

**439 – MATERIAL CHANGES: PROVIDER NETWORK AND BUSINESS OPERATIONS<sup>1</sup>**

EFFECTIVE DATES: ~~10/01/15, 07/01/16, 10/01/18, 10/01/21, 10/01/22, 10/01/23~~

APPROVAL DATES: ~~04/21/16, 08/02/18, 03/23/21, 05/05/22, 06/22/23~~

**I. PURPOSE**

This Policy applies to ACC, ACC-RBHA, ALTCS E/PD, DCS/CHP (CHP), and DES/DDD (DDD) Contractors. This Policy establishes requirements for Contractors regarding the identification and assessment of material changes to a Contractor’s provider network and business operations and the approval process for such changes.

**II. DEFINITIONS**

Refer to the AHCCCS Contract and Policy Dictionary for common terms found in this Policy including:

<del>CONTRACTOR</del>	<del>GEOGRAPHIC SERVICE AREA (GSA)</del>	<del>MEMBER</del>
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— For purposes of this Policy, the following terms are defined as:

**MATERIAL CHANGES TO BUSINESS OPERATIONS**

Any change in overall operations that affects, or can reasonably be foreseen to affect, the Contractor’s ability to meet the performance standards as required in Contract including, but not limited to, any change that would impact or is likely to impact more than five percent of total membership and/or provider network in a specific GSA. Changes to business operations may include, but are not limited to, policy, process, and protocol, such as prior authorization or retrospective review. Additional changes may also include the addition or change in:

- ~~1. PBM,~~
- ~~2. Dental Benefit Manager,~~
- ~~3. Transportation vendor,~~
- ~~4. Claims Processing system,~~
- ~~5. System changes and upgrades,~~
- ~~6. Change to Organization Name,~~
- ~~7. Member ID Card vendor,~~
- ~~8. Call center system,~~
- ~~9. Covered benefits delivered exclusively through the mail, such as mail order pharmaceuticals or delivery of medical equipment,~~
- ~~10. MSA, and~~
- ~~11. Any other Administrative Services Subcontract~~

<sup>1</sup> Policy deleted in whole and replaced with revised Policy immediately below.

**MATERIAL CHANGES TO  
PROVIDER NETWORK**

~~Any change in composition of or payments to a contractor's provider network that affects, or can reasonably be foreseen to affect, the Contractor's adequacy of capacity and services necessary to meet the performance and/or provider network standards as specified in Contract. Changes to provider network may include but are not limited to: 1. A change that would cause or is likely to cause more than five percent of the members in a Geographic Service Area (GSA) to change the location where services are received or rendered. 2. Any change impacting five percent or less of the membership but involving a provider or provider group who is the sole provider of a service in a service area or operates in an area with limited alternate sources of the service.~~

**III. POLICY**

~~The Contractor shall have efficient and effective business operations and a provider network to ensure that performance and provider network standards are met to support a member's individual needs as well as the needs of the membership as a whole [ 42 CFR 457.1230, 42 CFR 438.207]. The Contractor shall develop a process to determine when changes to business operations or to the provider network constitute a material change.~~

~~AHCCCS-initiated changes, such as changes in reimbursement methodologies (e.g., All Patients Refined Diagnosis Related Groups [APR-DRG]) or changes to reference tables impacting claims payment, and industry initiated changes, such as Current Procedural Terminology (CPT)/diagnosis code changes, are excluded from these Policy requirements.~~

**A. IDENTIFYING A PROVIDER NETWORK AND/OR BUSINESS OPERATIONS MATERIAL CHANGE**

- ~~1. The Contractor is responsible for evaluating all business operational and provider network changes, including unexpected changes, to determine if the change is a material change.~~
- ~~2. For changes impacting members and/or providers regarding the provider network and/or business operations the Contractor shall:
  - ~~a. Establish a process for determining the impact of the change to members and providers;~~
  - ~~b. For provider network changes, conduct an impact assessment of the change on the Contractor's membership by identifying the number of unique members served by the provider over the previous six months and comparing it to the number of unique members enrolled with the contractor over the same period;~~
  - ~~c. For business operations changes; evaluate the impact of the change to its membership and providers, by Geographic Service Area (GSA) and as a whole, utilizing the established criteria and/or methodology established in this Policy;~~
  - ~~d. Determine, based on the evaluation results, if the change meets the definition of a material change as outlined in this Policy or the AHCCCS Contract and Policy Dictionary and determine if it complies with Contract and Policy requirements; and~~
  - ~~e. Maintain documentation of evaluation of all provider network and business operations changes.~~~~

- ~~3. AHCCCS may request and review documentation of established methodology, criteria, and evaluation results for all provider network and business operations changes even for those changes that the Contractor determines do not constitute a material change.~~
- ~~4. For all changes which have a member impact, the Contractor is required to provide member notification as specified in ACOM Policy 404. Proposed draft member communication materials shall be submitted as a component of the material change submission.~~
- ~~5. Implementation shall be planned to ensure continuity of care to members.~~
- ~~6. A material change to business operations may also constitute a material change to the provider network. When a material change meets both definitions, the Contractor may combine its submission as a Material Change to Business Operations, but shall address the requirements of both changes in a single Attachment A.~~
- ~~7. AHCCCS reserves the right to identify any operations or network change as a material change.~~

#### **~~B. CONTRACTOR REPORTING REQUIREMENTS~~**

- ~~1. The Contractor shall request, in writing, prior approval of a material change to the provider network or business operations as specified in this Policy. A request for approval shall include a detailed description of the proposed change and all requirements outlined above and summarized in Attachment A. Whenever possible, the material change shall be submitted in its entirety and include all available draft materials to be utilized for members, providers, and/or the Contractor's staff. Incomplete submissions may be rejected.~~
- ~~2. For all material changes, the Contractor shall include an accessibility analysis of the services impacted by the provider change:
  - ~~a. For services the member shall travel to receive — The Contractor shall provide the average time and distance that members in the impacted areas shall travel for the service before and after the change. If time and distance traveled is measured under ACOM Policy 436, compliance with ACOM Policy 436 shall be reported before and after the change,~~
  - ~~b. For services provided in the member's home — The Contractor shall address the geographic coverage and sufficiency of providers in the impacted area before and after the change, and~~
  - ~~c. For transportation services — The Contractor shall address the availability of vehicles dedicated to the Contractor's line of business in the impacted area before and after the change.~~~~
- ~~3. The Contractor shall request prior approval, in writing, of a material change that involves major system changes and upgrades to the Contractor's information system that, at a minimum, affects claims processing, payment or other major business component as specified in Contract, or system changes that impact member or provider interactions with the Contractor. A request for approval shall include a system change plan that includes a timeline, milestones and outlines adequate testing to be completed before implementation. System changes require advance notification prior to implementation as specified in the Contractor Chart of Deliverables.~~

- ~~4. A material change in the provider network and/or business operations requires a 30 day advance written notice from the Contractor to members and providers [42 CFR 457.1207, 42 CFR 438.10(g)(4)].~~
- ~~5. A Material Change may necessitate a change to an existing Administrative Services Subcontract or may initiate a new subcontract, in such a case, the Contractor shall adhere to requirements as outlined in ACOM Policy 438.~~
- ~~6. In the event of an unexpected material change to the provider network and/or business operations, the Contractor shall submit written notification to AHCCCS no later than one business day of the Contractor becoming aware of the change. Notification shall be submitted as specified in Contract. The notification shall include a detailed description of the change, address why it was unexpected and include all the requirements identified in Attachment A. If the Contractor is unable to provide some or all the Attachment A requirements in its initial notification, the remaining requirements shall be provided to AHCCCS within one week of the initial notification. The Contractor shall also identify its plan for notifying members or providers of the unexpected change.~~
- ~~7. For any provider termination, when appropriate, the Contractor shall make a good faith effort to give written notice to enrollees by the later of 30 calendar days prior to the effective date of the termination, or within 15 days after receipt or issuance of a provider termination notice, to each member who received their primary care from, or is seen on a regular basis by, the terminated provider [42 CFR 457.1207, 42 CFR 438.10(f)(1)].~~
- ~~8. AHCCCS will review and respond to Contractor requests for approval within 30 days of the submission. Incomplete submissions will not be approved, and additional information may be requested. The approval process will be expedited upon request for emergency situations.~~
- ~~9. The Contractor may be required to provide periodic updates on the status of the change or implementation.~~
- ~~10. The Contractor may be required to conduct meetings with providers and/or members to provide general information, technical assistance or address issues related to changes to business operations, changes in policy, reimbursement matters, prior authorizations and other matters as identified or requested by AHCCCS.~~

**439 – MATERIAL CHANGES: PROVIDER NETWORK AND BUSINESS OPERATIONS<sup>2</sup>**

EFFECTIVE DATES: 10/01/15, 07/01/16, 10/01/18, 10/01/21, 10/01/22, 10/01/23, 10/01/26

APPROVAL DATES: 04/21/16, 08/02/18, 03/23/21, 05/05/22, 06/22/23, 06/02/26

**I. PURPOSE**

This Policy applies to ACC, ACC-RBHA, ALTCS E/PD, DCS CHP (CHP), and DES DDD (DDD) Contractors. This Policy establishes requirements for Contractors regarding the identification, assessment, and submission of Material Changes to a Contractor’s provider network and business operations and the approval process for such changes.

The CHP and DDD Contractors are responsible for ensuring Material Change activities of its Subcontracted Health Plan(s) align with the requirements of this Policy.<sup>3</sup>

**II. DEFINITIONS**

Refer to the AHCCCS ACOM and AMPM Dictionary for common terms found in this Policy.

For the purposes of this Policy the following Definitions apply:

<p><b><u>MATERIAL CHANGE TO BUSINESS OPERATIONS</u></b></p>	<p><u>Any change in overall operations that affects, or can reasonably be foreseen to affect, the Contractor’s ability to meet the performance standards as required in Contract including, but not limited to, any change that would impact or is likely to impact more than 5% of total membership and/or provider network in a specific Geographic Service Area (GSA).</u></p> <p><u>1. Changes to business operations may include, but are not limited to:</u></p> <ul style="list-style-type: none"> <li><u>a. Policy,</u></li> <li><u>b. Process, and</u></li> <li><u>c. Protocol, such as Prior Authorization (PA) or retrospective review.</u></li> </ul> <p><u><del>1.</del>2. Additional changes may also include the addition or change in:</u></p> <ul style="list-style-type: none"> <li><u>a. Pharmacy Benefit Manager (PBM),</u></li> <li><u>b. Dental Benefit Manager,</u></li> <li><u>c. Transportation vendor,</u></li> <li><u>d. Claims Processing system,</u></li> <li><u>e. System changes and upgrades,</u></li> <li><u>f. Change to Organization Name,</u></li> <li><u>g. Member Identification (ID) Card vendor,</u></li> <li><u>h. Call center system,</u></li> </ul>
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<sup>2</sup> ACOM Policy 439 Revisions for 10-01-26 begin here and continue to the end of this document; see also corresponding Policy Attachments incorporated by Reference (Attachment B, Cover Letter, Attachment C, Material Change Plans, and Attachment D, Member Transition Grid).

<sup>3</sup> Included to add more specificity for DDD and CHP submissions.

	<ul style="list-style-type: none"> <li>i. <u>Covered benefits delivered exclusively through the mail, i.e., mail order pharmaceuticals or delivery of medical equipment,</u></li> <li>j. <u>Management Services Agreement (MSA), and</u></li> <li>k. <u>Any other Administrative Services Subcontract.</u></li> </ul>
<p><b><u>MATERIAL CHANGE TO PROVIDER NETWORK</u></b></p>	<p><u>Any change in composition of or payments to a contractor’s provider network that affects, or can reasonably be foreseen to affect, the Contractor’s adequacy of capacity and services necessary to meet the performance and/or provider network standards as specified in Contract. Changes to provider network may include but are not limited to:</u></p> <ol style="list-style-type: none"> <li><u>1. A change that would cause or is likely to cause more than 5% of the members in a Geographic Service Area (GSA) to change the location where services are received or rendered.</u></li> <li><u>2. Any change impacting 5% or less of the membership but involving a provider or provider group who is the sole provider of a service in a service area or operates in an area with limited alternate sources of the service.</u></li> </ol>

**III. POLICY**

The Contractor shall have efficient and effective business operations and a provider network to ensure that performance and provider network standards are met to support a member’s individual needs as well as the needs of the membership as a whole [42 CFR 457.1230, 42 CFR 438.207].

The Contractor shall establish and implement policies to continually assess business operations and provider network changes and determine when such changes constitute a Material Change. Contractor Material Change Policies are subject to AHCCCS’ written approval.

The Contractor must receive written approval from AHCCCS prior to initiating or pursuing a Material Change to Provider Network or Business Operations. The Contractor shall not initiate a Material Change to Provider Network or Business Operations until AHCCCS provides written approval of the Material Change.

The Contractor shall submit Material Changes to Business Operations and Material Changes to Provider Network as specified in Contract and Policy.

AHCCCS-initiated changes, such as changes in reimbursement methodologies (e.g., All Patients Refined-Diagnosis Related Groups [APR-DRG]) or changes to reference tables impacting claims payment, and industry-initiated changes, such as Current Procedural Terminology (CPT)/diagnosis code changes, are excluded from these Policy requirements.

The CHP and DDD must ensure their Subcontracted Health Plans receive written approval prior to initiation of a Material Change to Provider Network or Material Change to Business Operations.

AHCCCS reserves the right to identify any operations or provider network change as a Material Change.

AHCCCS reserves the right to request, obtain, and review any materials, documentation, or information necessary to perform oversight, evaluation, or analysis of Material Changes to Provide Network or Business Operations that may impact the Medicaid Program as a whole or broader aspects of the Medicaid Program, including changes impacting CHP and DDD members or providers.

AHCCCS may require the Contractor to conduct meetings with providers and/or members to provide general information, technical assistance, or address issues related to changes to business operations, changes in policy, reimbursement matters, prior authorizations, and other matters as identified or requested by AHCCCS.

Failure to comply with the requirements outlined in this Policy may result in Administrative Action.

#### **A. IDENTIFYING A PROVIDER NETWORK AND/OR BUSINESS OPERATIONS MATERIAL CHANGE**

1. The Contractor is responsible for promptly evaluating all provider network and business operational changes, including unexpected provider network changes, to determine if the change is a material change.
2. For changes impacting members and/or providers regarding the provider network and/or business operations the Contractor shall:
  - a. Establish a process for determining the impact of the change on members and providers and document the process in writing in its Material Change Policies.
  - b. For provider network changes, conduct an impact assessment of the change on the Contractor's membership by identifying the number of unique members served by the provider over the previous six months and comparing it to the number of unique members enrolled with the contractor over the same period.
  - c. For business operations changes, evaluate the impact of the change to its membership and providers, by Geographic Service Area (GSA), and as a whole, utilizing the established criteria and/or methodology established in this Policy.
  - d. Determine, based on the evaluation results, if the change meets the definition of a material change.
  - e. Determine if the change complies with Contract and Policy requirements, and document the findings in its submission to AHCCCS, and
  - f. Maintain documentation of evaluation of all provider network and business operations changes, including those that do not constitute a material change.
3. AHCCCS may request and review evaluation results for those changes that the Contractor determines do not constitute a material change.
- 8.4. Plan and implement any Material Change to Provider Network or Material Change to Business Operations in a manner that ensures and addresses continuity of care to members.

## B. CONTRACTOR REPORTING REQUIREMENTS

### 1. Material Change Policies:

The Contractor shall submit Material Change Policies and Substantive Changes to Material Change Policies for written approval as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables.<sup>4</sup> Material Change Policies must include but not be limited to the Contractor's internal policies and procedures for identifying and evaluating Material changes including criteria thresholds and methods for determining the impact of the change on members and providers.<sup>5</sup>

### 2. Material Change to Provider Network/Material Change Business Operations:

The Contractor shall request written prior approval of its Material Change to Provider Network and Material Change to Business Operations as specified in this Policy and shall submit as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables. The submission shall consist of:

- a. A completed Cover Letter utilizing Attachment B,<sup>6</sup>
- b. A completed Attachment C which includes the Contractor's:
  - i. Contingency Plan,
  - ii. Transition Plan,
  - iii. Communication Plan,
  - iv. Contractor Staff Training Plan, and
  - v. System Change Plan.
- c. Additional supporting documentation as applicable.<sup>7</sup>

### 3. Unexpected Material Change to Provider Network – Analysis:

An unexpected material change to the provider network may include a provider-initiated termination or a provider termination with cause where further advance notice may compromise and/or jeopardize member health and/or safety or would not be in the best interest of the state, or a provider-initiated termination. In the event of an unexpected material change to the provider network, the Contractor shall submit its Unexpected Material Change to Provider Network – Analysis as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables. The submission shall consist of:

- a. A completed Cover Letter utilizing Attachment B,
- b. A completed Attachment C which includes the Contractor's:
  - i. Contingency Plan
  - ii. Transition Plan
  - iii. Communication Plan
  - iv. Contractor Staff Training Plan,
  - v. System Change Plan, and

<sup>4</sup> New Deliverable Initial submission is due 11/1/2026; for 10/01/27 and forward this will be due within 30 days of a substantive change to the Policies.

<sup>5</sup> Added to specify content.

<sup>6</sup> New Cover Letter Attachment providing a template for ease of use.

<sup>7</sup> Material Change Plans; Material Changes to Business Ops deliverable changed from 90 days to 180 days before proposed implementation; Material Changes to Provider Network deliverable changed from 90 days to 45 days prior to MCO's plan to issue termination notice to the provider. Removing Deliverable Material Change to Provider Network for CHP.

- c. Additional supporting documentation as applicable.<sup>8</sup>
4. To the extent possible, the Contractor shall provide its Material Change submission in its entirety, including all available draft materials that are intended to be utilized for members, providers, and/or the Contractor's staff.
- 11.5. A Material Change to Business Operations may also constitute a Material Change to the Provider Network. When a material change meets both definitions (Material Change to Provider Network and Material Change to Business Operations), the Contractor must submit as a Material Change to Business Operations but shall address the requirements of both changes in a single submission, as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables.
6. The Contractor must submit major system changes and/or system upgrades as a Material Change to Business Operations. Major system changes and/or system upgrades include modifications that require complex system-wide intervention involving fundamental structures, multiple units, professionals, and stakeholders (e.g., claims processing, payment, encounters processing, and other system changes that impact member and provider interactions).<sup>9</sup>
7. A Material Change to Provider Network or Material Change to Business Operations may require a change to an existing Administrative Services Subcontract or may initiate a new Administrative Services Subcontract. In such a case, the Contractor shall submit the Administrative Services Subcontract as a component of its related Material Change submission, including a completed ACOM Policy 438, Attachment A.
8. The Contractor shall provide member notification for all Material Changes which have a member impact in accordance with ACOM Policy 404. The Contractor shall submit proposed draft member communication materials to AHCCCS as a component of the material change submission regardless of any prior written approval of the communication as Member Information Material.
9. The Contractor shall clearly mark requests to AHCCCS for expedited review of a Material Change as expedited and shall provide the reason for request of the shortened timeframe. AHCCCS reserves the right to determine if the request for an expedited review is warranted.
10. AHCCCS will review submissions and provide an initial response to Contractor requests within 30 days of the submission.

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<sup>8</sup> Analysis - New Attachments for Cover Letter and Material Change Plans; applies to Material Change to Provider Network Only; due within 1 week of occurrence; N/A for CHP; Removed deliverable: Unexpected Material Change to Provider Network – Notification (within one business day).

<sup>9</sup> System Change Plans are all to be submitted as Material Change to Business Operations; Removed System Change Plan Deliverable. Removed definition of Major upgrades from contract and expanded on description and examples of major system changes and upgrades.

11. AHCCCS will review submissions for completion. Incomplete submissions may be rejected.
12. AHCCCS may request additional information to be submitted prior to issuing written approval.
13. AHCCCS may require the Contractor to modify any element of Material change to Provider Network or Material Change to Business Operations this includes but is not limited to modification of a provider contract termination date or implementation date of the Material Change.
14. Material Change to Business Operations Updates/Material Change to Provider Network Updates:

After issuing written approval of a material change, AHCCCS may require the Contractor to provide periodic updates on the status and implementation of the Material Change.

  - a. These Updates shall be submitted as requested by AHCCCS and as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables under Material Change to Business Operations Updates or Material Change to Provider Network Updates as appropriate, and
  - b. AHCCCS may require the Contractor to report updates on a member transition tracking grid utilizing Attachment D.<sup>10</sup>
15. The CHP and DDD Material Change to Provider Network/Material Change to Business Operations Notification:

The CHP and DDD Contractors shall submit a Material Change to Provider Network or Business Operations Notification for any material change submission received by a subcontracted health plan. The Material Change to Provider Network and Material Change to Business Operations Notification shall be submitted as specified in Contract Section F Attachment F3, Contractor Chart of Deliverables. This Notification shall include the following:

  - a. A detailed description of the proposed change,
  - b. The subcontractor's impact summary on membership and/or operations, and
  - c. The Contractor's plan and timeframe for evaluation of the proposed change.<sup>11</sup>

<sup>10</sup> New Attachment that provides the Member Transition Grid Template.

<sup>11</sup> New Deliverable for DDD and CHP; due within 3-Business Days.