

317 CHANGE IN ORGANIZATIONAL STRUCTURE

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REFERENCES: 42 § C.F.R. 101-106; ACOM Policy 438; ACOM 103; Section F3, Contractor Chart of Deliverables; Division Operations Manual 317

PURPOSE

This policy applies to the Division's Administrative Services Subcontractors (AdSS). This policy establishes requirements for approval of AdSS Changes in Organizational Structure including changes in a Management Service Agreement (MSA) subcontractor.

DEFINITIONS

1. "Acquisition" means an acquiring, by one company, of most or all of a target company's assets, capital, or stock to gain control of that company.
2. "Administrative Services Subcontract" or "AdSS" 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. Credentialing, including those requirements for only primary source verification;
- c. Management Service Agreements (MSAs);
- d. Service Level Agreements with any division or subsidiary of a corporate parent owner; and
- e. DDD Subcontracted Health Plans.

Providers are not AdSS.

- 3. "Affiliate" means an entity that directly or indirectly controls, is controlled by, or is under common control with another entity, also, a party with which the entity may deal if one party has the ability to exercise significant influence over the other's operating and financial policies.
- 4. "Affiliation Agreement" means an arrangement between Affiliates that defines and governs the Affiliate relationship. The Affiliation Agreement is also referred to as a member agreement.
- 5. "Articles of Incorporation" means the basic legal instrument required to be filed with the state upon incorporation of a

business and is also referred to as the Certificate of Incorporation or the Corporate Charter.

6. "Articles of Organization" means the basic legal instrument required to be filed with a state upon formation of a limited liability company.
7. "Change In Organizational Structure" means any of the following:
 - a. Acquisition;
 - b. Change in organizational documents, to include:
 - i. Articles of Incorporation;
 - ii. Articles of Organization; and
 - iii. Certificate of Partnership.
 - c. Change in Ownership;
 - d. Change of MSA sSubcontractor to the extent management of all or substantially all plan functions has been delegated to meet Division contractual requirements;
 - e. Joint venture;
 - f. Merger;

- g. Reorganization;
 - h. State agency reorganization resulting from an act of the Governor of the State of Arizona or the Arizona State Legislature;
 - i. Other applicable changes that may cause a change in any of the following:
 - i. Employer Identification Number (EIN);
 - ii. Tax Identification Number (TIN);
 - iii. Critical Member information, including the website, Member or provider handbook and Member ID card; and
 - iv. Legal entity name.
8. "Change in Ownership" means 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,

limited liability companies or partnerships), a change in the members or sponsors of the corporation or in the voting rights of the members, partners, or sponsors of the corporation.

9. "Joint Venture" means a 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.
10. "Line of Business" or "LOB" means the following AHCCCS programs:
 - a. AHCCCS Complete Care (ACC);
 - b. AHCCCS Complete Care-Regional Behavioral Health Agreements (ACC-RBHA);
 - c. Arizona Long Term Care Services Elderly and/or have a Physically Disability (ALTCS E/PD);

- d. Department of Child Safety Comprehensive Health Plan (DCS CHP); and
 - e. Department of Economic Security Division of Developmental Disabilities (DES DDD).
11. "Management Services Agreement" or "MSA" means a type of subcontract with an entity in which the entity's management delegates all or substantially all management and administrative services necessary.
12. "Member" means the same as "client", a person receiving developmental disabilities services from the Division as specified in A.R.S. § 36-551.
13. "Merger" means two companies joining together to form a single entity, using both companies' assets or stock, or, for non-stock corporations (e.g., non-profit corporations, limited liability companies, and partnership), the conversion of memberships interests, 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.

14. "Organizational Change" means "Change in Organizational Structure" as defined in this policy.
15. "Performance Bond" means 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.
16. "Reorganization" means 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.
17. "Transition Plan" means the documentation that details how a Change in Organizational Structure will be completed.

POLICY

A. CHANGE IN ORGANIZATIONAL STRUCTURE - NOTIFICATION

1. The AdSS shall, when making a Change in Organizational Structure of the AdSS:
 - a. Notify the Division in advance as specified in contract;
 - b. Request prior approval from Division;
 - c. Submit documentation to the Division that ensures the following:
 - i. Uninterrupted services and ongoing adequate access to care and choice for Members;
 - ii. The AdSS's ability to maintain and support Contract requirements including the commitments in the proposal submitted to the Division during the procurement process;
 - iii. Major functions of the AdSS's organization, as well as Division-funded services, are not adversely affected; and
 - iv. The integrity of a fair, competitive procurement process for AdSS contracts.
 - e. Additional information upon request from the Division; and

- f. Amendment of the contract, if required by the Division.

B. CHANGE IN ORGANIZATIONAL STRUCTURE - TRANSITION PLAN DOCUMENTS

1. The AdSS shall submit a Change in Contractor Organizational Structure: Transition Plan documents to the Division via the secured File Transfer Protocol (FTP) server 180 days before the effective date of the proposed Organizational Change.
2. The AdSS shall note, submit, or resubmit items in the Transition Plan, for which information is not yet available for submission, or is still considered draft, to the Division upon request.
3. The AdSS shall submit the following Change in Contractor Organizational Structure: Transition Plan documents as applicable:
 - a. A letter of explanation that includes the following information:
 - i. The type of entity if a new entity will be formed;
 - ii. Any changes to the existing entity; and

- iii. Any material change to operations as specified in AdSS Operations Policy 439 and in contract.
- b. Documents including the following:
 - i. The formal name and any proposed logo used by the resulting organization;
 - ii. The organizational chart of the new resulting organization or proposed changes to the existing organizational chart if a new entity is not being formed;
 - iii. Current audited financial statements of the current AdSS and merging entity;
 - iv. Pro forma financial statements of the entity resulting from the that include, at a minimum:
 - 1) A balance sheet;
 - 2) A statement of revenues and expenses;
 - 3) A statement of cash flows for the subsequent three years; and

- 4) Enrollment projections and footnotes detailing assumptions. The format can be the same as the audit format; however the Division lines of business should be detailed separately just as is required in the annual audit report.
- v. The Articles of Incorporation, if applicable, including copies of all Affiliation Agreements; and
- vi. An unredacted copy of the transaction agreement (e.g., Stock Purchase Agreement) and all referenced attachments, disclosures, exhibits, and schedules.
- c. A description of the following:
 - i. An assessment of any potential interruption of services to Members, and steps the AdSS is taking to ensure there are no interruptions;
 - ii. Any changes to the management and staffing of the organization currently overseeing services provided under the contract;

- iii. Any changes to existing Administrative Services Subcontracts;
- iv. Any changes to the administration of critical components of the organizations, including but not limited to information systems, prior authorization, claims processing, or grievances;
- v. The AdSS's plan for communicating the change to Members, including a draft notification to be distributed to affected Members and providers;
- vi. The AdSS's plan for changes to critical Member information, including the website, Member and provider handbook, and Member ID card;
- vii. Any anticipated changes to the network;
- viii. Any anticipated change to the Employer Identification Number (EIN) or Tax Identification Number (TIN);
- ix. Any anticipated impacts to the AdSS's NCQA accreditation(s);

- x. Changes in Federal or State funding that directly impact the Medicaid LOB; and
- xi. Any additional information requested by the Division.

C. REQUIRED DOCUMENTS AFTER DIVISION APPROVAL

The AdSS shall, upon Division approval of the Change in Organizational Structure: Transition Plan, submit documents to the Division as specified in contract, Attachment F3, Contractor Chart of Deliverables, to include:

- a. The post-closing balance sheet;
- b. Any requested journal entries; and
- c. Information as deemed necessary by AHCCCS.

D. ADDITIONAL REQUIREMENTS

- 1. The AdSS shall submit the following to the Division before the effective date of the Change in Organizational Structure and commencement of operations under the new structure, as specified in contract:

- a. An Automatic Clearing House (ACH) Vendor Authorization Form as directed on the form in order for the AdSS to begin receiving reimbursement;:-
 - b. Disclosure of Ownership and Control and Disclosure of Information on Persons Convicted of a Crime in accordance with the 42 § C.F.R. 101 through 106, the Corporate Compliance Contractual Provisions, and Division Policy; and
 - c. Any additional items upon request from the Division.
2. For a change of MSA Subcontractor, the AdSS shall adhere to the requirements in Division Operations Policy 438 for the review and approval of the new MSA subcontract.
 3. The AdSS shall not own or manage more than one contract within the same LOB in the same Geographic Service Area (GSA).

SUPPLEMENTAL INFORMATION

- A.** The Division shall require the AdSS to request prior approval for Changes in Organizational Structure.

- B.** The Division shall, upon review of the AdSS's request for Change in Organizational Structure:
1. Require an amendment to the AdSS contract with the Division if deemed necessary;
 2. Terminate the contract with the AdSS if:
 - a. The AdSS does not request prior approval for the Change in Organizational Structure; or
 - b. The Division determines that the AdSS's Change in Organizational Structure is not in the best interest of the Division.
- C.** The Division shall review and respond to the AdSS within 30 days of the notification and submission of the Transition Plan documents.
- D.** The Division shall require the AdSS to provide additional information for incomplete submissions before the request is approved.
- F.** The Division shall, if applicable, obtain stakeholder input on a proposed ownership change through a public notice and feedback process.
- G.** The Division shall, if required, temporarily suspend an AdSS's new Member enrollment including, but not limited to, auto-assignment

pending the Division's review and final determination regarding the AdSS's Change in Organizational Structure.

- H.** The Division shall, if applicable to the AdSS's Change in Organizational Structure, offer open enrollment to the Members assigned to the AdSS.
- I.** The Division shall not permit one organization to own or manage more than one contract within the same LOB in the same GSA.
- J.** The Division shall, upon completing a review of an AdSS's Change in Organizational Structure:
 - 1. Approve the proposal for Change in Organizational Structure:
 - a. Without conditions; or
 - b. With conditions which may include but are not limited to:
 - i. Allowing an open enrollment for plan membership;
 - ii. More rigorous oversight for a specified period of time; and
 - iii. A cap on enrollment.
 - 2. Deny the proposed Change in Organizational Structure; or

3. If the Division denies the proposed Change in Organizational Structure, and if the AdSS moves forward, the Division may terminate some or all of the GSAs that are part of the contract with the AdSS.
- K.** The Division may change the effective date of the AdSS's Change in Organizational Structure depending upon:
1. Receipt of completed Transition Plan documents; and
 2. The Division's review and final approval.

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12/01/25