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**KATIE HOBBS**  
GOVERNOR  
**VIRGINIA ROUNTREE**  
DIRECTOR

December 12, 2025

Tad D. Gary  
Chief Executive Officer  
Mercy Care Long Term Care  
4750 S. 44<sup>th</sup> Place, Suite 150  
Phoenix, Az, 85040

SUBJECT: Notice of Mandated Corrective Action Plan: Home and Community Based Settings Rule Heightened Scrutiny Process

Dear Mr. Gary,

To finalize the state's compliance with the Home and Community Based Settings (HCBS) Rules' Heightened Scrutiny process, the Centers for Medicaid and Medicare (CMS) has reviewed the state's heightened scrutiny setting package submissions, including settings that receive quality monitoring by Mercy Care Long Term Care (Mercy Care LTC). The CMS findings detailed in this Corrective Action Plan for those settings are the responsibility of Mercy Care LTC to address. Per CMS [HCBS Rules requirements](#) and the [State Transition plan](#), AHCCCS must demonstrate settings that meet the Heightened Scrutiny criteria have overcome the presumption that they are institutional in nature. Therefore, the HCBS Rules quality monitoring assessment, and related documentation, must demonstrate the settings are not isolating members from their communities and not violating members rights under the HCBS Rules, unless there is health and safety risk documented in the Person-Centered Service Plan (PCSP).

AHCCCS and CMS have agreed to the actions outlined for each finding below. Mercy Care LTC is obligated to complete the remediation process and submit required documentation that supports evidence of compliance. The documentation must be sent to Danielle Ashlock via email ([Danielle.Ashlock@azahcccs.gov](mailto:Danielle.Ashlock@azahcccs.gov)), with a cc to your AHCCCS Operations and Compliance Officer, no later than close of business on **February 27, 2026**. Please note that some remediation steps may necessitate PCSP meetings and/or provider site visits.

Any reference to an attestation in the findings is AHCCCS' responsibility. AHCCCS will summarize the documentation for all the settings to attest to the state's compliance with the Heightened Scrutiny criteria. Mercy Care LTC's obligation is to provide documentation as evidence to support the compliance of each setting addressing CMS' setting-specific findings.

In addition to remediating the findings below, CMS is requiring the state to develop and implement training for staff in all settings that are required to comply with the HCBS Rules. AHCCCS is mandating

the health plans to work collaboratively to develop and implement training. The health plans must, at a minimum, avail themselves of the Workforce Development Administrators, but may include other resources as deemed necessary. By close of business on **February 27, 2026** each health plan must submit a jointly developed training plan, in addition to the remediation documentation and evidence detailed above, that includes, at a minimum, the following information:

- Staff competencies to inform curriculum development,
- Training curriculum outline,
- Tools for supervisors to use when evaluating the staff competencies,
- Implementation methods, including tracking provider compliance and annual refresher training,
- Timeline for the completion of the training content, and
- Timeline for completion of the initial deployment of the training, including any health plan specific responsibilities

AHCCCS will review and approve the training plan prior to directing the health plans to finalize and implement the training. AHCCCS also retains final approval rights of the training curriculum.

AHCCCS has scheduled a meeting on December 18, 2025, at Noon with Health Plan Compliance Officers and HCBS Quality Management leads to address any questions regarding this notice. In addition to the meeting, you may also reach out to Danielle Ashlock ([Danielle.Ashlock@azahcccs.gov](mailto:Danielle.Ashlock@azahcccs.gov)) at any time throughout this process.

Sincerely,

DocuSigned by:



6720D03F007E4A8  
Meggan LaPorte, CPPO, MSW

AHCCCS Chief Procurement Officer

cc: Carissa Townsend, Mercy Care LTC Senior Compliance Consultant  
Dawn Sica, AHCCCS Operations Compliance Officer  
Jakenna Lebsock, AHCCCS Assistant Director  
Dara Johnson, AHCCCS Program Development Officer  
Danielle Ashlock, AHCCCS ALTCS Project Manager

Name of Setting: Desert Marigold Senior Living of Tempe Address: 601 E Westchester Road Tempe, AZ
CMS Finding #1
Attestation from the state through the review of person-centered service plans and/or interviews with individuals residing in the setting that: <ul style="list-style-type: none"> <li>• the setting is selected by the individual from among a variety of setting options including non-disability specific settings t [42 CFR 441.301 (c)(4)(ii)]; and</li> <li>• the setting options are identified and documented in the person-centered service plan and are based on the individual's needs, preferences, and, for residential settings, resources available for room and board. [42 CFR 441.301(c)(4)(ii)].</li> </ul>
Remediation
<ol style="list-style-type: none"> <li>1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP details choices the member made in their home selection. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker to reflect that decision.</li> <li>2. A copy of the PCSP, with the required information highlighted, shall be provided to AHCCCS.</li> <li>3. Mercy Care LTC shall create a remediation plan outlining steps to be undertaken to ensure documentation in the PCSP, for all members residing in provider owned and controlled settings, will include details regarding the member’s choice to reside in a particular setting based upon their needs, preferences and resources for room and board. The remediation plan shall be provided to AHCCCS.</li> </ol>
CMS Finding #2
Attestation that only appropriate staff have keys to individuals’ doors [42 CFR 441.301(c)(4)(vi)(B)(1)].
Remediation
<ol style="list-style-type: none"> <li>1. Mercy Care LTC shall create a remediation plan with the provider outlining the steps that will be taken to come into compliance by having lockable doors available to all members residing in the setting with only appropriate staff having access to the keys to individual’s room. The remediation plan shall, at a minimum, include efforts to educate the provider and staff about member rights under the HCBS Rules and inappropriate blanket restrictions. The plan should also detail Mercy Care LTC’s validation of the completed remediation plan. The remediation plan shall be provided to AHCCCS.</li> <li>2. If members do not have lockable doors because of health and safety risks, a copy of the PCSP, highlighting this information in the “Modifications to Plan Through Restriction of Member’s Rights” section, shall be provided to AHCCCS. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker.</li> <li>3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the HCBS Rules quality monitoring assessment details the setting’s compliance with lockable doors for all members including an examination and notation of any individualized right’s restrictions documented in the PCSP to ensure compliance. The remediation plan shall be provided to AHCCCS.</li> </ol>
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Confirmation that individuals are able to have visitors of their choosing at any time [42 CFR 441.301(c)(4)(vi)(D)]. The MCO verified that, per the resident handbook, visitors were welcome and encouraged from 8am-8pm. Special requests can be made by leadership. Please propose remediation and the timeline for completion.
Remediation

1. Mercy Care LTC shall create a remediation plan with the provider outlining the steps to be undertaken to ensure members in the setting are free to have visitors at any time without visiting hours restrictions or advance requests. The plan should also detail Mercy Care LTC's validation of the completed remediation plan.
2. Mercy Care LTC shall also create a remediation plan to ensure improved documentation in the HCBS quality monitoring assessment to document the provider's compliance with the member's ability to have visitors of their choosing at any time.

**CMS Finding #4**

Confirmation that any modifications to the additional conditions under 441.301(c)(4)(vi)(A) through (D) are supported by a specific assessed need and justified in the person-centered service plans. [42 CFR 441.301(c)(4)(vi)(F)].

**Remediation**

1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP does include an individualized assessment (not based on diagnosis) of health and safety risks in the "Modifications to Plan Through Restriction of Member's Rights" section. If that documentation is not compliant, the PCSP must be updated in consultation with the member/Health Care Decision Maker.
2. A copy of the PCSP, with the required information highlighted shall be provided to AHCCCS.
3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the PCSP in the "Modifications to Plan Through Restriction of Member's Rights" section is member specific and not based on diagnosis. Mercy Care LTC shall also create a remediation plan to ensure meaningful review of the PCSPs during the HCBS Rules quality monitoring assessment process to ensure rights restrictions are documented and individually implemented in provider owned and controlled settings.

**CMS Finding #5**

Confirmation through review of provider policies and/or observational data collected by the state during the onsite visit that individuals sharing units have a choice of roommates in that setting [42 CFR 441.301(c)(4)(vi)(B)(2)]. The state indicated the assisted living setting attempts to pair roommates and two of the three interviewees indicate they did not choose their roommate.

**Remediation**

1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP details choices the member made in their roommate selection. If that documentation is not compliant, the PCSP must be updated in consultation with the member/Health Care Decision Maker.
2. A copy of the PCSP, with the required information highlighted, shall be provided to AHCCCS.
3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the PCSP and the setting's service plan, if applicable, will include details regarding the member's choice to in roommate selection initially and upon move-in. Mercy Care LTC shall provide a copy of the plan to AHCCCS.

**CMS Finding #6**

Verification that the setting supports full access for individuals to have opportunities to seek employment and work in competitive integrated settings [42 CFR 441.301(c)(4)(i)]. While the state provided information around volunteer efforts, the state did not provide how it determined the setting has met the criterion of supporting opportunities to seek employment and work in integrated settings.

**Remediation**

4. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP details choices the member made in choosing to volunteer, seek

employment, or not work. If that documentation is not compliant, the PCSP must be updated in consultation with the member/Health Care Decision Maker.

1. A copy of the PCSP, with the required information highlighted, shall be provided to AHCCCS.
2. Mercy Care LTC shall create a remediation plan with the provider outlining steps to ensure the setting supports all members who wish to find competitive employment or volunteer opportunities, regardless of age or ability. Mercy Care LTC shall provide a copy of the remediation plan, an explanation that documents how the provider has demonstrated compliance, and any supporting policy language or other evidence of compliance. .

**Name of Setting: Lifestream at Youngtown ALC (JT's Place)**

**Address: 11315 W Peoria Avenue Youngtown, AZ**

**CMS Finding #1**

Attestation from the state through the review of person-centered service plans and/or interviews with individuals residing in the setting that:

- the setting is selected by the individual from among a variety of setting options including non-disability specific settings t [42 CFR 441.301 (c)(4)(ii)]; and
- the setting options are identified and documented in the person-centered service plan and are based on the individual's needs, preferences, and, for residential settings, resources available for room and board. [42 CFR 441.301(c)(4)(ii)].

**Remediation**

1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP details choices the member made in their home selection. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker to reflect that decision.
2. A copy of the PCSP, with the required information highlighted, shall be provided to AHCCCS.
3. Mercy Care LTC shall create a remediation plan outlining steps to be undertaken to ensure documentation in the PCSP, for all members residing in provider owned and controlled settings, will include details regarding the member's choice to reside in a particular setting based upon their needs, preferences and resources for room and board. The remediation plan shall be provided to AHCCCS.

**CMS Finding #2**

Attestation that only appropriate staff have keys to individuals' doors [42 CFR 441.301(c)(4)(vi)(B)(1)].

**Remediation**

1. Mercy Care LTC shall create a remediation plan with the provider outlining the steps that will be taken to come into compliance by having lockable doors available to all members residing in the setting with only appropriate staff having access to the keys to individual's room. The remediation plan shall, at a minimum, include efforts to educate the provider and staff about member rights under the HCBS Rules and inappropriate blanket restrictions. The plan should also detail Mercy Care LTC's validation of the completed remediation plan. The remediation plan shall be provided to AHCCCS.
2. If members do not have lockable doors because of health and safety risks, a copy of the PCSP, highlighting this information in the "Modifications to Plan Through Restriction of Member's Rights" section, shall be provided to AHCCCS. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker.
3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the HCBS Rules quality monitoring assessment details the setting's compliance with lockable doors for all members including an examination and notation of any individualized right's

<p>restrictions documented in the PCSP to ensure compliance. The remediation plan shall be provided to AHCCCS.</p>
<p><b>CMS Finding #3</b></p>
<p>Confirmation that any modifications to the additional conditions under 441.301(c)(4)(vi)(A) through (D) are supported by a specific assessed need and justified in the person-centered service plans. [42 CFR 441.301(c)(4)(vi)(F)]. The evidentiary package indicates that residents have the right to use the telephone in accordance with house rules that define frequency and duration of calls. Additionally the package indicates if the doors are locked, there is a bell that can be rung for entry during night hours if the resident doesn't have the keycode. Please clarify how the state determined the house rules do not include blanket restrictions as well as how it was insured all residence without modification to additional conditions have the keycode for entry after hours, otherwise a locked facility is a blanket restriction for those who do not require the modification.</p>
<p><b>Remediation</b></p>
<ol style="list-style-type: none"> <li>1. Mercy Care shall review the PCSPs for each member residing in the setting to ensure to ensure documentation in the PCSP does include an individualized assessment (not based on diagnosis) of health and safety risks in the "Modifications to Plan Through Restriction of Member's Rights" section. If that documentation is not compliant, the PCSP must be updated in consultation with the member/Health Care Decision Maker.</li> <li>2. A copy of the PCSP, with the required information highlighted that details the modifications to the plan through restrictions and the action plan for follow up, shall be provided to AHCCCS.</li> <li>3. Mercy Care shall create a remediation plan with the provider outlining the steps that will be taken to come into compliance by removing blanket restrictions phone calls and locked doors creating barriers for members to come and go freely. The remediation plan shall include efforts to educate the provider and staff about member rights under the HCBS Rules and inappropriate blanket restrictions. The plan should also detail Mercy Care's validation of the completed remediation plan. A copy of the plan and any documentation supporting the provider's compliance shall be provided to AHCCCS.</li> <li>4. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the PCSP in the "Modifications to Plan Through Restriction of Member's Rights" section is member specific and not based on diagnosis. Mercy Care LTC shall also create a remediation plan to ensure meaningful review of the PCSPs during the HCBS Rules quality monitoring assessment process to ensure rights restrictions are documented and individually implemented in provider owned and controlled settings.</li> </ol>
<p><b>CMS Finding #4</b></p>
<p>The setting is described as an assisted living facility that is on the same campus as independent living, and apartments for seniors. It does not appear to be on the grounds of, or immediately adjacent to, a public institution. Please confirm if this setting should be categorized as prong 3: Settings that may have the effect of isolating individuals receiving Medicaid home and community-based services (HCBS) from the broader community of individuals not receiving Medicaid HCBS.</p>
<p><b>Remediation</b></p>
<ol style="list-style-type: none"> <li>1. Mercy Care LTC shall review the heightened scrutiny prongs and provide a detailed explanation to AHCCCS as to which heightened scrutiny prongs this setting has met and how they have overcome the institutional presumption.</li> </ol>
<p><b>CMS Finding #5</b></p>
<p>Confirmation that individuals have a choice in selecting their services and supports and who provides them [42 CFR 441.301 (c)(4)(v)].</p>
<p><b>Remediation</b></p>

1. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the PCSP and the provider service plan, if applicable, has captured the members choice in services, supports and who provides them. Mercy Care shall also create a plan to ensure meaningful review of the PCSPs during the HCBS assessment process to ensure compliance in all settings.

**Name of Setting: Sarah’s Place at Glencroft ALC  
Address: 6670 W Butler Drive Glendale, AZ**

**CMS Finding #1**

Attestation from the state through the review of person-centered service plans and/or interviews with individuals residing in the setting that:

- the setting is selected by the individual from among a variety of setting options including non-disability specific settings [42 CFR 441.301 (c)(4)(ii)]; and
- the setting options are identified and documented in the person-centered service plan and are based on the individual's needs, preferences, and, for residential settings, resources available for room and board. [42 CFR 441.301(c)(4)(ii)].

**Remediation**

1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP details choices the member made in their home selection. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker to reflect that decision.
2. A copy of the PCSP, with the required information highlighted, shall be provided to AHCCCS.
3. Mercy Care LTC shall create a remediation plan outlining steps to be undertaken to ensure documentation in the PCSP, for all members residing in provider owned and controlled settings, will include details regarding the member’s choice to reside in a particular setting based upon their needs, preferences and resources for room and board. The remediation plan shall be provided to AHCCCS.

**CMS Finding #2**

Attestation that only appropriate staff have keys to individuals’ doors [42 CFR 441.301(c)(4)(vi)(B)(1)].

**Remediation**

1. Mercy Care LTC shall create a remediation plan with the provider outlining the steps that will be taken to come into compliance by having lockable doors available to all members residing in the setting with only appropriate staff having access to the keys to individual’s room. The remediation plan shall, at a minimum, include efforts to educate the provider and staff about member rights under the HCBS Rules and inappropriate blanket restrictions. The plan should also detail Mercy Care LTC’s validation of the completed remediation plan. The remediation plan shall be provided to AHCCCS.
2. If members do not have lockable doors because of health and safety risks, a copy of the PCSP, highlighting this information in the “Modifications to Plan Through Restriction of Member’s Rights” section, shall be provided to AHCCCS. If that documentation is not present, the PCSP must be updated in consultation with the member/Health Care Decision Maker.
3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the HCBS Rules quality monitoring assessment details the setting’s compliance with lockable doors for all members including an examination and notation of any individualized right’s restrictions documented in the PCSP to ensure compliance. The remediation plan shall be provided to AHCCCS.

**CMS Finding #3**

Confirmation that any modifications to the additional conditions under 441.301(c)(4)(vi)(A) through (D) are supported by a specific assessed need and justified in the person-centered service plans. [42 CFR 441.301(c)(4)(vi)(F)]. The MCO indicated that care plans contained restrictions to personal freedoms based on dementia. Modifications of additional conditions should be based on an individual's specific assessed need, and not based on a diagnosis. Please propose remediation.

#### Remediation

1. Mercy Care LTC shall review the PCSPs for each member residing in the setting to ensure documentation in the PCSP does include an individualized assessment (not based on diagnosis) of health and safety risks in the "Modifications to Plan Through Restriction of Member's Rights" section. If that documentation is not compliant, the PCSP must be updated in consultation with the member/Health Care Decision Maker.
2. A copy of the PCSP, with the required information highlighted shall be provided to AHCCCS.
3. Mercy Care LTC shall create a remediation plan outlining steps to ensure documentation in the PCSP in the "Modifications to Plan Through Restriction of Member's Rights" section is member specific and not based on diagnosis. Mercy Care LTC shall also create a remediation plan to ensure meaningful review of the PCSPs during the HCBS Rules quality monitoring assessment process to ensure rights restrictions are documented and individually implemented in provider owned and controlled settings.