

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

801 East Jefferson, Phoenix, AZ 85034
PO Box 25520, Phoenix, AZ 85002
Phone: 602-417-4000
www.azahcccs.gov



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

May 26, 2010

Bill Hagan
Chief Executive Officer
Arizona Physicians IPA Inc.
3141 N. Third Ave.
Phoenix, AZ 85013-4345

RE: Performance Measure Notice to Cure and Sanction

Dear Mr. Hagan:

The Arizona Health Care Cost Containment System (AHCCCS) Division of Health Care Management (DHCM) has completed an evaluation of Contractor results for the most recent measurement of Clinical Quality Performance Measures. This is to advise you of regulatory action based on your contract with AHCCCS.

In June 2009, Contractors were advised that AHCCCS would not apply sanctions for failure to meet Minimum Performance Standards for Clinical Quality measures reported in late 2009 (based on the measurement periods of the contract years ending 2007 and 2008), and Contractors were relieved of Notices to Cure. The decision to waive sanctions for these measurement periods was made by AHCCCS after conducting a preliminary measurement of data for CYE 2008, at which time it was determined that Contractors had made significant improvements in their Performance Measure results. However, Contractors also were advised that they may be subject to sanctions if they did not demonstrate continued improvement toward meeting and exceeding the AHCCCS contractual Minimum Performance Standards in the future.

Notice to Cure

AHCCCS has evaluated each Contractor's final results for Healthcare Effectiveness Data and Information Set (HEDIS) Performance Measures for the measurement period of CYE 2008, as well as the Childhood Immunization Measures for the measurement period of CYE 2009. Based on these results, AHCCCS is issuing a new Notice to Cure for Performance Measures to Arizona Physicians IPA (APIPA), and advising you of possible financial sanctions if APIPA does not meet AHCCCS Minimum Performance Standards (MPS) for Performance Measures beginning with the next measurement. This action is being taken because — despite the Contractor's improvement in several Performance Measure rates in the most recent measurement — APIPA has continued to perform below the AHCCCS MPS for several measures. The attached table shows the Contractor's performance over the last three measurements. It also should be noted that AHCCCS has reminded all Contractors since at least 2002 that, if they fail to demonstrate improvement in Performance Measure rates, they may be sanctioned. Contractors also are required to internally monitor their performance and take action as necessary to meet contractual requirements for continued improvement in Performance Measure rates.

APIPA
Clinical Quality Performance Measures
Notice to Cure
May 26, 2010
Page 2

Due to benefit changes, this Notice to Cure applies to pediatric measures and the measure of Timeliness of Prenatal Care only. However, AHCCCS may take action on other measures, including measures of chronic disease care, in the future.

Notice of Sanction

AHCCCS recently completed a measurement of Childhood Immunizations for the measurement period of CYE 2009, utilizing a hybrid methodology consistent with the previous measurement (CYE 2007). Based on APIPA's failure to meet the MPS for the Diphtheria, Tetanus and acellular Pertussis (DTaP) vaccine for both measurement periods, AHCCCS will sanction the Contractor \$50,000 as allowed in your contract. This sanction will be withheld from an upcoming capitation payment.

Corrective Action Plans Required

The Contractor was required in August 2007 to submit to AHCCCS a thorough evaluation of the corrective actions in place for measures for which it had not met the MPS. Using the same format, the Contractor must submit updated evaluations of Corrective Action Plans (CAPs) for the pediatric and Timeliness of Prenatal Care measures for which it did not meet the AHCCCS MPS in the most recent measurement. It should document the status of all CAP activities to date, an evaluation of the effectiveness of each activity/intervention based on analysis of data and trends, and a determination as to whether the intervention will continue or be replaced with another intervention in order to improve the effectiveness of the CAP.

All required Corrective Action Plans must be submitted to the AHCCCS Division of Health Care Management (DHCM), Clinical Quality Management (CQM) Unit, within 30 days of the date of this notice. CAPS should be submitted via the secure server with a notification directed to the attention of Kim Elliott, PhD, CPHQ, Clinical Quality Management Administrator, at Kim.Elliott@azahcccs.gov.

Finally, AHCCCS may impose a sanction of up to \$100,000 for each measure included in this Notice to Cure, beginning with results of the CYE 2009 measurement period, which will be reported at the end of calendar year 2010. If, at that time, the Contractor has not met the MPS or has not achieved a statistically significant improvement from the CYE 2008 measurement period for any measure reported, the Contractor may be sanctioned for that measure.

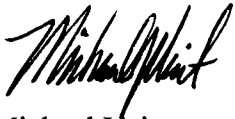
APIPA
Clinical Quality Performance Measures
Notice to Cure
May 26, 2010
Page 3

Per the terms of your contract, sanctions are not the AHCCCS 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 your 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.

If you disagree with this sanction, APIPA 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.

If you have any questions, please contact Kim Elliott, PhD, CPHQ, Clinical Quality Management Administrator, at 602-417-4782, or Kim.Elliott@azahcccs.gov.

Sincerely,



Michael Veit
Contracts & Purchasing Administrator

cc: Monica Husband, Contract Compliance Officer, APIPA
Kim Elliott, PhD, CPHQ, Clinical Quality Management Administrator, DHCM, AHCCCS

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

801 East Jefferson, Phoenix, AZ 85034
 PO Box 25520, Phoenix, AZ 85002
 Phone: 602-417-4000
 www.azahcccs.gov



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

APIPA

	Measure	Rate Reported in CYE 2008 (rates in bold are below MPS)	MPS	Rate Reported in CYE 2009 (rates in bold are below MPS)	MPS	Rate Reported in CYE 2010 (rates in bold are below MPS)	MPS	Current Statewide Average	Statistically significant change from the previous measurement?
1	Childhood Immunizations - Combination #2, Medicaid	78.7	74	N/R (Not Reported)	71 [†]	78.9	71 [†]	79.3	N/A due to HEDIS change
2	Childhood Immunizations - Combination #3, Medicaid	N/A	N/A	N/R	43	75.5	66	74.4	N/A
3	Childhood Immunizations - DTaP, Medicaid	81.5	85	N/R	85	82.4	85	83.0	No
4	Childhood Immunizations - Combination #2, KidsCare	87.7	74	N/R	71 [†]	81.8	71 [†]	88.2	N/A due to HEDIS change
5	Childhood Immunizations - Combination #3, KidsCare	N/A	N/A	N/R	43	78.5	66	84.0	N/A
6	Childhood Immunizations - DTaP, KidsCare	89.9	85	N/R	85	86.2	85	92.1	No
7	Well-Child Visits - First 15 Months , Medicaid *	52.9	70	55.5	70	57.0	65	59.5	No
8	Well-Child Visits - First 15 Months , KidsCare *	N/R	N/A	62.0	70	69.0	65	71.3	No
9	Well Child Visits, 3-6 Years Medicaid *	56.0	56	57.6	56	62.5	64	66.2	s/s ↑
10	Well Child Visits 3-6 Years KidsCare *	56.7	56	60.6	56	67.0	64	73.4	s/s ↑
11	Children's Access to PCPs - Medicaid, 12-24 months *	80.8	85	81.1	85	85.0	93	85.0	s/s ↑

12	Children's Access to PCPs - Medicaid, 25 months-6 years *	74.5	78	75.3	78	81.0	83	81.6	s/s †
13	Children's Access to PCPs - Medicaid, 7-11 years *	74.3	77	75.7	77	78.9	83	78.4	s/s †
14	Children's Access to PCPs - Medicaid, 12-19 years *	76.1	79	77.1	79	80.6	81	80.0	s/s †
15	Children's Access to PCPs - KidsCare, 12-24 months *	91.6	85	92.1	85	91.5	93	93.7	No
16	Children's Access to PCPs - KidsCare, 25 months-6 years*	77.7	78	78.8	78	85.4	83	87.5	s/s †
17	Children's Access to PCPs - KidsCare, 7-11 years *	81.3	77	82.5	77	85.2	83	86.2	s/s †
18	Children's Access to PCPs - KidsCare, 12-19 years *	83.7	79	84.2	79	86.7	81	86.4	s/s †
19	Annual Dental Visits - Medicaid	59.6	51	58.0	51	62.1	55	60.9	s/s †
20	Annual Dental Visits - KidsCare	67.7	51	68.3	51	71.3	55	71.8	s/s †
21	Adolescent Well-Care Visits - Medicaid *	32.8	37	36.0	37	39.8	41	41.6	s/s †
22	Adolescent Well-Care Visits - KidsCare *	39.3	37	43.2	37	47.7	41	51.6	s/s †
23	Timeliness of Prenatal Care	60.8	70	62.3	70	65.5	80	67.1	s/s †
24	Breast Cancer Screening	51.5	50	51.6	50	61.5	54	62.3	s/s †
25	Cervical Cancer Screening	60.9	57	63.4	57	63.8	65	63.2	No
26	Adults' Access to Preventive Health Services, 20-44 Yrs	78.8	78	81.4	78	81.5	78	81.0	No
27	Adults' Access to Preventive Health Services, 45-64 Yrs	86.0	83	87.4	83	88.2	85	86.7	s/s †
28	Chlamydia Screening, 16-25 Yrs	35.5	43	32.5	43	36.6	51	39.9	s/s †

Notes:

† Combination included additional antigen and MPS was adjusted based on HEDIS national mean

* Programming of these measures for reporting in 2007 and 2008 was modified to better conform to HEDIS.

Rates for dental services for 2006 and 2007 are based on ages 4 to 21, while rates for 2008 are based on ages 2 to 21

Immunization rates reported in 2008 reflect less restrictive HEDIS criteria on timing of most antigens