



302-I - PRIOR PERIOD COVERAGE RECONCILIATION

Effective Date: 10/01/13

Revision Date:

Staff responsible for policy: DHCM Finance

I. Purpose

This policy applies to all Acute Care and Comprehensive Medical and Dental Program (CMDP) Contractors. Due to the uncertainty regarding actual utilization and medical cost experience during the Prior Period Coverage (PPC) period, AHCCCS intends to limit the financial risk to its Contractors. The PPC Reconciliation applies to dates of service effective on and after October 1, 2013 for Acute Contractors and January 1, 2014 for CMDP and is based upon prior period expenses and prior period net capitation as described in this policy. AHCCCS will recoup/reimburse a percentage of the Contractor's profit or loss for all risk groups as described below. All profit/loss sharing is based on adjudicated encounter data and subcapitated expense reports. This reconciliation is performed annually on a contract year basis. For Acute Care Contractors the contract year is October 1 to September 30 and for CMDP the contract year is January 1 to December 31 of the year being reconciled.

II. Definitions

Administrative Component

The administrative component will be equivalent to the amount of administrative expense built into the capitation rate for the year being reconciled. Beginning with contract year ending (CYE) 2014, the administrative component is equal to the administrative PMPM built into the capitation rates multiplied by the actual PPC member months for the contract year being reconciled.

PPC Capitation

Capitation payment for the period of time from the first day of the month of application or the first eligible month, whichever is later, to the day a member is enrolled with the Contractor.

PPC Period

The period from the effective date of eligibility to the day a member is enrolled with a Contractor.



PPC Medical Expense	Total expenses covered under the Acute Care or CMDP contract for services provided during the PPC time period.
PPC Net Capitation	PPC capitation less the administrative and premium tax components.
PPC Reconciliation Risk Groups	Populations subject to this reconciliation include all PPC risk groups except State Only Transplants (Acute Care Contractors Only).
Premium Tax Component	The premium tax component is equal to the tax imposed pursuant to A.R.S. §36-2905 for PPC capitation payments made for the contract year. The rate of tax imposed under A.R.S. §36-2905 is 2% as of the effective date of this policy, October 1, 2013.

III. Policy

A. General

1. Beginning CYE 14, the reconciliation shall relate solely to fully adjudicated PPC medical expenses for all PPC reconciliation risk groups. Title XXI members and SOBRA Family Planning Extension members (Acute Care Contractors Only) are excluded from the reconciliation as they are not eligible for PPC services.
2. The reconciliation will limit the Contractor's profits and losses to 2% of the Contractor's net PPC capitation for all reconciliation risk groups combined (See Attachment A for calculation). Any losses in excess of 2% will be reimbursed to the Contractor, and likewise, profits in excess of 2% will be recouped. The full PPC period is eligible for this reconciliation.

B. AHCCCS Responsibilities

1. No less than six months after the contract year to be reconciled, AHCCCS shall perform an initial reconciliation. The initial reconciliation will be calculated as follows:

PPC Net Capitation
Less: PPC Medical Expense
Equals: Profit/Loss to be reconciled



AHCCCS may incorporate completion factors in the initial reconciliation based on internal data available at the time of the reconciliation.

PPC capitation and medical expense to be included in the reconciliation are based on the **date of service** for the contract year being reconciled.

2. AHCCCS will compare fully adjudicated encounter information to financial statements and other Contractor submitted files for reasonableness.
3. AHCCCS will provide the Contractor with the data used for the initial reconciliation and provide a set time period for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted. AHCCCS may then process partial distributions/recoups through a future monthly capitation payment.
4. A second and final reconciliation will be performed no less than twelve months after the end of the contract year to be reconciled. This will allow for completion of the claims lag and encounter reporting. AHCCCS will provide the Contractor with the data used for the final reconciliation and provide a set time period for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted.
5. Any amount over or underpaid as a result of the final reconciliation will be paid or recouped with a future monthly capitation payment.
6. **For CYE 14 reconciliation only (Acute Contractors):** All new Acute Contractors, including incumbent Acute Contractors in a new GSA, will be paid the CYE 13 PPC capitation rates for PPC enrollment dates prior to October 1, 2013. PPC expenses incurred for dates of service prior to October 1, 2013 will be included in the CYE 14 reconciliation, along with the CYE 13 PPC revenue.
7. **For CYE 14 reconciliation only (CMDP):** All revenue and expenses for the time period October 1, 2013 to December 31, 2013 will be reconciled with the CYE 14 reconciliation.



C. Contractor Responsibilities

1. Contractors shall submit encounters for PPC medical expenses and those encounters must reach fully adjudicated status by the required due dates. AHCCCS will only utilize fully adjudicated encounters reported by the Contractor to determine the medical expenses used in the reconciliation.
2. The Contractor shall maintain financial statements that separately identify all PPC transactions, and shall submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for Acute Care Contractors and the AHCCCS Financial Reporting Guide for the CMDP Contractor.
3. The Contractor shall monitor the estimated PPC reconciliation receivable/payable and record appropriate accruals on financial statements submitted to AHCCCS on a quarterly basis.
4. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments via the initial reconciliation by the due date provided. It is also the responsibility of the Contractor to correct (including adjudication of corrected encounters) any identified encounter data issues no later than twelve months after the end of the contract year being reconciled. Reconciliation data issues identified that are the result of an error by AHCCCS will be corrected prior to the final reconciliation.
5. Submit data as requested by AHCCCS for reconciliation purposes. (e.g. encounter detail file, etc.)
6. If the Contractor performs recoupments/refunds/recoveries on PPC claims, the related encounters must be adjusted (voided or void/replaced) pursuant to 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 AHCCCS. If the Contractor does not submit the revised encounters within the required timeframe, AHCCCS may recoup the estimated impact on the reconciliation and reserves the right to sanction the Contractor.



IV. References

- Acute Care Contract, Section D
- CMDP Contract, Section D
- ACOM Policy 412
- ACOM Policy 302-I, Attachment A–Prior Period Coverage Reconciliation – Example
- AHCCCS Financial Reporting Guide for Acute Care Contractors
- AHCCCS Financial Reporting Guide for the CMDP Contractor

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