

**326 - FIXED ADMINISTRATIVE COST COMPONENT RECONCILIATION FOR
AHCCCS COMPLETE CARE**

EFFECTIVE DATES: 10/01/18, 05/07/19, 10/01/19

APPROVAL DATES: 02/21/19, 09/17/20

I. PURPOSE

This Policy applies to ACC Contractors. This Policy establishes requirements for Contractors regarding the Fixed Administrative Cost Component Reconciliation. Due to uncertainty regarding actual versus Assumed Member Months that were used to calculate the fixed portion of the administrative cost Per Member Per Month (PMPM) in the capitation rate, AHCCCS will reconcile actual member months to Assumed Member Months.

II. DEFINITION

ACTUAL MEMBER MONTHS	Prospective and Prior Period Coverage Member months paid to the Contractor for the contract year excluding births associated with delivery supplements as noted on Attachment A.
ASSUMED MEMBER MONTHS	Prospective and Prior Period Coverage Member months estimated for the contract year as part of capitation rate development.
FIXED ADMINISTRATIVE COST COMPONENT	The Per Member Per Month (PMPM) for the portion of the Administrative Cost component of the capitation rate relating to the Contractor's fixed costs, subject to Medical Loss Ratio (MLR) requirements.
PREMIUM TAX	The tax imposed pursuant to A.R.S. §36-2905 and A.R.S. §36-2944.01 for all payments made to Contractors for the Contract Year.

III. POLICY

A. GENERAL

1. The reconciliation shall relate solely to the member months and fixed administrative cost capitation rate component. The amount due from or due to the Contractor as a result of this reconciliation will be based on whether the Contractor's Actual Member Months are different than Assumed Member Months.

2. Any Actual Member Months that exceed Assumed Member Months will be multiplied by the Contractor's fixed administrative cost PMPM used in the rate development by risk group and recouped from the Contractor. Any Assumed Member Months that exceed Actual Member Months will be multiplied by the Contractor's fixed administrative cost PMPM used in the rate development by risk group and reimbursed to the Contractor.

B. AHCCCS RESPONSIBILITIES

1. No less than six months after the Contract Year to be reconciled, AHCCCS shall perform the reconciliation. The reconciliation will be calculated as follows:

Administrative Member months reconciliation = (Assumed Member Months – Actual Member Months) * Fixed Administrative Cost PMPM used in capitation rate development.

Assumed Member Months > Actual Member Months = additional payment to Contractor.

Assumed Member Months < Actual Member Months = recoupment from Contractor.

Attachment A provides an example of the Fixed Administrative Cost Component Reconciliation calculation.

2. AHCCCS will utilize paid member months to determine the Actual Member Months subject to reconciliation.
3. AHCCCS will utilize member months assumed in the capitation rates for the Assumed Member Months subject to reconciliation.
4. AHCCCS will provide to the Contractor the Fixed Administrative Cost Component 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 reconciliation as warranted.
5. Any amount due to or due from the Contractor as a result of the Fixed Administrative Cost Component reconciliation will be paid or recouped through a future monthly capitation payment.
6. If the administrative component of the capitation rate was capped in order to ensure compliance with minimum MLR requirements when the capitation rate was originally developed, the MLR limit and fixed administrative component shall be recomputed using Actual Member Months for purposes of this reconciliation.