



**302A CYE 11 AND FORWARD - PRIOR PERIOD COVERAGE RECONCILIATION:
ALTCS/EPD CONTRACTORS**

EFFECTIVE DATE: 10/01/06, 10/01/10, 01/01/13

REVISION DATE: 08/15/09, 08/18/10, 6/22/12, 11/21/13

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

I. PURPOSE

This Policy applies to all ALTCS/EPD Contractors for Contract Year End (CYE) 11 and forward.

Contractors are paid capitation for all Prior Period Coverage (PPC) member months, including partial member months. This capitation includes the cost of providing medically necessary covered services to members during the PPC period.

Annually, AHCCCS will prepare a reconciliation of PPC Net Capitation paid to Contractors to the actual PPC Medical Expense as determined by fully adjudicated encounter data. Any profits or losses in excess of the stated percentages will be recouped from or reimbursed to the Contractor, respectively.

II. DEFINITIONS

PPC MEDICAL EXPENSE	Total covered medical expenses for services provided during the PPC time period.
PPC NET CAPITATION	PPC capitation less the administrative and premium tax components.
PPC PERIOD	The period from the effective date of eligibility to the day a member is enrolled with the Contractor.
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.
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%.



III. POLICY

A. GENERAL

The reconciliation shall relate solely to aggregate PPC Medical Expense as determined by fully adjudicated encounter data.

For CYE 11, the reconciliation will limit the Contractor's profits and losses to 10% of the Contractor's PPC Net Capitation. Any profits in excess of 10% will be recouped from the Contractor and, likewise, any losses in excess of 10% will be reimbursed.

For CYE 12 and forward, the reconciliation will limit the Contractor's profits and losses to 5% of the Contractor's PPC Net Capitation. Any profits in excess of 5% will be recouped from the Contractor and, likewise, any losses in excess of 5% will be reimbursed. 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.

B. AHCCCS RESPONSIBILITIES

1. For CYE 11, approximately 15 months after the end of the contract year to be reconciled, AHCCCS shall perform a reconciliation of PPC medical expense to PPC Net Capitation.

For CYE 12, approximately 12 months after the end of the contract year to be reconciled, AHCCCS shall perform a reconciliation of PPC medical expense to PPC Net Capitation:

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

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 utilize fully adjudicated encounters and subcapitated expenses reported by the Contractor to determine the actual PPC medical expense. 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 encounter information to financial statements for reasonableness.



4. AHCCCS will provide to the Contractor the data used for the reconciliation and provide a set time period for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate the Contractor's comments and make any adjustments to the data or reconciliation as warranted. AHCCCS may then process distributions/recoupments through a future monthly capitation payment.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall maintain financial statements that separately identify all PPC Revenue and Expense as outlined in the AHCCCS Financial Reporting Guide for ALTCS Contractors, and shall submit such statements as required by contract.
2. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments before the reconciliation 15 or 12 month timeframe. It is also the responsibility of the Contractor to have any encounter data issues identified, corrected and fully adjudicated within 15 months (CYE 11) or 12 months (CYE 12 and forward) of the end of the contract year being reconciled for the encounters to be included in the reconciliation

IV. Note

Administration percentage by contract year

- CYE 11 – 7.5%
- CYE 12 – 6.0%
- CYE 13 – 6.0%
- CYE 14 – 6.0%

V. References

- ALTCS/EPD Contract, Section D
- Attachment A, Sample PPC Reconciliation CYE 11
- Attachment B, Sample PPC Reconciliation CYE 12 and forward
- AHCCCS Financial Reporting Guide for ALTCS Program Contractors



ATTACHMENT A, SAMPLE PPC RECONCILIATION CYE 11

SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY



ATTACHMENT B, SAMPLE PPC RECONCILIATION CYE 12 AND FORWARD

SEE THE ACOM WEBPAGE FOR ATTACHMENT B OF THIS POLICY