

## 1. Overview

The Department of Health Care Services (DHCS) submits its Network Adequacy and Access Assurances Analysis Methods and Results Report to the federal Centers for Medicaid & Medicare Services (CMS) to demonstrate Subnetwork adequacy of Medi-Cal managed care health plans (MCPs) for the 2023 contract year.

DHCS assesses network adequacy standards compliance in accordance with Part 438 of the Code of Federal Regulations (CFR) sections 438.68, 438.206 and 438.207 and corresponding state law and policy guidance. Furthermore, the California Advancing and Innovating Medi-Cal (CalAIM) 1915(b) Waiver Special Terms and Conditions (STCs) A4 requires DHCS to provide CMS with assurances that MCPs are holding all Subcontractors who assume risk to DHCS' Network adequacy and access standards as of the 2023 contract year. DHCS submits the results of its Subcontractor Network Certification (SNC) in the following files in accordance with STC A4.

- » 2023 SNC\_Analysis Methods" (*this document*)
- » 2023 SNC\_NAAAR
- » 2023 SNC\_TorD\_AAS\_Supplemental

DHCS developed the SNC, as outlined in APL [23-006](#), to formalize the submission requirement for MCPs to demonstrate their processes for monitoring and oversight of their Subcontractors compliance with DHCS' network adequacy standards. SNC 2023 is DHCS' second SNC activity. To prepare for SNC 2023, DHCS clarified guidance based on lesson learned from SNC 2022, communicated requirements to MCPs, conducted technical assistance calls, and provided instructions to all MCPs in September 2023. DHCS received the annual submissions for SNC 2023 in February of 2024, and these submissions served as the basis of the STC A-4 deliverable to CMS. The majority of MCPs' Subcontractors were found compliant with Time or Distance standards and Provider-to-Member ratio standards. Subcontractor compliance with Timely Access standards is an area of network adequacy and access that DHCS has identified for improvement. As part of the SNC 2023, DHCS required MCPs to place all Subcontractors found non-compliant with any network adequacy or access standard on a Corrective

Action Plan (CAP) and provide DHCS with a copy of the CAP. MCPs are required to provide quarterly status updates to DHCS on all open CAPs, including information detailing how MCPs are supporting the Subcontractor(s) to achieve compliance.

## 2. Subcontractor Network Certification Components

During the SNC process, DHCS reviews the MCPs' monitoring and oversight mechanisms of its Subcontractors Provider Network to ensure each meets state and federal network adequacy and access requirements pursuant with 42 CFR section 438.68 (Part I) and 42 CFR section 438.206.

The first step in the SNC process is the landscape analysis and this is used to determine the scope of the activity. As part of the landscape analysis, MCPs identify their Subcontractors and Downstream Subcontractors to whom risk was fully and partially delegated and provide that information to DHCS including documentation to support the risk delegation determination. The final SNC submission from MCPs consists of three parts: (1) the Subcontractor Network Exemptions Request template (2) the Network Adequacy and Access Assurances Report (NAAAR), and (3) verification documents.

MCPs are required to submit a Subcontractor Network Exemptions Request for any Subcontractor Networks reported via the 274 provider file that meets any of the SNC exemption criteria defined in All Plan Letter (APL) [23-006](#):

- » MCP only contracts with one Subcontractor Network in the Service Area, and no Providers directly contract with the MCP;
  - i.e. The prime plan holds no direct contract with providers and the Subcontractor is fully delegated risk and financial responsibility for services provided
- » The Subcontractor Network only provides specialty or ancillary services; or
  - i.e. MCPs with Subcontractors that specialize in a single health care service such as Vision, or those that are managed healthcare organizations engaged in the business of providing administrative services and is authorized to provide and arrange for the provision of services on behalf of plans
- » The Subcontractor Network only provides care through single case agreements and is not available to all the MCP's Members upon enrollment.
  - i.e. Subcontractor provides services through letters of agreements, which does not represent a network provider

The NAAAR is a CMS-approved modified reporting template containing two sections, Sections B and C, that MCPs are required to complete. Section A of the template is prepopulated with the state's Network adequacy and access standards for which MCPs must hold their Subcontractors accountable, as applicable per Subcontractor Network. These are the same Network adequacy and access standards as those DHCS uses to certify MCPs' aggregate Provider Networks through the Annual Network Certification (ANC) process. Please refer to Exhibit A for specific time or distance, timely access, Provider to Member ratio, and mandatory Provider type standards MCPs must use when monitoring and assessing the compliance of their Subcontractors. MCPs are contractually required to enter all their network providers in the 274 managed care provider network file (Healthcare Provider Information Transaction Set [274]). DHCS uses the 274 file data to validate the MCPs' NAAAR submissions.

MCPs are ultimately responsible for monitoring and holding their Subcontractors to compliance with network adequacy requirements. If the Subcontractor Network is unable to meet SNC requirements, MCPs must authorize Covered Services from a provider outside of that subcontracted network, including associated transportation. MCPs must make members aware of their right to request out-of-network services and train their Member Services staff on these requirements. MCPs that find a reportable Subcontractor non-compliant with any network adequacy or access standards are required to place the Subcontractor on a CAP and provide a copy to DHCS. MCPs must provide DHCS with quarterly updates on any open CAP and detail efforts being undertaken by the Subcontractor(s) to remediate the deficiencies. MCPs are also responsible for informing DHCS when Subcontractors have achieved compliance and CAPs are closed. DHCS will follow up with any Plans whose Subcontractors are not making progress toward resolving their CAP.

### **3. Analysis and Results**

Our analysis shows that all the MCPs have instituted the Subcontractor monitoring processes outlined in APL 23-006. Detailed results by Subcontractor, and by MCP, can be found in the "2023 SNC\_NAAAR" document. Subcontractors are denoted as non-compliant by the MCP if they are deficient in at least one of the DHCS network adequacy and access standards.

#### **Time or Distance**

In contrast to the SNC 2022 review, the 2023 SNC found most Subcontractors achieved compliance with Time or Distance standards. In 2022, 45 Subcontractors (13.4%) achieved compliance with the standards. In 2023, this increased to 187 Subcontractors (52.4%). In 2022, DHCS found MCPs were unaware their Subcontractors could achieve

compliance on this measure through submission and approval of alternate access standards (AAS) requests. AAS requests are used when a Subcontractor does not meet the time or distance standards for certain ZIP Codes in their service area but have exhausted all reasonable efforts to achieve compliance. To help remedy this deficiency, DHCS provided written instructions to Plans and conducted a Technical Assistance (TA) call instructing MCPs how to inform their Subcontractors to better prepare and submit AAS requests to achieve compliance for these standards. DHCS also began requiring that MCPs place their non-compliant Subcontractors on Corrective Action Plans (CAPs) and to report quarterly to DHCS on the status of each open CAP until the deficiencies are corrected and the CAPs are closed. This education to MCPs and enhanced CAP requirements succeeded in increasing compliance rates and prompted MCPs and their Subcontractors to increase their contracting efforts with new providers and expand their networks.

The "2023 SNC\_TorD\_AAS\_Supplemental" file includes AAS requests that have been approved by MCPs for subcontractors that did not meet the time or distance standards. For areas where "N/A" is listed for the AAS "Time or Distance" in the "2023 SNC\_TorD\_AAS\_Supplemental" file, the MCP is actively processing for approval. Subcontractors that failed to achieve AAS approval were placed on a CAP. DHCS recognizes the significant effort required to submit, review and approve AAS requests, as verifying Subcontractors have exhausted all reasonable options to contract with the closest providers in an attempt to meet the applicable time or distance standards is a significant administrative burden. DHCS will continue working with MCPs to ensure they appropriately process and complete all necessary AAS requests submitted by their Subcontractors.

## **Mandatory Provider Types**

In contrast to the SNC 2022 review, the 2023 SNC found most Subcontractors achieved compliance with Mandatory Provider Type (MPT) standards. In 2023, only 1.1% of Subcontractors were found non-compliant with MPT standards, compared to 34% in SNC 2022. In response to lessons learned from SNC 2022, DHCS clarified guidance to MCPs regarding the Mandatory Provider Type (MPT) standards, specifically that only fully delegated Subcontractors are required to comply with MPT standards. The SNC 2023 results found MPT standards do not apply to most MCP Subcontractors, as most Subcontractors were Partially Delegated in 2023. DHCS reviewed MCP submissions to verify MCP determinations regarding the MPT requirements and agreed with the MCPs' assessments. The SNC 2023 MPT assessment provides a more accurate assessment of MPT compliance at the Subcontractor level.

## Timely Access

The SNC 2023 Timely Access compliance findings were largely in line with the SNC 2022 SNC results. In 2022, 78% of Subcontractors were found non-compliant with at least one timely access standard, compared to 83% in 2023. This deficiency applied to both Primary and Specialty Care access as well as both urgent and non-urgent access to care. Timely access compliance is most commonly assessed via statistically sampled surveys and year over year variance is common. DHCS does not view the ~5% drop in compliance as a material difference compared to 2022 but recognizes there is room for improvement. MCPs reported difficulties achieving compliance in this area due to a lack of available providers with whom Subcontractors can contract, particularly in rural areas. DHCS will continue working with its MCPs to ensure they monitor all Subcontractors placed on a CAPs for non-compliance, provide quarterly status updates to DHCS, and work with their Subcontractors until deficiencies are remedied.

## 4. Next Steps for Improvement

DHCS has reviewed the results, the guidance provided, and feedback from its MCPs and will use these analyses to better meet DHCS' goal of using this process as a means of improving Member access to care and the quality of its MCP networks. DHCS made several improvements this year over the 2022 SNC results as a result of several interventions. For the SNC 2023, DHCS provided Plans with technical assistance and more explicit written guidance on how to achieve compliance, particularly with regard to Time or Distance standards. DHCS also required all MCPs to place non-compliant Subcontractors on CAPs and provide DHCS with quarterly updates on their efforts to resolve deficiencies until the CAPs are closed. This forms the basis for DHCS' multi-step measured approach to improving access and networks which we will continue in the coming year.

In future SNCs, DHCS will continue to build upon its Subcontractor CAP monitoring process by gathering information on the cause of deficiencies and developing expectations for CAP closure. Access issues are complex and often driven by lack of provider availability, and setting meaningful and reasonable expectations with MCPs is critical. In future SNC activities, DHCS will hold its MCPs accountable to reassessing non-compliant Subcontractors multiple times per year and closing Subcontractor CAPs as baseline expectations are developed.

To address timely access non-compliance, DHCS will issue an All-Plan Letter (APL) in 2024 that will define compliance thresholds for timely access compliance at the MCP level. Enforcing those thresholds at the MCP level will hold our MCPs accountable to their Subcontractors' performance, provide a strong incentive for MCPs to improve

timely access compliance at the Subcontractor level, and improve Subcontractor performance accordingly. Additionally, DHCS is updating its MCP contract to require MCPs to demonstrate efforts to recruit providers to underserved areas in cases where the MCP or its Subcontractors are found non-compliant with network adequacy standards.

MCPs continued to have administrative challenges with the submission requirements of SNC this year despite process improvements and technical assistance. DHCS will provide MCPs with additional time to complete the activity and refine our technical assistance processes in the coming year to improve the quality of the SNC submissions and reduce administrative burden caused by back and forth.

All MCPs were found compliant with the SNC requirements as defined by APL 23-006, however, if MCPs are found non-compliant and fail to show meaningful progress closing CAPs with Subcontractors, DHCS will undertake appropriate enforcement activities against MCPs, including but not limited to Corrective Action Plans and sanctions.