

October 3, 2024

Heather Carter
Chief Executive Officer
Health Choice Arizona
8220 N. 23rd Avenue
Phoenix, AZ 85021

SUBJECT: Administrative Action - Sanction: Claims Payment System Contract Reimbursement Rates

Dear Ms. Carter:

The Arizona Health Care Cost Containment System (AHCCCS) has determined that BCBSAZ Health Choice Arizona (Health Choice) is in violation of its AHCCCS Complete Care (ACC) Contract YH19-0001-03. As outlined in Section D, Paragraph 68, Administrative Actions, Health Choice is hereby subject to an Administrative Action as delineated below.

Section D, Paragraph 37, Claims Payment/Health Information System provides:

The Contractor shall develop and maintain claims processes and systems that ensure the accurate collection and processing of claims, analysis, integration, and reporting of data [Section 6504(a) of the ACA, Section 1903(r)(1)(F) of the Social Security Act, 42 CFR 457.1233(d), 42 CFR 438.242(a)-(b)].

...

Claims System Audits: *The Contractor shall develop and implement an internal ongoing claims audit function that will include, at a minimum, the following:*

- 1. Verification that provider Contracts are loaded correctly.*
- 2. Accuracy of payments against provider Contract terms.*

Section D, Paragraph 60, System and Data Exchange Requirements provides:

Claims Data - *This system shall be capable of collecting, storing, and producing information for the purposes of financial, medical, and operational management. The Contractor shall develop and maintain a HIPAA compliant claims processing and payment system capable of processing, cost avoiding and paying claims in accordance with A.R.S. § 36-2903 and § 36-2904 and A.A.C. R9-22-701.10. The system shall be adaptable to updates in order to support future AHCCCS claims related policy requirements on a timely basis as needed.*

Contractor Responsibilities - *The Contractor is responsible for any incorrect data, delayed submission, or payment (to the Contractor or its subcontractors), and/or penalty applied due to any error, omission, deletion, or incorrect data submitted by the Contractor. Any data that does not meet the standards required by AHCCCS shall not be*

accepted by AHCCCS. The Contractor is required to provide an attestation that any data transmitted is accurate, complete, and truthful, to the best of the Contractor's Administrator/CEO, CFO, or designee's knowledge under penalty of perjury [42 CFR 438.606] as specified by AHCCCS in the HIPAA Transaction Companion Guides and Trading Partner Agreements [42 CFR 457.1201(o), 42 CFR 457.1201(n)(2), 42 CFR 438.606]. Neither the State of Arizona nor AHCCCS shall be responsible for any incorrect or delayed payment to the Contractor's subcontractors resulting from error, omission, deletion, or erroneous input data caused by the Contractor in the submission of AHCCCS claims. The Contractor is also responsible for identifying any inconsistencies immediately upon receipt of data from AHCCCS. If any unreported inconsistencies are subsequently discovered, the Contractor shall be responsible for the necessary adjustments to correct its records at its own expense.

Health Choice failed to maintain compliance with loading accurate rates specific to Air Ambulance Transportation into its claims system resulting in a substantial overpayment to a single provider, during the period between 10/1/2022 and 10/29/2023. Additionally, Health Choice failed to adequately investigate the incorrect amounts paid to this provider when the provider rates were questioned several times, both internally by other Health Choice staff and the provider.

In December 2023, AHCCCS received a request from Health Choice requesting approval to recoup monies paid to a single provider, citing that the overpayment was identified as a result of internal auditing and financial tracking. Health Choice noted that the incorrect rate was applied for claim adjudication. The Contractor's claiming system was configured to pay at the Arizona Department of Health Services published rate and not at the correct AHCCCS default rate. Health Choice cited human error as the root cause.

In February 2024, AHCCCS requested that Health Choice address a number of questions pertaining to the overpayment that included but were not limited to: additional details and background information on how such a substantial overpayment was not identified at an earlier date, communication with the provider concerning this matter, clarification on internal audits that had taken place, financial status of this provider and their parent company, including any potential bankruptcy filings.

On February 15, 2024 Health Choice provided a response to the request for additional clarification. In its letter Health Choice stated:

"Health Choice received outreach from the provider to its Non-Contracted Provider Representative requesting a review of rates of reimbursement in January of 2023. It was a result of this conversation that triggered incorrect rates, rates anchored to ADHS' fee schedule, which were subsequently requested to be loaded. Health Choice did not have consistent communication or regular meetings with this entity as they are a non-contracted provider."

Further, Health Choice's response confirmed that appropriate review of the loaded rates did not occur:

“This rate update was made without utilizing the controls that exist which require a separate entity to perform Quality Assurance over any rate updates that are to be promoted into the claiming production environment. This error was made from a position of overconfidence, convenience, and expediency.”

Based on the response, AHCCCS met with Health Choice on April 11, 2024 for further discussion. During the meeting, Health Choice stated that its claims department became aware of increased utilization by their Utilization Management department. In addition, an increase in payments was identified by the Health Choice Finance team. Additionally, Health Choice confirmed that its Internal Audit department stated there were two audits regarding the rate issue.

Sanction

Health Choice is hereby subject to a monetary sanction in the amount of **\$150,000** for its failure to accurately load air ambulance transportation rates into its claims system, as well as the failure to adequately assess and follow-up to determine the accuracy of said payments resulting in substantial overpayments. The total sanction amount will be withheld from a future capitation payment.

Future Performance

AHCCCS will continue to closely monitor Health Choice’s ongoing performance and compliance with contractual requirements and claims processing.

Failure to correct the deficiencies outlined in this notice as well as identification of other contractual noncompliance may result in additional Administrative Actions, as outlined in the ACC Contract, Section D, Paragraph 68, Administrative Actions, including, but not limited to, further Sanctions.

If Health Choice disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration by using the process outlined in A.A.C R9-34-401 et. seq. The dispute shall be filed in writing and shall be received by the AHCCCS Administration, Office of the General Counsel at 801 East 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 correspondence, please contact Christina Quast at Christina.Quast@azahcccs.gov.

Sincerely,



Meggan LaPorte, CPPO, MSW
Chief Procurement Officer

Division of Business and Finance
Mail Drop #5700

cc: Amanda Pizzolanti, Health Choice
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