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

August 21, 2012

Mike Uchrin, CEO
Health Choice Arizona
410 North 44th Street, Suite 900
Phoenix, AZ 85008

RE: Performance for Acute-Care Clinical Quality Measures

Dear Mr. Uchrin:

The Arizona Health Care Cost Containment System (AHCCCS) has completed the review and evaluation of Contractor results of the contractual Clinical Quality Performance Measures reported in Contract Year End (CYE) 2011. Based upon the results of the review, Contractors are subject to regulatory action including over \$2.75 million in financial sanctions. Upon reviewing both aggregate and individual Contractor performance, AHCCCS determined that sanctions alone would not be the most effective way to drive quality and performance improvement.

AHCCCS has continued to place significant emphasis on Contractor performance for Early, Periodic, Screening, Diagnostic, and Treatment (EPSDT) and DTaP measures. Performance Measures, and specifically these two measures, were discussed during AHCCCS CEO, Medical Director and Quality Management meetings with Contractors every year. Emphasis was placed on the importance of these measures due to CMS' focus on specific EPSDT rate components and because the DTaP rate is a leading driver in overall immunization completion rates. A review of the last four years of performance measure results found that both EPSDT and DTaP measures have had poor Contractor performance results. In addition, the remaining contractual performance measure results indicate that Contractors continue to have systemic barriers that require intensive monitoring and regular measurement to ensure performance improvement.

In July 2011, AHCCCS notified Contractors of ongoing Notices to Cure based on continued non-compliance with Minimum Performance Standards (MPS) outlined in contract. In some cases, sanctions were imposed and Contractors were also notified that, "While the current Notice to Cure applies to pediatric measures and the measure of Timeliness of Prenatal Care, AHCCCS may take action on other measures, including measures of chronic disease care, based on the measurement period of CYE 2010." Analysis of the CYE 2010 measurement period highlighted ongoing performance concerns across all plans, with only four of the 16 comparable¹ Medicaid measures showing a statistically significant improvement while eight measures showed a statistically significant decrease. KidsCare performance was not included in AHCCCS'

¹ Seven measures for the Medicaid population were not measures in the previous measurement period and could not be evaluated. These measures include: Appropriate Medications for Asthma, HbA1c testing, LDL-C Screening, Retinal Eye Exams, Hib, 4:31:3:3:1 Combo and 4:3:1:3:3:1:4 Combo.

performance analysis. Regulatory action on the KidsCare performance measures is not being taken for the CYE 2010 measurement period

With these considerations, AHCCCS will be applying sanctions for negative performance, for CYE 2010 performance measures that were reported in CYE 2011. AHCCCS has compared Contractor performance to the Minimum Performance Standards specified in contract and also against the statewide average for each measure using an inter-quartile rating process. Through this process outliers were identified across measure sets. Contractor rates that had a variance of 6.63 percent or greater from the statewide average for the measure were identified as outliers and subject to sanction. **This will result in only 34 percent of possible sanctions being issued.**

Notice to Cure and Mandatory Quarterly Technical Assistance

AHCCCS has evaluated each Contractor's final results of contractual HEDIS-like measures and the Early and Periodic Screening, Diagnostic and Treatment (EPSDT) Participation Rate measure for the CYE 2010 measurement period and compared them with the CYE 2009 measurement period and the Minimum Performance Standards in the CYE 2010 Contract. Based on these results, AHCCCS is continuing the Notice to Cure for measures outlined in Attachment A and also requiring Contractors to actively participate in Quarterly Technical Assistance meetings to discuss successes and barriers related to these measures as well as performance and interventions. Detailed instructions for these sessions will be sent at a later date.

Sanctions

Based on the Contractor's failure to meet the MPS in the most recent measurement, AHCCCS will sanction the Contractor a total of **\$300,000.00** for the following measures, as allowed in Contract:

- Well Child Visits (6+ by 15 mo.) - \$100,000.00
- Well Child Visits (3-6 yrs.) - \$100,000.00
- EPSDT Participation - \$100,000.00

This sanction will be withheld from an upcoming capitation payment.

It should be noted that the following sanctions could have been applied due to failure to meet the Minimum Performance Standards outlined in the Contract. AHCCCS is instead requiring participation in individual quality improvement technical assistance meetings.

- Children's Access to Care (12-24 mo.) - \$100,000.00
- Children's Access to Care (25 mo. – 6 yrs.) - \$100,000.00
- Children's Access to Care (7-11 yrs.) - \$100,000.00
- Children's Access to Care (12-19 yrs.) - \$100,000.00
- Adolescent Well Care Visits - \$100,000.00

Corrective Action Plans

Per Attachment A, the Contractor must submit to AHCCCS new or updated Corrective Action Plans (CAPs) for the performance measures that did not meet the MPS in the most recent measurement. Using the same format previously utilized, please document the status of all existing CAP activities to date, an evaluation of the effectiveness of each activity/intervention based on an analysis of data and trends, and determine whether or not the intervention will continue or be replaced with another intervention in order to improve the effectiveness of the CAP and the performance of the measure.

All required Corrective Action Plans must be submitted to the AHCCCS Division of Health Care Management (DHCM), Clinical Quality Management (CQM) Unit, within 30 days of the date of this notice. CAPs should be submitted via the secure service with a notification directed to the attention of Kim Elliott, Ph.D, CPHQ, Clinical Quality Management Administrator, at Kim.Elliott@azahcccs.gov.

Future Performance

It is expected that all Performance Measures meet or exceed the Minimum Performance Standards outlined in the Contract. At least annually, AHCCCS may take additional regulatory action if the Minimum Performance Standards are not met and/or statistically significant improvement is not shown. Regulatory actions may include continuation of actions listed above, including additional sanctions, as allowed in the Contract.

Per the terms of your contract, sanctions are not AHCCCS' exclusive remedy. In particular and without limiting possible future actions, if any legal action is brought against AHCCCS as the result of your non-compliance with the Contract, AHCCCS will seek compensation from you 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.

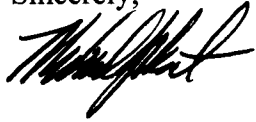
If you disagree with this sanction, you may file a dispute with AHCCCS using the process outlined in A.A.C. R9-34-401, et seq. The dispute must be filed in writing and must be received by AHCCCS no later than 60 days from the date of this letter. The dispute shall specify the legal and factual bases for the dispute, as well as the relief requested. Dispute letters should be sent to:

AHCCCS
Office of Administrative Legal Services
701 E. Jefferson
Phoenix, AZ 85034

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If you have any questions regarding this letter, please contact Kim Elliott at 602-417-4782 or Kim.Elliott@azahcccs.gov.

Sincerely,



Michael Veit,
Contracts and Purchasing Administrator

cc: Kathy Harris, Contract Compliance Officer, Health Choice Arizona
Kim Elliott, PhD, CPHQ, Clinical Quality Administrator, DHCM, AHCCCS
Kari Price, Assistant Director, DHCM, AHCCCS
Shelli Silver, Assistant Director, DHCM, AHCCCS

Attachment A: Health Choice Performance Measure Review

Performance Measure	CYE 2009 Performance (10/01/08-09/30/09)	CYE 2010 Performance (10/01/09-09/30/10)	Relative Percent Change	Significance Level (p value)	CYE 10 Minimum Performance Standard (MPS)	Current Statewide Average	Regulatory Actions				
							Sanction (Y/N)	Notice to Cure (Y/N)	Technical Assistance (Y/N)	CAP Required (Y/N)	
Children's Access to Care (12-24 mo.)	86.5%	85.2%	-1.5%	p=.098	93%	87.0%	N**	Y	Y	Y	
Children's Access to Care (25 mo. - 6 yrs.)	81.0%	80.9%	0.0%	p=.993	83%	84.1%	N**	Y	Y	Y	
Children's Access to Care (7 - 11 yrs.)	79.5%	80.8%	1.7%	p=.025	83%	83.5%	N**	Y	Y	Y	
Children's Access to Care (12 - 19 yrs.)	79.1%	80.9%	2.3%	p=.002	81%	83.9%	N**	Y	Y	Y	
Well Child Visits (6+ by 15 mo. of age)	61.0%	55.6%	-8.9%	p=.785	65%	64.1%	Y	Y	Y	Y	
Well Child Visits (3-6 years of age)	63.4%	61.0%	-3.8%	p<.001	64%	67.7%	Y	Y	Y	Y	
Adolescent Well Care Visits	37.1%	37.3%	0.5%	p=.694	41%	42.1%	N**	Y	Y	Y	
Annual Dental Visits	66.6%	66.8%	0.3%	p=.457	55%	64.7%	N	N	N	N	
Appropriate Medications for Asthma	n/a	95.9%	n/a	n/a	86%	96.3%	N	N	N	N	
Diabetes Care: HbA1c testing*	n/a	64.1%	n/a	n/a	77%	66.3%	N	N	N	Y	
Diabetes Care: Eye Exams*	n/a	22.5%	n/a	n/a	49%	29.3%	N	N	N	Y	
Diabetes Care: LDL-C Screening*	n/a	59.9%	n/a	n/a	70%	63.2%	N	N	N	Y	
Timeliness of Prenatal Care	82.4%	72.5%	-12.0%	p<.001	80%	78.1%	N	Y	N	Y	
EPSDT Participation	63.5%	61.7%	-2.9%	p<.001	68%	66.7%	Y	Y	Y	Y	
DTap*	82.4%	77.5%	-5.9%	p=.012	85%	79.1%	N	Y	N	Y	
IPV*	90.3%	88.8%	-1.7%	p=.324	90%	91.2%	N	N	N	Y	
MMR*	93.0%	89.7%	-3.5%	p=.018	90%	91.1%	N	N	N	Y	
Hib*	n/a	89.4%	n/a	n/a	86%	91.3%	N	N	N	N	
HBV*	93.0%	84.5%	-9.1%	p<.001	90%	87.8%	N	N	N	Y	
VZV*	91.4%	88.7%	-3.0%	p=.068	86%	90.2%	N	N	N	N	
PCV*	78.6%	75.3%	-4.2%	p=.110	74%	79.5%	N	N	N	N	
4:3:1:3:3:1 Series*	n/a	70.1%	n/a	n/a	74%	72.6%	N	Y	N	Y	
4:3:1:3:3:1:4 Series*	n/a	65.2%	n/a	n/a	68%	68.6%	N	Y	N	Y	
Adolescent Meningococcal*	n/a	73.9%	n/a	n/a	TBD	83.9%	N	N	N	N	
Adolescent Tdap*	n/a	73.6%	n/a	n/a	TBD	85.8%	N	N	N	N	
Adolescent Combo*	n/a	70.1%	n/a	n/a	TBD	81.3%	N	N	N	N	

* A consolidated Corrective Action Plan (CAP) may be developed for each of the diabetes and immunization measure sets (i.e. - one CAP for the three diabetes measures and one

CAP for the nine 2-yr old immunizations); however, it is expected that Contractors will consider at each measure individually to determine if there are specific interventions that could improve compliance for that specific measure.

** Indicates where regulatory action could have been taken but was waived for this year.