

September 28, 2022

Lindsey A. Perry  
Auditor General  
Office of the Auditor General  
2910 North 44th Street, Suite 410  
Phoenix, Arizona 85018

Dear Ms. Perry:

Enclosed is the Arizona Health Care Cost Containment System's response to the Auditor General's Sunset Factor Report.

I would like to express my appreciation to the Auditor General's office for its professionalism and collaborative approach throughout the audit process. AHCCCS remains cognizant of its critical role in providing health care coverage to over 2.4 million Arizona residents and is committed to continuing to offer quality care to those served by the program. As noted in the agency's response, AHCCCS has already begun to address many of the concerns identified.

Sincerely,



Jami Snyder  
Director

**Finding 1:** AHCCCS has taken more than 1 year to initiate and/or complete its preliminary investigation of more than half of potential fraud or abuse incidents open as of May 2022, potentially resulting in unnecessary payments and difficulty investigating cases.

**Recommendation 1:** AHCCCS should conduct a workload/cost analysis to evaluate whether its funding and staffing level is sufficient for investigating potential provider and member fraud or abuse incidents within its established time frames and work with the Legislature to revise its appropriations, as needed.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Recommendation 2:** AHCCCS should develop and implement policies and procedures, including time frames, for prioritizing and completing potential provider fraud or abuse incidents to help ensure that at a minimum, high priority incidents are preliminarily investigated within 3 months.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: While there are no federal or state regulations mandating completion of preliminary investigations of high priority fraud or abuse incidents within 3 months, AHCCCS agrees this is a best practice. AHCCCS will further refine its triage process whereby all provider fraud or abuse cases are screened within 3 months of receipt, assigned a priority level, and referred to the Attorney General's office if they are identified for criminal investigation.

**Sunset Factor 2:** The extent to which AHCCCS has met its statutory objective and purpose and the efficiency with which it has operated.

**Recommendation 3:** AHCCCS should develop and implement a risk-based approach to sample and review denied eligibility determinations and disenrollment decisions to ensure these decisions are appropriate.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: While there are no federal or state regulations that mandate quality assurance reviews for eligibility denials and disenrollments, AHCCCS agrees this is a best practice. As such, AHCCCS piloted a process to review negative eligibility determinations beginning in January 2022 and is hiring additional staff to complete these reviews on an ongoing basis.

**Recommendation 4:** AHCCCS should ensure that ADES develops and implements a process for reviewing its eligibility determination decisions, including denials and disenrollments, and monitor this process, as required by its intergovernmental agreement with ADES.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: ADES has a process in place to review eligibility determination decisions. Because of the increased workload during the COVID-19 public health emergency, staff were temporarily diverted to complete initial applications. However, effective August 2022, ADES resumed quality assurance reviews on eligibility decisions completed by eligibility staff. These reviews include both approved and denied/disenrolled eligibility decisions. AHCCCS monitors ADES by completing second level reviews of a sample of approved and denied/disenrolled eligibility decisions completed by ADES. AHCCCS and ADES regularly meet to discuss the results of the second level reviews and any errors identified.

**Recommendation 5:** AHCCCS should conduct performance reviews of its contracted health plans once every 3 years, as required by federal regulations and its policies.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Recommendation 6:** AHCCCS should develop and implement a risk-based approach for ensuring that its contracted health plans verify their providers have met required performance measures prior to reimbursing its contracted health plans for provider incentive payments.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS has policies and procedures for, and performs, risk-based audits of each contracted health plan's providers receiving the highest incentive payments, accounting for at least 65 percent of total provider incentive payments by contracted health plan. The audit includes a review of the contracted health plans' incentive calculations and the payment back-up data. No later than January 2023, AHCCCS will develop and implement standard work, documenting the process for verifying provider performance on performance measures prior to reimbursing its contracted health plans for provider incentive payments.

**Recommendation 7:** AHCCCS should implement and use its action plan to guide its efforts in establishing written IT and data security procedures in line with ASET requirements and credible industry standards.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS has processes in place that align with ASET requirements and credible industry standards and consistently meets or exceeds the State's target security score. AHCCCS will document these existing processes by April 2023.

**Recommendation 8:** AHCCCS should develop and implement policies and procedures for overseeing its contracted health plan's process for ensuring that its service providers address identified deficiencies and recommendations resulting from the 3 reviews and/or assessments of behavioral health services provided to members with an SMI in Maricopa

County, such as ensuring the contracted health plan requires its service providers to develop and implement corrective actions, reviews and monitors the corrective actions, and verifies the implementation of corrective actions or reported improvements.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: No later than December 2022, AHCCCS will finalize and implement policies and procedures for overseeing its contracted health plans' process for ensuring provider adherence to the terms and requirements contained in the Arnold v. Sarn settlement. This will include a requirement that the contracted health plans mandate the development of corrective actions when deficiencies are identified, the periodic review and monitoring of performance and corrective actions as well as verification of implementation of corrective actions or reported improvements.

**Recommendation 9:** AHCCCS should, consistent with its plans, develop and implement policies and procedures for overseeing its Housing Program and Housing Administrator by periodically inspecting a sample of housing units and reviewing a random sample of participant files; and requiring the Housing Administrator to take action to address deficiencies, such as through the development and implementation of corrective action plans.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: No later than February 2023, AHCCCS will implement policies and procedures for overseeing its Housing Program and Housing Administrator specific to the inspection of a sample of housing units and the review of a random sample of participant files. The Housing Administrator will be required to take action to address deficiencies, including the development and implementation of corrective action plans.

**Recommendation 10:** AHCCCS should, consistent with its plans, finalize and implement benchmarks for evaluating the performance of its Housing Administrator based on established performance measures.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: In October 2022, AHCCCS will finalize and implement benchmarks for evaluating the performance of its Housing Administrator, following the review of baseline data collected in the first year of the Housing Administrator's operation.

**Recommendation 11:** AHCCCS should develop and implement policies and procedures for monitoring Housing Administrator performance against its established benchmarks and requiring the Housing Administrator to take action to address performance that falls below benchmarks, such as through the development and implementation of corrective action plans.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: In October 2022, AHCCCS will finalize and implement policies and procedures for monitoring the Housing Administrator's performance against established benchmarks, including the utilization of a quarterly report to document performance. The policies and procedures will require that the Housing Administrator take action when performance falls below the benchmarks, such as the development and implementation of corrective action plans.

**Recommendation 12:** AHCCCS should, as required by A.R.S. §36-3432, prepare and submit an annual report on its annual system plan that provides information on the development and implementation of a comprehensive behavioral health system for children, including the identification of services, estimated number of members, and an appropriations request. If AHCCCS determines that it cannot meet all or some portions of this reporting requirement, it should work with the Legislature to modify statute, as applicable.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: As required by A.R.S. §36-3432, AHCCCS will produce and submit the required report on or before November 1 of each year, beginning on November 1, 2023.

**Recommendation 13:** AHCCCS should, as required by A.R.S. §36-3405(D), prepare and submit a complete monthly report that has all required elements, including units of service, amount of monies provided for member services for each RBHA, by Medicaid and non-Medicaid categories, and RBHA administration and case management expenses. If AHCCCS determines that it cannot meet portions of this reporting requirement, it should work with the Legislature to modify statute, as applicable.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS will work with the Legislature to modify statute to align reporting requirements with the current, fully integrated delivery system framework.

**Sunset Factor 3:** The extent to which AHCCCS serves the entire State rather than specific interests.

**Recommendation 14:** AHCCCS should implement its plans to comply with State conflict-of-interest requirements and recommended practices by:

**Recommendation 14a:** Ensuring all staff complete the current ADOA conflict-of-interest disclosure form, including requiring its staff to disclose whether they or a relative have a substantial interest in any decision of a public agency.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS currently has a process in place to collect this information upon hire and if there is a change in the employee's circumstances.

**Recommendation 14b:** Developing and implementing a process for reminding employees to annually complete a disclosure form when their circumstances change.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS developed and implemented an annual reminder process in July 2022. All current employees have renewed disclosure forms on file.

**Recommendation 14c:** Developing and implementing a special file for substantial disclosures and making this file available for public inspection.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS created an electronic special file in February 2022 and is in the process of auditing disclosure forms and moving substantial disclosure forms to the special file. This process will be completed by January 2023.

**Recommendation 14d:** Developing and implementing annual conflict-of-interest training.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Sunset Factor 4:** The extent to which rules adopted by AHCCCS are consistent with the legislative mandate.

**Recommendation 15:** AHCCCS should work with the Legislature to either revise or remove A.R.S. §36-2905.06, which requires it to adopt rules requiring members to be fingerprinted at the time the member is enrolled in a healthcare coverage program.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Recommendation 16:** AHCCCS should adopt rules for excluding providers who have been convicted of certain crimes, as required by A.R.S. §36-2930.05, once litigation surrounding this requirement is resolved.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

**Sunset Factor 5:** The extent to which AHCCCS has encouraged input from the public before adopting its rules and the extent to which it has informed the public as to its actions and their expected impact on the public.

**Recommendation 17:** AHCCCS should enhance the demographic and expenditure information on its website, such as providing demographic information by subpopulations and expenditure information by county and service.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS will provide additional expenditure reporting on its website. However, any additional demographic filtering of subpopulation data must be in compliance with HIPAA safe harbor provisions (45 CFR 164.514). Moreover, an applicant is not required to disclose race and ethnicity information, thus this information is incomplete and may be subject to misinterpretation.

**Sunset Factor 6:** The extent to which AHCCCS has been able to investigate and resolve complaints that are within its jurisdiction and the ability of AHCCCS to timely investigate and resolve complaints within its jurisdiction.

**Recommendation 18:** AHCCCS should establish processes requiring its Division of Member and Provider Services to forward eligibility appeals to the Office of the General Counsel immediately upon receipt to help ensure these appeals are reviewed and processed within 90 days of receipt.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: In August 2022, the Division of Member and Provider Services provided the Office of the General Counsel with access to a shared tracking document of all appeal requests and actions. In addition, standard work processes have been developed to include responsibilities for both divisions to review and update the tracking document, at minimum, once per day.

**Recommendation 19:** AHCCCS should train staff in the Division of Member and Provider Services that receive applications for appeals on the process and time frames for submitting eligibility appeals to the Office of the General Counsel.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: In August 2022, the Division of Member and Provider Services revised the standard work process for processing appeal requests. All staff in the appeals unit have been trained on the process which includes updating the shared appeal tracking document on a daily basis.

**Recommendation 20:** AHCCCS should develop and implement additional appeal-handling procedures, such as monitoring and review procedures, to help ensure that eligibility appeals are timely resolved in compliance with State regulations.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: No later than December 2022, AHCCCS will develop and implement policies and procedures to ensure eligibility appeals are resolved timely.

**Recommendation 21:** AHCCCS should develop and implement policies and procedures for reviewing and resolving grievances and appeals it receives from ASH patients, including procedures that specify when corrective action plans should be developed, and require AHCCCS staff to review and follow up on corrective action plans to ensure that ASH has addressed identified concerns.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: AHCCCS follows the detailed written administrative rules promulgated by the agency but will further develop its processes by creating internal standard work documents by November 2022. The process for assuring implementation of corrective action plans submitted by ASH will be more clearly defined. AHCCCS will discuss with ASH ways to accomplish enhanced monitoring through the development of policies and procedures or other agreements.

**Recommendation 22:** AHCCCS should continue developing and implementing policies and procedures for handling appeals from members receiving services from its Housing Program.

AHCCCS response: The finding of the Auditor General is agreed to and the audit recommendation will be implemented.

Response explanation: The AHCCCS Housing Program Guidebook was finalized in July 2022 and contains an outline of the grievance and appeal requirements for the Housing Administrator. The Housing Administrator reports grievance and appeal data on a quarterly basis to AHCCCS. Additionally, AHCCCS is developing internal standard work for instances in which a member appeals the Housing Administrator's determination to the AHCCCS Director of Housing Programs after exhausting all of the Housing Administrator's grievances and appeals procedures.