I. PURPOSE

This Policy applies to AHCCCS Complete Care (ACC), ALTCS E/PD, DCS/CMDP (CMDP), DES/DDD (DDD), and RBHA Contractors. This Policy establishes requirements for Contractors entering into Administrative Services Subcontracts, monitoring subcontractor performance, reporting performance review results, and notifying AHCCCS of subcontractor non-compliance and Corrective Action Plans.

II. DEFINITIONS

**Administrative Services Subcontracts/Subcontractors**

An agreement that delegates any of the requirements of the Contract with AHCCCS, including, but not limited to the following:

1. Claims processing, including pharmacy claims,
2. Credentialing, including those for only primary source verification (i.e. Credential Verification Organization).
3. Management Service Agreements,
4. Service Level Agreements with any Division or Subsidiary of a corporate parent owner, and
5. DDD acute care subcontractors.

A person (individual or entity) who holds an Administrative Services Subcontract is an Administrative Services Subcontractor. Providers are not Administrative Services Subcontractors.
CHANGE IN ORGANIZATIONAL STRUCTURE

Any of the following:
1. Merger,
2. Acquisition,
3. Reorganization,
4. Change in Articles of Incorporation,
5. Joint Venture,
6. Change in Ownership,
7. State Agency reorganization resulting from an act of the Governor of the State of Arizona or the Arizona State Legislature,
8. Change of MSA Subcontractor (to the extent management of all or substantially all plan functions has been delegated),
9. to meet AHCCCS contractual requirements),
10. Other applicable changes which may cause:
   a. A change in the Employer Identification Number/Tax Identification Number (EIN/TIN),
   b. Changes in critical member information, including the website, member or provider handbook and member ID card, and
   c. A change in legal entity name.

MANAGEMENT SERVICE AGREEMENT (MSA)

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.

PROVIDER

Any individual or entity that contracts with AHCCCS or a Contractor for the provision of covered services to members according to the provisions A.R.S. §36-2901 or any subcontractor of a provider delivering services pursuant to A.R.S. §36-2901.
AHCCCS CONTRACTOR OPERATIONS MANUAL
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SUBCONTRACTOR

1. A provider of health care who agrees to furnish covered services to members.
2. An individual, agency, or organization with which the Contractor has contracted or delegated some of its management/administrative functions or responsibilities.
3. An individual, 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 the AHCCCS agreement.

III. POLICY

A. APPROVAL OF SUBCONTRACTS

All Administrative Services Subcontracts shall be submitted to the AHCCCS Division of Health Care Management for prior approval as noted below and as specified in Contract.

1. A copy of the proposed Administrative Service Subcontract shall be submitted with Attachment A of this Policy.
2. The local CEO shall retain the authority to direct and prioritize all work performed through a delegated contract.
3. The Contractor shall require that Administrative Services Subcontractors meet any performance standards applicable to the delegated services as mandated by AHCCCS.
4. A Change in Organizational Structure of an Administrative Services Subcontractor requires prior approval of AHCCCS. The Contractor shall follow the process for the review and approval of newly proposed Administrative Services Subcontracts as defined in this Policy. Additionally, if the Change in Organizational Structure is related to the Contractor’s Management Service Agreement (MSA), to the extent management of all or substantially all plan functions has been delegated to meet AHCCCS contractual requirements, the Contractor shall submit the proposed change for prior approval as further outlined in ACOM Policy 317.

5. DDD shall:
   a. Upon request, submit copies of Request for Proposals (RFPs) at the time of formal issuance to the Public including any RFP amendments,
   b. Submit final, signed copies of each contract which it enters into with Administrative Services Subcontractors and any subsequent amendments within 30 days of signature date, and
   c. Ensure its Administrative Services Subcontractors communicate with the Provider network regarding program standards, changes in laws, policies, and contract changes.

B. SUBCONTRACTOR MONITORING AND REPORTING
The Contractor shall monitor the Administrative Services Subcontractor’s performance on an ongoing basis and subject the Administrative Services Subcontractor to a formal review at least annually as required by 42 CFR 438.230.

If at any time during the period of the Administrative Service Subcontract, the Subcontractor is found to be in non-compliance, the Contractor shall notify AHCCCS as specified in Contract.

1. The notification shall include the following:
   a. Administrative Service Subcontractor’s name,
   b. Delegated duties and responsibilities,
   c. Identified areas of non-compliance and whether the non-compliance affects member services or causes a quality of care concern,
   d. The scope and estimated impact of the non-compliance upon members,
   e. The length of time that the Administrative Service Subcontractor has been in non-compliance,
   f. The Contractor’s Corrective Action Plan (CAP) that will be implemented to bring the Administrative Services Subcontractor into compliance, and
   g. Sanction actions that may or have been taken because of the non-compliance.

2. AHCCCS reserves the right to request follow-up on any open CAPs.

3. The results of a CAP shall be communicated to AHCCCS upon closure of the CAP.

4. DDD shall monitor its Acute Care Subcontractors’ performance on an ongoing basis and complete a formal review at least annually, or more frequently if requested by AHCCCS.

C. ADMINISTRATIVE SERVICES SUBCONTRACTOR EVALUATION REPORT

The Contractor shall submit a completed Administrative Services Subcontractor Evaluation Report utilizing Attachment B, as specified in Contract.

1. The Administrative Services Subcontractor Evaluation Report shall include the following:
   a. Administrative Services Subcontractor name,
   b. Delegated duties and responsibilities,
   c. Most recent formal review date of the duties, responsibilities, and financial position of the Administrative Services Subcontractor,
   d. A comprehensive summary of the evaluation of the performance (operational and financial) of the Administrative Services Subcontractor, including the type of audit performed. The full report shall be made available upon request from AHCCCS,
   e. Next scheduled formal review date, and
   f. All identified areas of deficiency, including, but not limited to:
i. Those which affect member services, and/or
   ii. Those which cause a quality of care concern.

2. CAP Information:
   a. Any CAP that occurred since the last Administrative Services Subcontractor
      Evaluation Report,
   b. CAPs resulting from the annual formal review, and
   c. Date reported to AHCCCS.


D. ADDITIONAL REQUIREMENTS

1. Before entering into an Administrative Services Subcontract the Contractor shall
   evaluate the prospective Administrative Services Subcontractor’s ability to perform
   the delegated duties.

2. All Administrative Services Subcontracts shall reference and require compliance with
   the AHCCCS Minimum Subcontract Provisions available on the AHCCCS website.

3. In the event of a modification to AHCCCS Policy, Guidelines, and Manuals, or to the
   AHCCCS Minimum Subcontract Provisions, the Contractor shall issue a notification
   of the change to its subcontractors within 30 calendar days of the published change
   and ensure amendment of any affected subcontracts. Affected Administrative
   Services Subcontracts shall be amended on the regular renewal schedule or within six
   calendar months of the update, whichever comes first.

4. All Administrative Services Subcontracts shall reference and require compliance with
   the Disclosure of Ownership and Control and Disclosure of Information on Persons
   Convicted of Crimes requirements as outlined in Contract and 42 CFR 455.101
   through 106, 42 CFR 436, and SMDL09-001. Administrative Services
   Subcontractors shall disclose to AHCCCS-OIG the identity of any excluded person.

5. All Administrative Services Subcontracts for services rendered to Medicaid members
   shall incorporate by reference the applicable terms and conditions outlined in the
   corresponding AHCCCS Medicaid Contract.

6. The Contractor shall maintain a fully executed original or electronic copy of all
   Administrative Services Subcontracts, which shall be accessible to AHCCCS within
   five business days of the request by AHCCCS.

7. The Contractor shall ensure that all member communications furnished by the
   Administrative Services Subcontractor include the Contractor’s name and comply
   with member notification requirements as outlined in ACOM Policy 404.

8. In the event the Contractor terminates an Administrative Services Subcontract, the
   Contractor shall ensure compliance with all aspects of the AHCCCS Medicaid
   Contract notwithstanding the Administrative Services Subcontractor termination,
   including availability and access to all covered services and provision of covered
   services to members within the required timeliness standards.