

Magellan Health Services of Arizona  
4801 E. Washington Street  
Phoenix, AZ 85034  
www.MagellanofAZ.com



July 10, 2013

*Sent via postal & electronic mail.*

Ted Williams, Chair  
Maricopa Consumers Advocates and Providers  
1406 N. 2nd Street  
Phoenix, AZ 85004

Dear Mr. Williams,

We are in receipt of your letter regarding "FY2012 Recoupment Demands". After review of your cited concerns Magellan asserts that it is the responsibility of the RBHA and our contracted network providers to be good stewards of the tax payer dollars in a manner that ensures high quality, timely and cost effective services for all recipients.

In order to achieve this, Magellan and the network providers are required to apply managed care principles and business functions as stipulated in contract. These stipulations are outlined in the following areas.

- **Block Payment Reconciliation** (Cited in Exhibit B-2 Magellan Reimbursement Schedule, Provider Funding Terms)
- **Profit Limitations** (Cited in Exhibit B-2 Magellan Reimbursement Schedule, Provider Funding Terms (Standard Block) and Magellan Health Services of Arizona, Inc. Provider Financial Reporting Guide)
- **Encounter Value Recoupment Policy** (Cited in Magellan Health Services of Arizona, Inc. Provider Financial Reporting Guide)

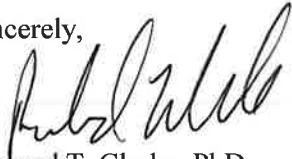
These contractually cited areas allow for periodic and annual review and reconciliation against the stipulated encounter value requirements (i.e. 100% - Standard Block, 95% - Child Provider Network Organization, etc). Additionally terms on profit limitation indicate a maximum of 4% allowed but is not a guarantee of such earning.

In the instance that a network provider(s) is not meeting the above stated requirements, recoupment comes into play either by the request of Magellan or voluntarily. When unique circumstances arise, such as funding changes due to policy decisions as referenced in your letter, Magellan has worked collaboratively with ADHS/DBHS as well as the provider network to plan around how to best manage those adjustments. Flexibility in use of recorded deferred revenue for services from one year to another is one strategy that has been employed. Also, as illustrated in MCAP's letter to Magellan, encounter value and financial performance are related, but not directly tied, and therefore must be looked at individually, as well as together. This further supports the point that such allowances as described do not circumvent the financial accountability of the system.

Magellan takes pride in the approach we have applied consistently over the last several years in regards to reconciling the system of care by holding face-to-face meetings with each provider, providing written communication/notification of any changes, sharing of data to ensure understanding and openly receiving provider data and information to inform final decisions. Additionally we have applied jointly developed system priorities (i.e. peer/family services, race and equity, crisis, etc) and consideration for individual and system solvency within every reconciliation decision process. This has been evidenced by the system sustainability over a six year period in the midst of many funding cuts and changes imposed upon it.

In conclusion we will be moving forward with the recoument as communicated in the letters sent to providers the week of June 24, 2013. This is important so that we can complete the second part of system reconciliation which includes redeployment of funding to providers who have exceeded their contractual expectations. As stated in your letter, each provider circumstance is unique, so we will continue to hold discussions with individual organizations if there are still questions or follow-up needed. Please direct any providers with this request to Shawn Thiele, Deputy CEO at 602-572-5948 or [Sthiele@magellanhealth.com](mailto:Sthiele@magellanhealth.com).

Sincerely,



Richard T. Clarke, PhD  
Chief Executive Officer  
Magellan Health Services of Arizona

Cc: Cory Nelson, Deputy Director, ADHS  
Cynthia Layne, CFO, ADHS  
Shawn, Thiele, Deputy CEO, Magellan Health Services of Arizona  
Alex Nunez, CFO, Magellan Health Services of Arizona