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

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November 24, 2009

Mr. Mark Fisher  
President & CEO  
Mercy Care Plan  
4350 East Cotton Center Blvd.  
Bldg. D  
Phoenix, AZ 85040

Dear Mr. Fisher:

The purpose of this letter is to inform you of your final omission, correctness and timeliness error results for the Acute "A" and "B" Encounter Data Validation studies for CYE05 (10/1/05-9/30/06) which were conducted in accordance with Attachment "I" of the CYE05 Contract.

The Acute "A" study examines professional services reported on medical records and compares them to encounter data submitted by the Health Plan. The Acute "B" study examines facility services reported on medical records and compares them to encounter data submitted by the Health Plan.

For the Acute "A" and "B" studies there are three types of data errors studied: omissions, correctness and timeliness.

- An omission error is defined as an encounter for a medical record entry of a service for which a contractor incurred a financial liability and did not submit this data to AHCCCS. Also, an encounter inappropriately deleted from AHCCCS historical files, or voided and not resubmitted, is an omission.
- A correctness error is defined as an inconsistency between the medical record documentation and an encounter submitted in respect to procedure, diagnosis, and/or date of service.
- A timeliness error is an encounter received at AHCCCS beyond the allowable time period after the end of the month in which the service was rendered or the effective date of enrollment with the contractor.

These error rates are compiled and used to determine the appropriate sanction amounts. AHCCCS' sanction methodology takes into consideration the previous year's error rates, the number of errors caused by Plan vs. errors caused by providers (as substantiated through documentation provided by the contractors), and correctness errors attributed to the use of non-specific codes. This methodology sanctions contractors 100% for Plan errors plus 25% for provider errors with the remaining 75% of provider and non-specific diagnosis coding sanctions being applied to provider training and/or education.

Please note that numbers in tables may not total due to rounding.

CYE05 “A” Results

For Mercy Care Plan, the CYE05 “A” study results and related gross sanction amounts for omissions, correctness, and timeliness are:

Type of Error	Sample Size	Number Of Errors	Error Rate	Lower Limit	Sanction Amount
Omissions	280	16	5.7%	3.0%	\$0
Correctness	264	54	20.5%	15.6%	\$458,990
Timeliness	264	1	0.4%	0.0%	\$0
Total					\$458,990

The following table shows how the error rates above are attributed to the Plan versus providers, based on the documentation you submitted. In addition the CMS error standard and the CYE05 overall weighted error rates are shown as reference points.

Type of Error	CMS Standard	Overall Weighted Error	Plan Error	Provider Error
Omissions	11.9%	10.5%	1.4%	4.3%
Correctness	12.9%	16.8%	1.9%	18.6%
Timeliness	12.8%	2.8%	0.4%	N/A

Correctness errors total 20.5% with 6.1% attributed to the use of non-specific diagnosis codes and 14.4% attributed to other diagnosis and procedure code errors. The 20.5% error rate is assigned to the Plan versus providers as follows:

Type of Error	Plan Error			Provider Error		
	Diagnosis Non-Specific	Diagnosis Other	Total	Diagnosis Non-Specific	Diagnosis Other	Total
Correctness	0.0%	1.9%	1.9%	6.1%	12.5%	18.6%

The gross sanction amounts for CYE05 are then adjusted based on the overall weighted average and the previous year’s rate. Comparing CYE05 encounter data validation results to CYE04, omission error rate decreased, correctness error rate increased and timeliness error rate increased but was below the average. Thus the gross sanction amounts for CYE05 are adjusted to 50% for omissions, 125% for correctness, and 100% for timeliness.

For Mercy Care Plan, the total number of professional encounters submitted for CYE05 is 4,200,190. To account for omissions, the Acute “A” sanction formula determines the adjusted total number of professional encounters that should have been submitted for the contract year (4,330,093).

CYE05 “B” Results

For Mercy Care Plan, the CYE05 “B” study results and related gross sanction amounts for omissions, correctness and timeliness are:

Type of Error	Sample Size	Number Of Errors	Error Rate	Lower Limit	Sanction Amount
Omissions	292	3	1.0%	0.0%	\$0
Correctness	289	14	4.8%	2.4%	\$0
Timeliness	289	7	2.4%	0.6%	\$0
Total					\$0

The following table shows how the error rates above are attributed to the Plan versus providers, based on the documentation you submitted. In addition the CMS error standard and the CYE05 overall weighted error rates are shown as reference points.

Type of Error	CMS Standard	Overall Weighted Error	Plan Error	Provider Error
Omissions	6.9%	3.5%	0.0%	1.0%
Correctness	12.9%	5.6%	0.0%	4.8%
Timeliness	12.8%	2.5%	2.4%	N/A

Correctness errors total 4.8% with 1.7% attributed to the use of non-specific diagnosis codes and 3.1% attributed to other diagnosis and procedure code errors. The 4.8% error rate is assigned to the Plan versus providers as follows:

Type of Error	Plan Error			Provider Error		
	Diagnosis Non-Specific	Diagnosis Other	Total	Diagnosis Non-Specific	Diagnosis Other	Total
Correctness	0.0%	0.0%	0.0%	1.7%	3.1%	4.8%

The gross sanction amounts for CYE05 are then adjusted based on the overall weighted average and the previous year’s rate. Comparing CYE05 encounter data validation results to CYE04, omission error rate decreased, correctness error rate increased but was below the average and timeliness error rate increased. Thus the gross sanction amounts for CYE05 are adjusted to 50% for omissions, 100% for correctness, and 125% for timeliness.

For Mercy Care Plan, the total number of institutional encounters submitted for CYE05 is 318,866. To account for omissions, the Acute “B” sanction formula calculates the adjusted total number of institutional encounters that should have been submitted for the contract year (318,866).

FINAL CYE05 SANCTION RESULTS

Error rates and lower limits are subject to sanctioning when they exceed the 5% CMS allowable rate. The purpose of sanctioning contractors is to provide a financial incentive to improve the quality of encounter data submitted and a disincentive to submit inaccurate, incomplete, and untimely encounter data. As mentioned above, the sanction methodology accounts for errors attributed to Plan and provider and for diagnosis specificity.

After adjusting the gross sanction amounts for improvements in error rates (or lack thereof) from the previous year, further adjustments are then calculated. First, sanctions for provider errors on omissions are reduced to 25%. Then correctness errors are evaluated to determine not only providers vs. Plan assessment, but also errors due to diagnosis specificity. Sanction amounts related to both provider error and diagnosis specificity are then reduced to 25%. Thus the final CYE05 Acute "A" and "B" net sanction amounts, and provider education requirements, are as follows:

Type of Error	Plan Sanction Amount for "A"	Provider Education & Training for "A"	Plan Sanction Amount for "B"	Provider Education & Training for "B"	Total Plan Sanction (A+B) Amount
Omissions	\$0	\$0	\$0	\$0	\$0
Correctness	\$150,670	\$423,067	\$0	\$0	\$150,670
Timeliness	\$0	N/A	\$0	N/A	\$0
Total	\$150,670	\$423,067	\$0	\$0	\$150,670

Due to the age of the data, and improvements that Mercy Care has put in place, the CYE05 sanction is being reduced to 10% of the original sanction. The sanction amount of \$15,067 will be withheld from next month's capitation payment; Mercy Care needs to set aside \$42,307 to be used for provider education/training.

AHCCCS hereby requires that within 60 days you amend your current encounter corrective action plan or create a corrective action plan to reduce correctness errors for professional services in order to be below the CMS standards. Failure to submit your revised corrective action plan within 60 days may result in further sanction amounts. Please submit your corrective action plan to:

Dawn Castle, Management Analyst  
AHCCCS  
Division of Health Care Management  
701 East Jefferson, MD 6600  
Phoenix, Arizona 85034

If you do not agree with the Encounter Data Validation findings, you have the right to challenge these findings. The attached Encounter Data Validation Challenge Form must be completed and received by AHCCCS no later than 60 days after the date of this written notice of the sanction. Supporting documentation should accompany the challenge form. Challenges should be mailed to:

Michael Veit, Contracts and Purchasing Administrator  
AHCCCS  
Division of Business and Finance  
701 East Jefferson, MD 5700  
Phoenix, Arizona 85034

The challenge will be reviewed by the Encounter Data Validation Review Challenge Committee and a written decision will be rendered no later than 60 days from the date of receipt of a timely challenge. If your challenge is successful, the appropriate sanction amount will be returned in the following month's capitation.

If you do not agree with the committee's findings, you may exercise your dispute right. A Health Plan can file a dispute as specified in the Arizona Administrative Code, Chapter 34, Article 4 of the AHCCCS Rules and Regulation. The dispute must be submitted in writing with additional supportive documentation. Disputes must be mailed to:

Office of Administrative Legal Services  
AHCCCS  
701 East Jefferson, MD 6200  
Phoenix, Arizona 85034

The dispute must be received no later than 60 days from the date of the written notification that a challenge has been unsuccessful. If the Office of Legal Assistance finds that the sanctionable errors are invalid, the appropriate sanction amount will be returned in the following month's capitation.

The Encounter Data Validation Staff is available to provide you with technical assistance and to aid in corrective action. We appreciate your assistance in conducting this study. If you have any questions, please contact Robert Russ at (602) 417-4037 or Dawn Castle at (602) 417-4728.

Sincerely,



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

MV:BR:dgc

Attachments

C: Shelli Silver  
Joseph Ruiz  
Brent Ratterree  
Robert Russ  
Rodd Mas  
Kathy Rodham  
DHCM DA&R File