

Janice K. Brewer, Governor
Thomas J. Betlach, Director

801 East Jefferson, Phoenix, AZ 85034
PO Box 25520, Phoenix, AZ 85002
Phone: 602 417 4000
www.azahcccs.gov



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

October 10, 2013

Patrick Ross
Chief Executive Officer
Bridgeway Health Solutions
1501 W. Fountainhead Parkway, Suite 201
Tempe, AZ 85282

RE: Regulatory Action - Advantage Bridgeway Health Solutions Dual-Special Needs Plan

Dear Mr. Ross:

In June of 2013, the Arizona Health Care Cost Containment System (AHCCCS) was made aware of Centene Corporation's decision to delay implementation of the Advantage Bridgeway Health Solutions dual-special needs plan (D-SNP) in the following counties: Cochise, Graham, Greenlee, Gila, and Pinal.

As required in the ALTCS contract YH12-0001 with an effective date of October 1, 2012, Section D, Paragraph 28 Network Development, "if AHCCCS and CMS are unable to reach an agreement to implement the Demonstration, the Contractor will be required to provide Medicare benefits to dual eligible members as a Medicare Advantage Dual Eligible Special Needs Plan (D-SNP). The Contractor will be required to implement Medicare coverage on January 1, 2014."

AHCCCS entered into an agreement with Bridgeway Health Solutions which outlines requirements which aim to improve care coordination and timely information sharing by both parties for dual eligible members enrolled in Medicare Advantage Dual Eligible Special Needs Health Plans consistent with 42 CFR 422.107, the Medicare Improvements for Patients and Providers Act of 2008 (MIPPA) and the Affordable Care Act. Per the AHCCCS Contractors Operations Manual (ACOM) Policy 107, the State will sign an agreement "only when the MA D-SNP Health Plan holds a Medicaid contract that covers the requested county and AHCCCS population(s)." (AHCCCS agreement # YH13-0053-01).

Based on the provisions of the above referenced contracts, it is evident that the requirements set forth have not been honored by the Contractor since it will not be operating as a D-SNP in the expansion counties, or in any county outside of Maricopa. In accordance with applicable Federal and State regulations, AHCCCS Rules R9-22-606 and R9-28-608, ACOM Policy 408 and the terms of ALTCS contract YH12-0001, AHCCCS may impose sanctions for failure to comply with any provision of this contract, including but not limited to: temporary management of the Contractor; monetary penalties; suspension of enrollment; withholding of payments; and

suspension, refusal to renew, or termination of the contract, or any related subcontracts [42 CFR 422.208; 42 CFR 438.700, 702, and 704, 45 CFR 92.36(i)(1); 45 CFR 74.48]. Written notice will be provided to the Contractor specifying the sanction to be imposed, the grounds for such sanction and either the length of suspension or the amount of capitation to be withheld.

Sanctions

Bridgeway is found to be in non-compliance of the terms of the ALTCS contract and will be subject to a monetary sanction of **\$150,000**; \$75,000 per affected geographic service area (GSA). Based on these failures to meet contractual standards, the sanction will be broken down as follows:

- GSA 40: Pinal and Gila counties-\$75,000
- GSA 46: Graham, Greenlee and Cochise counties-\$75,000

This sanction will be withheld from an upcoming capitation payment.

Future Performance

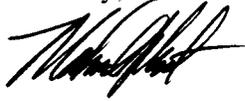
It is expected that the Contractor will become compliant in its efforts to operate a MA D-SNP by 2015. It is advised that close, early collaboration with the Centers for Medicare & Medicaid Services (CMS) commence to ensure that all contractual requirements are fulfilled in advance of the posted deadlines. Sanctions for non-compliance in 2015 will be significantly higher and more detrimental.

Per the terms of your contract, sanctions are not AHCCCS' exclusive remedy. Regulatory actions may include continuation of actions listed above, including additional sanctions, as allowed in the Contract. In addition, and without limiting possible future actions, if any legal action is brought against AHCCCS as the result of the Contractors non-compliance with the Contract, AHCCCS will seek compensation for any damages arising from such legal action, including but not limited to AHCCCS' cost of representation, as well as the cost of any attorney's fees and costs payable to the party bringing the action.

The Contractor may dispute the decision to impose a sanction in accordance with 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 Service 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.

If you have any questions regarding this letter, please contact Kari Price at 602-417-4625 or kari.price@azahcccs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Veit".

Michael Veit,
Contracts and Purchasing Administrator

- c: Cheyenne Ross, VP of Operations and Compliance, Bridgeway Health Solutions
 Kari Price, Assistant Director, DHCM
 Shelli Silver, Assistant Director, DHCM
 Jami Snyder, Operations Administrator, DHCM
 Diana Alvarez, Operations Manager, DHCM

