

312 CYE 13 – CRS PROGRAM TIERED RECONCILIATION

EFFECTIVE DATE: 10/01/12, 01/01/13, 01/01/14

REVISION DATE: 12/05/13, 12/19/13, 01/15/15

STAFF RESPONSIBLE FOR POLICY: DHCM FINANCE

I. PURPOSE

This Policy applies to the CRS Contractor. The CRS Program Tiered Reconciliation applies to dates of service effective October 1, 2012 through September 30, 2013 and is based upon adjudicated medical expense and net capitation as described in this Policy. AHCCCS will recoup/reimburse a percentage of the Contractor's profit or loss for the CRS program as described below using a tiered approach. All profit/loss sharing is based on adjudicated encounter data and subcapitated expense reports.

II. DEFINITIONS

ADMINISTRATIVE COMPONENT	The administrative component will be equivalent to the amount of administration built into the capitation rate for the year being reconciled. For CYE 13, the administrative component is equal to 9.64%.
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.
MEDICAL EXPENSE	Expenses reported through fully adjudicated encounters and subcapitated expenses incurred by the Contractor for covered services with dates of service during the contract year.
NET CAPITATION	Capitation less the administrative component, premium tax, and the health insurer fee capitation adjustment.
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

For purposes of this reconciliation, reinsurance means the actual reinsurance payments received by the Contractor as the result of expenses incurred by the Contractor for covered services with dates of service during the contract year being reconciled.

SUBCAPITATED EXPENSE

Expenses incurred by the Contractor as payments to a provider under a subcapitated arrangement. The subcapitated expenses used in this reconciliation are reported by the Contractor through quarterly financial reports in the format required by AHCCCS.

TIERED RECONCILIATION POPULATION

The entire CRS population is subject to this tiered reconciliation.

III. POLICY

A. GENERAL

1. The CRS program tiered reconciliation shall be based on fully adjudicated medical expense encounters and self-reported subcapitated expense, net of reinsurance. The expense will be reconciled against net capitation. 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 the percent of net capitation according to the following schedule:

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT	CUMULATIVE CONTRACTOR PROFIT
<= 3%	100%	0%	3.0%	3%
> 3% and <= 5%	75%	25%	1.5%	4.5%
> 5% and <= 7%	50%	50%	1.0%	5.5%
> 7% and <= 9%	25%	75%	0.5%	6%
> 9%	0%	100%	0%	6%

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS	CUMULATIVE CONTRACTOR LOSS
<= 3%	100%	0%	3.0%	3%
> 3% and <= 6%	50%	50%	1.5%	4.5%
> 6%	0%	100%	0%	4.5%

Profits in excess of the percentages set forth above will be recouped by AHCCCS. Losses in excess of the percentages set forth above will be paid to the Contractor.

B. AHCCCS RESPONSIBILITIES

1. No sooner than five and 10 months after the end of the period to be reconciled, AHCCCS shall perform initial and interim reconciliations, respectively, of actual medical cost experience to net capitation and reinsurance, as follows:

Profit/Loss to be reconciled = Net Capitation – Medical Expense – Subcapitated Expense + Reinsurance payments.

Profit/Loss % = Profit/Loss to be reconciled divided by Net Capitation subject to reconciliation.

Attachment A of this Policy provides an example of the tiered reconciliation calculation.

2. AHCCCS will utilize only medical expense supported by fully adjudicated encounters and subcapitated expense reported by the Contractor to determine the expenses subject to 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 utilize amounts paid to the Contractor for reinsurance as of the date the reconciliation is processed to determine profit/loss to be reconciled.
4. AHCCCS will compare fully adjudicated encounters and self-reported 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.
5. AHCCCS will provide the Contractor the data used for the initial and interim reconciliations and provide written notice of the deadlines 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 future monthly capitation payments.
6. A third and final reconciliation will be performed 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 the Contractor the data used for the final reconciliation and written notice of the deadline 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.

7. 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 and/or interim reconciliations will be paid or recouped through a future monthly capitation payment.
8. AHCCCS may include adjustments to the reconciliations to account for completion factors.

C. CONTRACTOR RESPONSIBILITIES

1. The Contractor shall submit encounters for 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 CRS transactions, and shall submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for the CRS Contractor.
3. The Contractor shall monitor the estimated CRS program tiered reconciliation receivable/payable and record appropriate accruals on all financial statements submitted to AHCCCS on a quarterly basis as specified in the AHCCCS Financial Reporting Guide for the CRS Contractor.
4. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments associated with the initial and interim reconciliations by the deadlines for review and comment. 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. AHCCCS will not consider any data for reconciliations submitted by the Contractor after these timeframes. Any encounter 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 data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, reinsurance payments, etc.).
6. The Contractor shall report all subcapitated expenses 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.

7. For all current and past reconciliations, if the Contractor performs recoupments/refunds/recoveries on the related claims, the related encounters must be adjusted (voided or void/replaced) pursuant to ACOM 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

- CRS Contract, Attachment J
- Attachment A, CRS Program Tiered Reconciliation - Example
- ACOM Policy 412
- AHCCCS Financial Reporting Guide for the CRS Contractor
- Section 9010 of the Patient Protection and Affordable Care Act
- A.R.S. §36-2905

ATTACHMENT A, CRS PROGRAM TIERED RECONCILIATION - EXAMPLE

SEE THE ACOM WEBPAGE PAGE FOR ATTACHMENT A OF THIS POLICY