

June 20, 2014

Ron Rosenberger
Chief Executive Officer
Phoenix Health Plan
7878 North 16th Street Suite 105
Phoenix, AZ 85020

SUBJECT: Final Results of Sanctionable Pended Encounters December 2013

Dear Mr. Rosenberger:

The attached information will provide the final aged pended encounter sanctions for the quarter ending December 2013. According to the Contract, Phoenix Health Plan (PHP) is required to resolve all pended encounters within 120 calendar days of the processing date. If this requirement is not met, the Contractor is subject to sanctions.

The exception to the above is when the pended encounter is due to an Arizona Health Care Cost Containment System (AHCCCS) error. AHCCCS error is defined as a pended encounter, which AHCCCS acknowledges to be the result of its own error, and requires a change to the system programming, an update to the database reference table, or further research by AHCCCS. Contractors must notify AHCCCS, in writing that the resolution of a pended encounter depends on AHCCCS instead of the Contractor. Pended encounters do not qualify as AHCCCS error if AHCCCS reviews the Contractor's notification and asks the Contractor to research the issue and provide additional substantiating documentation, or if AHCCCS disagrees with the Contractor's claims of AHCCCS error.

AHCCCS distributed the preliminary sanction results, including a summary of encounters excluded from sanctions as AHCCCS error on March 28, 2014. The Contractor was provided an opportunity to review the preliminary results, and challenge those encounters believed to be sanctioned in error. The Contractor's mitigation was considered, and when appropriate, the mitigated encounters were removed from the final sanctionable encounters. The preliminary sanctionable number for PHP was 5,771 and the final sanction number for this quarter is 3,843. The final sanction dollar amount is \$34,475.00.

In an effort to improve future outcomes, AHCCCS would like to provide the following feedback of PHP's April 2, 2014 response. PHP's documentation included internal work notes specific to PHP's tracking; examples included, "Marked for TA", "Past 60 days recouped" and "sent for adjustment"; these types of explanations provide little direction to the Reviewer and do not explain why these pended encounter should be waived from sanctions. Moving forward, only include those encounters that should be excluded from sanctions, with a clear description for the waiver, i.e. "Sent to AHCCCS for override on <date>".

Mr. Rosenberger
June 20, 2014
Page 2

Even if sanctions are waived, the Contractor is liable for addressing all pended encounters (except those errors which have been identified as due to AHCCCS error or as being under review by AHCCCS). When error codes are identified as an AHCCCS error and are corrected, or are identified as being under AHCCCS review and then released, the Contractor is responsible for addressing any remaining error codes and will be afforded a new 120 day clock for resolution. However, the true age for these pended encounters will continue to appear on the Aging Reports.

Enclosed is a summary of the final sanction results. Please retrieve your pended encounter sanction information from AHCCCS' FTP server. The path is `sftp.state.medicaid.us\PHP\OTHER\` and the file names are:

- PHP December 2013 Final Sanctions.txt
- PHP December 2013 Final Excluded Enc.pdf
- PHP December 2013 Final Error Summary.pdf
- PHP December 2013 Final Age Category.pdf

Per the terms of the Contract, sanctions are not the Administration's exclusive remedy. In particular and without limiting possible future actions, if any legal action is brought against the Administration as the result of your non-compliance with the Contract, the Administration will seek compensation from you for any damages arising from such legal action including but not limited to the Administration's cost of representation as well as the cost of any attorneys' fees and costs payable to the party bringing the action.

If you have any questions regarding your pended encounter sanctions, please contact Gina Aker at Gina.Aker@azahcccs.gov , (602) 417-4016.

Sincerely,



Michael Veit
Contracts & Purchasing, Administrator
Division of Business and Finance
Mail Drop #5700

c: Shelli Silver
Lori Petre
Devra Navas
Nancy Neroni
Virginia Roundtree
Gina Aker
Ruth Garcia McCaw, PHP
DAR File