

Janice K. Brewer, Governor
Thomas J. Betlach, Director

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Our first care is your health care
ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

March 4, 2010

Tom Lescault
President
SCAN Long Term Care
1313 E. Osborn Road, Ste. 150
Phoenix, AZ 85014

RE: Sanction equity distribution without AHCCCS approval

Dear Mr. Lescault:

Pursuant to AHCCCS Contract Section D, Paragraphs 50, Advances, Distributions and Loans and 80, Sanctions and the AHCCCS Contractor Operations Manual (ACOM) Policy 408 – Sanction Policy, the AHCCCS Administration is imposing a sanction against SCAN Long Term Care (SCAN LTC) in the amount of \$60,000. The basis for this sanction is SCAN LTC's failure to comply with contract as follows:

On March 1st, 2010 the Division of Health Care Management (DHCM) received information from Tina Graham, Vice President of Compliance, that in December 2009, SCAN LTC completed a transfer of funds to SCAN Health Plan Arizona (SNP and MAPD business). SCAN LTC transferred the amount of \$6.0 million. In the disclosure of the transfer, the correspondence stated that "SCAN LTC apologizes for the oversight and will assure that such transfers are prior disclosed in the future."

Contract language specifically requires that SCAN LTC must request approval from AHCCCS prior to making any equity distribution of funds. Section D, Paragraph 50 states:

The Program Contractor shall not, without the prior approval of AHCCCS, make any advances, distributions, loans or loan guarantees to related parties or affiliates including another fund or line business within its organization. The Program Contractor shall not, without prior approval of AHCCCS, make advances to providers in excess of \$50,000. All requests for prior approval are to be submitted to the AHCCCS Division of Health Care Management. Refer to the ACOM Provider and Affiliate Advance Request Policy for further information.

This penalty will be assessed by withholding from future capitation payments owed to SCAN LTC.

If you disagree with this decision, SCAN LTC 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 MD 6200, 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.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Veit", written in a cursive style.

Michael Veit
Contracts and Purchasing Administrator

Cc: Tom Betlach, AHCCCS Director
Kate Aurelius, Deputy Director
Shelli Silver, Assistant Director, DHCM
Kathy Rodham, Finance Manager, DHCM
Kari Price, Executive Consultant, DHCM
Alan Schafer, ALTCS Unit Manager, DHCM
Theresa Harri, Financial Consultant, DHCM
P.J. Schoenstene, Operations and Compliance Officer, DHCM
Contract file