

**301 - ALTCS E/PD PROGRAM TIERED RECONCILIATION**

EFFECTIVE DATES: 10/01/18, 10/01/19, 10/01/21

APPROVAL DATES: 10/18/18, 07/23/20, 07/23/21

**I. PURPOSE**

This Policy applies to ALTCS E/PD Contractors. The purpose of this Policy is to specify the process and Contractor requirements regarding the ALTCS E/PD Program Tiered Reconciliation. The reconciliation applies to dates of service effective on and after October 1, 2018 and is based upon Net Medical Expense and Net Capitation as specified in this Policy. AHCCCS shall recoup/reimburse a percentage of the Contractor's profit or loss for all Risk Groups as specified below using a tiered approach. All profit/loss sharing is based on adjudicated and approved encounter data and Subcapitated/Block Purchase Expense reports. This reconciliation is performed annually on a Contract year basis.

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

An amount 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 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 member months for the contract year being reconciled.

**AHCCCS DIRECTED  
PAYMENTS TO PROVIDERS**

As allowed by 42 CFR 438.6(c), and approved by CMS, AHCCCS directed payments made by the Contractor to specified providers to ensure members have timely access to high-quality care.

**CASE MANAGEMENT  
COMPONENT**

An amount 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 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.

**NET CAPITATION**

An amount equal to PPC and prospective capitation paid less the case management component, the administrative component, the HIPF capitation adjustment, the Premium Tax component, and the PBM Component (CYE 20 and later). 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.

**NET MEDICAL EXPENSE**

PPC and prospective expenses reported through fully adjudicated and approved encounters and Subcapitated/ Block Purchase Expense incurred by the Contractor for covered services with dates of service during the contract year being reconciled. This shall not include the costs of COVID -19 vaccine and vaccine administration for CYE 22 (October 1, 2021 to September 30, 2022) only. Refer to ACOM Policy 302.

**PHARMACY BENEFIT  
MANAGER (PBM)  
COMPONENT**

An amount equal to the amount of Pharmacy Benefit Manager (PBM) spread pricing and PBM administrative expenses moved from medical expense to administrative expense, as self-reported in the quarterly financials footnotes to line 81305-01 as specified in the AHCCCS Financial Reporting Guide.

**PREMIUM TAX**

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

**PRIOR PERIOD COVERAGE  
(PPC)**

For Title XIX members, the period of time prior to the member's enrollment with a Contractor, 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 is made eligible via the Hospital Presumptive Eligibility (HPE) program and 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.

**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 Contractor's Audit Report.

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

Populations subject to this tiered 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.

**III. POLICY****A. GENERAL**

1. The ALTCS E/PD Program tiered reconciliation shall be performed as specified below. The amount due from or due to the Contractor as the result of this reconciliation shall be based on aggregated profits and losses across all of the Tiered Reconciliation Risk Groups as specified below.
2. PBM Component shall be removed for purposes of calculating Net Capitation in CYE 20. This PBM adjustment shall no longer be necessary for encounters with dates of service on and after 04/01/20.

3. If the Contractor has not received a payment specific to the AHCCCS Directed Payments to Providers, the amount of the directed payments shall be added to the reconciliation amount paid to the Contractor, or shall be subtracted from the amount to be recouped by AHCCCS as a result of the reconciliation.
  
4. The reconciliation shall limit the Contractor's Profit/Loss % to the percent of Net Capitation as shown below. If a Contractor's profit is between 0% and 2%, the Contractor retains 100% of the profit. If a Contractor's profit is between 2% and 6%, the Contractor keeps 50% of what falls between 2% and up to 6% PLUS 100% of 2% profit. Any profits over 6% are to be returned to the State. On the downside, a Contractor's losses are capped at 2%, losses in excess of 2% are covered by the State. The tiered risk corridor is calculated according to the following schedule:

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT	CUMULATIVE CONTRACT
<= 2%	100%	0%	2%	2%
> 2% and <= 6%	50%	50%	2%	4%
> 6%	0%	100%	0%	4%

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS	CUMULATIVE CONTRACT
<= 2%	100%	0%	2%	2%
> 2%	0%	100%	0%	2%

Refer to Attachment A for an example.

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

**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 Net Medical Expense to Net Capitation and Reinsurance, as follows:

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

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

Attachment A provides an example of the tiered reconciliation calculation.

2. AHCCCS shall utilize only Net Medical Expense supported by fully adjudicated and approved encounters and Subcapitated/Block Purchase Expense reported by the Contractor to determine the expenses subject to reconciliation.

3. AHCCCS shall 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 shall compare fully adjudicated and approved encounters and audited self-reported Subcapitated/Block Purchase Expense information to financial statements and other Contractor submitted files for reasonableness.
5. AHCCCS shall use data from the attested, audited financial reports to obtain PBM spread pricing and administrative fees that were moved from medical expense to administrative expense as reported in the footnotes of line 81305-01 as described in the AHCCCS Financial Reporting Guide.
6. AHCCCS shall 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 shall evaluate Contractor comments and make any adjustments to the data or reconciliation as warranted. AHCCCS shall then process partial distributions/recoupments through future monthly capitation payments.
7. A final reconciliation shall be performed no sooner than 15 months after the end of the period to be reconciled. This shall allow for completion of the claims lag, encounter reporting, and Reinsurance payments. AHCCCS shall 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 shall 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.
8. 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 shall be paid or recouped through a future monthly capitation payment.
9. AHCCCS shall 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 and approved status by the date required by AHCCCS. AHCCCS shall only utilize fully adjudicated and approved encounters reported by the Contractor to determine the value of the encounter portion of the Net 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
3. to meet the requirements of this Policy. required by Contract and in the format specified in the AHCCCS Financial Reporting Guide.

4. The Contractor shall monitor the estimated ALTCS E/PD 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 and as specified in Contract.
5. 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 and approved no later than 15 months from the end of the period being reconciled. AHCCCS shall 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 shall be corrected prior to the final reconciliation.
6. The Contractor shall submit any additional data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, Reinsurance payments, etc.).
7. The Contractor shall report all Subcapitated/Block Purchase Expenses in a format requested by AHCCCS. Subcapitated/Block Purchase encounters shall 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 shall be excluded from the reconciliation expenditures.
8. The Contractor shall report all PBM spread pricing and administrative fees in a format requested by AHCCCS. Effective 04/01/20, PBM spread pricing and administrative fees shall not be included in medical encounters, nor should they be reported as medical expense in quarterly financial reports.
9. If the Contractor performs recoupments/refunds/recoveries on claims, the related encounters shall be adjusted (voided or void/replaced) as specified in 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.

AHCCCS may impose administrative action on the Contractor for failure