

December 17, 2014

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Tenet Healthcare
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Subject: Request to Lift Phoenix Health Plan Enrollment Cap

Dear Messrs. Cowley and Ballantyne:

Thank you for your November 25th letter requesting that the AHCCCS Administration lift the enrollment cap placed on Phoenix Health Plan (PHP) effective October 1, 2013 pursuant to contract YH14-0001. To assist the Agency in evaluating PHP's request, please respond to the inquiries below which will further our understanding of PHP's perspective.

As background to PHP's capped enrollment, the AHCCCS Administration exercised its contractual authority in March 2013 to offer a capped contract to PHP, an unsuccessful incumbent Contractor in Maricopa County. The failure of PHP to receive an acute contract in eight counties resulted from its low ranking relative to the proposals submitted by other Offerors for RFP YH14-0001. PHP's score received a ranking of eight out of nine Offerors. As you may recall, PHP was ranked below Bridgeway in Maricopa County, an Offeror which was not awarded a contract in Maricopa County despite the Agency's authority to award up to seven contracts in GSA 12.

In light of the statements presented in PHP's November 25 correspondence, please provide responses to the following:

1. In the event that AHCCCS determines that it is in the best interest of the State to increase the number of health plans in Maricopa County, please explain how uncapping PHP, rather than making an award to Bridgeway whose RFP proposal scored higher than PHP, mitigates concerns regarding "the integrity of the RFP process." How would uncapping PHP under those circumstances be consistent with "the fundamental purpose and benefit of a competitive procurement"?
2. With six acute care contractors currently serving Maricopa County (in addition to PHP), describe how uncapping PHP would *materially* "promote competition" over the existing level of competition and "reduce overall risk to the system" in the event of a plan failure.
3. PHP enumerates five performance issues with existing Contractors in Maricopa County as "extraordinary and unforeseen developments," and cautions about the risk and disruption to members in the event of a plan failure. Please explain why these performance issues constitute

extraordinary and unforeseen developments given the number and diversity of regulatory actions over the years and why PHP associated the listed performance issues with “plan failure.”

4. With regard to the Banner/ University of Arizona Health Network (UAHN) merger, the AHCCCS Administration solicited feedback from the community about this proposal for a period of more than two months. A public forum was also held as part of this process. Despite the significant concerns related to the merger expressed in your November 25 letter, PHP presented no such comments to the AHCCCS Administration during the extensive opportunity for public input. Please describe the “significant disruption to Arizona’s health care delivery system” and the “unintended consequences” that PHP now believes results from the merger of Banner and UAHN and also explain how uncapping PHP mitigates the alleged disruption.
5. Describe the “gap” that PHP believes would be mitigated by uncapping PHP given the six acute care contractors currently serving Maricopa County (other than PHP) .
6. AHCCCS received notification from CMS regarding two audits performed on PHP’s Medicare Advantage Special Needs Plan, Contract Number: H5985. Pursuant to CMS’ Notice of Imposition of Civil Money Penalty dated November 6, 2014, the recent audits resulted in a civil monetary penalty in the amount of \$146,000 for ten Part C and D violations. CMS noted that “Phoenix Health’s failures in these areas were systemic and resulted in enrollees experiencing inappropriate delays or denials in receiving covered benefits and increased out-of-pocket costs.” PHP has not provided notification to AHCCCS of the above compliance issues. Please describe the causes of these violations and the measures that are being taken to ensure dual members are not experiencing inappropriate delays, denials, or out-of-pocket costs. Please also provide a timeline for resolution of these serious matters.
7. Phoenix Health Plan achieved an overall Star rating of 2.5 out of a possible 5 for 2015. No other AHCCCS health plan has received this low 2.5 Star rating for 2015. Please explain the reasons for this poor rating. What activities will PHP implement to substantially improve the beneficiary experience as well as its deficient Star rating?

Please submit your responses to these inquiries to the AHCCCS Administration no later than January 2, 2015. In terms of stakeholder involvement, the AHCCCS Administration is in the process of developing a public feedback process, and we will provide you with additional information once the process is finalized.

Sincerely,



Thomas J. Betlach
Director

cc: Kari Price, AHCCCS
Shelli Silver, AHCCCS
Michael Veit, AHCCCS