

301 - ALTCS E/PD PROGRAM TIERED RECONCILIATION

EFFECTIVE DATES: 10/01/18, 10/01/19, 10/01/21, 10/01/22, 10/01/23, 10/01/24¹

APPROVAL DATES: 10/18/18, 07/23/20, 07/23/21, 08/04/22, 05/18/23, 08/01/23²

I. PURPOSE

This Policy applies to ALTCS E/PD Contractors. The purpose of this Policy is to specify the process and Contractor requirements regarding the ALTCS E/PD Program Tiered Reconciliation. The reconciliation applies to dates of service effective on and after October 1, ~~2018~~2024³, and is based upon ~~net~~ medical expense and ~~net capitation~~Medical Revenue⁴ as specified in this Policy. AHCCCS shall recoup/reimburse a percentage of the Contractor’s profit or loss for all risk groups as specified below using a tiered approach. All profit/loss sharing is based on fully adjudicated and approved encounter data and subcapitated/block purchase expense reports. ~~This AHCCCS performs this reconciliation is performed~~⁵ annually on a Contract Year basis.

II. DEFINITIONS

Refer to the [AHCCCS Contract and Policy Dictionary](#) for common terms found in this Policy including:

CONTRACT YEAR	CONTRACTOR	MEMBER
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For purposes of this Policy, the following terms are defined as:

ADMINISTRATIVE COMPONENT An amount equal to the administrative Per Member Per Month (PMPM) built into the capitation rates multiplied by the actual member months for the contract year being reconciled.

AHCCCS DIRECTED PAYMENTS TO PROVIDERS As allowed by 42 CFR 438.6(c), and approved by CMS, AHCCCS directed payments made by the Contractor to specified providers to ensure members have timely access to high-quality care.

CASE MANAGEMENT COMPONENT An amount equal to the case management Per Member Per Month (PMPM) built into the capitation rates multiplied by the actual member months for the contract year being reconciled.

¹ [Effective date of EPD RFP #YH24-0001 implementation](#)

² [Date EPD RFP #YH24-0001 is issued](#)

³ [Updating the date to align with the RFP](#)

⁴ [Changing the terminology of the recon to more closely align with capitation rate setting](#)

⁵ [Grammatical revision](#)

HEALTH CARE QUALITY IMPROVEMENT (HCQI) ACTIVITIES⁶

HEALTH-INSURANCE PROVIDER FEE (HIPF) CAPITATION ADJUSTMENT (CYE 20 AND⁷
PRIOR) NET CAPITATION¹⁰

Activities that improve health outcomes, prevent hospital readmissions, improve patient safety, reduce medical errors, wellness and health promotion activities, and health information technology expenses relating to improving health care quality⁸.

~~An amount equal to the capitation adjustment for the year being reconciled that accounts for the Contractor's liability for the excise⁹ An amount equal to prospective and Prior Period Coverage (PPC) capitation paid less the administrative component, the case management component, the HIPF capitation adjustment (CYE 20 and Prior), the PBM Component (CYE 20), and the Premium Tax component. An amount equal to the Alternative Payment Model (APM) Withhold shall be deducted from capitation. Refer to ACOM Policy 306 for the definition and computation of the APM.~~

NET MEDICAL EXPENSE¹¹

Prospective and PPC expenses reported through fully adjudicated and approved encounters and Subcapitated/Block Purchase Expense incurred by the Contractor for covered services with dates of service during the contract year being reconciled. This shall not include the costs of COVID-19 vaccine and vaccine administration for CYE 22 (October 1, 2021, to September 30, 2022), CYE 23 (October 1, 2022, to September 30, 2023) and CYE 24 (October 1, 2023, to September 2024). Refer to ACOM Policy 302.

MEDICAL REVENUE¹²

An amount equal to Prior Period Coverage (PPC) and prospective capitation and Reinsurance paid less the administrative component, the case management component, and the Premium Tax component.

PHARMACY BENEFIT MANAGER (PBM) COMPONENT (CYE 20 ONLY)¹³

~~An amount equal to the amount of Pharmacy Benefit Manager (PBM) spread pricing and PBM administrative expenses moved from medical expense to administrative expense, as self-reported in the quarterly financials on line 81305-01 as specified in the AHCCCS Financial Reporting Guide.~~

PREMIUM TAX

The tax imposed pursuant to A.R.S. § 36-2905 and § 36-2944.01 for all payments made to the Contractor for the Contract year.

⁶ Added new definition

⁷ Removed since no longer applicable

⁸ Added new definition

⁹ Removed since no longer applicable

¹⁰ Removed to replace with new definition

¹¹ Updated definition

¹² Updated definition

¹³ Definition no longer applicable

PRIOR PERIOD COVERAGE (PPC)

For Title XIX members, the period of time prior to the member's enrollment with a Contractor, during which a member is eligible for covered services. The timeframe is from the effective date of eligibility to the day a member is enrolled with a Contractor. Refer to 9 A.A.C. 22 Article 1. If a member is made eligible via the Hospital Presumptive Eligibility (HPE) program and is subsequently determined eligible for AHCCCS via the full application process, prior period coverage for the member will be covered by AHCCCS Fee For Service and the member will be enrolled with the Contractor only on a prospective basis.

PROVISIONS FOR HCQI ACTIVITIES¹⁴

An annually determined percentage of Medical Expense to compensate for Health Care Quality Improvement activities. The percentage is equal to 1% of Medical Expenses. This percentage will be reviewed annually and is subject to change.

REINSURANCE

The actual reinsurance payments received by the Contractor as the result of medical expense incurred by the Contractor for covered services which are re-insurable under the AHCCCS reinsurance program¹⁵ with dates of service during the Contract year being reconciled.

SUBCAPITATED/BLOCK PURCHASE EXPENSE

Expenses incurred by the Contractor as payments to a provider under a Subcapitated or Block Purchase arrangement. The Subcapitated/Block Purchase Expenses used in this reconciliation are reported by the Contractor through quarterly financial reports in the format required by AHCCCS. The reported expenses are attested annually by an independent auditor and documented in the Contractor's Audit Report. This report is a summary of sub-capitation medical services expenses, by risk group, by individual expense line item by date of service. The portion of the sub-capitation payment that is explicitly attributable to the provision of administrative services or delegated managed care activities and associated reporting requirements by the provider ~~should~~ shall be excluded from this report unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees and not through a contracted network of providers. Sub-capitated expenses ~~should—shall~~ not be reported for non-medical expenses and Alternative Payment Model Performance Based Payments to Providers.

TIERED RECONCILIATION RISK GROUPS (OR RISK GROUPS)

Populations subject to this tiered reconciliation include all ALTCS E/PD risk groups. Covered service expenses incurred for members in a non-capped status (contract type N) and State only Transplants (rate codes 3100, 310Z, 3200, 320Z) are excluded from this reconciliation.

¹⁴ Added new definition

¹⁵ Added for clarification

III. POLICY

A. GENERAL

1. The ALTCS E/PD Program tiered reconciliation shall be performed as specified below. The amount due from or due to the Contractor as the result of this reconciliation shall be based on aggregated profits and losses across all of the tiered reconciliation risk groups.
- ~~2. PBM Component shall be removed for purposes of calculating net capitation in CYE 20 only. This PBM adjustment shall no longer be necessary for encounters with dates of service on and after 04/01/20.¹⁶~~
- ~~3.2.~~ If the Contractor has not received a payment specific to the AHCCCS Directed Payments to Providers, the amount of the directed payments shall be added to the reconciliation amount paid to the Contractor or shall be subtracted from the amount to be recouped by AHCCCS as a result of the reconciliation.
- ~~3.~~ The reconciliation shall limit the Contractor's Profit/Loss % to the % of ~~Net Capitation~~ Medical Revenue¹⁷ as shown below. If a Contractor's profit is between ~~zero-0~~¹⁸ % and ~~two-2~~%, the Contractor retains 100% of the profit. If a Contractor's profit is between 2% and 6%, the Contractor keeps 50% of what falls between 2% and up to 6 % PLUS 100% of 2% profit. Any profits over 6% are to be returned to the State. ~~On the downside, a~~¹⁹ Contractor's losses are capped at 2%, losses in excess of 2% are covered by the State.
4. The tiered risk corridor is calculated according to the Profit/Loss % of Medical Revenue based on²⁰ the following schedule. Refer to Attachment A for an example of the reconciliation calculation²¹:

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT	CUMULATIVE CONTRACTOR PROFIT
<= 2%	100%	0%	2%	2%
> 2% and <= 6%	50%	50%	2%	4%
> 6%	0%	100%	0%	4%

¹⁶ Removed no longer applicable

¹⁷ Added to match new definition

¹⁸ To be consistent with below

¹⁹ Changed for clarity

²⁰ Added for clarification

²¹ Moved from below

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS	CUMULATIVE CONTRACTOR LOSS
<= 2%	100%	0%	2%	2%
> 2%	0%	100%	0%	2%

~~5. Refer to Attachment A for an example.²²~~

~~6.5. Profits in excess of the % set forth above shall be recouped by AHCCCS. Losses in excess of the percentages set forth above shall be paid to the Contractor.~~

B. AHCCCS RESPONSIBILITIES

1. No sooner than six months after the end of the Contract Year to be reconciled, AHCCCS shall perform an initial reconciliation of ~~Net Medical~~ Medical Revenue to Medical Expense to Net Capitation and Reinsurance²³, as follows:

$$\text{Profit/Loss to be reconciled} = \text{Net Capitation} \text{Medical Revenue} - \text{Net Medical Expense} + \text{Reinsurance payments} \text{Provisions for HCQI Activities.}^{24}$$

$$\text{Profit/Loss \%} = \text{Profit/Loss to be reconciled divided by Net Capitation} \text{Medical Revenue.}^{25}$$

2. Attachment A provides an example of the tiered reconciliation calculation.

3. AHCCCS shall utilize only ~~net~~ medical expenses supported by fully adjudicated and approved encounters and subcapitated/block purchase expense reported by the Contractor to determine the expenses subject to reconciliation.

4. AHCCCS shall utilize amounts paid to the Contractor for reinsurance as of the date the reconciliation is processed to determine profit/loss to be reconciled.

5. AHCCCS shall compare fully adjudicated and approved encounters and audited self-reported subcapitated/block purchase expense information to financial statements and other Contractor submitted files for reasonableness.

~~6. For CYE 20 Only, AHCCCS shall use data from the attested, audited financial reports to obtain PBM spread pricing and administrative fees that were moved from medical expense to administrative expense as reported on line 81305-01 as described in the AHCCCS Financial Reporting Guide.²⁶~~

²² Moved above

²³ Changed to follow new definition in the policy

²⁴ Changed to follow the new definition in the policy

²⁵ Changed to follow the new definition in the policy

²⁶ Deleted since no longer applies

~~7-6.~~²⁷ AHCCCS shall provide the Contractor the data used for the initial reconciliation and provide written notice of the deadlines for review and comment by the Contractor. Upon completion of the review period, AHCCCS shall evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted. AHCCCS ~~shall then~~may process partial distributions/recoupments through future monthly capitation payments.

~~8-7.~~ A final reconciliation shall be performed no sooner than 15 months after the end of the Contract Year to be reconciled. This shall allow for completion of the claims lag, encounter reporting, and reinsurance payments. AHCCCS shall provide the Contractor the data used for the final reconciliation and written notice of the deadline for review and comment by the Contractor. Upon completion of the review period, AHCCCS shall evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted in order to pay or recoup within two years of the end of the Contract year.

~~9-8.~~ Any amount due to or due from the Contractor as a result of the final reconciliation that was not distributed or recouped as part of the initial reconciliation shall be paid or recouped through a future monthly capitation payment.

~~10-9.~~ AHCCCS shall include adjustments to the initial reconciliations to account for completion factors.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit encounters for Medical Expenses and those encounters shall reach fully adjudicated and approved status by the date required by AHCCCS. AHCCCS shall only utilize fully adjudicated and approved encounters reported by the Contractor to determine the value of the encounter portion of the ~~net~~ Medical Expenses used in the reconciliation.
2. The Contractor shall maintain financial statements that separately identify all risk group transactions and shall submit such statements as required by Contract and in the format specified in the AHCCCS Financial Reporting Guide to meet the requirements of this Policy.
3. The Contractor shall monitor the estimated ALTCS E/PD program tiered reconciliation receivable/payable and record appropriate accruals on all financial statements submitted to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide and as specified in Contract.
4. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments associated with the initial reconciliation by the deadlines for review and comment. It is also the responsibility of the Contractor to have any identified encounter data issues corrected and adjudicated and approved no later than 15 months from the end of the Contract Year being reconciled. AHCCCS shall not consider any data for reconciliations submitted by the Contractor after these timeframes. Any encounter data issues identified that are the result of an error by AHCCCS shall be corrected prior to the final reconciliation.

²⁷ ~~Removed since it is no longer applicable~~

5. The Contractor shall submit any additional data as requested by AHCCCS for reconciliation purposes (e.g., encounter detail file, reinsurance payments, ~~etc.~~).
6. The Contractor shall report all Subcapitated/Block Purchase Expenses in a format requested by AHCCCS. Subcapitated/Block Purchase encounters shall have a CN 1 code of 05 and a paid amount of \$0 for all encounters. All Subcapitated/Block Purchase encounters that have a health plan paid amount greater than \$0 shall be excluded from the reconciliation expenditures.
- ~~7. The Contractor shall report all PBM spread pricing and administrative fees in a format requested by AHCCCS. Effective 04/01/20, PBM spread pricing and administrative fees shall not be included in medical encounters, nor should they be reported as medical expense in quarterly financial reports²⁸.~~
- ~~8.7.~~ If the Contractor performs recoupments/refunds/recoveries on claims, the related encounters shall be adjusted (voided or void/replaced) as specified in ACOM Policy 412. AHCCCS reserves the right to adjust any previously issued reconciliation results for the impact of the revised encounters and recoup any amounts due to AHCCCS.
- ~~9.8.~~ AHCCCS may impose AAdministrative AAction on the Contractor for failure to meet the requirements of this Policy.

²⁸ Deleted since it no longer applies