

October 23, 2018

James Stringham
Chief Executive Officer
Magellan Healthcare Division
4801 E. Washington St., Suite 225
Phoenix, AZ 85034

RE: Magellan Complete Care of Arizona_ Dual Eligible Special Needs Plan

Dear Mr. Stringham:

The Arizona Health Care Cost Containment System (AHCCCS), Division of Health Care Management (DHCM), has determined that Magellan Complete Care of Arizona (MCCAZ) is in violation of Contract YH19-0001-07 Section D Paragraph 70 and Section H Instructions to Offerors. Accordingly, MCCAZ is hereby subject to compliance action, as outlined below, due to its failure to operate a Dual-Special Needs Plan (D-SNP) in the Central GSA effective January 1, 2019.

On May 24, 2018, Magellan Complete Care of Arizona's (MCCAZ) formally notified the Arizona Health Care Cost Containment System (AHCCCS) that its D-SNP application was withdrawn. The withdrawal of the application was a result of the Centers for Medicare & Medicaid Services' (CMS) intent to deny MCCAZ's Part D application based upon the past performance of a MCCAZ affiliated Prescription Drug Plan.

In accordance with the AHCCCS Complete Care (ACC) Contract YH19-0001-07, the Contractor is required to provide Medicare benefits to dual eligible members through a D-SNP in all counties awarded to the Contractor within specified timeframes. Section D, Paragraph 70, Medicare Requirements of the ACC Contract provides:

To improve care coordination for AHCCCS dual eligible members, the State requires the Contractor or its affiliated organization (Contractor) to provide Medicare benefits to dual eligible members through a CMS- and State-contracted Medicare Advantage Dual Eligible Special Needs Plan (D-SNP) for all counties in the Contractor's contracted Geographical Service Area(s) (GSAs).

Contractors who fail to maintain a D-SNP for all counties in awarded GSAs will be subject to sanctions.

MCCAZ submitted a bid in response to the ACC Request for Proposal (RFP) and signed intent to accept the Contract Award on March 12, 2018; hereby agreeing to comply with all the terms and conditions as specified in the ACC RFP including the following requirement in Section H, Instructions to Offerors:

Successful Offerors will be required to provide Medicare benefits to Medicaid members who are also enrolled in Medicare (dual eligible members) through a State-contracted D-SNP for all counties in AHCCCS Complete Care Contractor's awarded GSAs. Successful Offerors will be required to implement Medicare D-SNPs effective January 1, 2019; all Offerors are required to submit a non-binding Notice of Intent to Apply (NOIA) as a D-SNP to CMS on a date to be determined by CMS, but no later than the end of November 2017. All Offerors must submit D-SNP applications to CMS by a to-be-determined date in February 2018 for D-SNP services to dual eligible members effective January 1, 2019.

Sanction

MCCAZ is hereby subject to a monetary sanction for non-compliance with the explicit terms of the ACC Contract for failure to operate a D-SNP in the Central GSA (Maricopa, Gila and Pinal Counties) effective January 1, 2019. Based on this failure to meet contractual standards, AHCCCS is imposing a **\$75,000.00** monetary sanction. The total sanction amount will be withheld from a future capitation payment.

Future Performance

MCCAZ is expected to be in full compliance with the ACC Contract requirements to operate a D-SNP effective January 1, 2020. Accordingly, MCCAZ is strongly encouraged to initiate and perform all necessary activities, including frequent, timely communication and ongoing collaboration with CMS, to ensure compliance with all requirements necessary to ensure that MCCAZ provides D-SNP services to dual eligible members effective January 1, 2020. Further non-compliance with this ACC Contract requirement may result in additional Administrative Actions, as outlined the ACC Contract, Section D, Paragraph 68, Administrative Actions, including but not limited to increased monetary sanctions as well as discontinuance of auto-assignment of members that are eligible under SSI with Medicare (dual eligible members).

If MCCAZ disagrees with this decision, the Contractor may file a dispute with the AHCCCS Administration 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 and Legal Services, 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 basis for the dispute as well as relief requested.

Should MCCAZ have any questions regarding this matter, please contact Virginia Rountree at Virginia.Rountree@azahcccs.gov or (601) 417-4122.

Sincerely,

A handwritten signature in black ink, appearing to read 'M. Harley', written in a cursive style.

Meggan Harley CPPO, MSW
Chief Procurement Office

Cc: Virginia Rountree, AHCCCS
Shelli Silver, AHCCCS
Christina Quast, AHCCCS
Michelle Holmes, AHCCCS
Anzio Dickerson, AHCCCS