

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

August 27, 2010

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

RE: Sanction – Enrollment Suspension Lifted

Dear Mr. Lescault:

SCAN Long Term Care (SCAN) has been on an enrollment suspension since June 1, 2010 due to Notice of Action turn around time frame tracking accuracy and encounter submission performance. SCAN and AHCCCS staff have met monthly since the inception of the suspension to review and discuss SCAN's progress towards meeting the targets established as per the April 16, 2010 Sanction letter.

SCAN has maintained an accuracy rate of 98% or more on NOA turn around time tracking for the months of May, June and July 2010. Although SCAN did not meet all the encounter targets, they have dedicated significant staff resources and time to resolve many of the issues impacting encounters.

AHCCCS had determined that it will lift SCAN's enrollment suspension beginning September 1, 2010.

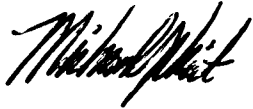
AHCCCS is still considering what requirements SCAN will be required to meet regarding the encounter submissions and error correction. SCAN can expect a letter from AHCCCS within the next 1 – 2 weeks outlining additional requirements related to the improvement on encounter submissions. At a minimum, SCAN must continue to dedicate resources and time to resolve the issues regarding the submission of accurate encounters. AHCCCS appreciates that SCAN continues to allocate the necessary resources to achieve compliance. AHCCCS reminds SCAN of its pledge to substantially improve and sustain overall performance, including encounter submissions.

AHCCCS will schedule monthly encounter meetings with SCAN staff to review progress toward improvement with encounter submissions. AHCCCS will assess sanctions if it determines that SCAN is not making adequate progress toward submitting accurate encounters. If encounter submission improvement efforts fail, AHCCCS may reinstitute an enrollment suspension for an unspecified period of time.

Tom Lescault
SCAN
Page 2

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.

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