



**Division of Developmental Disabilities**

# POLICY NOTIFICATION

**Early Notification Transmittal Date: 2/25/2026**

**Public Comment Transmittal Date: 4/1/2026**

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## NOTIFICATION

**DDD is proposing *changes to the following policy* :**

**Division Operations Manual, Policy 103 Fraud, Waste, and Abuse**

**Description of *changes* :**

- Minor revisions to align with the current AHCCCS Contract and ACOM 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
- "Provider" changed to "Service Provider" throughout the policy
- The following language was added: The Division shall submit data that indicates a review of allegations that were not reported to AHCCCS OIG, which were resolved internally, and were not identified as FWA. The Division shall submit the allegations not reported to AHCCCS OIG to AHCCCS as specified in the Contractor Chart of Deliverables.
- 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](mailto:DDDpolicy@azdes.gov).

## **103 FRAUD, WASTE, AND ABUSE**

Revision Dates: ~~(TBD)~~, 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; ~~Attachment A~~; ~~ACOM Policy 103, Attachment A 1~~; ~~Attestation of: Disclosure of Ownership and Control and Disclosure of Information of Persons Convicted of a Crime~~; ~~ACOM Policy 103, Attachment B~~; ~~ACOM Policy 103, Attachment C~~; ~~Division Operations~~ ACOM Policy 424, the Division Medical Policy 950, ~~Credentialing and Recredentialing Processes~~; ~~Attachment F3~~, Contractor Chart of Deliverables State Medicaid Director Letters ~~08-003 and 09-001~~; Section 6032 of the Deficit Reduction Act.

### **PURPOSE**

~~This Policy applies to the Division of Developmental Disabilities (Division).~~

The purpose of this Policy is to outline ~~the~~ corporate compliance requirements, including reporting responsibilities for alleged Fraud, Waste, and ~~or Abuse (FWA)~~ involving AHCCCS ~~Division~~ program funds, regardless of the source, and ~~This Policy also addresses additional responsibilities~~ regarding regulatory compliance with broader program integrity and

programmatic requirements.

This policy also outlines the Division’s responsibility to provide oversight and compliance monitoring of its AdSS whose contract includes delegated duties specific to this policy and AdSS Operations Policy 103.

## **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 as outlined in 42 CFR 455.2.
2. “Administrative Services Subcontract” means an agreement that delegates any of the requirements of the Contract with AHCCCS, including:
  - 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
- e. Medicaid Accountable Care Organization (ACO) Clinically Integrated Network
  - f. Service Level Agreements with any Division or Subsidiary of a corporate parent owner
  - 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.
3. "Agent" means any person who has been delegated the authority to obligate or act on behalf of a Provider as specified in 42 CFR 455.101.
4. "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. "Arizona Health Care Cost Containment System" or "AHCCCS" means the Arizona Medicaid Program approved by the Centers

for Medicare and Medicaid Services (CMS) as an Arizona Section 1115 Waiver Demonstration Program and described in A.R.S. Title 36, Chapter 29.

6. "Contract" means the Division's Contract with AHCCCS.
7. ~~"Corporate Compliance Officer" means an individual located in Arizona and who implements and oversees the Contractor's Compliance Program. The Corporate Compliance Officer shall be a management official, available to all Division 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 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.~~
7. "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.~~

7. "Fraud" means an intentional deception or misrepresentation made by a person with the knowledge that the deception could result in some unauthorized benefit to 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.
8. "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 operations of an institution, organization, or agency as defined ~~outlined~~ in 42 CFR 455.101.
9. "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.~~
10. "Ownership or Control Interest" means, as described in 42 CFR 455.101, an individual or entity that:

- a. Has a direct ownership interest equal to 5% or more in a Provider.
  - b. Has an indirect ownership interest equal to 5% or more in a Provider.
  - c. Has a combination of direct and indirect ownership interests equal to 5% or more in a Provider.
  - d. Owns an interest of 5% or more in any mortgage, deed of trust, note, or other obligation secured by the Provider if that interest equals at least 5% 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 a partner in a Provider that is organized as a partnership.
11. “Service Provider” means an agency or individual operating under a contract or service agreement with the Department to provide services to Division Members.
12. “Waste” means overutilization or inappropriate utilization of services, misuse of resources, or practices that result in unnecessary costs to the Medicaid Program.

## **POLICY**

### **A. DIVISION RESPONSIBILITIES** ~~The Division shall:~~

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

the Division to ensure compliance with state and federal law; and

c. The Division's Corporate compliance activities; and as outlined in ACOM Policy 103;

d. The roles and responsibilities of Division staff as they relate to the Corporate Compliance Program.

4. The Division shall, as part of the Division's Corporate Compliance Plan designed to identify FWA, include a program integrity audit review program that tracks inadequate billing practices and identifies emerging trends to provide technical assistance to contracted Service Providers and avoid future occurrences of problematic billing.

5. The Division shall submit the ~~Division's~~ written Corporate Compliance Plan to AHCCCS OIG annually as specified in the Contract.

6. The Division shall submit to AHCCCS OIG an external audit plan/ schedule and audit report of all individual Service Provider audits using ACOM 103 Attachment C. ~~a. In~~ Each audit report, ~~the Division~~ shall include at a minimum:

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 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.
7. The Division shall submit a minimum of 20 audits semiannually.
8. The Division shall submit follow-up audits on a separate ACOM 103 Attachment C and not count toward the minimum number of audits required ~~audit numbers~~ as stated above. ~~in this subsection.~~
9. The Division 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 AHCCCS State and upon renewal or extension of the Contract ~~using~~ utilizing ACOM 103 Attachment A and Attachment A-1, and:
- a. ~~The Contractor shall~~ Ensure review of its response by its legal counsel prior to submitting disclosure information;

- b. ~~The Division As specified in Contract, the Contractor shall~~  
Submit all information electronically; ~~without any~~  
exceptions.
- e. ~~AHCCCS/Office of Administrative Legal Services (OALS)~~  
and ~~AHCCCS-OIG reviews the Contractor'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.~~
- c. Provide 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 Division are not excluded from participation  
in the Medicaid program;
- d. ~~The Division shall~~ Obtain and disclose the same  
information regarding the ownership and control interest of  
the AdSS; Administrative Services Subcontractors;
- e. ~~The Division shall~~ Retain the results of the disclosure of  
ownership and control and the disclosure of information on  
persons convicted of crimes reported to AHCCCS OIG; and

- f. Ensure that the disclosure information is accompanied with an attestation, as specified in ACOM 103 Attachment A, that the information provided is accurate, complete, and truthful, and signed by the entity's:
- i. 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
  - ii. Chief Financial Officer or an individual who reports directly to the Chief Financial Officer with delegated authority to sign for the Chief Financial Officer.
- e. ~~The Division shall 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 Division's Assistant Director (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. The Division's 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.~~

10. ~~The Division shall disclose to AHCCCS OIG, Disclose,~~ and require its AdSS Administrative Services Subcontractors to disclose to AHCCCS OIG, the identity of any employee or person with ownership or control interest who is excluded from participation in any federal healthcare programs.
11. The Division 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)].
12. As a condition for receiving payments, the Division shall establish written policies that provide detailed information and ongoing training and education regarding: ~~and ensure adequate training and ongoing education for all of its employees, including management, Members, and any Subcontractors or Agents of~~

~~the Division 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 liability or penalties for false claims and statements; and
  - d. ~~The~~ Whistleblower protections ~~under laws~~.
13. The Division shall ensure adequate training addressing FWA ~~Fraud, Waste, or Abuse~~ prevention, detection, ~~recognition~~, and reporting, and encourage Division employees and Members, ~~and~~ any Subcontractors to report FWA ~~Fraud, Waste, or Abuse~~ without fear of retaliation.
14. The Division shall:
- a. Have an internal reporting process relating to the reporting of FWA ~~Fraud, Waste, or Abuse~~ that is well-defined and is made known to all Division employees and Members; ~~and~~ any Subcontractors.
  - b. Conduct research and proactively identify changes for program integrity that are relevant to the Corporate

- Compliance Program; ~~and~~
- c. Periodically review and revise the FWA ~~Fraud, Waste, or Abuse~~ policies or guidance from the AHCCCS to reflect such changes due to rules, regulations, or new initiatives;
  - d. Regularly attend and participate in AHCCCS OIG workgroup meetings;
  - e. Respond promptly and not later than 30 calendar days to requests for information from AHCCCS OIG;
  - f. Cooperate with AHCCCS OIG 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 Members that they received the services billed by Service Providers to identify potential service or claim Fraud;
  - h. Perform periodic audits through Member contact and report the results ~~of these audits~~ as specified in Division Operations ~~ACOM~~-Policy 424; and
  - i. Maintain compliance with all state and federal laws and regulations related to FWA ~~Fraud, Waste, or Abuse~~ even if not directly specified in this Policy.

## B. REPORTING RESPONSIBILITIES

1. ~~Fraud, Waste, and Abuse~~
  - a. ~~If the Division discovers or is made aware that an incident of alleged Fraud, Waste or Abuse has occurred or is occurring,~~ The Division shall, if it discovers or is made aware that an incident of alleged FWA has occurred or is occurring, report the incident 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.
2. ~~If the Division identifies an incident that warrants self-disclosure,~~ The Division shall report an identified incident that warrants self-disclosure 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. ~~When the Division refers, or is aware that a subcontractor has~~

~~referred, a case of alleged Fraud, Waste or Abuse to AHCCCS~~  
~~OIG, the~~ The Division, when it refers or is made aware that an  
AdSS has referred a case of alleged FWA to AHCCCS OIG, 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 Division 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.
  - e. ~~The Division shall provide documentation requested by~~  
~~AHCCCS OIG within 30 calendar days of the request;~~
  - f. ~~The Division may receive notification from AHCCCS OIG~~  
~~when the investigation concludes in a manner that~~  
~~safeguards the integrity and confidentiality of the~~  
~~investigation;~~
5. The Division 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 or contracts.

6. The Division 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 Division shall submit the allegations not reported to AHCCCS OIG to AHCCCS as specified in the Contractor Chart of Deliverables.
8. The Division shall adhere to the requirement that AHCCCS OIG has the sole authority to handle and dispose of any matter involving FWA and Fraud, Waste or Abuse and assign to AHCCCS the right to recoup any amounts overpaid to a Service Provider as a result of FWA, Fraud, Waste or Abuse.
9. The Division shall forward anything of value that could be construed to represent the repayment of any amount expended due to FWA, Fraud, Waste or Abuse that is recovered to AHCCCS OIG within 30 days of its receipt.
10. The Division shall ensure, as specified in the AHCCCS Minimum Subcontractor Provisions (MSPs), that the requirements outlined in this section apply to any actions undertaken by the AdSS on behalf of the Division.

~~The Division shall ensure the requirements outlined in subsection~~

~~(i) apply to any actions undertaken by the Division on behalf of a Contractor by a subcontractor, as specified in the AHCCCS Minimum Subcontractor Provisions (MSPs).~~

11. The Division shall relinquish 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's behalf by the Office of the Attorney General, or other, as applicable.
  
12. The Division shall report to AHCCCS, as specified in Contract and ~~the~~ 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 Service Providers; or
  - d. Alleged FWA ~~Fraud, Waste or Abuse~~.

**C. ~~THE DIVISION'S RESPONSIBILITIES RELATED TO FRAUD,~~**  
**WASTE AND ABUSE**

1. The Division shall:
  - a. Conduct pre-fact findings of credible allegations of Member and Service Provider FWA.
  - b. Process all referrals of allegations of suspected Member and Service Provider FWA ~~Fraud, Waste or Abuse.~~
  - c. Oversee, monitor, and review all documents and functions as they relate to FWA ~~Fraud, Waste or Abuse~~ prevention, detection, and reporting.
  - d. Maintain and monitor a tracking system of FWA ~~Fraud, Waste or Abuse~~ referrals.
  - ~~d. Ensure all Division employees, subcontractors, Providers, Agents, and Members receive adequate training and information regarding Fraud, Waste, and Abuse prevention, identification and reporting.~~
  - ~~e. Assure Division employees, subcontractors, Providers, Agents, and Members that they can report Fraud, Waste, and Abuse without fear of retaliation.~~
  - ~~f. Develop and maintain open channels of communication with AHCCCS OIG, subcontractors, Providers, Agents, and~~

~~Members to combat FWA Fraud, Waste or Abuse at all levels in the system.~~

~~g. Develop and maintain open channels of communication with DES-OIG in the prevention and detection of FWA Fraud, Waste or Abuse.~~

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.

~~Perform all functions required by Section 6032 of the Deficit Reduction Act, including the auditing of Providers to ensure their compliance.~~

f. Ensure that the Division is in compliance with its Comply with federal obligations regarding with regard to 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.

#### **D. Division Oversight and Monitoring of AdSS**

The Division shall provide oversight and compliance monitoring of the AdSS specific to requirements in this policy and AdSS Operations Policy

103 through standard auditing methodologies, data analysis, quarterly meetings, and scheduled operational reviews.

## **SUPPLEMENTAL INFORMATION**

1. ~~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, rule, regulations, or policies.~~
2. ~~The 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.~~
  - a. ~~Pursuant to 42 CFR 455, Subpart A, and a Memorandum 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 and 36-2957, AHCCCS OIG has the authority to impose a civil monetary penalty of up to \$2,000 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.

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Signature of Corporate Compliance Officer

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Name

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Date