

301- CYE 18-CYE 26 - ALTCS E/PD PROGRAM TIERED RECONCILIATION

EFFECTIVE DATES: 10/01/18, 10/01/19, 10/01/21, 10/01/22, 10/01/23, 10/01/26

APPROVAL DATES: 10/18/18, 07/23/20, 07/23/21, 08/04/22, 05/18/23, 05/13/24, 05/20/26

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 between after~~ October 1, 2018, to September 30, 2026¹, and is based upon net medical expenses 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 fully adjudicated and approved encounter data and Sub-Capitated/Block Purchase Expense reports. This reconciliation is performed annually on a contract year basis.

II. DEFINITIONS

Refer to the AHCCCS Contract and Policy ACOM and AMPM² Dictionary for common terms found in this Policy including:

CONTRACT YEAR	CONTRACTOR	MEMBER³
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For purposes of this Policy, the following terms are defined as:

ADMINISTRATIVE COMPONENT	An amount equal to the administrative Per Member Per Month (PMPM) built into the capitation rates multiplied by the actual member months for the contract year being reconciled. For CYE 24, the administrative PMPM amount built into the capitation rates includes amounts for sub-capitation/block purchase administrative expenses that had previously been reported as medical expenses
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) built into the capitation rates multiplied by the actual member months for the contract year being reconciled.

¹ Added to end date the policy.

² Revised to align with title change.

³ Removed not needed.

**HEALTH INSURANCE PROVIDER
FEE (HIPF) CAPITATION
ADJUSTMENT
(CYE 20 AND PRIOR)**

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.

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

Medical Expenses incurred by the Contractor as payments to a provider under a Sub-capitated or Block Purchase arrangement. The 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. Only the medical portion will be used. 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 medical services expenses, by risk group, by individual expense line item ~~by for dates~~ of service for the Contract Year being reconciled.⁴ 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 should not be reported for non-medical expenses and Alternative Payment Model Performance Based Payments to Providers.

NET CAPITATION

An amount equal to prospective and Prior Period Coverage (PPC) capitation paid, less the administrative component, the case management component, the Health Insurance Provider Fee (HIPF) capitation adjustment (CYE 20 and Prior), the Pharmacy Benefit Manager (PBM) Component (CYE 20), and the Premium Tax component. An amount equal to the Alternative Payment Model (APM) Withhold shall be deducted from capitation. ~~Refer to ACOM Policy 306 for the definition and computation of the APM.~~⁵

⁴ Clarifying content.

⁵ Removing this does not define the term.

NET MEDICAL EXPENSE

Prospective and [Prior Period Coverage \(PPC\)](#) 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 31 adjudication level status. This shall not include the costs of COVID -19 vaccine and vaccine administration for CYE 22 (October 1, 2021, to September 30, 2022), CYE 23 (October 1, 2022, to September 30, 2023) and CYE 24 (October 1, 2023, to September 2024). ~~Refer to ACOM Policy 302.~~⁶

**PHARMACY BENEFIT
MANAGER (PBM)
COMPONENT
(CYE 20 ONLY)**

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 on line 81305-01 as specified in the AHCCCS Financial Reporting Guide.

PREMIUM TAX

The tax imposed pursuant to ARS 36-2905 and 36-2944.01 for all payments made to the Contractor for the Contract year.

**PRIOR PERIOD
COVERAGE (PPC)**

For Title XIX members, 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 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, 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

The actual reinsurance payments received by the Contractor as the result of medical expenses incurred by the Contractor for covered services with dates of service during the Contract year being reconciled.

**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) and State only Transplants (rate codes 3100, 310Z, 3200, 320Z) are excluded from this reconciliation.

⁶ ACOM Policy 302 is being reserved as of 10/01/26, reference has been removed.

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 the tiered reconciliation risk groups.
2. Pharmacy Benefit Manager (PBM) components shall be removed for purposes of calculating net capitation in CYE 20 only. This PBM adjustment shall no longer be necessary for encounters with dates of service on and after 04/01/20.

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.

3. The reconciliation shall limit the Contractor’s Profit/Loss % to the % 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. 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 CONTRACT OR PROFIT	CUMULATIVE CONTRACTOR PROFIT
<= 2%	100%	0%	2%	2%
> 2% and <= 6%	50%	50%	2%	4%
> 6%	0%	100%	0%	4%

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

Refer to Attachment A for an example.

Profits in excess of the % set forth above shall be recouped by AHCCCS. 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 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 medical Sub-Capitated/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 Sub-Capitated/Block Purchase Expense information to financial statements and other Contractor submitted files for reasonableness.
5. For CYE 20 Only, 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 on line 81305-01 as described in the AHCCCS Financial Reporting Guide.
6. 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 distributions or recoupments shall be processed through future monthly capitation payments or invoiced as appropriate.
7. 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 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.
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 processed through a future monthly capitation payment or invoiced as appropriate.

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 (31 adjudication level 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 required by Contract and in the format specified in the AHCCCS Financial Reporting Guide to meet the requirements of this policy.
3. 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.
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 and 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, etc.).
6. The Contractor shall report all Sub-capitated/Block Purchase Expenses in a format requested by AHCCCS. Sub-capitated/Block Purchase encounters shall 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. 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 expenses in quarterly financial reports.

8. If the Contractor performs recoupments/refunds/recoveries on claims or sub-capitation and block-purchase arrangements⁷, 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.
9. AHCCCS may impose administrative action on the Contractor for failure to meet the requirements of this Policy.



⁷ Revised to ensure that sub-capitation and block-purchase arrangements are also taken into consideration when the Contractor performs recoupments/refunds/recoveries on claims.