

302 PRIOR PERIOD COVERAGE RECONCILIATION: ADMINISTRATIVE SERVICES SUBCONTRACTORS

EFFECTIVE DATE: October 1, 2018

REFERENCES: A.R.S. § 36-2905 and § 36-2944.01; A.A.C. R9-22-101; Patient Protection and Affordable Care Act, Section 9010; ACOM 412

Due to the uncertainty regarding actual utilization and medical cost experience during the Prior Period Coverage (PPC) period, the Division intends to limit the financial risk to its Administrative Services Subcontractors (ADSS). The PPC Reconciliation applies to dates of service effective in Contract Year Ending (CYE) 19 and Forward, and is based upon prior period expenses and prior period net capitation as described in this policy. The Division will recoup/reimburse a percentage of the AdSS's profit or loss for all risk groups as described below. All profit/loss sharing is based on adjudicated encounter data and subcapitated/block purchase expense reports. This reconciliation is performed annually on a contract year basis, which is October 1 to September 30.

Definitions

- A. Access to Professional Service Initiative (APSI) - Effective October 1, 2018, the Division seeks to provide enhanced support to certain professionals in order to (1) preserve and enhance access to these professionals who deliver essential services to members and (2) support professionals who are critical to professional training and education efforts. APSI is a program to preserve and promote access to medical services through a uniform percentage increase to the AdSS's rates for professional services provided by qualified physicians and non-physician professionals affiliated with designated hospitals who meet the definition outlined in ACOM Policy 325.
- B. Administrative Component - The administrative component is equal to the administrative Per Member Per Month (PMPM) built into the rates multiplied by the actual PPC member months for the contract year being reconciled.
- C. Health Insurer Fee Capitation Adjustment - 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.
- D. 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 until the date the member is enrolled with an AdSS. Refer to A.A.C. R9-22-101. If a member made eligible via the Hospital Presumptive Eligibility (HPE) program is subsequently determined eligible for the Division via the full application process, prior period coverage 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. The time period for prior period coverage does not include the time period for prior quarter coverage.
- E. PPC Capitation - 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.

- F. PPC Medical Expense - Total expenses covered under the contract for services provided during the PPC time period, which are reported through **fully adjudicated encounters**. This will exclude APSI expenses.
- G. PPC Net Capitation - PPC capitation less the administrative component, the health insurer fee capitation adjustment, APSI capitation and the premium tax component.
- H. PPC Reconciliation Risk Groups - Populations subject to this reconciliation include all PPC risk groups except State Only Transplants and Adult Group above 106% FPL (Adults > 106%) (formerly known as Newly Eligible Adults or NEAD) (Acute Care Contractors Only).
- I. Premium Tax - The premium tax is equal to the tax imposed pursuant to A.R.S. § 36-2905 and §36-2944.01 for all payments made to AdSSs for the Contract Year.

Policy

A. General

- 1. The reconciliation must relate solely to fully adjudicated PPC medical expense for all PPC reconciliation risk groups. The enhanced portion of a payment for Primary Care Enhanced Payment (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. The enhanced portion of a payment for APSI that is subject to a unique reconciliation as outlined in ACOM Policy 325 will also be excluded from this reconciliation.
- 2. The reconciliation will limit the AdSS's profits and losses to 2% of the AdSS's PPC net capitation for all PPC reconciliation risk groups combined (See Attachment A for calculation). Any losses in excess of 2% will be reimbursed to the AdSS, and likewise, profits in excess of 4% will be recouped. The full PPC period is eligible for this reconciliation.

B. Division Responsibilities

- 1. No less than six months after the contract year to be reconciled, the Division will perform an initial reconciliation. The reconciliation will be calculated as follows:

PPC Net Capitation

Less: PPC Medical Expense

Equals: Profit/Loss to be reconciled adjusted for PCP Parity

The Division may incorporate completion factors in the initial reconciliation based on internal data available at the time of the reconciliation.

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

2. The Division will compare fully adjudicated encounter information to financial statements and other AdSS submitted files for reasonableness.
3. The Division will provide the AdSS with the data used for the initial reconciliation and provide a set time period for review and comment by the AdSS. Upon completion of the review period, the Division will evaluate AdSS comments and make any adjustments to the data or reconciliation as warranted. The Division may then process partial distributions/recoupments through a future monthly capitation payment.
4. A second and final reconciliation will be performed no less than 12 months after the end of the contract year to be reconciled. This will allow for completion of the claims lag and encounter reporting. The Division will provide the AdSS with the data used for the final reconciliation and provide a set time period for review and comment by the AdSS. Upon completion of the review period, the Division will evaluate AdSS comments and make any adjustments to the data or reconciliation as warranted.
5. Any amount due to or due from the AdSS as a result of the final reconciliation that was not distributed or recouped as part of the initial reconciliation will be paid or recouped through a future monthly capitation payment.

C. AdSS Responsibilities

1. The AdSS must submit encounters for PPC medical expense and those encounters must reach a fully adjudicated status by the required due dates. The Division will only use fully adjudicated encounters reported by the AdSS to determine the medical expenses used in the reconciliation.
2. The AdSS must maintain financial statements that separately identify all PPC transactions, and must submit such statements as required by contract and in the format specified in the AHCCCS Financial Reporting Guide.
3. The AdSS must monitor the estimated PPC reconciliation receivable/payable and record appropriate accruals on financial statements submitted to the Division on a quarterly basis.
4. It is the AdSS's responsibility to identify to the Division any encounter data issues or necessary adjustments by the initial reconciliation due date. It is also the responsibility of the AdSS to correct (including adjudication of corrected encounters) any identified encounter data issues no later than 12 months after the end of the contract year being reconciled. Reconciliation data issues identified that are the result of an error by the Division will be corrected prior to the final reconciliation.
5. The AdSS must submit any additional data as requested by the Division for reconciliation purposes (e.g. encounter detail file).

6. If the AdSS performs recoupments/refunds/recoveries on PPC claims, the related encounters must be adjusted (voided or void/replaced) pursuant to ACOM Policy 412. The Division reserves the right to adjust any previously issued reconciliation results for the impact of the revised encounters and recoup any amounts due to the Division. If the AdSS does not submit the revised encounters within the required timeframe, the Division may recoup the estimated impact on the reconciliation and reserves the right to sanction the AdSS.