

**301 CYE 2018 - ALTCS E/PD PROGRAM PROSPECTIVE RECONCILIATION**

EFFECTIVE DATE: 10/01/17

APPROVAL DATE: 09/27/18

**I. PURPOSE**

Subject to CMS approval of the Contract Amendment implementing this reconciliation, this Policy applies to ALTCS E/PD Contractors. The purpose of this Policy is to outline the process and Contractor requirements regarding the ALTCS E/PD Program Prospective Reconciliation. The reconciliation applies to dates of service effective on and after October 1, 2017 through September 30, 2018 and is based upon prospective medical expense and prospective 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. This reconciliation is performed annually on a contract year basis.

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

The administrative component is equal to the administrative Per Member Per Month (PMPM) awarded to the Contractor including any administrative adjustments deemed necessary by AHCCCS during the capitation rate setting process multiplied by the actual prospective member months for the contract year being reconciled. For any rates that are not bid by the Contractor, but are set by AHCCCS, the administrative component is equal to the administrative PMPM built into the capitation rates multiplied by the actual prospective member months for the contract year being reconciled.

**CASE MANAGEMENT  
COMPONENT**

The case management component is equal to the case management Per Member Per Month (PMPM) awarded to the Contractor including any adjustments deemed necessary by AHCCCS during the capitation rate setting process multiplied by the actual prospective member months for the contract year being reconciled.

**HEALTH INSURANCE  
PROVIDER FEE (HIPF)  
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**

Prospective expenses reported through **fully adjudicated encounters** and subcapitated/block purchase expense incurred by the Contractor for covered services with dates of service during the contract year being reconciled.

**NET CAPITATION**

Prospective capitation paid less, the case management component, the administrative component, the health insurance provider fee capitation adjustment, and the premium tax component. An amount equal to the Alternative Payment Model (APM) Withhold shall be deducted from prospective capitation. Refer to ACOM Policy 306 for the definition and computation of the APM Withhold.

**PREMIUM TAX**

The premium tax is equal to the tax imposed pursuant to A.R.S. §36-2905 and §36-2944.01 for all payments made to Contractors for the Contract Year.

**RECONCILIATION RISK GROUPS (OR RISK GROUPS)**

Populations subject to this reconciliation include all ALTCS E/PD risk groups. Covered service expenses incurred for members in a non-capped status (contract type N) are excluded from this reconciliation.

**REINSURANCE**

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

**SUBCAPITATED/BLOCK PURCHASE EXPENSE**

Expenses incurred by the Contractor as payments to a provider under a subcapitated or block purchase arrangement. The subcapitated/block purchase expenses used in this reconciliation are reported by the Contractor through quarterly financial reports in the format required by AHCCCS. The reported expenses are attested annually by an independent auditor and documented in the Contractors' Audit Report.

**III. POLICY**

**A. GENERAL**

1. The ALTCS E/PD Program reconciliation shall be based on net capitation less medical expense plus reinsurance payments. The amount due from or due to the Contractor as the result of this reconciliation will be based on aggregated profits and losses across all of the reconciliation risk groups.
2. The reconciliation will limit the Contractor's profits and losses to the percent of net

capitation for all reconciliation risk groups combined (See Attachment A for calculation). Any losses in excess of 7% will be reimbursed to the Contractor, and likewise, profits in excess of 7% 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 cost experience to net capitation and reinsurance, as follows:
  - a. Profit/Loss to be reconciled = Net Capitation – Medical Expense – Subcapitated/block purchase Expense + Reinsurance payments,
  - b. Profit/Loss % = Profit/Loss to be reconciled divided by Net Capitation, and
  - c. Attachment A provides an example of the reconciliation calculation.
2. AHCCCS will utilize only medical expense supported by fully adjudicated encounters and subcapitated/block purchase expense reported by the Contractor to determine the expenses subject to 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/block purchase expense information to financial statements and other Contractor submitted files for reasonableness. AHCCCS may perform an audit of self-reported subcapitated/block purchase expense included in the reconciliation.
5. AHCCCS will provide the Contractor the data used for the initial reconciliation 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 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 in order to pay or recoup within two years of the end of the contract year.
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 reconciliation will be paid or recouped through a future monthly capitation payment.
8. AHCCCS may include adjustments to the initial reconciliations to account for completion factors.

**C. CONTRACTOR RESPONSIBILITIES**

1. The Contractor shall submit encounters for medical expenses and those encounters shall reach 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 risk group transactions, and shall submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide for ALTCS E/PD Contractors.
3. The Contractor shall monitor the estimated ALTCS E/PD program 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 ALTCS E/PD Contractors and as specified in Contract.
4. It is the Contractor's responsibility to identify to AHCCCS any encounter data issues or necessary adjustments associated with the initial reconciliation 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 any additional data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, reinsurance payments, etc.).
6. The Contractor shall report all subcapitated/block purchase expense in a format requested by AHCCCS. Subcapitated/block purchase encounters should have a CN 1 code of 05 and a paid amount of \$0 for all encounters. All subcapitated/block purchase encounters that have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures.
7. If the Contractor performs recoupments/refunds/recoveries on claims, the related encounters shall 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.