



301 – PROSPECTIVE TITLE XIX WAIVER GROUP (TWG) MEDICAL EXPENSE DEDUCTION (MED) RECONCILIATION POLICY

Effective Date: 10/01/10
Revision Date: 3/24/08, 12/17/09, 8/27/10, 4/17/12

Staff responsible for policy: DHCM Finance

I. Purpose

This policy applies to the Title XIX Waiver Group (TWG) Medical Expense Deduction (MED) prospective population reconciliation for those AHCCCS Acute Care Contractors (hereafter referred to as Contractors) contracted to provide medical services for the TWG MED population. This reconciliation applies to CYE '11. This reconciliation will not occur after CYE '11 as the program terminated effective 9/30/11

The TWG MED reconciliation is based upon prospective net revenue as described in this policy. AHCCCS will reimburse/recoup 100% of a Contractor's reasonable costs in excess of a 3% profit or loss, as determined by fully adjudicated encounter data, subcapitated expenses, and paid reinsurance amounts.

II. Definitions

Net TWG MED Capitation: MED Prospective Capitation plus Delivery Supplement payments less the administrative % and the premium tax %.

III. Policy

A. General

1. The TWG MED reconciliation shall relate to medical expenses during the prospective period of enrollment (including subcapitated expenses) net of reinsurance for the TWG MED population. The amount of the reimbursement to be reconciled against will be net of the administrative percentage and premium tax components included in the capitation rate (see Attachment A for calculation).
2. The reconciliation will limit the Contractor's profits and losses to 3% of the Contractor's net TWG MED capitation. Any losses in excess of 3% will be reimbursed to the Contractor, and likewise, profits in excess of 3% will be recouped.



B. AHCCCS Responsibilities

1. No sooner than six months after the contract year to be reconciled, AHCCCS shall perform an initial reconciliation of actual medical cost experience to capitation and reinsurance paid:

Prospective Capitation + Delivery Supplement payment - administration % - premium tax % (see Attachment A for calculation)

Less: Total medical expenses (net of reinsurance)

Equals: Profit/Loss to be reconciled

2. AHCCCS will utilize fully adjudicated encounters and subcapitated expenses reported by the Contractor to determine the actual medical cost experience.
3. AHCCCS will compare adjudicated encounter and subcapitated expense information to financial statements and other Contractor submitted files for reasonableness. AHCCCS may perform an audit of self-reported subcapitated expenses included in the reconciliation.
4. 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.
5. A second and final reconciliation will be done no sooner than 15 months after the end of the contract year to be reconciled. This will allow for completion of the claims lag, encounter reporting and reinsurance payments. 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.
6. Any amount over or underpaid as a result of the final reconciliation will be paid or recouped through a future monthly capitation payment.

C. Contractor Responsibilities

1. Contractor shall maintain financial statements that separately identify Title XIX Waiver Group MED transactions, and shall submit such statements as required by contract and in the format specified in the Reporting Guide.



2. Contractor shall monitor the estimated TWG MED reconciliation receivable/payable and record appropriate accruals on financial statements submitted to AHCCCS on a quarterly basis.
3. 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 specified with the initial reconciliation. 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 contract year being reconciled. Any encounter data issues identified that are the result of an error by AHCCCS will be corrected prior to the final reconciliation.
4. Submit data as requested by AHCCCS for reconciliation purposes (e.g. encounter detail file, reinsurance payments, etc.).
5. Contractor shall report all subcapitated expenses in a format requested by AHCCCS. Subcapitated encounters should have a subcap code of 01 and a CN 1 code of 05 and a paid amount of \$0. All subcapitated encounters that do not conform to this format and have a health plan paid amount greater than \$0 will be excluded from the reconciliation expenditures.
6. For all current and past reconciliations, if the Contractor performs recoupments on the related claims, the related encounters must be adjusted (voided or void/replaced) and adjudicated no later than 120 days from 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.

IV. References

- Acute Care Contract, Section D, Compensation

V. Note

Administration percentage by contract year:

- CYE '11 – 8.0%

Premium tax – 2%

Attachment A – Sample TWG Reconciliation