



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

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May 11, 2009

Mr. Scott Cummings
Chief Administrative Officer
Care 1st
2355 East Camelback, Ste 300
Phoenix, AZ 85016

SUBJECT: Final Aged Pended Encounter Sanctions December 2008

Dear Mr. Cummings:

The attached information will apprise you of your final aged pended encounter sanctions for the quarter ending December 2008. According to our contract, Care 1st 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 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 December 2008 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. Cummings
May 11, 2009

Enclosed is a summary of the final sanction results. For the quarter ending December 2008, Care 1st had 973 pended encounters over 120 days old that are sanctionable. The sanction amount is \$6,495. The sanction amount of \$6,495 will be suspended this quarter.

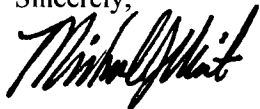
AHCCCS intends to evaluate and implement a revised pended encounters sanction review process beginning with CYE 2010. This process will take into consideration statistical tracking of pended encounters for each contractor from quarter to quarter. This process, as currently envisioned, will include AHCCCS evaluation and monitoring of pended encounters for each plan to determine whether or not those numbers are declining from quarter to quarter (because you are taking positive action to correct them) which will result in no sanction. If those numbers are increasing (assuming the errors are not due to AHCCCS' system issues), it will result in a corrective action plan and sanction, or warning with later sanction if trend continues. Additional information regarding this process will be forthcoming.

Please retrieve your pended encounter sanction information from AHCCCS' FTP server. The path is 170.68.41.1\CRF\encounter\010254OUT and the file names are:

- ◆ CRF December 2008 Final Sanctions.txt
- ◆ CRF December 2008 Final Waived Encounters.pdf
- ◆ CRF December 2008 Final Error Summary.pdf
- ◆ CRF December 2008 Final Age Category.pdf

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
Robert Russ
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DAR File