February 04, 2015

Gay Ann Williams Vice President, Plan Administrator
Health Net Access
1230 W. Washington Street
Tempe, AZ 85281

James Woys Chief Financial & Operating Officer
Health Net Inc.
21650 Oxnard Street
Woodland Hills, CA 91367

SUBJECT: **Compliance Action - Sanction**

Dear Ms. Williams and Mr. Woys:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM) has determined that Health Net Access is in violation of contract YH14-0001 for Acute Care services for contract year ending 2015. As outlined in Section D, Paragraph 72 (Sanctions) of the Acute Care Contract, Health Net Access is hereby subject to compliance action as outlined below:

Health Net Access (HNA) has failed to demonstrate it's commitment to Arizona Medicaid as evidenced by HNA's ongoing non compliance with contractual requirements, and failure to commit the resources necessary to ensure full and continuing implementation of these contractual requirements.

HNA has failed to demonstrate understanding of the value that performance improvement is both clinical and operational in nature. Additionally, HNA has failed to demonstrate the self-monitoring and self-correcting activities that are critically necessary for contract compliance and operational excellence. AHCCCS, not HNA, has been responsible for identifying the numerous areas of contractual non compliance. Although HNA has only been a Contractor since October 2013, AHCCCS has imposed four significant regulatory actions as a result of non compliance. To date, HNA has only been released from one of the four compliance actions listed below.

- **06/23/2014 Notice To Cure** – Release -09/02/2014
  - Failure to Comply with Key Staffing- Dental Director/Coordinator
- **08/08/2014 Notice To Cure**
  - Failure to Meet Operational Review Standards, Prioritization of Arizona Medicaid and Staffing
- **11/10/2014 Notice To Cure**
  - Failure to Accurately Process Claims Disputes
- **1/10/2014 Sanction**
  - Failure to Comply with Key Staffing – Dispute and Appeals Manager

The Notice to Cure for *Failure to Meet Operational Review (OR) Standards, Prioritization of Arizona Medicaid and Staffing* identified a failure of HNA to prioritize their Arizona Medicaid contract and dedicate appropriate and significant resources to meeting contract requirements. The Operational Review

findings in the key areas of Medical Management; Quality Management; Maternal Child Health; and Claims Information Systems and General Administration were of such significance that the additional action of imposing the Notice to Cure was warranted. The Sanction issued for *Key Staffing – Dispute and Appeals Manager* identified the failure of HNA to meet the requirement of the contract for this key position since the implementation of the contract in October 2013 although organizational charts submitted by HNA indicated that this position was filled in accordance with the requirement.

Further, HNA continues in its failure to meet contract requirements as follows:

Staff Requirements and Support Services
Staffing remains an ongoing critical concern. The contract requires the Contractor to have in place the organizational, managerial and administrative systems capable of fulfilling all contract requirements. It requires that the Administrator/CEO/COO be located in Arizona, oversee the operation of the Contractor, and have the authority to direct, implement and prioritize work, and to ensure compliance with contract requirements. In addition, the contract requires that positions performing functions related to this contract have a direct reporting relationship to the local Administrator/Chief Executive Officer.

- The Plan Administrator position was vacant for a period of eight (8) months. It was filled with an interim person since May 12, 2014. The Interim person failed to or was not provided the authority to ensure that organizational, managerial and administrative systems were fulfilled to meet contract requirements.
- The Plan Administrator position was filled on January 16, 2015 with an internal person. The Functional Organizational Chart dated January 19, 2015 identifies that there are no direct or indirect positions reporting to the current Plan Administrator. The HNA Acute Care Program Structure - Key Positions Chart dated October 15, 2014 identifies all program areas as a dotted line to the Plan Administrator, thereby indicating an indirect reporting relationship to the Plan Administrator position.
- The January 19, 2015 Functional Organizational Chart fails to identify key relationships between key staff and program areas, such as between the Compliance Officer and the Plan Administrator; between the CMO and Quality Management and Medical Management; etc.
- The Business Continuity Planning Coordinator is identified as located in California with Time Allocation for Arizona indicated "as needed". This is a required key staff position and should have dedicated time allocated to Arizona for the purpose of ensuring the requirements and activities of the HNA Business Continuity Plan are carried out.

The HNA functional organizational charts clearly outline and confirm that the functional structure of HNA fails to provide the Plan Administrator with the authority and responsibilities necessary to execute the contract and ensure compliance with its terms. The reporting structure fails to provide for positions that perform functions related to the contract as having a direct reporting relationship to the local Administrator/Chief Executive Officer. There is not a structure or adequate resource allocation to achieve outcomes in all functional areas within the organization. The lack of authority authorized to this position is clearly evidenced not only in the organizational structure but in the numerous and continuous areas of non compliance.

Website
HNA has failed to meet website requirements as required in AHCCCS Contractor Operations Manual (ACOM) Policy 404 and 416 for both member and provider accessibility. Currently there is not an independent Health Net Access website or page. Subsequent to correspondence with HNA about the website, members and providers could only access the Health Net website with a login. Currently the HNA website member information is available to members but only via a direct link. This link is unable to be found using a web search and is only provided to members in direct member communications such

as the New Member Packet, Newsletters etc. Providers are only able to access HNA Provider Manual if they are contracted and have a login.

HNA has provided target dates for completion and compliance of the website requirements but has failed to meet those dates. In addition, the website requirements have been contractual and policy requirements since the October 2013 effective date of the contract, and, to date, HNA has not met the requirements or committed sufficient resources to correct the issues.

AHCCCS expects that Contractors recognize that Medicaid members are entitled to care and assistance navigating the service delivery system and Contractors demonstrate special effort throughout their operations to assure members receive necessary services. Additionally, AHCCCS expects that Contractors recognize that health care providers are an essential partner in the delivery of health care services, and operate the Health Plan in a manner that is efficient and effective for health care providers as well as the Contractor. It is unacceptable that AHCCCS members and providers are not able to readily access necessary information about care, treatment and services via the website. Again, HNA's lack of commitment to execute contract requirements is evidenced in its failure to provide a HNA website dedicated to meet AHCCCS member and provider needs.

Credentialing

AHCCCS expects Contractors to comply timely with credentialing requirements to ensure registered providers are able to see and receive reimbursement for treating AHCCCS members. HNA acknowledged that it failed to implement the provisional credentialing requirements when notified of complaints received by AHCCCS and stated that it had implemented actions to immediately address the issue. AHCCCS continues to receive complaints from a Federally Qualified Health Center that indicate that HNA has not yet fully implemented the corrective action.

HNA has failed to demonstrate an understanding of provisional credentialing requirements and has also failed to implement provisional credentialing requirements as required in the Acute Contract Section D, Paragraph 23, Quality Management and Performance Improvement and in the AHCCCS Medical Policy Manual (AMPM) Chapter 900, Section 950, Paragraph D including:

- ***Credentialing Timelines***: The Contractor is required to process credentialing applications in a timely manner. To assess the timeliness of provisional and initial credentialing a Contractor shall calculate and report to AHCCCS as outlined in AMPM Policy 950. The Contractor must report the credentialing information with regard to all credentialing applications as specified in Attachment F3, Contractor Chart of Deliverables.
- Contractors must have policies and procedures to address granting of temporary or provisional credentials when it is in the best interest of members that providers be available to provide care prior to completion of the entire credentialing process. Temporary, or provisional, credentialing is intended to increase the available network of providers in medically underserved areas, whether rural or urban. Providers working in a Federally Qualified Health Center (FQHC) and FQHC Look-Alike Center, as well as hospital employed physicians (when appropriate), must be credentialed using the temporary or provisional credentialing process even if the provider does not specifically request their application be processed as temporary or provisional. The Contractor must follow the "Initial Credentialing" guidelines when granting temporary or provisional credentialing to:

    1. Providers in a Federally Qualified Health Center (FQHC)
    2. Providers in a FQHC Look-Alike organization
    3. Hospital employed physicians (when appropriate) and
    4. Providers needed in medically underserved areas.

The Contractor shall have 14 calendar days from receipt of a complete application, accompanied by the minimum documents specified in the section, in which to render a decision regarding temporary or provisional credentialing.

Claims Processing
HNA is non compliant with claims processing standards as required in ACOM Policy 203 for percent of claims processed within 30 and 60 days as outlined below.

Standard	September 2014	October 2014	November 2014	December 2014
0-30 days (>95%)	**88.5%**	**79.9%**	**68.4%**	**70.5%**
0-60 days (>99%)	*Standard met*	*Standard met*	**90.4%**	**93.7%**

In its RFP proposal, HNA specifically addressed its ability to manage membership growth as follows:

> *"Staff Planning and Development*
> *Health Net recognizes the critical need for appropriate staff planning and development to properly manage membership growth, especially when large numbers of members are transitioned at the same time. Based on our Medicaid experience, Health Net has developed predictive staffing models based upon service levels and operational indices. These models have proven successful in determining initial and subsequent staffing levels."*
>
> *"Our claims department uses a similar model in establishing appropriate staffing levels. Based upon our Medicaid experience, we know the average number of claims per member per month as well as the number of claims adjudicated per claims processor per month. Membership drives staffing and adequacy is determined on performance to established standards with the latter being the dominant factor. As with the Customer Contact Center, the Claims department will use our existing formula in determining our initial and subsequent staffing until a deviation is detected, whereby the necessary adjustments would be made. The Claims department will also have a dedicated AHCCCS unit trained on AHCCCS payment standards for timeliness and accuracy, coordination of benefits, third-party liabilities, recoupments, and encounters. As a safeguard, we will also cross train current claims processors in the event of unexpected enrollment levels. In addition, we will retain a bank of qualified applicants for both member* services *and claims in order to expeditiously hire and train staff as needed."*

While HNA took steps in October, November and December 2014 including adding additional staff and requiring mandatory overtime, these actions have not resulted in significant improvement. HNA has not met its RFP proposal commitment to staff planning. The failure of HNA to monitor membership growth, estimate resulting claims impact and plan strategically for staffing needs, further confirms the lack of authority and ability of the Plan Administrator to address and commit resources for the ongoing needs of the health plan.

The results of the October 2014 Provider Claims Survey conducted by AHCCCS identifies HNA's processing of initial claims, resolution and timeliness of resolution of claims issues, Claims Customer Service, and Provider Services Staff performance as opportunities for improvement due to the low percentage of satisfied comments and the large percentage of dissatisfied results. In addition, of the comments provided in the survey, 14.3% of comments were satisfied and 86.7% of comments were dissatisfied.

Grievance and Appeals

In AHCCCS' response to HNA regarding the November 10, 2014, *Notice to Cure-Failure to Accurately Process Claims Disputes* letter, AHCCCS required as per contract that HNA provide a local address for providers to submit claim disputes. The *HNA Provider Dispute & Provider State Fair Hearing Policy & Procedure, Section - Health Net Access Provider Disputes, and Section - Provider State Fair Hearing Process* lists two addresses for providers to use for submission of disputes. The addresses are listed as follows:

Preferred Address
Attention: Health Net Access Provider Disputes
P.O. Box 10340
Van Nuys, Ca 91410-0340

Alternative Address:
Attention Health Net Access Provider Disputes
1230 W. Washington Street Suite, 401
Tempe, Arizona 85281

This address listing does not meet the contract requirements for a local (Arizona) address for providers to submit claim disputes. The language of "Preferred Address" and "Alternative Address" in fact, directs a provider to submit claim disputes to the California address rather than the Arizona address which would certainly be the preference of local providers. The requirement of a local address does not allow for an "alternative address" or any address that is not local. The contract requires provider disputes and requests for hearing to be adjudicated in Arizona. In addition, the HNA claims remittance advice provides a California address for submission of provider claims disputes and hearing requests.

The Dispute and Appeals Manager position was filled with an interim person effective January 16, 2015 and that person is located in Arizona. However, the Provider Claims Dispute Supervisor reporting to the Interim Manager (Organizational Chart-January 19, 2015) is located in California. HNA previously confirmed that provider disputes are handled by a person in California. On February 2, 2015, HNA notified AHCCCS that the current Member Appeals and Grievance Supervisor, who is located in Arizona, will assume the role of Dispute and Appeals Manager effective February 9, 2015. This same person was previously identified by HNA as the Dispute and Appeals Manager but, in fact, was only responsible for member grievance and appeals. This failure to comply with key staffing requirements resulted in the 1/10/2014 compliance action; *Sanction-Failure to Comply with Key Staffing-Dispute and Appeals Manager*. Additionally, the Provider Dispute Supervisor is located in California and reports directly to the Dispute and Appeals Manager. HNA's organizational structure for management, oversight, and adjudication of provider disputes and requests for hearing remains unclear. HNA has not committed local staff and resources to the managing and adjudicating of provider disputes.

Compliance Action

Sanction

Health Net Access has consistently failed to demonstrate compliance in meeting the requirements of the contact as outlined in this letter. Therefore, AHCCCS will impose a **$200,000** monetary sanction. The total sanction amount will be withheld from a future capitation payment.

Capped Membership

HNA membership is hereby capped for auto assignment effective **February 13, 2015** and until further notice as determined by AHCCCS.

Corrective Action
HNA must submit a detailed Corrective Action Plan to include, but not limited to the following. Submit your Corrective Action Plan to Christina Quast at Christina.quast@azahcccs.gov **by February 13, 2015**.

Requirement	Due Date
AHCCCS Meeting • Health Net Access and Health Net Inc. executive leadership to meet with AHCCCS, DHCM leadership	To Be Scheduled
Organizational Structure; Reporting Lines and Staffing Plan; Administrator Authority and Responsibilities • Reorganization of Functional Reporting to Plan Administrator • Revised Organizational Charts • Implementation of necessary and sufficient resources to achieve and sustain compliance	 February 20, 2015 March 1, 2015 March 1, 2015
HNA Website • A link on the Health Net main website to HNA • Fully accessible to members and providers without need to log in (except for specific HIPAA regulated information)	 February 13, 2015 March 1, 2015
Credentialing • In accordance with 12/19/2014 CAP o Submit updated desktop procedures o Provide additional staff training, submit training schedule, training information and documentation of attendance o Describe management oversight activities to ensure compliance and submit documentation of conducted oversight activities • Submit current policy	 March 1, 2015
Claims Processing • Compliance with 0-30 days and 0-60 days processing standards • A Specific Plan and Strategies to address the Provider Claims Survey Results	 April 1, 2015 March 1, 2015
Grievance & Appeals • A Transition Plan to include: o Management and adjudication process dedicated to Arizona for all grievances and claim disputes o Organizational chart of the Dispute and Appeals Unit dedicated to Arizona to include all staffing levels, position names, staffing names, location, reporting lines, and percentage of time allocation to Arizona o Functional Dispute and Appeals Manager in Arizona o Revised policies, procedures and provider documentation including remittance advices, indicating an Arizona mailing address for provider claim disputes.	 March 1, 2015

Failure to correct the deficiencies as outlined in this letter may result in additional compliance actions, pursuant to Acute Care Contract Section D, Paragraph 72 and Section E Paragraphs 45 and 48, up to and including additional sanctions, further restriction on member enrollment to include choice, non renewal of the one year option in 2016 to extend the contract; and/or termination of the contract in whole or in part due to failure of the Contractor to comply with any terms or condition of this contract.

If Health Net Access disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration 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 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, you may contact Virginia Rountree, Operations Administrator, at 602-417-4122 or Virginia.rountree@azahcccs.gov.

Sincerely,

Michael Veit
Chief Procurement Officer

Cc:

Susan Gilkey, Director, Regulatory Compliance & Reporting Health Net Access
Kari Price, Assistant Director, DHCM
Shelli Silver, Assistant Director, DHCM
Virginia Rountree, Operations Administrator, DHCM
Diana Alvarez, Operations Manager, DHCM
Kim Elliott, Clinical Quality Management Administrator, DHCM
Debbie Reichow, Medical Management Manager, DHCM
Christina Quast, Operations Compliance Officer, DHCM
Jason Winfrey, Operations Compliance Officer, DHCM