

December 16, 2022

Scott Cummings
Chief Executive Officer
Care1st Health Plan Arizona, Inc.
1870 W. Rio Salado Parkway
Tempe, AZ 85281

RE: Care 1st Sanction Appeal Letter CYE21 Administrative Cost Percentage

Dear Mr. Cummings:

AHCCCS has received your letter dated November 18, 2022 to appeal the sanction for noncompliance with the CY21 Administrative Cost Percentage. AHCCCS has reviewed the circumstances noted in the letter; AHCCCS maintains its position and responds as follows:

1. Retroactive decision by AHCCCS to remove the 1% withhold from the CY20 profit corridor.

Although AHCCCS decided to apply a retroactive adjustment, AHCCCS provided Care1st with sufficient time to include an audit adjustment in the calendar year 2020 audit to account for this decision. The notification to Care1st took place in October 2020, and Care1st had until January 2021 to make an adjustment to the administrative expenses in the financial statements related to calendar year 2020.

2. Addition of the pass through administrative expense for the HIE of \$2.5M for CY21.

Care1st was aware of this administrative expense for the entirety of the year. Care1st had sufficient time to ensure the plan did not exceed a 10% administrative cost percentage.

3. Audit reclasses that were completed for simplicity in the final audit report that did not impact the actual incurred administrative reclasses.

AHCCCS is transparent on the calculations for the Administrative Cost Percentage. Care1st completed the calculations in the Financial Reporting Template submitted by the plan, therefore, Care1st was aware that reclassifications for presentation purposes are not included in the calculation.

AHCCCS has consistently and timely disclosed the requirements to meet the Administrative Cost Percentage and the calculation of the ratio itself in Section D Paragraph 47 of the AHCCCS Complete Care (ACC) Contract YH19-0001-02, as well as in the Financial Reporting Guide for ACC Contractors and ACC Financial Reporting Template. Care1st acknowledged the non-compliance with the Administrative Cost Percentage in comments made in the footnotes of


multiple quarterly financial statements during CYE 2021 and stated compliance would be reached by contract year-end (September 30, 2021).

During the 2021 year-end audit, Care1st submitted a Financial Reporting Template indicating the non-compliance with the Administrative Cost Percentage and made no audit adjustment to reach compliance for CYE 2021. AHCCCS provided notification to Care1st regarding the non-compliance by identifying the issue to Care1st via letter regarding the quarterly financial statements leading up to the 2021 audit, as well as, via letters sent April 28, 2022 and June 30, 2022 regarding the 2021 draft audit and final audit.

AHCCCS disagrees with Care1st's position, and the \$25,000 sanction will remain in place. If Care1st disagrees with this decision, Care1st may file a request for hearing with the AHCCCS Administration using the process outlined in A.A.C. R9-34-401 et.seq. The request for hearing must be filed in writing and must be received by the AHCCCS Administration, Office of General Counsel at 801 E. Jefferson Street, Phoenix, Arizona 85034, no later than 60 days from the date of this letter. The request for hearing shall specify the legal and factual basis as well as the relief requested.

Should Care1st have any questions regarding this correspondence, please contact Maureen Sharp at (602) 417-4820 or maureen.sharp@azahcccs.gov

Sincerely,



Meggan LaPorte (Dec 16, 2022 16:45 MST)

Meggan LaPorte, MSW, CPPO
Chief Procurement Officer

c: Deena Sigel, Care1st
Stacie Romney, Care1st
Christina Quast, AHCCCS
Michelle Holmes, AHCCCS
Maureen Sharp, AHCCCS
Cynthia Layne, AHCCCS
Pamela Sullivan, AHCCCS