

October 7, 2019

James Stover
Chief Executive Officer
Arizona Complete Health-Complete Care Plan
333 E. Wetmore Rd., Suite 600
Tucson, AZ 85705-1090

RE: Compliance Action –Sanction

Dear Mr. Stover:

The Arizona Health Care Cost Containment System, Division of Health Care Management, (AHCCCS) has determined that Arizona Complete Health-Complete Care Plan (AzCH-CCP) remains in violation of its AHCCCS Complete Care (ACC) Contract YH19-0001-04. AzCH-CCP has failed to resolve the critical compliance issues outlined in the AHCCCS January 25, 2019 Compliance Action-Sanction despite the Contractor's repeated assurances that it would do so by April 30, 2019. As noted in the January Compliance Action, AzCH-CCP elected to migrate its physical health and behavioral health providers to a single provider network database on October 1, 2018 which coincided with the implementation of the statewide integrated AHCCCS Complete Care (ACC) contracts. AzCH-CCP's migration to a single provider network database resulted in significant adverse impacts to a wide array of providers as evidenced by AzCH-CCP's continuing failure to timely and accurately process claims payments to providers consistent with state and federal requirements.

The January Compliance Action imposed a monetary sanction in the amount of \$125,000 and directed AzCH-CCP to resolve all outstanding system deficiencies, including associated claims payments and adjustments, no later than April 30, 2019. Not only did AzCH-CCP fail to comply with the April 30 deadline, AzCH-CCP was unable to reliably provide AHCCCS with basic information necessary to substantiate the number of practitioners whose pay classes were in fact remediated by April 30. The operational failures associated with the AzCH-CCP claims processing system are widespread, have persisted for more than one year, and have imposed continued hardships on providers of essential services for AHCCCS members. Pursuant to Section D Paragraph 68 of the ACC Contract, "Administrative Actions," AzCH-CCP is hereby subject to compliance action as delineated below.

Section D, Paragraph 37 of the ACC Contract, "Claims Payment/Health Information System," provides:

The Contractor shall develop and maintain claims processes and systems that ensure the accurate collection and processing of claims, analysis, integration, and reporting of data.

...

General Claims Processing Requirements:

...

The Contractor's claims payment system must be able to assess and/or apply data related edits including but not limited to:

- 1. Benefit Package Variations,*
- 2. Timeliness Standards,*
- 3. Data Accuracy,*
- 4. Adherence to AHCCCS Policy,*
- 5. Provider Qualifications,*
- 6. Member Eligibility and Enrollment, and*
- 7. Over-Utilization Standards.*

Additionally, unless a subcontract specifies otherwise, the Contractor shall ensure that for each form type (Dental/Professional/Institutional), 95% of all clean claims are adjudicated within 30 days of receipt of the clean claim and 99% are adjudicated within 60 days of receipt of the clean claim.

...

Claims System Audits: The Contractor shall develop and implement an internal ongoing claims audit function that will include, at a minimum, the following:

- 1. Verification that provider Contracts are loaded correctly, and*
- 2. Accuracy of payments against provider Contract terms.*

Federal Regulation 42 CFR § 447.46, "Timely claims payment by MCOs" provides:

(c) Contract requirements.

(1) Basic rule. A contract with an MCO must provide that the organization will meet the requirements of 447.45(d)(2) and (d)(3), and abide by the specifications of 447.45(d)(5) and (d)(6).

(2) Exception. The MCO and its providers may, by mutual agreement, establish an alternative payment schedule.

(3) Alternative schedule. Any alternative schedule must be stipulated in the contract.

Federal Regulation 42 CFR § 447.45, "Timely claims payment" provides:

(d) Timely processing of claims.

(2) The agency must pay 90 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 30 days of the date of receipt.

(3) The agency must pay 99 percent of all clean claims from practitioners, who are in individual or group practice or who practice in shared health facilities, within 90 days of the date of receipt.

Due to AzCH-CCP's inability to furnish AHCCCS the critical provider information necessary to establish meaningful progress in resolving the compliance issues, AHCCCS issued a Sanction Update Notice (Update) to AzCH-CCP on June 21, 2019. The Update directed AzCH-CCP to submit weekly tracking logs describing ongoing provider projects undertaken to resolve the database migration issues and to conduct meetings with providers to understand and address their

concerns. In its initial July 15, 2019 response to AHCCCS, AzCH-CCP committed to completing pre-payment audits to enhance payment accuracy in order to meet its internal accuracy goal of processing 95% of clean claims correctly by September 15, 2019.

Information recently provided to AHCCCS by AzCH-CCP demonstrates the magnitude of the ongoing compliance issues associated with the AzCH-CCP database migration. This information also underscores AzCH-CCP's inability to timely resolve fundamental aspects of its claims processing operations, presenting concerns of organizational leadership and priorities. AzCH-CCP's exceedingly slow pace of resolution of the system's claims processing deficiencies is unacceptable. Although AzCH-CCP assured AHCCCS that all outstanding system issues would be resolved by April 30 2019, considerable claims processing problems persist. As of September 23, 2019, more than one million claims submitted to AzCH-CCP have been adversely impacted by AzCH-CCP's flawed database migration. As reported by AzCH-CCP, the total dollar value of *resolved* claims, as of September 23, associated with the database migration *is less than 15%* of the aggregate billed charges of claims which have issues resulting from the database migration. It was not until *July 2019*, three months after the deadline for AzCH-CCP to resolve all compliance issues, that AzCH-CCP informed AHCCCS that over 200 individual issues remained outstanding. Equally troubling is that AzCH-CCP had knowledge of approximately forty of these individual issues in *2018*. More than half of these issues currently remain open and are in some level of research or resolution.

Additionally, data submitted by AzCH-CCP in its monthly claims dashboard identified an alarming increase in total claims pending each month. The volume of pended claims nearly tripled from April to July 2019. Although AzCH-CCP achieved the timeliness standard for clean claims processed in 30 as well as in 60 days from April through July 2019, the claims dashboard indicates that AzCH-CCP failed to meet the AHCCCS standards for August 2019. The AzCH-CCP claims dashboard reported that 74.7% of clean claims were processed within 30 days of receipt in August 2019 while 94.5% were processed within 60 days of receipt.

Since imposition of the January Compliance Action, AzCH-CP has failed to demonstrate to AHCCCS the leadership, competence, and expertise needed to timely and capably resolve the operational deficiencies and contractual violations resulting from the October 1, 2018 database migration. This failure is particularly egregious as the database migration took place more than a year ago, the Compliance Action was instituted more than eight months ago, and AzCH-CCP assured AHCCCS that all outstanding compliance issues would be resolved almost half a year ago. Moreover, AHCCCS continues to receive a substantial number of provider complaints pertaining to AzCH-CCP's inability to properly adjudicate claims as a result of the database migration. Providers threaten to leave or have left the AzCH-CCP network. Approximately 33% of all provider complaints received by DHCM since October 1, 2018 related to AzCH-CCP, a disproportionately high percentage given that 14% of ACC members are enrolled with AzCH-CCP. Not only do providers report to AHCCCS that they have not received payment from AzCH-CCP for a period of six weeks or more, they also indicate that AzCH-CCP has been holding claims payments rather than adjudicating them. AzCH-CCP has confirmed to AHCCCS that it has declined to process and pay a number of claims in order to minimize claims adjustments, further exacerbating the delay in payments to providers.

Sanction

AzCH-CCP has failed to correct the extensive and serious deficiencies resulting from its October 1, 2018 database migration as directed by the January 25, 2019 Compliance Action. This failure has resulted in violation of critical provisions and safeguards for provider claims payment standards. AzCH-CCP's failure to timely resolve these deficiencies has resulted in ongoing and significant adverse impacts to providers, including widespread disruption to provider payments and undue hardship to providers. Accordingly, AzCH-CCP is hereby subject to additional monetary sanction in the amount of **\$250,000**. This monetary sanction will be withheld from a future capitation payment.

Capped Membership

Additionally, due to the egregious and continuing nature of AzCH-CCP's noncompliance, AzCH-CCP's ACC membership is hereby capped for auto assignment in the Central and South Geographic Service Areas effective **November 1, 2019** and until further notice as determined by AHCCCS.

Future Performance

AzCH-CCP shall continue to submit a weekly tracking log of provider meetings and provider projects, which shall include, at a minimum, a comprehensive reporting of the following items:

- provider name;
- assigned AzCH-CCP representative;
- summary of the issue;
- the date the plan was made aware of the issue;
- actions taken to resolve the issue;
- number of claims impacted;
- total billed dollar amount impacted;
- status of resolution of the issue;
- timeline to complete resolution;
- identification of whether or not the issue impacts other providers; if other providers are impacted, provide detailed explanation of impacts

The tracking log reporting requirements shall be submitted to AzCH-CCP's assigned Operations Compliance Officer, Lola Davis, at Lola.Davis@azahcccs.gov, on a weekly basis, every Monday by close of business. AHCCCS will review submissions as well as continue to closely monitor AzCH-CCP's overall performance.

No later than **90 days** from the date of this Compliance Action, AzCH-CCP must resolve all issues related to the database migration, such that all claims impacted by the database migration will have been processed with an accuracy rate of at least 95%. In addition, AzCH-CCP must simultaneously ensure that all claims not impacted by the database migration issue, including those received after the date of this Compliance Action, are processed with an accuracy rate of at

least 95% and within timeliness standards for 30 and 60 days. AzCH-CCP must furnish documentation substantiating its progress with respect to claims timeliness and accuracy to its assigned Operations Compliance Officer by the 7th of each month.

AHCCCS will continue to closely monitor AzCH-CCP's ongoing performance and compliance with contractual requirements, including but not limited to, timeliness and accuracy of claims payment and provider satisfaction. Failure to correct the deficiencies outlined in this notice as well as identification of other contractual noncompliance shall result in additional Administrative Actions, as outlined in the ACC Contract Section D, Paragraph 68, "Administrative Actions", including, but not limited to, further Sanctions.

If AzCH-CCP disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration by 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 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.

Should AzCH-CCP have any questions regarding this correspondence, please contact Christina Quast at Christina.Quast@azahcccs.gov or (602) 417-4527.

Sincerely,



Meggan LaPorte CPPO, MSW
Chief Procurement Officer

Cc: Paul Barnes, AzCH-CCP
Rodd Mas, AzCH-CCP
Matthew Isiogu, AHCCCS
Christina Quast, AHCCCS
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