneous payments of AHCCCS claims. HNA has failed to ensure the accurate processing of AHCCCS claims through application of this system configuration.

HNA must immediately remedy the system configuration so that a manual edit by claims processors is not required to designate the payee of AHCCCS services. This system issue must be corrected no later than **July 27, 2015**. Furthermore, by this date HNA must provide written assurances to AHCCCS that no additional erroneous payments will be made after **July 27, 2015** due to this system design. The response and assurances must be submitted to Jay Dunkleberger at Jay.Dunkleberger@azahcccs.gov no later than COB **July 28, 2015**. AHCCCS will also conduct a comprehensive audit regarding this matter, and will communicate to HNA additional information regarding the audit in the near future.

Failure to comply with this request may result in additional compliance actions pursuant to Acute Care Contract Section D, Paragraph 72 and Section E Paragraph 45 and 48, up to and including sanctions,

further restriction on member enrollment to include choice, non renewal of the one year option in 2016 to extend the contract, and/or termination of the contract in whole or in part due to failure of the Contractor to comply with any terms or condition of this contract.

If you have any questions or concerns, please contact Virginia Rountree, Operations Administrator, at (602) 417-4122 or via email at: Virginia.rountree@azahcccs.gov.

Sincerely,



Michael Veit
Chief Procurement Officer

Cc: Susan Gilkey Director, Regulatory Compliance and Reporting Compliance Officer HNA
Chandra Hara Operations and Compliance Officer HNA
Shelli Silver Assistant Director DHCM
Virginia Rountree Interim Assistant Director DHCM
Christina Quast Operations Manager DHCM
Jay Dunkleberger Operations Compliance Officer DHCM