Policy:	HH.2025
Title:	**Health Network Subdelegation and Subcontracting**
Department:	Office of Compliance
Section:	Delegation Oversight
CEO Approval:	*/s/ Michael Hunn 12/07/2023*
Effective Date:	08/01/2005
Revised Date:	11/01/2023
Applicable to:	☒ Medi-Cal ☒ OneCare ☐ PACE ☐ Administrative

I. PURPOSE

This policy details the requirements and processes required for Health Network Subdelegation and Subcontracting.

II. POLICY

A. Subdelegation

1. Except as otherwise limited by the CalOptima Health, Health Network Service Agreement or CalOptima Health policies, a Health Network may delegate required administrative functions to a Management Services Organization (MSO), medical group, or Independent Practice Association (IPA).

2. Subdelegation shall not absolve a Health Network of oversight responsibilities, or ultimate obligation and responsibilities, set forth in the CalOptima Health, Health Network Service Agreement.

    a. A Health Network may give a Subdelegated entity the authority to act on behalf of the Health Network, but the Health Network shall retain oversight and accountability for the delegated function.

    b. A Health Network shall not abdicate responsibility for the function performed by a Subdelegated entity according to the requirements of the CalOptima Health, Health Network Service Agreement and those established by CalOptima Health policies and procedures (hereafter, "policies").

3. A Health Network shall obtain CalOptima Health's written approval for Subdelegation in accordance with the terms and conditions of this Policy.

4. A Health Network shall provide CalOptima Health with written evidence of Subdelegation including:

    a. A copy of the written agreement that meets all requirements of the CalOptima Health, Health Network Service Agreement and CalOptima Health policies, and includes the following:

i. The Subdelegated entity shall comply with all applicable regulatory standards, Centers for Medicare & Medicaid Services (CMS) instructions, Department of Health Care Services (DHCS), Department of Managed Health Care (DMHC), and the National Committee for Quality Assurance (NCQA) instructions;

ii. The Subdelegated entity shall comply with all state and federal confidentiality requirements;

iii. The Subdelegated entity shall grant the CMS, DHCS, the Comptroller General, DHHS Office of Inspector General, or their designees, the right to inspect all pertinent information related to the contract during the contract term and for ten (10) years from the final date of the contract period, and in certain instances described in the regulation, periods in excess of ten (10) years; and

iv. The Health Network shall have the right to revoke the delegation if the Subdelegated entity fails to perform in a satisfactory manner.

b. A description of the relationship between the Health Network and the Subdelegated entity including the following information:

i. The delegated functions;

ii. The responsibilities of the Health Network and the Subdelegated entity;

iii. The frequency of reporting and reviewing the Subdelegated entity's performance of the delegated functions;

iv. The process by which the Health Network evaluates the Subdelegated entity's performance; and

v. The Health Network's remediation if the Subdelegated entity fails to fulfill its obligations including revocation of the delegation.

c. A description of the Health Network's process by which it evaluated and selected the Subdelegated entity to perform the delegated functions, including the Subdelegated entity's score on a selection tool, if applicable; and

d. A record of the Health Network's ongoing oversight process, as requested by CalOptima Health, including:

i. The Health Network's annual evaluation of whether the Subdelegated entity is performing the delegated functions in accordance with the CalOptima Health, Health Network Service Agreement, CMS, DHCS, DMHC, and NCQA standards;

ii. The Health Network's review of the Subdelegated entity's regular reports; and

iii. Reports and data required to be submitted to CalOptima Health.

5. Upon receipt of written notification from CalOptima Health, and as soon as practical, a Health Network shall terminate any delegation that fails to meet standards established by CalOptima Health, any requirement in the CalOptima Health, Health Network Delegation Agreement, or

CalOptima Health Policy GG.1619: Delegation Oversight, to meet the health care needs of Members.

6. A Health Network shall report to CalOptima Health, in accordance with all requirements established in the CalOptima Health, Health Network Delegation Agreement and in CalOptima Health policies, data and information that includes and encompasses all of the Health Network's membership, including those receiving services from a Subdelegated entity.

7. A Health Network shall audit a Subdelegated entity at least annually.

8. A Health Network shall establish standards and performance requirements for the delegated function and requirements for a Subdelegated entity to meet, or exceed, all requirements of the Health Network in the CalOptima Health, Health Network Service Agreement and in CalOptima Health Policy GG.1619: Delegation Oversight.

9. If a Subdelegated entity fails to meet performance requirements, the Health Network shall place the Subdelegated entity on a Corrective Action Plan (CAP). The CAP shall meet the requirements of CalOptima Health Policy HH.2005: Corrective Action Plan and detail:

    a. The Subdelegated entity's deficiencies;

    b. Root cause analysis;

    c. Specific steps, tasks, and activities to bring the Subdelegated entity into compliance; and

    d. A timeline for completion of corrective action and to achieve compliance with performance requirements.

10. A Health Network shall notify CalOptima Health of any Subdelegated entity providing services to Members that is on a CAP. The Health Network shall provide CalOptima Health with a copy of the CAP, upon request.

B. Subcontracting

1. A Health Network may subcontract for certain functions covered by the CalOptima Health, Health Network Service Agreement, in accordance with CalOptima Health policies.

2. A Health Network shall ensure that a subcontract is in writing and includes all provisions required by the CalOptima Health, Health Network Service Agreement.

3. A Health Network shall inform CalOptima Health of a subcontractor's name and business address within sixty (60) calendar days of execution of subcontract.

4. A Health Network shall include the following in a subcontract that relates to the provision of Covered Services:

    a. The subcontractor shall make all books and records relative to the provision of and reimbursement for items and services furnished by the subcontractor to the Health Network available at all reasonable times for inspection, examination, or copying by CalOptima Health, or duly authorized representatives of the state or federal government;

b. The subcontractor shall maintain such books and records:

   i. In accordance with the general standards applicable to such books and records and any record requirements in the CalOptima Health, Health Network Service Agreement and CalOptima Health Policy HH.2022: Record Retention and Access; and

   ii. At the subcontractor's place of business, or at such other mutually agreeable location in California.

c. The subcontractor shall establish and maintain access to medical and administrative records as set forth in the CalOptima Health, Health Network Service Agreement and in CalOptima Health Policy HH.2022: Record Retention and Access;

d. The subcontractor shall ensure access to premises as set forth in the CalOptima Health, Health Network Service Agreement and in CalOptima Health Policy HH.2022: Record Retention and Access;

e. The subcontractor shall provide Covered Services to Members in the same manner that it provides such services to other patients;

f. The subcontractor shall notify the Health Network of any investigation of a subcontractor's professional conduct or any suspension of, or comment on, a subcontractor's professional licensure, whether temporary, or permanent;

g. The subcontractor shall comply with the Compliance Program, as described in CalOptima Health Policy HH.2014: Compliance Program;

h. The subcontractor shall comply with the CalOptima Health Approved Drug List, as set forth in the CalOptima Health, Health Network Service Agreement and in CalOptima Health policies;

i. The subcontractor shall comply with all applicable laws, regulations, and CMS, DHCS, NCQA, and DMHC instructions;

j. The subcontractor shall comply with all state and federal confidentiality requirements;

k. The subcontractor shall meet all applicable credentialing requirements;

l. The subcontractor shall grant, CMS, DHCS, DHHS, DMHC and the Comptroller General, DHSS Office of Inspector General, or their designees, the right to inspect all pertinent information related to the contract during the contract term and for ten (10) years from the final date of the contract period, and in certain instances described in the regulation, periods in excess of ten (10) years; and

m. The Health Network shall have the right to revoke the subcontract if the subcontractor fails to perform in a satisfactory manner.

III. PROCEDURE

A. A Health Network shall notify the Delegation Oversight Department of any Subdelegation or Subcontracted relationships in writing.

B. The Delegation Oversight and Regulatory Affairs & Compliance Departments' staff shall review requests for approval of delegation submitted by a Health Network.

C. CalOptima Health's review may include:

1. Site visits with the prospective Subdelegated entity;

2. Audits;

3. Interviews of the prospective Subdelegated entity staff;

4. Assessment of the prospective Subdelegated entity obtained from other clients, or patients of the prospective Subdelegated entity;

5. Demonstration of capabilities by the prospective Subdelegated entity;

6. Review of the prospective Subdelegated entity's financial reports, statements, and audits; and

7. Background investigations of the prospective Subdelegated entity and key staff of the prospective Subdelegated entity.

D. Upon completion of the initial review, CalOptima Health may deny or approve Subdelegation with corrective action requirements.

1. CalOptima Health shall notify the delegate of its determination, in writing, within sixty(60) calendar days of the initial review.

2. If CalOptima Health approves Subdelegation with corrective action requirements, CalOptima Health shall detail corrective action requirements in a corrective action plan request provided to the Health Network and the Subdelegated entity in accordance with CalOptima Health Policy HH.2005: Corrective Action Plan.

a. The Health Network and the Subdelegated entity shall comply with the corrective action requirements within the time frames specified in the CAP.

b. The Health Network and the Subdelegated entity shall document meeting all requirements of any CAP to CalOptima Health.

c. CalOptima Health may perform a focused review of the Subdelegated entity to confirm that the Subdelegated entity met requirements of the CAP.

d. CalOptima Health may require further corrective action or may approve or deny Subdelegation upon review of actions taken by the Subdelegated entity to meet requirements of any CAP.

IV. ATTACHMENT(S)

Not Applicable

V. REFERENCE(S)

A. CalOptima Health Compliance Plan
B. CalOptima Health Contract with the Centers for Medicare & Medicaid Services (CMS) for Medicare Advantage
C. CalOptima Health Contract with the Department of Health Care Services (DHCS) for Medi-Cal
D. CalOptima Health Policy GG.1619: Delegation Oversight
E. CalOptima Health Policy HH.2005: Corrective Action Plan
F. CalOptima Health Policy HH.2014: Compliance Program
G. CalOptima Health Policy HH.2022: Record Retention and Access
~~H.~~ Department of Health Care Services (DHCS) All Plan Letter (APL) 23-006: Delegation and Subcontractor Network Certification (Supersedes APL 17-004)

VI. REGULATORY AGENCY APPROVAL(S)

None to Date

VII. BOARD ACTION(S)

Date	Meeting
12/01/2016	Regular Meeting of the CalOptima Board of Directors
12/07/2017	Regular Meeting of the CalOptima Board of Directors
12/06/2018	Regular Meeting of the CalOptima Board of Directors
12/05/2019	Regular Meeting of the CalOptima Board of Directors
12/03/2020	Regular Meeting of the CalOptima Board of Directors
12/20/2021	Special Meeting of the CalOptima Board of Directors

VIII. REVISION HISTORY

Action	Date	Policy	Policy Title	Program(s)
Effective	08/01/2005	MA.5004	Health Network Sub-delegation and Sub-contracting	OneCare
Revised	09/01/2015	MA.5004	Health Network Sub-delegation and Sub-contracting	OneCare OneCare Connect
Effective	09/01/2015	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal
Revised	12/01/2016	HH.2025	Health Network Subdelegation and Subcontracting	Medi-Cal OneCare OneCare Connect
Retired	12/01/2016	MA.5004	Health Network Sub-delegation and Sub-contracting	OneCare OneCare Connect
Revised	12/07/2017	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare OneCare Connect
Revised	12/06/2018	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare OneCare Connect
Revised	12/05/2019	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare OneCare Connect

Action	Date	Policy	Policy Title	Program(s)
Revised	12/03/2020	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare OneCare Connect
Revised	12/20/2021	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare OneCare Connect
Revised	12/31/2022	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare
Revised	11/01/2023	HH.2025	Health Network Sub-delegation and Sub-contracting	Medi-Cal OneCare

IX. GLOSSARY

Term	Definition
Centers for Medicare & Medicaid Services (CMS)	The federal agency within the United States Department of Health and Human Services (DHHS) that administers that Federal Medicare program and works in partnership with state governments to administer Medicaid programs.
Corrective Action Plan (CAP)	A plan delineating specific identifiable activities or undertakings that address and are designed to correct program deficiencies or problems identified by formal audits or monitoring activities by CalOptima Health, the Centers for Medicare & Medicaid Services (CMS), or designated representatives. First Tier, Downstream or Related Entity (FDRs and/or CalOptima Health departments may be required to complete CAPs to ensure compliance with statutory, regulatory, or contractual obligations and any other requirements identified by CalOptima Health and its regulators.
Covered Services	Medi-Cal: Those services provided in the Fee-For-Service Medi-Cal program (as set forth in Title 22, CCR, Division 3, Subdivision 1, Chapter 3, beginning with Section 51301), the Child Health and Disability Prevention program (as set forth in Title 17, CCR, Division 1, Chapter 4, Subchapter 13, Article 4, beginning with section 6842), and the California Children's Services (as set forth in Title 22, CCR, Division 2, subdivision 7, and Welfare and Institutions Code, Division 9, Part 3, Chapter 7, Article 2.985, beginning with section 14094.4) under the Whole-Child Model program, to the extent those services are included as Covered Services under CalOptima Health's Medi-Cal Contract with DHCS and are Medically Necessary, along with chiropractic services (as defined in Section 51308 of Title 22, CCR), podiatry services (as defined in Section 51310 of Title 22, CCR), speech pathology services and audiology services (as defined in Section 51309 of Title 22, CCR), and Enhanced Care Management and Community Supports as part of the California Advancing and Innovating Medi-Cal (CalAIM) Initiative (as set forth in the CalAIM 1115 Demonstration & 1915(b) Waiver, DHCS All Plan Letter (APL) 21-012: Enhanced Care Management Requirements and APL 21-017: Community Supports Requirements, and Welfare and Institutions Code, Division 9, Part 3, Chapter 7, Article 5.51, beginning with section 14184.100), or other services as authorized by the CalOptima Health Board of Directors, which shall be covered for Members notwithstanding whether such benefits are provided under the Fee-For-Service Medi-Cal program. OneCare: Those medical services, equipment, or supplies that CalOptima Health is obligated to provide to Members under the Centers of Medicare & Medicaid Services (CMS) Contract.
Department of Health Care Services (DHCS)	The California Department of Health Care Services, the State agency that oversees California's Medicaid program, known as Medi-Cal.
Department of Managed Health Care (DMHC)	The California Department of Managed Health Care oversees California's managed care system. DMHC regulates health maintenance organizations licensed under the Knox-Keene Act, Health & Safety Code, Sections 1340 *et seq*.

Term	Definition
Health Network	A Physician Hospital Consortium (PHC), physician group under a shared risk contract, or health care service plan, such as a Health Maintenance Organization (HMO) that contracts with CalOptima Health to provide Covered Services to Members assigned to that Health Network.
Management Services Organization (MSO)	A healthcare entity providing management and administrative support service on behalf of the delegated medical group.
Member	A beneficiary enrolled in a CalOptima Health program.
National Committee for Quality Assurance (NCQA)	An independent, not-for-profit organization dedicated to assessing and reporting on the quality of managed care plans, managed behavioral healthcare organizations, preferred provider organizations, new health plans, physician organizations, credentials verification organizations, disease management programs and other health-related programs.
Subdelegation	The process by which First Tier Entity expressly grants, by formal agreement, to a Downstream Entity the authority to carry out one or more functions that would otherwise be required to be performed by the First Tier Entity in order to meet its obligations under the delegation agreement.
Subcontracting	A written agreement entered into by the Contractor with any of the following: 1. A provider of health care services who agrees to furnish Covered Services to Members. 2. Any other organization or person(s) who agree(s) to perform any administrative function or service for the Contractor specifically related to fulfilling the Contractor's obligations to DHCS.