

1 **438 ADMINISTRATIVE SERVICES SUBCONTRACTS EVALUATION**

2 REVISION DATE: ~~xx/xx/2023~~, 7/26/2023, 2/16/2022

3 REVIEW DATE: 9/6/2023

4 EFFECTIVE DATE: October 1, 2019

5 REFERENCES: A.R.S. § 36-2901, ACOM 438 Attachments A and B, 42 CFR
6 436, 42 CFR 438.230, 42 CFR 455.101 through 106, and CMS document
7 SMDL #09-001.

8 **PURPOSE**

9 This policy applies to the Division's Administrative Services Subcontractors
10 (AdSS). This policy establishes guidelines and requirements for the AdSS
11 entering into Administrative Services Subcontracts or Management Services
12 Agreement (MSA) and; monitoring subcontractor performance, reporting
13 performance review results, and notifying the appropriate entity of
14 subcontractor non-compliance and Corrective Action Plans (CAPs). Unless
15 otherwise stated, Rrequirements outlined in this policy for Administrative
16 Services Subcontractors also applyies to MSA-unless otherwise stated.

17 **DEFINITIONS**

- 18 1. “Administrative Services Subcontract” means an agreement that
19 delegates any of the requirements of the contract with the
20 Division, including:
- 21 a. Claims processing, including pharmacy claims;
 - 22 b. Pharmacy Benefit manager (PBM);
 - 23 c. Dental Benefit Manager;
 - 24 d. Credentiaing, including those for only primary source
25 verification ~~(CVO);~~
 - 26 e. Medicaid Accountable Organization (ACO); and
 - 27 ef. Service Level Agreements with the Division or Subsidiary
28 of a corporate parent owner.
- 29 2. “Attachment A” means the Attachment A of the Administrative
30 Services Subcontract Checklist. It is the AHCCCS deliverable
31 template.
- 32 3. “Change in Organizational Structure” means any of the
33 following:
- 34 a. Merger
 - 35 b. Acquisition

- 36 c. Reorganization
- 37 d. Change in Articles of Incorporation
- 38 e. Joint Venture
- 39 f. Change in Ownership
- 40 g. Change of Management Services Agreement (MSA)
- 41 Subcontractor
- 42 h. Other applicable changes that may cause:
- 43 i. A change in the Employer Identification Number/Tax
- 44 Identification Number (EIN/TIN)
- 45 ii. Changes in critical Member information, including
- 46 the website, ~~p~~P provider handbook and Member ID
- 47 card
- 48 iii. A change in legal entity name.
- 49 4. "Corrective Action Plan" or "CAP" means a written work plan
- 50 that identifies the root cause(s) of a deficiency, includes goals
- 51 and objectives, actions or tasks to be taken to facilitate an
- 52 expedient return to compliance, methodologies to be used to
- 53 accomplish CAP goals and objectives, and staff responsible to

- 54 carry out the CAP within established timelines. CAPs are
55 generally used to improve performance of the Contractor or its
56 Providers, to enhance Quality Management or Process
57 Improvement activities and the outcomes of the activities, or to
58 resolve a deficiency.
- 59 35. "Management Service Agreement" or "MSA" means a type of
60 subcontract with an entity in which the owner of the Contractor
61 delegates all or substantially all management and administrative
62 services necessary for the operation of the Contractor.
- 63 6. "Medicaid Accountable Care Organization" or "ACO" means an
64 entity that enters into a Value-Based Purchasing (VBP)
65 arrangement with a Contractor which:
- 66 a. Improves the health care delivery system by increasing
67 the quality of care while reducing costs.
- 68 b. Enters into VBP contracts with Provider groups or
69 networks of groups.
- 70 c. Coordinates Provider accountability for the health of their
71 patient population, often through shared savings, shared

- 72 risk, or capitated Alternative Payment Models (APM),
73 combined with quality incentives to ensure both quality
74 outcomes and cost containment.
- 75 d. Supports Providers participating in APMs by providing
76 services such as data analytics, technical assistance,
77 Provider education, and Provider recruitment.
- 78 e. Operates as an intermediary between the Contractor and
79 Providers, but not as a Provider of direct services to
80 Members.
- 81 f. May or may not perform delegated administrative
82 activities. Any delegated administrative activities to the
83 Medicaid ACO are subject to prior approval by AHCCCS.
- 84 47. "Member" means the same as "client" as defined in A.R.S. § 36-
85 551.
- 86 58. "Provider" means any person or entity that contracts with the
87 AdSS for the provision of covered services to Members
88 according to the provisions of A.R.S. § 36-2901 or any
89 subcontractor of a ~~p~~Provider delivering services pursuant to

90 A.R.S. § 36-2901. Providers are not Administrative Services
91 Subcontractors.

92 ~~6. "Corrective Action Plan" or "CAP" means a written work plan~~
93 ~~that identifies the root cause(s) of a deficiency, includes goals~~
94 ~~and objectives, actions or tasks to be taken to facilitate an~~
95 ~~expedient return to compliance, methodologies to be used to~~
96 ~~accomplish CAP goals and objectives, and staff responsible to~~
97 ~~carry out the CAP within established timelines. CAPs are~~
98 ~~generally used to improve performance of the Contractor or its~~
99 ~~Providers, to enhance Quality Management or Process~~
100 ~~Improvement activities and the outcomes of the activities, or to~~
101 ~~resolve a deficiency.~~

102 ~~7. "Medicaid Accountable Care Organization" or "ACO" means an~~
103 ~~entity that enters into a Value-Based Purchasing (VBP)~~
104 ~~arrangement with a Contractor which:~~
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106 ~~the quality of care while reducing costs.~~

- 107 ~~b. Enters into VBP contracts with Provider groups or~~
108 ~~networks of groups.~~
- 109 ~~c. Coordinates Provider accountability for the health of their~~
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112 ~~combined with quality incentives to ensure both quality~~
113 ~~outcomes and cost containment.~~
- 114 ~~d. Supports Providers participating in APMs by providing~~
115 ~~services such as data analytics, technical assistance,~~
116 ~~Provider education, and Provider recruitment.~~
- 117 ~~e. Operates as an intermediary between the Contractor and~~
118 ~~Providers, but not as a Provider of direct services to~~
119 ~~Members.~~
- 120 ~~f. May or may not perform delegated administrative~~
121 ~~activities. Any delegated administrative activities to the~~
122 ~~Medicaid ACO are subject to prior approval by AHCCCS.~~
- 123 9. "Quality of Care" ~~or ("QOC")~~ means ~~A~~an expectation that, and
124 the degree to which the health care services provided to

- 125 individuals and patient populations improve desired health
126 outcomes and are consistent with current professionally
127 recognized standards of care and service provision. ~~(Definition~~
128 ~~adapted from The Institute of Medicine).~~
- 129 10. "Request for Proposal" ~~or ("RFP")~~ means A document prepared
130 by AHCCCS ~~which~~that describes the services required and
131 ~~which~~that instructs a prospective Offeror how to prepare a
132 response ~~(Proposal)~~.
- 133 11. "Subcontractor" means:
- 134 a. A provider of health care who agrees to furnish covered
135 services to ~~m~~Members.
- 136 b. An individual, agency, or organization with which the
137 Contractor, or its Subcontractor, has contracted or
138 delegated some of its management ~~or/~~ administrative
139 functions or responsibilities.
- 140 c. An individual, agency, or organization with which a fiscal
141 agent has entered into a Contract, agreement, purchase
142 order or lease ~~(or leases of real property)~~ to obtain space,

143 supplies equipment or services provided under the
144 AHCCCS agreement.

145 **POLICY**

146 **A. APPROVAL OF SUBCONTRACTS**

147 1. The AdSS shall submit all Management Services Agreements
148 (MSA) and Administrative Services Subcontracts to the Division
149 for prior approval as noted below and as specified in the AdSS
150 contract with the Division, 60 days before the effective date of
151 the subcontract.

152 a. The AdSS shall submit an [unredacted](#) copy of the
153 proposed ~~Administrative Service~~ Subcontract to the
154 Division with AHCCCS Contractor Operations Policy Manual
155 (ACOM) Policy 438 Attachment A, Administrative Services
156 Subcontract Checklist.

157 b. The local Chief Executive Officer (CEO) shall retain the
158 authority to direct and prioritize all work performed
159 through a delegated contract.

- 160 c. The AdSS shall require that subcontractors meet any
161 performance standards applicable to the delegated
162 services as mandated by the Division and AHCCCS.
- 163 ~~i. The AdSS shall notify Aa [change in Organizational](#)~~
164 ~~[Structure of Administrative Services Subcontractor](#)~~
165 ~~[requires notification to the Division.](#)~~
- 166 ~~ii. The Division will review the notification and~~
167 ~~[determine if a complete Attachment A submission is](#)~~
168 ~~[required.](#)~~
- 169 ~~ii. [If a complete Attachment A submission is required,](#)~~
170 ~~[the AdSS shall follow the process for the review and](#)~~
171 ~~[approval of newly proposed Administrative Services](#)~~
172 ~~[Subcontracts as defined in this policy.](#)~~
- 173 d. The AdSS shall ensure the agreement contains a provision
174 stating that a merger, reorganization, or change in
175 ownership requires a contract amendment and prior
176 approval of the Division and AHCCCS.

- 177 e. The AdSS shall notify and obtain prior approval from the
178 Division of a Change in Organizational Structure of an
179 Administrative Services Subcontractor.
- 180 i. The AdSS shall follow the process for the review and
181 approval of newly proposed Administrative Services
182 Subcontracts as defined in this Policy.
- 183 ii. If the Change in Organizational Structure is related
184 to the AdSS MSA, the AdSS shall submit the
185 proposed change for prior approval as outlined in
186 AdSS Operations Policy Manual, Policy 317.

187 **B. MONITORING AND REPORTING**

- 188 1. The AdSS shall adhere to all requirements for any contractual
189 relationship and delegation as listed in 42 CFR 438.230.
- 190 2. The AdSS shall monitor its subcontractor's performance on an
191 ongoing basis and complete a formal review of the
192 subcontractors at least annually.

- 193 3. In the formal review, the AdSS shall conduct a review of
194 delegated duties, responsibilities, and financial position of the
195 subcontractors.
- 196 4. If at any time during the period of the Administrative Service
197 Subcontract, the subcontractor is found to be in non-
198 compliance, the AdSS shall notify the Division with the following
199 information:
- 200 a. The subcontractor's name
- 201 b. Delegated duties and responsibilities
- 202 c. Identified areas of non-compliance and whether the non-
203 compliance affects Member services or causes a quality of
204 care concern
- 205 d. The scope and estimated impact of the non-compliance
206 upon Members
- 207 e. The known or estimated length of time that the
208 subcontractor has been in non-compliance
- 209 f. The subcontractor's CAP or strategies to bring the
210 subcontractor into compliance

211 g. Sanction actions that may be taken because of the non-
212 compliance

213 5. The AdSS shall review and respond to any follow-up questions
214 for more information related to ~~an~~ any open CAP if more
215 information is needed regarding the CAP requested by the
216 Division.

217 6. The AdSS shall communicate the results of a CAP with the
218 Division upon closure of the CAP.

219 **C. EVALUATION REPORT**

220 1. The AdSS shall submit a completed Administrative Services
221 Subcontractor Evaluation Report annually, using ACOM Policy
222 438, Attachment B, Administrative Services Subcontractor
223 Evaluation Report Template.

224 2. The AdSS shall ensure that the Administrative Services
225 Subcontractor Evaluation Report includes the following:

- 226 a. The name of the subcontractor;
227 b. The delegated duties and responsibilities;

- 228 c. The date of the most recent formal review of the
229 duties, responsibilities, and financial position, as
230 appropriate, of the subcontractor;
- 231 d. A comprehensive summary of the evaluation of the
232 operational and financial, as appropriate,
233 performance of the subcontractor, including the
234 type of review performed;
- 235 e. The next scheduled formal review date;
- 236 f. All identified areas of deficiency that:
- 237 i. Affect Member services; or
238 ii. Cause a quality of care concern; and
- 239 g. CAP Information, including:
- 240 i. Date reported to the Division;
241 ii. A detailed description of the reason(s) the
242 Subcontractor was placed on a CAP;
243 iii. A description of the steps taken by the
244 Subcontractor to address the CAP; and

245 iv. The current status and expected completion
246 time of the CAP.

247 **D. ADDITIONAL REQUIREMENTS**

- 248 1. Before entering into an Administrative Services Subcontract, the
249 AdSS shall evaluate the prospective subcontractor's ability to
250 perform the delegated duties.
- 251 2. The AdSS shall ensure that all Administrative Services
252 Subcontracts reference and comply with the Minimum
253 Subcontract Provisions available on the AHCCCS website.
- 254 3. In the event of a modification to Division Policy, guidelines, and
255 manuals, the AdSS shall issue a notification of the change to its
256 affected subcontractors of any affected subcontracts.
- 257 4. The AdSS shall amend the affected Administrative Services
258 Subcontracts on their regular renewal schedule or within six
259 calendar months of the update, whichever comes first.
- 260 5. In the event of a modification to Minimum Subcontract
261 Provisions, the AdSS shall issue a notification and amend
262 Administrative Services Subcontracts.

- 263 6. The AdSS shall ensure that all Administrative Services
264 Subcontracts reference and comply with the Disclosure of
265 Ownership and Control and Disclosure of Information on
266 Persons Convicted of Crimes requirements as outlined in the
267 contract and 42 CFR 455.101 through 106, 42 CFR 436, and
268 State Director Letter (SMDL) 09-001.
- 269 7. AdSS shall disclose to the Division the identity of any excluded
270 person.
- 271 8. The AdSS shall ensure that all Administrative Services
272 Subcontracts for services rendered to Medicaid recipients
273 incorporate by reference the applicable terms and conditions
274 outlined in the Division Contract.
- 275 9. The AdSS shall maintain a fully executed original or electronic
276 copy of all Administrative Services Subcontracts and make them
277 accessible to the Division within five business days of the
278 request by the Division according to contract requirements.
- 279 10. The AdSS shall ensure that all Member communications
280 furnished by the AdSS include the Division's name and comply

281 with Member notification requirements as outlined in AdSS
282 Operations Manual, Policy 404.

283 11. If the AdSS terminates a subcontract, the AdSS shall ensure
284 compliance with all aspects of the Division contract
285 notwithstanding the subcontractor termination, including
286 availability of and access to all covered services and provision of
287 covered services to Members within the required timeliness
288 standards.

289 **SUPPLEMENTAL INFORMATION**

290 **DELIVERABLES:**

- 291 1. Administrative Services Subcontracts
- 292 2. Administrative Services Subcontractor Evaluation Report
- 293 3. Administrative Services Subcontractor Non-Compliance Reporting
- 294 4. Corporate Cost Allocation Plans and Adjustment in Management Fees