

**418 - PROVIDER AND AFFILIATE ADVANCES, EQUITY DISTRIBUTIONS, LOANS, PROFIT-SHARING AGREEMENTS,<sup>1</sup> AND INVESTMENTS**

EFFECTIVE DATES: 10/01/08, 10/01/12, 10/01/13, 07/01/16, 10/01/18, 04/01/21, 10/01/26

APPROVAL DATES: 01/31/08, 05/01/12, 08/15/13, 05/11/16, 11/15/18, 03/02/21, 06/02/26

**I. PURPOSE**

This Policy applies to ACC, ACC-RBHA,<sup>2</sup> ALTCS E/PP, DCS ~~/Comprehensive Health Plan (CHP)~~, and DES ~~/DDD (DDD), and RBHA~~ Contractors. This Policy establishes requirements for Contractors regarding advances, equity distributions, loans, loan guarantees, profit-sharing agreements,<sup>3</sup> and investments, including but not limited to, those to providers and related parties or affiliates including another fund or Line of Business (LOB) within the Contractor's organization.

**II. DEFINITIONS**

Refer to the AHCCCS Contract and Policy ACOM and AMPM Dictionary<sup>4</sup> for common terms found in this Policy.

**ADVANCE**

~~Includes but is not limited to payment to a provider or affiliate by a Contractor which is based on an estimate of Received But Unpaid Claims (RBUCS), an estimate of the value of erroneous claim denials (including underpayments), a loan, or as otherwise defined by the Contractor.~~

**AFFILIATE (RELATED PARTY)**

~~A party that has, or may have, the ability to control or significantly influence a Contractor, or a party that is, or may be, controlled or significantly influenced by a Contractor. "Related parties" include, but are not limited to, agents, managing employees, individuals with an ownership or controlling interest in the Contractor and their immediate families, subcontractors, wholly-owned subsidiaries or suppliers, parent companies, sister companies, holding companies, and other entities controlled or managed by any such entities or individuals.~~

<sup>1</sup> Policy also speaks to Profit-Sharing Agreements.

<sup>2</sup> Revised to align with the Competitive Contract Expansion YH20-0002 to expand the provision of services for the awarded ACC Contractors, changes made throughout policy.

<sup>3</sup> Adding profit-sharing agreement as part of the reportable information. Added when applicable throughout policy.

<sup>4</sup> Revised to align with new title.

**AFFILIATE (RELATED PARTY)  
TRANSACTIONS**

~~Transactions with a party that has, or may have, the ability to control or significantly influence a Contractor, or a party that is, or may be, controlled or significantly influenced by the Contractor. Control, for purposes of this definition, means the possession, direct or indirect, of the power to direct or cause the direction of the management and policies of an enterprise through ownership, by contract, or otherwise. "Related parties" or "Affiliates" include, but are not limited to, agents, managing employees, individuals with an ownership or controlling interest in the disclosing entity, and their immediate families, subcontractors, wholly owned subsidiaries or suppliers, parent companies, sister companies, holding companies, and other entities controlled or managed by any such entities or individuals.~~

**DAY**

~~Calendar day unless otherwise specified.~~

**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.<sup>5</sup>~~

**III. POLICY**

AHCCCS reserves the right to evaluate and present all proposed advances, equity distributions, loans, loan guarantees, [profit-sharing agreements](#), and investments to the affected Providers(s), related parties, or Affiliates as part of the approval and/or notification process.

All requests shall be submitted as specified in Contract.<sup>6</sup> AHCCCS will evaluate all requests for appropriateness and to resolve any future occurrences with accurate and timely claims payment. [AHCCCS will provide Aa](#) written determination ~~will be sent~~ to the Contractor upon review of all required information from the Contractor.

Provider Advances, loans, and loan guarantees under ~~\$50,000~~ [\\$100,000](#)<sup>7</sup> do not require prior AHCCCS approval but shall be tracked and made available to AHCCCS upon request. AHCCCS reserves the right to request tracking logs, collection policies, and any pertinent information ~~for all Advances, loans, or loan guarantees.~~

<sup>5</sup> Removed terms they are found in the AHCCCS ACOM and AMPM Dictionary.

<sup>6</sup> Added to provide clarity on where in Contract to obtain submitting requirements.

<sup>7</sup> Increase in amount from \$50,000 to \$100,000 to adjust for inflation, etc., as this amount has not been changed in more than 15 years.

**A. INDIVIDUAL AND CUMULATIVE PROVIDER ADVANCES, LOANS, LOAN GUARANTEES, AND INVESTMENTS**

1. The Contractor shall submit a written notification request for approval to AHCCCS ~~of for~~ any individual or cumulative Provider Advances, Loans, Loan Guarantees, or Investments (including if routine/scheduled)<sup>8</sup> ~~loans, loan guarantees, and Advances~~ equal to or in excess of ~~\$50,000~~100,000<sup>9</sup> ~~per from an individual~~ Provider Tax Identification Number (TIN) within a contract year. ~~All requests for prior approval are to be submitted as specified in Contract Section F, Attachment F3, Contractor Chart of Deliverables~~<sup>10</sup>. ~~Prior approval requests shall be submitted to DHCM/Operations as specified in Contract.~~<sup>11</sup> ~~All requests for approval shall be in the format detailed below and include a:~~ A detailed letter of explanation ~~shall be submitted~~ that describes:
  - a. The Provider(s) name(s) ~~and~~ AHCCCS Identification Number(s), and Provider TIN<sup>12</sup>;
  - b. The date the Provider and Contractor initiated discussions relating to the need for the advance, loan, loan guarantee, or investment~~loan~~;
  - c. The systemic organizational causes resulting in the need for an advance, loan, loan guarantee, or investment~~loan~~ including any mitigation strategies implemented prior to the request;
  - d. The process that will be utilized for repayment including the timeline;
  - e. The contingency plan for repayment should the Provider default on repayment;
  - f. ~~The corrective action(s) that will be implemented to avoid future occurrences;~~
  - f.
  - g. The total advance, loan, loan guarantee, or investment ~~loan~~ amount, and if applicable, ~~the percentage that the Advance amount is of total estimated amount that should have been paid, and range of dates (month/year) for the impacted claims, the total of estimated claims and range of dates (month/year) that should have been paid that aligns with the percentage of the advance, loan, loan guarantee, or investment amount being requested;~~ and
  - h. A copy of the written communication that will serve as notification to the affected Provider(s).

The Contractor shall submit information regarding Repayment of Advances, Loans, Loan Guarantees, and Investments as specified in Contract<sup>13</sup> Section F, Attachment F3, Contractor Chart of Deliverables and ~~For repayments, the Contractor shall provide~~ include the following information to DHCM/Operations as specified in Contract:

a detailed letter of explanation that describes:

- a. Provider Name;
- b. AHCCCS Provider ID;
- c. Provider ~~Tax Identification Number~~ TIN;

<sup>8</sup> Revised to align with name of Contract Deliverable.

<sup>9</sup> Increase in amount from \$50,000 to \$100,000 to adjust for inflation, etc., as this amount has not been changed in more than 15 years.

<sup>10</sup> Added to indicate this is a requirement specified in the Chart of Deliverables.

<sup>11</sup> Removed it is duplicative to previous sentence.

<sup>12</sup> Letter must include Provider Tax Identification Number (TIN).

<sup>13</sup> Cited deliverable. Repayment is separate from the original request.

- d. Date of Payment;<sup>17</sup>
- e. Amount Paid;<sup>17</sup>
- ~~f. Amount advanced, loaned, loan guaranteed, or invested~~ ~~Loaned;~~ and
- f. \_\_\_\_\_
- g. Balance Due to/from the Provider.

Additional required documentation for provider advances, loans, loan guarantees, and investments<sup>14</sup> will be determined on an individual basis and communicated to the Contractor as part of the approval review process.

~~**B. ROUTINE/SCHEDULED ADVANCES OR LOANS TO PROVIDERS AND ANY ADVANCES OR LOANS TO AFFILIATES**~~

~~Routine/scheduled Advances or loans to Providers as a result of contractual arrangements or any Advance or loans to an Affiliate shall be submitted to AHCCCS for prior approval. The request for approval shall be submitted as specified in the Contract.~~

~~AHCCCS may request additional information or periodic reconciliations related to these Advances.~~<sup>15</sup>

~~**C. B. ROUTINE/SCHEDULED ADVANCES, EQUITY DISTRIBUTIONS, LOANS, AND LOAN GUARANTEES, INVESTMENTS, PROFIT-SHARING AGREEMENTS, AND EQUITY DISTRIBUTIONS TO RELATED PARTIES OR AFFILIATES**~~<sup>16</sup>

The Contractor shall submit a written request for prior approval to AHCCCS for any advances, equity distributions, loans, loan guarantees, profit sharing agreements or investments in/to related parties or affiliates, including other to another fund or line of business within its organization, within a contract year (including if routine/scheduled). ~~Prior approval requests for Advances, Loans, Loan Guarantees, Investments, Profit Sharing Agreements, or Equity Distributions for Related Parties or Affiliates shall be submitted to AHCCCS DHCM/Finance as specified in Contract, Section F, Attachment F3, Contractor Chart of Deliverables. All approval requests shall be in the format detailed below: and include:~~

~~Aa~~ -detailed letter of explanation ~~shall be submitted~~ that describes:

- a. The Related Party or Affiliate Name and relationship to Contractor<sup>17</sup>,
- b. The Amount,
- c. The Type of Request,
- d. The Purpose or Reason for Request, and
- e. The Expected Date of Investment or Distribution.

<sup>14</sup> Revised to clarify that additional information may be required based on circumstances.

<sup>15</sup> Addressed routine/scheduled provider advances in section A.

<sup>16</sup> Revised to align with name of Deliverable.

<sup>17</sup> Contractor to provide information on the relationship of the related party/affiliate to the Contractor.

Additional required documentation for advances, loans, loan guarantees, investments, and profit sharing agreements to related parties or affiliates will be determined on an individual basis and communicated to the Contractor as part of the approval review process.<sup>18</sup>

The Contractor shall also submit information regarding Repayment of Advances, Loans, Loans Guarantees~~d~~, and Investments as specified in Contract Section F, Attachment F3, Contractor Chart of Deliverables and include a detailed letter of explanation that describes:

- a. Related Party of Affiliate Name and relationship to Contractor,
- b. Date of Payment,
- c. Amount Paid,
- ~~—~~ Remaining Balance of Loan Amount, and
- d. \_\_\_\_\_
- e. Remaining Balance Due to/from the Related Party or Affiliate, as applicable.<sup>19</sup>

<sup>18</sup> Added to clarify additional information may be requested based upon the submission, in line with the language in the provider section above.

<sup>19</sup> Included repayment section for actions for related parties/affiliates.