



RICK SCOTT  
GOVERNOR

JUSTIN M. SENIOR  
SECRETARY

October 19, 2018

## Statewide Medicaid Managed Care (SMMC) Contract Interpretation: 2018-01

Applicable to the **2018-2023 SMMC contract benefits** for:

- Managed Medical Assistance (MMA) and MMA Specialty
- Long-Term Care (LTC)
- Dental

### Re: Subcontractor Requirements

The managed care plan must require the subcontractor to maintain an insolvency account to meet its obligations if the managed care plan delegates claims processing and payment or enters into a risk-bearing contract. The insolvency account must be funded in an amount equal to two percent (2%) of the annual contract value. In the event that the subcontractor has filed for bankruptcy or has otherwise been determined to be insolvent by a regulating entity, the insolvency account may be drawn upon solely by the managed care plan to disburse funds to meet Medicaid financial obligations incurred by the subcontractor under the contract between the managed care plan and subcontractor. Documentation of the insolvency account, including account balances and governing agreements, must be provided to the Agency upon request. (Attachment II, Section X.C.3.a.(2)(d)) The managed care plan must require the subcontractor maintain a surplus account to meet its obligations if the subcontractor is at financial risk and/or is delegated to process and pay claims, if the managed care plan delegates claims processing and payment or enters into a risk-bearing contract. (Attachment II, Section X.C.3.a.(2)(e)) The purpose of this contract interpretation is to provide clarification of subcontractor requirements if the managed care plan delegates claims processing and payment or enters into a risk-bearing contract.

The managed care plan must require the subcontractor to meet managed care plan-specified surplus or net worth requirements, if the subcontractor is at financial risk and/or is delegated to process and pay claims, effective the date of this contract interpretation.

For subcontracts delegating only claims processing and payment or that are risk-bearing subcontracts, the managed care plan must require the subcontractor maintain either an:

1. Insolvency account to meet its obligations. The insolvency account must be funded in an amount equal to two percent (2%) of the annual contract value. In the event that the subcontractor has filed for bankruptcy or has otherwise been determined to be insolvent by a regulating entity, the insolvency account may be drawn upon solely by the managed care plan to disburse funds to meet Medicaid financial obligations incurred by the subcontractor under the contract between the managed care plan and subcontractor. Documentation of the insolvency account, including account balances and governing agreements, must be provided to the Agency upon request; or
2. Irrevocable Standby Letter of Credit, with the managed care plan as the beneficiary. The issuing bank must be a federally guaranteed financial institution licensed to do business



in Florida and must be an entity that is acceptable to the Agency. The value of the Irrevocable Standby Letter of Credit must be at least two percent (2%) of the annual subcontract value. The managed care plan must be allowed to draw upon the Irrevocable Standby Letter of Credit to disburse funds to meet Medicaid financial obligations incurred by the subcontractor under the contract between the managed care plan and subcontractor.

The requirements of this provision do not apply when the managed care plan pays claims processed by the subcontractor directly from the managed care plan's account and/or prints checks for payment on managed care plan check stock; and at no time is the subcontractor in control of managed care plan funds prior to performing under the subcontract agreement.

Pursuant to Attachment II, Section XV.I.1. The managed care plan must submit, within twenty-one (21) days after the interpretation of the contract, a written dispute of the contract interpretation directly to the Deputy Secretary; this submission shall include all arguments, materials, data, and information necessary to resolve the dispute (to include all evidence, documentation and exhibits). All other provisions in this section apply.

Please submit such written requests to the following address:

Attn: Ms. Beth Kidder  
Deputy Secretary for Medicaid  
Agency for Health Care Administration  
**Attn: Managed Care Appeals/Disputes, MS #70**  
2727 Mahan Drive  
Tallahassee, FL 32308

If you have questions or concerns, please contact your contract manager at (850) 412-4004.

Sincerely,



Shevaun Harris  
Assistant Deputy Secretary for  
Medicaid Policy and Quality

SH/ss