

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

April 16, 2010

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

RE: Sanction -- Enrollment Suspension

Dear Mr. Lescault:

SCAN Long Term Care's (SCAN) April 8, 2010 letter in response to AHCCCS' concerns about contractual performance has been reviewed. AHCCCS appreciates that SCAN acknowledges its failure to comply with contract requirements and that SCAN is committed to promptly allocating necessary resources to achieve compliance. AHCCCS accepts SCAN's pledge to substantially improve performance and to sustain that performance.

AHCCCS has determined that it will renew SCAN's contract for the contract year beginning October 1, 2010. However, due to SCAN's failure to comply with contractual requirements, AHCCCS is suspending all new enrollment to SCAN, including Auto Assignment and Annual Enrollment Choice. All enrollment will be suspended for a minimum of three (3) months, beginning June 1, 2010 through August 31, 2010.

In order for the enrollment suspension to be lifted at the end of the three month period, SCAN must demonstrate improvement in performance by:

1. Notice of Action Turn Around Time Frame Tracking Accuracy

For all service authorization requests that require prior authorization (not including long term care services authorized by case managers), SCAN must accurately track receipt and decision dates. SCAN must track the date a request is actually received and the date a decision is actually made, maintaining a minimum accuracy rate of 98% for each of the three months beginning with May 1, 2010. Accuracy must be maintained in May, June, and July for the enrollment suspension to be lifted by September 1, 2010.

2. Encounter Submission Performance

For the encounter categories identified in the chart below, SCAN must achieve the encounter target rates for all of the measures in the same month. If the targets are met in a month before the enrollment suspension is lifted, SCAN must maintain 100% of the target percentages in the ensuing months. AHCCCS will measure compliance with these performance measures using the

first encounter cycle of each month for the months of June, July, and August. The final decision regarding compliance will be based on the first encounter cycle in August 2010.

ENCOUNTERS

Validator Success Rates (% of data passing validator edits and passing to the mainframe)	Current	Target *
Dental % (@90 enc/month)	100%	≥ 95%
UB % (@2000 enc/month)	73%	≥ 95%
1500 % (@25,000 enc/month)	97%	≥ 95%
Mainframe rates		
Total pended % (Percent of total encounters pended to encounters processed)	55%	< 33%
Total approved % (Percent of encounters approved to encounters processed)	41%	≥ 63%

* SCAN must continue to submit its typical number of encounters each cycle to be in compliance with the encounter targets.

Separate and apart from the meeting the requirements necessary to lift the suspension, AHCCCS also expects to see significant improvement in contractually required clinical performance measures. SCAN has been aware of inadequate performance in this area minimally since AHCCCS published results in 2008. AHCCCS has long required Contractors to self monitor performance so that Contractors identify and correct unacceptable performance prior to identification and intervention by AHCCCS.

Finally, SCAN must improve its ability to track, correct, and report its own operational performance problems. This competency will increase AHCCCS' confidence in SCAN.

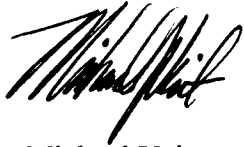
AHCCCS will schedule monthly meetings with SCAN Executive Management staff to review progress toward improvement with contractual compliance. Any failure to meet the requirements as outlined above or any newly identified problems may result in a continued enrollment suspension for an unspecified period of time or contract termination.

Per the terms of your contract, sanctions are not the Administration's exclusive remedy. In particular and without limiting possible future actions, if any legal action is brought against the Administration as the result of SCAN non-compliance with the contract, the Administration will seek compensation from you for any damages arising from such legal action including but not limited to the Administration's cost of representation as well as the cost of any attorneys' fees and costs payable to the party bringing the action.

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If you disagree with this sanction, SCAN 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,



Michael Veit
Contracts and Purchasing Administrator

Cc: David Schmidt, SCAN Health Plan, Chief Executive Officer
Dennis Eder, SCAN Health Plan, Chief Financial Officer
Hank Osowski, Senior Vice President, Business Development
Tina Graham, SCAN Long Term Care, Vice President, Compliance
Tom Betlach, AHCCCS Director
Kate Aurelius, Deputy Director
Shelli Silver, Assistant Director, DHCM
Kathy Rodham, Finance Manager, DHCM
Kari Price, Executive Consultant, DHCM
Maureen Wade, Medical Management Manger, DHCM
P. J. Schoenstene, Operations Compliance Officer, DHCM
Brent Ratterree, Encounters Administrator, DHCM
Contract file