

Division of Developmental Disabilities

Policy Notification

Early Notification Transmittal Date: Mar 26, 2026

Public Comment Transmittal Date: May 6, 2026

Notification

DDD is proposing changes to the following policy :

Division Medical Manual, Policy

438 - Administrative Services Subcontracts Evaluation and Monitoring
Chapter 400 - Operations

Description of changes :

This document has been Revised to align with AHCCCSs ACOM updates.

- Changed title from "Administrative Services Subcontracts" to "Administrative Services Subcontracts Evaluation and Monitoring."
- Added ACOM Policy 438 Attachments A and B to References.
- Updated definition for "Administrative Services Subcontract."
- Added definitions for "Business Day" and "Calendar Day."
- Removed definition for "Day."
- Changed definition for "Provider" to "Service Provider."
- Changed the requirement that the Division shall submit documents to the AHCCCS Division of HealthCare Management to that they shall submit them to AHCCCS as specified in Contract (A.1).
- Changed the requirement that the Division shall review if a complete AMPM Attachment A is required to that the Division shall follow the process for review if an Attachment A submission is required (A.3.b.).
- Changed "Provider" to "Service Provider" throughout the document.
- Changed the requirement that the Division shall notify AHCCCS if the subcontractor is found to be in non-compliance to that the Division shall submit ACOM 438 Attachment C (B.2.d.).

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- Added that the Division shall use ACOM Attachment C to report the results of a CAP to AHCCCS (B.2.e.).
- Added that the Division shall use ACOM 438 Attachment B to submit the annual Administrative Services Subcontractor Evaluation Report (C.1.).
- Changed the CAP information required in the Subcontractor Evaluation Report (C.2.g.).

Public Comment Timeline

Dates: Public comment will be open for 30 days beginning May 6, 2026 and closing June 5, 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.

438 Administrative Services Subcontracts

Evaluation and Monitoring

REVISION DATES: XX/XX/XXXX, 2/12/2025, 3/27/2024, 2/16/2022
REVIEW DATES: 8/18/2025, 10/3/2024, 9/6/2023
EFFECTIVE DATE: May 13, 2016
REFERENCES: A.R.S. § 36-2901, ACOM Policy 317, ACOM Policy 438
Attachments A and B, 42 CFR 436, 42 CFR
438.230, 42 CFR 455.101 through 106, CMS document SMDL 09-001.

Purpose

This policy establishes guidelines and requirements for entities with an Administrative Services Subcontractors (AdSS) or Management Service Agreement (MSA), and monitoring subcontractor performance, reporting performance review results, and notifying AHCCCS of subcontractor non-compliance and corrective action plans (CAPs). Unless otherwise stated, requirements outlined in this policy for Administrative Services Subcontractors also apply to MSA.

Definitions

1. "Administrative Services Subcontract" means an agreement that delegates any of the requirements of the CDivision's 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;
 - e. Medicaid Accountable Care Organization; ~~(ACO) and~~
 - f. Clinically Integrated Network;
 - g. Service Level Agreements with any the Division or Subsidiary of a corporate parent owner ~~one of its subcontractors~~; and
 - h. Department of Child Safety Comprehensive Health Plan (DCS CHP) and DES /DDD Subcontracted Health Plan. An individual or entity that holds an Administrative Services Subcontract is an Administrative Services Subcontractor.
2. "Attachment A" means the Attachment A of the Administrative Services Subcontract Checklist. It is the AHCCCS deliverable template.
3. "Business Day" means 8:00 a.m. to 5:00 p.m., Monday through Friday, excluding holidays listed in A.R.S. § 1-301.
4. "Calendar Day" means every day of the week including weekends and holidays.

5. "Change in Organizational Structure" means any of the following:
- a. Merger
 - b. Acquisition
 - c. Reorganization
 - d. Change in Articles of Incorporation
 - e. Joint Venture
 - f. Change in Ownership
 - g. Change of Management Services Agreement (MSA)
Subcontractor
 - h. Other applicable changes that may cause:
 - i. A change in the Employer Identification Number/Tax Identification Number (EIN/TIN)
 - ii. Changes in critical Member information, including the website, Provider handbook and Member ID card
 - iii. A change in legal entity name.
4. "Corrective Action Plan" or "CAP" means a written work plan that identifies the root cause(s) of a deficiency, includes goals and objectives, actions or tasks to be taken to facilitate an expedient return to compliance, methodologies to be used to accomplish

CAP goals and objectives, and staff responsible to carry out the CAP within established timelines. CAPs are generally used to improve performance of the Contractor or its Providers, to enhance Quality Management or Process Improvement activities and the outcomes of the activities, or to resolve a deficiency.

5. ~~“Day” means a calendar day, unless otherwise specified.~~
6. “Management Service Agreement” or “MSA” means a type of subcontract with an entity in which the owner of the Contractor delegates all or substantially all management and administrative services necessary for the operation of the Contractor.
7. “Medicaid Accountable Care Organization” or “ACO” means an entity that enters into a Value-Based Purchasing (VBP) arrangement with a Contractor which:
 - a. Improves the health care delivery system by increasing the quality of care while reducing costs.
 - b. Enters into VBP contracts with Provider groups or networks of groups.
 - c. Coordinates Provider accountability for the health of their patient population, often through shared savings, shared risk, or capitated Alternative Payment Models (APM),

- combined with quality incentives to ensure both quality outcomes and cost containment.
- d. Supports Providers participating in APMs by providing services such as data analytics, technical assistance, Provider education, and Provider recruitment.
 - e. Operates as an intermediary between the Contractor and Providers, but not as a Provider of direct services to Members.
 - f. May or may not perform delegated administrative activities. Any delegated administrative activities to the Medicaid ACO are subject to prior approval by AHCCCS.
8. "Member" means the same as "client," a person receiving developmental disabilities services from the Division, as defined in A.R.S. § 36-551.
9. "Provider" means any person or entity that contracts with the Division or the AdSS for the provision of covered services to Members according to the provisions of A.R.S. § 36-2901 or any subcontractor of a Provider delivering services pursuant to A.R.S. § 36-2901.
- a. Qualified Vendors are Providers.

- b. Providers are not Administrative Services Subcontractors.
10. "Quality of Care" or "QOC" means an expectation that, and the degree to which the health care services provided to individuals and patient populations improve desired health outcomes and are consistent with current professionally recognized standards of care and service provision.
11. "Request for Proposal" or "RFP" means a document prepared by AHCCCS that describes the services required and that instructs a prospective Offeror how to prepare a response.
12. "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.

Policy

A. Approval of Subcontracts

1. The Division shall submit an unredacted copy of all Management Service Agreements (MSA) and Administrative Services Subcontracts with the proposed Subcontract Checklist to AHCCCS as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables~~the AHCCCS Division of HealthCare Management for prior approval, 60 days before the effective date of the subcontract.~~
2. The Division shall retain the authority to direct and prioritize any delegated contract requirements.
3. The Division shall require that Administrative Services Subcontractors meet any performance standards applicable to the delegated services as mandated by AHCCCS.
 - a. The Division shall require that the AdSS notify a change in Organizational Structure of Administrative Services Subcontractor.

- b. If a complete Attachment A submission is required, the Division shall follow the process for the review and approval of newly proposed Administrative Services Subcontracts as defined in this policy.
- ~~b. The Division shall review the notification and determine if a complete Attachment A submission is required.~~
- ~~c. If a complete Attachment A submission is required, the Division shall follow the process for the review and approval of newly proposed Administrative Services Subcontracts as defined in this policy.~~
4. The Division shall ensure the MSA contains a provision stating that a merger, reorganization, or change in ownership requires a contract amendment and prior approval of AHCCCS.
5. The Division shall ensure that any reorganization related to an MSA Subcontractor is submitted in accordance with ACOM Policy 317.
6. The Division shall:
- a. Upon request, submit copies of Requests for Proposals (RFPs) at the time they are formally issued to the public with including any RFP amendments.

- b. Submit final, signed copies of each contract that it enters into with subcontractors and any subsequent amendments within 30 Calendar Days of e-signature date.
- c. Ensure its subcontractors communicate with the Provider network regarding program standards, and changes in laws, policies, and contract.
- d. Submit a cover letter that contains a high-level summary of the proposed changes when providing an amendment to an Administrative Services Subcontract.

B. Monitoring and Reporting

1. The Division shall monitor the Administrative Services Subcontractor's performance on an ongoing basis and complete a formal review at least annually as outlined in 42 CFR 438.230.
2. In the formal review, the Division shall conduct a review of delegated duties, responsibilities, and financial position with the exception that the Division shall not conduct a financial review of Administrative Services Subcontractors who are state agencies or sovereign nations ~~such as Tribal Health Plan (THP)~~.
 - a. The Division shall prepare written findings of the review.

- b. The Division shall require the subcontractor to prepare a written response to findings of non-compliance.
- c. The Division shall increase monitoring activities until compliance is achieved and maintained.
- d. The Division shall submit ACOM 438 Attachment C as specified in the Contract, Section F, Attachment F3, Contractor Chart of Deliverables ~~notify AHCCCS~~ within 30 Calendar Days of the discovery of an Administrative Service Subcontractor's non-compliance, ~~with the following information:~~
 - i. ~~The subcontractor's name~~
 - ii. ~~Delegated duties and responsibilities~~
 - iii. ~~Identified areas of non-compliance and whether the non-compliance affects Member services or causes a quality of care concern~~
 - iv. ~~The scope and estimated impact of the non-compliance upon Members~~
 - v. ~~The known or estimated length of time that the subcontractor has been in non-compliance~~
 - vi. ~~The Division's Corrective Action Plan (CAP) or~~

- ~~strategies to bring the Administrative Services Subcontractor into compliance~~
- ~~vii. Sanction actions that may be taken because of the non-compliance~~
- ~~viii. The Division's activities that are occurring to bring the subcontractor into compliance.~~
- e. The Division shall report the results of a CAP to AHCCCS upon closure using ACOM Attachment C as specified in the Contract, Section F, Attachment F3, Contractor Chart of Deliverables.

C. Administrative Services Subcontractor Evaluation

Report

1. The Division shall submit the annual Administrative Services Subcontractor Evaluation Report utilizing ACOM 438 Attachment B, as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables within 90 Calendar Days of the start of the AHCCCS contract.
2. The Division shall ensure that the Administrative Services Subcontractor Evaluation Report includes the following:
 - a. The name of the subcontractor

- b. The delegated duties and responsibilities
- c. The date of the most recent formal review of the duties, responsibilities, and financial position, as appropriate, of the subcontractor
- d. A comprehensive summary of the evaluation of the operational and financial, as appropriate, performance of the subcontractor, including the type of review performed
- e. The next scheduled formal review date
- f. All identified areas of deficiency that:
 - i. Affect Member services, or
 - ii. Cause a quality of care concern
- g. The following CAP Information, including:
 - i. Date reported to the AHCCCS;
 - ii. A detailed description of the reason(s) the Subcontractor was placed on a CAP;
 - iii. A description of the steps taken by the Subcontractor to address the CAP; and
 - iv. The current status and expected completion time of the CAP."
 - ~~i. A detailed description of the reasons the~~

- ~~subcontractor was placed on a CAP.~~
- ~~ii. A description of the steps taken by the Subcontractor to address the CAP.~~
- ~~iii. Date CAP reported to AHCCCS.~~
- ~~iv. Current status and expected completion time of CAPs.~~

D. Additional Requirements

1. The Division shall evaluate ~~b~~Before entering into an Administrative Services Subcontract, ~~the Division shall evaluate~~ the prospective Administrative Services Subcontractor's ability to perform the delegated duties.
2. The Division shall ensure that all Administrative Services Subcontracts reference and with the Minimum Subcontract Provisions available on the AHCCCS website.
3. In the event of a modification to the AHCCCS Minimum Subcontract Provisions, the Division shall issue a notification and amend Administrative Services Subcontracts within 30 Calendar Days of the published change and ensure amendment of any affected subcontracts as needed.

4. The Division shall amend the affected Administrative Services Subcontracts on the regular renewal schedule or within six calendar months of the update, whichever comes first.
5. The Division shall ensure that all Administrative Services Subcontracts reference and require compliance with the Disclosure of Ownership and Control and Disclosure of Information on Persons Convicted of Crimes requirements as outlined in the contract and 42 CFR 455.101 through 106, 42 CFR 455.436 and State Medicaid Director Letter (SMDL) 09-001.
6. The Division shall ensure that the Administrative Services Subcontractors disclose to the Division and AHCCCS/Office of the Inspector General (OIG) the identity of any person excluded from the requirements outlined in subsection (5) of this section.
7. The Division shall ensure that all Administrative Services Subcontracts entered into by the Division are reviewed and approved by AHCCCS.
8. The Division shall ensure that all Administrative Services Subcontracts for services rendered to Medicaid recipients incorporate by reference the applicable terms and conditions outlined in the corresponding AHCCCS Medicaid Contract.

9. The Division shall maintain a fully executed original or electronic copy of all Administrative Services Subcontracts and make them accessible to AHCCCS within five Bbusiness Ddays of the request by AHCCCS according to contract requirements.
10. The Division shall ensure that all Member communications related to the Medicaid line of business issued by the Administrative Services Subcontractor include the Division's name and comply with Member notification requirements specified in AdSS Operations Policy Manual, Ppolicy 404.
11. If the Division terminates the Administrative Services Subcontract, the Division shall ensure compliance with all aspects of the AHCCCS Contract notwithstanding the Administrative Services Subcontractor termination, including availability of and access to all covered services and provision of covered services to Members within the required timeliness standards.

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