



MEMORANDUM

Date: March 14, 2013

To: The Honorable Chairman and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator 

Re: **Final Closure of Pima Health System**

The attached letter from the Arizona Health Care Cost Containment System (AHCCCS) releases Pima County from all contractual obligations related to the closure of Pima Health System (PHS). This represents the successful closure of PHS, which has been an unprecedented undertaking achieved by Pima County staff for almost two years.

Background

Over the last decade, the County has successfully undertaken a focused effort to transition medical and health related operations to community partners in a manner that has preserved, and hopefully enhanced, jobs and services in recognition of the increasing regulatory complexities and costly operational requirements that are more readily achieved by the private sector. The goal has been to retain operational responsibility for only those medical and health services that are mandates of the County, such as the services provided by our Public Health Department, those required for the detainees of the adult and juvenile detention centers, and certain psychiatric evaluation services to those individuals who are involuntarily committed under Title 36.

This effort began with the transition of the licensed home health agency to Dependable Home Health, followed by the lease of the Kino Community Hospital to the physician faculty of The University of Arizona, College of Medicine in June 2004. The final phase of the overall transition strategy for medical and health services operations began in July 2010 when I advised the Board I was exploring a variety of options and partnership proposals for providing health plan functions and management.

Beginning in 1989, Pima County built its operation as a health plan and specialty service provider serving individuals with limited resources and complex health conditions whose care is paid for with public monies through Arizona's Medicaid program known as AHCCCS. The PHS enterprise of Pima County operated both an Acute and long-term care health plan through its contracts with AHCCCS that totaled \$649.6 million during the last five years of its services to members. As part of its enterprise, PHS operated several licensed providers, including a 149-bed skilled nursing facility known as Posada del Sol

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Final Closure of Pima Health System**
March 14, 2013
Page 2

Healthcare Center and a behavioral health clinic. It also developed an attendant care worker program, as well as a community services program leveraging Title 3 funds, both of which provided PHS members with critical supportive and personal care services that permitted them to remain in their homes rather than seeking admission to nursing homes. In 2008, PHS was not successful in retaining the existing Acute contract with AHCCCS; and as a result, no further members were permitted to enter the PHS plan. PHS had to transition an estimated 30,000 members to other health plans, decreasing membership from nearly 33,000 to 2,760. Membership continued to decline over time, making the financial viability of maintaining the Acute plan questionable.

Furthermore, AHCCCS released its request for proposals for the ALTCS plan in Pima County. Historically, the County was the only ALTCS provider, however, in this bid cycle, AHCCCS announced its intention to award two contracts in Pima County. If the County were successful in obtaining an award, membership would decrease significantly, as 50 percent of its members would be transitioned to the second plan awarded a contract. To bid on the ALTCS contract, the County would have to make a significant financial investment, nearly \$12 million. The estimated cost to prepare appropriate studies, perform analyses and submit a bid was estimated to be \$1 million. In addition, the current information technology system was outdated and required replacement. The estimated cost to replace the system to make it compatible with the AHCCCS system and compliant with contract terms was nearly \$11 million. An investment of this magnitude based on the possibility of the County receiving one of two awards was not fiscally prudent.

After reviewing all the options available to the County, a collaboration with Bridgeway Health Solutions, LLC (Bridgeway) to manage the health plan operations for the Acute and ALTCS plans was selected as the best option for the County and PHS members. This option was identified to preserve and enhance the services provided by PHS, ensure services were transitioned for the remainder of the contract period and to provide the PHS/Bridgeway affiliation the greatest probability of success in the upcoming bid cycle.

In November 2010, I notified the Board of the selection of Bridgeway and specific requirements to be addressed in the final contract negotiations. The final contract with Bridgeway, referred to by AHCCCS as a Master Services Agreement, was approved by the Board on December 14, 2010 and received approval by AHCCCS at the end of December.

To assure full compliance and accountability with a myriad of federal and state regulatory rules and the legal obligations under the County's contract with AHCCCS that are attached to sizeable financial sanctions in the event of noncompliance, I approved a PHS Oversight Authority to accomplish obligations of the PHS enterprise. Honey Pivrotto, Assistant County Administrator for Health, was designated to function as the Administrator and CEO

for PHS, working in collaboration with other County departments and to oversee the contract with Bridgeway.

Overview of Actions since December 2010

Following are the milestones achieved to fully transition PHS:

- December 3, 2010: Pima Council on Aging for All assumed operational responsibility for the PHS attendant care worker program and 130 County employees.
- January 1, 2011: Bridgeway assumed operational responsibility for the remaining PHS programs and services exclusive of the 149-bed skilled nursing facility Posada del Sol Healthcare Center. Bridgeway hired 190 County employees to perform the array of services for which PHS was contractually obligated in its AHCCCS contracts.
- February 1, 2011: Bridgeway assumed claims processing for Acute and long-term care member provider claims, as well as claims from community providers for correctional members at the adult detention center.
- April 4, 2011: Bridgeway achieved licensing to assume operations of the behavioral health clinic, and PHS terminated its license.
- October 1, 2011: all PHS members in the long-term care program were transferred to EverCare Select or Mercy Care – the two health plans selected by AHCCCS through their bid process to provide the long-term care plan in Pima County.
- October 1, 2011: all PHS members remaining in the Acute plan were transferred to the five health plans contracted with AHCCCS in Pima County.
- October 1, 2011: the Community Services System (CSS), the Title 3 grant funded program, was transferred to Pima Council on Aging. Pima County terminated its grant involvement with the Arizona Department of Economic Security.
- January 1, 2012: the sale of Posada del Sol Healthcare Center is effective, and 350 County employees transitioned to Foothills Rehabilitation Center, LLC, the buyer. Pima County returned its license and Medicare provider certification transfers to the buyer.
- March 19, 2012: AHCCCS approves County request for release of \$23 million in equity reserve requirements related to PHS.

- June 2012: County staff completed processing the thousands of outstanding pended encounters tied to possible sanctions by AHCCCS that totaled millions of dollars.
- September 7, 2012: final settlement of all claims for the PHS member hospitalized for 917 days was made with a major local hospital, and payment of \$800,000 was processed as final settlement.
- October 2012: recoupment efforts related to the quick-pay discounts and advances is completed, resulting in collection of \$1.5 million by the County for amounts owed to PHS. Subsequently, nearly \$100,000 in additional collections were achieved.
- October 30, 2012: AHCCCS reduces the required reserve for the County from \$3 million to \$1 million.
- October 31, 2012: all QNXT operations are completed; and in February 2013, the County servers for PHS operations are retired. The data warehouse built in a joint effort by County Information Technology, Finance and the Office of the Assistant County Administrator for Health is now operational. Final record retention documentation is distributed.

Successful Release from Contractual Obligations by AHCCCS

On March 12, 2013, the formal written release from contractual obligations related to operating Pima Health System (PHS) and removal of all reserve obligations was provided to the County from AHCCCS. This release culminates nearly two and half years of work effort that began with the Board of Supervisors approval to enter in to a master services agreement with Bridgeway Health Solutions (Bridgeway) to transition the PHS operations while preserving jobs and services for the community.

To ensure that Pima Count met its obligations, the State of Arizona held \$26.4 million in reserve. We have received full release from all reserve obligations. It is important to note that the diligent work of the staff resulted in Pima County receiving full release from all reserve obligations. Potential sanctions could have been as high as \$8 million without their efforts.

While the release provides the County with the desired official confirmation that all requirements have been met, there are certain continuing responsibilities related to PHS that will continue to be handled by the Assistant County Administrator for Health. Examples of these responsibilities include 1) responses to subpoenas, records requests and provider appeals; 2) coordination with the County Attorney's office on any issues involving or potentially involving litigation; 3) coordination for retrieval and destruction of archived

The Honorable Chairman and Members, Pima County Board of Supervisors
Re: **Final Closure of Pima Health System**
March 14, 2013
Page 5

records; 4) processing provider refund checks to the Finance Department as they continue to arrive; and 5) processing the final reconciliation of long-term care payments, including a refund to AHCCCS for overpayments to PHS in the amount of \$224,341.76.

I would especially like to thank Mses. Pivirotto, Sarah Darragh, Amy Fish and Jodi McCloskey and Mr. Paul Guererro, staff who formed the core of the team that managed this successful process over many months.

CHH/mjk

Attachment

c: Jan Leshar, Deputy County Administrator for Medical & Health Services
Honey Pivirotto, Assistant County Administrator for Health
Tom Burke, Director, Finance and Risk Management

Janice K. Brewer, Governor
Thomas J. Betlach, Director

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ARIZONA HEALTH CARE COST CONTAINMENT SYSTEM

March 12, 2013

Honey Pivrotto
Assistant County Administrator for Health Policy
Pima County
3950 South Country Club Road, Suite 300
Tucson, Arizona 85714

SUBJECT: Release from Contractual Obligations – YH07-0001-01 and YH09-0001

Dear Ms. Pivrotto:

The purpose of this letter is to release Pima County from all contractual obligations related to the closure of Pima Health Systems. In a letter dated May 18, 2011, AHCCCS outlined the operational and reporting requirements necessary for the successful closure of Pima Health Systems. Pima County has demonstrated compliance with the requirements and is therefore released from all contractual obligations outlined in YH07-0001-01 (ALTCS) and YH09-0001 (Acute Care), including the requirement that Pima County hold \$1,000,000 in reserve.

Should you have any comments or questions, please contact Jami Snyder, Operations Administrator, at 602-417-4614 or jami.snyder@azahcccs.gov

Sincerely,

Kari Price
Assistant Director
Division of Health Care Management

C: Shelli Silver, AHCCCS
Stephanie Lefkowski, AHCCCS
Jami Snyder, AHCCCS
Patrick Ross, Bridgeway Health Solutions