



Jami Snyder
Director
801 East Jefferson, MD 4100
Phoenix, Arizona 85034

Douglas A. Ducey, Governor

Michael Traylor
Director
1789 West Jefferson, MD 1111
Phoenix, Arizona 85007

February 8, 2019

Tom Pomeroy
President, Board of Directors
Hacienda Healthcare, Inc.
1402 East South Mountain Avenue
Phoenix, Arizona 85042

Mr. Pomeroy:

The State is in receipt of Hacienda's letter dated February 6, 2019 and its notice sent yesterday to the Arizona Department of Health Services (ADHS), regarding its plans to cease operations of the Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF-IID). As has already been communicated, the State's paramount priority is and has been the health and safety of the residents of the ICF-IID. It is for this reason the State has concerns over the confirmation in your communications that the facility will be closing with little detail or clarity in your plan to move forward. As the health and safety of these residents could be adversely impacted by transitioning them to another facility, every effort should be made to ensure that such a transition is not necessary; at this time the State does not have confidence that Hacienda has provided a plan that meets this test.

Additionally, you agreed, in writing, that you would employ a third party within the timeline provided by the State and subsequently communicated your compliance with this directive. Your February 6th letter confirms your understanding of this requirement. Unfortunately, Hacienda's agreement with the third party was rescinded, resulting in the State's request for a new plan. Your February 6th response falls well short of meeting this request.

The response neither provides clarity nor demonstrates intent to comply with contract provisions or prior directives to reasonably assure the health and safety of the residents of the ICF-IID – something the State finds deeply concerning. Your recent correspondence and statements to the media make it clear that rather than complying with the prior agreement to bring in a third party and without a definite plan to address challenges Hacienda faced with the third party it chose, such as costs, the Board of Directors decided to close the facility citing the facility's lack of financial viability.

To avoid any potential misunderstanding, and to assist the State in ensuring that the residents of the ICF-IID are protected, the State requests Hacienda to definitively answer the following questions and provide the following information in writing no later than 4:00 p.m., Friday, February 8, 2019:

- Was the vote of the Hacienda Board of Directors to formally and unconditionally close the ICF-IID? If the vote was conditional, please provide the conditions. Please provide the State with a copy of the Board resolution.
- How does this decision comply with paragraph 5 of Hacienda’s contract with DES (ADES 18-00007493) which states: “5. Contract Changes. The Contractor shall not terminate the operations of the ICF/IID institution without the prior written consent of the Department during the term of this Contract.”?
- Does Hacienda intend the letter of February 6, 2019, to serve as its notice to DES/DDD that it is terminating its contract with DES (ADES 18-00007493)? If not, please provide a specific date by which that notice of termination will be sent.
- With respect to the ICF-IID, Hacienda notified the Arizona Department of Health Services of its plan to close the facility; however it did not indicate its intent to relinquish its Medicare/Medicaid certification as required by 42 C.F.R. 438.75, nor was the notice sufficient. Please provide a specific date by which that notice will be sent.

To be clear, it was never the State’s desire to see the ICF-IID shut down. As stated in our prior communications, the State’s primary objective is to ensure that the residents are living in a safe environment and are provided appropriate care by qualified individuals in a manner that is safe and that fully addresses the residents’ needs and the choices of the residents and their families. To be clear, the State does **not** consent at this time to the ICF-IID ceasing operations.

As the State has continued to have employees on site to monitor this facility, the State is anxious to facilitate a solution that ensures the ongoing safety of residents while moving forward and is offering Hacienda two options: (1) come into compliance with the directive in the January 16, 2019 letter from the State or (2) enter into an agreement with the ADHS to voluntarily permit ADHS to exercise licensing authority over the ICF-IID pending legislative action regarding licensure. For more information regarding the second option, Hacienda may contact ADHS directly.

As mentioned above, the State expects your written response on or before 4:00 p.m., Friday, February 8, 2019.

Sincerely,



Jami Snyder
 Director
 Arizona Health Care Cost Containment System



Michel Traylor
 Director
 Arizona Department of Economic Security

C: Cara M. Christ, M.D., M.S.
 Director
 Arizona Department of Health Services