PARTNERSHIP HEALTHPLAN OF CALIFORNIA

POLICY/ PROCEDURE

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<tr><td colspan="3">Policy/Procedure Number: CMP36</td><td colspan="3">Lead Department: Administration</td></tr>
<tr><td colspan="3">Policy/Procedure Title: Delegation Oversight and Monitoring</td><td colspan="3">☒External Policy
☒ Internal Policy</td></tr>
<tr><td colspan="2">Original Date: 5/24/2018</td><td colspan="4">Next Review Date: 05/15/2026
Last Review Date: 05/15/2025</td></tr>
<tr><td>Applies to:</td><td colspan="2">☒ Medi-Cal</td><td>☒ PartnershipAdvantage</td><td colspan="2">☐ Employees</td></tr>
<tr><td rowspan="2">Reviewing Entities:</td><td colspan="2">☐ IQI</td><td>☐ P & T</td><td colspan="2">☐ QUAC</td></tr>
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<tr><td rowspan="2">Approving Entities:</td><td colspan="2">☐ BOARD</td><td>☒ COMPLIANCE</td><td>☐ FINANCE</td><td>☐ PAC</td></tr>
<tr><td>☒ CEO</td><td>☐ COO</td><td>☐ CREDENTIALING</td><td colspan="2">☐ DEPT. DIRECTOR/OFFICER</td></tr>
<tr><td colspan="3">Approval Signature: Sonja Bjork, CEO</td><td colspan="3">Approval Date: 05/15/2025</td></tr>
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I. RELATED POLICIES:

A. ADM47Administrative and Financial Sanctions
B. ADM44 Non-provider Contract Administration
C. CMP02 Risk Assessment, Audits and Monitoring
D. CMP05 Expectations and Certification of Regulatory Reporting
E. CMP30 Records Retenion and Access Requirements
F. CMP38 Escalation and Corrective Action

II. IMPACTED DEPTS:

A. All

III. DEFINITIONS:

A. "Administrative Function": a function performed on behalf of Partnership, where independent decisions are made without direct supervision or direction by Partnership and thus is defined as a delegated function.
B. Auditing: A systematic evaluation of performance consistent with ethical standards, federal or state statute, regulation, policies, contractual obligations and National Committee for Quality Assurance (NCQA) requirements.
   1. External Audit – Evaluation of Partnership as conducted by an external regulatory or accreditation body;
   2. Internal Audit – Evaluation of Partnership operational areas, departments, or systems as conducted by Regulatory Affairs and Compliance (RAC); or
   3. Oversight Audit – Evaluation of delegate/subcontractor as conducted by Partnership, at least annually.
C. Delegate: An external entity that Partnership HealthPlan of California (PHC) has given the authority to perform an activity/activities that Partnership would otherwise perform as defined by the National Committee for Quality Assurance (NCQA) standards. By virtue of performing delegated activities, a delegate is always a subcontractor.
D. Delegated Entity: As referenced in this policy, a delegated entity shall include a subcontractor or delegate who has entered into contract with Partnership to perform services specifically related to fulfilling Partnership's obligations to DHCS under the terms of the DHCS/Medi-Cal contract, Partnership obligations as a Dual-Special Needs Plan (D-SNP), or those duties Partnership would otherwise perform as defined by NCQA.
E. Downstream Subcontractor**:** an individual or an entity that has a Downstream Subcontractor Agreement

with a Subcontractor or a Downstream Subcontractor. A Network Provider is not a Downstream Subcontractor solely because it enters into a Network Provider Agreement.

1. Fully Delegated Subcontractor: a Downstream Subcontractor that contractually assumes all duties and obligations of Contractor under the Contract, through the Subcontractor, except for those contractual duties and obligations where delegation is legally or contractually prohibited. A managed care plan can operate as a Downstream Fully Delegated Subcontractor.

2. Partially Delegated Subcontractor: a Downstream Subcontractor that contractually assumes some, but not all, duties and obligations of a Subcontractor under the Contract, including, for example, obligations regarding specific Member populations or obligations regarding a specific set of services. Individual Physician Associations and Medical Groups often operate as Downstream Partially Delegated Subcontractors.

3. Administrative Subcontractor: a Downstream Subcontractor that contractually assumes administrative obligations of a Subcontractor under the Contract. Administrative obligations include functions such as credentialing verification or claims processing. However, functions related to coordinating or directly delivering health care services for Members, such as Utilization Management or Care Coordination, are not administrative functions.

F. "First Tier Entity": First Tier Entity is any party that enters into a written arrangement, acceptable to CMS, with a Managed Care Organization (MAO) or Part D plan sponsor or applicant to provide administrative services or health care services to a Medicare eligible individual under the Medicare Advantage (MA) program or Part D program.

G. "Ministerial Function": an act or duty performed without the use of judgment by the individual performing the act and thus is not defined as a Delegated Function.

H. "Related Entity": any entity that is related to Partnership by common ownership or control;
   1. Performs some of Partnership's management functions under contract or obligation, and
   2. Furnished services to Medicare enrollees under and oral or written agreement.

I. "Vendor": an entity that contracts with Partnership to perform a defined service that enhances or supports the organization's functionality without independent judgment making on behalf of Partnership.

J. Full scope audit: A systematic review of data, documentation, and records for all functions which the entity is delegated to perform.

K. Limited scope audit: A focused review of data, documentation, and records for a selected portion of functions which the entity is delegated to perform.

L. Monitoring: The mechanism for ongoing collection and review of performance data against benchmarks derived from statutes, regulations, policies, contractual obligations, and/or NCQA standards.

M. Oversight: Continual performance evaluation through auditing and monitoring consistent with Partnership policies.

N. Performance data: data, documentation, or information in demonstration of compliance with agreed upon performance standards and delegated responsibility. This may include, but is not limited to:

1. Regular reports (utilization, timeliness, complaints/grievances, network certification, etc.);
2. Regulatory or accreditation deliverables;
3. Program descriptions and/or evaluations; or
4. Policies and procedures and/or template documents

O. Pre-delegation evaluation: The review of an external entity's policy, procedures, program descriptions, and other materials as necessary, to determine the entity's capacity to perform functions on behalf of Partnership, prior to delegating responsibility.

P. Significant non-compliance: Repeated non-compliance or non-compliance that has potential to cause member harm or jeopardize Partnership's good standing with accreditation or regulatory agencies.

Q. Subcontractor: A person or entity who enters into a subcontract with Partnership. Assessing whether an entity is a Subcontractor depends on the relationship between the entities and the services being performed, not on the type of persons or companies involved. A person or entity is deemed a subcontractor if: 1) they are either a provider of health care services that agreed to furnish Covered Services to Partnership Members, or 2) has

agreed to perform any administrative function or service for Partnership specifically related to fulfilling Partnership's obligations to DHCS under the terms of the DHCS/Medi-Cal contract.

R. Subject Matter Expert (SME): Partnership employee, department, or other stakeholder that is/are the authority and responsible for participating in and/or conducting auditing and monitoring of a specific program, area, or delegated function(s).

S. Support Vendor: A support vendor is any organization or person(s) not considered a Subcontractor or delegate, but agrees to perform other services for Partnership.

IV. ATTACHMENTS:

N/A

V. PURPOSE:

To describe the process by which Partnership HealthPlan of California's (PHC) oversees delegates and/or subcontractors performance of assigned responsibility in accordance with federal or state statutes, regulations, contractual obligations, Partnership policies and procedures, and nationally recognized accreditation standards. This includes; but is not limited to oversight of entities such as, a capitated hospital or medical group, health plan, benefit administrators, and Managed Behavioral Health Organizations (MBHO).

VI. POLICY / PROCEDURE:

A. Policy:

1. Partnership shall maintain appropriate structures and mechanisms to ensure delegation oversight, including, pre-delegation evaluation as applicable, no less than annual review of delegation agreement/grid, no less than quarterly monitoring of performance data, and oversight auditing of delegated functions. Additionally, update delegate performance standards as required to satisfy legal, contractual, regulatory, or accreditation requirements. This is designed to effectively review, evaluate, and verify satisfactory performance and compliance with regulatory and accreditation standards

2. Responsibility for oversight of delegated entities:

ACTIVITY	COMPLIANCE/ SME / SHARED
Receives and distributes items and reports received from delegated entities	Shared
Oversight and monitoring of delegated activity or functions (i.e., review delegate's programs, policies and procedures, files, reports), also evaluates compliance with requirements using the applicable review tools	Shared
Submit oversight report to designated committee, then distribute to DORS (if there is not designated committee, provide oversight report directly to DORS)	Monitoring reports-SME Audit reports- Shared
Annually updates audit tool for policies and procedures and file review	Shared
Coordinates annual/ad hoc oversight audits (engagement and close out/notifications)	Shared
Schedules and conducts annual/ad hoc audits	Shared
Prepares preliminary audit reports	Compliance

Leads discussions with delegates and SMEs re: audit findings	Shared
Reviews audit findings and CAP responses to delegated entities	Shared
Consolidates and finalizes audit report	Shared
Tracks oversight activities of all subcontractors and delegates and status of corrective action plans and follow-up	Shared
Present audit report to designated committee, then distribute to DORS; if no designated committee, submit directly to DORS	Shared

B. Procedure:

1. Prior to Partnership delegating any function(s) and responsibility to an external entity or expanding the responsibilities of a contracted delegated entity, Partnership shall conduct a pre-delegation evaluation to assess the entity's capability to satisfactorily fulfill the requirements of the proposed delegated functions and responsibilities.Unless otherwise directed by leadership, the potential delegated entity shall remedy any cited deficiency through development and completion of a corrective action plan prior to assuming responsibility for new or expanded functions. Department leaders for the respective delegated function may elect to allow the entity to assume responsibility prior to CAP closure depending on the severity and terms of the CAP and with explicit approval from the Delegation Oversight Review Sub-committee (DORS) or the Chief Executive Officer (CEO) and/or Compliance Officer, whichever is more expeditious.
    a. Within the 12 months prior to the effective date of delegation, Regulatory Affairs and Compliance (RAC) and the SME for the respective function, shall conduct a pre-delegation evaluation. This evaluation, in whole or part, may be conducted through virtual/remote review, telephonically, or a site visit and may include, but not be limited to, review of policies and procedures, committee minutes, reports, training materials and guides for the proposed delegated functions.
2. Partnership will identify at the time of contracting whether a vendor is performing an administrative, delegated or non-delegated function. All contracted vendors providing administrative services will be classified as an FDR for initial and annual delegated entity reviews. Other factors to consider in determining an FDR include:
    a. Specific delegated activities and reporting responsibilities.
    b. Whether the function is something Partnership is required to do or provide under CMS contractual requirements.
    c. To what extent the function directly impacts Partnership Medicare members.
    d. To what extent the delegated entity has decision-making authority or if it strictly takes directions from Partnership.
    e. The extent to which the function places the delegated entity in a position to commit healthcare Fraud, Waste or Abuse (FWA).
    f. The risk that the entity could harm Partnership member's or violate CMS program requirements and/or commit FWA.
3. Entities determined FDRs will be overseen by Partnership in the same capacity as DHCS subcontractors, and NCQA delegate; collectively "delegated entites," and in compliance with the processes outlined per this policy.
4. In addition to applicable contracts or agreements, Partnership shall have in place a mutually agreed upon delegation agreement/grid for each of its delegated entities. This agreement/grid shall identify the responsibilities and functions of both the delegate and Partnership, reporting requirements of the delegate, and the process by which Partnership regularly assesses and evaluates the delegate.
    a. RAC with SMEs, Provider Relations, and PMO Contract Administration, as applicable, Partnership shall annually review each delegation agreement/grid, to ensure compliance with

current NCQA standards and/or regulatory requirements.

b. In lieu of an addendum to an existing delegation agreement and where necessitated by changes to the requirements of the delegated function(s), Partnership may issue a memo to serve as formal notification to a delegated entity to ensure understanding of and compliance with new or amended requirements.

5. Pursuant to DHCS contract Exhibit A, Attachment III, Subsection 3.1.3, Partnership shall submit to DHCS, in the specified manner, format, and frequency required, a report containing the names of all direct subcontracting provider groups. This includes health maintenance organizations, independent physician associations, medical groups, and Federally Qualified Health Centers (FQHCs) and their subcontracting health maintenance organizations, independent physician associations, medical groups, and FQHCs.
6. Documentation of regular and/or periodic monitoring of delegated function(s) and/or responsibilities shall be maintained by the SME for the respective function in accordance with applicable service contracts and delegation agreements/grids as described under this policy. Delegate and/or subcontractor demonstration of satisfactory performance and ongoing compliance shall include, but is not limited to:
    A. Monthly, quarterly, semi-annual and/or annual reporting including information as required by NCQA standards,
    B. Regulatory reporting in fulfilment of contractual obligations by regulatory agencies; and
    C. Ad hoc and/or performance reporting as required by Partnership and/or other regulatory agencies and/or accreditation bodies.
7. RAC and SMEs, shall assess a delegated entity's performance of delegated function(s) and responsibilities, at minimum, through mandated annual oversight audits and through use of benchmarks set forth by federal and state regulatory agencies, NCQA, industry standards, and in accordance with Partnership policy CMP-02 Risk Assessment, Auditing, and Monitoring.
    A. Oversight audits, may be conducted, in whole or part, through virtual/remote review, telephonically, and/or a site visit and performed and consistent with Partnership policy, regulatory requirements, and accreditation standards.
        1. Based on assessed risk, delegate's demonstrated performance, and authority governing delegated functions, Partnership reserves the right to conduct audits of either full or limited scope.
            i. Those entities who have delegated responsibilities within the purview of NCQA standards must undergo a full scope audit no less than once annually; and
            ii. The scope of audit, limited or full, of subcontractors whose delegated responsibility is limited to DHCS requirements, is at the discretion of Partnership.
        2. Audits of limited or full scope, as determined by Partnership, are conducted consistent with Partnership CMP-02 Risk Assessment, Audits and Monitoring.
    B. Where applicable, file review may be omitted from either limited or full scope audits when the function is not an NCQA delegated function and/or is function for which the Department of Health Care Services (DHCS) has approved (or deemed) that the NCQA survey may be accepted in lieu of DHCS audits as meeting contractual requirements.
        a. Delegated functions which are omitted from scope due to deeming should be documented within the audit work plan and report
        b. For deemed categories, Partnership may request NCQA reports and/or survey results from the delegate in demonstration of satisfactory performance
8. RAC and SME's are responsible for performing and maintaining records of, delegated entity oversight that shall include performance reports and auditing activities as prescribed by the respective service contracts and/or delegation agreement/grid and RAC auditing calendar and work plan.
9. Where opportunities for improvement or deficiencies are cited by RAC and/or SMEs through

monitoring or auditing remediation through escalation or development of corrective action plans shall be facilitated pursuant to requirements described under Partnership policy and procedure CMP-38 Escalation and Corrective Action.

10. FDR Oversight and Monitoring Functions
    Partnership requires all FDRs to comply with all CMS guidelines. As necessary or upon request of an FDR, Partnership will assist FDRs in meeting the CMS compliance requirements by providing a tailored compliance toolkit that includes resources, information and personalized templates necessary for compliance. Partnership's Compliance Officer will monitor the results of all efforts to comply with FDR oversight obligations under the Medicare Program. Partnership's Compliance Officer along with Compliance Committee's guidance will develop processes and procedures to ensure that its FDRs and network providers are in compliance with applicable Medicare laws..
11. Reporting to oversight committee: No less than quarterly, evidence of oversight for all delegated activities including, monitoring, and/or auditing activities shall be presented by SMEs and/or RAC through DORS.
    A. Prior to presentation to DORS, the Chief Medical Officer or authorized designee shall review and approve and/or make recommendations for all audit reports related to utilization management, quality improvement, and/or grievances and appeals.
    Any identification of deficiencies, opportunities for improvement, and corrective actions (recommended or imposed) shall be reported to DORS. This requirement does not serve to preclude SMEs from imposing such actions in advance of presentation to DORS.
    B. Any recommendations for the imposition of administrative or financial sanctions, up to the revocation of the delegated function or termination of the agreement, shall be reported to DORS for review. Upon acceptance of recommendation, matters shall be escalated in compliance with Partnership policy and procedure ADM-47 Administrative and Financial Sanctions.
    C. If Partnership identifies significant noncompliance or failure to comply by a delegated entity pertaining to Partnership's obligation under the contract with DHCS, Partnership shall alert the DHCS Managed Care Operations Division (MCOD) Contract Manager within three (3) business days upon the discovery. Significant non-compliance may include:
        a. Failure to provide medical items, services, or prescription drugs;
        b. Repeat occurrences of a previously identified deficiency;
        c. Failure to comply with terms of an approved CAP;
        d. Unsatisfactory implementation of regulatory requirements;
        e. Causing financial distress; or
        f. Posing a threat to member care due to non-existent or inadequate programmatic or operational structures or components.
11. In accordance with 42 CFR 438.230, Delegated EntitiesDelegated Entities shall maintain and make available contracts, books, documents, records, electronic systems, and financial statements for the purpose of inspection, evaluation and auditing to Partnership or its designee.
    a. Any authorized representative of the state or federal government, including the Department of Health Care Services (DHCS), Centers for Medicare & Medicaid (CMS), the U.S. Health and Human Services Inspector General, the Comptroller General, and the U.S. Department of Justice, and any quality improvement organization, accrediting organization (e.g.; National Committee of Quality Assurance), their designees, and other representatives of regulatory or accrediting organizations. 2. Partnership and its delegates and/or subcontractors shall maintain and make available contracts, books, documents, records and financial statements for a minimum of ten (10) years from the final date of the contract period or from completion of any audit or investigation, whichever is later.
    b. A Delegated Entities agrees that Partnership or its designee, upon request, shall have the right to

inspect, review, and make copies of such records, at the Delegated Entities expense, to facilitate Partnership's obligation to conduct oversight activities.

c. RAC and SMEs shall maintain documentation of delegate and/or subcontractor oversight activities described herein and in compliance with Partnership policy and procedure CMP-30 Records Retention and Access Requirements.

VII. REFERENCES:

A. NCQA Standards
B. 42 CFR 438.320
C. DHCS COHS contract
D. DHCS APL 17-004
E. DHCS APL 19-001
F. Medicare Managed Care Manual, Chapters 9 and 21, Compliance Program Guidelines, Medicare Chapter 11, Medicare Advantage Procedures and Contract Requirements, CFR §§110.1, 110.2 ,110.3, 42 C.F.R. §§423.501, 422.504(i)(3)(iii) and 422.504(i)(4)(i)-(v).

VIII. DISTRIBUTION:

A. PowerDMS
B. Directors

IX. POSITION RESPONSIBLE FOR IMPLEMENTING PROCEDURE: Compliance Officer

X. REVISION DATES:

05/16/2019, 08/15/2019, 05/21/2020, 05/20/2021, 5/18/2023, 5/16/2024, 05/15/2025

PREVIOUSLY APPLIED TO:

Enter N/A if not applicable