

**302 CYE 14 AND FORWARD - PRIOR PERIOD COVERAGE RECONCILIATION:  
ACUTE CARE AND CMDP CONTRACTORS**

EFFECTIVE DATE: 10/01/13, 01/01/2014, 10/01/15

REVISION DATE: 01/15/15, 10/27/15

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

**I. PURPOSE**

This Policy applies to Acute Care and DCS/CMDP (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 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/block purchase expense reports. For **Acute Care Contractors**, this reconciliation is performed annually on a contract year basis which is October 1 to September 30. For **CMDP**, this reconciliation is also performed annually subject to the reconciliation periods indicated under Section III.B.7.

**II. DEFINITIONS****ADMINISTRATIVE  
COMPONENT**

The administrative component is equal to the administrative Per Member Per Month (PMPM) built into the capitation rates multiplied by the actual PPC member months for the contract year being reconciled.

**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.

<b>PRIOR PERIOD COVERAGE (PPC)</b>	The period of time prior to the member's enrollment, 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 made eligible via the Hospital Presumptive Eligibility (HPE) program 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.
<b>PPC CAPITATION</b>	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.
<b>PPC MEDICAL EXPENSE</b>	Total expenses covered under the Acute Care or CMDP contract for services provided during the PPC time period, which are reported through <b>fully adjudicated encounters</b> .
<b>PPC NET CAPITATION</b>	PPC capitation less the administrative component, the health insurer fee capitation adjustment, and the premium tax component.
<b>PPC RECONCILIATION RISK GROUPS</b>	Populations subject to this reconciliation include all PPC risk groups except State Only Transplants and Adult Group above 106% FPL (Adults > 106%) (formerly known as Newly Eligible Adults or NEAD) (Acute Care Contractors Only).
<b>PREMIUM TAX</b>	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.

### **III. POLICY**

#### **A. GENERAL**

1. The reconciliation shall relate solely to fully adjudicated PPC medical expense for all PPC reconciliation risk groups. The enhanced portion of a payment for Primary Care Enhanced Payment (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 PPC net capitation for all PPC 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 reconciliation will be calculated as follows:

PPC Net Capitation

Less: PPC Medical Expense

Equals: Profit/Loss to be reconciled adjusted for PCP Parity

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/recoupments through a future monthly capitation payment.
4. A second and final reconciliation will be performed no less than 12 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 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 will be paid or recouped through 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 medical

expense 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 CMDP only:** All revenue and expenses for the time period October 1, 2013 to September 30, 2014 will be reconciled together as the CYE 14 reconciliation. All revenue and expenses for the time period October 1, 2014 to June 30, 2015 will be reconciled together as the CYE 15 reconciliation. Subsequent to CYE 15, all revenue and expenses for the time period July 1 to June 30 will be reconciled together on a contract year basis.

### **C. CONTRACTOR RESPONSIBILITIES**

1. The Contractor shall submit encounters for PPC medical expense and those encounters must reach a 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 by the initial reconciliation due date. It is also the responsibility of the Contractor to correct (including adjudication of corrected encounters) any identified encounter data issues no later than 12 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. The Contractor shall submit any additional 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
- DCS/CMDP Contract, Section D
- ACOM Policy 412
- Attachment A, Health Plan Prior Period Coverage Reconciliation – Example
- AHCCCS Financial Reporting Guide for Acute Care Contractors
- AHCCCS Financial Reporting Guide for the CMDP Contractor
- Section 9010 of the Patient Protection and Affordable Care Act
- A.R.S. §36-2905
- 9 A.A.C. 22 Article 1

**ATTACHMENT A, HEALTH PLAN PRIOR PERIOD COVERAGE RECONCILIATION - EXAMPLE**

**SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY**