



Division of Developmental Disabilities

POLICY NOTIFICATION

Early Notification Transmittal Date: 2/25/2026

Public Comment Transmittal Date: 4/1/2026

NOTIFICATION

DDD is proposing *changes to the following policy* :

AdSS Operations Manual, Policy 103 Fraud, Waste, and Abuse

Description of *changes* :

- Minor revisions to align with the current AdSS Contract and Division Operations Policy 103
- Applicability removed from Purpose Statement
- Definitions added, deleted, and revised in the Definition Section
- The term "Clinically Integrated Network" added to the Administrative Services Contract definition
- The following language was added: The AdSS shall submit data that indicates a review of allegations that were not reported to AHCCCS OIG, that were resolved internally, and were not identified as FWA.
- Timelines clarified
- Additional information added to and deleted from Supplemental Information
- Sentence restructuring to align with policy formatting

PUBLIC COMMENT TIMELINE

Dates: Public comment will be open for 30 days beginning April 1, 2026, and closing May 1, 2026, 11:59 pm, Arizona time.

Instructions: (Complete instructions are located on the Division's [webpage](#))

- Comments may be submitted online by clicking [here](#).
- Do not include any information that is confidential, covered under HIPAA, or inappropriate for public disclosure.

If access to the online form is not available or if you have questions, please email the DDD Policy Unit at DDDpolicy@azdes.gov.

103 FRAUD, WASTE, AND ABUSE

Revision Dates: ~~(TBD)~~, 5/1/2024, 4/10/2024

Review Dates: 7/15/2025, 7/8/2024, 9/6/2023

Effective Date: October 1, 2019

References: A.R.S. § 36-2901, ~~A.R.S. § 36-2918~~, ~~A.R.S. § 36-2957~~, ~~A.R.S. § 36-2903.01(K)~~; A.A.C. R9-22-702; 42 CFR ~~Part 455, -101~~, 42 CFR 438.608, 42 CFR Part 438, Subpart H, ~~42 CFR 455~~, ~~42 CFR 455, Subpart A~~, 42 CFR 455, Subpart B, ~~42 CFR 455.2~~, ~~42 CFR 455.23~~, ~~42 CFR 455.101~~, ~~42 CFR 455.436~~; ACOM Policy 103; Division Operations Policy 103; ~~State Medicaid Director Letters 08-003 and 09-001~~; Section 6032 of the Deficit Reduction Act.

PURPOSE

This ~~policy applies to the Administrative Services Subcontractors (AdSS) of the Division of Developmental Disabilities (Division).~~ The purpose of this policy is to outline the corporate compliance requirements, including the reporting responsibilities for alleged Fraud, Waste, and ~~or~~ Abuse (FWA) involving AHCCCS program funds, regardless of the source, and services funded by the Division. This ~~policy also addresses additional~~ responsibilities regarding regulatory compliance with broader program integrity and programmatic requirements.

DEFINITIONS

1. "Abuse" means Provider practices that are inconsistent with sound fiscal, business, or medical practices, and result in an unnecessary cost to the Medicaid Division program, or in reimbursement for services that are not medically necessary or that fail to meet professionally recognized standards for health care, including beneficiary practices that result in unnecessary cost to the Medicaid Division Program.
2. ~~"Administrative Services Subcontract" means an agreement that delegates any of the requirements of the contract with the Division, including, but not limited to the following:~~
 - a. ~~Claims processing, including pharmacy claims;~~
 - b. ~~Pharmacy Benefit Manager; (PBM)~~
 - c. ~~Dental Benefit Manager;~~
 - d. ~~Credentialing, including those for only primary source verification; through Credential Verification Organization (CVO)~~
 - e. ~~Medicaid Accountable Care Organization(ACO)~~
 - f. ~~Service Level Agreements with any division or subsidiary of a corporate parent owner; providers are not AdSS.~~
 - g. ~~CHP and the Division Subcontracted Health Plan;~~

- ~~i. A person, individual or entity, who holds an Administrative Services Subcontract is an Administrative Services Subcontractor.~~
- ~~ii. Providers are not Administrative Services Subcontractors.~~
2. "Agent" means any person who has been delegated the authority to obligate or act on behalf of a Provider as defined specified in 42 CFR 455.101.
3. "AHCCCS Office of Inspector General" means the division of AHCCCS that has the authority to conduct preliminary and full investigations relating to Fraud, Waste, and Abuse involving the programs administered by AHCCCS.
- ~~5. "Contract" means the AdSS contract with the Division.~~
- ~~5. "Corporate Compliance Officer" means an individual located in Arizona and who implements and oversees the AdSS Compliance Program. The Corporate Compliance Officer shall be a management official, available to all employees, with designated and recognized authority to access records and make independent referrals to the AHCCCS Office of the Inspector General. The Corporate Compliance Officer shall not hold any~~

~~other position other than the Contract Compliance Officer position. The Corporate Compliance Officer shall be an onsite management official who reports directly to the Contractor's AdSS Chief Executive Officer (CEO) and Board of Directors, if applicable. The Corporate Compliance Officer shall be responsible for developing and implementing policies, procedures, and practices designed to ensure compliance with the requirements of the Contract as specified in 42 CFR 438.608.~~

- ~~6. "Credible Allegation of Fraud" means the State Medicaid agency has reviewed all allegations, facts and evidence carefully, and acts judiciously on a case by case basis, as specified in 42 CFR 455.2.~~
4. "Fraud" means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to themselves ~~himself~~ or some other person. It includes ~~including~~ any act that constitutes fraud under applicable federal or state ~~State or Federal~~ law as defined in 42 CFR 455.2.
5. "Managing Employee" means a general manager, business manager, administrator, director, or other individual who

exercises operational or managerial control over, or who directly or indirectly conducts the day-to-day operation of an institution, organization, or agency as outlined in 42 CFR 455.101.

6. "Member" means the same as "Client," a person receiving developmental disabilities services from the Division, as specified in A.R.S. § 36-551. "Member" means the same as "Client" as defined in A.R.S. § 36-551.
7. "Ownership or Control Interest" means an individual or entity that:
- a. Has a direct ownership interest equal to five percent or more in a Provider;
 - b. Has an indirect ownership interest equal to five percent or more in a Provider;
 - c. Has a combination of direct and indirect ownership interests equal to five percent or more in a Provider;
 - d. Owns an interest of five percent or more in any mortgage, deed of trust, note, or other obligation secured by the Provider if that interest equals at least five percent of the value of the property or assets of the Provider;
 - e. Is an officer or director of a Provider that is organized as a

corporation; or

f. A partner in a Provider that is organized as a partnership.

8. "Provider" means any individual or entity contracted with the AdSS that is engaged in the delivery of services, or ordering or referring for those services, and is legally authorized to do so by the State. ~~a person, institution, or group engaged in the delivery of services, or ordering and referring those services, who has an agreement with the Division to provide services to Division Members.~~

9. "Subcontractor" means:

- a. A provider of health care who agrees to furnish covered services to Members;
- b. A person, agency, or organization with which the Contractor or its subcontractor has contracted or delegated some of its management or administrative functions or responsibilities;
- c. A person, agency, or organization with which a fiscal agent has entered into a contract, agreement, purchase order or lease, ~~or leases of real property~~ to obtain space, supplies, equipment, or services provided under this contract with

the Division; or

- d. Any entity that has a delegated contract with another contracted entity to perform service.

10. "Waste" means overutilization or inappropriate utilization of services, misuse of resources, or practices that result in unnecessary costs to the Medicaid Program.

POLICY

A. AdSS RESPONSIBILITIES

1. The AdSS shall have ~~in place~~ internal controls, policies, and procedures to:
- a. Prevent, detect, and report credible Fraud, Waste, and Abuse (FWA) activities to the Division and AHCCCS Office of Inspector General (OIG); and
 - b. Implement a suspension, termination, or exclusion of a Provider from the AdSS network of Providers.
2. The AdSS shall have a Corporate Compliance Program that complies with the AdSS' Contract with the Division and all state and federal laws, including 42 CFR Part 438, Subpart H. ~~and is developed under the AdSS corporate compliance plan including:~~
3. The AdSS shall develop the Corporate Compliance Program in

accordance with the AdSS Corporate Compliance Plan and include:

- a. Program integrity goals and objectives;
 - b. Descriptions of internal and external controls employed by the AdSS to ensure compliance with state and federal law; and
 - c. The AdSS's corporate compliance activities; and as outlined in ACOM 103.
 - d. The roles and responsibilities of staff as they relate to the Corporate Compliance Program.
4. The AdSS shall submit the ~~Submit the AdSS~~ written Corporate Compliance Plan to the Division annually as specified in the Contract.
 5. The AdSS shall include a program integrity audit program as part of its Corporate Compliance Plan designed to identify FWA.
 6. The AdSS shall ensure that the program integrity audit program tracks inadequate billing practices and identifies emerging trends to provide technical assistance to contracted providers and avoid future occurrences of problematic billing. ~~Have a Corporate Compliance Plan that includes a program integrity audit and~~

~~review program designed to:~~

- ~~i. Identify fraud, waste, and abuse;~~
- ~~ii. Ensure that the AdSS tracks inadequate billing practices; and~~
- ~~iii. Identify emerging trends in an effort to provide technical assistance to contracted Providers and avoid future occurrences of problematic billing.~~

7. The AdSS shall submit to the Division an external audit plan/ schedule and audit report of all individual Provider audits using ACOM 103 Attachment C. ~~as specified in Section (F)(3) of the AdSS contract with the Division, Contractor Chart of Deliverables.~~~~a. In Each~~ audit report, ~~the AdSS shall include:~~
- a. An objective, scope, estimated dollars at risk, current audit results, key audit findings, recommendations, corrective actions required, and conclusion;
 - b. Copies of the report for each audit scheduled and completed; and
 - c. If an audit was not completed timely, include a reason why it was not completed and a date when the audit will be completed in the future.

- i. AdSS with one line of business shall submit a minimum of 20 audits semiannually.
- ii. AdSS with two lines of business shall submit a minimum of 20 audits for the first line of business and 15 audits for the second line of business.
- iii. AdSS with three or more lines of business shall submit a minimum of 20 audits for the first line of business, 15 audits for the second line of business, and 10 audits for the third line and subsequent lines of business.
- iv. The AdSS shall submit follow-up audits on a separate ACOM 103 Attachment C and not count towards the required minimum number of audits listed above.
~~numbers as stated above in this subsection.~~

9. The AdSS shall submit complete, accurate, and current disclosure information, as described in 42 CFR Part 455, Subpart B, and as specified in Contract, upon execution of a Contract with the Division State and upon renewal or extension of the Contract ~~using~~ utilizing ACOM 103 Attachment A and Attachment A-1, and:

- a. ~~The AdSS shall~~ Ensure review of its response by its legal counsel prior to submitting disclosure information;
- b. ~~As specified in Contract, the AdSS shall~~ Submit all information electronically; ~~without any exceptions.~~
- c. ~~AHCCCS/Office of Administrative Legal Services (OALS) and AHCCCS OIG reviews the AdSS submitted disclosure information for completeness and AHCCCS OIG screens and confirms that persons listed in the submitted information are not excluded from participation in the Medicaid program.~~
- d. Complete all information as specified in ACOM 103 Attachment A and Attachment A-1 to enable AHCCCS OIG to confirm that persons with an ownership or control interest in the AdSS are not excluded from participation in the Medicaid program;
- e. ~~The AdSS shall~~ Obtain and disclose the information regarding the ownership and control interest of its Subcontractors; and

- e. ~~The AdSS shall Retain the results of the disclosure of ownership and control and the disclosure of information on persons convicted of crimes and reported to the Division.~~
- 10. The AdSS shall ensure that the disclosure information described above is accompanied with an attestation that the information provided is accurate, complete, and truthful, and signed by:
 - a. The AdSS Chief Executive Officer or an individual who reports directly to the Chief Executive Officer with delegated authority to sign for the Chief Executive Officer;
or
 - b. The AdSS Chief Financial Officer or an individual who reports directly to the Chief Financial Officer with delegated authority to sign for the Chief Financial Officer.
~~complete and submit an attestation, as specified in ACOM 103 Attachment A, along with the disclosure information described in this subsection, and that the information provided is accurate, complete, and truthful.~~
 - d. ~~Consistent with 42 CFR 457.990 and 42 CFR 438.606, the AdSS Chief Executive Officer, Chief Financial Officer, or an individual who reports directly to the Chief Executive~~

~~Officer or Chief Financial Officer with delegated authority to sign for the Chief Executive Officer or Chief Financial Officer shall sign the attestation.~~

~~e. Failure to provide all complete and accurate disclosures and an attestation signed by an individual with appropriate authority may result in the withholding of payments under the Contract or the recovery, recoupment, or offset of any monies remitted without limitation.~~

11. The AdSS shall disclose and require its Subcontractors to disclose, to the Division the identity of any employee or person with ownership or control interest who is excluded from participation in any federal healthcare programs.
12. The AdSS shall comply with the requirements of Section 6032 Deficit Reduction Act of 2005 (DRA) [Section 1902(a)(68) of the Social Security Act, 42 CFR 457.1285, and 42 CFR 438.608(a)(6)].
13. The AdSS shall, as a condition for receiving payments, establish written policies that provide detailed information and ongoing training and education and ~~ensure adequate training and ongoing education~~ for all of its employees, including

management, Division Members, and of any Subcontractors or Agents of the AdSS regarding the following:

- a. Provisions under ~~Detailed information about~~ the Federal False Claims Act;
- b. ~~The~~ Administrative remedies for false claims and statements;
- c. Any state laws relating to civil or criminal penalties for false claims and statements; ~~and~~
- d. ~~The~~ Whistleblower protections ~~under such laws~~; and
- e. Ensure adequate training addressing FWA prevention, detection, recognition, and reporting, and encourage employees, Division Members, and any Subcontractors to report FWA without fear of retaliation.

14. The AdSS shall:

- a. Have ~~Ensure~~ an internal reporting process relating to the reporting of FWA that is well-defined and ~~is~~ made known to all employees, Division Members, and any Subcontractors;
- b. Conduct research and proactively identify changes for program integrity that are relevant to the Corporate Compliance Program;

- c. Periodically review and revise the FWA policies or guidance from the Division or AHCCCS to reflect such changes due to rules, regulations, or new initiatives;
- d. Regularly attend and participate in ~~Division~~ AHCCCS OIG workgroup meetings;
- e. Respond promptly and not later than 20 calendar days to requests for information from the Division and not later than 30 calendar days to requests from AHCCCS OIG;
- f. Cooperate with AHCCCS OIG and the Division regarding any allegation of Member billing in violation of A.R.S. § 36-2903.01(K) and A.A.C. R9-22-702;
- g. Have a method of verifying with Division Members that they received the services billed by Providers to identify potential service or claim fraud;
- h. Perform periodic audits through Member contact and report the results of these audits to the Division as specified in AdSS Operations ~~ACOM~~ Policy 424; and
- i. Maintain compliance with all state and federal laws and regulations related to FWA, even if not directly specified in this policy.

B. REPORTING RESPONSIBILITIES

1. ~~Fraud, Waste, and Abuse~~ a. ~~If an AdSS discovers or is made aware that an incident of alleged FWA has occurred or is occurring,~~ The AdSS shall, if it discovers or is made aware that an incident of alleged FWA has occurred or is occurring, immediately report the incident to the Division and to AHCCCS OIG, as specified in Contract, and by completing and submitting the "Report Member, Provider or Contractor Suspected Fraud or Abuse of the Program" form available on the AHCCCS OIG webpage and attaching all pertinent documentation that could assist AHCCCS in its investigation. ~~shall be attached to the form.~~
2. ~~If the AdSS identify an incident that warrants self-disclosure,~~ The AdSS shall report an identified incident that warrants self-disclosure the incident within 10 ten calendar days to AHCCCS OIG by completing and submitting the Provider Self-Disclosure form available on the AHCCCS OIG webpage and attaching all pertinent documentation that could assist AHCCCS in its investigation.
3. The AdSS shall, when it refers the AdSS has referred a case of

alleged FWA to AHCCCS OIG, ~~the AdSS shall~~ take no action to recoup, offset, or act in any manner inconsistent with AHCCCS OIG's authority to conduct a full investigation, obtain a comprehensive recovery of any suspected overpayments, or impose a civil monetary penalty.

4. The AdSS shall conduct preliminary review work regarding a referral, if requested by ~~at the request of~~ AHCCCS OIG, in order to expand the allegation and obtain documentation to support the investigation being conducted by AHCCCS OIG.
- ~~5. The AdSS shall provide documentation requested by AHCCCS OIG within 30 calendar days of the request.~~
- f. ~~The AdSS may receive notification from AHCCCS OIG when the investigation concludes in a manner that safeguards the integrity and confidentiality of the investigation;~~
5. The AdSS shall ensure proper disposition of any matters returned by AHCCCS OIG as non-Medicaid FWA ~~Fraud, Waste, or Abuse~~ in accordance with any applicable laws and contracts.
6. The AdSS shall submit data that indicates a review of allegations that were not reported to AHCCCS OIG, that were resolved internally, and were not identified as FWA.

7. The AdSS shall adhere to the requirement that AHCCCS OIG has the sole authority to handle and dispose of any matter involving FWA and assigns to AHCCCS the right to recoup any amounts overpaid to a Provider as a result of FWA.
8. The AdSS shall forward anything of value that could be construed to represent the repayment of any amount expended due to FWA ~~that is recovered~~, to AHCCCS OIG within 30 calendar days of its receipt and notify the Division.
9. The AdSS shall ensure, as specified in the AHCCCS Minimum Subcontractor Provisions (MSPs), that the requirements outlined in this section ~~shall~~ apply to any actions undertaken by a Subcontractor the AdSS on behalf of the AdSS ~~a subcontractor~~.
10. The AdSS shall relinquish ~~each, every, any and~~ all claims to any monies received by AHCCCS as a result of any program integrity efforts including:
 - a. Recovery of an overpayment;
 - b. Civil monetary penalties or assessments;
 - c. Civil settlements or judgments;
 - d. Criminal restitution; or
 - e. Collection by AHCCCS, or indirectly on AHCCCS' behalf by

the Office of the Attorney General, or other, as applicable.

11. The AdSS shall report to AHCCCS, as specified in Contract and the AdSS Division Medical Policy 950, any credentialing denials including:
 - a. ~~that are the result of~~ Licensure issues;
 - b. Quality of care concerns;
 - c. Excluded, terminated, or otherwise sanctioned Providers;
 - or
 - d. Alleged FWA ~~Fraud, Waste, or Abuse~~.

**C. THE AdSS CORPORATE COMPLIANCE RESPONSIBILITIES
RELATED TO FWA FRAUD, WASTE, AND ABUSE**

1. The AdSS shall:
 - a. Conduct pre-fact findings of viable allegations of Member and Provider FWA ~~Fraud~~.
 - b. Process all referrals of allegations of suspected Member and Provider FWA.
 - c. Oversee, monitor, and review all documents and functions as they relate to FWA prevention, detection, and reporting.
 - d. Maintain and monitor a tracking system of FWA investigations.

- ~~e. Ensure all employees, Providers, Agents, and Members receive adequate training and information regarding FWA prevention, identification, and reporting.~~
- ~~f. Assure employees, subcontractors, Providers, Agents, and Members that they can report FWA without fear of retaliation.~~
- ~~g. Develop and maintain open channels of communication with the Division, AHCCCS OIG, subcontractors, Providers, Agents, and Members to combat FWA at all levels in the system.~~
- e. Make referrals to AHCCCS OIG to investigate cases of potential Member billing in violation of A.R.S. § 36-2903.01(K) and A.A.C. R9-22-702, and include the Division on the referral submissions.
- h. ~~Perform all functions required by Section 6032 of the Deficit Reduction Act, including the auditing of Providers to ensure their compliance.~~
- f. Comply with ~~Ensure the AdSS is in compliance with its~~ federal obligations regarding Disclosure of Ownership and Control, Managing Employees Database Exclusion and

Checks, and Criminal Convictions—Checks, and all other federal requirements related to Provider screening and enrollment deliverables.

SUPPLEMENTAL INFORMATION

1. AHCCCS OIG ~~AHCCCS/Office of Inspector General (AHCCCS/OIG)~~ is responsible for reviewing suspected incidents of fraud, waste, and/or abuse. This includes the preliminary investigation of credible allegations of fraud, the preliminary and full investigation of fraud, waste, and/or abuse, and any other matters necessary to comply with the authority or obligations vested in AHCCCS OIG under state or federal law, rules, regulations, or policies.
2. ~~AUTHORITY The AHCCCS Office of Inspector General (AHCCCS OIG) is the division of AHCCCS that has the authority to conduct preliminary and full investigations, relating to FWA, involving the programs administered by AHCCCS.~~
Pursuant to 42 CFR 455.12-23 and a Memo of Understanding an Intergovernmental Agreement with the Arizona Attorney General's Office, AHCCCS OIG refers cases of suspected Medicaid fraud to the State Medicaid Fraud Control Unit for appropriate

legal action. AHCCCS OIG also has the authority to make independent referrals to other law enforcement entities.

3. Pursuant to A.R.S. § 36-2918, AHCCCS OIG has the authority to issue subpoenas and enforce the attendance of witnesses, administer oaths or affirmations, examine witnesses under oath, and take testimony, as the Inspector General deems relevant or material to an investigation, examination, or review undertaken by the AHCCCS OIG.
4. Pursuant to A.R.S. §§ 36-2918, AHCCCS OIG has the authority to impose a civil monetary penalty of up to \$2,000-~~00~~ for each item or service claimed, and/or an assessment of an amount not to exceed twice the amount claimed for each item or service.
5. AHCCCS OIG has been designated as a Criminal Justice Agency through the Federal Bureau of Investigation (FBI). This designation authorizes AHCCCS OIG to access the National Crime Information Center (NCIC) database as well as the Arizona Criminal Justice Information System. Additionally, AHCCCS OIG is authorized to receive and share restricted criminal justice information with other federal, state, and local agencies.
6. Pursuant to federal law, AHCCCS OIG shall suspend payments to

providers where it determines that a credible allegation of fraud exists as specified in 42 CFR 455.23.

7. Pursuant to state and federal law, AHCCCS is required in certain circumstances, and in other circumstances it may, act to suspend, terminate, or exclude any person (individual or entity) from participation in the AHCCCS Program.
8. AHCCCS/Office of Administrative Legal Services and AHCCCS
OIG reviews the Division's submitted disclosure information for
completeness and AHCCCS OIG screens and confirms that
persons listed in the submitted information are not excluded
from participation in the Medicaid program.
 - a. Failure to provide all complete and accurate disclosures
and an attestation signed by an individual with appropriate
authority may result in the withholding of payments under
the Contract or the recovery, recoupment, or offset of any
monies remitted without limitation.
 - b. AHCCCS OIG may provide notification when the
investigation concludes in a manner that safeguards the
integrity and confidentiality of the investigation.

- c. Develop and maintain open channels of communication with AHCCCS OIG, subcontractors, Providers, Agents, and Members to combat FWA at all levels in the system.
 - d. Develop and maintain open channels of communication with DES-OIG in the prevention and detection of FWA.
9. The Division has adopted Attachment B of the AHCCCS Operations Manual, Policy 103. The AdSS may ~~can~~ use the sample provided under Attachment B for guidance on how to present such compliance activities. ~~The AdSS's written Corporate Compliance Plan must be submitted to the Division annually as specified in Section F3, Contractor Chart of Deliverables.~~
4. Failure to provide all complete and accurate disclosures and an attestation signed by an individual with appropriate authority may result in the withholding of payments under the Contract or the recovery, recoupment, or offset of any monies remitted without limitation.
5. The AdSS may receive notification from AHCCCS OIG when the investigation concludes in a manner that safeguards the integrity and confidentiality of the investigation.
6. The AdSS should develop and maintain open channels of

communication with the Division, AHCCCS OIG, Subcontractors, Providers, Agents, and Members to combat FWA at all levels in the system.

Signature of Corporate Compliance Officer

Name

Date