

February 20, 2018

Ms. Tammy Magallanes  
Chief Financial Officer  
University Family Care  
2701 E Elvira Road  
Tucson, AZ 85709

**Subject: Compliance Action - Notice of Sanction**

Dear Ms. Magallanes:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM) has determined that University of Arizona Health Plans University Family Care (UFC) is in violation of contract YH14-0001-02 for acute care services. As outlined in Section D, Paragraph 71 (Sanctions) of the Acute Care Contract, AHCCCS is imposing the following regulatory action:

UFC has failed to demonstrate compliance with the contractual requirement that the Equity Per Member shall be at least \$115 for Contractors with enrollment of 100,000 members or greater for four consecutive quarters. Paragraph 49, page 121 of the contract reads in part as follows:

*The Contractor must comply with the AHCCCS established financial viability standards. On a quarterly basis, AHCCCS will review the following ratios with the purpose of monitoring the financial health of the Contractor: current ratio; equity per member; medical expense ratio; and the administrative cost percentage.*

Interim quarterly financial statements submitted by UFC reflect an Equity Per Member as listed in the following table:

<b>Quarter Ended</b>	<b>December 31, 2016</b>	<b>March 31, 2017</b>	<b>June 30, 2017</b>	<b>September 30, 2017</b>
<b>EPM (\$115 Standard)</b>	\$101.18	\$104.23	\$100.51	\$105.31

UFC is subject to sanction for failing to keep its Equity Per Member at least \$115 when calculated quarterly. Accordingly, AHCCCS will impose a monetary sanction in the amount of **\$25,000** for UFC's failure to comply with financial standards as specified in contract. The total sanction amount will be withheld from future capitation payments.

If UFC 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 Services at 701 E. Jefferson Street, Phoenix, Arizona 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 UFC have any questions regarding this letter you may contact Shelli Silver at 602-417-4647 or [Shelli.Silver@azahcccs.gov](mailto:Shelli.Silver@azahcccs.gov).

Sincerely,



Meggan Harley, CPPO, MSW  
Chief Procurement Officer

C: Kathy Oestreich, UFC  
Sarah Spiekermeier, UFC  
Shelli Silver, AHCCCS  
Cynthia Layne, AHCCCS  
Pamela Sullivan, AHCCCS  
Virginia Rountree, AHCCCS  
Christina Quast, AHCCCS  
Scott Jewart, AHCCCS