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2 **438 ADMINISTRATIVE SERVICES SUBCONTRACTS**

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5 EFFECTIVE DATE: May 13, 2016

6 REFERENCES: A.R.S. § 36-2901, ACOM Policy 317, 42 CFR 436, 42 CFR
7 438.230, 42 CFR 455.101 through 106, CMS document SMDL 09-001.

8 **PURPOSE**

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

16 **DEFINITIONS**

- 17 1. "Administrative Services Subcontract" means an
18 agreement that delegates any of the requirements of
19 the Division's contract with AHCCCS, including:
20 a. Claims processing, including pharmacy claims;
21 b. Pharmacy Benefit Manager (PBM);

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

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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 6. “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.

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- 65 7. "Medicaid Accountable Care Organization" or "ACO" means an
- 66 entity that enters into a Value-Based Purchasing (VBP)
- 67 arrangement with a Contractor which:
- 68 a. Improves the health care delivery system by increasing the
- 69 quality of care while reducing costs.
- 70 b. Enters into VBP contracts with Provider groups or networks
- 71 of groups.
- 72 c. Coordinates Provider accountability for the health of their
- 73 patient population, often through shared savings, shared
- 74 risk, or capitated Alternative Payment Models (APM),
- 75 combined with quality incentives to ensure both quality
- 76 outcomes and cost containment.
- 77 d. Supports Providers participating in APMs by providing
- 78 services such as data analytics, technical assistance,
- 79 Provider education, and Provider recruitment.
- 80 e. Operates as an intermediary between the Contractor and
- 81 Providers, but not as a Provider of direct services to
- 82 Members.

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84 f. May or may not perform delegated administrative
85 activities. Any delegated administrative activities to the
86 Medicaid ACO are subject to prior approval by AHCCCS.
- 87 8. "Member" means the same as "client," a person receiving
88 developmental disabilities services from the Division, as defined
89 in A.R.S. § 36-551.
- 90 9. "Provider" means any person or entity that contracts with the
91 Division or the AdSS for the provision of covered services to
92 Members according to the provisions of A.R.S. § 36-2901 or any
93 subcontractor of a Provider delivering services pursuant to
94 A.R.S. § 36-2901.
- 95 a. Qualified Vendors are Providers.
- 96 b. Providers are not Administrative Services Subcontractors.
- 97 10. "Quality of Care" or "QOC" means an expectation that, and the
98 degree to which the health care services provided to individuals
99 and patient populations improve desired health outcomes and
100 are consistent with current professionally recognized standards
101 of care and service provision.

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103 11. "Request for Proposal" or "RFP" means a document prepared by
104 AHCCCS that describes the services required and that instructs a
105 prospective Offeror how to prepare a response.
- 106 12. "Subcontractor" means:
- 107 a. A provider of health care who agrees to furnish covered
108 services to Members.
- 109 b. A person, agency or organization with which the
110 Contractor, or its subcontractor, has contracted or
111 delegated some of its management or administrative
112 functions or responsibilities.
- 113 c. A person, agency or organization with which a fiscal agent
114 has entered into a contract, agreement, purchase order or
115 lease or leases of real property to obtain space, supplies
116 equipment or services provided under this Contract with
117 the Division.

118 **POLICY**

119 **A. APPROVAL OF SUBCONTRACTS**

- 120 1. The Division shall submit an unredacted copy of all
121 Management Service Agreements (MSA) and Administrative
122 Services Subcontracts with the proposed Subcontract Checklist

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124 to the AHCCCS Division of HealthCare Management for prior
125 approval, 60 days before the effective date of the subcontract.
- 126 2. The Division shall retain the authority to direct and prioritize
127 any delegated contract requirements.
- 128 3. The Division shall require that Administrative Services
129 Subcontractors meet any performance standards applicable to
130 the delegated services as mandated by AHCCCS.
- 131 a. The Division shall require that the AdSS notify a change in
132 Organizational Structure of Administrative Services
133 Subcontractor.
- 134 b. The Division shall review the notification and determine if
135 a complete Attachment A submission is required.
- 136 c. If a complete Attachment A submission is required, the
137 Division shall follow the process for the review and
138 approval of newly proposed Administrative Services
139 Subcontracts as defined in this policy.
- 140 4. The Division shall ensure the MSA contains a provision stating
141 that a merger, reorganization, or change in ownership requires a
142 contract amendment and prior approval of AHCCCS.
- 143 5. The Division shall ensure that any reorganization related to an

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145 MSA Subcontractor is submitted in accordance with ACOM
146 Policy 317.
- 147 6. The Division shall:
- 148 a. Upon request, submit copies of Requests for Proposals
149 (RFPs) at the time they are formally issued to the public
150 including any RFP amendments.
- 151 b. Submit final, signed copies of each contract that it
152 enters into with subcontractors and any subsequent
153 amendments within 30 days of e-signature date.
- 154 c. Ensure its subcontractors communicate with the
155 Provider network regarding program standards, and
156 changes in laws, policies, and contract.
- 157 d. Submit a cover letter that contains a high-level
158 summary of the proposed changes when providing an
159 amendment to an Administrative Services Subcontract.

160 **B. MONITORING AND REPORTING**

- 161 1. The Division shall monitor the Administrative Services
162 Subcontractor's performance on an ongoing basis and
163 complete a formal review at least annually as outlined in
164 42 CFR 438.230.

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166 2. In the formal review, the Division shall conduct a review of
167 delegated duties, responsibilities, and financial position with
168 the exception that the Division shall not conduct a financial
169 review of Administrative Services Subcontractors who are
170 state agencies or sovereign nations such as Tribal Health Plan
171 (THP).
- 172 a. The Division shall prepare written findings of the review.
173 b. The Division shall require the subcontractor to
174 prepare a written response to findings of
175 non-compliance.
176 c. The Division shall increase monitoring activities until
177 compliance is achieved and maintained.
178 d. The Division shall notify AHCCCS within 30 days of the
179 discovery of an Administrative Service Subcontractor's
180 non-compliance with the following information:
- 181 i. The subcontractor's name
182 ii. Delegated duties and responsibilities
183 iii. Identified areas of non-compliance and whether
184 the non-compliance affects Member services or
185 causes a quality of care concern

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187 iv. The scope and estimated impact of the
188 non-compliance upon Members
189 v. The known or estimated length of time that the
190 subcontractor has been in non-compliance
191 vi. The Division’s Corrective Action Plan (CAP) or
192 strategies to bring the Administrative Services
193 Subcontractor into compliance
194 vii. Sanction actions that may be taken because of
195 the non-compliance
196 viii. The Division’s activities that are occurring to bring
197 the subcontractor into compliance.
198 e. The Division shall report the results of a CAP to AHCCCS
199 upon closure.

200 **C. ADMINISTRATIVE SERVICES SUBCONTRACTOR EVALUATION**
201 **REPORT**

- 202 1. The Division shall submit the annual Administrative Services
203 Subcontractor Evaluation Report within 90 days of the start of
204 the AHCCCS contract.
205 2. The Division shall ensure that the Administrative Services
206 Subcontractor Evaluation Report includes the following:

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- 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. CAP Information, including:
 - 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.

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D. ADDITIONAL REQUIREMENTS

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1. Before entering into an Administrative Services Subcontract,

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the Division shall evaluate the prospective Administrative

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Services Subcontractor's ability to perform the delegated

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duties.

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2. The Division shall ensure that all Administrative Services

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Subcontracts reference and with the Minimum Subcontract

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Provisions available on the AHCCCS website.

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3. In the event of a modification to the AHCCCS Minimum

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Subcontract Provisions, the Division shall issue a notification

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and amend Administrative Services Subcontracts within 30

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calendar days of the published change and ensure amendment

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of any affected subcontracts as needed.

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4. The Division shall amend the affected Administrative Services

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Subcontracts on the regular renewal schedule or within six

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calendar months of the update, whichever comes first.

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5. The Division shall ensure that all Administrative Services

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Subcontracts reference and require compliance with the

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Disclosure of Ownership and Control and Disclosure of

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Information on Persons Convicted of Crimes requirements as

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231 outlined in the contract and 42 CFR 455.101 through 106, 42
232 CFR 436 and State Medicaid Director Letter (SMDL) 09-001.
- 233 6. The Division shall ensure that the Administrative Services
234 Subcontractors disclose to the Division and AHCCCS/Office of
235 the Inspector General (OIG) the identity of any person excluded
236 from the requirements outlined in subsection (5) of this section.
- 237 7. The Division shall ensure that all Administrative Services
238 Subcontracts entered into by the Division are reviewed and
239 approved by AHCCCS.
- 240 8. The Division shall ensure that all Administrative Services
241 Subcontracts for services rendered to Medicaid recipients
242 incorporate by reference the applicable terms and conditions
243 outlined in the corresponding AHCCCS Medicaid Contract.
- 244 9. The Division shall maintain a fully executed original or electronic
245 copy of all Administrative Services Subcontracts and make them
246 accessible to AHCCCS within five business days of the request by
247 AHCCCS according to contract requirements.
- 248 10. The Division shall ensure that all Member communications
249 related to the Medicaid line of business issued by the
250 Administrative Services Subcontractor include the Division's

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252 name and comply with Member notification requirements
253 specified in AdSS Operations Policy Manual, policy 404.
254 11. If the Division terminates the Administrative Services
255 Subcontract, the Division shall ensure compliance with all
256 aspects of the AHCCCS Contract notwithstanding the
257 Administrative Services Subcontractor termination, including
258 availability of and access to all covered services and provision
259 of covered services to Members within the required timeliness
260 standards.

Draft Policy for Public Comment