

# UNIFORM MANAGED CARE MANUAL

## 5.21.1 Delegated Entity and Third-Party Administrator Monitoring Requirements Version 2.0

### DOCUMENT HISTORY LOG

STATUS <sup>1</sup>	DOCUMENT REVISION <sup>2</sup>	EFFECTIVE DATE	DESCRIPTION <sup>3</sup>
Baseline	2.0	January 16, 2023	Initial version Uniform Managed Care Manual Chapter 5.21.1, "Delegated Entity and Third-Party Administrator Monitoring Requirements." Chapter 5.21.1 applies to contracts issued as a result of HHSC RFP numbers 529-12-0002, 529-08-0001, 529-12-0003, 529-15-0001, 529-10-0020, 529-13-0042, and 529-13-0071.
Revision			

<sup>1</sup> Status should be represented as "Baseline" for initial issuances and "Revision" for changes to the Baseline version.

<sup>2</sup> Revisions should be numbered according to the version of the issuance and sequential numbering of the revision—e.g., "2.2" refers to the first version of the document and the second revision.

<sup>3</sup> Brief description of the changes to the document made in the revision.

### Applicability of Chapter 5.21.1

This chapter applies to Managed Care Organizations (MCOs) participating in the STAR, STAR+PLUS, CHIP, STAR Kids, and STAR Health Programs, and Dental Contractors providing Children's Medicaid Dental Services or CHIP Dental Services.

### Purpose

This chapter provides the requirements for the routine monitoring of an MCO's Material Subcontractor that is also a Delegated Entity or a Third-Party Administrator (TPA), in accordance with its assessed risk process, to ensure compliance with the performance of all delegated functions.

The requirements in this chapter apply only to Delegated Entities and/or Third Party Administrators.

### Definitions

**Delegated Entity** - any non-MCO entity, which on behalf of an MCO, arranges for or provides medical care or health care to an enrollee in exchange for a predetermined payment on a prospective basis in a manner consistent with TDI, CMS, and other HHSC requirements. Although the MCO or Dental Contractor can delegate the performance of the function, the MCO or Dental Contractor maintains all responsibility to ensure the provision of services to its Member pursuant to the contract.

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**MCO Third Party Administrator (TPA)** - a business organization that performs administrative services for a health plan such as billing, plan design, claims processing, record keeping, and regulatory compliance activities.

#### **Monitoring Plan Requirements**

The MCO must maintain a monitoring plan for each Delegated Entity or TPA, which must include at a minimum:

1. the requirements for performance of all delegated functions with which the Delegated Entity or TPA must comply;
2. the MCO's responsibilities for the financial oversight of the Delegated Entity or TPA. Financial oversight, at a minimum, includes a review of the Delegated Entity's or TPA's solvency status and financial operations. The MCO must review the financial statements, consisting of at least a balance sheet, income statement, and statement of cash flows for the current and preceding year. The MCO may choose to retain qualified third-party assistance for this review, i.e., a Certified Public Accountant; however, ultimate responsibility for the effectiveness of the review will remain with the MCO.
3. required reporting and system interfaces with the Delegated Entity or TPA necessary to perform an administrative function on behalf of the MCO;
4. a review of the Delegated Entity's or TPA's contract compliance, logged complaints, and functional performance measurements; and
5. a review of any other information relevant to ensure delegated services and/or Covered Services (if applicable) are performed and Members and/or Providers receive services in accordance with the managed care contract terms and conditions.