
2022 SNC ANALYSIS METHODS

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 (MCP) for the 2022 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 2022 contract year. DHCS submits the Subcontractor Network Certification (SNC) in accordance with STC A4.

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 to compliance with DHCS' network adequacy standards. To prepare for SNC 2022, DHCS required MCPs to submit a SNC Readiness Plan in July 2022 wherein MCPs identified their Subcontractors to whom risk was fully and partially delegated. DHCS received the inaugural submissions for SNC 2022 in April of 2023, and these submissions served as the basis of the STC A-4 deliverable to CMS. As this is the first submission from MCPs on their delegated networks, most MCPs' subcontractors were found to be non-compliant due to administrative reasons as further described below in the [Analysis and Results](#) section. DHCS will continue working with its MCPs to adjust the administrative process in advance of the SNC 2023 to receive submissions that better meet the goal of ensuring MCPs are holding their subcontractors to DHCS' network adequacy standards.

2. Subcontractor Network Certification Components

During the SNC process, DHCS reviews the MCPs' monitoring and oversight mechanisms of its Subcontractors and Downstream Subcontractors Provider Network to ensure it 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 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 enter all their network providers in the 274 provider file (Healthcare Provider Information Transaction Set (274)). DHCS validates the MCPs' NAAAR submissions against the 274 provider file.

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](#):

- 1) MCP only contracts with one Subcontractor Network in the Service Area, and no Providers directly contract with the MCP;
- 2) The Subcontractor Network only provides specialty or ancillary services; or
- 3) The Subcontractor Network only provides care through single case agreements and is not available to all the MCP's Members upon enrollment.

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. Because these Network adequacy and access standards are the same 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 to monitor the compliance of their Subcontractors.

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.

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 plan, can be found in the “**2022 CMS_NAAAR_SNC_FINAL**” document. Subcontractors are denoted as non-compliant by the MCP if they are deficient in one of the DHCS network adequacy and access standards.

Common reasons for non-compliance include subcontractors not meeting the MCP’s administrative requirements for the submission of Alternative Access Standards (AAS) requests when the subcontractor does not meet time or distance standards for certain ZIP Codes in their service area. DHCS recognizes the level of effort required for the review and approval of processing the AAS requests as the MCPs are required to verify that their Subcontractors have demonstrated that they have exhausted all reasonable options to contract with the closest providers in an attempt to meet the applicable time or distance standards. The “**2022 SNC TorD_AAS_Supplemental File**” includes AAS requests that have been approved by MCPs for subcontracts that did not meet the time or distance standards. For areas where “N/A” is listed for the AAS “Time or Distance” in the “**2022 SNC TorD_AAS_Supplemental File**”, the MCP is actively processing for approval.

Additionally, subcontractors were noted as non-compliant with access standards requiring contracts with DHCS mandatory provider types (MPTs). DHCS notes its MCPs held their subcontractors to MPT contracting requirements more stringently than the policy (i.e., the requirement for having each MPT is per the MCP’s service area rather than each subcontractor’s service area), thus resulting in the subcontractor’s non-compliance in that access component. MCPs are actively working with these subcontractors to ensure the Alternative Access Standards (AAS) requests are properly submitted and meet the submission requirements for approval.

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 the quality of its MCP networks. DHCS notes there are lessons learned from this inaugural SNC submission and has developed next steps to supplement the submission for future reporting years.

DHCS notes that many of the compliance deficiencies described in the SNC originate from subcontractors failing to meet MCP administrative requirements established to meet the requirements of APL 23-006. DHCS understands administrative deficiencies occur at a higher rate when a new process is rolled out, and expects improved compliance with SNC in future submissions. DHCS also recognizes that MCPs

misinterpreted DHCS guidance with regard to mandatory provider type (MPT) validations, and DHCS expects significant improvement in future reporting years.

In an effort to improve member access to care, DHCS will work directly with the MCPs to clarify APL 23-006 requirements and offer the MCPs guidance for the following network adequacy components:

- **Alternative Access Standards (AAS):** Subcontractors were noted as non-compliant with network adequacy standards by the MCPs largely driven by incomplete or pending AAS requests.
- **Mandatory Provider Types (MPTs):** Partially delegated subcontractors were noted as non-compliant with access standards requiring contracts with DHCS mandatory provider types, which are applicable only to fully delegated subcontractors (i.e., the requirement for being contracted with each MPT in the MCP's service area rather than each subcontractor's designated service area.)

DHCS will provide technical assistance to its MCPs prior to the next SNC submission to ensure that MCPs and their subcontractors understand the requirements and conduct appropriate oversight and compliance activities. DHCS will ensure the MCPs correct the deficiencies noted above and impose a formal Corrective Action Plan on any subcontractor that is non-compliant with applicable network adequacy standards in advance of the next SNC submission. Furthermore, DHCS will begin to undertake appropriate enforcement activities, including but not limited to, Corrective Action Plans and sanctions.