

Arizona Department of Health Services Office for Children with Special Health Care Needs Children's Rehabilitative Services Administration	Effective Date: 03/02/2009 Last Review Effective Date: 02/11/2009
SUBJECT: Financial Management	SECTION: FM 1.2

SUBTITLE: CRS Contractor Quarterly Financial Statement Review

POLICY:

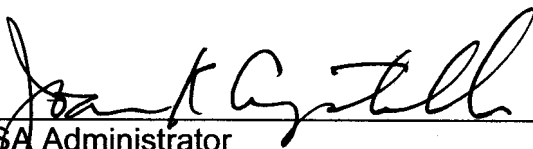
It is the policy of the Children's Rehabilitative Services Administration (CRSA) to perform consistent and timely review procedures on all Children's Rehabilitative Services (CRS) Contractor Quarterly Financial Reports. The purpose of this policy is to monitor the CRS Contractor's performance in accordance with contract requirements. All reports will be reviewed within fifteen (15) days of receipt to determine the timeliness, accuracy, and completeness of the filing as well as to determine compliance with the financial viability standards and performance guidelines.

PROCEDURES:

- 1) CRS Financial Statement Template:
 - a) The CRSA Office of Financial Review shall perform a general review of the quarterly reporting package and prepare an Action Letter or an Acknowledgement Letter of Receipt to the CRS Contractor within fifteen (15) days of receipt of the quarterly filing. General Review will include:
 - i) Generally Accepted Accounting Principles (GAAP).
 - ii) Reasonableness.
 - iii) Quarter-to-Quarter Changes.
 - iv) Seasonality.
 - v) Year-to-Year Changes.
 - vi) Per member per month (changes or reasonableness).
 - vii) Financial Viability Standards:
 - (1) Current Ratio: greater than or equal to 1.0.
 - (2) Defensive Interval: greater than or equal to thirty (30) days.
 - (3) Equity per enrolled person: greater than or equal to three hundred dollars (\$300) per enrolled person on the first day of the month.
 - b) The CRSA Office of Financial Review will examine significant issues in the CRS Contractor quarterly financial statements.
 - c) If deficiencies or other concerns such as inaccurate or incomplete filing are noted by the CRSA Office of Financial Review, an action letter will be generated to the CRS Contractor. The CRS Contractor's response is due ten (10) business days from the date of the letter.
 - d) The CRSA Office of Financial Review shall submit a hard copy of the Financial Statement Reporting Package, including any action letters and

responses, as needed, to the Arizona Health Care Cost Containment System (AHCCCS) Finance Manager no later than the seventy-fifth day following quarter end. The CRSA Office of Financial Review shall verify receipt of the submission by the AHCCCS Finance Manager.

- 2) Compliance with Financial Reporting Requirements:
CRSA has the authority through contract to take a variety of actions if a CRS Contractor fails to comply with financial reporting requirements or to meet capitalization and/or viability standards.
- a) If a CRS Contractor fails to submit accurate, timely, and complete financial statements and related deliverables, the result may be sanctions or withholding of capitation payment;
 - b) If a CRS Contractor fails to meet financial viability standards, the result may be CRSA requiring the submission of monthly financial statements along with the quarterly and annual required reporting;
 - c) CRSA may require that the amount of the surety be increased to offset insufficient equity;
 - d) In addition to monthly reporting, if a CRS Contractor fails to meet the financial viability standards, the CRS Contractor may be required to submit a fiscal corrective action plan that outlines the steps that the CRS Contractor will take to return to financial stability; or
 - e) If the above remedies are ineffective and/or a CRS Contractor is unable to fund an audited accumulated fund deficit as required in contract, CRSA may commence contract termination.

Approved:  CRSA Administrator	Date: <u>3/5/09</u>
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