

June 24, 2014

Paul Barnes  
Chief Executive Officer  
Bridgeway Health Solutions  
1501 W. Fountainhead Parkway, Suite 201  
Tempe, AZ 85282

**RE: Regulatory Action - Advantage Bridgeway Health Solutions Dual-Special Needs Plan**

Dear Mr. Barnes:

On June 18, 2014, the Arizona Health Care Cost Containment System (AHCCCS) was made aware of Centene Corporation's failure to receive approval of the Advantage Bridgeway Health Solutions dual-special needs plan (D-SNP) service area expansion in the following counties: Cochise, Graham, Greenlee, Gila, and Pinal. As required in the ALTCS contract YH12-0001 with an effective date of October 1, 2012, Section D, Paragraph 28 Network Development, "if AHCCCS and CMS are unable to reach an agreement to implement the Demonstration, the Contractor will be required to provide Medicare benefits to dual eligible members as a Medicare Advantage Dual Eligible Special Needs Plan (D-SNP). The Contractor will be required to implement Medicare coverage on January 1, 2014."

Based on the provisions of the above referenced contract, 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 outside of Maricopa for the second consecutive year. In accordance with applicable Federal and State regulations, AHCCCS Rules R9-22-606 and R9-28-608, ACOM Policy 408 and the terms of ALTCS contract YH12-0001, 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].

***Sanction***

Bridgeway Health Solutions is found to be in non-compliance of the terms of the ALTCS contract and will be subject to a monetary sanction of **\$300,000**; \$150,000 per affected geographic service area (GSA). Based on this failure to meet contractual standards, the sanction will be assessed as follows:

- GSA 40: Pinal and Gila counties-\$150,000
- GSA 46: Graham, Greenlee and Cochise counties-\$150,000

It was expected that the Contractor would be in full compliance of the stated requirements to operate a MA D-SNP by 2015. As discussed, sanctions for repeated non-compliance in 2015 would be significantly higher and more detrimental.

**This sanction will be withheld from an upcoming capitation payment.**

***Future Performance***

It is expected that the Contractor will become compliant in its efforts to operate a MA D-SNP by 2016. 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. 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 Contractors non-compliance with the Contract, AHCCCS will seek compensation for any damages arising from such legal action, including but not limited to

Regulatory Action D-SNP

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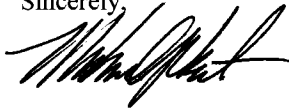
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AHCCCS' cost of representation, as well as the cost of any attorney's fees and costs payable to the party bringing the action.

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 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, please contact Kari Price at 602-417-4625 or [kari.price@azahcccs.gov](mailto:kari.price@azahcccs.gov).

Sincerely,



Michael Veit,  
Chief Procurement Officer

c: Cheyenne Ross, VP of Operations and Compliance, Bridgeway Health Solutions  
Kari Price, Assistant Director, DHCM  
Shelli Silver, Assistant Director, DHCM  
Virginia Rountree, Operations Administrator, DHCM  
Diana Alvarez, Operations Manager, DHCM