

1 **438 ADMINISTRATIVE SERVICES SUBCONTRACTS**

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

3 REVIEW DATE: 9/6/2023

4 EFFECTIVE DATE: May 13, 2016

5 REFERENCES: A.R.S. § 36-2901, ACOM Policy 317, 42 CFR 436, 42 CFR
6 438.230, 42 CFR 455.101 through 106, CMS document SMDL 09-001.

7 **PURPOSE**

8 This policy establishes guidelines and requirements for Administrative
9 Services Subcontractors (AdSS) or Management Service Agreement (MSA),
10 and, monitoring subcontractor performance, reporting performance review
11 results, and notifying AHCCCS of subcontractor non-compliance and
12 corrective action plans (CAPs). ~~Unless otherwise stated, R~~requirements
13 outlined in this policy for Administrative Services Subcontractors also
14 applies to MSA ~~unless otherwise stated.~~

15 **DEFINITIONS**

16 1. "Administrative Services Subcontract" ~~is~~means an
17 agreement that delegates any of the requirements of
18 the Division's contract with AHCCCS, including ~~but not~~
19 ~~limited to:~~
20 1a. Claims processing, including pharmacy claims;i

- 21 b. Pharmacy Benefit Manager (PBM);
- 22 c. Dental Benefit Manager;
- 23 2d. Credentialing, including those for only primary
24 source verification; (i.e., Credential Verification
25 Organization);
- 26 3e. Medicaid Accountable Care Organization (ACO);
27 Management Service Agreements;
- 28 4f. Service Level Agreements with the Division or one of its
29 subcontractors; and
- 30 g. CHP and DES/DDD Subcontracted Health Plan.
- 31 2. "Attachment A" means the Attachment A of the Administrative
32 Services Subcontract Checklist. It is the AHCCCS deliverable
33 template.
- 34 3. "Change in Organizational Structure" means any of the
35 following:
- 36 a. Merger
- 37 b. Acquisition
- 38 c. Reorganization
- 39 d. Change in Articles of Incorporation
- 40 e. Joint Venture

- 41 f. Change in Ownership
- 42 g. Change of Management Services Agreement (MSA)
- 43 Subcontractor
- 44 h. Other applicable changes that may cause:
- 45 i. A change in the Employer Identification Number/Tax
- 46 Identification Number (EIN/TIN)
- 47 ii. Changes in critical Member information, including the
- 48 website, Provider handbook and Member ID card
- 49 iii. A change in legal entity name.
- 50 4. "Corrective Action Plan" or "CAP" means a written work plan that
- 51 identifies the root cause(s) of a deficiency, includes goals and
- 52 objectives, actions or tasks to be taken to facilitate an expedient
- 53 return to compliance, methodologies to be used to accomplish
- 54 CAP goals and objectives, and staff responsible to carry out the
- 55 CAP within established timelines. CAPs are generally used to
- 56 improve performance of the Contractor or its Providers, to
- 57 enhance Quality Management or Process Improvement activities
- 58 and the outcomes of the activities, or to resolve a deficiency.
- 59 5. "Day" means a calendar day, unless otherwise specified.

- 60 26. "Management Service Agreement" or "MSA" means a type of
61 subcontract with an entity in which the owner of the Contractor
62 delegates all or substantially all management and administrative
63 services necessary for the operation of the Contractor.
- 64 7. "Medicaid Accountable Care Organization" or "ACO" means an
65 entity that enters into a Value-Based Purchasing (VBP)
66 arrangement with a Contractor which:
- 67 a. Improves the health care delivery system by increasing the
68 quality of care while reducing costs.
- 69 b. Enters into VBP contracts with Provider groups or networks
70 of groups.
- 71 c. Coordinates Provider accountability for the health of their
72 patient population, often through shared savings, shared
73 risk, or capitated Alternative Payment Models (APM),
74 combined with quality incentives to ensure both quality
75 outcomes and cost containment.
- 76 d. Supports Providers participating in APMs by providing
77 services such as data analytics, technical assistance,
78 Provider education, and Provider recruitment.

79 e. Operates as an intermediary between the Contractor and
80 Providers, but not as a Provider of direct services to
81 Members.

82 f. May or may not perform delegated administrative
83 activities. Any delegated administrative activities to the
84 Medicaid ACO are subject to prior approval by AHCCCS.

85 38. "Member" means the same as "client" as defined in A.R.S. § 36-
86 551.

87 49. "Provider" is any person or entity that contracts with the
88 Division or the AdSS for the provision of covered services to
89 Members according to the provisions of A.R.S. § 36-2901 or
90 any subcontractor of a Provider delivering services pursuant to
91 A.R.S. § 36-2901.

92 1a. Qualified Vendors are Providers.

93 2b. Providers are not Administrative Services Subcontractors.

94 10. "Quality of Care" or "QOC" means an expectation that, and the
95 degree to which the health care services provided to individuals
96 and patient populations improve desired health outcomes and
97 are consistent with current professionally recognized standards
98 of care and service provision.

99 11. "Request for Proposal" or "RFP" means a document prepared by
100 AHCCCS that describes the services required and that instructs a
101 prospective Offeror how to prepare a response.

102 912. "Subcontractor" means:

103 a. A provider of health care who agrees to furnish covered
104 services to mMembers.

105 b. A person, agency or organization with which the
106 Contractor, or its subcontractor, has contracted or
107 delegated some of its management/ or administrative
108 functions or responsibilities.

109 c. A person, agency or organization with which a fiscal agent
110 has entered into a contract, agreement, purchase order or
111 lease (or leases of real property) to obtain space, supplies
112 equipment or services provided under this Contract with
113 the Division.

114 **POLICY**

115 **A. APPROVAL OF SUBCONTRACTS**

116 1. The Division shall submit an unredacted copy of all
117 Management Service Agreements (MSA) and Administrative
118 Services Subcontracts with the proposed Administrative

119 ~~Services~~ Subcontract Checklist to the AHCCCS Division of
120 HealthCare Management for prior approval, 60 days before the
121 effective date of the subcontract.

122 ~~12.~~ The Division shall retain the authority to direct and prioritize
123 any delegated contract requirements.

124 ~~23.~~ The Division shall require that Administrative Services
125 Subcontractors meet any performance standards applicable to
126 the delegated services as mandated by AHCCCS.

127 a. The Division shall require that the AdSS ~~shall~~ notify a
128 change in Organizational Structure of Administrative
129 Services Subcontractor ~~requires notification to the~~
130 Division.

131 b. The Division ~~will~~ shall review the notification and
132 determine if a complete Attachment A submission is
133 required.

134 c. If a complete Attachment A submission is required, the
135 Division shall follow the process for the review and
136 approval of newly proposed Administrative Services
137 Subcontracts as defined in this policy.

138 ~~34.~~ The Division shall ensure the ~~agreement~~ MSA contains a

139 provision stating that a merger, reorganization, or change in
140 ownership requires a contract amendment and prior approval of
141 AHCCCS.

142 45. The Division shall ensure that any reorganization related to an
143 MSA Subcontractor is submitted in accordance with ACOM
144 Policy 317.

145 6. ~~Additionally, t~~The Division shall:

- 146 a. Upon request, submit copies of Requests for Proposals
147 (RFPs) at the time they are formally issued to the public
148 including any RFP amendments.
- 149 b. Submit final, signed copies of each contract that it
150 enters into with subcontractors and any subsequent
151 amendments within 30 days of e-signature date.
- 152 c. Ensure its subcontractors communicate with the
153 ~~p~~rovider network regarding program standards,
154 and changes in laws, policies, and contract.
- 155 d. Submit a cover letter that contains a high-level
156 summary of the proposed changes when providing an
157 amendment to an Administrative Services Subcontract.

158 **B. MONITORING AND REPORTING**

- 159 1. The Division shall monitor the Administrative Services
160 Subcontractor's performance on an ongoing basis and
161 completes a formal review at least annually ~~(as outlined~~
162 ~~in 42 CFR 438.230)~~.
- 163 2. ~~In the~~ formal review, the Division shall ~~include~~conduct a
164 review of delegated duties, responsibilities, and financial
165 position: with the exception that the Division shall not
166 conduct a financial review of Administrative Services
167 Subcontractors who are state agencies or sovereign nations
168 ~~are not subject to a financial review.~~
- 169 a. The Division shall prepare written findings of the review.
170 b. The Division shall require the subcontractor to
171 prepare a written response to findings of non-
172 compliance.
173 c. The Division shall increase monitoring activities until
174 compliance is achieved and maintained.
175 d. The Division shall notify AHCCCS within 30 days of the
176 discovery of an Administrative Service Subcontractor's
177 non-compliance: with the following information:
- 178 ~~3. The notification includes:~~

- 179 **aj.** The subcontractor's name
- 180 **bij.** Delegated duties and responsibilities
- 181 **ejj.** Identified areas of non-compliance and whether
- 182 the non-compliance affects **mM**ember services or
- 183 causes a quality of care concern
- 184 **djv.** The scope and estimated impact of the non-
- 185 compliance upon **mM**embers
- 186 **ev.** The known or estimated length of time that the
- 187 subcontractor has been in non-compliance
- 188 **fvj.** The Division's Corrective Action Plan (CAP) or
- 189 strategies to bring the Administrative Services
- 190 Subcontractor into compliance
- 191 **gvii.** Sanction actions that may be taken because of
- 192 the non-compliance
- 193 **hvjiii.** The Division's activities that are occurring to bring
- 194 the subcontractor into compliance.

195 **C. ADMINISTRATIVE SERVICES SUBCONTRACTOR EVALUATION**

196 **REPORT**

- 197 **1.** The Division shall submit the annual Administrative Services
- 198 Subcontractor Evaluation Report within 90 days of the start of

199 the AHCCCS contract.

- 200 ~~12.~~ The Division shall ensure that the Administrative Services
201 Subcontractor Evaluation Report includes the following:
- 202 a. The name of the subcontractor
 - 203 b. The delegated duties and responsibilities
 - 204 c. The date of the most recent formal review of the duties,
205 responsibilities, and financial position, as appropriate, of
206 the subcontractor
 - 207 d. A comprehensive summary of the evaluation of the
208 operational and financial, as appropriate, performance
209 ~~(operational and financial as appropriate)~~ of the
210 subcontractor, including the type of review performed
 - 211 e. The next scheduled formal review date
 - 212 f. All identified areas of deficiency, ~~including, but not limited~~
213 ~~to those~~ that:
 - 214 i. Affect ~~m~~Member services, ~~and/or~~
 - 215 ii. Cause a quality of care concern
 - 216 g. CAP Information, including:
 - 217 i. A detailed description of the reason(s) the
218 subcontractor was placed on a CAP. Any corrective

- 219 ~~action plans that occurred due to monitoring since~~
220 ~~the last Administrative Services Subcontractor~~
221 ~~Evaluation Report~~
- 222 ii. A description of the steps taken by the
223 Subcontractor to address the CAP. Any Division or
224 subcontractor CAPs resulting from the annual formal
225 review
- 226 iii. Date CAP reported to AHCCCS.
- 227 iv. Current status and expected completion
228 time of CAPs.

229 **D. ADDITIONAL REQUIREMENTS**

- 230 1. Before entering into an Administrative Services Subcontract,
231 the Division shall evaluate the prospective Administrative
232 Services Subcontractor's ability to perform the delegated
233 duties.
- 234 2. The Division shall ensure that Aall Administrative Services
235 Subcontracts ~~shall~~ reference and require compliance with the
236 Minimum Subcontract Provisions available on the AHCCCS
237 website.
- 238 3. ~~When a~~ In the event of a modification to the AHCCCS Minimum

239 Subcontract Provisions ~~occurs~~, the Division shall issue a
240 notification and amend Administrative Services Subcontracts
241 within 30 calendar days of the published change and ensure
242 amendment of any affected subcontracts as needed.

243 4. The Division shall amend the Aa affected Administrative ~~Services~~
244 Subcontracts ~~shall be amended~~ on the regular renewal schedule
245 or within six calendar months of the update, whichever comes
246 first.

247 45. The Division shall ensure that Aa All Administrative Services
248 Subcontracts ~~shall~~ reference and require compliance with the
249 Disclosure of Ownership and Control and Disclosure of
250 Information on Persons Convicted of Crimes requirements as
251 outlined in the contract and 42 CFR 455.101 through 106, 42
252 CFR 436 and State Medicaid Director Letter ~~-(SMDL) 09-001.~~

253 6. The Division shall ensure that the Administrative Services
254 Subcontractors ~~shall~~ disclose to the Division and AHCCCS/Office
255 of the Inspector General (OIG) the identity of any person
256 excluded ~~person from the requirements outlined in subsection~~
257 (5) of this section.

258 57. The Division shall ensure that Aa All Administrative Services

259 Subcontracts entered into by the Division are ~~subject to~~
260 review~~ed~~ and approva~~ted~~ by AHCCCS.

261 ~~68.~~ The Division shall ensure that Aall Administrative Services
262 Subcontracts for services rendered to Medicaid recipients
263 ~~shall~~ incorporate by reference the applicable terms and
264 conditions outlined in the corresponding AHCCCS Medicaid
265 Contract.

266 ~~79.~~ The Division shall maintain a fully executed original or electronic
267 copy of all Administrative Services Subcontracts, ~~which will be~~
268 and make them accessible to AHCCCS within five business days
269 of the request by AHCCCS according to contract requirements.

270 ~~810.~~ The Division shall ensure that all ~~m~~M~~e~~member communications
271 related to the Medicaid line of business issued by the
272 Administrative Services Subcontractor include the Division's
273 name and comply with mMember notification requirements
274 specified identified in AdSS Operations Policy Manual, policy
275 404.

276 ~~911.~~ ~~Ifn the event~~ the Division terminates the Administrative
277 Services Subcontract, the Division shall ensure compliance
278 with all aspects of the AHCCCS Contract notwithstanding the

279 Administrative Services Subcontractor termination, including
280 availability of and access to all covered services and provision
281 of covered services to ~~m~~Members within the required
282 timeliness standards.

283 ~~10. The Division shall ensure that all member communications~~
284 ~~furnished by the Administrative Services Subcontractor~~
285 ~~include the Division's name and comply with member~~
286 ~~notification requirements as specified in AdSS Operations~~
287 ~~Manual, policy 404.~~

288 ~~11. In the event the Division terminates a subcontract, the Division~~
289 ~~shall ensure compliance with all aspects of the AHCCCS~~
290 ~~Medicaid Contract notwithstanding the subcontractor~~
291 ~~termination, including availability of and access to all covered~~
292 ~~services and provision of covered services to ~~m~~Members within~~
293 ~~the required timeliness standards.~~

294 ~~**Attachment A, Administrative Services Subcontract Checklist**~~ See the
295 **ACOM webpage for Attachment A of this policy**

296 ~~**Attachment B, Administrative Services Subcontractor Evaluation**~~

297 ~~**Report Template**~~ See the **ACOM webpage for Attachment B of this**

298 **policy**

Draft Policy for Public Comment