

301A – PROSPECTIVE TITLE XIX WAIVER GROUP NON-MED RECONCILIATION

EFFECTIVE DATE: 10/01/11, 01/01/13, 01/01/2014

REVISION DATE: 08/27/2010, 04/17/12, 12/05/13, 11/21/13, 01/15/15

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

I. PURPOSE

This Policy applies to Acute Care Contractors for the Title XIX Waiver Group (TWG) non-Medical Expense Deduction (non-MED) prospective population reconciliation (TWG non-MED Reconciliation) through CYE 13 (October 2012 to September 2013).

The TWG non-MED reconciliation is based upon prospective net capitation and prospective medical expense as described in this Policy. AHCCCS will recoup/reimburse 100% of a Contractor's costs in excess of a 2% profit or loss, as determined by fully adjudicated encounter data, self-reported subcapitated expense, and paid reinsurance amounts.

II. DEFINITIONS

HEALTH INSURER FEE CAPITATION ADJUSTMENT An amount equal to the capitation adjustment for the year being reconciled that accounts for the Contractor's liability for the excise tax imposed by section 9010 of the Patient Protection and Affordable Care Act and the premium tax and any other state or federal taxes associated with that portion of the capitation rate.

NET TWG NON-MED CAPITATION Non-MED Prospective Risk Adjusted Capitation plus Delivery Supplemental payments, less the administrative component, premium tax, and the health insurer fee capitation adjustment. The administrative component will be equivalent to the percentage listed in section V. This Per Member Per Month (PMPM) is multiplied by the actual prospective TWG non-MED member months for the period being reconciled to arrive at the administrative component amount used in the reconciliation calculation.

PREMIUM TAX The premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 for all payments made to Contractors for the contract year.

REINSURANCE Reinsurance will be based on the actual reinsurance revenue paid to the Contractor for the dates being reconciled.

III. POLICY**A. GENERAL**

1. The prospective TWG non-MED reconciliation shall relate to medical expense during the prospective period being reconciled (including subcapitated expense) net of reinsurance. The amount of the reimbursement to be reconciled against will be capitation and delivery supplemental payments net of the administrative component, premium tax, and the health insurer fee capitation adjustment included in the capitation rate (see Definitions and Attachment A for calculation). The enhanced portion of a payment for PCP Parity that is subject to AHCCCS cost settlement will not be included in the reconciliation; the non-enhanced portion of the payment will be included in the reconciliation.
2. The reconciliation will limit the Contractor's profits and losses to 2% of the Contractor's net prospective TWG non-MED capitation. Any losses in excess of 2% will be reimbursed to the Contractor, and profits in excess of 2% will be recouped.

B. AHCCCS RESPONSIBILITIES

1. No sooner than six months after the end of the period to be reconciled, AHCCCS shall perform an initial reconciliation of actual medical expense to capitation and reinsurance:

Net TWG Non-MED Capitation (see Attachment A for calculation)

Less: Total medical expense (net of reinsurance)

Equals: Profit/Loss to be reconciled

2. AHCCCS will utilize fully adjudicated encounters and subcapitated expense reported by the Contractor to determine the actual medical expense. AHCCCS may incorporate completion factors in the initial reconciliation based on internal data available at the time of the reconciliation. The enhanced portion of a payment for PCP Parity that is subject to AHCCCS cost settlement will not be included in the reconciliation; the non-enhanced portion of the payment will be included in the reconciliation.
3. AHCCCS will compare fully adjudicated encounter and subcapitated expense information to financial statements and other Contractor submitted files for reasonableness. AHCCCS may perform an audit of self-reported subcapitated expense included in the reconciliation.
4. AHCCCS will provide to the Contractor 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/recoupments through a future monthly capitation payment.

5. A second and final reconciliation will be done no sooner than 15 months after the end of the period to be reconciled. This will allow for completion of the claims lag, encounter reporting and reinsurance payments. AHCCCS will provide to the Contractor 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.
6. Any amount over or underpaid as a result of the final reconciliation will be paid or recouped through a future monthly capitation payment.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall maintain financial statements that separately identify prospective TWG non-MED 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.
2. The Contractor shall monitor the estimated prospective TWG non-MED reconciliation receivable/payable and record appropriate accruals on financial statements submitted to AHCCCS on a quarterly basis.
3. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments by the initial reconciliation due date provided. It is also the responsibility of the Contractor to have any identified encounter data issues corrected and adjudicated no later than 15 months from the end of the period being reconciled. Any encounter data issues identified that are the result of an error by AHCCCS will be corrected prior to the final reconciliation.
4. The Contractor shall submit data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, reinsurance payments, etc.).
5. The Contractor shall report all subcapitated expense in a format requested by AHCCCS. Subcapitated encounters should have a CN 1 code of 05 and a paid amount of \$0 for all non-PCP rate parity encounters. All subcapitated encounters that have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures. This includes all subcapitated amounts greater than \$0 for PCP Rate Parity that are subject to AHCCCS cost settlement.
6. For all current and past reconciliations, if the Contractor performs recoupments on the related claims, the related encounters must be adjusted (voided or void/replaced) . 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. NOTE

Administration:

- CYE '11 – Contractor CYE '09 Bid Administration PMPM less 5.88%
- CYE '12 – Contractor CYE '09 Bid Administration PMPM less 5.88%
- CYE '13 – Contractor CYE '09 Bid Administration PMPM less 5.88%

V. REFERENCES

- Acute Care Contract, Section D
- Attachment A, Prospective Title XIX Waiver Group non-MED Reconciliation - Example
- AHCCCS Financial Reporting Guide for Acute Care Contractors
- Section 9010 of the Patient Protection and Affordable Care Act
- A.R.S. §36-2905

**ATTACHMENT A, PROSPECTIVE TITLE XIX WAIVER GROUP NON-MED RECONCILIATION –
EXAMPLE**

SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY