

<b>POLICY AND PROCEDURE</b>	
<b>Title:</b> Readiness Assessments (Pre-Contractual & Pre-Delegation Review)	
<b>Primary policy owner:</b> Compliance	<b>Policy #:</b> CMP10
<b>Impacted/Secondary policy owner:</b> Select the department(s) that are responsible for compliance with all, or a portion of the policy or procedure as outlined.	
1) <input checked="" type="checkbox"/> All Departments 2) <input type="checkbox"/> Behavioral Health & Social Services (BH/SS) 3) <input type="checkbox"/> Benefits Administration (BA) 4) <input type="checkbox"/> Care Management (CM) 5) <input type="checkbox"/> Claims (CLMS) 6) <input type="checkbox"/> Community Marketplace & Member Engagement (MAR) 7) <input type="checkbox"/> Compliance (CMP/HPA) 8) <input type="checkbox"/> Configuration (CFG) 9) <input type="checkbox"/> Provider Contracting (CONT) 10) <input type="checkbox"/> Cultural & Linguistics (CL) 11) <input type="checkbox"/> Customer Service (CS)	12) <input type="checkbox"/> Facilities (FAC) 13) <input type="checkbox"/> Finance (FIN) 14) <input type="checkbox"/> Human Resources (HR) 15) <input type="checkbox"/> Information Technology / Core Systems (IT) 16) <input type="checkbox"/> Pharmacy (PH) 17) <input type="checkbox"/> Provider Networks (PRO) 18) <input type="checkbox"/> QI Health Equity (GRV/HE/HEQ/PHM/QM) 19) <input type="checkbox"/> Utilization Management (UM) 20) <input type="checkbox"/> Procurement (PRM) 21) <input type="checkbox"/> Administration (SAF/BC/EM) 22) <input type="checkbox"/> Medical Management (MM)
<b>PRODUCT TYPE:</b> <input checked="" type="checkbox"/> Medi-Cal <input checked="" type="checkbox"/> D-SNP	<b>Supersedes Policy Number:</b> N/A

**I. PURPOSE**

This policy defines the process for conducting oversight activities to assess a Third Party's ability to perform prospective contracted or delegated services. The review is performed to ensure compliance with statutory, regulatory, contractual requirements, and Health Plan of San Joaquin and Mountain Valley Health Plan ("Health Plan") policies and procedures.

**II. POLICY**

A. Prior to extending a contract or granting delegation to a prospective Third Party, Health Plan shall conduct a Readiness Assessment to

- determine the Third Party's ability to implement proposed delegated activities or contractual functions.
- B. The type of Readiness Assessment performed is based on the Third Party's inherent risk level that is determined prior to engaging the entity.
  - C. Health Plan evaluates and audits Third Parties in accordance with current applicable National Committee for Quality Assurance (NCQA) accreditation standards, Centers for Medicare and Medicaid Services (CMS), Department of Health Care Services (DHCS) and Department of Managed Health Care (DMHC) regulatory requirements, and Health Plan standards.
  - D. Successful completion of a Readiness Assessment will be required prior to contracting or delegating any function to a Third Party and will be reported to the Audit & Oversight Committee (AOC), in addition to any corrective action plan requests, to consider the final recommendation to proceed.
  - E. Third Parties agree to be accountable for all responsibilities specified in the contract and/or the Delegation Agreement, and oversight of any sub-delegated activities, including periodic reporting.

### **III. PROCEDURE**

- A. Audit & Oversight (A&O) is notified of the prospective Third Party by Health Plan's Procurement or Provider Contracting at least ninety (90) days in advance of the proposed contract implementation date.
  - 1. The request includes all collateral outlining scope of delegation and contractual obligations, Third Party contact information, Health Plan business owner, date of anticipated contract implementation date, and sub-delegate information, as applicable.
  - 2. Request to perform the audit must be submitted by completing the online request form on the A&O SharePoint page.
- B. The Readiness Assessment request must include the completed inherent risk assessment indicating the risk score (Low, Moderate, High), which will inform the type of audit performed.
  - 1. An entity that is deemed 'Low Risk' may take up to thirty (30) calendar days, and includes completion and validation of the following, but not limited to:
    - a. Health Plan Third-Party Compliance Attestation.
  - 2. An entity that is deemed 'Medium Risk' may take thirty (30) to sixty (60) calendar days and is based on the prospective services that

- the Third Party may perform. This includes completion and validation of the following, but not limited to:
- a. Health Plan Third-Party Compliance Attestation.
  - b. IT Security Assessment Results and Report and/or verification of current industry certification (e.g., SOC2, HITRUST).
  - c. Delegation review to assess functional operations and processes.
3. An entity that is deemed 'High Risk' may take sixty (60) to ninety (90) calendar days and is based on the prospective services that the Third Party may perform. This includes completion and validation of the following, but not limited to:
- a. Health Plan Third-Party Compliance Attestation.
  - b. IT Security Assessment Results and Report and/or verification of current industry certification (e.g., SOC2, HITRUST).
  - c. Compliance Program review including, but not limited to: Fraud, Waste and Abuse, HIPAA Privacy, and IT Security.
  - d. Delegation review to assess functional operations and processes.
- C. The prospective Third Party is engaged with advance notice of the Readiness Assessment to assess the entity's ability to perform the proposed delegation or contractual obligations.
1. The Readiness Assessment notice for the prospective Third Party includes, but is not limited to, the following:
    - a. Operational and/or functional areas to be reviewed;
    - b. Team members performing the review;
    - c. Files required for review, as applicable; and
    - d. Documents that must be available submitted to A&O prior to the review.
  2. The prospective Third Party must submit requested audit materials within thirty (30) calendar days from the date of the audit engagement letter.
- D. The prospective Third Party compiles and furnishes all requested documents identified on the audit engagement list to A&O by the stated due date. All deliverables must be organized and cross-walked to the respective audit elements and categories.
- E. The assigned A&O Program Manager conducts the Readiness Assessment and evaluates the prospective Third Party's ability to

perform the anticipated functions and complete the appropriate audit tool(s).

1. The A&O Program Manager must also coordinate with internal subject matter experts (SME) to perform the review of the Compliance Program items within thirty (30) calendar days of receipt of the audit deliverables.

F. Evaluation Process

1. Based on the risk levels outlined above, the prospective Third Party is formally engaged for a Readiness Assessment to evaluate the entity's ability to perform the proposed delegated and/or contractual obligations.
2. The Readiness Assessment is scheduled at least ninety (90) days prior to the contract effective date of the contract and based on business need.
3. Each proposed contractual or delegated service are subject to a Readiness Assessment.
  - a. Scores are developed for each functional area assessed.
  - b. A score of less than one hundred percent (100%) in any area assessed results in a Corrective Action Plan (CAP) in accordance with Health Plan Policy CMP 34 Corrective Actions and Sanctions.
    - i. Any nuances are assessed on a case-by-case basis.
  - c. Prospective Third Party's may be required to participate in Compliance program related audits such as, Fraud, Waste, and Abuse (FWA), Health Insurance Portability and Accountability Act (HIPAA), and Information System (IS) Security.
    - i. The respective reviews are performed by the operational subject matter experts from the respective business areas.
  - d. A review of sub-delegation oversight and relationships may be performed, as applicable.
4. The A&O department is responsible for managing audit material submissions and prospective entities must submit deliverables within the following timeframes after issuance of the audit engagement letter:
  - a. Low Risk – Fifteen (15) Calendar Days
  - b. Moderate to High Risk – Thirty (30) Calendar Days

5. A&O Program Manager(s) and SMEs review the materials and evidence submitted to support the respective reviews and complete the audit tools(s) to complete the assessment.
6. Upon completion of the review, the Preliminary Findings are issued to the prospective Third Party to allow the opportunity to provide additional evidence to satisfy the finding and/or accept the finding with the intention of resolving through the CAP process in accordance with Health Plan Policy CMP 34 Corrective Actions and Sanctions.

#### G. Reporting & Recommendations

1. Audit results and recommendation must be shared with the Business Owner, especially if there are significant adverse audit findings prior to being presented to the AOC.
  - a. Recommendation for approval may not be made if there are any critical or high-risk findings that would jeopardize Health Plan's compliance with state and federal contractual and regulatory requirements.
  - b. If the Business Owner disagrees with the adverse recommendation, an AOC Subcommittee meeting is held to determine next steps and review business needs in comparison to the inherent and incident-based risks identified during the audit.
  - c. Ultimately, contracting and procurement decisions are the responsibility of the Business Owner or the respective Executive Sponsor.
2. The A&O Program Manager and/or the A&O Manager are responsible for reporting the audit findings and potential CAPs to the AOC and recommend approval of the prospective contract based on audit findings and considering Third Party's commitment demonstrated during the audit.
3. Elements that would support a recommendation to approve may include, but are not limited to:
  - a. Audit score is greater than or equal to ninety-five percent (95%); or
  - b. Audit findings contributing to a score of less than ninety-five percent (95%) are considered low to moderate risk and will be developed by a CAP.
4. If the proposed Third Party is approved by AOC:

- a. The A&O Analyst notifies the Legal and Provider Contracting or Procurement teams are notified of the determination;
  - b. The A&O Program Manager sends the Final Report to the prospective Third Party outlining the audit results and ensuring implementation of any corrective actions for any audit findings; and
  - c. Readiness Assessment results are reported to the Compliance Committee for awareness by the A&O Director.
5. All CAPs issued must be resolved and closed in accordance with Health Plan Policy CMP 34 Corrective Actions and Sanctions.

#### H. Delegation Agreement

- 1. If the approved prospective services involve full or partial delegation of Health Plan services, including decision-making on behalf of Health Plan, A&O drafts the Delegation Agreement that outlines performance and reporting requirements.
  - a. The Delegation Agreement also outlines oversight cadence and activities.
- 2. Once the Delegation Agreement is reviewed and approved, it is executed by the Health Plan's Procurement or Provider Contracting team for execution.
- 3. Upon completion of the above, the Third Party is prepared to perform the delegated contractual services.

#### IV. ATTACHMENT(S)

- A. DHCS Medi – Cal Managed Care Plans Definitions (Exhibit A, Attachment I, 1.0 Definitions)
- B. [Glossary of Terms Link](#)
- C. Medi-Cal Managed Care Contract Acronyms List (Exhibit A, Attachment I, 2.0 Acronyms)

#### V. REFERENCES

- A. California Code of Regulations 22 CCR § 53867
- B. Code of Federal Regulations 42 CFR 438.203
- C. Department of Health Care Services All-Plan Letter (APL) 23-006: Delegation and Subcontractor Network Certification (Supersedes APL 17-004)

- D. DHCS Contract Exhibit A, ATTACHMENT III – 1.3 PROGRAM INTEGRITY AND COMPLIANCE PROGRAM
- E. Health Plan Policy CMP34 Network Providers and Contractors Corrective Action and Sanctions
- F. State Medicaid Agency Contract (SMAC)
- G. Health Plan Contract with Centers for Medicare & Medicaid Services (CMS)

**VI. REVISION HISTORY**

<b>Version*</b>	<b>Revision Summary</b>	<b>Date</b>
000	05/20, 09/22	N/A
001	Moved policy to new template	4/23/2024
002	Policy Updated to Include D-SNP	10/09/2025
003		
<b>Initial Effective Date:</b> 1/1/2019		
<b>Published Date:</b> 12/22/2025		

**VII. Committee Review and Approval to be Completed by Compliance**

<b>Committee Name</b>	<b>Version</b>	<b>Date</b>
Compliance Committee (CC)	002	12/18/2025
<ul style="list-style-type: none"> <li>• Privacy &amp; Security Oversight Committee (PSOC)</li> </ul>		
<ul style="list-style-type: none"> <li>• Program Integrity Committee (PIC)</li> </ul>		
<ul style="list-style-type: none"> <li>• Audits &amp; Oversight Committee (AOC)</li> </ul>	002	08/05/2025
<ul style="list-style-type: none"> <li>• Policy Review Committee (PRC)</li> </ul>	001	9/20/2023
Quality Improvement Health Equity Committee (QIHEC)		
<ul style="list-style-type: none"> <li>• Quality Operations Committee (QOC)</li> </ul>		
<ul style="list-style-type: none"> <li>• Grievance Committee (GC)</li> </ul>		

**VIII. REGULATORY AGENCY APPROVALS**

<b>Department</b>	<b>Reviewer</b>	<b>Version</b>	<b>Date</b>
Department of Healthcare services (DHCS)			
Department of Managed Care (DMHC)			

**IX. Approval signature\***

<b>Signature</b>	<b>Name Title</b>	<b>Date</b>
	PRC Chairperson	
	Policy Owner	
	Department Executive	
	Chief Executive Officer	

\*Signatures are on file, will not be on the published copy