



302 CYE 11-13 - PRIOR PERIOD COVERAGE RECONCILIATION: ACUTE CARE AND CMDP CONTRACTORS

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

REVISION DATE: 03/15/08, 12/09/09, 8/25/10, 4/17/12, 11/07/13

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

I. PURPOSE

This Policy applies to Prior Period Coverage (PPC) reconciliations for Contract Year End (CYE) 2011 through 2013 for Acute Care and DES/CMDP (CMDP) Contractors.

Due to the uncertainty regarding actual utilization and medical cost experience during the PPC period, AHCCCS intends to limit the financial risk to its Contractors. For CYE 11 through CYE 13, AHCCCS will reconcile the PPC period for all risk groups, except Title XXI members, SOBRA Family Planning, and State Only Transplants. Additionally, effective beginning CYE 12, the Title XIX Waiver Group MED population will no longer be reconciled, as the program terminated September 30, 2011.

II. DEFINITIONS

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 MEDICAL EXPENSE	Total expenses covered under the contract 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 a 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%.

**TITLE XIX WAIVER
GROUP MEMBER (TWG)**

All Medical Expense Deduction (MED) and Non-MED (AHCCCS Care) members who do not meet the requirements of a categorically linked Medicaid program. The Title XIX MED program terminated 9/30/11 and will not be reconciled beginning with CYE 12.

III. POLICY**A. GENERAL**

1. For CYE 11 the reconciliation shall relate solely to aggregate adjudicated PPC medical expense for the following capitation risk groups: TANF, SOBRA, SSI w/Med, SSI w/o Med, and the Title XIX Waiver Group (MED and non-MED). For CYE 12 and CYE 13 the reconciliation shall relate solely to aggregate adjudicated PPC medical expense for the following capitation risk groups: TANF, SOBRA, SSI w/Med, SSI w/o Med, and Title XIX Waiver Group Non-MED. The reconciliation will exclude Title XXI, SOBRA Family Planning, and State Only transplant members for all contract years.
2. For all contract years, administrative, premium tax and non-operating expenses shall be excluded. For CYE 13, 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. The reconciliation will limit the Contractor's profits and losses to 2% of the Contractor's net PPC capitation for all covered 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.
2. AHCCCS will compare fully adjudicated encounter information to financial statements and other Contractor submitted files for reasonableness.
3. 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.

4. A second and final reconciliation will be done 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 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.
5. Any amount over or underpaid as a result of the final reconciliation will be paid or recouped with a future monthly capitation payment.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit encounters for PPC medical expense 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 expense 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 or AHCCCS Financial Reporting Guide for the CMDP Contractor.
3. The Contractor shall monitor the estimated PPC reconciliation receivable/payable and record appropriate accruals on financials 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 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 data as requested by AHCCCS for reconciliation purposes.
6. For all reconciliations, if the Contractor performs recoupments on the related claims, the related encounters must be corrected (voided or void/replaced) and adjudicated no later than 120 days after the date of the recoupment. 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.

D. RECONCILIATION CALCULATION FOR ALL COVERED RISK GROUPS

PPC Capitation – Administration % (See Section V) – Premium Tax %

Less: Total Medical Expense

Equals: Profit/Loss to be reconciled
See Attachment A for calculation

1. AHCCCS will utilize fully adjudicated encounters reported by the Contractor to determine the actual medical cost 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.
2. PPC Capitation paid and Medical expense to be included in the reconciliation are based on the **DATE OF SERVICE** for the contract year being reconciled.

V. NOTE

Acute Care and CMDP Contractor Administration percentage by contract year:

- CYE 11 – 8.0%
- CYE 12 – 8.0%
- CYE 13 – 8.0%

IV. REFERENCES

- Acute Care Contract, Section D
- DES/CMDP Contract, Section D
- Attachment A, Prior Period Reconciliation – Example
- AHCCCS Financial Reporting Guide for Acute Care Contractors
- AHCCCS Financial Reporting Guide for the CMDP Contractor



ATTACHMENT A, PRIOR PERIOD RECONCILIATION – EXAMPLE

SEE THE ACOM WEBPAGE FOR ATTACHMENT A OF THIS POLICY