

June 29, 2015

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

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

SUBJECT: Compliance Action – Notice to Cure – Contracted Provider Network – [Redacted]

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 (HNA) 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:

Notice to Cure

Health Net Access has failed to comply with requests for information as required in the Acute Contract Section D, Paragraph 68, Request for Information; *AHCCCS may, at any time during the term of this contract, request financial or other information from the Contractor. Responses shall fully disclose all financial or other information requested.*

Additionally, HNA has failed to demonstrate it has a contracted provider network as required in the Acute Contract Section D, Paragraph 27, Network Development; *The Contractor shall develop and maintain a provider network that is supported by written agreements which is sufficient to provide all covered services to AHCCCS members.*

Beginning in June 2014, during the Operational Review (OR), HNA was required to submit contracts and other documentation for an identified sample to meet requirements for OR Standard CIS 13 (Claims and Information Systems). HNA failed to provide this and, as a result AHCCCS was unable to evaluate the standard. AHCCCS made requests for additional documentation during the OR; however, HNA did not provide the required documentation in order for AHCCCS to validate a contracted network. As part of the OR Corrective Action Plan (CAP) process, AHCCCS met with representatives from HNA on four separate occasions to provide technical assistance regarding the request for provider contracts and clarify how HNA's system determines providers as contracted or non-contracted. Unfortunately even after providing technical assistance, AHCCCS was not able to obtain necessary documentation to evaluate the standard and validate that HNA has a contracted provider network.

Subsequently, AHCCCS requested HNA to provide a new population for the OR Standard, CIS 13, so a re-audit could be completed. The re-audit sample was obtained and AHCCCS requested HNA to provide documentation validating claims had been paid according to providers' contracted terms. AHCCCS

suggested documentation to be submitted to validate that claims were paid in accordance with provider contracts included:

The relevant portions of the Contract that identified all parties associated with the Contract, fee schedule, payment terms for services billed, dated signature page, and any other relevant portions of the Contract.

Upon review of the re-audited sample, AHCCCS determined that insufficient documentation was provided in order to validate that the providers in the sample held valid contracts with HNA. As a result of these findings, AHCCCS provided HNA with a list of providers HNA attests as part of its network through submission in HNA's Provider Affiliation Transmission (PAT) file. HNA was required to provide AHCCCS with the date each of the providers listed on the PAT file were contracted with HNA as a Medicaid provider.

Upon receipt of this information AHCCCS selected another sample of providers and HNA was required to provide "the entire Health Net contract and all amendments" for providers identified in the sample. While, documentation provided for 5 of the 18 sampled providers included signed contracts and amendments validating that the providers held contracts or amendments with HNA, insufficient documentation was provided for the remaining 13 providers in the sample. HNA provided documents titled "green cards" that appear to be certified mail receipts. There was no explanation provided to AHCCCS with the documentation submitted by HNA. AHCCCS was not able to determine what documents were sent to providers via certified mail, nor was AHCCCS able to determine which of the sampled providers received certified mail. Documentation submitted was, again, not sufficient to validate that all of the providers held contracts or valid amendments with HNA.

Corrective Action:

HNA must immediately submit valid documentation in order for AHCCCS to determine that HNA has a contracted network of providers as required in contract. The following information must be submitted by **COB July 2, 2015** to Jay Dunkleberger at Jay.Dunkleberger@azahcccs.gov. HNA must submit the following documentation for the sample of identified providers listed below:

- The provider's *entire* Health Net contract
- Any and all associated amendments
- Associated Signature pages
- Associated AHCCCS/Medicaid rate schedules
- If the sampled provider is part of a larger medical group contract, the portions of the contract identifying that those providers are included in the contract
- A short summary for each provider explaining the documents, and how they demonstrate an executed contract with HNA

Provider Sample List

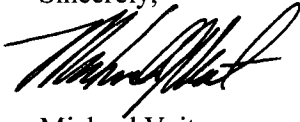
[List Redacted]

This *Notice to Cure* is the sixth action in a series of regulatory actions imposed by AHCCCS due to HNA's failure to consistently demonstrate compliance in meeting the requirements of its contract. 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, up to and including additional sanctions and/or further restriction on member enrollment to include choice.

If you have any questions or concerns, please contact Virginia Rountree, Operations Administrator, at (602) 417-4122 or via email at: Virginia.rountree@azahcccs.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "Michael Veit", written in a cursive style.

Michael Veit
Chief Procurement Officer

Cc: Susan Gilkey, Director, Regulatory Compliance & Reporting, Health Net Access
Shelli Silver, Assistant Director, DHCM
Virginia Rountree, Interim Assistant Director, DHCM
Christina Quast, Interim Operations Manager, DHCM
Jay Dunkleberger, Operations Compliance Officer, DHCM

