

418 PROVIDER AND AFFILIATE ADVANCE AND LOAN REQUEST

EFFECTIVE DATE: October 1, 2019

REFERENCES: A.R.S. § 36-2901

DELIVERABLES: Equity Distributions; Provider Advances and Loans

This policy applies to the Division's Administrative Services Subcontractors (AdSS). It establishes guidelines for the provision of advances and loans by the AdSS to providers and affiliates (related parties), including another line of business or fund within the AdSS organization.

Definitions

- A. Affiliate (Related Party) - A party that has, or may have, the ability to control or significantly influence a contractor, or a party that is, or may be, controlled or significantly influenced by a contractor. "Related parties" include, but are not limited to, agents, managing employees, persons with an ownership or controlling interest in the offeror and their immediate families, subcontractors, wholly-owned subsidiaries or suppliers, parent companies, sister companies, holding companies, and other entities controlled or managed by any such entities or persons.
- B. Advance - Includes, but is not limited to, payment to a provider or affiliate by a contractor that is based on an estimate of Received but Unpaid Claims (RBUCS), an estimate of the value of erroneous claim denials (including underpayments), a loan, or as otherwise defined by the contractor.
- C. Affiliate (Related Party) Transactions - Transactions with a party that has, or may have, the ability to control or significantly influence a contractor, or a party that is, or may be, controlled or significantly influenced by the contractor. Control, for purposes of this definition, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract, or otherwise. "Related parties" or "Affiliates" include, but are not limited to, agents, managing employees, persons with an ownership or controlling interest in the disclosing entity, and their immediate families, subcontractors, wholly-owned subsidiaries or suppliers, parent companies, sister companies, holding companies, and other entities controlled or managed by any such entities or persons.
- D. Day - Calendar day unless otherwise specified.
- E. Provider - Any person or entity that contracts with the AdSS for the provision of covered services to members consistent with A.R.S. § 36-2901, or any subcontractor of a provider delivering services consistent with A.R.S. § 36-2901.

Advances and Loans

- A. Individual and Cumulative Provider Advances

The AdSS must submit a written request for approval to the Division for any individual or cumulative provider advances in excess of \$50,000 per provider Tax Identification Number (TIN) within a contract year. All requests for prior

approval are to be submitted to the Division's Compliance Unit. In extenuating circumstances, the Division may waive the 10-day notification requirement.

All requests for approval must be in the format detailed below:

1. A detailed letter of explanation must be submitted that describes:
 - a. The provider(s) name(s) and AHCCCS Identification Number(s)
 - b. The date the provider and AdSS initiated discussions relating to the need for the advance
 - c. The systemic organizational causes resulting in the need for an advance
 - d. The process that will be utilized to reconcile the funds against claims payments
 - e. The anticipated timeline for the project
 - f. The corrective action(s) that will be implemented to avoid future occurrences; and,
 - g. The total advance amount, and if applicable, the percentage that the advance amount is of total estimated amount that should have been paid, and range of dates (month/year) for the impacted claims.
2. A copy of the written communication that will serve as notification to the affected provider(s).
3. Upon completion of the advance(s), the Division may request that the AdSS make available within three working days a listing of the payments to be advanced, organized by provider TIN if multiple providers are affected, that includes the following:
 - a. AHCCCS Member ID
 - b. Date of Service
 - c. Original AHCCCS Claim Number
 - d. Date of payment
 - e. Amount paid
 - f. Amount advanced
 - g. Balance Due to/from the provider.

B. Individual and Cumulative Provider Loans

The AdSS must submit written notification to the Division of any individual or cumulative provider loan equal to or in excess of \$50,000 per provider TIN within a contract year. All requests for prior approval are to be submitted to Division's Compliance Unit. In extenuating circumstances, the Division may waive the 10-day notification requirement.

1. All requests for approval must include:
 - a. A detailed letter of explanation must be submitted that describes the:
 - i. Provider(s) name(s) and AHCCCS Identification Number(s)
 - ii. Date the provider and contractor initiated discussions relating to the need for the loan
 - iii. Systemic organizational causes resulting in the need for a loan
 - iv. Process that will be utilized to reconcile the funds against claims payments
 - v. Anticipated timeline for the project
 - vi. Corrective action(s) that will be implemented to avoid future occurrences
 - vii. Total loan amount, and if applicable, the percentage that the advance amount is of total estimated amount that should have been paid, and range of dates (month/year) for the impacted claims.
 - b. A copy of the written communication that will serve as notification to the affected provider(s).
2. Upon completion of the loan(s), the Division may request that the AdSS make available within three working days a listing of the payment(s) loaned, organized by provider TIN if multiple providers are affected, that includes the following:
 - a. AHCCCS Member ID
 - b. Date of service
 - c. Original AHCCCS Claim Number
 - d. Date of payment
 - e. Amount paid
 - f. Amount loaned

- g. Balance due to/from the provider
- C. Routine/Scheduled Advances or Loans to Providers and Any Advances or Loans to Affiliates

Routine/scheduled advances or loans to providers as a result of contractual arrangements, or **any** advance or loans to an affiliate, must be submitted to the Division for prior approval. The request for approval must be submitted to the Division's Compliance Unit.

The Division may request additional information or periodic reconciliations related to these advances.

- D. Routine/Scheduled Advances, Distributions, Loans, Loan Guarantees or Affiliates

The AdSS must submit a written request for approval to the Division for any advances, equity distributions, loans, loan guarantees, or investments in/to related parties or affiliates, including to another fund or line of business within its organization, within a contract year. Prior approval requests must be submitted 30 days prior to the anticipated date of distribution.

All approval requests must be submitted in the format of a detailed letter of explanation that describes the:

- a. Related Party or Affiliate name
- b. Amount
- c. Type of request
- d. Purpose or reason for request
- e. Expected date of investment or distribution.

Division Responsibility and Authority

The Division reserves the right to evaluate and present all proposed advances, loans, loan guarantees, distributions, and investments, to the affected providers(s), related parties, or affiliates, as part of the approval and/or notification process. Communication will be at the timing and discretion of the Division.

The Division evaluates all advance and loan requests for appropriateness and to resolve any future occurrences with accurate and timely claims payment. A written determination will be sent to the AdSS by electronic mail contingent upon receipt of all required information from the AdSS.