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

August 20, 2010

Mr. Bill Hagan
Chief Executive Officer
Arizona Physicians IPA, Inc.
3141 North 3rd Avenue
Phoenix, AZ 85013-4345

SUBJECT: Final Aged Pended Encounter Sanctions June, 2010

Dear Mr. Hagan:

The attached information will apprise you of your final aged pended encounter sanctions for the quarter ending June, 2010. According to our contract, Arizona Physicians IPA, Inc. is required to resolve all pended encounters within 120 calendar days of the processing date. If this requirement is not met, the contract provides for sanctions specified in Attachment I of the Acute Care contract.

The exception to the above is when the pended encounter is due to an Arizona Health Care Cost Containment System (AHCCCS) error. AHCCCS error is defined as a pended encounter, which

- (1) AHCCCS acknowledges to be the result of its own error, and
 - (2) Requires a change to the system programming, an update to the database reference table, or further research by AHCCCS. Contractors must notify AHCCCS, in writing, that the resolution of a pended encounter depends on AHCCCS instead of the Contractor. Pended encounters do not qualify as AHCCCS error if AHCCCS reviews the Contractor's notification and asks the Contractor to research the issue and provide additional substantiating documentation, or if AHCCCS disagrees with the Contractor's claims of AHCCCS error.
- ◆ AHCCCS distributed preliminary sanction results, including a summary of encounters excluded from sanctions. Contractors were provided an opportunity to review the preliminary results, and to provide input to items believed to be sanctioned in error. Contractor input was considered in determining the final sanction amount. We have elected to waive error codes due AHCCCS error for the quarter ending June, 2010 from your sanctionable pended encounter summary.

Please note that, even when sanctions are waived, you are liable for correcting all pended encounters unless the error is due to AHCCCS error. You will be notified when systems' corrections are made that will enable pends (due to AHCCCS error) to automatically clear. At that time, all pends that are still unable to successfully adjudicate will begin anew with an internal 120 day clock for Health Plan correction. The true age for these pended encounters will still appear on your aging reports.

Mr. Hagan
August 20, 2010

Enclosed is a summary of the final sanction results. For the quarter ending June, 2010, API had 2,102 pended encounters over 120 days old that resulted in a sanction amount of \$11,115, which will be suspended this quarter. If it appears that aged pended encounters are not corrected timely, the June, 2010 sanction may be levied retroactively.

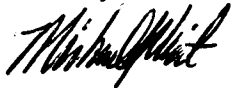
Please retrieve your pended encounter sanction information from AHCCCS' FTP server. The path is Sftp.state.medicaid.us\API\Other\ and the file names are:

- ◆ API June, 2010 Final Sanctions.txt
- ◆ API June, 2010 Final Waived Encounters.pdf
- ◆ API June, 2010 Final Error Summary.pdf
- ◆ API June, 2010 Final Age Category.pdf

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 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 have any questions regarding your pended encounter sanctions, please contact Brent Ratterree at Brent.Ratterree@azahcccs.gov or (602) 417-4571.

Sincerely,



Michael Veit
Contracts & Purchasing, Administrator
Division of Business and Finance
Mail Drop #5700

cc: Shelli Silver
Lori Petre
Devra Navas
Nancy Neroni
Alan Schafer
Rodd Mas
Brent Ratterree
DAR File