

Rate Development Documentation

For the CYE 19 (10/1/18 – 09/30/19) capitation rate setting process AHCCCS will utilize encounter and member month data from PMMIS (i.e. Data Book). It is anticipated that AHCCCS will utilize CYE 17 (10/1/16 – 09/30/17) data as the base period.

When setting the CYE 19 capitation rates AHCCCS will apply completion factors to the encounter data, along with any other adjustments necessary to the development of actuarially sound capitation rates. Unit cost and utilization trends will be applied to the adjusted data from the mid-point of the base period to the mid-point of the rating period.

Risk Groups, Reinsurance and Reconciliations

For CYE 19 AHCCCS will no longer have separate prospective and PPC capitation rates. The same capitation rate will be paid for both prospective and PPC members. AHCCCS is also changing the risk group structure to:

- AGE < 1
- AGE 1-20
- AGE 21+
- Duals
- SSIWO
- Prop 204 Childless Adults
- Expansion Adults

There will also be a delivery supplemental payment.

For regular reinsurance cases, the deductible will be increased from \$25,000 to \$50,000, subject to change to \$35,000 pending further analysis and review. In addition, the reinsurance stop loss limit will increase from \$650,000 to \$1,000,000. All members under the AHCCCS Complete Care (ACC) RFP will have the same deductible. Additionally, services provided under prior period coverage will now be eligible for reinsurance.

AHCCCS intends to reconcile the Contractor’s medical cost expenses to net capitation paid to the Contractor. This reconciliation will limit the Contractor’s profits and losses as follows:

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%

Loss	Contractor Share	State Share	Max Contractor Loss	Cumulative Contractor Loss
<= 2%	100%	0%	2%	2%
> 2%	0%	100%	0%	2%

Population Risk Adjustments

AHCCCS intends to perform non-diagnostic based population risk adjustments for the first few years of the contract under this RFP and then move to diagnostic based population risk adjustment. It is AHCCCS’ intention to provide preliminary capitation rates in July 2018 that would include the non-diagnostic based population risk adjustment based off of initial member assignment. AHCCCS intends to provide final capitation rates in September 2018 based off of initial member assignment and subsequent member choice. This will include non-diagnostic based population risk adjustment necessary for the movement (member choice) of behavioral health utilizers. AHCCCS intends to review member placement quarterly during the first year to see if the non-diagnostic based population risk adjustment factors should be adjusted.

The non-diagnostic based population risk adjustment factors will be developed using historical encounter and member month data and member placement files. The historical data and the member placement files will be compared to determine where each historical member is enrolled. The non-diagnostic based population risk adjustment factors will be developed by rate cell, by Contractor, and will be budget neutral. Development of the non-diagnostic based population risk adjustment factors involves taking the relationship of historical encounter PMPM data by rate cell by Contractor to the total historical encounter PMPM by rate cell. The capitation rates will be developed by rate cell by GSA and thus will represent the average of all Contractors in that GSA and rate cell. The non-diagnostic based population risk adjustment factors will then be applied to the average capitation rates to get each Contractor’s specific capitation rates. Since this will be budget neutral some Contractors will have non-diagnostic based population risk adjustment factors above 1.00 and some below 1.00.

Administration, Underwriting (UW) Gain, and Premium Tax

Administrative expenses and UW gain will be bid by the Offerors. AHCCCS expects to use these bids in the CYE 19 capitation rates; however AHCCCS reserves the right to adjust the capitation rates, including the non-benefit cost components, in order to maintain compliance with the Medicaid Managed Care Rules and Rate Setting Guidelines. See the “Non-Benefit Costs Bid Requirements” document for additional information on non-benefit costs bids. Premium tax is 2%, and AHCCCS will adjust the final capitation rate upwards to account for this expense.