

**302A CYE 11 - 18 - PRIOR PERIOD COVERAGE RECONCILIATION: ALTCS E/PD CONTRACTORS**

EFFECTIVE DATES: 10/01/06, 10/01/10, 01/01/13, 01/01/14, 10/01/15, 10/01/17

REVISION DATES: 08/15/09, 08/18/10, 06/22/12, 11/21/13, 01/15/15, 10/27/15, 09/06/18

**I. PURPOSE**

This Policy applies to ALTCS E/PD Contractors for Contract Years Ending (CYE) 11 through 18.

Contractors are paid capitation for all Prior Period Coverage (PPC) member months, including partial member months. This capitation includes the cost of providing medically necessary covered services to members during the PPC period.

Annually, AHCCCS will prepare a reconciliation of PPC Net Capitation paid to Contractors to the actual PPC Medical Expense as determined by fully adjudicated encounter data. Any profits or losses in excess of the stated percentages will be recouped from or reimbursed to the Contractor, respectively.

**II. DEFINITIONS**

<b>HEALTH INSURER FEE CAPITATION ADJUSTMENT</b>	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.
<b>PPC CAPITATION</b>	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.
<b>PPC MEDICAL EXPENSE</b>	Total covered medical expenses for services provided during the PPC time period.
<b>PPC NET CAPITATION</b>	PPC capitation less the administrative component, premium tax, and the health insurer fee capitation adjustment.
<b>PREMIUM TAX</b>	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.

**PRIOR PERIOD COVERAGE  
(PPC)**

The period of time prior to the member's enrollment, 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 made eligible via the Hospital Presumptive Eligibility (HPE) program 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.

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

The reconciliation shall relate solely to aggregate PPC Medical Expense as determined by fully adjudicated encounter data.

For CYE 11, the reconciliation will limit the Contractor's profits and losses to 10% of the Contractor's PPC Net Capitation. Any profits in excess of 10% will be recouped from the Contractor and, likewise, any losses in excess of 10% will be reimbursed.

For CYE 12 and forward, the reconciliation will limit the Contractor's profits and losses to 5% of the Contractor's PPC Net Capitation. Any profits in excess of 5% will be recouped from the Contractor and, likewise, any losses in excess of 5% will be reimbursed. Starting with 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.

**B. AHCCCS SHALL:**

1. Perform a reconciliation of PPC medical expense to PPC Net Capitation

PPC Net Capitation  
Less: PPC Medical Expense  
Equals: Profit/Loss to be reconciled

PPC capitation and medical expense to be included in the reconciliation are based on the date of service for the contract year being reconciled.

- a. For CYE 11, this reconciliation will occur approximately 15 months after the end of the contract year to be reconciled,
  - b. For CYE 12 and forward, this reconciliation will be performed approximately 12 months after the end of the contract year to be reconciled.
2. Utilize fully adjudicated encounters and subcapitated expenses reported by the Contractor to determine the actual PPC medical expense. Starting with 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. Compare encounter information to financial statements for reasonableness.
4. Provide to the Contractor the data used for the reconciliation and provide a set time period for review and comment by the Contractor. Upon completion of the review period, AHCCCS will evaluate the Contractor's comments and make any adjustments to the data or reconciliation as warranted. AHCCCS may then process distributions/recoupments through a future monthly capitation payment.

**C. CONTRACTOR SHALL:**

1. Maintain financial statements that separately identify all PPC Revenue and Expense as outlined in the AHCCCS Financial Reporting Guide for ALTCS Contractors, and shall submit such statements as required by Contract.
2. Identify to AHCCCS any encounter data issues or necessary adjustments before the reconciliation 15 or 12 month timeframe. It is also the responsibility of the Contractor to have any encounter data issues identified, corrected and fully adjudicated within 15 months (CYE 11) or 12 months (CYE 12 and forward) of the end of the contract year being reconciled for the encounters to be included in the reconciliation.

**IV. NOTE**

Administration percentage by contract year:

1. CYE 11 – 7.5%
2. CYE 12 and forward – 6.0%