

**311 CYE 25 AND FORWARD - ACC AND ACC-RBHA PROGRAM TIERED RECONCILIATION**

EFFECTIVE DATES: 10/01/24, 06/12/25, [10/01/26](#)

APPROVAL DATES: 05/14/24, 05/07/25, [05/20/26](#)

**I. PURPOSE**

This Policy applies to ACC and ACC-RBHA Contractors. The purpose of this Policy is to specify the process and Contractor requirements regarding the ACC and ACC-RBHA Program Tiered Reconciliation. The reconciliation applies to dates of service effective on and after October 1, 2024, and is based upon Medical Expense and Medical Revenue 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 fully adjudicated and approved encounter data and Medical Sub-Capitated/Block Purchase Expense reports. AHCCCS performs this reconciliation annually on a Contract Year basis.

**II. DEFINITIONS**

Refer to the [AHCCCS ACOM and AMPM Dictionary](#)<sup>1</sup> for common terms found in this Policy.

For purposes of this Policy, the following terms are defined as:

<b>ADMINISTRATIVE COMPONENT</b>	An amount equal to the administrative Per Member Per Month (PMPM) amount built into the capitation rates multiplied by the actual member months for the contract year being reconciled.
<b>HEALTH CARE QUALITY IMPROVEMENT (HCQI) ACTIVITIES</b>	Activities that improve health outcomes, prevent hospital readmissions, improve patient safety, reduce medical errors, wellness and health promotion activities, and health information technology expenses relating to improving health care quality.
<b>MEDICAL EXPENSE</b>	Prospective and Prior Period Coverage (PPC) physical and mental health expenses reported through fully adjudicated and approved encounters plus Medical Sub-Capitated/Block Purchase Expense incurred by the Contractor for covered services with dates of service during the Contract Year being reconciled. Fully adjudicated and approved encounters are in a 31 adjudication level status.
<b>MEDICAL REVENUE</b>	An amount equal to Prospective and Prior Period Coverage (PPC) capitation, risk adjusted if applicable, plus delivery supplemental payments, and Reinsurance paid less the Administrative Component, and the Premium Tax component.

<sup>1</sup> [Revised to update the title.](#)

**MEDICAL SUB-CAPITATED/  
BLOCK PURCHASE EXPENSE**

Physical and mental health medical expenses incurred by the Contractor as payments to a provider under a sub-capitated or block purchase arrangement. The Medical Sub-Capitated/Block Purchase Expenses used in this reconciliation are reported by the Contractor through quarterly or audited 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. This report is a summary of sub-capitation and block<sup>2</sup> medical services expenses, by risk group, by individual expense line item ~~by date of service~~ for dates of service for the Contract Year being reconciled.<sup>3</sup> The portion of the sub-capitation payment that is explicitly attributable to the provision of administrative services or delegated managed care activities and associated reporting requirements by the provider must be excluded from this report unless the provider/subcontractor provides Medicaid-covered services directly to Medicaid enrollees, and if the functions are performed by the provider/subcontractor's own employees and not through a contracted network of providers. Sub-capitated expenses must not be reported for non-medical expenses and Alternative Payment Model Performance Based Payments to Providers.

**PREMIUM TAX**

The tax imposed pursuant to ARS §§ 36-2905 and 36-2944.01 for all payments made to the 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 AAC 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, PPC for the member will be covered by AHCCCS Fee-For-Service (FFS) and the member will be enrolled with the Contractor only on a prospective basis.

**PROVISIONS FOR HEALTH  
CARE QUALITY  
IMPROVEMENT  
(HCQI) ACTIVITIES**

An annually determined percentage of Medical Expense to compensate for Health Care Quality Improvement (HCQI) activities. The percentage is equal to 1% of Medical Expenses. This applies to all risk groups except the 24-hour Crisis risk group. This percentage will be reviewed annually and is subject to change.

<sup>2</sup> Added for clarity since discussing Sub-capitated and block.

<sup>3</sup> Revised information is not received by Date Of Service (DOS).

**REINSURANCE**

For this reconciliation, the actual reinsurance payments received by the Contractor as the result of medical expenses incurred by the Contractor for covered services which are re-insurable under the AHCCCS reinsurance program with dates of service during the Contract Year being reconciled. Reinsurance is a stop-loss program provided by AHCCCS to the Contractor for the partial reimbursement of covered medical services for the Contract Year.

**III. POLICY**

**A. GENERAL**

1. The ACC and the ACC-RBHA 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 the tiered reconciliation risk groups.
2. The tiered reconciliation risk groups to be included in this reconciliation are listed in the tables below. State only transplant rate codes (3100, 310Z, 3200, 320Z) will not be included in this reconciliation.

**NON-CRISIS RISK GROUPS AND CONTRACT TYPES TO BE INCLUDED:**

RISK GROUP	CONTRACT TYPE TO BE INCLUDED IN THE RECONCILIATION	CONTRACT TYPE DESCRIPTION
AGE <1	A H	ACC Capitated ACC Prior Period Coverage (PPC)
AGE 1-20	A H	ACC Capitated ACC Prior Period Coverage (PPC)
AGE 21+	A H	ACC Capitated ACC Prior Period Coverage (PPC)
DUALS	A H	ACC Capitated ACC Prior Period Coverage (PPC)
SUPPLEMENTAL SECURITY INCOME WITHOUT MEDICARE (SSIWO)	A H	ACC Capitated ACC Prior Period Coverage (PPC)
KIDSCARE	Y	ACC Capitated KidsCare
PROP 204 CHILDLESS ADULTS	A H	ACC Capitated ACC Prior Period Coverage (PPC)

RISK GROUP	CONTRACT TYPE TO BE INCLUDED IN THE RECONCILIATION	CONTRACT TYPE DESCRIPTION
EXPANSION ADULTS	A	ACC Capitated
	H	ACC Prior Period Coverage (PPC)
SERIOUS MENTAL ILLNESS (SMI) (ACC-RBHA ONLY)	C	ACC SMI Capitated
	D	ACC SMI Prior Period Coverage (PPC)
	W	ACC SMI KidsCare Capitated

**CRISIS (ACC-RBHA ONLY) INCLUDES ALL CONTRACT TYPES EXCEPT THOSE LISTED BELOW:**

CONTRACT TYPES TO BE EXCLUDED FROM THE CRISIS RECONCILIATION RISK GROUP	CONTRACT TYPE DESCRIPTION
1	No payment allowed
8	No payment/Medicare claims only
9	Non-AHCCCS claims processing only
N	ACC non-capped

3. The tiered risk corridor reconciliation is calculated according to the Profit/Loss percentages of Medical Revenue based on the following schedule as shown in the table below.

Refer to Attachment A for an example of the reconciliation calculation.

PROFIT	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR PROFIT	CUMULATIVE CONTRACTOR PROFIT
<=2%	100%	0%	2.00%	2.00%
>2% and <=4%	75%	25%	1.50%	3.50%
>4% and <=7%	25%	75%	0.75%	4.25%
>7%	0%	100%	0.00%	4.25%

LOSS	CONTRACTOR SHARE	STATE SHARE	MAX CONTRACTOR LOSS	CUMULATIVE CONTRACTOR LOSS
<=1%	100%	0%	1.00%	1.00%
>1% and <= 2%	75%	25%	1.75%	1.75%
>1% and <=2%	75%	25%	0.75%	1.75%
>2% and <=3%	50%	50%	0.50%	2.25%
>3% and <=4%	25%	75%	0.25%	2.50%
>4%	0%	100%	0.00%	2.50%

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

**B. AHCCCS RESPONSIBILITIES**

1. No sooner than six months after the end of the Contract Year to be reconciled, AHCCCS shall perform an initial reconciliation of Medical Revenue to Medical Expense as follows:

The Profit/Loss to be reconciled = Medical Revenue less Medical Expense less Provisions for Health Care Quality Improvement (HCQI) Activities.

The Profit/Loss percentage = Profit/Loss to be reconciled divided by Medical Revenue.

Attachment A provides an example of the tiered reconciliation calculation.

2. AHCCCS shall utilize only Medical Expenses as defined above 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 self-reported or audited Medical Sub-Capitated/Block Purchase Expense information to financial statements and other Contractor submitted files for reasonableness.
5. AHCCCS shall provide the Contractor with 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. Any initial reconciliation payments or recoupments shall be processed through future monthly capitation payments or invoiced as appropriate.

6. A final reconciliation shall be performed no sooner than 15 months after the end of the Contract Year to be reconciled. This shall allow for the completion of the claims lag, encounter reporting, and Reinsurance payments. AHCCCS shall provide the Contractor with 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.
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 shall be paid or recouped through a future monthly capitation payment or invoiced as appropriate.
8. AHCCCS shall include adjustments to the initial reconciliations to account for completion factors.
9. AHCCCS shall calculate for each Contractor, by Geographic Service Area (GSA), the percentage of the Contractor's Prior Period Coverage (PPC) membership out of their total membership for the Contract Year to be reconciled. Any Contractor where this calculated percentage exceeds the GSA average percentage across all Contractors by greater than 3% may have their reconciliation split between Prospective and PPC per applicable GSA.

#### **C. CONTRACTOR RESPONSIBILITIES**

1. The Contractor shall submit encounters for Medical Expenses and those encounters shall reach fully adjudicated and approved status (31 adjudication level status) by the date required by AHCCCS as specified in Section B of this policy. AHCCCS shall only utilize fully adjudicated and approved encounters reported by the Contractor to determine the Medical Expenses used in the reconciliation.
2. The Contractor shall maintain accurate 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](#) to meet the requirements of this Policy and as specified in Contract Section F, Attachment F3, Contractor Chart of Deliverables, Financial Reporting Package.
3. The Contractor shall monitor the estimated ACC and ACC-RBHA 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 Section F, Attachment F3, Contractor Chart of Deliverables, [Financial Reporting Package](#).
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, fully adjudicated, and approved no later than 15 months from the end of the Contract Year 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.

5. The Contractor shall submit any additional data as requested by AHCCCS for reconciliation purposes (e.g., encounter detail file, reinsurance payments).
6. The Contractor shall report all Medical Sub-Capitated/Block Purchase Expenses in a format requested by AHCCCS. The Medical Sub-Capitated/Block Purchase encounters ~~should~~<sup>4</sup> must have a CN 1 code of 05 and a paid amount of \$0 for all encounters. All sub-capitated/block purchase encounters that have a health plan paid amount greater than \$0 shall be excluded from the reconciliation expenditures.
7. If the Contractor performs recoupments/refunds/recoveries on claims or sub-capitation and block-purchase arrangements<sup>5</sup>, 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 to AHCCCS.
8. AHCCCS may impose Administrative Action on the Contractor for failure to meet the requirements of this Policy.

<sup>4</sup> Changed to emphasize the importance of correct encounter submission.

<sup>5</sup> Revised to ensure that sub-capitation and block-purchase arrangements are also taken into consideration when the Contractor performs recoupments/refunds/recoveries on claims.