

317 CHANGE IN ORGANIZATIONAL STRUCTURE

REVISION DATE: 10/1/2018

EFFECTIVE DATE: May 13, 2016

REFERENCES: ACOM Policy 438, ACOM 439, ACOM 103; AHCCCS Contract Attachment F3, Contractor Chart of Deliverables, AHCCCS Contract Section D, Corporate Compliance; 42 CFR 106, 42 CFR Subpart B

Purpose

This policy identifies the requirements for submitting changes in the Division's organizational structure resulting from an act of the Governor of the State of Arizona or the Arizona State Legislature or resulting from a planned change in a Management Service Agreement (MSA) Subcontractor. This policy also identifies the Division's role in monitoring and evaluating changes in organizational structure, as defined below, for a Management Service Agreement subcontractor.

Definitions

- A. Acquisition – an acquiring, by one company, of all of a target company's assets, capital, or stock.
- B. Administrative Services Subcontract - agreement that delegates any of the requirements of the contract with the Division, including, but not limited to the following:
1. Claims processing, including pharmacy claims
 2. Credentialing, including those requirements for only primary source verification
 3. Management Service Agreements (MSAs)
 4. Service Level Agreements with any division or subsidiary of a corporate parent owner.
- Providers are not AdSS.
- C. Articles of Incorporation - basic legal instrument required to be filed with the state upon incorporation of a business (sometimes also referred to as the Certificate of Incorporation or the Corporate Charter).
- D. Change In Organizational Structure - any of the following:
1. Acquisition
 2. Change in Articles of Incorporation
 3. Change in ownership
 4. Change of MSA subcontractor (to the extent management of all or substantially all plan functions has been delegated to meet Division contractual requirements)

5. Joint venture
6. Merger
7. Reorganization
8. State agency reorganization resulting from an act of the Governor of the State of Arizona or the Arizona State Legislature
9. Other applicable changes that may cause a change in any of the following:
 - a. Employer Identification Number/Tax Identification Number (EIN/TIN)
 - b. Critical member information, including the website, member or provider handbook and member ID card
 - c. Legal entity name.
- E. Change in Ownership - any change in the possession of equity in the capital, stock, profits, or voting rights, with respect to a business such that there is a change in the persons or entities having the controlling interest of an organization, such as changes that result from a merger or acquisition, or, with respect to non-stock corporations (e.g., non-profit corporations), a change in the members or sponsors of the corporation or in the voting rights of the members or sponsors of the corporation.
- F. Joint Venture - business arrangement in which two or more parties agree to pool their resources for the purpose of accomplishing a specific task. This task can be a new project or any other business activity. In a joint venture, each of the participants is responsible for profits, losses and costs associated with it. However, the venture is its own entity, separate and apart from the participants' other business.
- G. Management Service Agreement (MSA) - type of subcontract with an entity in which the entity's management delegates all or substantially all management and administrative services necessary.
- H. Merger - Two companies join together to form a single entity, using both companies' assets or stock, or, for non-stock corporations (e.g., non-profit corporations), the conversion of memberships, sponsors or their voting rights. Both companies cease to exist separately and new stock is issued for the resulting organization or, for non-stock corporations (e.g., non-profit corporations), memberships or sponsors are combined or their voting rights are transferred to the new corporation.
- I. Performance Bond - A cash deposit with the State Treasurer or a financial instrument secured by the AdSS in an amount designated by the Division to guarantee payment of AdSS claims.
- J. Reorganization - An arrangement where a company attempts to restructure its business to ensure it can continue operations. A company restructuring may work with its creditors to restate its assets and liabilities which may be an attempt to avoid a bankruptcy.

Change in Organizational Structure

A change in organizational structure includes any of the following:

- A. Acquisition
- B. Change in Articles of Incorporation
- C. Change in Ownership
- D. Change of MSA Subcontractor
- E. Joint Venture
- F. Merger
- G. Reorganization
- H. Other applicable changes that may cause:
 - 1. A change in the Employer Identification Number/Tax Identification Number (EIN/TIN)
 - 2. Changes in critical member information, including the website, member or provider handbook, and member ID card, or
 - 3. A change in legal entity name.

In addition, a change in organizational structure may require a contract amendment to the Division's contract with AHCCCS. If the Division does not obtain prior approval, or AHCCCS determines that a change in the Division's organizational structure is not in the best interest of the state, AHCCCS may terminate the contract. Similarly, a change in organizational structure may require a contract amendment to the AdSS contract with the Division. If the AdSS does not obtain prior approval, or the Division determines that a change in the AdSS organizational structure is not in the best interest of the state, the Division may terminate the contract. The Division may offer open enrollment to the members assigned to the AdSS should a change in organizational structure occur. The Division will not permit one organization to own or manage more than one contract within the same line of business in the same Geographic Service Area (GSA).

Transition Plan

The Division submits a summary of all changes in organizational structure and a transition plan to AHCCCS 180 days prior to the effective date of the change.

Items in the transition plan, for which information is not yet available for submission, or is still considered draft, must be noted and submitted, or resubmitted, to AHCCCS no later than 90 days prior to the effective date.

As part of the transition plan, the Division will complete an assessment of the following:

- A. Any potential interruption of services to members including steps to ensure there are no interruptions

- B. The ability to maintain and support the contract requirements
- C. Major functions of the Division, as well as Medicaid programs, are not adversely affected
- D. The integrity of a fair, competitive procurement process for MSA Subcontractors.

Notification to AHCCCS

When notifying AHCCCS, the considerations listed above, and the following information is included in the summary:

- A. Any material change to operations as specified in ACOM Policy 439 and AHCCCS Contract, Section D
- B. The state or federal legislation, rule, or action that necessitates a change in Organizational Structure
- C. A description of the following:
 - 1. Any changes to the management and staffing of the organization currently overseeing services provided under the contract
 - 2. Any changes to existing Management Services Subcontracts
 - 3. Any changes to the administration of critical components of the organizations, information systems, prior authorization, claims processing, or grievances
 - 4. The plan for communicating the change to members, including a draft notification to be distributed to affected members and providers
 - 5. The planned changes to critical member information, including the website, member and provider handbook, and member ID card
 - 6. Any anticipated changes to the network
 - 7. Any changes in federal or state funding that directly impact the Medicaid line of business.
- D. Upon AHCCCS approval of the transition plan, any additional information requested by AHCCCS will be submitted within 120 days of the change, as specified in Contract, Attachment F3, Contractor Chart of Deliverables.

The Division submits the following no later than 45 days prior to the effective date of the change in organizational structure and commencement of operations under the new structure, as specified in Contract, Attachment F3, Contractor Chart of Deliverables:

- A. Information regarding the Disclosure of Ownership and Control
- B. Disclosure of Information on Persons Convicted of a Crime in accordance with 42CFR 455, Subpart B, 42 CFR 455.436, State medicated Director Letters 08-003 and 09-001
- C. AHCCCS Contract Section D, Corporate Compliance, and AHCCCS ACOM Policy 103

For a change of MSA Subcontractor, the Division follows the process for the review and approval of the new MSA Subcontractor as outlined in AHCCCS ACOM Policy 438.

Changes in Organizational Structure for an MSA Subcontractor

MSA Subcontractors that also have a contract with AHCCCS must notify the Division at the same time notification is given to AHCCCS. As appropriate, the Division must collaborate with AHCCCS in monitoring and evaluating the transition plan.

The Division evaluates and monitors the transition plan for MSA Subcontractors that do not have a contract with AHCCCS.