

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

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

October 10, 2013

James V. Stover, Sr.
Vice President and CEO
The University of Arizona Health Plans
2701 E. Elvira Rd.
Tucson, AZ 85756

RE: Regulatory Action - University Care Advantage Dual-Special Needs Plan

Dear Mr. Stover:

The Arizona Health Care Cost Containment System (AHCCCS) is aware of the recent action by University Physicians Healthcare d/b/a The University of Arizona Health Plans-University Care Advantage to include its geographic service area expansion with its request for eligibility change, and the subsequent inability to meet Centers for Medicare & Medicaid Services requirements. Regrettably, this action resulted in the January 1, 2014 discontinuation of operations in all counties currently served by the University Care Advantage Dual-Special Needs Plan (D-SNP) and impacts all counties served by University Family Care including: Cochise, Graham, Greenlee, La Paz, Gila, Pima, Pinal, Santa Cruz, Yavapai and Yuma counties.

As required in the Acute contract YH14-0001 with an effective date of October 1, 2013, Section D, Paragraph 78. Medicare Requirements, "In an effort to improve care coordination for AHCCCS dual eligible members, AHCCCS requires the Contractor, or its corporate affiliate, to be a Medicare Advantage Dual Eligible Special Needs Plan in all GSAs in which they hold a contract."

AHCCCS entered into a Medicare Advantage D-SNP Health Plan Agreement with University of Arizona Health Plans which outlines requirements aimed at improving 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 policy set forth in Policy 107 of the AHCCCS Contractors Operations Manual (ACOM), 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 # YH13-0053-02).

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 that it previously served. In accordance with applicable Federal and State regulations, AHCCCS Rules R9-22-606 and R9-28-608, ACOM Policy 408 and the terms of Acute contract, 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.

Sanction

University Physicians Healthcare d/b/a The University of Arizona Health Plans-University Care Advantage is found to be in non-compliance of the terms of the AHCCCS Acute contract and will be subject to a monetary sanction of **\$375,000**; \$75,000 per affected geographic service area (GSA). Based on these failures to meet contractual requirements, the sanction will be broken down as follows:

- GSA 2: La Paz and Yuma counties-\$75,000
- GSA 6: Yavapai county-\$75,000
- GSA 8: Pinal and Gila counties-\$75,000
- GSA 10: Pima and Santa Cruz counties-\$75,000
- GSA 14: Graham, Greenlee and Cochise counties-\$75,000

This sanction will be withheld from an upcoming capitation payment.

In addition, effective November 1, 2013, AHCCCS will discontinue auto-assignment of members that are eligible under SSI with Medicare. This cap on auto-assignment will be effective for the contract year ending 2014. The State will also terminate the Medicare Advantage D-SNP Health Plan Agreement between AHCCCS and University Care Advantage due to the plan's inability to perform under the agreement.

Future Performance

We recognize the unique circumstances surrounding this matter with regard to tight deadlines and the rigidity of the CMS rules. We anticipate that the lessons learned have served to empower your future decision making. 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.

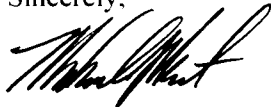
Per the terms of your contract, sanctions are not AHCCCS' exclusive remedy. Regulatory actions may include continuation of actions listed above, including additional sanctions, as allowed in the Contract. In addition, and without limiting possible future actions, if any legal action is brought against AHCCCS as the result of the Contractor's 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 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

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

Sincerely,



Michael Veit,
Contracts and Purchasing Administrator

c: Lee Coffman, V.P. Medicaid Program, UA Health Plans
Kari Price, Assistant Director, DHCM, AHCCCS
Shelli Silver, Assistant Director, DHCM, AHCCCS
Jami Snyder, Operations Administrator, DHCM, AHCCCS
Diana Alvarez, Operations Manager, DHCM, AHCCCS

